

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

<b>Direct Loan Making 3-FLP (Revision 2)</b>	<b>Amendment 53</b>
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**Approved by:** Deputy Administrator, Farm Loan Programs



**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 201 D has been amended to clarify use of direct annual Operating Loan funds to finance multiple production cycles within a 12-month period.

<b>Page Control Chart</b>		
<b>TC</b>	<b>Text</b>	<b>Exhibit</b>
	9-2.5, 9-2.6	



## 201 Uses (Continued)

**D Annual Farm Operating Expenses**

OL funds may only be used for:

**[7 CFR 764.251(a)(3)] Farm operating expenses, including but not limited to, feed, seed, fertilizer, pesticides, farm supplies, repairs and improvements which are to be expensed, cash rent and family living expenses;**

See Exhibit 2 for the definition of family living expenses.

\*--Financing multiple production cycles is achievable with a direct annual OL in limited circumstances. This can be accomplished through the release of proceeds from the sale of normal income security if previously approved by FSA. Financing multiple production cycles with a direct annual OL may be applicable only for operations that have multiple production cycles within a 12-month period. Release of proceeds from the sale of normal income security to finance future production cycles must be:

- used to finance production cycles that are projected to be completed within a 12-month period from the date of loan closing
- completed according to 4-FLP, paragraph 164--\*
- described on FSA-2040
- budgeted for in the farm operating plan
- thoroughly documented in the FBP Credit Presentation “Capacity” section.

\*--**Example:** A cattle feeder operation plans to purchase and feed 3 sets of calves within a 12-month period (one set every 4 months with \$125,000 of associated credit--\* needed for each rotation). FSA approves a \$125,000 direct annual OL request to purchase and feed the initial set of cattle. When the first set of calves are sold, FSA will release the sale proceeds in accordance with the approved farm operating plan and FSA-2040. The sale proceeds will be used to purchase the \*--second set of calves and inputs. This may continue for the third set of calves. The sale proceeds from the third set of calves would be used to pay the direct--\* annual OL in full.

**201 Uses (Continued)**

**D Annual Farm Operating Expenses (Continued)**

Limitations and considerations:

- can be used for both new and existing customers
- \*--loan maturities beyond 12 months will only be authorized to allow time to complete marketing and sale of commodities--\*
- monthly cash flow budgets are encouraged; at a minimum, the farm operating plan will cover the term of the loan and each production cycle should show detailed income and expenditures associated with each cycle
- servicing will be consistent with 4-FLP, paragraph 164.