FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

October 2009

Pulse Crops: Summary of 2008-2012 Program

Overview

The Food, Conservation, and Energy Act of 2008 (2008 Act) provides, for the first time, marketing assistance loans (MALs) and loan deficiency payment (LDP) provisions for large chickpeas for the 2009-2012 crops. MALs provide interim financing on eligible production and facilitate the orderly marketing of loan eligible commodities throughout the year.

Nonrecourse MALs and LDPs

MALs provide eligible producers interim financing on their production. Instead of selling the crop immediately at harvest, producers may pledge their production as loan collateral, receiving loan proceeds equal to the loan rate times the quantity placed under loan. MALs mature at the end of the ninth month following the month in which the loan was received.

Under marketing loan provisions, producers may (under certain conditions) repay a 9-month nonrecourse price support loan at less than the loan rate plus accrued interest and other charges whenever the Commodity Credit Corporation (CCC) estimates that the regional or national market price is lower. Producers are also eligible for a LDP in lieu of obtaining a loan.

Loan Deficiency Payments

A producer who is eligible to obtain a MAL, but who agrees to forgo the MAL, may obtain an LDP. The LDP rate equals the amount by which the applicable loan rate where the commodity is stored exceeds the effective MAL repayment rate for the respective commodity. The LDP equals the LDP rate times the quantity of the commodity for which the LDP is requested.

Eligibility

To be eligible for a MAL and LDP, the producer must:

- comply with conservation and wetland protection requirements;
- submit an acreage report to account for all cropland acreage usage on the farm; and
- have and retain beneficial interest in the commodity until the MAL is repaid or CCC takes title to the commodity.

To be eligible for a MAL and LDP, the commodity must:

- have been produced, mechanically harvested by an eligible producer and be in storable condition,
- be merchantable for food, feed, or other uses as determined by CCC, and
- meet specific CCC minimum grade and quality standards for non recourse MALs.

Loan rates

- For small and large chickpeas, the national loan rate is applied uniformly in all counties;
- For dry peas and lentils, two regional loan rates are established and applied uniformly in all counties within those regions; and
- Are based on the region where the commodity is stored.

The 2008 Act sets national loan rates at the levels shown in Table 1 (shown on last page).

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Two dry peas and lentils regional markets were identified for all the crop years covered in the 2008 Act. West region includes all counties in the Palouse (Idaho, Oregon, and Washington) and other states west of the Rocky Mountains (Arizona, California, Nevada, New Mexico, and Utah). East region includes all counties in Montana and North Dakota, plus all counties in all other States not in the West Region. See Table 2, for the 2009 crop year regional loan rates for dry peas and lentils.

Table 2 (shown on last page) Dry Peas and Lentils 2009 Crop Year Regional Loan Rates per Hundredweight (cwt):

Premiums and Discounts

Premiums and discounts are determined according to the grade and quality of a specific quantity of a commodity that a producer pledges as loan collateral. Premium and discount schedules vary considerably by commodity and are applied to the loan rate in the county where the commodity is stored. On a per-unit basis, premiums are added to and discounts are subtracted from the loan rate when the MAL is not repaid and forfeited to CCC.

Beneficial Interest

A producer retains beneficial interest in the commodity if all of the following remain with the producer:

- Control of the commodity. The producer retains the ability to make all decisions affecting the commodity, including movement, sale, and the request for a MAL or LDP,
- Title to the commodity. The producer has not sold or has not delivered the commodity or warehouse receipt to the buyer. Title may be considered to be transferred before the producer receives payment for the commodity. For example, title is considered transferred if a producer executes an option to purchase without a provision in the agreement that states that title and control remain with the producer until the buyer exercises this option to purchase and the option to purchase expires at the earlier of:
  - the maturity of any CCC loan secured by such commodity;
  - the date CCC claims title to such commodity; or
  - another date provided in the option.

Once beneficial interest in the commodity is lost, the commodity loses eligibility for a MAL or LDP and remains ineligible even if the producer later regains beneficial interest.
If the commodity is delivered to a buyer, processor, feedlot or mill that rejects the commodity because minimum standards are not met, beneficial interest shall not be considered lost by the producer if the commodity is returned to the producer.

The commodity is not considered rejected, if the producer receives a reduced contract price for the commodity.

For further information see the FSA Fact Sheet on Beneficial Interest Requirements For MALs and LDPs, contact a local USDA Service Center, or visit the FSA Web site at http://www.fsa.usda.gov/Internet/FSA_File/benint06.pdf

Settling Loans

MALs mature on the last day of the ninth calendar month following the month in which the MAL is approved. A producer may settle an outstanding nonrecourse MAL:

- during the loan period by repaying the MAL; or
- upon maturity by forfeiting the commodity to CCC.

