# U.S. DEPARTMENT OF AGRICULTURE

# COMMODITY CREDIT CORPORATION

# 2013 ANNUAL MANAGEMENT REPORT

**U.S. Department of Agriculture**
**Commodity Credit Corporation**

1400 Independence Avenue, S.W.
Washington, DC 20250

2013 Annual Management Report

# PREFACE

This Annual Management Report shows the results of the Commodity Credit Corporation's (CCC) operations for fiscal year 2013. This report meets the requirements of the *CCC Charter Act*, as amended, and the *Government Corporation Control Act*, as amended.

CCC worked closely with CliftonLarsonAllen LLP and the Office of Inspector General (OIG) for the United States Department of Agriculture (USDA) in the development of this report. The electronic version of this report can be found at http://www.usda.gov/oig.

The Management's Discussion and Analysis section of the report contains the purpose, authority, mission, and goals of the Corporation, financial, program summaries, and performance measures. This report also includes the audit opinion letter, performance information, financial statements, and accompanying notes.

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# Message from the Chief Financial Officer

I am pleased to present the Commodity Credit Corporation's (CCC) Fiscal Year (FY) 2013 Financial Statements. The CCC is committed to the principles as established by executive and legislative mandates that include information technology, financial management, procurement, and program performance management. During FY 2013, CCC continued to move aggressively to carry out its mission to provide high quality services to the Nation's agricultural community and to proactively respond to worldwide agricultural needs.

CCC's financial condition was significantly impacted by various programs due to events in the global marketplace, extreme weather conditions, natural disasters, conservation, and the *Food, Conservation, and Energy Act of 2008* (2008 Farm Bill). To help keep American agriculture profitable and keep farmers on the farm, the Farm Service Agency (FSA), administering CCC's programs, paid farmers approximately $10 billion in the form of direct payments, conservation payments, storage facility loans, market assistance loans, and other loan payments.

Accountability and transparency are at the very core of CCC. For the eleventh consecutive year, we earned an unqualified audit opinion on our financial statements. The external auditors' opinion is a testament to the hard work and dedication to strong financial management practices performed in an effective and efficient manner by the professionals who provide finance, accounting, and budget support to CCC. The unqualified audit opinion validates our efforts to ensure that the financial statements of the funds for which we are stewards are fairly presented.

While our financial statements are in good condition, CCC's financial processes and practices still have room for improvement. Our independent auditors identified one material weakness, and one significant deficiency, in CCC's internal controls. The material weakness is related to Funds Control Management. We will take aggressive action in FY 2014 to address the underlying causes of this weakness. Additionally, we will address the significant deficiency just as aggressively.

Under the requirements of the *Federal Managers' Financial Integrity Act* of 1982, CCC's management conducted its annual assessment and concluded that the system of internal controls, taken as a whole, complies with internal control standards prescribed by GAO and provides reasonable assurance that the related objectives are being met. In FY 2014, our focus will be on maintaining and improving strong financial management internal controls.

CCC's financial statements, included herein, report the Corporation's FY 2013 financial position, results of operations, and status of budgetary resources. These statements are in compliance with the format prescribed by OMB in the form and content of Federal financial statements (Circular A-136), and are in accordance with Generally Accepted Accounting Principles for Federal entities. Financial management performance measures also accompany the financial results. These performance measures demonstrate areas of efficiency, accomplishments, and highlight areas for improvement.

I appreciate the efforts of the financial management professionals who support CCC for their continued dedication and hard work this past year. It is their efforts that enable CCC to deliver the most accurate, transparent, and useful information possible as we continue to work together in our quest for excellence in financial management.

Sincerely,

**Bruce E. Ward**
Chief Financial Officer
Commodity Credit Corporation

# Part I: Management Discussion and Analysis (Unaudited)

Certain information contained in this discussion is considered "forward-looking information" as defined by the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 15, *Management's Discussion and Analysis.* Such forward-looking information includes estimates and is subject to risks and uncertainties that could cause actual results to differ materially from this discussion.

# Mission Statement

The Commodity Credit Corporation is a Government-owned and operated entity dedicated to:

- Stabilizing, supporting, and protecting farm income and prices.
- Conserving soil, air, and water resources and protecting and improving wildlife habitats.
- Maintaining balanced and adequate supplies of agricultural commodities and aiding in their orderly distribution.
- Developing new domestic and foreign markets and marketing facilities for agricultural commodities.

# History of the Commodity Credit Corporation

Established in 1933, the Commodity Credit Corporation (hereinafter CCC or Corporation) is a government-owned corporation within the United States Department of Agriculture (USDA) created to stabilize, support, and protect farm income and prices. CCC is also the Federal government's primary financing arm for many domestic and international agricultural programs. The statutory authority for Corporation operations is found in the *CCC Charter Act*, 62 Stat.1070; 15 U.S.C. 714, and et seq. CCC helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution.

CCC helps America's agricultural producers through commodity and farm storage facility loans, purchases, and income support payments. CCC also works to make available materials and facilities required in the production and marketing of agricultural commodities. In addition, CCC provides incentives and payments to landowners to establish conservation practices on their land.

CCC provides agricultural commodities to other Federal agencies and foreign governments. CCC also donates commodities to domestic and international relief agencies as well as foreign countries. CCC assists in the development of new domestic and foreign markets and marketing facilities for American agricultural commodities. CCC operates numerous domestic programs such as income support, disaster assistance, and conservation programs. It also extends direct credit and guarantees commodity sales to foreign countries throughout the world.

CCC has its own disbursing authority and utilizes the Federal Reserve Bank system and United States Treasury to make payments. This disbursing authority allows CCC to make payments quickly and to provide financial support to America's producers and farmers immediately. CCC has multiple funding mechanisms. Most of the domestic programs are operated out of a revolving fund, in which CCC has a permanent indefinite borrowing authority, as defined by Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget*. Borrowing authority permits the Corporation to incur obligations and authorizes it to borrow funds to liquidate the obligations. This fund also receives money from appropriated funding for costs incurred (i.e., realized losses), loan repayments, inventory sales, interest income, and fees. Additionally, CCC receives direct appropriations for specific programs such as its Credit Reform programs, foreign grant and donation programs, and disaster relief.

# Structure of the Commodity Credit Corporation

A Board of Directors manages CCC and is subject to the general supervision and direction of the Secretary of Agriculture who is an *ex officio* director and chairperson of the Board. The Board consists of seven members in addition to the Secretary. The President of the United States, with the advice and consent of the Senate, appoints the board members to office. The members of the Board and the Corporation officers are officials of USDA. CCC officers, directly or through officials of designated USDA agencies, maintain liaison with numerous other governmental and private trade operations.

CCC has no actual employees; it carries out the majority of its programs through the personnel and facilities of the Farm Service Agency (FSA), Agricultural Marketing Service (AMS), Natural Resources Conservation Service (NRCS), Foreign Agricultural Service (FAS), and the United States Agency for International Development (USAID). Most CCC programs are delivered through an extensive nationwide network of FSA field offices, including approximately 2,100 USDA Service Centers and 51 state offices (including Puerto Rico). This network enables CCC to maintain a close relationship with customers, successfully addressing their needs and continually improving program delivery. FSA implements CCC-funded programs for income support, disaster assistance, conservation, and international food procurement.

Though FSA provides the staff for CCC, several CCC-funded programs fall under purview of FAS or NRCS. FAS has the primary responsibility for USDA international activities - market development, trade agreements and negotiations, and the collection and analysis of statistics and market information. It also administers the USDA export credit guarantee and certain food aid programs and helps increase income and food availability in developing nations by mobilizing expertise for agriculturally led economic growth.

NRCS provides leadership in a partnership effort to help American private landowners and managers conserve their soil, water, and other natural resources. It also provides financial assistance for many conservation activities. CCC reaches out to all segments of the agricultural community, including underserved and socially disadvantaged farmers and ranchers to ensure that CCC programs and services are accessible to everyone.

# Organizational Structure

## CCC Board of Directors

Chairperson, Thomas James Vilsack, Secretary of Agriculture
Vice Chairperson, Krysta L. Harden, Deputy Secretary of Agriculture
Member, Michael T. Scuse, Under Secretary, Farm and Foreign Agricultural Services (FFAS)
Member, Vacant, Under Secretary, Rural Development (RD)
Member, Kevin W. Concannon, Under Secretary, Food, Nutrition, and Consumer Services (FNCS)
Member, Vacant, Chief Financial Officer, USDA
Member, Edward M. Avalos, Under Secretary, Marketing and Regulatory Programs (MRP)
Member, Robert Bonnie, Under Secretary, Natural Resources and Environment (NRE)

## CCC Officers

President, Michael T. Scuse, Under Secretary, FFAS
Executive Vice President, Juan M. Garcia, Administrator, Farm Service Agency (FSA)
Vice President, Candace Thompson, Associate Administrator, Operations and Management, FSA
Vice President, Anne L. Alonzo, Administrator, Agricultural Marketing Service (AMS)
Vice President, Philip C. Karsting, Administrator, Foreign Agricultural Service (FAS)
Vice President, Philip C. Karsting, General Sales Manager, FAS
Vice President, Audrey Rowe, Administrator, Food and Nutrition Service (FNS)
Vice President, Jason Weller, Chief, Natural Resources Conservation Service (NRCS)
Deputy Vice President, James W. Monahan, Deputy Administrator, Commodity Operations, FSA
Deputy Vice President, Mark A. Rucker, Deputy Administrator, Management, FSA
Deputy Vice President, J. Michael Schmidt, Deputy Administrator, Farm Programs, FSA
Deputy Vice President, Gregory A. Diephouse, Deputy Administrator, Field Operations, FSA
Deputy Vice President, Joy Harwood, Director, Economic & Policy Analysis Staff, FSA
Deputy Vice President, Leonard Jordan, Associate Chief, Conservation, NRCS
Deputy Vice President, Anthony Kramer, Deputy Chief, Programs, NRCS
Deputy Vice President, Thomas Christensen, Acting Associate Chief, Operations, NRCS
Secretary, Steven N. Mikkelsen, Acting Executive Assistant to the Administrator, FSA
Deputy Secretary, Vacant, Farm Service Agency
Assistant Secretary, Monique B. Randolph, Staff Assistant, FSA
Chief Financial Officer, Bruce E. Ward, Chief Financial Officer, FSA
Treasurer, Joseph Spain Jr., Director, Financial Management Division, FSA
Chief Accountant, Sherry A. Laws, Center Director, Policy, Accounting, Reporting, and Loan Center, Financial Management Division, FSA

## Advisors

General Counsel, Ramona Emilia Romero, Office of the General Counsel
Associate General Counsel, Ralph A. Linden, Natural Resources and Environment Division

# CCC Program Areas

CCC funds many programs that fall under multiple agencies within the USDA. Each CCC-funded program helps achieve parts of both CCC's mission and the strategic plan of the agency under which the program falls. CCC's mission and strategic goals are achieved through the successful implementation of the following key program areas:

Income Support and Disaster Assistance – Income support and disaster assistance programs provide financial assistance to protect farmers and ranchers from fluctuations in market conditions and unexpected natural or man-made disasters. Assistance is provided through income support programs, disaster assistance programs, and the Noninsured Crop Disaster Assistance Program (NAP). FSA is responsible for administering income support and disaster assistance programs.

Conservation – Supported by the *Food, Conservation, and Energy Act of 2008* (2008 Farm Bill), conservation programs offer farmers and ranchers a variety of financial and economic incentives to conserve natural resources on the nation's privately owned farmlands. These programs focus on reducing erosion, protecting streams and rivers, restoring and establishing fish and wildlife habitats, and improving air quality through several conservation incentive payments, technical assistance, and cost-share programs. FSA and NRCS administer CCC conservation programs.

Commodity Operations and Food Aid – FSA personnel handle the procurement, acquisition, storage, disposition, and distribution of commodities, and the administration of the *United States Warehouse Act* (USWA). These programs help achieve domestic farm program price support objectives, produce a uniform regulatory system for storing agricultural products, and ensure the timely provision of food products for domestic and international food assistance programs and market development programs. FAS administers the Food for Progress Program, which provides food aid to countries that are emerging democracies and are committed to introducing and expanding free enterprise in the agricultural sector. Food aid addresses participating countries' hunger and helps to build longer term economic development that boosts trade opportunities for the United States and other countries.

Foreign Market Development – Expanding markets for agricultural products is critical to the long-term health and prosperity of the U.S. agricultural sector. With 95 percent of the world's population living outside the United States, future growth in demand for food and agricultural products will occur primarily in overseas markets. CCC funds used in the market development programs play a critical role in helping to open new markets and in facilitating U.S. competitiveness and by doing so, help to secure a more prosperous future for American agriculture. Support for economic development and trade capacity building reinforces these efforts by helping developing countries to become economically stable and improve their prospects to participate in and benefit from expanding global trade in agricultural products. FAS administers CCC foreign market development programs.

Export Credit – CCC export credit guarantee and direct loan programs, administered by FAS in conjunction with FSA, provide payment guarantees for third-party commercial financing and direct financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales but where financing may not be available without CCC credit facilities.

# Future Effects of Demands, Events, and Conditions[1]

According to USDA projections for 2013-2022, direct Government payments to farmers will average about $9.7 billion annually over the next decade, well below the average of $16 billion annually that occurred during 2000-2010. Assuming a continuation of current law, the Conservation Reserve Program (CRP) and fixed direct payments are expected to be the largest Government payments to the agricultural sector through the projection period, although payments under the Average Crop Revenue Election (ACRE) program are projected to jump to $1.8 billion in 2015 following a projected decline in commodity prices. When the market supports higher prices, Government payments have a smaller role in the agricultural sector's income. Government payments, which represented more than 8 percent of gross cash income in 2005, are expected to drop 2 to 3 percent during the 2013-2022 projection period. As a result, it is expected that the sector will rely more on the market for its income than on Government payments.

High commodity prices are projected to lead to record-high U.S. net farm income in 2013, reflecting the run-up in prices for many agricultural commodities, due in part to the 2012 U.S. drought and large crop insurance indemnities. Prices for many major crops are projected to decline in the near term as global production responds to recent high prices. Nonetheless, after these initial price declines, long-term growth in global demand for agricultural products, a depreciating dollar, and continued biofuel demand, particularly in the United States, the EU, Brazil, and Argentina, are expected to hold prices for corn, oilseeds, and many other crops above pre-2007 levels.

USDA's long-term projections for global agriculture reflect steady world economic growth and continued global demand for biofuels. Grain and oilseed prices along with export values and farm cash receipts are projected to decline in 2014-2015, but growth is expected over the rest of the projection period as a return to steady domestic and international economic growth, a weaker dollar, and continuing production of biofuels support long-term demand for U.S. agricultural products. Those factors combine to support long run increases in consumption, trade, and prices of agricultural products.
Following reductions from projected record levels in 2013, farm cash receipts and the value of U.S. agricultural exports are expected to grow beyond 2015. Although farm

[1] Portions of Future Effects of Demands, Events, and Conditions were extracted from the "USDA Agricultural Projections to 2022" dated February 2013 (USDA, Office of the Chief Economist); and the "2013 Farm Sector Income Forecast" dated February 2013 (USDA, Economic Research Service).

production expenses will also increase beyond 2015, net farm income remains historically high. While net farm income is projected to decline from the 2013 record through 2015, it will remain well above the average of the previous decade (2001 to 2010). After 2015, projected lower Government payments and rising farm production expenses offset most of the gains in cash receipts and other sources of farm income.

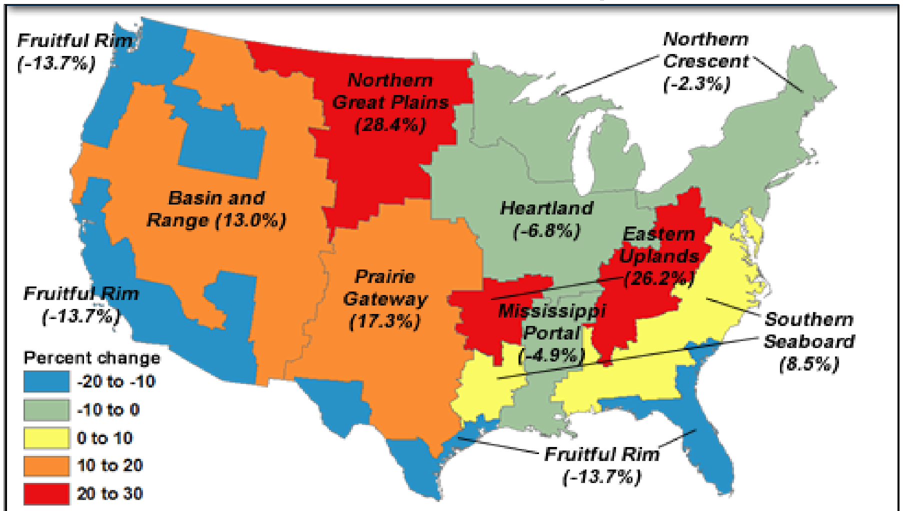
Despite average net cash farm income (NCFI) for the industry, most farm businesses specializing in program crops are forecast to experience a 7 to 10 percent decline in NCFI in 2013, with larger declines anticipated for cotton and rice. Crop receipts are forecast to decline slightly for almost all program crop farm businesses, but cotton and rice farms will likely see a larger decline in crop receipts of about 5 percent, primarily due to lower cotton acreage and declining cotton and rice prices. For some producers, 2012 insurance indemnities will be paid in 2013, boosting NCFI.

Specialty crop farm businesses (fruits, vegetables, and nurseries/greenhouses) are forecast to experience a decline in average NCFI of more than 15 percent in 2013. Crop receipts are expected to be slightly less than in 2012, while total cash expenses are forecast to increase by almost 7 percent. Labor expenses, which make up over a third of all cash expenses for specialty crop farms, are projected to increase 11 percent due to increasing wages and output. Other field crop farm businesses (sugar crops, hay, silage, trees, and woody crops) are expected to experience a 16 percent decrease in average net cash income in 2013.

Farm businesses in some regions are forecast to experience substantial increases in NCFI in 2013 relative to their 2009-2012 averages, while a few regions are expected to experience declines. Higher mixed grain, wheat, and cattle NCFI relative to 2009-2012 favors farm businesses in the Northern Great Plains, Prairie Gateway, and Basin and Range (see Chart 1 for regional definitions). The forecast decline in dairy NCFI contributes to declines in the Northern Crescent and Fruitful Rim relative to 2009-2012F[2] averages. Declining cotton and rice farm business NCFI is contributing to the expected decrease in NCFI in the Mississippi Portal.

[2] F - Forecast

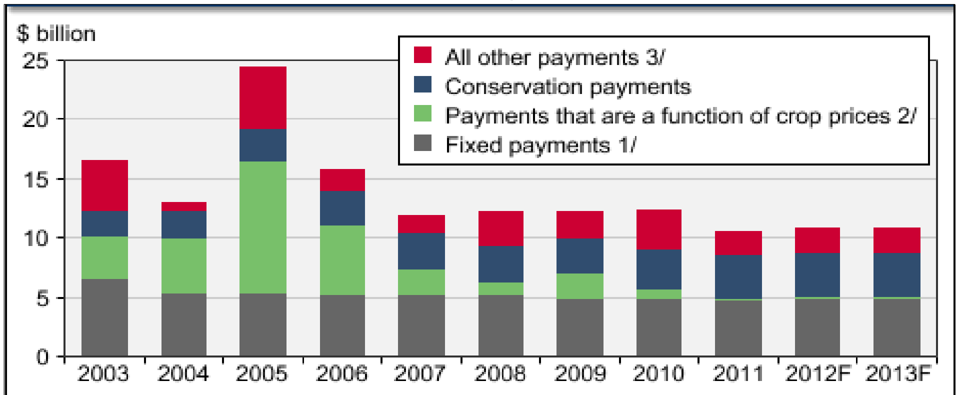
**Chart 1: Farm Business Net Cash Income, 2013F compared with 2009-2012F averages**




Source: ERS partial budget model based on the 2011 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts. The model is static and therefore does not account for changes in crop rotation, weather, and other location production impacts that occurred after the base year. Data as of February 11, 2013.

Government payments paid directly to producers are expected to total $10.9 billion in 2013 under current law. This payment level is largely unchanged from 2012. Direct payments under the 2013-crop Direct and Counter-cyclical Payment Program (DCP) and the Average Crop Revenue Election Program (ACRE) are forecast at $4.94 billion for 2013. Strong crop prices in 2013 are expected to result in only about $15 million in price-based commodity program payments. These payments reflect final 2011-crop ACRE payments for rice and 2012-crop ACRE payments for other commodities.

**Chart 2: Government Payments, 2003-2013F**




F = Forecast.
1/ Production flexibility contract payments and direct payments whereby payment rates are fixed by legislation.
2/ Counter-cyclical payments, average crop revenue election (ACRE) payments, loan deficiency payments, marketing loan gains, and certificate exchange gains in which commodity payment rates vary with market prices. The certificate exchange program ended after making payments for the 2009 crop year.
3/ All other payments include disaster relief payments, tobacco transition payments, and dairy program payments.
Source: FSA, NRCS, and CCC. Data as of February 11, 2013.

The Milk Income Loss Contract Program (MILC) was reinstituted by the *American Taxpayer Relief Act* (ATRA) of 2012. This program compensates dairy producers when domestic milk prices fall below a specified benchmark price. Under ATRA, the program's payment rate and annual volume of covered milk production are reduced and the feed adjustment factor is increased. As a result, dairy producers are expected to receive $290 million in MILC payments in calendar year 2013, a 37 percent decline from 2012.

Tobacco farmers and quota holders are expected to receive $641 million from the Tobacco Transition Payment Program (TTPP) in 2013. Begun in 2005, this program provides annual payments over a 10-year period to eligible quota holders and producers of tobacco. The TTPP will expire after making final payments in 2014.

Estimated conservation payments of $3.7 billion in 2013 (covering both FSA and NRCS programs) are largely unchanged from 2012. Although total Conservation Reserve Program (CRP) acreage has declined in recent years, CRP outlays have remained fairly constant. This is due to a higher proportion of newly enrolled acreage being devoted to partial field practices, resulting in fewer acres covered at higher payment rates per acre.

Noninsured Crop Disaster Assistance Program payments of $250 million are expected to be made to livestock and specialty crop producers for which insurance is unavailable.

# 2013 Performance Highlights Summary

CCC had mixed results in achieving its performance expectations for FY 2013. CCC funds many programs that fall under multiple agencies across USDA. Each Corporation funded program helps achieve parts of both the CCC mission and the strategic plan of the agency under which the program falls. The CCC mission and strategic goals are achieved through the successful implementation of the key programs.

CCC did not meet its wetland and buffer program goals for FY 2013 due to a delay of authority for the program from October 2012 to January 2013. However, CCC leveraged program flexibility to the conservation programs to alleviate the hay and pasture shortages faced by livestock producers during a recent drought. In the face of uncertainty about the passage of a new Farm Bill, CCC remains strongly committed to attaining its conservation objectives.

The Income Support and Disaster Assistance Program area met its program performance target in FY 2013. Most visible to the public have been the efforts to rally behind farmers and ranchers during natural calamities such as droughts and floods. CCC will continue to use its resources and capabilities to ensure farmers and ranchers have the full support of USDA and CCC during these difficult times.

The 2013 CCC performance estimate of 365 days between warehouse examinations falls within its target range (plus or minus 25 days). The reduction in warehouse examination staff in FY 2013 resulted in the number of days between warehouse examinations increasing from FY 2012 (342) to FY 2013 (358). Additional warehouses were also added to the examination schedule, accounting for the increase in days between examinations. CCC will continue to provide food assistance purchase support to domestic and international programs. CCC has implemented a licensing requirement, including inspection and examination procedures for all port and trans-loading facilities receiving, storing, handling, and shipping export food assistance commodities for the U. S. Agency for International Development (USAID) and CCC food assistance programs Public Law (P.L.) 480, Title II and III, Food for Progress, Section 416(b) and McGovern-Dole International Food for Education and Child Nutrition programs. Commodities purchased by CCC are stored or handled only through International Food Aid Warehouses licensed under the *United States Warehouse Act*. There is currently no CCC inventory of dairy products and CCC is projecting no FY 2014 Dairy Product Price Support Program purchases.

CCC exceeded its FY 2013 dollar value target for agricultural exports because of increased participation in foreign food and agricultural trade shows. International trade shows are a key component in the export strategies of most of the 70-plus organizations receiving CCC market development funding. These organizations use market development funds to facilitate their industry members' participation in key trade shows. Some provide cost-share funding directly to small to medium-sized enterprises (SME), enabling their participation. In particular, State Regional Trade Groups (SRTG), such as the Food Export USA Northeast, Food Export Association of the Midwest USA, Southern United States Trade Association and Western United States Trade Association, use considerable CCC funds to provide a wide array of services to help U.S. companies export for the first time and enter new markets. SRTG export readiness training, market intelligence, how-to-export seminars, as well as cost-share support at trade shows, are particularly valuable to SMEs. In addition, FAS provides the National Association of State Departments of Agriculture (NASDA) CCC market development funds to enhance the appearance and services offered at U.S. pavilions at 20-25 trade shows annually. Many participants' market development-funded trade missions are coordinated with key trade shows. Trade shows and trade missions are critical components of the National Export Initiative's (NEI) goal of doubling exports by 2015. U.S. company sales resulting from trade show participation are a good indicator of the success of these investments.

The CCC Export Credit Guarantee Program was impacted by the drought-related downturn in U.S. feed corn exports and did not meet its target of $3.4 billion in port value of export sales. The FY 2013 program finished at $3.1 billion in registered port value for all commodities. Even with the downturn in registrations the program exceeded its 2013 economic return ratio target of $100 per dollar invested. Given current projected performance, the economic return ratio for FY 2013 is $131 per dollar invested. This is an increase over the FY 2012 economic return ratio of $117 per dollar invested. The increase in the economic return ratio was due to increased applicant fee rates and reduced administrative costs. No claims or defaults have been received in FY 2013, continuing the FY 2012 trend.

# Financial Highlights

As part of its mission to stabilize, support, and protect farm income and prices, CCC is also responsible for providing accurate, timely, and useful financial management information to all stakeholders. The information that follows has been prepared from the accounting records of the Corporation as of September 30, 2013 and September 30, 2012 in accordance with generally accepted accounting principles for Federal entities and policies prescribed in the OMB Circular A-136, *Financial Reporting Requirements*.

**Assets:**

The Balance Sheet shows CCC had Total Assets of $8.2 billion as of September 30, 2013, a decrease of $1.8 billion (18 percent) below the previous year's Total Assets of $10 billion. This is mainly attributed to decreases of $1.5 billion in Accounts Receivable, Commodity Loans, and Direct Loans and Loan Guarantees, Net and $292 million in Fund Balance with Treasury.

There was a $1.5 billion decrease in Accounts Receivable, Commodity Loans, and Direct Loans and Loan Guarantees, Net. A major part ($942 million) of the decrease is primarily due to the reduction in the net present value of future collections expected from the manufacturers for the Tobacco Transition Payment Program (TTPP) and pending quarterly assessment recordings. The receivables for this program will continue to decrease as it comes to an end in FY 2014. In addition, due to an increase in principal collection and write-offs in the P.L. 480 Title I Program, Direct Loans and Loan Guarantees, Net dropped by $400 million in FY 2013.

In FY 2013, Fund Balance with Treasury decreased by $298 million primarily due to an increase in disbursements in the Milk Income Loss Contract Program (MILC). The steady decline in the Boston Class I milk price triggered higher MILC payments in FY 2013.

**Table 1: Summary of Assets**

Dollars in Millions

| As of September 30 | 2013 | 2012 | Variance | Variance % |
|---|---|---|---|---|
| Fund Balance with Treasury | $ 2,686 | $ 2,984 | $ (298) | -10% |
| Accounts Receivable, Commodity Loans, and Direct Loans and Loan Guarantees, Net | 5,323 | 6,836 | (1,513) | -22% |
| Commodity Inventories, Net | 69 | 14 | 55 | 393% |
| General Property and Equipment, Net | 20 | 28 | (8) | -29% |
| Other | 119 | 111 | 8 | 7% |
| Total Assets | $ 8,217 | $ 9,973 | $ (1,756) | -18% |

### Liabilities:

The Balance Sheet shows CCC had Total Liabilities of $16.2 billion as of September 30, 2013. This represents an increase of $977 million (6 percent) above the previous year's Total Liabilities of $15.2 billion. The variance is primarily due to an increase of $2.9 billion in Debt to the Treasury offset with a decrease of $2.1 billion in Other Liabilities.

The Debt to the Treasury increase is attributed to CCC borrowings from Treasury. In FY 2012, CCC had a large cash reserve due to reimbursement for realized losses, but in FY 2013, CCC had less cash reserves which resulted in more borrowing from Treasury.

