



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

MAY 16 1989

FmHA AN No. 1928 (1945)

May 16, 1989

SUBJECT: Establishing Commodity Prices to be Used
for Calculating Values of Production
Losses for EM Loan Applicants

TO: State Directors, District Directors
and County Supervisors

ATTN: Chiefs, Farmer Programs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to reiterate and further instruct FmHA personnel on the proper method to be used when establishing agricultural commodity prices, for use in calculating values of production losses needed to determine EM loan eligibility and maximum EM loan entitlement.

COMPARISON WITH PREVIOUS AN:

This AN is a follow up to AN No. 1631 (1945), which expired July 31, 1988.

IMPLEMENTATION RESPONSIBILITIES:

FmHA Instruction 1945-D, paragraph (a)(2)(iv) of Section 1945.163 describes precisely how unit prices are to be established. The precise language with which this regulation is written is directly related to the language contained in Section 329 of Subtitle C of the Consolidated Farm and Rural Development Act, as amended; and there is no administrative discretion in the field to change the process or the sources of information used in establishing these commodity prices.

Recently, one of the Regional Offices of the Office of the Inspector General (OIG) advised the FmHA National Office that it had reviewed emergency (EM) loan making in three States and found that none of the three States was adhering to paragraph 1945.163(a)(2)(iv). As a matter of fact, one of those States acknowledged it was not complying with the regulation. They had established their commodity prices correctly the previous year, but chose not to comply with the regulation as a matter of expediency, for 1989 loan making.

EXPIRATION DATE: May 31, 1990

FILING INSTRUCTIONS: Preceding
FmHA Instructions 1945-D



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Secretary of Agriculture, Washington, D.C. 20250

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As you know it is not within the purview of State Directors', District Directors', County Supervisors' or State Office program staff members' authorities to determine that a regulation or a portion of a regulation can be arbitrarily changed or ignored. The very purpose of National regulations is to assure compliance with the law and administration of programs uniformly throughout the Nation. When National regulations are not adhered to, there will be deviations that are discriminatory, i.e., some applicants who should qualify for EM loan assistance will be excluded from that assistance; and some who should be excluded will qualify. These actions invite investigations by OIG, GAO and the news media and often lead to law suits which ultimately discredit the Agency.

We urge each of you, especially those who have active EM designations and are now processing EM loan applications, to reread FmHA Instruction 1945-D, §1945.163. It could save all of us the headaches and embarrassment of having to go back and process improper/unauthorized loans under FmHA Instruction 1951-L. If you have need for clarification or interpretation of any part of FmHA Instruction 1945-D, you should call David Smith or Morris Monesson on FTS 382-1632.



NEAL SOX JOHNSON
Acting Administrator

Sent by ASD 11:30 Am to States; 1:30 Pm to Districts;
3:30 Pm to Counties; May 18, 1989 by time option
telemail. State Directors will immediately distribute to Farmer
Programs Chiefs and other appropriate personnel.