Loan Repayment Rates

A producer may repay a MAL any time during the loan period at the lesser of the:

- loan rate plus accrued interest and other charges; or
- alternative loan repayment rates as determined by CCC.

CCC determines and announces regional posted prices for dry peas and lentils, and national posted price for large and small chickpeas. Pulse crop loan repayment rates are established on a weekly basis and announced each Friday at 7:00 a.m. Eastern time and are available at each FSA county office. The loan repayment rates are established by CCC based on previous thirty and five day's market prices for each pulse crop.

Interest

The interest rate charged on a commodity loan is set at 1 percentage point above CCC's cost of borrowing from the U.S. Treasury at the time the loan is made. Once a loan is made, the rate is fixed except that the interest rate for loans outstanding on January 1 is adjusted to reflect CCC's cost of borrowing on January 1, plus 1 percentage point.

Accrued interest is the amount of interest that accrues while a loan is outstanding, starting with the day the loan is made. Accrued interest is calculated as: (i) the applicable interest rate times (ii) the ratio of the number of days under loan (starting with the initial day and continuing through the day prior to the day a loan is repaid) to the number of days in a year (i.e., 365) times (iii) the loan principal.

Commodity Certificates

Commodity certificates are available to producers to exchange for 2008 and 2009 crop collateral pledged to CCC for a MAL. Commodity certificates will be available for sale at USDA Service Centers to producers with outstanding nonrecourse MALs. The exchange rate will be the PCP on the date the commodity certificate is purchased. Realized gains from the certificate exchange, also called certificate exchange gains, equal the amount by which the loan rate exceeds the repayment rate. Commodity certificate exchanges will not be available when the exchange rate exceeds the applicable loan rate.

Commodity certificates will not be available for exchange for any 2010 through 2012 crop MALs.

Other Requirements:

Production Evidence

A producer who repays a MAL at less than the loan rate plus accrued interest and other charges or receives an LDP may be subject to a spot check and must provide production evidence acceptable to CCC, such as evidence of sales, warehouse receipts, or load summary or assembly sheets.

Final Loan/LDP Availability Dates

The final pulse loan/LDP availability date is May 31 of the calendar year after the calendar year the pulse is harvested.

Adjusted Gross Income

A person or legal entity with an average adjusted gross nonfarm income that exceeds $500,000 is not eligible for marketing loan gains (MLGs) and LDP payments. However, the person or entity is eligible for a MAL, but the MAL must be repaid at principal plus interest, or a commodity certificate may be exchanged for the loan collateral.

For more information on AGI limitation, see the FSA Fact Sheet dated March 18, 2009, Adjusted Gross Income 2009 and Subsequent Crop Years, or contact a local USDA

Service Center, or visit the FSA website at http://www.fsa.usda.gov/Internet/FSA_File/agi2009.pdf

Payment Limitations

Beginning with the 2009 crop year and subsequent crop years, CCC will no longer limit payment limitations on any benefit associated with MAL or LDP programs

MLGs and LDPs obtained on 2008 crops are subject to the payment limitation rules in effect for the 2008 crop.

A payment limitation for 2008 crop year on the sum of MLGs and LDPs is subject to a $75,000-per-person payment limitation as follows:

- $75,000 total for wheat, corn, grain sorghum, barley, oats, upland cotton, rice, soybeans, other oilseeds, dry peas, lentils and small chickpeas; and
- $75,000 total for peanuts, wool, mohair and honey.

Average Crop Revenue Election (ACRE)

MAL rate will be reduced by 30 percent if production comes from a farm enrolled in the ACRE program. Lesser of repayment options will not be adjusted by 30 percent. See Fact Sheet dated March 16, 2009, ACRE program, or contact a local USDA Service Center, or visit the FSA website at http://www.fsa.usda.gov/Internet/FSA_File/acre.pdf

Table 1 Pulse Crop National Loan Rates per Hundredweight (cwt): 2008-2012:

Pulse Crop	2008	2009-2012
Dry Peas	$6.22	$5.40
Lentils	$11.72	$11.28
Small Chickpeas	$7.43	$7.43
Large Chickpeas	NA	$11.28

Table 2 Dry Peas and Lentils 2009 Crop Year Regional Loan Rates per Hundredweight (cwt):

Region	States	Dry Peas Loan Rate	Lentils Loan Rates
West, which includes the Palouse	Alaska, Arizona, California, Hawaii, Idaho, Nevada, New Mexico, Oregon, Utah, and Washington.	$6.12 per cwt.	$14.62 per cwt.
East	Montana and North Dakota, plus all other States not in the West region.	$5.25 per cwt.	$9.65 per cwt.