There was a $2.1 billion decrease in Other Liabilities, of which $952 million is due to the net present value of future accrued liabilities and receivables for TTPP. Accrued liabilities will continue to decrease as the number of payments left to be paid to tobacco quota holders and producers declines. An additional $398 million decrease in Other Liabilities was related to transfer of excess funds to Treasury for the P.L. 480 Title I Program. In addition, CCC received $355 million less advances from AMS and FNS due to the implementation of a Direct Cite Pilot program in May 2013 which eliminates the need to advance amounts to CCC.

**Table 2: Summary of Liabilities**

Dollars in Millions

| As of September 30 | 2013 | 2012 | Variance | Variance % |
|---|---|---|---|---|
| Accounts Payable | $ 616 | $ 464 | $ 152 | 33% |
| Debt to the Treasury | 5,609 | 2,682 | 2,927 | 109% |
| Loan Guarantee Liabilities | 126 | 174 | (48) | -28% |
| Environmental and Disposal Liabilities | 8 | 8 | - | 0% |
| Other | 9,824 | 11,878 | (2,054) | -17% |
| Total Liabilities | $ 16,183 | $ 15,206 | $ 977 | 6% |

## Ending Net Position:

CCC's Net Position, as of September 30, 2013 and 2012, is $(8.0) billion and $(5.2) billion, respectively. Net Position is the sum of the Unexpended Appropriations, Cumulative Results of Operations and Capital Stock. Refer to Note 1 - Significant Accounting Policies, under Reporting Entity, and for additional information on Capital Stock.

The charts below present the trend of Unexpended Appropriations and Cumulative Results of Operations balances for the fiscal years ended September 30.

**Chart 3: Unexpended Appropriations**

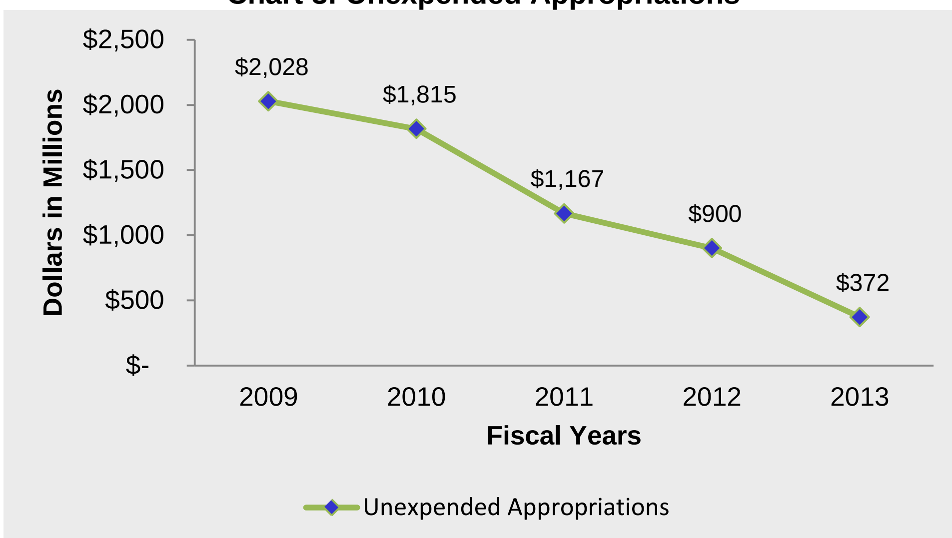



**Chart 4: Cumulative Results of Operations**

## Net Cost of Operations:

Net cost of operations is categorized based on CCC's strategic goals. Net cost of operations was $10.6 billion and $9.7 billion for the fiscal years ended September 30, 2013 and 2012, respectively. Overall Total Net Cost of Operations increased 9 percent from the prior year. As shown in table 3 below, expenses for "Provide a Financial Safety Net for Farmers and Ranchers" comprise a majority of the costs for the fiscal years ended September 30, 2013 and 2012.

**Table 3: Summary of Net Cost of Operations by Strategic Goal**

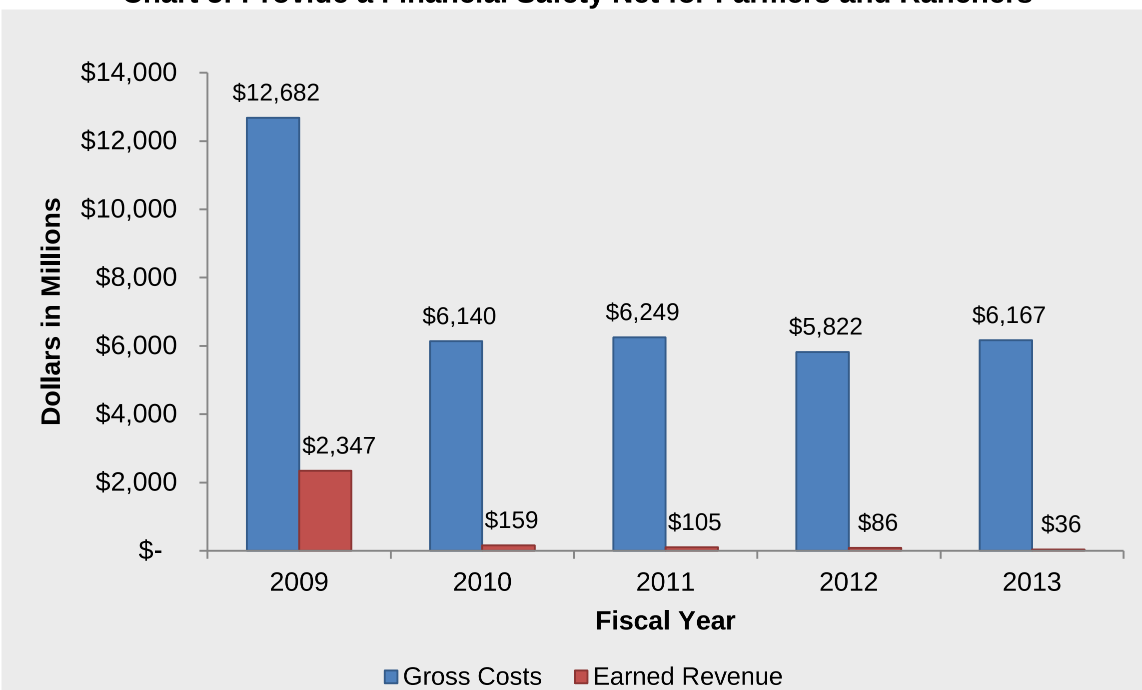
Dollars in Millions

| For the Fiscal Years Ended September 30 | 2013 | 2012 | Variance | Variance % |
|---|---|---|---|---|
| Provide a Financial Safety Net for Farmers and Ranchers | $ 6,131 | $ 5,736 | $ 395 | 7% |
| Increase Stewardship of Natural Resources While Enhancing the Environment | 2,156 | 2,115 | 41 | 2% |
| Ensure Commodities are Procured and Distributed Effectively and Efficiently | 79 | 65 | 14 | 22% |
| Increase U.S. Food and Agricultural Exports | 2,259 | 1,809 | 450 | 25% |
| Total Net Cost of Operations | $ 10,625 | $ 9,725 | $ 900 | 9% |

The activity that caused the fluctuation in the Statement of Net Cost for the fiscal year ended September 30, 2013, relates to the following strategic goals:

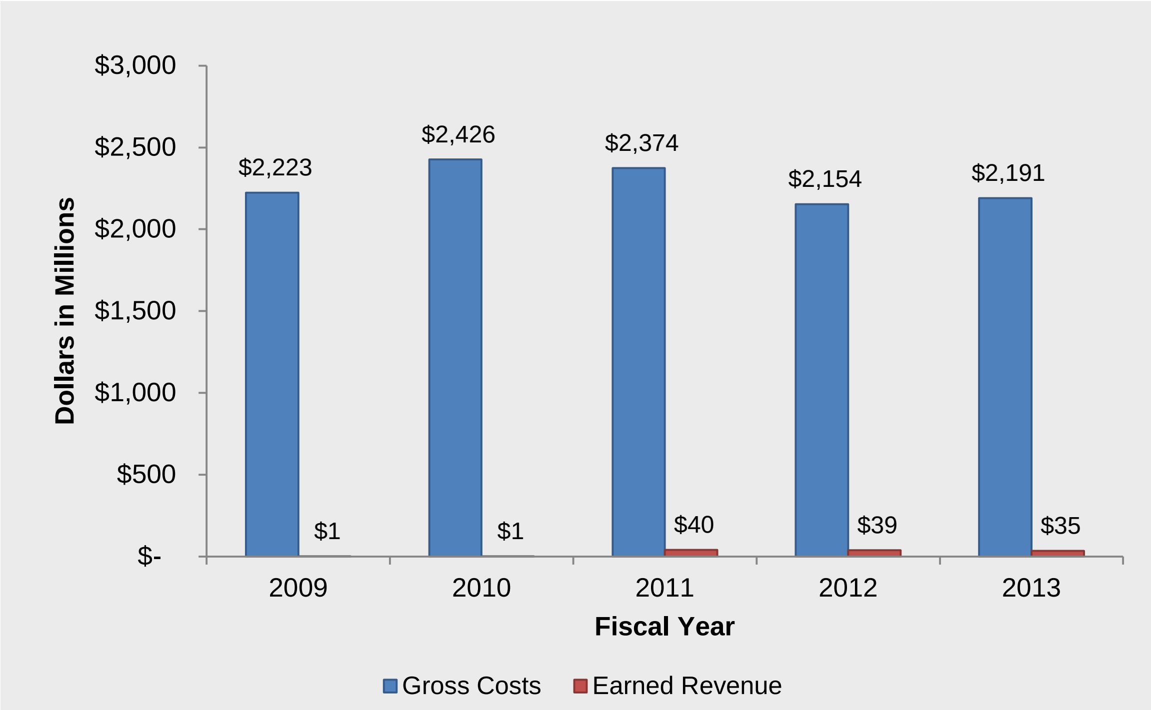
- Provide a Financial Safety Net for Farmers and Ranchers – The majority of the $395 million variance is attributed to a timing difference in direct payments under the Direct and Counter-cyclical Payment Program (DCP). Per the 2008 Farm Bill, a single payment is now made in October of the subsequent fiscal year, eliminating partial payments after FY 2011. Under rules preceding the passage of the 2008 Farm Bill, a 22 percent partial payment was made in FY 2011 that caused the remaining balance paid in FY 2012 to be lower. In FY 2013, with no prior partial payments, the entire direct payment made resulted in an operating expense increase.

**Chart 5: Provide a Financial Safety Net for Farmers and Ranchers**



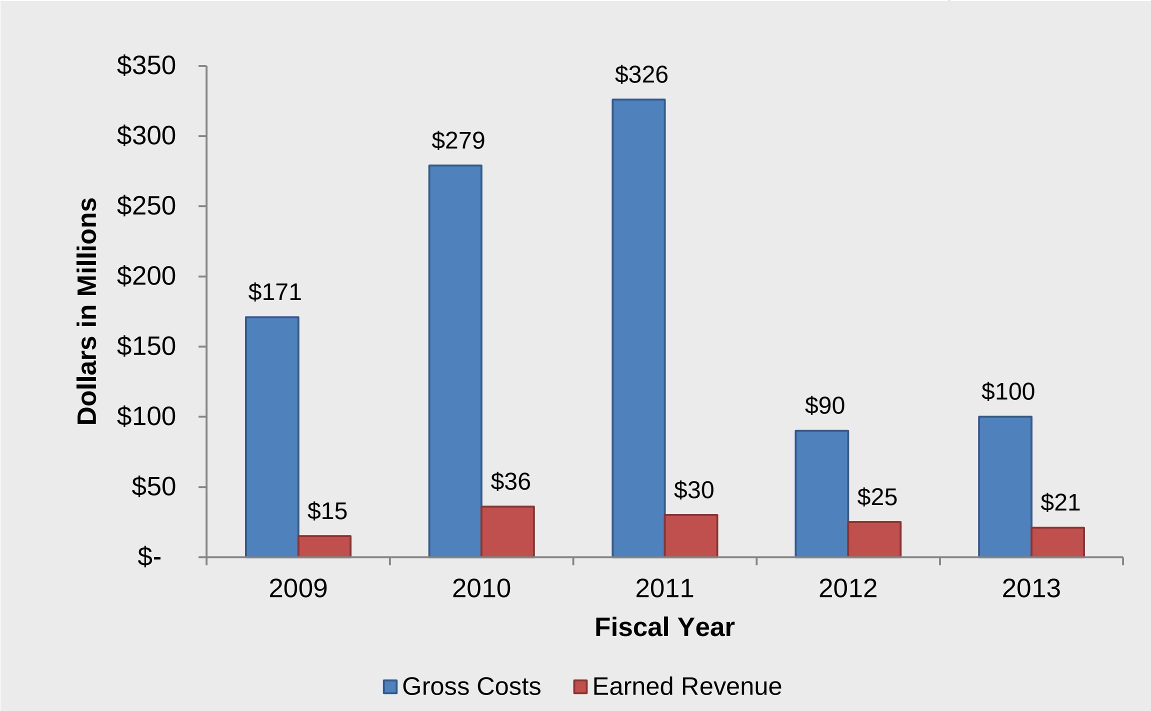
- Increase Stewardship of Natural Resources While Enhancing the Environment **–** The $41 million variance is mainly attributed to higher Conservation Reserve Program (CRP) annual rental payment expenses in FY 2013 compared to past years. This is a result of the change in the year-end accrual process which reduced the amount of FY 2012 year-end accrual. In addition, NRCS technical assistance activity, and the resulting expense for CRP was reduced since legislative authority was not extended for this program beyond September 30, 2013.

**Chart 6: Increase Stewardship of Natural Resources While Enhancing the Environment**



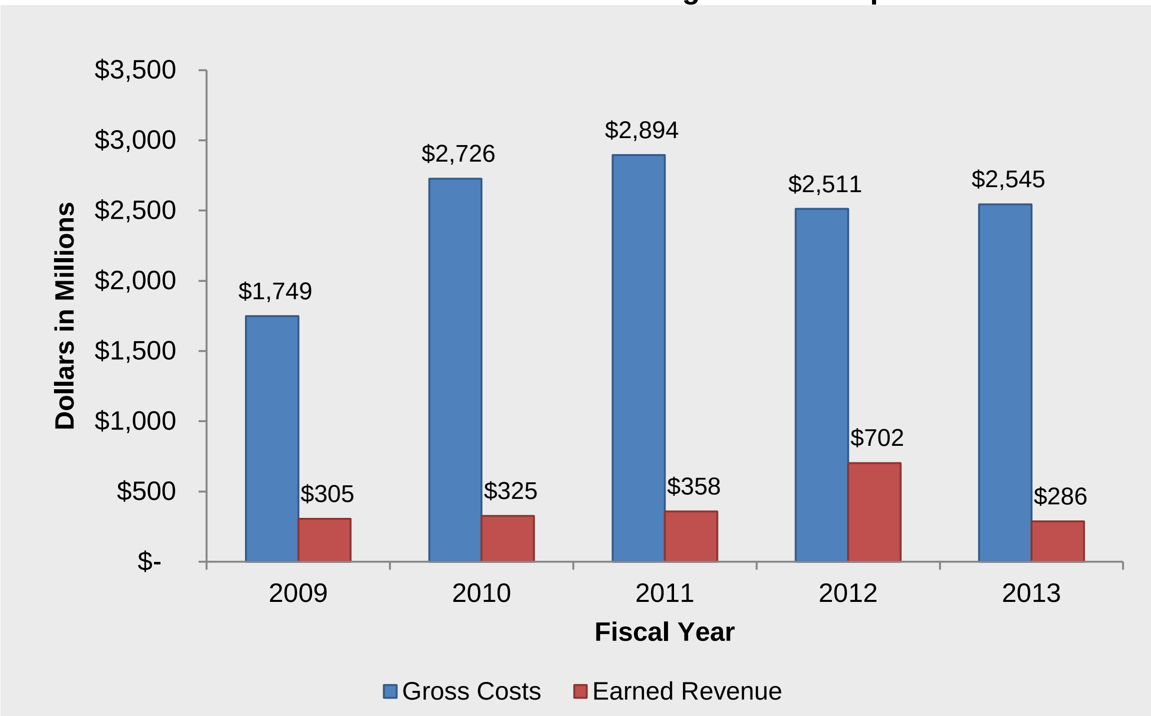
- Ensure Commodities are Procured and Distributed Effectively and Efficiently – The $14 million variance is primarily due to an increase in FY 2013 downward re-estimate subsidy disbursements in the Farm Storage Facility Loan Program.

**Chart 7: Ensure Commodities are Procured and Distributed Effectively and Efficiently**



- Increase U.S. Food and Agricultural Exports – The $450 million variance is primarily due to a decrease in earned revenue. Interest revenue from loans receivable decreased approximately $236 million. This was mainly attributable to debt forgiveness to Democratic Republic of Congo in FY 2012 under the P.L. 480 Title I Program. In addition, refinements made to the billing process by the U.S. Department of Transportation for Maritime Administration resulted in lower accruals which will be consistent going forward. Effective July 6, 2012, the *Moving Ahead for Progress in the 21st Century Act* (MAP-21) lowered shipping reimbursement rates for agricultural cargoes. Impacted programs are Title II Grant, Food for Education, and Food for Progress.

**Chart 8: Increase U.S. Food and Agricultural Exports**



## Obligations Incurred:

Between September 30, 2013 and 2012, Obligations Incurred increased by $241 million (one percent). Generally, many DCP contracts are approved after fiscal year-end. However, due to the expectation that the program was ending, there was an increase in contracts submitted and approved before year-end.

**Table 4: Summary of Obligations**

Dollars in Millions

| For the Fiscal Years Ended September 30 | 2013 | 2012 | Variance | Variance % |
|---|---|---|---|---|
| Obligations Incurred: | | | | |
| Direct | $ 2,965 | $ 3,514 | $ (549) | -16% |
| Reimbursable | 18,976 | 18,186 | 790 | 4% |
| Total Obligations | $ 21,941 | $ 21,700 | $ 241 | 1% |

## Net Outlays:

The $1.5 billion variance (17 percent increase) in Net Outlays is primarily due to a timing difference in the DCP Program disbursements. Per the 2008 Farm Bill, a single payment is now made in October of the subsequent fiscal year, eliminating partial payments after FY 2011. However, under rules preceding the passage of the 2008 Farm Bill, a partial payment was made in FY 2011, which caused the remaining balance paid in FY 2012 to be lower. Therefore, in FY 2013 when the entire direct payment was made, Net Outlays reflected an increase compared to the prior fiscal year.

**Table 5: Summary of Net Outlays**

Dollars in Millions

| For the Fiscal Years Ended September 30 | 2013 | 2012 | Variance | Variance % |
|---|---|---|---|---|
| Net Outlays: | | | | |
| Gross Outlays | $ 21,253 | $ 19,075 | $ 2,178 | 11% |
| Offsetting Collections | (10,660) | (9,998) | (662) | 7% |
| Less: Distributed Offsetting Receipts | (102) | (74) | (28) | 38% |
| Net Outlays | $ 10,491 | $ 9,003 | $ 1,488 | 17% |

# Management Controls, Systems, and Compliance with Laws and Regulations

## FMFIA and FFMIA Assurance Statement:

USDA

United States Department of Agriculture

Farm and Foreign Agricultural Services

Commodity Credit Corporation

1400 Independence Avenue, SW
Stop 0581

Washington, DC
20250-0581

**TO:** Jon M. Holladay
Deputy Chief Financial Officer
Office of the Chief Financial Officer

**THROUGH:** Michael T. Scuse
President
Commodity Credit Corporation

AUG 3 0 2013

**FROM:** Juan M. Garcia
Executive Vice President
Commodity Credit Corporation

Bruce E. Ward
Chief Financial Officer
Commodity Credit Corporation

**SUBJECT:** Commodity Credit Corporation's (CCC) Fiscal Year (FY) 2013 Assurance Certification Statement

This memorandum provides CCC's assertions to support the Secretary's annual assurances for the U.S. Department of Agriculture's (USDA) FY 2013 Agency Financial Report. The assertions include assurance statements for the Federal Managers' Financial Integrity Act (FMFIA); The Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Internal Control, Appendix A, "Internal Control over Financial Reporting"; and the Federal Financial Management Improvement Act (FFMIA) as of September 30, 2013.

**Federal Managers' Financial Integrity Act Assertions**

1. Management is responsible for developing and maintaining internal control to ensure the efficiency and effectiveness of operations, reliability of financial reporting, compliance with applicable laws and regulations, and the safeguarding of assets.

**Jon M. Holladay**
**Page 2**

2. Internal control encompasses accounting and administrative controls. Such controls include program, operational, and administrative areas as well as accounting and financial management.

3. Management has conducted its annual evaluations of internal control and financial systems pursuant to Section 2 and Section 4 of FMFIA, respectively, for the period ended September 30, 2013.

4. Based on the results of the evaluations, CCC can provide reasonable assurance that internal controls are operating effectively.

5. For Section 2 FMFIA, a material weakness (MW) for Funds Control Management continues to be reported, although there has been significant progress in working towards reducing the risk and materiality level during the year. One significant deficiency (SD) derived from USAID and oversight activities existed at the beginning of FY 2013 that has since been mitigated by the third quarter.

   No new MWs or SDs were identified to date for FY 2013; however, CCC's management has concerns regarding the accounting processes USAID follows, which are currently undergoing a scrutinized review and analysis. At the time of this report, it is unknown what the final audit results will be and the effect on CCC's financial statements, but CCC management is investigating the possibility of a MW in this area. Consequently, these conditions are subject to revision based on the final FY 2013 CCC Financial Statement Audit report that will be finalized in November 2013.

6. Corrective action plans, where necessary, have been entered into the Office of the Chief Financial Officer's (OCFO) A-123 Document Tracking System (ADTS) and are attached to this letter.

**Internal Control over Financial Reporting Assertions**

1. CCC assessed the effectiveness of internal control over financial reporting as of June 30, 2013. The assessment follows OCFO's guidance and is required by OMB Circular A-123, Appendix A.

**Jon M. Holladay**
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2. The assessment included an evaluation of entity level controls, risk assessments, process descriptions and flowcharts, documentation of key controls, and an assessment of the design of key controls, tests of operating effectiveness of properly designed controls, summary of deficiencies, and the development of corrective action plans for control deficiency. For the FY 2013 assessment, management determined the business cycles to be tested based on the risk rating. Key controls in the following cycles/processes were tested:

   CCC Commodity Loans
   CCC Farm Storage Facility Loans
   CCC Credit Management-Direct Loans
   CCC Credit Management-Guaranteed Loans
   CCC Producer Payments
   CCC Commodity Procurement
   CCC Revenue and Receivables Management
   CCC Tobacco Transition Payment Program
   CCC Funds Management
   CCC Funds Control
   CCC Financial Reporting

3. Management recognizes its responsibility for monitoring and correcting all deficiencies.

4. Management further certifies that there have been no significant changes in the operation of controls tested from the sample selection date through June 30, 2013.

5. Based on the results of the assessment, CCC can provide reasonable assurance that internal controls over financial reporting are operating effectively.

6. At the beginning of FY 2013, CCC had no MWs and two existing SDs. FY 2013 testing determined the two SDs “Maintaining, Controlling and Monitoring the CORE General Ledger” and “Reconciling Fund Balance with Treasury” still existed during FY 2013. Two new SDs was identified during FY 2013 – “Monitoring GSM Guaranteed Loan Disbursements” and “Reconciling with Federal Trading Partners.”

7. Corrective action plans, where necessary, are entered into OCFO’s ADTS.

**Jon M. Holladay**
**Page 4**

**Federal Financial Management Improvement Act Assertions**

1. CCC management evaluated its financial management systems under FFMIA for the period ended September 30, 2013.

2. Based on the results of our evaluation, we are in substantial compliance with Section(s) 1. Federal Financial Management Systems Requirements and 2. Applicable Federal Accounting Standards. CCC's financial management systems are not in substantial compliance with Section 3, The Standard General Ledger at the Transaction Level.

3. A corrective action plan has been submitted into OCFO's ADTS to remediate Section 3, and is attached to this letter.

**Noncompliance with Laws and Regulations**

Except for being unable to report substantial compliance with FFMIA above, CCC states that it has no reportable noncompliance with laws and regulations for FY 2013.

Should you have any questions or require additional information, please contact Elizabeth L Russell, Audit Liaison, Office of Budget and Finance, at 202-772-6031.

NOTE:
The Assurance Certification is due to the Department annually by the last Friday in August, which is almost three months before the final independent auditor's report is provided to CCC. Therefore, in order to prepare the assurance statement and send it through the chain of command for signatures, CCC must assess reportable internal control weaknesses and non-conformances based on available information. If the FY 2013 final audit report contains any new unexpected reportable conditions, the new information is reflected in the sections that follow (FMFIA, FFMIA and ADA) and a revised assurance statement will be submitted during the second quarter of FY 2014.

# Federal Managers' Financial Integrity Act

## Overview

The *Federal Managers' Financial Integrity Act of 1982* (FMFIA) requires Federal agencies to submit an annual report to the President and Congress reflecting the status of management controls for program, financial, and administrative operations. The CCC Assurance Certification contains the FMFIA report that includes CCC's reportable conditions and related corrective action plans identified through the implementation and assessment process complying with the requirements of OMB Circular A-123, *Management's Responsibility for Internal Control*, including an assessment conducted in accordance with OMB Circular A-123, Appendix A, *Internal Control over Financial Reporting*. CCC provides the Assurance Certification to the Department of Agriculture (USDA) Office of the Chief Financial Officer, certifying that CCC is compliant with FMFIA by:

- Fulfilling requirements to perform ongoing evaluations of internal control,
- Developing corrective action plans to mitigate the deficiencies, and
- Providing management oversight to ensure that progress is made and the conditions are properly reported.

The certification also includes assurances from CCC's Chief Financial Officer, Executive Vice President, and President that:

- Obligations and costs comply with applicable laws and regulations;
- Federal assets are safeguarded against fraud, waste, and mismanagement;
- Transactions are accounted for and properly recorded; and
- Financial management systems conform to standards, principles, and other requirements to ensure that Federal managers have timely, relevant, and consistent financial information for decision-making purposes.

## Fiscal Year 2013 and 2012 Results

In accordance with FMFIA and OMB Circular A-123, Appendix A, information to support CCC's Assurance Certification was derived from FMFIA certification statements submitted by CCC board members and other appropriate management, audits, management reviews, and insight gained from daily operations of programs and functions.

In FY 2013, management's assessment of internal controls over financial reporting as of September 30, 2013, determined that the material weakness (MW) - Funds Control – has not been sufficiently mitigated and will be a repeat finding in the audit report under

FMFIA Section 4 as a system non-conformance and as a MW in Section 2 of FMFIA. CCC also revised the estimated completion date to September 2014.

There was one significant deficiency (SD) reported in the 2012 audit report under FMFIA: Strengthen Internal Controls over Child Agency Financial Reporting (USAID). The relationship between CCC and USAID has improved significantly. CCC continued its efforts to work with USAID to develop and implement processes and controls to substantially mitigate this deficiency. However, although agreements were reached, these controls were not sufficiently implemented during FY 2013 to mitigate the prior years' deficiencies resulting in a repeat audit finding. The finding includes the following two areas of deficiency:

- There is a lack of implementing periodic review procedures, already established within USAID, of the grant accruals to validate whether the grant accrual methodology results in accruals that approximate actual dollar amounts from subsequent grantee reporting.
- USAID continues to have unreconciled differences between its general ledger and its Fund Balance with Treasury accounts without a formal identification of the causes of the differences. This results in USAID continuing to make unsupported adjustments in order to pass the FACTS II reconciliation requirements without conducting research to correct the root cause.

Under OMB Circular A-123, Appendix A, there were two SDs reported for CCC in FY 2012 for "Maintaining, Controlling, and Monitoring the CORE general ledger," and "Reconciling Fund Balance with Treasury". Two new SDs were identified during FY 2013 test work – "Monitoring General Sales Manager (GSM) Guaranteed Loan Disbursements" and "Reconciling with Federal Trading Partners".

# Federal Financial Management Improvement Act

The *Federal Financial Management Improvement Act* (FFMIA) is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs. FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. These systems must also comply substantially with the following three areas of FFMIA: (1) Federal financial management system requirements; (2) applicable Federal accounting standards; and (3) the United States Standard General Ledger (USSGL) at the transaction level.

During FY 2013, CCC evaluated its financial management systems to assess substantial compliance with FFMIA. CCC management has made the determination that CCC has demonstrated substantial compliance with Sections 1 and 2; however, CCC is not substantially compliant with Section 3 – the USSGL at the transaction level.

CCC has completed the development of a fully integrated funds control system, electronic Funds Management System (eFMS), within the FSA/CCC CORE financial management system. This system is integrated with CCC's general ledger system at the transaction level. The eFMS provides management with timely information to monitor and control the status of budgetary resources recorded in the general ledger. CCC continues to implement programs into eFMS for full funds control at the transaction level. CCC anticipates that when all material programs are fully implemented, CCC will be substantially compliant with Section 3 for FFMIA.

