July 2008

Fact Sheet

Honey Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment Program-

According to the 2008 Farm Bill

Overview

The honey nonrecourse marketing assistance loan and LDP program provides eligible honey producers with two forms of federal assistance. The program helps to stabilize America's honey industry and ensure the well being of agriculture in the United States. Nonrecourse marketing assistance loans are administered by FSA, on behalf of the Commodity Credit Corporation (CCC).

Honey Nonrecourse Marketing Assistance Loan

Honey nonrecourse marketing assistance loans provide eligible producers with interim financing on their production and facilitate the orderly distribution of loan-eligible honey throughout the year. Instead of selling the honey immediately after harvest, a nonrecourse loan allows a producer with eligible honey to store the production, pledging the honey itself as collateral. The loan helps an eligible producer pay bills when they come due without having to sell the honey at a time of year when prices tend to be lowest. When market conditions may be more favorable, a producer may sell the honey and repay the loan with the proceeds of the sale. If a producer is unable to repay the loan, he or she can deliver to CCC the quantity of honey pledged as collateral as full payment for the loan at maturity.

Market loan repayment provisions specify that, under certain circumstances, producers may repay loans at less than principal plus accrued interest and other charges, with repayment of some portion of the relevant interest and principal being waived. Producers may also use commodity certificates to repay marketing assistance loans.

Eligibility

To be eligible for a loan, a producer must have:

- Produced honey in the United States during the calendar year for which the loan is requested, and extracted honey on or before December 31, of the applicable crop year;
- Had a continuous beneficial interest in the honey through date of repayment of the loan; and
- Been responsible for the financial risk of keeping the bees and producing the honey.

To be eligible for a loan, the honey must:

- Have been produced by an eligible producer;
- Have been produced and extracted in the United States during the applicable calendar year;
- Be of merchantable quality deemed by CCC to be suitable for loan; and
- Be stored in acceptable containers.

Program Availability

The CCC makes 9-month nonrecourse marketing assistance loans available to producers on 2002-2007 crop honey.

Loan Availability Date

Eligible producers must submit requests for *honey nonrecourse marketing assistance loans* on or before March 31, of the calendar year following the applicable crop year.

Maturity Date

Loans mature on demand, but no later than the last day of the 9th month after the note and security agreement were approved.

Loan Rate and Conditions

The nonrecourse marketing assistance loan program applies to 2002-2007 crop honey and provides a national average loan rate of 60 cents per pound. The loan rate is calculated by a formula provided by the 2002 Act.

Where to Request Loans

If the honey is stored on the producer's farm, the producer should apply at the FSA county office serving the area. If the honey is stored at a location other than the producer's farm, the producer may apply either:

1) At the FSA county office serving the storage location, or

2) At the FSA county office serving the area in which the producer's main business is located.

How to Request a Loan

To request a Honey Nonrecourse Marketing Assistance Loan:

- Fill out form CCC-633EZ, page 1 to establish beneficial interest
- To request a honey loan, fill out form CCC-633 (honey)

Honey LDP's may also be requested by using the Internet. Please refer to the fact sheet ***"eLDPs-Loan Deficiency Payments Online"*** for a complete description of how to use the eLDP service.

Other Program Provisions

- A loan service fee is collected at the time of loan disbursement.
- Interest is charged at a rate of 1 percent higher than the CCC borrowing interest rate.
- Honey pledged as collateral for a loan must be from eligible floral sources and must be in containers that meet the type, size, cleanliness, strength, damage and fill requirements defined by regulations published by CCC in the Federal Register.
- Pre-loan inspections are required to ensure that honey inventory exists in approved storage containers and is of approximate certified weight.

Loan Deficiency Payment Provisions

Producers who are eligible for nonrecourse marketing assistance loans may choose to receive loan deficiency payments (LDPs) in lieu of marketing loans. LDPs provide producers with price support during times of low market prices. LDP provisions are active when the alternative repayment rate at a given location is less than the base loan rate at the same location, i.e., when the payment rate is greater than zero. Premiums and discounts are not considered when determining the LDP rate. LDP provisions are in effect for a given loan-eligible quantity of honey until the final loan availability date.

Payment Limitations

The 2002 Act provides a $75,000 payment limitation beginning with the 2002 crop year for any:

- Gain received by the producer from repaying a marketing assistance loan for honey at a lower rate than the original loan rate; or
- Loan deficiency payment received.

There are other conditions that also may apply.

For More Information

Further information on this and other FSA program, contact your FSA local office, or visit Montana FSA's home page at: http://www.fsa.usda.gov/mt

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