As of the end of FY 2013, a significant percentage of CCC's programs (85 percent) now include funds control and accounting using eFMS. An additional 8 percent are electronically controlled at the payment level but not at the transactional level. The balance (7 percent) of the payments are administratively controlled and will be either migrated into eFMS or continue to be administratively controlled due to age of the systems and the cost benefit.

Significant progress has been made toward complete funds control, but the lack of the financial system functionality to record all obligations at the transaction level at the time the obligation occurs increases the risk that funds could be disbursed or obligations incurred with no or insufficient budget authority to fund the expense or obligation. Although CCC implemented manual controls in order to compensate for the system's inherent limitation, the controls may not be adequate to reduce the risks of an *Antideficiency Act* (ADA) violation occurring and may not prevent or detect violations timely. CCC has plans to correct the deficiency by FY 2014 with the migration to the Department's enterprise solution under the Financial Management Modernization Initiative (FMMI) plan. However, continued efforts for the system migration will be required and are dependent upon additional funding to meet the current target date.

For FY 2014, CCC will continue to do the following:

- Collaborate with Information Technology Services Division (ITSD) and Deputy Administrator Farm Programs (DAFP) to develop and execute a project plan to complete software modifications for the identified program applications to send obligation transactions, including establishments, liquidations, and adjustments (downward and upward) to eFMS at the transaction level;
- Implement a reconciliation process to ensure that budget authority in CORE agrees with budget authority in eFMS and SF-132's, *Apportionment and Reapportionment Schedules*, CCC's Apportionment Control log and unliquidated obligations in CORE agree with the unliquidated obligations in eFMS;
- Perform clean-up of existing unliquidated obligations; and
- Initiate implementation of programs in FMMI/MIDAS (Modernize and Innovate the Delivery of Agricultural Systems) and independent FMMI applications.

# Antideficiency Act

In October 2013, CCC identified that a violation of the Anti-deficiency Act (ADA), 31 U.S.C 1571 (a), may have occurred in September 2013 in the Feedstock Flexibility Program. However, as of the date of this report, CCC has not completed its investigation to determine whether a violation has occurred or not.

# Limitations of the Financial Statements

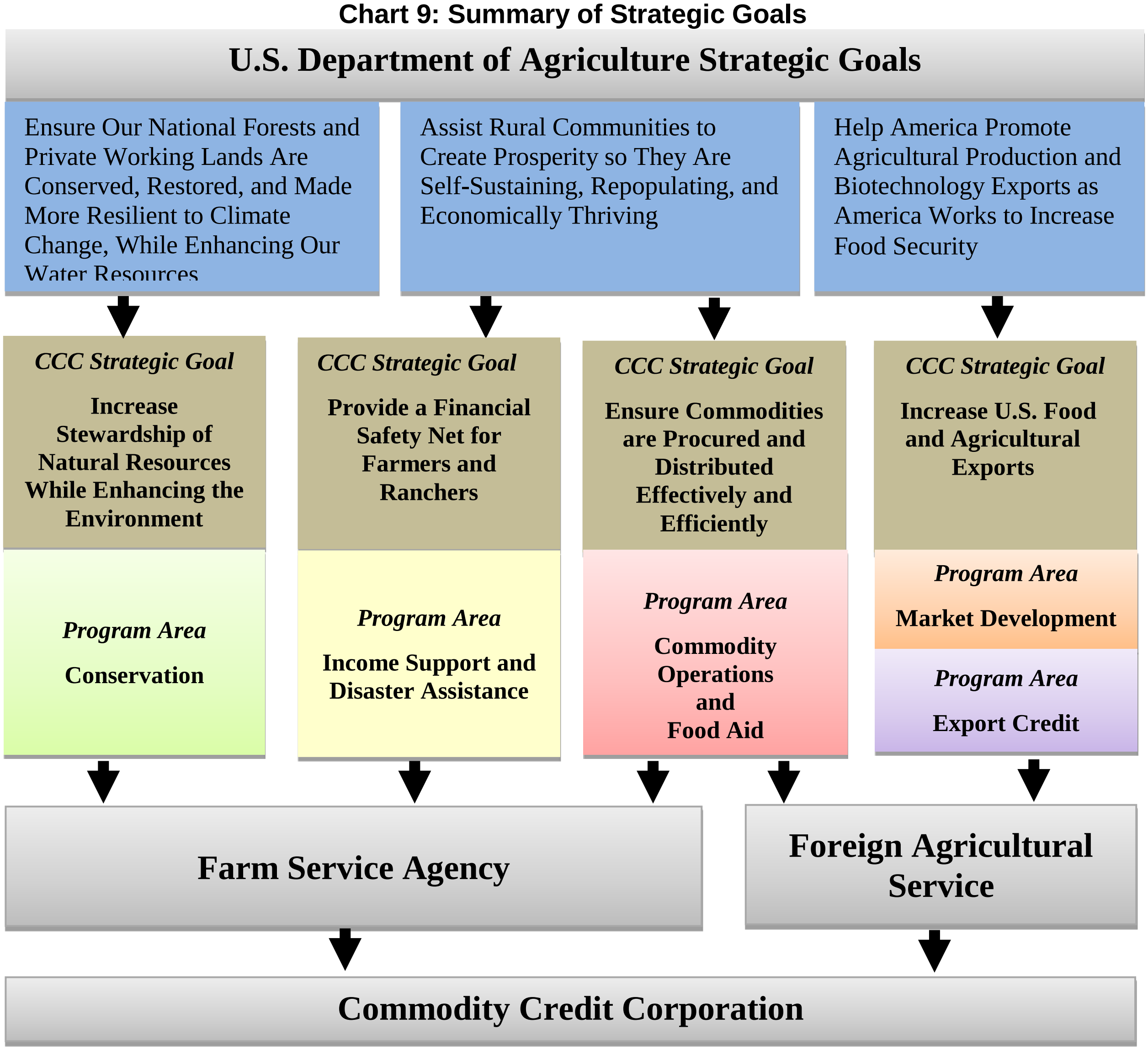
The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b), *Financial Statements of Agencies*. While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

# Part II: Performance Section (Unaudited)

# CCC Strategic Goals

Given that most of CCC services are carried out by the employees of USDA agencies, the mission of CCC aligns towards the strategic goals of the Department as well as to the strategic goals of FSA and FAS. Each of these strategic goals, in turn, has objectives that support the results that each agency wants to achieve. The performance measures allow CCC to tangibly measure how well it is achieving these objectives without creating a duplicate reporting burden. The chart below summarizes the relationship between the USDA strategic goals and each agency's strategic goals, and the CCC program areas.

**Chart 9: Summary of Strategic Goals**



# Conservation Program Area

**MISSION ELEMENT**

Conserving soil, air, and water resources and protecting and improving wildlife habitats

## Program Overview

The CCC Conservation Reserve Program (CRP) allows producers to plant long-term, resource-conserving covers to improve water and air quality, control soil erosion, and enhance wildlife habitat on land. In return, the program provides participants with rental payments and cost-share assistance. Contract terms run between 10 and 15 years. CRP is designed to restore and enhance wetland areas, increase sediment trapping efficiencies, improve water quality, prevent soil erosion, and provide habitat for waterfowl and other wildlife.

The program includes several initiatives for wetland restoration and enhancement. CRP wetland initiatives now include a 600,000-acre Floodplain Restoration Initiative, a 250,000-acre Bottomland Hardwood Timber Initiative, a 350,000-acre Non-Floodplain and Playa Wetland Restoration Initiative, and a 300,000-acre Prairie Pothole Duck Nesting Habitat Initiative. Total CRP enrollment stood at 26.9 million acres as of September 30, 2013. These acres annually reduce sedimentation, sequester carbon dioxide, and reduce greenhouse gas emissions.

## Analysis of Results

Due to the 3.3 million acres of CRP expiring in FY 2013, and the delayed extension of Farm Bill authority and apportionment, combined with relatively high commodity prices, USDA faced challenges in maintaining the magnitude of CRP's conservation benefits. As of June 2013, CCC has CRP contracts with landowners covering 2.10 million acres of wetlands (including upland buffers), falling short of its FY 2013 target of 2.23 million acres. Also, CRP contracts covered 1.88 million acres of buffers, therefore not meeting its target of 1.95 million acres for FY 2013.

Total CRP enrollment currently stands at 26.9 million acres. These acres reduce nitrogen, phosphorus, and sediment by more than 85 percent annually and helps maintain proper carbon dioxide levels in soils and vegetation. CRP efforts contribute to increased wildlife populations, and have added more than two million ducks to the Prairie Pothole Region annually, protecting Sage Grouse populations in Eastern

Washington and Lesser Prairie Chicken populations in the Great Plains, and increasing ring-necked pheasant and other grassland bird populations across the nation.

**Table 6: Summary of Performance Measure for Riparian and Grass Buffers Acreage**

| Performance Measure | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| CRP: acres of riparian and grass buffers (cumulative and in million acres) | 2.01 | 2.02 | 2.01 | 1.98 | 1.95 | 1.88 [1] | Not Met |

**Threshold range:** +/- 0.05 million acres

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** The data source for this measure is the National CRP Contract Data Files.

**Completeness of Data:** [1]Data reported are estimated final results for the fiscal year based on data available as of June 30, 2013. The targets and actual data are annual. The measure reports national acres under contract with the following buffer practices: Grass Filter Strips, Riparian Buffers, Wildlife Habitat Buffers on Marginal Pasturelands, and Buffers established under the State Acres for Wildlife Enhancement. There are no known data limitations.

**Reliability of Data:** USDA considers the data to be reliable. CRP is authorized through FY 2013.

**Quality of Data:** Overall, the quality of the data is good.

**Table 7: Summary of Performance Measure for Restored Wetland Acreage**

| Performance Measure | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| CRP: restored wetland acreage (million acres) | 2.04 | 2.05 | 2.23 | 2.29 | 2.23 | 2.10 [1] | Not Met |

**Threshold range:** +/- 0.05 million acres

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** The data source for this measure is the National CRP Contract Data Files.

**Completeness of Data:** [1]Data reported are estimated final results for the fiscal year based on data available as of June 30, 2013. The targets and actual data are annual. The measure reports national acres under contract with the following wetland practices: Wetland Restoration, Marginal Pastureland Buffers, Bottomland Trees, Shallow Water Areas for Wildlife, Duck Nesting Habitat, and Farmable Wetlands Programs. There are no known data limitations. Acres reported include associated upland buffers.

**Reliability of Data:** USDA considers the data to be reliable. CRP is authorized through FY 2013.

**Quality of Data:** Overall, the quality of the data is good.

## Challenges for the Future

The 2008 Farm Bill reduced CRP enrollment authority to no more than 32 million acres. FY 2013 enrollment is expected to end at about 26.9 million acres. Due to the 3.3 million acres of CRP expiring in FY 2013, and the delayed extension of Farm Bill authority and apportionment, combined with relatively high commodity prices, USDA faced challenges in maintaining the magnitude of CRP's conservation benefits. With the continued uncertainty of the pending Farm Bill reauthorization, estimates for future years may need to be adjusted if there are changes to CRP acreage authorized. CCC remains strongly committed to attaining its conservation objectives. Special focus will be placed on accelerating the protection of clean and abundant water resources.

# Income Support and Disaster Assistance Program Area

**MISSION ELEMENT**

Stabilizing, supporting, and protecting farm income and prices

## Program Overview

CCC is the financial instrument for millions of dollars in income support and disaster assistance payments each year to agricultural commodity producers. These payments stabilize, support, and protect farm income. CCC payments for these programs are driven by commodity market prices, payment eligibility rules established in public policy, and natural or human-caused disasters. CCC payments are best explained in the context of a commodity crop year which does not directly correspond to financial statement reporting.

The Direct and Counter-cyclical Payment Program (DCP) is a key CCC program in mitigating market losses by providing direct and counter-cyclical payments to eligible producers. The intent is to allow planting flexibility while providing a financial safety net. Eligible crop producers receive counter-cyclical payments if the effective price for the covered commodity is less than the target price for the covered commodity. Counter-cyclical payments vary as market prices change relative to statutory income support levels. Public Law 110-234, the *Food, Conservation, and Energy Act of 2008* (2008 Farm Bill), as amended by the *American Taxpayer Relief Act* (ATRA) of 2012 (Public Law 112-240), authorized DCP for 2008 through 2012 crop years.

The electronic Direct and Counter-cyclical Payment Program (eDCP) service allows agricultural producers to enroll in the Average Crop Revenue Election (ACRE) Program or DCP online. This service is intended to increase customer satisfaction and reduce the producer's time spent at USDA Service Centers. Producers can choose ACRE or DCP payment options, assign crop shares, sign, view, print, and submit their ACRE or DCP contracts from any computer with Internet access. This service has been available to all eligible producers for the 2008-2013 program years and helps maintain participation rates. While producers still have the option to sign-up for the programs in person at their local USDA Service Center, offering sign-up options through the Internet helps meet performance objectives, in accordance with the FSA mandate to expand E-Government options for program participants.

The optional ACRE program, added under the 2008 Farm Bill, and amended by ATRA, is an alternative revenue-based safety net to the price-based safety net provided by counter-cyclical payments. Farms with covered commodity or peanut base acres could participate in ACRE for crop years 2009 through 2013. Under ACRE, producers received revenue-based payments as an alternative to receiving price-based counter-cyclical payments.

ACRE provides producers an option to protect against declines in market revenue. ACRE involves State and farm revenue changes from guarantee revenue levels that are based on national prices, State planted yields, and farm planted yields. Because of the extension of the farm bill authorized by ATRA, producers were given the option to either elect and enroll in ACRE or participate in DCP for crop year 2013. Producers on farms that elected ACRE were required to decide annually whether to enroll in ACRE. Failing to re-enroll the farm rendered the farm ineligible for program year benefits even though the ACRE election is in effect. Producers could elect the ACRE alternative on a farm-by-farm basis. Producers who elected and enrolled a farm in ACRE agreed to: (1) forgo counter-cyclical payments, (2) take a 20 percent reduction in their direct payments, and (3) take a 30 percent reduction in the Marketing Assistance Loan (MAL) rates for all commodities produced on the farm.

ACRE payments are tied to current plantings on the farm as opposed to counter-cyclical payments, which are tied to the farm’s base acres. ACRE payments are issued when two conditions are met for a commodity. The first condition is met when the “Actual State Revenue” falls below the “State ACRE Guarantee”. The second condition is met when the “Actual Farm Revenue” falls below the “Farm ACRE Guarantee”. Producers on participating ACRE Program farms can receive both direct and ACRE payments, but if receiving both payments, the direct payment will undergo a 20 percent reduction.

ACRE direct payments for a crop year are limited to $40,000 per person or legal entity minus the amount that ACRE direct payments are reduced under ACRE. Total counter-cyclical and ACRE payments are limited to $65,000 per person or legal entity plus the amount that direct payments are reduced. The limitation is attributed to entities and individuals, including indirect amounts received through entities. Persons or legal entities whose average non-farm Adjusted Gross Income (AGI) exceeds $500,000 are not eligible for DCP or ACRE payments. Also, persons or legal entities whose average farm AGI exceeds $750,000 are not eligible for direct payments under the DCP or ACRE Program.

## Analysis of Results

CCC met its 2013 target to maintain the percentage of eligible base acres participating in the DCP and ACRE programs. Maintaining a high participation rate in the DCP and ACRE programs is important, because the associated program payments provide income support and incentives for good land stewardship and acreage reporting. Due to expected changes in the farm bill currently under consideration by Congress, CCC may discontinue this measure in future reports. In FY 2013, DCP/ACRE payments totaled $4.9 billion.

CCC helps farmers manage financial and market risks primarily through income support and disaster assistance programs. These programs help farmers and ranchers address major fluctuations in market conditions and unexpected natural or man-made disasters. These programs provide a financial safety net to farmers and ranchers and supports productive farms and ranches, thriving agricultural communities, market-based agriculture, and secure and affordable food and fiber. Selected CCC Income Support and Disaster Assistance accomplishments during the year include:

- The Noninsured Crop Disaster Assistance Program (NAP) provides a risk management tool for producers of non-insurable crops that are unable to obtain crop insurance through an insurance product. In FY 2013, approximately $322 million in NAP payments were issued.
- The Farm Storage Facility Loan (FSFL) Program provides financing for on-farm storage, covering over 970 million bushels of eligible FSFL commodities since FY 2000. More than 31,000 FSFLs were disbursed from FY 2000 through FY 2013 totaling approximately $1.6 billion. As of September 10, 2013, 1,767 FSFL applications were received totaling $166 million. A total of 427 applications have been accepted, with a total of $29 million disbursed.
- The Loan Deficiency Payment (LDP) Program, applicable when market prices are low, issues all LDP benefits electronically, when LDPs are in effect. The Marketing Assistance Loan (MAL) Program disburses nonrecourse commodity loans during a crop year. For the last full crop year, 2012, there were 46,805 MALs disbursed totaling over $5.9 billion. As of September 27, 2013, for crop year 2013, there have been 905 MALs disbursed totaling over $93.5 million. Loan activity for the 2013 crop year will increase as the harvest of most commodities is just beginning. The loan availability period for most crop year 2013 commodities continues until the end of May 2014.
- The Milk Income Loss Contract Program (MILC) compensates dairy producers when domestic milk prices fall below a specified benchmark price. As of September 2013, approximately $473.7 million MILC payments have been

issued for FY 2012 and approximately $197.4 million has been disbursed for FY 2013. Rising feed costs for the remainder of FY 2013 may trigger small MILC payments for August but not for September. The MILC program ends September 30, 2013, along with the current Farm Bill.

**Table 8: Summary of Performance Measures for DCP and ACRE Programs**

| Performance Measure | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Maintain the percent of eligible base acres participating in DCP and ACRE programs | 95.99% | 95.65% | 95.34% | 94.99% | 95% | 95% [1] | Met |
| **Threshold range:** +/-1.00% base acres | | | | | | | |
| **Rationale for Met Range:** Management Determination | | | | | | | |
| Data Assessment of Performance Measure | | | | | | | |
| **Data source:** Direct and Counter-cyclical and ACRE Program Enrollment Report (DCP-01) for the respective crop year. | | | | | | | |
| **Completeness of Data:** [1] Data reported are estimated final results for the fiscal year based on data available as of September 10, 2013, and on the historical trend from prior years. | | | | | | | |
| **Reliability of Data:** Data are considered reliable. The measurement process involves determining the number of base acres enrolled in the DCP and ACRE programs. That number is then divided by the total number of base acres on all farms to calculate the percentage of enrolled base acres. The enrollment report is updated periodically. | | | | | | | |
| **Quality of Data:** Overall, the quality of the data is good. | | | | | | | |

## Challenges for the Future

Congress has not yet passed multiyear comprehensive Food, Farm and Jobs legislation. Beginning October 1, 2013, the authority or funding provided under the 2008 Farm Bill, as amended by ATRA, for USDA to operate a number of programs will expire, and the authority and funding for additional programs will expire over the coming months. This creates uncertainty in terms of USDA programs and benefits available to U.S. farmers and ranchers.

# Commodity Operations and Food Aid Program Area

**MISSION ELEMENT**

Maintaining balanced and adequate supplies of agricultural commodities and aiding in their orderly distribution

## Program Overview

CCC Commodity Operations manages the acquisition, handling, storage, transportation, and disposition of agricultural commodities. Commodity Operations performs licensing and examination activities in accordance with the *United States Warehouse Act* (USWA), to maintain acceptable standards for the protection of stored commodities.

CCC is also responsible for administering storage agreements that commercial warehouse operators establish with CCC. The agreements are for CCC interest commodities, including commodities owned by CCC or pledged as collateral for Marketing Assistance Loans (MALs). These programs help achieve domestic farm program price support objectives, ensure the timely provision of various commodities for domestic and international food assistance, and administer a uniform regulatory system for storing agricultural products. Warehouse operators issue negotiable warehouse receipts to producers under the provisions of the USWA. Producers who use the stored commodity as collateral for a MAL may deliver the warehouse receipts to CCC as security for a nine-month MAL.

CCC also works with its Dairy Product Price Support Program partners to provide adequate, secure storage capacity to maintain quality and improve the purchase and delivery of food aid. Food assistance purchases support domestic programs such as the National School Lunch Program and the Emergency Food Assistance Program, as well as international food aid through the U.S. Agency for International Development and the United Nations' World Food Program.

## Analysis of Results

The more frequently warehouses are examined, the sooner potential compliance issues, pest infestation, or deterioration of quality for commodities in store are discovered. The 2013 CCC performance estimate of 358 days between warehouse examinations falls within its target range (plus or minus 25 days). The FY 2013 target was 365 days. The increasing number of commodity warehouses and the increasing capacities of licensed warehouses within the USWA are the major factors in the increase in number of days between examinations from previous fiscal years. The addition of 19 International Food Aid warehouses licensed in FY 2013 is also a contributing factor.

**Table 9: Summary of Performance Measure for Commodity Operations Program**

| Performance Measure | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Average time between warehouse examinations (in days) | 363 | 345 | 355 | 342 | 365 | 358 [1] | Met |
| **Threshold range:** +/- 25 days<br>**Rationale for Met Range:** Management Determination | | | | | | | |
| Data Assessment of Performance Measure | | | | | | | |
| **Data source:** The data source for this measure is internal Deputy Administrator for Commodity Operations (DACO) files.<br>**Completeness of Data:** [1]Data reported are estimated final results for the fiscal year based on data available as of September 10, 2013. The targets and actual data are annual.<br>**Reliability of Data:** USDA considers the data to be reliable.<br>**Quality of Data:** Overall, the quality of the data is good. | | | | | | | |

## Challenges for the Future

As staffing decreases, the challenge is to have examiner resources available to maintain the timeliness of examinations. The USWA-licensed warehouses represent more than half of all licensed grain, cotton, and peanut warehouse capacity in the United States. The USWA trend lines are for additional warehouses to be licensed as well as increased storage capacities of warehouses currently under license. CCC examination demands especially in sugar and cotton warehouses are on the increase. Marketing and transportation complexities in the commodity industry are also expanding. The implementation of non-traditional examination procedures and use of electronic mediums will provide efficiencies in the examination process. Management will need to be very proactive in balancing work force needs with budgetary restraints while meeting the demand of the commodity industry and CCC.

# Market Development Program Area

**MISSION ELEMENT**

Developing new domestic and foreign markets and marketing facilities for agricultural commodities

## Program Overview

One-third of all U.S. agricultural cash receipts come from export sales, making the economic well-being of rural America heavily dependent on international trade. U.S. farmers and ranchers are among the worlds' most productive and efficient. However, they face complex and unfair obstacles in the global marketplace where 95 percent of the world's consumers live. A cooperative effort with the U.S. industry is needed to ensure the U.S. producers have fair market access, a strong understanding of key market trends, and support in overcoming constraints such as tight credit in international markets.

CCC supports U.S. industry efforts to build, maintain, and expand overseas markets for U.S. agricultural, fish, and forest products. The FAS manages several export development programs including the Foreign Market Development (Cooperator) Program (FMD), Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC) Program, Quality Samples Program (QSP), and Emerging Markets Program (EMP). These programs provide matching funds to U.S. non-profit organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. Working with the State Regional Trade Groups (SRTG) and other industry organizations, CCC programs also provide funding to encourage small to medium-sized enterprises (SME) to become active in international markets. FAS staff in over 100 countries around the world support industry efforts by providing market intelligence and introducing U.S. exporters to potential foreign customers. FAS trade services staff, FAS overseas offices and cooperators all provide services that help U.S. companies successfully access potential buyers in a wide-range of international trade shows.

## Analysis of Results

An external cost-benefit analysis[3] of market development programs found that U.S. food and agricultural exports increased by $35 for every dollar expended by government and industry, up from $25 in 2007. The study used multivariate econometric models for bulk commodities and high value products that isolated the unique long-run trade impacts of foreign market development. The report also showed that agricultural exports in 2009 were $6.1 billion higher than they would have been without increased investment in market development. In addition, export gains associated with the programs increased the average annual level of U.S. farm cash receipts by $4.4 billion.

There are over 70 non-profit associations that participate in CCC market development programs. They are promoting U.S. products around the world and have an economic impact on virtually every state in the union. A few examples of their successes demonstrate the wide range of participants, activities, and target markets:

- The U.S. Soybean Export Council's MAP- and FMD-funded technical assistance provides Nicaraguan poultry, swine, dairy and cattle producers the management and animal nutrition information they need to improve efficiency and expand production. This type of hands-on technical advice has helped increase U.S. soybean meal exports, reaching nearly $40 million in 2012, a 54 percent increase in value over the previous year. As of completion of this report, 2013 results were not available.
- The Cotton Council International expanded U.S. mills' business relationships in Colombia through their FMD-funded COTTON USA Sourcing Program, which enabled them to visit potential customers, participate in key textile trade fairs, and host buyer teams in their factories. Contacts established from these activities enabled U.S. mills to take advantage of the duty-free provisions under the U.S.-Colombia Free Trade Agreement very quickly when fully implemented in 2012. U.S. cotton yarn exports to Colombia reached $12 million in 2012 and U.S. cotton yarn's market share in Colombia reached nearly 10 percent, compared to 1 percent in 2011. As of completion of this report, 2013 results were not available.
- MAP-funded trade missions have been very effective at generating new sales. For example, in anticipation of the U.S.-Korea Free Trade Agreement passage, the U.S. Dairy Export Council used MAP to fund a trade mission to Korea which resulted in an estimated $31.5 million of new business for U.S. cheese suppliers.

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[3] Information based on the report "A Cost-Benefit Analysis of USDA's International Market Development Programs" dated March 2010, prepared by IHS Global Insight (USA), Inc.

A Softwood Export Council trade mission to Australia in July 2012 generated an estimated $13 million in new sales. A U.S. Dry Bean Export Council MAP-funded trade visit to Poland in 2012 resulted in first-ever dark red kidney beans sales and U.S. dry bean exports to Poland reached $380 million in 2012, following no exports in 2011. Exports in the first six months of 2013 have already reached $374 million.

- Alaska Seafood Marketing Institute (ASMI) used MAP funds to participate at the HOFEX trade show in Hong Kong, the largest food and beverage trade show in Asia. Held in May 2013, the show attracted more than 19,000 exhibitors and 35,000 visitors and the USA Pavilion had 41 exhibitors and an estimated 32,000 visitors during the show. ASMI reported $2 million in on-site sales and projected 12-month sales totaling an additional $10 million.
- The U.S. Potato Board's use of the TASC program facilitated access to the Philippine market for U.S. table stock potatoes in June 2013. A TASC-funded Philippine trade mission to the United States in 2012, facilitating firsthand experience with U.S. potato production, storage, shipping, and U.S. seed certification, provided a critical breakthrough in negotiations.
- The Cranberry Marketing Committee has increased demand for U.S. cranberries in Mexico by providing product samples through the QSP and technical assistance through MAP. U.S. exports have doubled over the past five years, reaching $34.5 million for the marketing year ended August, 2012. Much of this growth has been through expanded use of dried cranberries in the food manufacturing sector. In 2012, 228 processed products using cranberries were available in Mexico, a 33 percent increase from the previous year.

CCC market development programs support the U.S. National Export Initiative (NEI), broadening the base of U.S. exporters supports economic recovery and American jobs. A central focus of NEI is to provide additional assistance to SMEs, which are major drivers of new job creation. In calendar year 2012 there were 1,716 new U.S. company participants in market development programs; and 1,829 buyers were brought to the U.S. on reverse trade missions. Trade show participation is a key component of SME program participation and cornerstone of cooperators' MAP and FMD investments.

**Table 10: Summary of Performance Measure for Market Development**

| Performance Measure | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Value of agricultural exports resulting from participation in foreign food and agricultural trade shows (million $) | $697 | $1,097 | $1,072 | $1,332 | $1,350 | $1,464 Estimate | Exceeded |

**Threshold range:** +/-$150 million

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** Data are collected by surveying U.S. company participants at the end of each trade show. Voluntary survey responses represent about 60 to 90 percent of total company participants at a show. In large, multiproduct shows, about a third to a half of the respondents are companies that are participating with one of the market development organizations. In more product-specific shows, about two-thirds of the respondents are linked to market development funded participants. Data reported are 12-month projected sales.

**Completeness of Data:** Data are through September 30, 2013.

**Reliability of Data:** Data are considered reliable.

**Quality of Data:** Data are self-reported but are considered a good indicator of aggregate company sales. In 2011, the Office of Trade Programs (OTP) conducted a test on the reliability of the data, OTP analyzed reported projected sales of three trade shows. This analysis compared reported projected sales to actual 12-month sales that were obtained through an extensive telephone survey. This review demonstrated that overall the projections understated actual sales. Prior to the review, many assumed projections were considerably overstating final sales.

## Challenges for the Future

The economic fragility of the EU, the political unrest in the Middle East, and the slowdown in the Chinese economy, all can have a detrimental impact on the export results of market development programs, including dampening U.S. company sales prospects at international trade shows. CCC's ability to continue to survey company sales following trade shows may be disrupted, as the OMB continues its review of the current survey, as required by the *Paperwork Reduction Act*. Consistent and predictable funding for various market development programs is a challenge. A new Farm Bill, or an extension of the current 2008 Farm Bill, is needed to establish predictable program funding levels in order to bring stability to planning and program implementation. These factors can greatly influence the performance measure outcomes and the availability of data to support them.

# Export Credit Program Area

**MISSION ELEMENT**

Creating U.S. agricultural export opportunities and enhancing global food security

## Program Overview

The primary objective of the CCC Export Credit Guarantee Programs is to increase sales of U.S. agricultural commodities to international markets by facilitating the extension of export credits to countries that may not have access to adequate commercial credit. These CCC programs encourage U.S. lenders and exporters to extend credit terms on sales of agricultural commodities and products to overseas customers. The CCC Export Credit Guarantee Programs support the involvement of foreign private sector banks and private sector importers in commercial trade transactions with the U.S. The Export Credit Guarantee (GSM-102) Program provides guarantees for export sales with repayment terms up to 2 years by current policy with further restrictions depending upon the risk grade of the country. The statutory cap on repayment terms remains at 3 years.

## Analysis of Results

The CCC Export Credit Guarantee Program was impacted by the drought-related downturn in U.S. feed corn exports. The FY 2013 program finished at $3.1 billion in registered port value for all commodities, thus not meeting the target of $3.4 billion. Even with the downturn in registrations, the program exceeded its 2013 economic return ratio target of $100 per dollar invested. The economic return ratio for FY 2013 is $131 per dollar invested. This is an increase over the FY 2012 economic return ratio of $117 per dollar invested. The increase in the economic return ratio was due to reduced default estimates and reduced administrative costs. No claims or defaults were received in FY 2013, continuing the FY 2012 trend.

The Economic Return Ratio is calculated using gross default estimates and does not take into consideration expected recoveries on claims paid. Program accomplishments for FY 2013 include:

- Although FY 2013 program usage decreased about 26 percent from FY 2012, mainly due to reduced sales of U.S. corn and soybeans, program demand for other commodities, including corn gluten meal, grain sorghum, lumber, poultry, and cotton increased this year.

- Turkey was the largest GSM-102 market in FY 2013, supporting sales of almost $800 million, a 14 percent increase over FY 2012. Sales of cotton, soybean meal, printing/writing paper, distiller's dry grains, and wheat to Turkey increased in FY 2013. As of July 2013, GSM-102 had supported 33 percent of total U.S. agricultural exports to Turkey, including 66 percent of all U.S. soybean and soybean meal exports to Turkey and 33 percent of all cotton.
- In FY 2013, a U.S. exporter registered a $3 million sale of poultry to Georgia, the first sale registered to that country under the program since FY 2008.
- In the Africa/Middle East Region, for the first time since 2002, the GSM-102 program supported exports of U.S. hard red winter wheat to Nigeria (approximately $19 million), one of the largest U.S. importers of wheat. In addition, for the first time ever, U.S. rice was shipped to Libya (approximately $9 million) under the program. Poultry exports to Angola under GSM-102 more than tripled this year over 2012, to a total of $40 million.
- The GSM-102 program supported $51 million in sales of U.S. agricultural commodities to Vietnam in FY 2013, mainly soybeans. Sales of U.S. lumber to Vietnam increased by 30 percent in FY 2013.

**Table 11: Summary of Performance Measure for GSM**

| Performance Measure | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Estimated trade value resulting from USDA GSM export credit guarantee program (dollars in billions) | $5.43 | $3.15 | $4.20 | $4.21 | $3.40 | $3.17 | Not Met |

**Threshold range:** +/- 0.25 billion

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** The data source for this measure is the GSM System. The GSM System records all export sales registered, guarantees issued and shipments and makes adjustments to these amounts due to reserves or shipments not completed. Figures have been updated to reflect actual export value (versus guaranteed value that was previously reported).

**Completeness of Data:** Data reported are based on results for the fiscal year based on data available as of September 30, 2013.

**Reliability of Data:** CCC considers this data to be reliable. The GSM System is updated every night. The GSM System is included in the annual A-123 review of the GSM-102 program and is also included in the annual audit by external auditors. The performance measure is simply the port value derived from the Commitment Reports that are generated from the GSM System.

**Quality of Data:** The GSM System is a system designed solely to support the GSM export credit guarantee programs. The GSM System is updated every night and all changes are tested before being incorporated into the system. Data is reviewed on a daily basis.

**Table 12: Summary of Performance Measure for Economic Return Ratio**

| Performance Measure | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Economic Return Ratio | N/A | N/A | $(107/1) | $(117/1) | $(100/1) | $(131/1) | Exceeded |

**Threshold range:** +/- 5.00

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** The data source for this measure is the GSM System. The GSM System records all export sales registered, guarantees issued and shipments and makes adjustments to these amounts due to reserves or shipments not completed.

**Completeness of Data:** Data reported based on final results for the fiscal year based as of September 30, 2013.

**Reliability of Data:** CCC considers this data to be reliable. The GSM System is updated every night. The GSM System is included in the annual A-123 review of the GSM-102 program and is also included in the annual audit by external auditors.

**Quality of Data:** The GSM System is a system designed solely to support the GSM export credit guarantee programs. The GSM System is updated every night and all changes are tested before they are incorporated into the system. Data is reviewed on a daily basis.

## Challenges for the Future

FY 2014 presents numerous challenges for the CCC-funded Export Credit Guarantee Program. The pending Farm Bill and continued negotiation with Brazil to reach a solution to a long-standing World Trade Organization dispute are likely to require some level of program changes. Both remain unclear at this time. Continued uncertainties in the global economic environment could create demand shifts based on commercial financing availability as the size of this program typically runs countercyclical to global financial stability.

# Part III: Financial Section

# Consolidated Financial Statements

## Commodity Credit Corporation
## CONSOLIDATED BALANCE SHEET
As of September 30, 2013 and 2012
(In Millions)

| | 2013 | 2012 |
|---|---|---|
| **Assets:** | | |
| Intragovernmental: | | |
| Fund Balance with Treasury (Note 2) | $ 2,686 | $ 2,984 |
| Accounts Receivable, Net (Note 4) | 35 | 151 |
| Total Intragovernmental Assets | $ 2,721 | $ 3,135 |
| Accounts Receivable, Net (Note 4) | 1,502 | 2,445 |
| Commodity Loans, Net (Note 5) | 337 | 400 |
| Direct Loans and Loan Guarantees, Net (Note 6) | 3,449 | 3,840 |
| Commodity Inventories and Related Property, Net (Note 7) | 69 | 14 |
| General Property and Equipment, Net (Note 8) | 20 | 28 |
| Other (Note 9) | 119 | 111 |
| **Total Assets** | $ 8,217 | $ 9,973 |
| Stewardship Land (Note 1) | | |
| **Liabilities (Note 10):** | | |
| Intragovernmental: | | |
| Debt to the Treasury (Note 11) | $ 5,609 | $ 2,682 |
| Other: | | |
| Deposit and Trust Liabilities (Note 12) | 1,306 | 1,532 |
| Resources Payable to Treasury (Note 13) | 1,427 | 1,850 |
| Other (Note 13) | 95 | 159 |
| Subtotal | $ 2,828 | $ 3,541 |
| Total Intragovernmental Liabilities | $ 8,437 | $ 6,223 |
| Accounts Payable | 616 | 464 |
| Loan Guarantee Liability (Note 6) | 126 | 174 |
| Environmental and Disposal Liabilities (Note 14) | 8 | 8 |
| Other Liabilities: | | |
| Accrued Liabilities (Note 15) | 6,956 | 8,246 |
| Deposit and Trust Liabilities (Note 12) | 6 | 7 |
| Other (Note 13) | 34 | 84 |
| Subtotal | $ 6,996 | $ 8,337 |
| **Total Liabilities** | $ 16,183 | $ 15,206 |
| Commitments and Contingencies (Note 16) | | |
| **Net Position:** | | |
| Capital Stock | $ 100 | $ 100 |
| Unexpended Appropriations | 372 | 900 |
| Cumulative Results of Operations | (8,438) | (6,233) |
| **Total Net Position** | $ (7,966) | $ (5,233) |
| **Total Liabilities and Net Position** | $ 8,217 | $ 9,973 |

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation

## CONSOLIDATED STATEMENTS OF NET COST

For the Fiscal Years Ended September 30, 2013 and 2012

(In Millions)

| | 2013 | 2012 |
|---|---|---|
| **Strategic Goals (Note 17):** | | |
| **Provide a Financial Safety Net for Farmers and Ranchers** | | |
| Gross Cost | $ 6,167 | $ 5,822 |
| Less: Earned Revenue | 36 | 86 |
| Net Goal Cost | $ 6,131 | $ 5,736 |
| **Increase Stewardship of Natural Resources While Enhancing the Environment** | | |
| Gross Cost | $ 2,191 | $ 2,154 |
| Less: Earned Revenue | 35 | 39 |
| Net Goal Cost | $ 2,156 | $ 2,115 |
| **Ensure Commodities are Procured and Distributed Effectively and Efficiently** | | |
| Gross Cost | $ 100 | $ 90 |
| Less: Earned Revenue | 21 | 25 |
| Net Goal Cost | $ 79 | $ 65 |
| **Increase U.S. Food and Agricultural Exports** | | |
| Gross Cost | $ 2,545 | $ 2,511 |
| Less: Earned Revenue | 286 | 702 |
| Net Goal Cost | $ 2,259 | $ 1,809 |
| **Total Gross Cost** | $ 11,003 | $ 10,577 |
| **Less: Total Earned Revenue** | 378 | 852 |
| **Net Cost of Operations** | $ 10,625 | $ 9,725 |

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation

# CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the Fiscal Years Ended September 30, 2013 and 2012
(In Millions)

| | 2013 | 2012 |
|---|---|---|
| **Capital Stock** | $ 100 | $ 100 |
| **Cumulative Results of Operations:** | | |
| Beginning Balance | $ (6,233) | $ (4,982) |
| **Budgetary Financing Sources:** | | |
| Appropriations Used | 11,138 | 11,431 |
| Non-exchange Revenue | 6 | (8) |
| Transfers in/out without Reimbursement, Net | (3,833) | (4,042) |
| **Other Financing Sources (Non-Exchange):** | | |
| Transfers in/out without Reimbursement, Net | - | (74) |
| Imputed Financing | 1,273 | 1,252 |
| Other | (164) | (85) |
| Total Financing Sources | $ 8,420 | $ 8,474 |
| Net Cost of Operations | (10,625) | (9,725) |
| Net Change | $ (2,205) | $ (1,251) |
| **Cumulative Results of Operations** | $ (8,438) | $ (6,233) |
| **Unexpended Appropriations:** | | |
| Beginning Balance | $ 900 | $ 1,167 |
| **Budgetary Financing Sources:** | | |
| Appropriations Received | 10,686 | 11,116 |
| Other Adjustments | (76) | 48 |
| Appropriations Used | (11,138) | (11,431) |
| Total Budgetary Financing Sources | $ (528) | $ (267) |
| **Total Unexpended Appropriations** | $ 372 | $ 900 |
| **Net Position** | $ (7,966) | $ (5,233) |

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation
## COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2013 and 2012
(In Millions)

| | 2013 Budgetary | 2013 Non-Budgetary Credit Reform Financing Accounts | 2012 Budgetary | 2012 Non-Budgetary Credit Reform Financing Accounts |
|---|---|---|---|---|
| **Budgetary Resources:** | | | | |
| Unobligated balance brought forward, October 1 | $ 1,213 | $ 341 | $ 1,870 | $ 657 |
| Recoveries of prior year unpaid obligations | 372 | 41 | 1,199 | 29 |
| Other changes in unobligated balance | (193) | (107) | (50) | (437) |
| Unobligated balance from prior year budget authority, net | 1,392 | 275 | 3,019 | 249 |
| Appropriations (discretionary and mandatory) | 2,449 | - | 2,503 | - |
| Borrowing Authority (discretionary and mandatory) | 16,117 | 270 | 11,267 | 219 |
| Spending authority from offsetting collections (discretionary and mandatory) | 2,590 | 291 | 5,715 | 282 |
| **Total Budgetary Resources** | $ 22,548 | $ 836 | $ 22,504 | $ 750 |
| **Status of Budgetary Resources:** | | | | |
| Obligations Incurred (Note 18) | $ 21,481 | $ 460 | $ 21,291 | $ 409 |
| Unobligated balance, end of year: | | | | |
| Apportioned | 215 | 168 | 199 | 217 |
| Exempt from apportionment | 304 | 8 | 355 | 5 |
| Unapportioned | 548 | 200 | 659 | 119 |
| Total Unobligated balance, end of year | 1,067 | 376 | 1,213 | 341 |
| **Total Budgetary Resources** | $ 22,548 | $ 836 | $ 22,504 | $ 750 |
| **Change in Obligated Balance:** | | | | |
| Unpaid obligations: | | | | |
| Unpaid obligations, brought forward, Oct 1 | $ 11,358 | $ 173 | $ 9,924 | $ 210 |
| Obligations incurred | 21,481 | 460 | 21,291 | 409 |
| Outlays (gross) | (20,869) | (384) | (18,658) | (417) |
| Recoveries of prior year unpaid obligations | (372) | (41) | (1,199) | (29) |
| Unpaid obligations, end of year | 11,598 | 208 | 11,358 | 173 |
| Uncollected payments: | | | | |
| Uncollected payments, Federal sources, brought forward, Oct 1 | (134) | (157) | (53) | (157) |
| Change in uncollected payments, Federal sources | 86 | - | (81) | - |
| Uncollected payments, Federal sources, end of year | (48) | (157) | (134) | (157) |
| Memorandum (non-add) entries: | | | | |
| **Obligated balance, start of year** | $ 11,224 | $ 16 | $ 9,871 | $ 53 |
| **Obligated balance, end of year** | $ 11,550 | $ 51 | $ 11,224 | $ 16 |
| **Budget Authority and Outlays, Net:** | | | | |
| Budget authority, gross (discretionary and mandatory) | $ 21,156 | $ 561 | $ 19,485 | $ 501 |
| Actual offsetting collections (discretionary and mandatory) | (10,133) | (527) | (9,437) | (561) |
| Change in uncollected customer payments from Federal sources (discretionary and mandatory) | 86 | - | (81) | - |
| **Budget authority, net (discretionary and mandatory)** | $ 11,109 | $ 34 | $ 9,967 | $ (60) |
| Outlays, gross (discretionary and mandatory) | $ 20,869 | $ 384 | $ 18,658 | $ 417 |
| Actual offsetting collections (discretionary and mandatory) | (10,133) | (527) | (9,437) | (561) |
| Outlays, net (discretionary and mandatory) | 10,736 | (143) | 9,221 | (144) |
| Distributed offsetting receipts | - | (102) | - | (74) |
| **Agency Outlays, net (discretionary and mandatory)** | $ 10,736 | $ (245) | $ 9,221 | $ (218) |

The accompanying notes are an integral part of these statements (Note 18).

# Notes to the Financial Statements

## Note 1 - Significant Accounting Policies

### Reporting Entity

CCC is a Federal corporation operating within and through USDA. It was established to stabilize, support, and protect farm income and prices; assist in the maintenance of balanced and adequate supplies of agricultural commodities; and facilitate the orderly distribution of those commodities.

CCC's statutory authority for its operations is found in the *Commodity Credit Corporation Charter Act*, 15 U.S.C. 714, and et seq. The Corporation is managed by a Board of Directors subject to the general supervision and direction of the Secretary of Agriculture who is an *ex-officio* director and chairperson of the Board. The members of the Board and the Corporation's officers are officials of USDA.

CCC operations are financed through appropriated funds as well as an authority to borrow from the U.S. Treasury (Treasury). The Treasury also holds capital stock in the amount of $100 million with no obligation to repay, on which the Corporation pays interest. CCC receives direct appropriations for several of its foreign assistance programs and special activities, such as disaster aid. Permanent indefinite borrowing authority exists for programs subject to the *Federal Credit Reform Act of 1990* (FCRA), as amended (Refer to Note 18 – Disclosures Related to the Statement of Budgetary Resources for additional information). Receipts flowing through CCC's related revolving fund include proceeds from the sale of CCC commodities, loan repayments, interest income, and various program fees.

CCC has no employees or facilities. Its programs are administered through various agencies including FSA, AMS, NRCS, FAS, and USAID. The accompanying financial statements include an allocation, as appropriate, of salaries and expenses (e.g., facility costs) incurred by FSA. In other instances, CCC reimburses the other agencies for their administrative costs.

### Basis of Presentation

The Corporation's financial statements report the financial position and results of operations of CCC pursuant to the requirements of 31 U.S.C. 3515 (b), *Financial Statements of Agencies*. These statements have been prepared from the accounting records of CCC as of September 30, 2013 and September 30, 2012, in accordance with generally accepted accounting principles for Federal entities and policies prescribed in OMB Circular A-136, *Financial Reporting Requirements*.

## Note 1 - Significant Accounting Policies, Continued

OMB financial reporting guidelines require the presentation of comparative financial statements for all principal financial statements. The statements are in addition to the external financial reports used to monitor and control budgetary resources, which are also prepared from CCC's general ledger. These financial statements have been prepared for the Corporation which is a component of the U.S. Government, a sovereign entity.

### Basis of Accounting

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds. The financial statements include all Treasury funds of CCC, which encompass its domestic and foreign activities. CCC consolidates all costs related to its child activities for the allocated funds transfers and shared appropriations. (Refer to the Allocation Transfers and Shared Appropriations section of this note for parent/child information). In consolidation, intra-agency activities and balances have been eliminated except for the Statement of Budgetary Resources, which is presented on a combined basis as required by OMB Circular A-136 guidance.

### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results will invariably differ from those estimates.

### Allocation Transfers and Shared Appropriations

CCC is a party to allocation transfers with another Federal agency as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to another department (child entity) to obligate budget authority and outlay funds. A separate fund account (allocation account) is created in Treasury as a subset of the parent fund account for tracking and reporting purposes.

## Note 1 - Significant Accounting Policies, Continued

All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

CCC allocates funds, as the parent, to USAID to fund P.L. 480 Title II transportation and other administrative costs in connection with foreign donations. CCC reports USAID's budgetary and proprietary transactions for which it is the parent.

### Direct Loans and Loan Guarantees – Credit Reform

The *Federal Credit Reform Act of 1990* (FCRA) applies to direct loans and loan guarantees made on or after October 1, 1991 (Post-1991).

Direct loans are a disbursement of funds by the Government to non-Federal borrowers under contracts that require the repayment of such funds within a certain time with or without interest. It includes the purchase of, or participation in, a loan made by another lender and financing arrangements that defer payment for more than 90 days.

The cost of direct loans is accounted for on a net present value basis at the time when the direct loan is disbursed. It includes the cash flows of loan disbursements; repayments of principal; payments of interest; recoveries or proceeds of asset sales; and other payments by or to the Government over the life of the loan. The present value computation also contains effects for estimated defaults, prepayments, fees, penalties, and any expected actions, such as the exercise by the borrower of an option included in the loan contract. Under the present-value method, the outstanding principal of the direct loans less the allowance equal to the difference between the outstanding principal and the present value of the expected net cash flows.

Loan guarantees represent insurance that the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender will be received by the non-Federal lender. A defaulted loan guarantee occurs if the borrower fails to make a payment pursuant to the terms of the obligation.

CCC's Export Credit Guarantee Program provides guarantees to buyers in countries where credit is necessary to maintain or increase U.S. sales of agricultural products. CCC underwrites credit extended by the private banking sector under the Export Credit Guarantee Program (GSM-102) and Facilities Guarantee Program (FGP). CCC records a liability and an allowance expense to the extent that CCC will be unable to recover claim payments under the Credit Reform Export Credit Guarantee programs. The allowance is based on management's estimate.

## Note 1 - Significant Accounting Policies, Continued

The cost of loan guarantees is accounted for on a net present value basis at the time the guaranteed loan is disbursed. The cost includes the estimated cash flows of payments by CCC to cover defaults and delinquencies; interest subsidies; payments to CCC including origination and other fees, penalties, and recoveries, including the effects of any expected actions by CCC and the exercise by the guaranteed lender or the borrower of an option included in the loan guarantee contract.

In estimating net present values, the discount rate is the average interest rate on marketable Treasury securities of similar maturity cash flows of the direct loan or loan guarantee for which the estimate is being made. When funds are obligated for a direct loan or loan guarantee, the estimated cost is based on the current assumptions adjusted to incorporate the terms of the loan contract.

Rescheduling agreements frequently allow CCC to add uncollected interest to the principal balance of foreign credit and other foreign receivables (capitalized interest). In such circumstances, CCC records an allowance to reduce the receivable, including the capitalized interest, to the present value of future cash flows. Interest income is recognized only when, in management's judgment, debtors have demonstrated the ability to repay the debt in the normal course of business.

CCC has several credit programs subject to Credit Reform requirements. Credit program receivables consist of:

- Direct loans extended under Public Law 83-480 (P.L. 480) programs;
- Receivables in the Debt Reduction Fund (this fund is specifically setup to restructure loans);
- Receivables for the General Sales Manager program in the form of rescheduled agreements;
- Loans made to producers to build or upgrade farm, sugar storage and handling facilities;
- Loans made to apple producers who incurred losses due to low market prices; and
- Loans made to the Texas Boll Weevil Eradication Foundation.

Refer to Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers for additional information.

# Note 1 - Significant Accounting Policies, Continued

## Fund Balance with Treasury

CCC disbursements are made by checks or electronic funds transfers that are deducted from CCC's account at Treasury.

Treasury requires that the Fund Balance with Treasury amounts reported via Federal Agencies' Centralized Trial-Balance System I (FACTS I) be in agreement with Treasury's records. To comply with these requirements, cash timing differences due to deposits in-transit or outstanding checks are reported as "in-transit". The cash balance includes such timing differences as a result of varying processing times and cut-off dates between CCC, Treasury, and other USDA entities. Refer to Note 2 – Fund Balance with Treasury for additional information.

## Cash

CCC does not maintain cash in commercial bank accounts.

## Accounts Receivable

Accounts receivable arise from claims to cash or other assets against other entities, either based on legal provisions, such as program overpayments, or for goods or services provided.

Accounts receivable are adjusted by a valuation allowance based on historical collection, write-off information, and other analysis which reduces the receivables to their estimated net realizable value. Refer to Note 4 – Accounts Receivable, Net for additional information.

## Commodity Loans

CCC makes both recourse and nonrecourse loans to producers of designated agricultural commodities. In the case of nonrecourse loans, producers have the option to: (a) repay the principal plus interest; (b) repay the loan (for certain designated commodities) at the market rate if the market rate is less than the loan rate; or (c) forfeit the commodity in satisfaction of the loan at maturity. Commodity loans are statutorily exempt from the accounting and reporting requirements of the FCRA.

Interest is accrued on the unpaid principal balance of commodity loans and is included in the reported net commodity loans receivable balances.

## Note 1 - Significant Accounting Policies, Continued

Commodity loans are reported net of an allowance for doubtful accounts which reduces the loans to their estimated net realizable value. The allowance is based on the estimated loss on ultimate disposition when it is more likely than not that the loans will not be fully collected. When CCC disposes of forfeited commodities, depending on the type of disposition, any loss on the disposition is realized as either a cost of sales or a donation. Refer to Note 5 – Commodity Loans, Net for additional information.

### Tobacco Transition Payment Program (TTPP)

The *American Jobs Creation Act* of 2004, which included *The Fair and Equitable Tobacco Reform Act* (the Law), effectively ended the tobacco loan program for CCC, which provided recourse loans to tobacco producers or quota holders. The Law provided that CCC would collect funds from the tobacco manufacturers and importers and make payments over a 10 year period to tobacco producers or quota holders. CCC levies assessments to the manufacturers and importers quarterly. All collections from the tobacco industry are deposited into the Tobacco Trust Fund managed by CCC.

The Law allows CCC’s revolving fund to make payments to the quota holders and producers, and provides for reimbursement from the Tobacco Trust Fund. The assessments collected from the tobacco industry are subsequently transferred to CCC’s revolving fund, reimbursing that fund for the payments made to quota holders and producers based on approved contracts.

In FY 2005, CCC recognized a public receivable for the present value of the expected future collections from the manufacturers and importers over the 10-year period. In addition, CCC recognized an accrued liability for the present value of the remaining pay-out amount to the quota holders and producers. The present value recorded by CCC is adjusted annually to reflect the present value of the future collections and payments.

At the completion of the TTPP, the remaining amount expended by CCC revolving fund in excess of collections from the trust fund will be included in the computation of Net Realized Loss for reimbursement by apportionment from Treasury.

## Note 1 - Significant Accounting Policies, Continued

### Commodity Inventories

Commodity inventories, referred to as goods held under price support and stabilization programs in the SFFAS No. 3, *Accounting for Inventory and Related Property*, issued by the Federal Accounting Standards Advisory Board (FASAB), represent commodities acquired by the Corporation for donation or price support purposes. They are eventually sold or otherwise disposed of to help satisfy economic goals. Acquisition is generally made through commodity loan forfeitures or by purchase of commodities on the open market.

In accordance with SFFAS No. 3, the cost of commodity inventories sold to other Federal entities is classified as an expense with the public since the commodities being sold are originally purchased or otherwise acquired from a public source.

Commodity inventories are valued using the weighted average method and valued at the lower of cost or the net realizable value in accordance with SFFAS No. 3. Ending inventory balances are examined at period end to determine each commodity's market value. A valuation allowance is recorded if the book value of a commodity exceeds its market value.

For financial statement purposes, the Barter Delivery Obligations (BDOs) are valued at the net sales proceeds and are presented as part of CCC's Commodity Inventories and Related Property. CCC recognizes a gain or loss on each exchange transaction determined by the difference between CCC's book value of the commodity and the BDO value received in the exchange (Refer to Note 7 – Commodity Inventories and Related Property, Net for additional information).

### General Property and Equipment

General property and equipment purchases are recorded at the acquisition cost plus expenditures related to placing the asset into service such as freight, installation, and testing. Purchases of property valued at $25,000 or more and a useful life of 2 years or greater are capitalized. Property and equipment is depreciated on a straight-line basis. Automated Data Processing (ADP) computer equipment has a service life of 5 years. There is no salvage value associated with general property and equipment.

In addition, internal use software valued at $100,000 or more and a useful life of 2 years or greater is capitalized. Internal use software development costs are accumulated and capitalized upon completion. In accordance with SFFAS No. 10, *Accounting for Internal Use Software*, capitalized software development costs include contractor developed software, purchased software, and internally developed software.

# Note 1 - Significant Accounting Policies, Continued

Capitalized internal use software costs are amortized over a period of 5 years beginning with the first year the software is fully operational. Also included are costs incurred by FSA which are transferred to CCC without reimbursement and are reflected as software-in-development on CCC's financial statements until such time as the software is completed and put into operation. Once the software is put into operation, amortization begins (Refer to Note 8 – General Property and Equipment, Net for additional information).

## Non-Entity Assets

Non-entity assets are assets held by CCC that are not available for use in its operations. In FY 2013, CCC did not have any non-entity assets.

## Liabilities

Depending on the type of transaction, CCC recognizes a liability in one of two ways. If an exchange transaction occurs (i.e., receipt of goods or services in return for a promise to provide money or other resources in the future), a liability is recognized in the period in which the exchange occurred. If a nonexchange transaction occurs (i.e., government programs where there is a one-way flow of resources or promises), a liability is recognized for any unpaid amounts due as of the reporting date. Liabilities not covered by budgetary resources, disclosed in Note 10 – Liabilities Not Covered by Budgetary Resources, result from the accrual of unpaid amounts due to various CCC programs. Budgetary resources for the programs will not be made available until the subsequent fiscal year when Congressional action or OMB apportionment is completed.

## Custodial Collections

As a normal part of its business practices, CCC collects FSA farm loans and forwards them to FSA. In addition, penalties, fines, fees, and other funds are collected and forwarded to Treasury. These are not part of CCC budget authority.

## Imputed Costs

Imputed costs represent costs incurred by other USDA agencies for the benefit of CCC. The majority of CCC's programs and related expenses are delivered through the personnel and facilities of FSA. The imputed costs consist of the costs of hired labor, opportunity costs of unpaid labor, capital recovery of machinery and equipment, opportunity costs of land, general overhead, payroll taxes, and insurance.

# Note 1 - Significant Accounting Policies, Continued

## Stewardship Land

Although the funding source of easements purchased for the Wetlands Reserve Program (WRP) has changed over the life of the program, the authority for administering and managing the program has resided with NRCS since the 1994 *USDA Reorganization Act*. NRCS holds the accountability for the management, monitoring, and enforcement for all easements purchased under the WRP. As such, NRCS remains responsible to disclose required information for all WRP easements as stewardship land.

## Tax Status

CCC, as a Federal entity, is not subject to Federal, State, or local income taxes, and accordingly, no provision for income tax is necessary.

## Capital Transfers

In FY 2013, the U.S. Treasury issued guidance regarding transfer of funds due to the Treasury, referred to as a "capital transfer," from one "liquidating" account (Pre-Credit Reform) to another for management purposes. Agencies are required to transfer end-of-year unobligated balances in these accounts to the general fund as soon as practicable after the close of the fiscal year. Treasury's guidance directed a transfer from Liability for Capital Transfer account to Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity. The net effect on CCC's financial statements is zero. Refer to Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers for additional information on credit reform accounting.

## Note 2 – Fund Balance with Treasury

Fund Balance with Treasury, by fund type, as of September 30, 2013 and 2012 were as follows:

**Table 13: Fund Balance with Treasury by Fund Type**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Fund Balance with Treasury, by type of fund: | | |
| Trust Funds | $ 187 | $ 49 |
| Revolving Funds | 1,407 | 1,259 |
| General Funds | 1,092 | 1,676 |
| Total Fund Balance with Treasury | $ 2,686 | $ 2,984 |
| | | |
| Status of Fund Balance with Treasury: | | |
| Unobligated Balance: | | |
| Available | $ 695 | $ 776 |
| Unavailable | 748 | 778 |
| Obligated Balance not yet Disbursed | 11,600 | 11,239 |
| Subtotal | $ 13,043 | $ 12,793 |
| Less: Borrowing Authority not yet Converted to Fund Balance | (10,357) | (9,809) |
| Total Fund Balance with Treasury | $ 2,686 | $ 2,984 |

The Unavailable balance represents unobligated resources not yet apportioned by OMB and unobligated appropriations from prior years that are no longer available for new obligations. Borrowing Authority not yet Converted to Fund Balance represents unobligated and obligated amounts recorded as of September 30, 2013 and 2012, which will be funded by future borrowings.

CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*. Borrowing authority permits the Corporation to incur obligations and authorizes it to borrow funds to liquidate the obligations (Refer to Note 1 - Significant Accounting Policies, under Reporting Entity, and Note 18 – Disclosures Related to the Statement of Budgetary Resources for additional information on permanent indefinite borrowing authority).

## Note 3 – Cash and Other Monetary Assets

As of September 30, 2013, CCC does not have balances classified as Cash and Other Monetary Assets.

## Note 4 – Accounts Receivable, Net

Accounts Receivable as of September 30, 2013 and 2012 were as follows:

**Table 14: Accounts Receivable**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Intragovernmental: | | |
| Due from the Department of Treasury | $ - | $ 4 |
| Due from the Department of Transportation | 35 | 112 |
| Due from Other Federal Agencies | - | 35 |
| Total Intragovernmental Accounts Receivable, Net | $ 35 | $ 151 |
| Public: | | |
| Notes Receivable | $ 7 | $ 20 |
| Interest Receivable | 7 | 16 |
| TTPP Receivable | 1,367 | 2,286 |
| Other | 127 | 137 |
| Subtotal | $ 1,508 | $ 2,459 |
| Less: Allowances for Doubtful Accounts | (6) | (14) |
| Total Public Accounts Receivable, Net | $ 1,502 | $ 2,445 |

CCC records a receivable due from the Department of Treasury. The receivable is related to the collection of credit subsidy for the Debt Reduction Fund.

The Cargo Preference provisions of the *Food Security Act of 1985* mandated a gradual increase in the share of particular exports, mostly food aid, which must be carried on U.S. flagged vessels. The *Food Security Act* and Section 901d (b) of the *Merchant Marine Act, 1938* (the Act), provide for the reimbursement of certain transportation costs the Corporation incurs.

Other Public Receivables consist of amounts due as a result of program overpayments or dishonored checks. Examples of CCC programs include Crop Disaster Assistance and Conservation Reserve Program.

## Note 4 – Accounts Receivable, Net, Continued

As of September 30, 2013, Public Accounts Receivable for the Tobacco Transition Payment Program (TTPP) was $1,367 million and included $398 million in Short-Term Receivable, $11 million in Notes Receivable, and $8 million in Interest Receivable. As of September 30, 2012, Public Accounts Receivable for TTPP was $2,286 million and included $388 million in Short-Term Receivable, $14 million in Notes Receivable, and $8 million in Interest Receivable. Refer to Note 1 - Significant Accounting Policies under TTPP, for general information on the program.

## Note 5 – Commodity Loans, Net

Commodity Loans Receivable, by commodity, as of September 30, 2013 and 2012 were as follows:

**Table 15: Commodity Loans Receivable by Commodity**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Cotton | $ 13 | $ 93 |
| Dry Whole Peas | 1 | 2 |
| Feed Grains: | | |
| Barley | 4 | 3 |
| Corn | 33 | 57 |
| Honey | 1 | 2 |
| Oilseeds | 1 | 1 |
| Peanuts | 60 | 25 |
| Rice | 45 | 160 |
| Soybeans | 5 | 10 |
| Sugar | 137 | - |
| Wheat | 36 | 43 |
| Total Commodity Loans | $ 336 | $ 396 |
| Accrued Interest Receivable | $ 2 | $ 3 |
| Penalties, Fines, and Administrative Fees | $ (1) | $ 1 |
| Total Commodity Loans, Net | $ 337 | $ 400 |

## Note 5 – Commodity Loans, Net, Continued

As of September 30, 2013, net commodity loans decreased by $63 million from the previous year. Significant loan balance changes occurred in sugar, rice, and cotton.

As of September 30, 2013, sugar loans were $137 million higher than in FY 2012. Sugar is required by law to be repaid by September 30th. As a result, during most years there is a zero commodity loans receivable balance. This year a number of producers forfeited sugar due to low market prices. Loans were forfeited by the producer on September 30, 2013, and were taken into CCC inventory on October 1, 2013.

As of September 30, 2013, rice loans were $115 million less than in FY 2012. The 2013 harvest is significantly behind average in the Delta states because of a wet spring that delayed rice plantings in Arkansas, Mississippi, and Missouri unlike the rapid harvest pace of the 2012 crop that accelerated loan placements.

As of September 30, 2013, cotton loans were $80 million less than in FY 2012. Upland cotton loans decreased from 2012 to 2013. Loans traditionally start in late June and ramp up in volume to September 30th. This year, no loans were made in either June or July and were very low in August as well.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers

Direct credit and loan obligations and credit guarantee commitments made after FY 1991 and the resulting direct credits and loans or credit guarantees are governed by the *Federal Credit Reform Act of 1990* (FCRA), as amended. The FCRA requires agencies to estimate for the President's Budget the cost of direct credits and loans and credit guarantees at the present value of future cash flows. Additionally, the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct credits and loans and credit guarantees are recognized as a cost in the year the direct credit and loan or credit guarantee is disbursed. The net present value of loans or defaulted guaranteed loans receivable at any point in time is the amount of the gross loan or defaulted guaranteed loans receivable less the present value of the subsidy at that time.

The net present value of Direct Loan and Loan Guarantees, Net as shown in the Balance Sheet, is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

The credit program account is the budget account into which an appropriation to cover the cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account.

The financing account is the non-budget account or accounts associated with each credit program account that holds balances, receives the cost payment from the credit program account, and also includes all other cash flows to and from CCC resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991.

The liquidating account is the budget account that includes all cash flows to and from CCC resulting from direct loan obligations or loan guarantee commitments made prior to October 1, 1991. These accounts are shown in the Federal budget on a cash basis.

Collections resulting from direct loans obligated or loan guarantees committed prior to October 1, 1991, are credited to the liquidating accounts. The amounts credited are available to the same extent that they were available to liquidate obligations arising from such direct loans obligated or loan guarantees committed prior to October 1, 1991, including repayment of any obligations held by the Department of Treasury. The unobligated cash balances of such accounts that are in excess of current needs must be transferred at least annually to the general fund of the Treasury. Refer to Note 13 – Other Liabilities for additional information on Resources Payable to Treasury.

# Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

These receivables (including related interest), for Post-Credit Reform, are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of these receivables and the present value of their net cash inflows is recognized as an allowance. CCC uses the Credit Subsidy Calculator 2 (CSC2) for computing the subsidy re-estimates for its Credit Reform programs. The CSC2 is an OMB tool for performing credit calculations, incorporating both financing account interest and cash flow amounts. CCC also uses the Treasury Credit Reform Certificate Program guidelines, Statement of Federal Financial Accounting Standards (SFFAS) No. 2, *Accounting for Direct Loans and Loan Guarantees*, SFFAS No. 18, *Amendments to Accounting for Direct Loans and Loan Guarantees*, and SFFAS No. 19, *Technical Amendments to Accounting for Direct Loans and Loan Guarantees* for the accounting and reporting of its loan subsidy cost re-estimation and amortization.

When direct and guaranteed loan financing funds collect more subsidy than necessary to fund future net cash outflows, the applicable financing account transfers the excess subsidy, with interest, to a Treasury General Fund Receipt (GFR) Account. The GFR accounts are shown in the financial statements as non-entity. The downward reestimate costs are shown in the “Other” line of the Statement of Changes in Net Position. Refer to Note 13 – Other Liabilities for additional information on Excess Subsidy Payable to Treasury.

## Credit Program Discussion and Descriptions

### Direct Credit Programs – Food Aid

Under the P.L. 480 Title I Program, CCC finances the sales of U.S. agricultural commodities to countries in need of food assistance on favorable credit terms (at low rates of interest for up to 30 years with grace periods of up to 7 years). P.L. 480 Title I provides for government-to-government (and some government-to-private entity) sales of U.S. agricultural commodities to developing countries on credit terms or for local currencies. Priority is given to countries with the greatest need for food that are undertaking economic development to improve food security and agricultural development, alleviate poverty, and promote broad based, equitable and sustainable development. All credits under this program are in U.S. dollar denominations. The aid provided under this program is in the form of agricultural commodities instead of actual loans; hence the term direct credit rather than direct loans. Although legislative authority for the P.L. 480 Title I Program still exists, there have been no new loans extended under the program since FY 2006.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

### Direct Credit Programs – Export

Under the GSM program, several cohorts have had defaults that resulted in rescheduled loans which are now direct loans owed to CCC. The programmatic purpose does not differ from the original guaranteed loans under GSM.

### Direct Credit Programs – Domestic

The Farm Storage Facility Loan (FSFL) Program was implemented to provide low cost financing for producers to build or upgrade on-farm commodity storage and handling facilities. The loans have a term of 7, 10, or 12 years with a requirement of annual repayment installments. Interest on these loans is accrued monthly from the date of disbursement. The borrower's rate is established to be equivalent to the rate of interest charged on the Treasury securities of comparable maturity.

Sugar Storage Facility Loans were authorized by the 2008 Farm Bill specifically for processors of domestically produced sugarcane and sugar beets for the construction or upgrading of storage and handling facilities for raw sugars and refined sugars. The loan term is 15 years, and the maximum principal amount is 85 percent of the net cost of the storage or handling equipment. No sugar storage loans have been made since the program was authorized. In FY 2013, one Sugar Storage Facility Loan was approved for $3.9 million. The loan has not been disbursed as of September 2013.

The Boll Weevil Program was made available to the Texas Boll Weevil Eradication Foundation in FY 2001, as an interest-free $10 million loan to be repaid over 10 years. The loans had not been repaid at the end of the 10 year timeframe, and new promissory notes were signed in May 2011, extending the repayment period to October 2020.

The Apple Loan Program in FY 2001 provided loans to apple producers who suffered hardships due to low prices following the 1998-1999 growing season when apple prices fell to their lowest levels in nearly 10 years. Eligible applicants obtained loans up to $300 per acre of apple trees in production in 1999 or 2000, up to a maximum indebtedness of $500,000. The original loan term was established as 3 years, but CCC is still receiving repayments.

### Guaranteed Loans, Credit Guarantee Programs – Export

CCC's Export Credit Guarantee (GSM) programs encourage exports of U.S. agricultural products to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without such credit guarantees.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

The GSM program has two sub categories, GSM-102 and GSM-103. The underlying difference between these two programs is principally in the length of their terms of coverage. The Corporation underwrites credit extended by the private banking sector in the U.S. (or, less commonly, by the exporter) under the GSM-102 program for terms of up to three years and the GSM-103 program covers credit terms of up to ten years. CCC does not provide financing, but guarantees payments due from foreign banks and obligors. Typically, 98 percent of principal and a portion of interest at an adjustable rate are covered. All guarantees under these programs are in U.S. dollar denominations. In the event that CCC pays a claim under the guarantee programs, CCC assumes the debt and treats it as a credit receivable for accounting and collection purposes.

Supplier Credit Guarantee Program (SCGP) is a subset of GSM-102 offering short term (6-months) credit at a reduced guarantee percentage of 65 percent. Credit was extended by the exporter to the importer for the purchase of U.S. agricultural products and had to be secured by a promissory note signed by the importer.

Under Section 3101 of the 2008 Farm Bill, authority for GSM-103 and SCGP was specifically repealed. Remaining liability under these programs is still subject to annual reestimate.

The Facility Guarantee Program (FGP) provides payment guarantees to finance commercial exports of U.S. manufactured goods and services that will be used to improve agriculture-related facilities. Payment terms may range from 1 to 10 years, with semi-annual installments on principal and interest. An initial payment representing at least 15 percent of the value of the sales transaction must be provided by the importer to the exporter. The rate of coverage is currently 95 percent and will apply to the value of the transaction, excluding the minimum 15 percent initial payment. Only one facility guarantee has been made since program inception.

### Obligated Loans

P.L. 480 Title I direct credits outstanding that were obligated prior to October 1, 1991 (Pre-1992) and P.L. 480 direct credits and direct loans for FSFL, Boll Weevil, and Apple loans that were obligated on or after October 1, 1991 (Post-1991) and related interest receivable outstanding as of September 30, 2013 and 2012 are shown in Table 16. Pre-1992 defaults on credit guarantees and related interest receivable are also presented in Table 16.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

### Table 16: Direct Loans and Defaulted Guaranteed Loans, Net

(In Millions)

| 2013 | Loans Receivable, Gross | Interest Receivable | Present Value Allowance | Value Of Assets Related to Loans |
|---|---|---|---|---|
| **Direct Loans:** | | | | |
| **Obligated Pre-1992** | | | | |
| P.L. 480 Title 1 | $ 2,896 | $ 847 | $ (2,271) | $ 1,472 |
| Pre-1992 Total | $ 2,896 | $ 847 | $ (2,271) | $ 1,472 |
| **Obligated Post-1991** | | | | |
| P.L. 480 Title 1 | $ 938 | $ 43 | $ (273) | $ 708 |
| Debt Reduction Fund | 152 | 7 | (154) | 5 |
| Farm Storage Facility | 718 | 12 | 12 | 742 |
| Boll Weevil Program | 8 | - | (5) | 3 |
| Post-1991 Total | $ 1,816 | $ 62 | $ (420) | $ 1,458 |
| Total Direct Loan Program Receivables | $ 4,712 | $ 909 | $ (2,691) | $ 2,930 |
| **Defaulted Guaranteed Loans:** | | | | |
| **Pre-1992** | | | | |
| Export Credit Guarantee Programs | $ 101 | $ 210 | $ (268) | $ 43 |
| Pre-1992 Total | $ 101 | $ 210 | $ (268) | $ 43 |
| **Post-1991** | | | | |
| Export Credit Guarantee Programs | $ 736 | $ 19 | $ (279) | $ 476 |
| Post-1991 Total | $ 736 | $ 19 | $ (279) | $ 476 |
| Total Defaulted Guaranteed Loans | $ 837 | $ 229 | $ (547) | $ 519 |
| Total Direct Loans and Defaulted Guaranteed Loans, Net | $ 5,549 | $ 1,138 | $ (3,238) | $ 3,449 |
| **2012** | | | | |
| **Direct Loans:** | | | | |
| **Obligated Pre-1992** | | | | |
| P.L. 480 Title 1 | $ 3,168 | $ 824 | $ (2,362) | $ 1,630 |
| Pre-1992 Total | $ 3,168 | $ 824 | $ (2,362) | $ 1,630 |
| **Obligated Post-1991** | | | | |
| P.L. 480 Title 1 | $ 1,066 | $ 47 | $ (278) | $ 835 |
| Debt Reduction Fund | 235 | 15 | (244) | 7 |
| Farm Storage Facility | 714 | 52 | (21) | 745 |
| Boll Weevil Program | 9 | - | (5) | 4 |
| Post-1991 Total | $ 2,024 | $ 114 | $ (548) | $ 1,591 |
| Total Direct Loan Program Receivables | $ 5,192 | $ 938 | $ (2,910) | $ 3,221 |
| **Defaulted Guaranteed Loans:** | | | | |
| **Pre-1992** | | | | |
| Export Credit Guarantee Programs | $ 109 | $ 207 | $ (264) | $ 52 |
| Pre-1992 Total | $ 109 | $ 207 | $ (264) | $ 52 |
| **Post-1991** | | | | |
| Export Credit Guarantee Programs | $ 814 | $ 20 | $ (266) | $ 568 |
| Post-1991 Total | $ 814 | $ 20 | $ (266) | $ 568 |
| Total Defaulted Guaranteed Loans | $ 923 | $ 227 | $ (530) | $ 620 |
| Total Direct Loans and Defaulted Guaranteed Loans, Net | $ 6,115 | $ 1,165 | $ (3,440) | $ 3,840 |

# Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

## Disbursement

For the fiscal years ended September 30, 2013 and 2012, disbursements of Post-1991 direct credits and loans were as follows:

**Table 17: Total Amount of Direct Loans Disbursed (Post-1991)**

| | (In Millions) 2013 | 2012 |
|---|---|---|
| Direct Loan Programs | | |
| Farm Storage Facility | $ 173 | $ 205 |
| Total Direct Loans Disbursed | $ 173 | $ 205 |

Table 18 shows new loans disbursed at face value. Since the loans have not yet defaulted, they are not accounted as Credit Program Receivables, Net on the Balance Sheet.

For the fiscal years ended September 30, 2013 and 2012, credit guaranteed disbursements were as follows:

**Table 18: Guaranteed Loans Disbursed**

(In Millions)

| | 2013 | | 2012 | |
|---|---|---|---|---|
| Loan Guarantee Programs | Principal, Face Value Disbursed | Principal, Guaranteed Disbursed | Principal, Face Value Disbursed | Principal, Guaranteed Disbursed |
| Export Credit Guarantee Programs | $ 3,176 | $ 3,117 | $ 4,399 | $ 4,306 |
| Total Guaranteed Loans Disbursed | $ 3,176 | $ 3,117 | $ 4,399 | $ 4,306 |

# Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

## Guaranteed Loans Outstanding

Outstanding principal and interest guaranteed represents a contingent liability for amounts owed by foreign banks to exporters or assignee U.S. financial institutions participating in the program.

As of September 30, 2013 and 2012, Post-1991 credit guarantees outstanding were as follows:

**Table 19: Guaranteed Loans Outstanding**

| **2013** | (In Millions) | |
|---|---|---|
| Loan Guarantee Programs | Post - 1991 Outstanding Principal, Face Value | Post - 1991 Outstanding Principal, Guaranteed |
| Export Credit Guarantee Program | $ 5,345 | $ 5,238 |
| Total Guaranteed Loans Outstanding | $ 5,345 | $ 5,238 |

| **2012** | (In Millions) | |
|---|---|---|
| Loan Guarantee Programs | Post - 1991 Outstanding Principal, Face Value | Post - 1991 Outstanding Principal, Guaranteed |
| Export Credit Guarantee Program | $ 6,195 | $ 6,071 |
| Total Guaranteed Loans Outstanding | $ 6,195 | $ 6,071 |

## Liability for Loan Guarantees

During the fiscal year, the value of the guaranteed loans is adjusted by the value of the loan guarantee liability held against those loans. Current year subsidy expense and reestimates contributed to the change of the loan guarantee liability through the year. The loan guarantee liability represents CCC's liability for guarantees in the GSM program.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

As of September 30, 2013 and 2012, Post-1991 Liability for Loan Guarantees (Present Value Method) were as follows:

**Table 20: Liability for Loan Guarantees (Present Value Method for Post-1991 Guarantees)**

(In Millions)

| Loan Guarantee Programs | 2013 Liabilities for Loan Guarantees on Post-1991 Guarantees, Present Value | 2012 Liabilities for Loan Guarantees on Post-1991 Guarantees, Present Value |
|---|---|---|
| Export Credit Guarantee Program | $ 126 | $ 174 |
| Total Liability for Loan Guarantees | $ 126 | $ 174 |

### Subsidy Expense

Total direct loan subsidy expense is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and technical and interest rate reestimates to existing loans. Subsidy reestimates are calculated on cumulative disbursements for all budget fiscal years and the respective cohorts (direct loan origination year) that comprise them. There were no additional direct food aid credit agreements made in either 2012 or 2013.

**Table 21: Subsidy Expense for Direct Loans by Program and Component**

**2013** (In Millions)

| Direct Loan Programs | Interest Differential | Fees and Other Collections | Subtotal Subsidy | Total Modifications | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|---|
| P.L 480 Title 1 | $ - | $ - | - | $ 4 | $ 47 | $ 28 | $ 75 | $ 79 |
| Farm Storage Facility | (3) | - | (3) | - | 3 | (3) | - | (3) |
| Total Direct Loan Subsidy Expense | $ (3) | $ - | $ (3) | $ 4 | $ 50 | $ 25 | $ 75 | $ 76 |

**2012** (In Millions)

| Direct Loan Programs | Interest Differential | Fees and Other Collections | Subtotal Subsidy | Total Modifications | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|---|
| P.L 480 Title 1 | $ - | $ - | $ - | $ 21 | $ - | $ 10 | $ 10 | $ 31 |
| Farm Storage Facility | (4) | (1) | (5) | - | - | (17) | (17) | (22) |
| Total Direct Loan Subsidy Expense | $ (4) | $ (1) | $ (5) | $ 21 | $ - | $ (7) | $ (7) | $ 9 |

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Post-1991 subsidy expenses related to credit guarantees, net of fees and other collections, and subsidy reestimates for the fiscal years ended September 30, 2013 and 2012 are shown in Table 22 below. Subsidy reestimates are calculated on cumulative disbursements for all cohorts.

**Table 22: Subsidy Expense for Loan Guarantees by Program and Component**

| 2013 | (In Millions) | | | |
|---|---|---|---|---|
| Loan Guarantee Programs | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
| Export Credit Guarantee Programs | $ (7) | $ (3) | $ (10) | $ (10) |
| Total Loan Guarantees Subsidy Expense | $ (7) | $ (3) | $ (10) | $ (10) |

| 2012 | (In Millions) | | | |
|---|---|---|---|---|
| Loan Guarantee Programs | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
| Export Credit Guarantee Programs | $ (4) | $ 35 | $ 31 | $ 31 |
| Total Loan Guarantees Subsidy Expense | $ (4) | $ 35 | $ 31 | $ 31 |

### Subsidy Rates

Subsidy rates are used to compute each year's subsidy expenses as disclosed below. The subsidy rates disclosed in Table 23 and Table 24 pertain only to the FY 2013 and FY 2012 cohorts. These rates cannot be applied to the direct credits and loans and guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior-year cohorts. The subsidy expense reported in the current year also includes reestimates. For the fiscal years ended 2013 and 2012, there were no new loans for P.L. 480, and thus, no subsidy rate was provided. The Apple and Boll Weevil Loan Programs are one year programs, both in cohort 2001.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

FY 2013 and 2012 subsidy rates (percentage) for direct credits and loans were as follows:

**Table 23: Subsidy Rates for Direct Loans by Program and Component**

**2013**

| Direct Loan Programs | Interest Differential | Defaults | Fees and Other Collections | Other | Total |
|---|---|---|---|---|---|
| Farm Storage Facility | (2.14) | 0.02 | (0.27) | (0.07) | (2.46) |
| Sugar Storage Facility | 3.21 | 0.03 | - | (0.13) | 3.11 |

**2012**

| Direct Loan Programs | Interest Differential | Defaults | Fees and Other Collections | Other | Total |
|---|---|---|---|---|---|
| Farm Storage Facility | (1.97) | 0.02 | (0.27) | (0.08) | (2.30) |

FY 2013 and 2012 subsidy rates (percentage) for credit guarantee programs were as follows:

**Table 24: Subsidy Rates for Loan Guarantees by Program and Component**

**2013**

| Guaranteed Loan Programs | Defaults | Fees and Other Collections | Total |
|---|---|---|---|
| Export Guarantee Programs | 0.05 | (1.16) | (1.11) |

**2012**

| Guaranteed Loan Programs | Defaults | Fees and Other Collections | Total |
|---|---|---|---|
| Export Guarantee Programs | 0.06 | (0.74) | (0.68) |

# Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

## Schedule for Reconciliation

Subsidy Allowance in Table 25 includes subsidy for both direct loans and loans receivable derived from those defaulted guaranteed loans which CCC rescheduled as direct loans.

**Table 25: Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991) Direct Loans**

| (In Millions) | 2013 | 2012 |
|---|---|---|
| Beginning Balance of the Subsidy Cost Allowance | $ 813 | $ 800 |
| Add: Subsidy expense for direct loans disbursed during the year by component | | |
| Interest Rate Differential Costs | (3) | (4) |
| Fees and Other Collections | - | (1) |
| Total Subsidy Expense prior to Adjustments and Reestimates | (3) | $ (5) |
| Adjustments: | | |
| Loan Modifications | $ 4 | $ 21 |
| Accruals - Technical Default Reestimates | 50 | 5 |
| Loans written off | (159) | (629) |
| Subsidy allowance amortization | (58) | (14) |
| Other | (50) | 559 |
| Net Present Value (NPV) Adjustment | 24 | 83 |
| Total Subsidy Cost allowance before reestimates | $ 621 | $ 820 |
| Add or Subtract Reestimates by Component: | | |
| Interest rate reestimate | $ 50 | $ - |
| Technical/Default Reestimate | 25 | (7) |
| Total Reestimates | 75 | (7) |
| Ending Balance of the Subsidy Cost Allowance | $ 696 | $ 813 |

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

The change in the liability for Post-1991 credit guarantees as of September 30, 2013 and 2012 was as follows:

**Table 26: Schedule for Reconciling Loan Guarantee Liability**

| | (In Millions) | |
|---|---|---|
| | **2013** | **2012** |
| Beginning balance of the loan guarantee liability | $ 174 | $ 114 |
| Adjustments: | | |
| Fees received | 37 | $ 41 |
| Other | (75) | (12) |
| Ending balance of the Loan Guarantee Liability before reestimates | $ 136 | $ 143 |
| Add or Subtract reestimates by component: | | |
| Interest rate reestimate | $ (7) | $ (4) |
| Technical/default reestimate | (3) | 35 |
| Total of the above reestimate components | $ (10) | $ 31 |
| Ending balance of the loan guarantee liability | $ 126 | $ 174 |

### Administrative Expenses

Consistent with FCRA, subsidy cash flows exclude direct Federal administrative expenses. Administrative expenses on direct credit and loan programs are as noted in Table 27 below.

**Table 27: Administrative Expenses**

| | (In Millions) | |
|---|---|---|
| | **2013** | **2012** |
| Direct Loan Programs | $ 3 | $ 2 |
| Guaranteed Loan Programs | 6 | 7 |
| Total Administrative Expenses | $ 9 | $ 9 |

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

### Loan Modifications and Rescheduling

A modification is any Government action different from the baseline assumptions that affects the subsidy cost such as a change in the terms of the loan contract. The cost of a modification is the difference between the present value of the cash flows before and after the modification.

The Debt Reduction Fund is used to account for CCC's modified debt. Debt is considered to be modified if the original debt has been reduced or the interest rate of the agreement changed. In contrast, when debt is "rescheduled," only the date of payment is changed. Rescheduled debt is carried in the original fund until paid. With one exception, all outstanding CCC modified debt is carried in the Debt Reduction Fund and is governed by the *FCRA*. The exception was a prepayment by Peru of GSM-102 rescheduled debt.

### Events and Changes Having a Significant and Measurable Effect upon Subsidy Rates, Subsidy Expense, and Reestimates

Cashflow models were updated during FY 2013 for all three major CCC programs. For Export Credit Guarantees and Farm Storage, the updates were mainly to econometric predictors to incorporate the effects of the most recent programmatic performance. For P.L. 480, econometrics were updated as well, but CCC also changed the model methodology in regard to debt reductions. CCC now predicts no future recoveries on agreements modified by debt reduction agreements that were not rescheduled, a more conservative approach to future cashflow predictions. This had the one-time effect of a significant upward reestimate in those cohorts that had the most debt affected by this change.

During FY 2013, as well as in other recent fiscal years, FAS increased fees for the GSM-102 and Facilities Guarantee programs. These fee increases have served to lower the subsidy rates for both programs. FAS will continue to evaluate fees and incorporate changes as deemed necessary.

Other than as stated above, CCC is unaware of any measurable events or pending legislation at this time that may affect subsidy rates and reestimates in the future.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

### Interest Credit

Interest is accrued monthly on both performing and non-performing direct loans and loan guarantee receivables as it is earned using simple interest calculations based upon a 365-day year. A non-performing direct loan or loan guarantee receivable is defined as a repayment scheduled under a credit agreement with an installment payment in arrears more than 90 days. For those non-performing receivables, accrued interest is not recognized as income; rather, it is deferred until the interest is received or the receivable is returned to performing status.

Based on the *FCRA* and SFFAS No. 2, all credit reform loans initiated after September 30, 1991 need to be presented on a present value basis. For loans initiated before October 1, 1991 (Pre-1992), restatement of loan value on a present value basis is permitted but not required. Since CCC elected to restate the Pre-1992 loan receivables from nominal value to net present value starting in 2001, the accounting treatment, including revenue recognition and allowance calculation, has been applied consistently to Pre-1992 and Post-1991 Direct Loan and Loan Guarantee programs. For Pre-1992 and Post-1991 loan interest receivable, the portion related to non-performing loans is deferred and presented net of the loan receivable line item in the Balance Sheet.

### Reestimate Trend Analysis

Agencies are required to reestimate the subsidy cost throughout the life of each cohort of direct loans or loan guarantees to account for differences between the original assumptions of cash flow and actual cash flow or revised assumptions about future cash flow. These reestimates represent additional costs or savings to the Government and are recorded in the budget. Reestimates that indicate an increase in the subsidy cost are financed by permanent indefinite authority. Refer Note 18 – Disclosures Related to the Statement of Budgetary Resources for additional information.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

P.L. 480 Title I Direct Credit - The P.L. 480 program had a net technical reestimate for FY 2013 of $28 million; $29 million upward and $1 million downward. Actual recoveries in FY 2013 were $16 million less than projected at the end of FY 2012, and defaults were $3 million less than projected, for a net decrease in cash receipts of $13 million in FY 2013. The remainder of the upward reestimate is due to a change in the treatment of debt reduction modifications, which resulted in increases in projected defaults and decreases in projected recoveries. In addition, interest on the reestimate was significant ($47 million), almost entirely attributable to the older cohorts for which the debt reduction methodology change had the most impact. Refer to Table 21 for a summary on the reestimates.

Farm Storage Facility Loans - The FSFL program had a net technical reestimate of $3 million, which is less than 2 percent of overall disbursements and therefore not significant.

Export Credit Guarantees (GSM) - The GSM-102 program had a net technical reestimate of $7 million for FY 2013. The upward technical reestimate is $9 million, of which $6 million is attributable to the 2012 and 2013 cohorts. The upward reestimate is due to a change in model methodology to more accurately capture the anticipated defaults on all loan guarantee disbursements. The model now establishes a projected repayment schedule for registrations that did not have scheduled principal and interest repayments at the time of reestimate. The downward reestimate is $16 million, of which $13 million is related to the 2008, 2009 and 2010 cohorts. The downward reestimate is due to significantly greater recoveries in FY 2013 than anticipated at the end of FY 2012, mainly for Kazakhstan. The SCGP program technical reestimate of $4 million was offset by downward interest on the reestimate of $3.3 million, resulting in a total reestimate of less than $500 thousand, which is not significant. Refer to Table 22 for a summary on the reestimates.

# Note 7 – Commodity Inventories and Related Property, Net

Commodity inventory and related property as of September 30, 2013 (In Thousands) was as follows:

## Table 28: Inventory and Related Property, September 30, 2013

| | Unit of Measure | Beginning Inventory October 1, 2012 | | Acquisitions | | Collateral Acquired | | Other Disposition, Addition, & Deduction | | Donations | | Ending Inventory September 30, 2013 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Dry Edible Beans | Cwt. | - | $ - | 265 | $ 11,355 | - | $ - | - | $ - | (265) | $ (11,355) | - | $ - |
| **Beans Total** | | **XXX** | **$ -** | **XXX** | **$ 11,355** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (11,355)** | **XXX** | **$ -** |
| Corn Soya Blend | Pounds | 2,138 | $ 734 | 134,934 | $ 50,697 | - | $ - | - | $ - | (112,530) | $ (43,457) | 24,542 | $ 7,974 |
| Wheat Soy Blend | Pounds | - | - | 9,092 | 3,617 | - | - | - | - | (9,092) | (3,617) | - | - |
| **Blended Foods Total** | | **XXX** | **$ 734** | **XXX** | **$ 54,314** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (47,074)** | **XXX** | **$ 7,974** |
| Emergency Food Ration Bars | Pounds | 1,345 | $ 2,742 | 6,172 | $ 10,779 | - | $ - | - | $ - | (6,803) | $ (12,376) | 714 | $ 1,145 |
| **CCC Total** | | **XXX** | **$ 2,742** | **XXX** | **$ 10,779** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (12,376)** | **XXX** | **$ 1,145** |
| Miscellaneous | Cwt. | - | $ 456 | - | $ 6,268 | - | $ - | - | $ - | - | $ (6,724) | - | $ - |
| **CCC/AMS-FNS Total** | | **XXX** | **$ 456** | **XXX** | **$ 6,268** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (6,724)** | **XXX** | **$ -** |
| Upland Cotton | Bales | - | $ - | - | $ - | 1 | $ 201 | (1) | $ (191) | - | $ - | - | $ 10 |
| **Cotton Total** | | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ 201** | **XXX** | **$ (191)** | **XXX** | **$ -** | **XXX** | **$ 10** |
| Dry Whole Peas | Cwt. | - | $ - | 2,179 | $ 58,750 | - | $ - | - | $ - | (1,997) | $ (54,733) | 182 | $ 4,017 |
| Lentils Dry | Cwt. | - | - | 801 | 21,453 | - | - | - | - | (652) | (17,808) | 149 | 3,645 |
| **Dry Whole Peas Total** | | **XXX** | **$ -** | **XXX** | **$ 80,203** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (72,541)** | **XXX** | **$ 7,662** |
| Corn | Bushels | - | $ - | 626 | $ 5,199 | - | $ - | - | $ - | (626) | $ (5,199) | - | $ - |
| Corn Meal | Pounds | - | - | 76,162 | 18,937 | - | - | - | - | (76,162) | (18,937) | - | - |
| Grain Sorghum | Bushels | - | - | 9,782 | 74,018 | - | - | - | - | (9,644) | (73,168) | 138 | 850 |
| **Feed Grains Total** | | **XXX** | **$ -** | **XXX** | **$ 98,154** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (97,304)** | **XXX** | **$ 850** |
| Peanuts | Pounds | - | $ - | - | $ - | 41,593 | $ 7,492 | (41,593) | $ (7,492) | - | $ - | - | $ - |
| **Peanut Total** | | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ 7,492** | **XXX** | **$ (7,492)** | **XXX** | **$ -** | **XXX** | **$ -** |
| Potatoes Dehydrated | Pounds | - | $ - | 39 | $ 60 | - | $ - | - | $ - | (39) | $ (60) | - | $ - |
| **Potato Dehydrated Total** | | **XXX** | **$ -** | **XXX** | **$ 60** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (60)** | **XXX** | **$ -** |
| Milled Head Rice | Cwt. | 78 | $ 1,914 | 2,479 | $ 66,532 | - | $ - | - | $ - | (2,468) | $ (66,265) | 89 | $ 2,181 |
| **Rice Total** | | **XXX** | **$ 1,914** | **XXX** | **$ 66,532** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (66,265)** | **XXX** | **$ 2,181** |
| Soybean Meal | Pounds | - | $ - | 113,757 | $ 27,974 | - | $ - | - | $ - | (113,757) | $ (27,974) | - | $ - |
| Soybeans | Bushels | - | - | 73 | 1,448 | - | - | - | - | (73) | (1,448) | - | - |
| **Soybean Total** | | **XXX** | **$ -** | **XXX** | **$ 29,422** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (29,422)** | **XXX** | **$ -** |
| Raw Cane Sugar | Pounds | - | $ - | - | $ 30,666 | 140,750 | $ 27,390 | - | $ - | - | $ (30,666) | 140,750 | $ 27,390 |
| Refined Beet Sugar | Pounds | - | - | - | 89,529 | 30,000 | 7,179 | - | (69,490) | - | (20,040) | 30,000 | 7,178 |
| **Sugar Total** | | **XXX** | **$ -** | **XXX** | **$ 120,195** | **XXX** | **$ 34,569** | **XXX** | **$ (69,490)** | **XXX** | **$ (50,706)** | **XXX** | **$ 34,568** |
| Vegetable Oil | Pounds | 12,220 | $ 7,851 | 191,426 | $ 122,101 | - | $ - | - | $ - | (180,319) | $ (114,585) | 23,327 | $ 15,367 |
| **Vegetable Oil Products Total** | | **XXX** | **$ 7,851** | **XXX** | **$ 122,101** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (114,585)** | **XXX** | **$ 15,367** |
| Bulgur | Pounds | - | $ - | 67,649 | $ 14,675 | - | $ - | - | $ - | (61,268) | $ (13,637) | 6,381 | $ 1,038 |
| Flour | Pounds | - | - | 57,597 | 13,179 | - | - | - | - | (57,597) | (13,179) | - | - |
| Wheat | Bushels | - | - | 22,252 | 211,152 | - | - | - | - | (22,252) | (211,152) | - | - |
| **Wheat Total** | | **XXX** | **$ -** | **XXX** | **$ 239,006** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (237,968)** | **XXX** | **$ 1,038** |
| Total Commodities | | **XXX** | **$ 13,697** | **XXX** | **$ 838,389** | **XXX** | **$ 42,262** | **XXX** | **$ (77,173)** | **XXX** | **$ (746,380)** | **XXX** | **$ 70,795** |
| Allowance for Losses | | | | | | | | | | | | | $ (1,909) |
| Barter Delivery Obligations | | | | | | | | | | | | | 325 |
| Commodity Inventories and Related Property, Net | | | | | | | | | | | | | **$ 69,211** |

Note: Due to distinct units of measure, Quantity totals are not tabulated, and are denoted as xxx.

# Note 7 – Commodity Inventories and Related Property, Net, Continued

Commodity inventory and related property as of September 30, 2012 (In Thousands) was as follows:

## Table 29: Inventory and Related Property, September 30, 2012

| | Unit of Measure | **Beginning Inventory** October 1, 2011 Quantity | Value | Acquisitions Quantity | Value | Collateral Acquired Quantity | Value | Other Disposition, Addition, & Deduction Quantity | Value | Donations Quantity | Value | **Ending Inventory** September 30, 2012 Quantity | Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dry Edible Beans | Cwt. | 57 | $ 2,536 | 243 | $ 12,937 | - | $ - | 3 | $ 157 | (303) | $ (15,630) | - | $ - |
| **Beans Total** | | **XXX** | **$ 2,536** | **XXX** | **$ 12,937** | **XXX** | **$ -** | **XXX** | **$ 157** | **XXX** | **$ (15,630)** | **XXX** | **$ -** |
| Corn Soya Blend | Pounds | 15,983 | $ 5,209 | 168,712 | $ 54,192 | - | $ - | - | $ (1) | (182,557) | $ (58,666) | 2,138 | $ 734 |
| Wheat Soy Blend | Pounds | - | - | 7,924 | 2,765 | - | - | - | - | (7,924) | (2,765) | - | - |
| **Blended Foods Total** | | **XXX** | **$ 5,209** | **XXX** | **$ 56,957** | **XXX** | **$ -** | **XXX** | **$ (1)** | **XXX** | **$ (61,431)** | **XXX** | **$ 734** |
| Emergency Food Ration Bars | Pounds | 2,183 | $ 4,440 | 2,752 | $ 5,620 | - | $ - | - | $ - | (3,589) | $ (7,318) | 1,345 | $ 2,742 |
| **CCC Total** | | **XXX** | **$ 4,440** | **XXX** | **$ 5,620** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (7,318)** | **XXX** | **$ 2,742** |
| Miscellaneous | Cwt. | - | $ 129 | - | $ 7,708 | - | $ - | - | $ - | - | $ (7,381) | - | $ 456 |
| Poultry Frozen Chicken | Pounds | - | - | - | 1,155 | - | - | - | - | - | (1,155) | - | - |
| **CCC/AMS-FNS Total** | | **XXX** | **$ 129** | **XXX** | **$ 8,863** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (8,536)** | **XXX** | **$ 456** |
| Nonfat Dry Milk | Pounds | - | $ - | - | $ - | - | $ - | 970 | $ 1,446 | (970) | $ (1,446) | - | $ - |
| **Dairy Program Total** | | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ 1,446** | **XXX** | **$ (1,446)** | **XXX** | **$ -** |
| Upland Cotton | Bales | - | $ - | - | $ - | - | $ - | - | $ - | - | $ - | - | $ - |
| **Cotton Total** | | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ -** |
| Dry Whole Peas | Cwt. | 250 | $ 8,486 | 2,089 | $ 64,601 | - | $ - | - | $ (43) | (2,339) | $ (73,044) | - | $ - |
| Lentils Dry | Cwt. | - | - | 681 | 19,930 | - | - | - | - | (681) | (19,930) | - | - |
| **Dry Whole Peas Total** | | **XXX** | **$ 8,486** | **XXX** | **$ 84,531** | **XXX** | **$ -** | **XXX** | **$ (43)** | **XXX** | **$ (92,974)** | **XXX** | **$ -** |
| Corn | Bushels | - | $ - | 488 | $ 3,735 | - | $ - | - | $ - | (488) | $ (3,735) | - | $ - |
| Corn Meal | Pounds | - | - | 102,520 | 22,860 | - | - | - | (1) | (102,520) | (22,859) | - | - |
| Grain Sorghum | Bushels | 627 | 4,725 | 13,653 | 105,472 | - | - | - | - | (14,280) | (110,197) | - | - |
| **Feed Grains Total** | | **XXX** | **$ 4,725** | **XXX** | **$ 132,067** | **XXX** | **$ -** | **XXX** | **$ (1)** | **XXX** | **$ (136,791)** | **XXX** | **$ -** |
| Pork Meats | Pounds | 72 | $ 155 | - | $ - | - | $ - | - | $ - | (742) | $ (155) | - | $ - |
| **Meat Products Total** | | **XXX** | **$ 155** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (155)** | **XXX** | **$ -** |
| Milled Head Rice | Cwt. | 6 | $ 148 | 3,265 | $ 80,714 | - | $ - | 11 | $ 248 | (3,204) | $ (79,196) | 78 | $ 1,914 |
| **Rice Total** | | **XXX** | **$ 148** | **XXX** | **$ 80,714** | **XXX** | **$ -** | **XXX** | **$ 248** | **XXX** | **$ (79,196)** | **XXX** | **$ 1,914** |
| Soybean Meal | Pounds | - | $ - | 93,496 | $ 17,997 | - | $ - | 683 | $ 352 | (94,180) | $ (18,349) | - | $ - |
| Soybeans | Bushels | - | - | 55 | 895 | - | - | - | - | (55) | (895) | - | - |
| **Soybean Total** | | **XXX** | **$ -** | **XXX** | **$ 18,892** | **XXX** | **$ -** | **XXX** | **$ 352** | **XXX** | **$ (19,244)** | **XXX** | **$ -** |
| Vegetable Oil | Pounds | 33,102 | $ 24,429 | 210,449 | $ 149,543 | - | $ - | 309 | $ 225 | (231,640) | $ (166,346) | 12,220 | $ 7,851 |
| **Vegetable Oil Products Total** | | **XXX** | **$ 24,429** | **XXX** | **$ 149,543** | **XXX** | **$ -** | **XXX** | **$ 225** | **XXX** | **$ (166,346)** | **XXX** | **$ 7,851** |
| Bulgur | Pounds | - | $ - | 72,612 | $ 13,936 | - | $ - | - | $ - | (72,612) | $ (13,936) | - | $ - |
| Flour | Pounds | - | - | 125,607 | 26,721 | - | - | - | - | (125,607) | (26,721) | - | - |
| Wheat | Bushels | - | - | 27,244 | 222,134 | - | - | - | - | (27,244) | (222,134) | - | - |
| **Wheat Total** | | **XXX** | **$ -** | **XXX** | **$ 262,791** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (262,791)** | **XXX** | **$ -** |
| Total Commodities | | **XXX** | **$ 50,257** | **XXX** | **$ 812,915** | **XXX** | **$ -** | **XXX** | **$ 2,383** | **XXX** | **$ (851,858)** | **XXX** | **$ 13,697** |
| Allowance for Losses | | | | | | | | | | | | | $ (45) |
| Barter Delivery Obligations | | | | | | | | | | | | | 87 |
| Commodity Inventories and Related Property, Net | | | | | | | | | | | | | **$ 13,739** |

Note: Due to distinct units of measure, Quantity totals are not tabulated, and are denoted as xxx.

## Note 7 – Commodity Inventories and Related Property, Net, Continued

Inventories are initially recorded at acquisition cost plus processing and packaging costs incurred after acquisition. Acquisition cost is the amount of the loan settlement, excluding interest, or the amount of the purchase settlement price. Since loan rates and income support levels are established by statute, inventory acquisitions are usually recorded at a cost higher than market value.

Generally, disposition costs are based on the average cost of the commodity in inventory at the end of the previous month. In other cases, the cost is computed on the basis of actual (historical) cost of the commodity. Actual cost is used with: (a) simultaneous acquisition and disposition for commodity export programs; and (b) dispositions of commodities previously pledged as price support loan collateral, which are acquired and simultaneously disposed of by CCC during the exchange of commodity certificates. Commodity certificates are issued electronically by CCC and must be immediately exchanged for a commodity owned by the Corporation.

CCC purchases commodities for USAID in order to meet humanitarian food needs in foreign countries. This prepositioned inventory is procured and made readily available as needed for foreign countries in need. This is done in advance because the process from procurement to delivery can be lengthy and by having the inventory available these food needs can be met more timely. Both domestic and foreign prepositioned inventory are recorded on CCC's financial statements.

Allowance for losses as of fiscal year ended September 30, 2013, increased by $2 million compared to the prior year. This increase is due to a decline in corn value and volume as a result of strong competition from Brazil, Argentina, and others; as well as lower wheat value and volume as a result of slow sales and competition from northern hemisphere producers.

As of September 30, 2013, commodity loan forfeitures, recognized as Collateral Acquired, increased by $42 million compared to the prior year. There were essentially no forfeitures of commodities in FY 2012 which resulted in zero inventory as of September 30, 2012. However, in FY 2013 market conditions triggered sugar and peanut forfeitures. Low market prices provided the incentive for producers to forfeit sugar; approximately $27 million of raw cane sugar and $7 million of refined beet sugar were in inventory as of September 30, 2013. Peanuts were forfeited due to higher acreage and higher yields causing issues in storage capacity and processing, as a result farmers chose to forfeit about $7 million of peanuts.

## Note 7 – Commodity Inventories and Related Property, Net, Continued

Barter Delivery Obligations (BDOs) are immaterial for the fiscal year ended September 30, 2013. BDOs were received by CCC in exchange for CCC-owned commodities. The BDOs may only be exchanged for food products to be utilized in domestic and export food programs (Refer to the Commodity Inventories section of Note 1 - Significant Accounting Policies for additional information).

## Note 8 – General Property and Equipment, Net

General Property and Equipment as of September 30, 2013 and 2012 were as follows:

**Table 30: General Property and Equipment**

| 2013 (In Millions) | Acquisition Value | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| Equipment | $ 28 | $ (28) | $ - |
| Capitalized Software Costs | 128 | (108) | 20 |
| Total General Property and Equipment | $ 156 | $ (136) | $ 20 |

| 2012 (In Millions) | Acquisition Value | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| Equipment | $ 30 | $ (30) | $ - |
| Capitalized Software Costs | 128 | (100) | 28 |
| Total General Property and Equipment | $ 158 | $ (130) | $ 28 |

## Note 9 – Other Assets

Other Assets as of September 30, 2013 and 2012 were as follows:

**Table 31: Other Assets**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Public: | | |
| Voluntary Public Access-Habitat Incentive Program | $ 9 | $ 19 |
| Peanut Loan Advance | 48 | 48 |
| USAID | 61 | 42 |
| Other | 1 | 2 |
| Total Other Assets | $ 119 | $ 111 |

The programs contributing to the majority of the Other Assets (Public) include:

### Voluntary Public Access-Habitat Incentive Program (VPA)

VPA was authorized as a CCC program under Section 2606 of the 2008 Farm Bill. Starting in FY 2010, State and tribal governments applied for grants to encourage owners and operators of privately-held farm, ranch, and forest land to voluntarily make that land accessible to the public for wildlife-dependent recreation, including hunting and fishing under programs administered by the States and tribal governments. As of September 30, 2013, CCC's advance to VPA was $10 million less than the previous year.

### Peanut Loan Advance (PLA)

CCC advanced funds to the Peanut Designated Marketing Association's (DMA) Disbursement Program for the 2013 marketing season. As the need for drawdown funds diminish, during the marketing season, excess drawdown advanced funds will be reimbursed to CCC. At the end of the marketing season, the DMA will reimburse CCC for any remaining drawdown fund advances; this will take place sometime after January 2014. As of September 30, 2013 and 2012, advance payments for peanut loans were $48 million for both fiscal years.

### USAID

As of September 30, 2013 CCC's advance related to the Food for Peace Title II program increased by $19 million compared to the prior year. The USAID program covers transportation related costs in accordance with Public Law 480 under the authority of the Secretary of Agriculture. Food for Peace Title II program carries out emergency and non-emergency food assistance to other countries. Advances occur when funds are disbursed to a grantee providing transportation services for commodities being delivered prior to the submittal of the expenses.

## Note 10 – Liabilities Not Covered by Budgetary Resources

Liabilities not Covered by Budgetary Resources as of September 30, 2013 and 2012 were as follows:

**Table 32: Liabilities not Covered by Budgetary Resources**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Public: | | |
| Environmental and Disposal Liabilities (Note 14) | $ 8 | $ 8 |
| Tobacco Transition Payment Program | 954 | 1,906 |
| Pigford II - Court Ordered Payments | - | 50 |
| Other Programs | 18 | 17 |
| Total Public | $ 980 | $ 1,981 |
| Total Liabilities Not Covered by Budgetary Resources | $ 980 | $ 1,981 |
| Total Liabilities Covered by Budgetary Resources | $ 15,203 | $ 13,225 |
| Total Liabilities | $ 16,183 | $ 15,206 |

### Liabilities not Covered by Budgetary Resources

Unfunded liabilities are not covered by budgetary resources or offsetting collections. An OMB apportionment and/or collection of cash is needed to provide budgetary resources and allow payment of the liability in a future period. The FY 2014 program payments for the Tobacco Transition Payment Program are the majority of the Unfunded Liabilities. (Refer to Note 1 - Significant Accounting Policies, under Liabilities, for additional information).

### Liabilities Covered by Budgetary Resources

Funded liabilities are delivered orders unpaid or accruals of payables for which CCC has not yet paid as of the end of the period. For the period ending September 30, 2013, the majority of the open liability for CCC is $5.6 billion in payables for principal due to the Bureau of Public Debt; $6 billion in program liabilities, $1.4 billion in Pre-Credit reform liabilities payable to Treasury, and $1.3 billion in advances from others. .

## Note 11 – Debt to the Treasury

Debt to the Treasury, categorized as interest bearing as of September 30, 2013 and 2012 was as follows:

**Table 33: Debt to Treasury, categorized as Interest Bearing**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Debt, beginning of Fiscal Year | | |
| Principal | $ 2,682 | $ 2,865 |
| New Debt | | |
| Principal | $ 26,562 | $ 18,127 |
| Accrued Interest Payable | 1,941 | 4 |
| Total New Debt | $ 28,503 | $ 18,131 |
| Repayments | | |
| Principal | $ (23,635) | $ (18,310) |
| Accrued Interest Payable | (1,941) | (4) |
| Total Repayments | $ (25,576) | $ (18,314) |
| Debt, as of September 30 | | |
| Principal | $ 5,609 | $ 2,682 |
| Total Debt Outstanding, as of September 30 | $ 5,609 | $ 2,682 |

CCC may borrow interest-free up to the amount of its unreimbursed realized losses. Debt and interest payable to Treasury as of December 31, 2012 is paid and refinanced by borrowing like amounts from Treasury as of January 1, 2013. Interest expense incurred on Treasury borrowings was $103 million and $117 million for the fiscal years ended September 30, 2013 and 2012, respectively. The majority of the interest expense was associated with Credit Reform programs, totaling $100 million in FY 2013 and $117 million in FY 2012.

Monthly interest rates ranged from 0.125 percent to 0.250 percent for both FY 2013 and 2012. The FY 2013 and 2012 interest rates on long-term borrowings under the permanent indefinite borrowing authority for CCC's Credit Reform programs are calculated using the OMB Credit Subsidy Calculator 2 (CSC2). For FY 2001 and subsequent cohorts, the single effective interest rate produced from the calculator, along with budget assumptions, is used to calculate interest expenses for CCC's Credit Reform programs.

## Note 11 – Debt to the Treasury, Continued

The repayment terms for borrowings from Treasury made for the Export Credit Guarantee programs can be up to 10 years. Currently, maximum loan terms do not exceed 7 years, while the repayment term for P.L. 480 Title I Direct Credits program borrowing is 30 years. The repayment term for direct loans under the Farm Storage Facility Loans (FSFL) program is 7, 10, or 12 years, based on the loan amount (maximum loan amount is $500K). The repayment term is 3 years for direct loans under the Apple Loan Program, and 10 years for the direct loans made under the Boll Weevil program. For all Credit Reform programs, with the exception of FSFL, principal repayments are required only at maturity but are permitted at any time during the term of the loan. For FSFL, loans are required to be repaid in equal amortized installments over the term of the loan.

CCC has permanent indefinite borrowing authority that is used by Credit Reform programs to finance disbursements on Post-1991 Credit Reform direct credit and loan obligations and credit guarantees. On October 1, CCC borrows from Treasury for the entire fiscal year based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower. CCC may repay the loan agreement, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest up to the date of repayment. Interest is paid on these borrowings based on weighted average interest rates for the cohort to which the borrowings are associated.

CCC has an authorized capital stock of $100 million held by the Treasury and has permanent indefinite authority to finance disbursements made under the liquidating accounts related to the Pre-Credit Reform program activities, which are not covered by available working capital. Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the U.S. government as of the preceding month. CCC incurred $2 million in interest expense on capital stock for both fiscal years 2013 and 2012, which is separate from the interest expense on Treasury borrowings.

## Note 11 – Debt to the Treasury, Continued

Total debt outstanding, by program and maturity date, as of September 30, 2013, was as follows:

**Table 34: Total Debt Outstanding, by program and maturity date**

| Program | Debt (In Millions) | Maturity Date |
|---|---|---|
| CCC Borrowing Authority | $ 3,315 | January 1, 2014 |
| Export Credit Guarantees | 9 | September 30, 2015 |
| | 5 | September 30, 2018 |
| | 3 | September 30, 2019 |
| | 95 | September 30, 2020 |
| | 171 | September 30, 2021 |
| | 79 | September 30, 2022 |
| | 20 | September 30, 2023 |
| | 26 | September 30, 2024 |
| | 5 | September 30, 2025 |
| | 2 | September 30, 2026 |
| P.L. 480 Direct Credits | 1 | September 30, 2014 |
| | 124 | September 30, 2018 |
| | 78 | September 30, 2019 |
| | 65 | September 30, 2020 |
| | 49 | September 30, 2021 |
| | 62 | September 30, 2022 |
| | 47 | September 30, 2023 |
| | 73 | September 30, 2024 |
| | 57 | September 30, 2025 |
| | 39 | September 30, 2026 |
| | 49 | September 30, 2027 |
| | 53 | September 30, 2031 |
| | 33 | September 30, 2032 |
| | 27 | September 30, 2033 |
| | 23 | September 30, 2034 |
| | 18 | September 30, 2035 |
| Debt Reduction | 6 | September 30, 2018 |
| | 1 | September 30, 2020 |
| | 9 | September 30, 2021 |
| | 40 | September 30, 2022 |
| | 12 | September 30, 2023 |
| | 24 | September 30, 2024 |
| | 14 | September 30, 2026 |
| | 3 | September 30, 2028 |
| Farm Storarge Facility Loans | 13 | September 30, 2014 |
| | 22 | September 30, 2015 |
| | 46 | September 30, 2016 |
| | 87 | September 30, 2017 |
| | 189 | September 30, 2018 |
| | 186 | September 30, 2019 |
| | 176 | September 30, 2020 |
| | 246 | September 30, 2021 |
| Sugar Storage Facility Loans | 4 | September 30, 2028 |
| Boll Weevil | 3 | September 30, 2020 |
| Total Debt Outstanding | $ 5,609 | |

## Note 12 – Deposit and Trust Liabilities

Deposit and Trust Liabilities are amounts advanced to or deposited with CCC on behalf of other entities (Refer to Note 19 – Disclosures Not Related to a Specific Statement under Transactions with Related Organizations, for additional information). The balances, categorized as intragovernmental and public, as of September 30, 2013 and 2012 were as follows:

**Table 35: Intragovernmental and Public - Deposit and Trust Liabilities**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Intragovernmental: | | |
| Agricultural Marketing Service | $ 206 | $ 429 |
| Food and Nutrition Service | 596 | 469 |
| Foreign Agricultural Service | 245 | 398 |
| Natural Resources Conservation Service | 259 | 236 |
| Total Intragovernmental Deposit and Trust Liabilities | $ 1,306 | $ 1,532 |
| Public | $ 6 | $ 7 |
| Total Public Deposit and Trust Liabilities | $ 6 | $ 7 |

AMS, FNS, and FAS activities contribute to the majority of the Intragovernmental Deposit and Trust Liabilities. Within USDA, AMS and FNS coordinate with FSA/CCC to purchase certain commodities for domestic feeding programs. AMS funds the purchase of commodities for the purpose of facilitating additional sales in world markets at competitive prices. FNS funds the purchase of commodities for the National School Lunch program and many other domestic feeding programs administered by voluntary organizations which help to fight hunger. In conjunction with FSA/CCC, FAS administers foreign food aid programs, helping people in need around the world. As of September 30, 2013, Intragovernmental Deposit and Trust Liabilities decreased by $226 million compared to the prior year. This variance is attributed to the implementation of a Direct Cite Pilot program in May 2013 which eliminates the need to advance amounts to CCC. Full implementation is scheduled for October 1, 2013.

The Public Deposit and Trust Liability was $6 million and $7 million as of September 30, 2013 and 2012, respectively. This liability consists of unapplied collections for warehouse user fees, claims for disaster programs, and other miscellaneous collections that are temporarily held in suspense until appropriately identified and applied.

## Note 13 – Other Liabilities

Other liabilities as of September 30, 2013 and 2012 were as follows:

**Table 36: Other Liabilities**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Intragovernmental: | | |
| Resources Payable to Treasury: | | |
| P.L.480 Direct Credit Liquidating Fund | $ 1,427 | $ 1,820 |
| Export Credit Guarantee Liquidating Fund | - | 30 |
| Total Resources Payable to Treasury | $ 1,427 | $ 1,850 |
| Accrued Conservation Reserve Program Technical Assistance | $ 10 | $ 68 |
| Excess Subsidy Payable to Treasury | 59 | 73 |
| Other | 26 | 18 |
| Total Intragovernmental Other Liabilities | $ 95 | $ 159 |
| Public | $ 34 | $ 84 |
| Total Public Other Liabilities | $ 34 | $ 84 |

Resources Payable to Treasury represents CCC's liquidating fund assets (cash and loans receivable, net of an allowance) less any liabilities that may be held as working capital. Loans made in 1991 and before (Pre-Credit Reform direct loans and assigned loan guarantees) are accounted for in liquidating funds. These funds collect loan payments and pay any related expenses or default claims. At the end of each year, any unobligated cash balance is transferred to Treasury.

The Conservation Reserve Program Technical Assistance is administered by NRCS and provides land users with proven conservation technology and the delivery system needed to achieve the benefits of a healthy and productive landscape. As of September 30, 2013 and 2012 the accrued CRP Technical Assistance was $10 million and $68 million, respectively.

The Excess Subsidy Payable to Treasury is the downward reestimate paid to Treasury from the financing fund. As of September 30, 2013 and 2012, the excess subsidy payable to Treasury was $59 million and $73 million, respectively.

As of September 30, 2013, Other Liabilities (Public) is $34 million; $19 million of the liability is due to General Sales Manager and P.L. 480 Direct Loans. An additional $15 million is deferred revenue made up of credits under the currency use payment provisions in the commodity sales agreements in the P.L. 480 program.

## Note 14 – Environmental and Disposal Liabilities

The Corporation formerly operated approximately 4,500 grain storage facilities in the U.S. Carbon Tetrachloride[4] has been discovered in groundwater at approximately 120 of these facilities. CCC recorded an estimate of the total liability for remediation of affected sites of $8 million for both fiscal years ended September 30, 2013 and 2012 based on actual cleanup costs at similar sites. This liability is not covered by budgetary resources (Refer to Note 10 – Liabilities Not Covered by Budgetary Resources for additional information).

### Hazardous Waste Program

Since the first discovery of contaminated groundwater, CCC has been engaged in an active program to identify affected sites, perform site investigations, risk assessments, and conduct cleanup actions. As of September 30, 2013 and 2012, payments for these activities totaled $5 million each year. At September 30, 2013, CCC estimates the range of potential future losses due to remedial actions to be between $8 million and $55 million. This liability is not covered by budgetary resources.

## Note 15 – Accrued Liabilities

Accrued Liabilities as of September 30, 2013 and 2012 were as follows:

**Table 37: Accrued Liabilities**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Conservation Reserve Program | $ 1,507 | $ 1,546 |
| Export Programs | 1 | 1 |
| Income Support Programs: | | |
| Direct and Counter-cyclical Payment Program | 4,290 | 4,654 |
| Sugar | 66 | - |
| Other | 33 | 21 |
| Tobacco Transition Payment Program | 954 | 1,906 |
| Other | 105 | 118 |
| Total Accrued Liabilities | $ 6,956 | $ 8,246 |

TTPP Accrued Liability was $954 million and $1,906 million, as of September 30, 2013 and 2012 respectively. TTPP includes a current liability of $952 million and the remaining balance is a long term liability. Refer to Note 1 - Significant Accounting Policies, under Liabilities, for additional information.

[4] Carbon Tetrachloride is commonly used at grain storage facilities as a grain fumigant and pesticide. It is suspected to be a human carcinogen.

## Note 16 – Commitments and Contingencies

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A loss contingency is a liability when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

In addition to loss contingencies, CCC also discloses (1) an estimate of obligations related to canceled appropriations and borrowing authority programs for which the reporting entity has a contractual commitment for payment and (2) amounts for contractual arrangements that may require future financial obligations.

### Commitments

Many programs and policies of the USDA were authorized under the 2008 Farm Bill through September 30, 2012, and were then extended by the *American Taxpayer Relief Act* though September 30, 2013. Beginning October 1, 2013, the authority or funding under the 2008 Farm Bill for USDA to operate a number of these programs expired, and the authority and funding for additional programs will expire in the following months. Because Congress has not passed a new farm bill or an extension, USDA can no longer make new commitments for programs for which the Department's authority or funding has expired. Some programs continue with no changes and others that received discretionary funding during FY 2013 will continue under the Continuing Resolution. For those programs, policies, and authorities that expired, obligations and/or payments may still continue to be made in FY 2014 as required under the 2008 Farm Bill only for the 2013 crop year and prior year agreements. Some of the major programs that will continue include Emergency Forestry Conservation Reserve Program, Noninsured Crop Disaster Assistance Program, Tobacco Transition Payment Program, CCC Charter Act Section 4 - contracts and Section 11 - reimbursable agreements, Export Credit Guarantees, Farm and Sugar Storage Facility loans, and peanut handling costs. Dairy Indemnity Program will continue under authority in the FY 2014 continuing resolution.

## Note 16 – Commitments and Contingencies, Continued

### Grassland Reserve Program (GRP)

GRP is a voluntary program for landowners to protect, restore, and enhance grasslands on their property. NRCS and FSA jointly implement GRP to conserve vulnerable grasslands from conversion to cropland or other uses and conserve valuable grasslands by helping maintain viable ranching operations. GRP rental contracts can be 10, 15, 20, or 30 years long.

Payments are not static due to many variables (i.e. amount of program funding received each year, length of rental contracts, number of easements perfected/finalized each year and if the landowner takes a lump sum easement payment or chooses the option to receive 10 annual payments).

### Noninsured Crop Disaster Assistance Program (NAP)

NAP was authorized as a CCC program under the *Federal Agriculture Improvement and Reform Act of 1996*. NAP provides financial assistance to producers of non-insurable crops when a low-yield crop, loss of inventory, or prevented planting occurs due to natural disasters. The crops must be non-insurable commodities for which the catastrophic risk protection level of crop insurance is not available. At September 30, 2013, CCC had no undelivered orders on current contracts.

### Conservation Reserve Program (CRP)

Through CRP, eligible participant's sign 10 to 15 year contracts to remove land from production in exchange for an annual rental payment. The participants also receive cost-share assistance for establishing conservation practices on the reserve acreage and additional incentive payments for adopting high-priority conservation measures. Although CRP funding expired under the 2008 Farm Bill, CCC estimates that the future liability for CRP rental payments through FY 2019 will average $2 billion annually for the 2013 crop year and prior year agreements.

### Contingencies

### Legal Disputes and Claims

In the normal course of business, CCC becomes involved in various legal disputes and claims. CCC vigorously defends its position in such actions through the Office of the General Counsel (OGC) and the U.S. Department of Justice.

## Note 16 – Commitments and Contingencies, Continued

As of September 30, 2013, the Pigford II claim litigation case has been resolved in favor of the plaintiff. CCC is liable for $100 million of the total $1.25 billion liability. As of September 30, 2013, all but $200,000 of the $100 million CCC funding had been disbursed. The $200,000 remains for the payment of future anticipated liabilities.

Funds are being held in the Tobacco Trust Fund associated with an appeal of the assessment value for Phillip Morris (PMUSA). PMUSA has disputed the assessment and asked that the funds be held in escrow until a determination has been made. The amount held is $48 million, and an additional $16 million per quarter is required to be held in escrow pending resolution of the case. Refer to Note 1 - Significant Accounting Policies, under TTPP, for general information on the program.

A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote, but less than probable. CCC has one ongoing case, Prime Time International Company v. Vilsack. A payment for this case has been deemed reasonably possible, and the estimated amount of potential loss ranges from $2 million to $16 million.

No amounts have been accrued in the financial statements for claims where the amount is uncertain or where the probability of judgment against USDA is remote.

# Note 17 – Disclosures Related to the Statement of Net Cost

## Earned Revenue

Revenue and expense are recognized based on SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*. CCC follows the implementation guide for classifying, recognizing, and measuring inflows of resources. Earned revenues are exchange revenues, which arise when a Federal entity provides goods and services to the public or to another government entity for a price.

Earned Revenue for the fiscal years ended September 30, 2013 and 2012 were as follows:

**Table 38: Earned Revenue**

| | (In Millions) | |
|---|---|---|
| | 2013 | 2012 |
| Intragovernmental Earned Revenue: | | |
| Interest Income | $ 18 | $ 26 |
| Other | 224 | 318 |
| Less: Intra-Agency Eliminations | (49) | - |
| Total Intragovernmental Earned Revenue | $ 193 | $ 344 |
| Earned Revenue from the Public: | | |
| Interest Income | $ 185 | $ 508 |
| Total Earned Revenue from the Public | $ 185 | $ 508 |
| Total Earned Revenue | $ 378 | $ 852 |

The $(49) million Intra-Agency Elimination is recorded to eliminate tobacco interchange transfer between CCC Revolving Fund and the Tobacco Trust Fund expenditure transfer.

CCC's strategic goals are as follows:

### Provide a Financial Safety Net for Farmers and Ranchers

Under this strategic goal, program areas include Income Support and Disaster Assistance. CCC provides financial assistance in the form of flexible payments and short term financing to stabilize, support, and protect farm income and prices due to the fluctuation of commodity market prices or income support due to damage caused by natural disasters. Commodity Loans, Tobacco Transition Payment Program, Disaster Assistance, Milk Income Loss Payments, Price Support, and Direct and Counter-cyclical Payment programs comprise major program activity.

# Note 17 – Disclosures Related to the Statement of Net Cost, Continued

## Increase Stewardship of Natural Resources While Enhancing the Environment

Under this strategic goal, the Conservation Reserve Program safeguards natural resources by paying farmers to take environmentally sensitive crop land out of production and plant long-term resource-conserving covers (such as grass and trees). These covers improve the quality of water and air, control soil erosion, and enhance wildlife habitat.

## Ensure Commodities are Procured and Distributed Effectively and Efficiently

Under this strategic goal, program areas include Commodity Operations and Food Aid. These programs protect the nation's agriculture and food supply through a uniform regulatory system for the storage of agricultural products and ensure the timely provision of food products procured for domestic and international food assistance programs and market development programs.

## Increase U.S. Food and Agricultural Exports

Under this strategic goal, program areas include Export Credit and Market Development. FAS and CCC form cooperative agreements with nonprofit agricultural trade commodity groups to encourage development, maintenance, and expansion of commercial export markets for agricultural commodities. Major programs include Food Aid, Foreign Market Development, and Export Credit Guarantee.

Refer to the Management Discussion and Analysis, Performance Section, for additional information on the alignment of CCC's and USDA's strategic goals.

## Note 17 – Disclosures Related to the Statement of Net Cost, Continued

### Table 39: Net Costs of Operations by Strategic Goal and Program for the fiscal year ended September 30, 2013 (In Millions)

| | Income Support and Disaster Assistance | Conservation Programs | Commodity Operations and Food Aid | Market Development and Export Credit | Intra-Agency Eliminations | Total |
|---|---|---|---|---|---|---|
| **Provide a Financial Safety Net for Farmers and Ranchers** | | | | | | |
| Intragovernment Cost | $ 831 | $ - | $ 68 | $ - | $ - | $ 899 |
| Public Cost | 5,262 | - | 6 | - | - | 5,268 |
| Total Cost | $ 6,093 | $ - | $ 74 | $ - | $ - | $ 6,167 |
| Intragovernment Earned Revenue | $ 49 | $ - | $ - | $ - | $ (49) | $ - |
| Public Earned Revenue | 36 | - | - | - | - | 36 |
| Total Earned Revenue | $ 85 | $ - | $ - | $ - | $ (49) | $ 36 |
| **Increase Stewardship of Natural Resources While Enhancing the Environment** | | | | | | |
| Intragovernment Cost | $ - | $ 426 | $ - | $ - | $ - | $ 426 |
| Public Cost | - | 1,765 | - | - | - | 1,765 |
| Total Cost | $ - | $ 2,191 | $ - | $ - | $ - | $ 2,191 |
| Intragovernment Earned Revenue | $ - | $ 33 | $ - | $ - | $ - | $ 33 |
| Public Earned Revenue | - | 2 | - | - | - | 2 |
| Total Earned Revenue | $ - | $ 35 | $ - | $ - | $ - | $ 35 |
| **Ensure Commodities are Procured and Distributed Effectively and Efficiently** | | | | | | |
| Intragovernment Cost | $ 21 | $ - | $ 84 | $ - | $ - | $ 105 |
| Public Cost | (3) | - | (2) | - | - | (5) |
| Total Cost | $ 18 | $ - | $ 82 | $ - | $ - | $ 100 |
| Intragovernment Earned Revenue | $ 8 | $ - | $ - | $ - | $ - | $ 8 |
| Public Earned Revenue | 13 | - | - | - | - | 13 |
| Total Earned Revenue | $ 21 | $ - | $ - | $ - | $ - | $ 21 |
| **Increase U.S. Food and Agricultural Exports** | | | | | | |
| Intragovernment Cost | $ - | $ - | $ - | $ 112 | $ - | $ 112 |
| Public Cost | - | - | - | 2,433 | - | 2,433 |
| Total Cost | $ - | $ - | $ - | $ 2,545 | $ - | $ 2,545 |
| Intragovernment Earned Revenue | $ - | $ - | $ - | $ 152 | $ - | $ 152 |
| Public Earned Revenue | - | - | - | 134 | - | 134 |
| Total Earned Revenue | $ - | $ - | $ - | $ 286 | $ - | $ 286 |
| **Total Gross Cost** | **$ 6,111** | **$ 2,191** | **$ 156** | **$ 2,545** | **$ -** | **$ 11,003** |
| **Less: Total Earned Revenue** | **106** | **35** | **-** | **286** | **(49)** | **378** |
| **Net Cost of Operations** | **$ 6,005** | **2,156** | **$ 156** | **$ 2,259** | **$ 49** | **$ 10,625** |

# Note 17 – Disclosures Related to the Statement of Net Cost, Continued

## Table 40: Net Costs of Operations by Strategic Goal and Program for the fiscal year ended September 30, 2012 (In Millions)

| | Income Support and Disaster Assistance | Conservation Programs | Commodity Operations and Food Aid | Market Development and Export Credit | Intra-Agency Eliminations | Total |
|---|---|---|---|---|---|---|
| **Provide a Financial Safety Net for Farmers and Ranchers** | | | | | | |
| Intragovernment Cost | $ 818 | $ - | $ 68 | $ - | $ - | $ 886 |
| Public Cost | 4,908 | - | 28 | - | - | 4,936 |
| Total Cost | $ 5,726 | $ - | $ 96 | $ - | $ - | $ 5,822 |
| Intragovernment Earned Revenue | $ - | $ - | $ - | $ - | $ - | $ - |
| Public Earned Revenue | 86 | - | - | - | - | 86 |
| Total Earned Revenue | $ 86 | $ - | $ - | $ - | $ - | $ 86 |
| **Increase Stewardship of Natural Resources While Enhancing the Environment** | | | | | | |
| Intragovernment Cost | $ - | $ 460 | $ - | $ - | $ - | $ 460 |
| Public Cost | - | 1,694 | - | - | - | 1,694 |
| Total Cost | $ - | $ 2,154 | $ - | $ - | $ - | $ 2,154 |
| Intragovernment Earned Revenue | $ - | $ 37 | $ - | $ - | $ - | $ 37 |
| Public Earned Revenue | - | 2 | - | - | - | 2 |
| Total Earned Revenue | $ - | $ 39 | $ - | $ - | $ - | $ 39 |
| **Ensure Commodities are Procured and Distributed Effectively and Efficiently** | | | | | | |
| Intragovernment Cost | $ 25 | $ - | $ 82 | $ - | $ - | $ 107 |
| Public Cost | (28) | - | 11 | - | - | (17) |
| Total Cost | $ (3) | $ - | $ 93 | $ - | $ - | $ 90 |
| Intragovernment Earned Revenue | $ 10 | $ - | $ - | $ - | $ - | $ 10 |
| Public Earned Revenue | 15 | - | - | - | - | 15 |
| Total Earned Revenue | $ 25 | $ - | $ - | $ - | $ - | $ 25 |
| **Increase U.S. Food and Agricultural Exports** | | | | | | |
| Intragovernment Cost | $ - | $ - | $ - | $ 132 | $ - | $ 132 |
| Public Cost | - | - | - | 2,379 | - | 2,379 |
| Total Cost | $ - | $ - | $ - | $ 2,511 | $ - | $ 2,511 |
| Intragovernment Earned Revenue | $ - | $ - | $ - | $ 298 | $ - | $ 298 |
| Public Earned Revenue | - | - | - | 404 | - | 404 |
| Total Earned Revenue | $ - | $ - | $ - | $ 702 | $ - | $ 702 |
| **Total Gross Cost** | **$ 5,723** | **$ 2,154** | **$ 189** | **$ 2,511** | **$ -** | **$ 10,577** |
| **Less: Total Earned Revenue** | **111** | **39** | **-** | **702** | **-** | **852** |
| **Net Cost of Operations** | **$ 5,612** | **2,115** | **$ 189** | **$ 1,809** | **$ -** | **$ 9,725** |

## Note 18 – Disclosures Related to the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) is a combined statement that provides information about how budgetary resources were made available, as well as their status at the end of the period. The format of the SBR presentation was moderately modified compared to its FY 2012 presentation. In accordance with OMB Circular A-136 requirements, the change was necessary to better align with the reporting format of the SF-133, *Report on Budget Execution and Budgetary Resources* report. Due to this change, the FY 2013 SBR has been reformatted in comparison to what was reported in FY 2012. The result is a change in format only; the underlying data reported remains unchanged.

### Terms of Budget Authority Used

Unobligated budget authority is the difference between the obligated balance and the total unexpended balance. It represents that portion of the unexpended balance unencumbered by recorded obligations. Each appropriation is provided on an annual, multi-year, or no-year basis. An appropriation expires on the last day of its period of availability and is no longer available for new obligations. Unobligated balances retain their fiscal-year identity in an expired account for an additional five fiscal years. The unobligated balance remains available to make legitimate obligation adjustments, i.e., to record previously unrecorded obligations and to make upward adjustments in previously underestimated obligations for five years. At the end of the fifth year, the authority is canceled. Thereafter, the authority is not available for any purpose.

### Available Borrowing Authority

Per the *Commodity Credit Corporation Charter Act*, *15 U.S.C. 714*, the Corporation's borrowing authority is made up of both interest and non-interest bearing notes. These notes are drawn upon on a daily basis when disbursements exceed deposits, as reported by the Federal Reserve Banks (FRB), their branches, the Treasury, and CCC's financing office. CCC is authorized to issue and have outstanding at any one time bonds, notes, debentures, and other similar obligations in an aggregate amount not to exceed $30 billion. CCC's notes payable under its permanent indefinite borrowing authority have a term of one year. On January 1 of each year, CCC refinances its outstanding borrowings, including accrued interest, at the January borrowing rate. Refer to Note 11 – Debt to the Treasury, for additional information. The amount of borrowing authority less principal payments to the U.S. Treasury Bureau of the Public Debt (i.e. available borrowing authority) for the fiscal year ended September 30, 2013, was $10.4 billion (Refer to Note 2 – Fund Balance with Treasury – Borrowing Authority not yet converted to Fund Balance). CCC receives an annual appropriation to fund its net realized losses.

# Note 18 – Disclosures Related to the Statement of Budgetary Resources, Continued

In addition, CCC has permanent indefinite authority to finance disbursements made under the liquidating accounts related to the Pre-Credit Reform program activities, which are not covered by available working capital.

## Apportionment Categories of Obligations Incurred

Obligations can either be categorized as direct or reimbursable. Direct obligations are not financed from reimbursements while reimbursable obligations are financed by offsetting collections that are payments to the performing account for goods and services provided to the ordering entity. For the fiscal years ended September 30, 2013 and 2012, there were no obligations incurred under apportionment category A, which is funded on a quarterly basis. Obligations incurred under apportionment category B, which is funded annually, were as follows:

**Table 41: Direct v. Reimbursable Obligations**

| **Obligations** | | Dollars in Billions | | |
|---|---|---|---|---|
| For the Fiscal Year Ended September 30 | | 2013 | | 2012 |
| Direct | $ | 2.96 | $ | 3.51 |
| Reimbursable | | 18.98 | | 18.19 |
| Total Obligations | $ | 21.94 | $ | 21.70 |

## Undelivered Orders

Undelivered orders, either unpaid or prepaid, are purchase orders or contracts awarded for which goods or services have not yet been received. The amounts for undelivered orders are $5.3 billion and $3.6 billion for the fiscal years ended September 30, 2013 and 2012, respectively.

## Permanent Indefinite Appropriations

CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11. A permanent indefinite borrowing authority becomes available pursuant to standing provisions of law without further actions by Congress after the transmittal of the budget for the year involved. CCC's authority is established annually to record the obligations of CCC; apportionment documents received for some of CCC's specific programs provide spending limitations within the borrowing authority and are subject to the *Antideficiency Act*. The borrowing authority provides that all obligations are reported, even though subsequent appropriations or offsetting collections will ultimately be used to liquidate the obligations of the Corporation. CCC cannot borrow more than the amount required to liquidate obligations incurred. Through the use of contract authority, OMB Circular A-11 permits the Corporation to incur obligations which can exceed its $30 billion borrowing authority ceiling and authorizes CCC to borrow funds to liquidate the obligations. To date, CCC has not utilized this contract authority.

## Note 18 – Disclosures Related to the Statement of Budgetary Resources, Continued

### Legal Arrangements Affecting the Use of Unobligated Balances

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act. CCC does not have obligations from canceled appropriations.

### President's Budget Reconciliation

The SF-133 which is used by CCC to report and certify obligation balances is also used to populate some portions of the Program and Financing Schedules (P&F Schedules) within the Budget of the United States Government.

Since the P&F Schedules within the *Budget of the United States Government, Fiscal Year 2015* were not available at the time CCC's Annual Management Report for FY 2013 was issued, the reconciliation between the President's Budget and the SBR for FY 2013 could not be performed. The *Budget of the United States Government, Fiscal Year 2015* is expected to be published in February 2014 and will be available on the website of the Office of Management and Budget (http://www.whitehouse.gov) at that time. The FY 2013 SBR will be reconciled to the FY 2013 actuals on the P&F Schedules reported in the *Budget of the United States Government, Fiscal Year 2015*, once released.

The summarized table below shows the reconciliation of the FY 2012 SBR to the FY 2012 actuals on the P&F Schedules presented in the *Budget of the United States Government, Fiscal Year 2014*.

## Note 18 – Disclosures Related to the Statement of Budgetary Resources, Continued

**Table 42: P&F Reconciliation**

Dollars in Millions

| | Budgetary Resources | Obligations Incurred | Distributed Offsetting Receipts | Net Outlays |
|---|---|---|---|---|
| **Combined Statement of Budgetary Resources** | $ 23,254 | $ 21,700 | $ (74) | $ 9,077 |
| Reconciling Items: | | | | |
| Rounding | 3 | - | - | - |
| Shared Appropriation[1] | 6 | 5 | - | 7 |
| Distributed Offsetting Receipts | - | - | 74 | - |
| **Budget of the United States Government** | $ 23,263 | $ 21,705 | $ - | $ 9,084 |

**Note:**
1 - Hazardous Waste Management Fund (12X0500), is a shared appropriation. CCC reports the budgetary information for its portion in its Statement of Budgetary Resources. The USDA reports the SF-133 and MAX balances for this fund on a consolidated level.

## Note 19 – Disclosures Not Related to a Specific Statement

### Transactions with Related Organizations

CCC maintains deposit and trust liabilities for AMS, FAS, FNS, and the NRCS (Refer to Note 12 – Deposit and Trust Liabilities for additional information). In addition, CCC has the following transactions with other USDA agencies:

- For the fiscal years ended September 30, 2013 and 2012, outlays under reimbursable agreements with other USDA agencies amounted to $48 million and $49 million, respectively.
- For the fiscal years ended September 30, 2013 and 2012, CCC did not receive funding from FSA for the allocation of internal software development costs, which are capitalized. Refer to Note 1 - Significant Accounting Policies, under General Property and Equipment, for additional information on accounting for internal use software.

## Note 19 – Disclosures Not Related to a Specific Statement, Continued

- CCC donates commodities for use under domestic feeding programs administered by FNS. The value of commodities donated for these domestic purposes, including related transportation and storage costs for the fiscal years ended September 30, 2013 and 2012 were $1 million and $6 million, respectively.

CCC transfers for the fiscal years ended September 30, 2013 and 2012 were as follows:

**Table 43: Summary of CCC Transfers to Related Parties**

In Millions

| Transferred to | 2013 | 2012 |
|---|---|---|
| FNS for the Senior's Farmers Market Nutrition Program | $ 20 | $ 21 |
| Animal and Plant Health Inspection Service (APHIS) for bovine tuberculosis, light brown apple moth outbreak, and potato cyst nematode eradication programs | $ 50 | $ 343 |
| Office of the CFO for bio-diesel fuel education and bio-based products | $ - | $ 1 |
| AMS for commodity assistance program and marketing service | $ 54 | $ 67 |
| Cooperative State Research, Education, and Extension Service (CSREES) for the national agricultural higher education, research, and extension system which are designed to address national problems and needs related to agriculture, the environment, human health and well-being, and communities | $ - | $ 149 |
| On behalf of NRCS for various conservation programs and technical assistance | $ 3,521 | $ 3,425 |
| Other USDA agencies including FSA and Risk Management Agency (RMA) | $ 6 | $ 6 |
| Rural Business and Cooperative Development Service, which provides for business credit needs in under-served rural areas, often in partnership with private-sector lenders | $ 147 | $ - |

## Note 19 – Disclosures Not Related to a Specific Statement, Continued

For the fiscal years ended September 30, 2013 and 2012, CCC disbursed $79 million and $91 million, respectively, to NRCS for CRP technical assistance. These programs included Wetland Reserve Program, Environmental Quality Incentive Program (EQIP), Farm and Ranch Lands Protection Program (FRPP), Wildlife Habitat Incentives Program, Ground and Surface Water Conservation Program, Grassland Reserve Program (GRP), and the Conservation Security Program. NRCS is responsible for the administration of these programs. For GRP, NRCS has entered into a memorandum of understanding with CCC to disburse funds using the services and facilities of CCC. It should be noted that although NRCS has been receiving funding for the EQIP program since FY 2003, CCC continues to receive separate funding for the FY 2002 and earlier program years.

As part of its parent/child relationship, CCC provided funds to USAID to fund P.L. 480 Title II transportation and other administrative costs in connection with foreign donations. The amount of funds provided to USAID for the fiscal years ended September 30, 2013 and 2012 was $773 million and $961 million, respectively. Refer to Note 1 - Significant Accounting Policies, under Allocation Transfers and Shared Appropriations, for further information.

### Custodial Activity

CCC's custodial activities involve the collection and transfer of funds received from the public on behalf of Treasury, FSA, and other USDA agencies. These collections include amounts related to FSA's Farm Loan Program, as well as other interest, fees, and penalties due to Treasury and other USDA agencies.

## Note 19 – Disclosures Not Related to a Specific Statement, Continued

Custodial Activities for the fiscal years ended September 30, 2013 and 2012 were as follows:

**Table 44: Custodial Activities**

| | (In Millions) 2013 | (In Millions) 2012 |
|---|---|---|
| Revenue Activity: | | |
| Sources of Cash Collections: | | |
| Repayment of Farm Credit Loans | $ 1,871 | $ 1,820 |
| Administrative and Other Service Fees | 267 | 234 |
| Total Cash Collections | $ 2,138 | $ 2,054 |
| Total Custodial Revenue | $ 2,138 | $ 2,054 |
| Disposition of Collections: | | |
| Transfers to Others: | | |
| USDA Farm Service Agency | $ 1,894 | $ 1,829 |
| Other USDA Agencies | 218 | 199 |
| Department of Treasury | 18 | 34 |
| Total Disposition of Collections | $ 2,130 | $ 2,062 |
| (Increase)/Decrease in Amounts Yet to be Transferred (+/-) | $ (8) | $ 8 |
| Net Custodial Activity | $ - | $ - |

## Note 20 – Reconciliation of Net Cost of Operations to Budget

Budgetary and proprietary accounting information are inherently different because of the types of information and the timing of their recognition. The Reconciliation of Net Cost of Operations to Budget provides a link between budgetary and proprietary accounting information. It serves not only to explain how information on net obligations relates to the net cost of operations but also to assure integrity between budgetary and proprietary accounting.

Net obligations and the net cost of operations are different because (1) the net cost of operations may be financed by non-budgetary resources (e.g. imputed financing); (2) the budgetary and non-budgetary resources used may finance activities which are not components of the net cost of operations; and (3) the net cost of operations may contain components which do not use or generate resources in the current period.

# Note 20 – Reconciliation of Net Cost of Operations to Budget, Continued

The Reconciliation of Net Cost of Operations to Budget for the fiscal years ended September 30, 2013 and 2012 were as follows:

**Table 45: Reconciliation of Net Cost of Operations to Budget**

| | (In Millions) | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| **Resources Used to Finance Activities:** | | | | |
| Budgetary Resources Obligated: | | | | |
| Obligations Incurred | $ | 21,941 | $ | 21,700 |
| Less: Spending Authority from Offsetting Collections and Recoveries | | 10,988 | | 11,307 |
| Obligations Net of Offsetting Collections and Recoveries | $ | 10,953 | $ | 10,393 |
| Less: Offsetting Receipts | | 102 | | 74 |
| Net Obligations | $ | 10,851 | $ | 10,319 |
| Other Resources: | | | | |
| Transfers In/Out without Reimbursement, Net | $ | - | $ | (74) |
| Imputed Financing from Costs Absorbed by Others | | 1,273 | | 1,252 |
| Other | | (164) | | (85) |
| Net Other Resources Used to Finance Activities | $ | 1,109 | $ | 1,093 |
| **Total Resources Used to Finance Activities** | **$** | **11,960** | **$** | **11,412** |
| **Resources Used to Finance Items not Part of the Net Cost of Operations:** | | | | |
| Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided | $ | (527) | $ | (1,217) |
| Resources that Fund Expenses Recognized in Prior Periods | | (1,088) | | (1,161) |
| Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations: | | | | |
| Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowances for Subsidy | | - | | 798 |
| Change in Unfilled Customer Orders | | 2,826 | | 1,530 |
| Decrease in Exchange Receivables from the Public | | 5,741 | | 5,622 |
| Other | | (2,079) | | (1,674) |
| Resources that Finance the Acquisition of Assets | | (3,999) | | (4,164) |
| Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations | | (4,019) | | (2,653) |
| **Total Resources Used to Finance Items Not Part of the Net Cost of Operations** | **$** | **(3,145)** | **$** | **(2,919)** |
| **Total Resources Used to Finance the Net Cost of Operations** | **$** | **8,815** | **$** | **8,493** |
| **Components of the Net Cost of Operations that will not Require or Generate Resources in the current period:** | | | | |
| Components Requiring or Generating Resources in Future Periods: | | | | |
| Upward/(Downward) Reestimates of Credit Subsidy Expense | $ | 115 | $ | 85 |
| (Increase) in Exchange Revenue Receivable from the Public | | (138) | | (301) |
| Other | | 178 | | (326) |
| Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods | $ | 155 | $ | (542) |
| Components not Requiring or Generating Resources: | | | | |
| Depreciation and Amortization | $ | (49) | $ | 6 |
| Revaluation of Assets or Liabilities | | 2 | | (1) |
| Other Components not Requiring or Generating Resources: | | | | |
| Bad Debt Expense | | (187) | | 163 |
| Cost of Goods Sold | | 56 | | - |
| Other | | 1,833 | | 1,606 |
| Total Components of Net Cost of Operations that will not Require or Generate Resources | $ | 1,655 | $ | 1,774 |
| **Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period** | **$** | **1,810** | **$** | **1,232** |
| **Net Cost of Operations** | **$** | **10,625** | **$** | **9,725** |

# Part IV: Required Supplementary Information (Unaudited)

## Schedule of Combined Statement of Budgetary Resources by Major Fund: Budgetary Accounts (Unaudited)
## For the Fiscal Year Ended September 30, 2013
## (Dollars in Millions)

| | CCC Fund (12X4336) | P.L. 480 Title II Grants (12X2278) | Tobacco Trust Fund (12X8161) | USAID - P.L. 480 Title II Grants ((72)12X2278) | Export Loans Program (12X1336) | Other | Total |
|---|---|---|---|---|---|---|---|
| **Budgetary Resources:** | | | | | | | |
| Unobligated balance brought forward, October 1 | $ 821 | $ 105 | $ 49 | $ 127 | $ - | $ 111 | $ 1,213 |
| Recoveries of prior year unpaid obligations | 182 | 2 | - | 174 | - | 14 | 372 |
| Other changes in unobligated balance | (83) | 177 | - | (177) | - | (110) | (193) |
| Unobligated balance from prior year budget authority, net | 920 | 284 | 49 | 124 | - | 15 | 1,392 |
| Appropriations (discretionary and mandatory) | - | 409 | 996 | 950 | 59 | 35 | 2,449 |
| Borrowing Authority (discretionary and mandatory) | 16,166 | - | (49) | - | - | - | 16,117 |
| Spending authority from offsetting collections (discretionary and mandatory) | 2,547 | 3 | - | - | - | 40 | 2,590 |
| **Total Budgetary Resources** | $ 19,633 | $ 696 | $ 996 | $ 1,074 | $ 59 | $ 90 | $ 22,548 |
| **Status of Budgetary Resources:** | | | | | | | |
| Obligations Incurred (Note 18) | $ 18,976 | $ 600 | $ 857 | $ 950 | $ 59 | $ 39 | $ 21,481 |
| Unobligated balance, end of year: | | | | | | | |
| Apportioned | - | 61 | 90 | 30 | - | 34 | 215 |
| Exempt from apportionment | 301 | - | - | - | - | 3 | 304 |
| Unapportioned | 356 | 35 | 49 | 94 | - | 14 | 548 |
| Total Unobligated balance, end of year | 657 | 96 | 139 | 124 | - | 51 | 1,067 |
| **Total Budgetary Resources** | $ 19,633 | $ 696 | $ 996 | $ 1,074 | $ 59 | $ 90 | $ 22,548 |

Required Supplementary Information

| | CCC Fund (12X4336) | P.L. 480 Title II Grants (12X2278) | Tobacco Trust Fund (12X8161) | USAID - P.L. 480 Title II Grants ((72)12X2278) | Export Loans Program (12X1336) | Other | Total |
|---|---|---|---|---|---|---|---|
| **Change in Obligated Balance:** | | | | | | | |
| Unpaid obligations: | | | | | | | |
| Unpaid obligations, brought forward, Oct 1 | $ 9,930 | $ 173 | $ - | $ 1,232 | $ - | $ 23 | $ 11,358 |
| Obligations incurred | 18,976 | 600 | 857 | 950 | 59 | 39 | 21,481 |
| Outlays (gross) | (18,174) | (599) | (857) | (1,330) | (59) | 150 | (20,869) |
| Recoveries of prior year unpaid obligations | (182) | (2) | - | (174) | - | (14) | (372) |
| Unpaid obligations, end of year | 10,549 | 172 | - | 678 | - | 199 | 11,598 |
| Uncollected payments: | | | | | | | |
| Uncollected payments, Federal sources, brought forw | (45) | (89) | - | - | - | - | (134) |
| Change in uncollected payments, Federal sources | 32 | 54 | - | - | - | - | 86 |
| Uncollected payments, Federal sources, end of year | (13) | (35) | - | - | - | - | (48) |
| Memorandum (non-add) entries: | | | | | | | |
| **Obligated balance, start of year** | $ 9,885 | $ 84 | $ - | $ 1,232 | $ - | $ 23 | $ 11,224 |
| **Obligated balance, end of year** | $ 10,536 | $ 137 | $ - | $ 678 | $ - | $ 199 | $ 11,550 |
| **Budget Authority and Outlays, Net:** | | | | | | | |
| Budget authority, gross (discretionary and mandatory) | $ 18,713 | $ 412 | $ 947 | $ 950 | $ 59 | $ 75 | $ 21,156 |
| Actual offsetting collections (discretionary and mandatory | (9,739) | (57) | - | - | - | (337) | (10,133) |
| Change in uncollected customer payments from Federal sources (discretionary and mandatory) | 32 | 54 | - | - | - | - | 86 |
| **Budget authority, net (discretionary and mandatory)** | $ 9,006 | $ 409 | $ 947 | $ 950 | $ 59 | $ (262) | $ 11,109 |
| Outlays, gross (discretionary and mandatory) | $ 18,174 | $ 599 | $ 857 | $ 1,330 | $ 59 | $ (150) | $ 20,869 |
| Actual offsetting collections (discretionary and mandatory | (9,739) | (57) | - | - | - | (337) | (10,133) |
| Outlays, net (discretionary and mandatory) | 8,435 | 542 | 857 | 1,330 | 59 | (487) | 10,736 |
| Distributed offsetting receipts | - | - | - | - | - | - | - |
| **Agency Outlays, net (discretionary and mandatory)** | $ 8,435 | $ 542 | $ 857 | $ 1,330 | $ 59 | $ (487) | $ 10,736 |

## Schedule of Combined Statement of Budgetary Resources by Major Fund: Non-Budgetary Credit Program Financing Accounts (Unaudited)
## For the Fiscal Year Ended September 30, 2013
## (Dollars in Millions)

| | P.L. 480 Direct Loan (12X4049) | CCC Export Guaranteed (12X4337) | Farm Storage Facility Direct Loan (12X4158) | Other | Total |
|---|---|---|---|---|---|
| **Budgetary Resources:** | | | | | |
| Unobligated balance brought forward, October 1 | $ 88 | $ 138 | $ 18 | $ 97 | $ 341 |
| Recoveries of prior year unpaid obligations | - | 9 | 32 | - | 41 |
| Other changes in unobligated balance | (45) | (12) | (47) | (3) | (107) |
| Unobligated balance from prior year budget authority, net | 43 | 135 | 3 | 94 | 275 |
| Appropriations (discretionary and mandatory) | - | - | - | - | - |
| Borrowing Authority (discretionary and mandatory) | 1 | 7 | 260 | 2 | 270 |
| Spending authority from offsetting collections (discretionary and mandatory) | 76 | 133 | 60 | 22 | 291 |
| **Total Budgetary Resources** | $ 120 | $ 275 | $ 323 | $ 118 | $ 836 |
| **Status of Budgetary Resources:** | | | | | |
| Obligations Incurred (Note 18) | $ 62 | $ 88 | $ 297 | $ 13 | $ 460 |
| Unobligated balance, end of year: | | | | | |
| Apportioned | 52 | 101 | 7 | 8 | 168 |
| Exempt from apportionment | - | 8 | - | - | 8 |
| Unapportioned | 6 | 78 | 19 | 97 | 200 |
| Total Unobligated balance, end of year | 58 | 187 | 26 | 105 | 376 |
| **Total Budgetary Resources** | $ 120 | $ 275 | $ 323 | $ 118 | $ 836 |

| | P.L. 480 Direct Loan (12X4049) | CCC Export Guaranteed (12X4337) | Farm Storage Facility Direct Loan (12X4158) | Other | Total |
|---|---|---|---|---|---|
| **Change in Obligated Balance:** | | | | | |
| Unpaid obligations: | | | | | |
| Unpaid obligations, brought forward, Oct 1 | $ - | $ 13 | $ 160 | $ - | $ 173 |
| Obligations incurred | 62 | 88 | 297 | 13 | 460 |
| Outlays (gross) | (62) | (85) | (224) | (13) | (384) |
| Recoveries of prior year unpaid obligations | - | (9) | (32) | - | (41) |
| Unpaid obligations, end of year | - | 7 | 201 | - | 208 |
| Uncollected payments: | | | | | |
| Uncollected payments, Federal sources, brought forwarc | (42) | (115) | - | - | (157) |
| Change in uncollected payments, Federal sources | - | - | - | - | - |
| Uncollected payments, Federal sources, end of year | (42) | (115) | - | - | (157) |
| Memorandum (non-add) entries: | | | | | |
| **Obligated balance, start of year** | $ (42) | $ (102) | $ 160 | $ - | $ 16 |
| **Obligated balance, end of year** | $ (42) | $ (108) | $ 201 | $ - | $ 51 |
| **Budget Authority and Outlays, Net:** | | | | | |
| Budget authority, gross (discretionary and mandatory) | $ 77 | $ 140 | $ 320 | $ 24 | $ 561 |
| Actual offsetting collections (discretionary and mandatory) | (123) | (172) | (209) | (23) | (527) |
| Change in uncollected customer payments from Federal sources (discretionary and mandatory) | - | - | - | - | - |
| **Budget authority, net (discretionary and mandatory)** | $ (46) | $ (32) | $ 111 | $ 1 | $ 34 |
| Outlays, gross (discretionary and mandatory) | $ 62 | $ 85 | $ 224 | $ 13 | $ 384 |
| Actual offsetting collections (discretionary and mandatory) | (123) | (172) | (209) | (23) | (527) |
| Outlays, net (discretionary and mandatory) | (61) | (87) | 15 | (10) | (143) |
| Distributed offsetting receipts | (9) | (63) | (30) | - | (102) |
| **Agency Outlays, net (discretionary and mandatory)** | $ (70) | $ (150) | $ (15) | $ (10) | $ (245) |

# Part V: Other Information (Unaudited)

## Schedule of Spending

The Schedule of Spending (SOS) is a supplemental schedule included in CCC's Annual Management Report. The SOS presents an overview of what funds are available to spend, how the obligations and expenditures of funds align with the major goals of USDA and whether the funds were spent on Federal or Non-Federal entities.

There are two other financial reports which document the use of CCC resources; the SBR and the Reconciliation Report of the USAspending.gov (agency input). These reports serve different reporting requirements.

The SBR is a quarterly statement prepared for CCC to demonstrate the budgetary authority and resources (funds) made available for CCC to conduct business. The report demonstrates the use of the funds through obligations and the amount actually paid to others.

The Reconciliation of the USAspending.gov (agency input) to CCC's SBR Obligations Incurred is required by OMB and the USDA OCFO to validate the federal funding information contained in USAspending.gov. The reconciliations are performed quarterly.

Similarities between the three reports include:

- The financial data used to report the use of funds is the same for all of the reports.
- The SOS, SBR Obligations Incurred, and USAspending.gov reconciliation all report obligations using the same general ledger accounts.
- The SOS and USAspending.gov reconciliation reports obligation data at the Budget Object Class[5] (BOC) level.

Differences between the three reports include:

- The SOS and SBR reports obligations at a summarized level and USAspending.gov reports obligations at a detail level.
- The SOS and SBR include obligation data not required for USAspending.gov reports (i.e. collections and receivables transactions, service fees including: certain administrative costs and Government to Government awards).
- The SOS reports spending at a two digit BOC level, the USAspending.gov SBR reconciliation reports spending at a four digit BOC level, and USAspending.gov does not require spending at a BOC level but at a Catalog of Federal Domestic Assistance (CFDA) level.

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[5] BOCs are categories in a classification system that present obligations by items or services purchased by the Federal Government.

## Schedule of Spending (Unaudited)
## For the Fiscal Year Ended September 30, 2013
## (Dollars in Millions)

The following schedule presents an overview of how and where CCC is spending its money in alignment to the USDA Performance and Accountability Report goals. Refer to the Management Discussion and Analysis, Performance Section, for additional information on the alignment of CCC's and USDA's strategic goals.

| | Budgetary | Non-Budgetary Credit Reform Financing Accounts |
|---|---|---|
| **What Money is Available to Spend?** | | |
| Total Resources | $ 22,548 | $ 836 |
| Less Amount Available but Not Agreed to be Spent | 519 | 176 |
| Less Amount Not Available to be Spent | 548 | 200 |
| **Total Amounts Agreed to be Spent** | $ 21,481 | $ 460 |
| **How was the Money Spent/Issued?** | | |
| **Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:** | | |
| 24, 25 - Other contractual services | $ 118 | $ - |
| 33 - Investments and loans | 5,737 | 298 |
| 41 - Grants, subsidies, and contributions | 10,404 | - |
| 43, 44 - Interest, dividends, and refunds | 4 | - |
| Total | 16,263 | 298 |
| **Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:** | | |
| 24, 25 - Other contractual services | 1 | - |
| 41 - Grants, subsidies, and contributions | 2,243 | - |
| Total | 2,244 | - |
| **Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:** | | |
| 24, 25 - Other contractual services | 65 | - |
| 33 - Investments and loans | 3 | 162 |
| 41 - Grants, subsidies, and contributions | 2,906 | - |
| Total | 2,974 | 162 |
| **Total Amounts Agreed to be Spent** | $ 21,481 | $ 460 |
| **Who did the Money go to?** | | |
| Federal | $ 4,308 | $ 377 |
| Non-Federal | 17,173 | 83 |
| **Total Amounts Agreed to be Spent** | $ 21,481 | $ 460 |

## Summary of Financial Statement Audit[7]

The table below is a summary of the results of the FY 2013 independent audit of CCC's consolidated financial statements.

| | | | | | |
|---|---|---|---|---|---|
| **Audit Opinion** | Unqualified | | | | |
| **Restatement** | No | | | | |
| | | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Ending |
| System Substantial Non-Compliance - Funds Control | 1 | 0 | 0 | 0 | 1 |
| *Total Material Weakness* | 1 | 0 | 0 | 0 | 1 |

## Summary of Management Assurances[8]

The table below is a summary of management assurances related to the effectiveness of internal control over CCC's financial reporting and operations, and its conformance with financial management system requirements under Sections 2 and 4 of the *Federal Managers' Financial Integrity Act* (FMFIA). The last portion of the table is a summary of CCC's compliance with the *Federal Financial Management Improvement Act* (FFMIA).

| **Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)** | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance | Unqualified statement of assurance | | | | | |
| | | | | | | |
| Material Weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Funds Control Management | 1 | 0 | 0 | 0 | 0 | 1 |
| *Total Material Weakness* | 1 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | |
| **Effectiveness of Internal Control over Operations (FMFIA § 2)** | | | | | | |
| | | | | | | |
| Statement of Assurance | Unqualified statement of assurance | | | | | |
| Material Weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| *Total Material Weakness* | 0 | 0 | 0 | 0 | 0 | 0 |

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[7] The Summary of Financial Statement Audit is as of completion of the Annual Management Report.
[8] The Summary of Management Assurances is as of completion of the Annual Management Report.

| Conformance with Financial Management Systems Requirements (FMFIA §4) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance | Systems do not conform to financial management system requirements | | | | | |
| Material weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Not in Substantial Compliance with FFMIA Funds Control Management | 1 | 0 | 0 | 0 | 0 | 1 |
| Total Non-conformances | 1 | 0 | 0 | 0 | 0 | 1 |

| Compliance with Federal Financial Management Improvement Act (FFMIA) | |
|---|---|
| | Agency/Auditor |
| 1. System Requirements | Yes |
| 2. Accounting Standards | Yes |
| 3. USSGL at Transaction Level | No |

# Improper Payments Information Act of 2002
# Improper Payments Elimination and Recovery Act of 2012
# Improper Payments Elimination and Recovery Improvement Act of 2012

The *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), requires agencies to review programs susceptible to significant improper payments, report estimated improper payments and establish corrective actions to reduce improper payments. OMB provides guidance on measuring, reducing, recovering, and reporting improper payments through OMB Circular No. A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments* and OMB Circular A-136, *Financial Reporting Requirements*.

CCC and FSA first reported on improper payments in 2004 for programs declared at risk for significant improper payments (high risk programs). This report provides improper payment information for FY 2013 regarding the estimated improper payment rate, estimated improper payment amount, root causes, corrective actions taken, planned reduction targets for future years, and improper payments recovered.

## Fiscal Year 2013 Results

In addition to the table showing the FY 2013 results, performance highlights include:

- Marketing Assistance Loan (MAL) Program reported an improper disbursement rate of 0.17 percent, less than the FY 2013 reduction target of 0.49 percent.
- Noninsured Crop Disaster Assistance Program (NAP) reported an improper disbursement rate of 5.23 percent, less than the 7.00 percent improper payment rate reported for FY 2012.
- Milk Income Loss Contract Program (MILC) reported an improper disbursement rate of 0.17 percent, less than the FY 2013 reduction target of 1.80 percent and less than the improper payment rate of 2.00 percent for FY 2011, the last year the program was measured.
- Based on guidance received from the Department, revised High Dollar Quarterly Reporting to provide additional clarification and transparency to field offices.
- Completed implementation of the Payment Recapture and Recovery Auditing Initiative to identify, prevent, and recover overpayments. Conservation Reserve Program (CRP) and NAP are the two pilot programs affected by this effort.
- Conducted a briefing for State Executive Directors on IPIA, IPERA, and IPERIA regarding the impact on State and County Offices.
- Conducted a nationwide training session with State and County Offices on the FY 2013 High Dollar Quarterly Reporting process.

FY 2014 operational guidance for all improper payment initiatives is anticipated to be received in late October or early November.

**Table 46: Summary of Improper Payment Results**

| | Total Outlays ($ millions) | | Improper Payments ($ millions) | | Administrative Errors ($ millions) | | Incorrect Disbursements ($ millions) | | Incorrect Disbursements (in percent) | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Program** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** |
| MAL | $2,878 | $2,344 | $2 | $8 | $0 | $4 | $2 | $4 | 0.08% | 0.17% |
| NAP | $69 | $256 | $5 | $13 | $2 | $0.85 | $3 | $13 | 5.28% | 5.23% |
| DCP [1] | $3,867 | N/A | $19 | N/A | $0 | N/A | $19 | N/A | 0.50% | N/A |
| LFP [2] | $477 | $85 | $10 | $2 | $1 | $0.35 | $9 | $2 | 1.97% | 2.48% |
| SURE [3] | N/A | $568 | N/A | $22 | N/A | N/A | N/A | $22 | N/A | 3.94% |
| CRP | $1,686 | $1,651 | $6 | $6 | $0 | N/A | $6 | $6 | 0.36% | 0.38% |
| MILC [4] | N/A | $401 | N/A | $0.68 | N/A | N/A | N/A | $0.68 | N/A | 0.17% |

[1] DCP was not sampled in 2013 due to low outlays.

[2] LFP is part of the Miscellaneous Disaster Program.

[3] FSA instituted the Program Focused Approach in FY 2012 to review and sample disaster programs with most outlays for best Return on Investment (ROI) due to budget constraints. SURE is part of the Miscellaneous Disaster Program and was not selected for review in 2012.

[4] MILC was not sampled in 2012 due to low outlays.

# Appendix: Glossary of Acronyms

| ACRONYM | TITLE |
|---|---|
| ACRE | Average Crop Revenue Election Program |
| ADA | Antideficiency Act |
| ADP | Automatic Data Processing |
| AGI | Adjusted Gross Income |
| AMS | Agricultural Marketing Service |
| APHIS | Animal and Plant Health Inspection Service |
| ASMI | Alaska Seafood Marketing Institute |
| ATRA | American Taxpayer Relief Act |
| BCAP | Biomass Crop Assistance Program |
| BEHT | Bill Emerson Humanitarian Trust |
| BDO | Barter Delivery Obligations |
| BOC | Budget Object Class |
| CCC | Commodity Credit Corporation |
| CFDA | Catalog of Federal Domestic Assistance |
| CFO | Chief Financial Officer |
| CRP | Conservation Reserve Program |
| CSREES | Cooperative State Research, Education, and Extension Service |
| CSC2 | Credit Subsidy Calculator 2 |
| DACO | Deputy Administrator for Commodity Operations |
| DAFP | Deputy Administrator Farm Programs |
| DCP | Direct and Counter-cyclical Payment Program |
| DPPSP | Dairy Product Price Support Program |
| eDCP | Electronic Direct and Counter-Cyclical Payment Program |
| eFMS | Electronic Funds Management System |
| ELAP | Emergency Loss Assistance Program |

| ACRONYM | TITLE |
|---|---|
| EMP | Emerging Markets Program |
| EQIP | Environmental Quality Incentive Program |
| FACTS I | Federal Agencies Centralized Trial Balance System I |
| FASAB | Federal Accounting Standards Advisory Board |
| FAS | Foreign Agricultural Service |
| FCRA | Federal Credit Reform Act of 1990 |
| FFAS | Farm and Foreign Agricultural Services |
| FFMIA | Federal Financial Management Improvement Act |
| FGP | Facilities Guarantee Program |
| FMD | Foreign Market Development Program |
| FMFIA | Federal Managers' Financial Integrity Act |
| FMMI | Financial Management Modernization Initiative |
| FNCS | Food, Nutrition, and Consumer Services |
| FNS | Food and Nutrition Service |
| FRB | Federal Reserve Bank |
| FRPP | Farm and Ranch Lands Protection Program |
| FSA | Farm Service Agency |
| FSFL | Farm Storage Facility Loan Program |
| FY | Fiscal Year |
| GAAP | Generally Accepted Accounting Principles |
| GRP | Grassland Reserve Program |
| GSM | General Sales Manager |
| IPERA | Improper Payments Elimination and Recovery Act |
| IPERIA | Improper Payments Elimination and Recovery Improvement Act |
| IPIA | Improper Payments Information Act of 2002 |

| ACRONYM | TITLE |
|---|---|
| ITSD | Information Technology Services Division |
| LDP | Loan Deficiency Payment Program |
| LRP | Local and Regional Pilot Program |
| MAL | Marketing Assistant Loan Program |
| MAP | Market Access Program |
| MIDAS | Modernize and Innovate the Delivery of Agricultural Systems |
| MILC | Milk Income Loss Contract Program |
| MRP | Marketing and Regulatory Programs |
| NAP | Noninsured Crop Disaster Assistance Program |
| NCFI | Net Cash Farm Income |
| NEI | National Export Initiative |
| NASDA | National Association of State Departments of Agriculture |
| NRE | Natural Resources and Environment |
| NRCS | National Resources Conservation Service |
| OCFO | Office of the Chief Financial Officer |
| OGC | Office of the General Counsel |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| OTP | Office of Trade Programs |
| P&F Schedule | Program and Financing Schedule |
| P.L. | Public Law |
| QSP | Quality Samples Program |
| RD | Rural Development |
| RMA | Risk Management Agency |
| ROI | Return on Investment |

| ACRONYM | TITLE |
|---|---|
| SBR | Statement of Budgetary Resources |
| SCGP | Supplier Credit Guarantee Program |
| SFFAC | Statement of Federal Financial Accounting Concepts |
| SFFAS | Statement of Federal Financial Accounting Standards |
| SME | Small to Medium-Sized Enterprise |
| SOS | Schedule of Spending |
| SRTG | State Regional Trade Groups |
| TASC | Technical Assistance for Specialty Crops |
| TTPP | Tobacco Transition Payment Program |
| USAID | United States Agency for International Development |
| USDA | United States Department of Agriculture |
| USSGL | United States Standard General Ledger |
| USWA | United States Warehouse Act |
| WRP | Wetlands Reserve Program |