United States Department of Agriculture

Farm Service Agency

Fact Sheet

Montana State Producer Handbook

January 2007

Commodity Certificates

Background

In October 1999, Congress amended the 1996 Farm Bill to include provisions for the issuance of commodity certificates. These negotiable certificates, which the Commodity Credit Corporation (CCC) shall exchange for a commodity owned or controlled by CCC, will minimize loan forfeitures and accumulation of stocks by the Government and allow commodities to be marketed more freely and competitively.

Purpose and Availability of Certificates

The use of commodity certificates will encourage producers to repay their commodity loans rather than forfeit the loan collateral to CCC at loan maturity. Commodity certificates are available to producers to use in acquiring 2002 through 2007 crop collateral pledged to CCC for a commodity loan. Commodity certificate exchanges will be available for sale at Farm Service Agency (FSA) offices to producers with outstanding non-recourse marketing assistance loans made for wheat, rice, feed grains, soybeans, mustard, safflower, sunflower and pulse crops.

Exchange Rate

The exchange rate will be the effective adjusted world price for rice or upland cotton or the posted county prices (PCP), as applicable, for other commodities on the date the commodity certificate is purchased. Commodity certificate exchanges will not be available when the exchange rate exceeds the applicable loan rate. These exchanges may only be processed by the FSA office that originated the loan.

Example

If a wheat producer has pledged the farm's 2006 production as collateral for a marketing assistance loan and is now facing the likelihood of forfeiting to CCC the collateral under loan, the producer may purchase a commodity certificate valued up to an amount determined by multiplying the quantity of wheat still under loan, times the local PCP. The producer then immediately exchanges the purchased commodity certificate for the loan collateral. If the outstanding non-recourse loan is bought back with commodity certificates, the producer is not subject to the $75,000 payment limitation. If the loan is bought back with cash at the PCP, it is subject to the $75,000 payment limitation.

Eligible Producers

Eligible producers must:
- Have an outstanding commodity loan that has not matured, and;
- Immediately exchange commodity certificates for loan collateral.

Limitations

Commodity certificates are being issued for immediate exchange for outstanding loan collateral only. They may not be used as payment for other CCC obligations, such as loan deficiency payments (LDPS), or any other obligation. Commodity certificate exchanges may not be exchanged for CCC-owned inventory.

Expiration

The commodity certificate will only be valid for immediate use and will expire immediately upon the exchange of the certificate for the commodity.

For Additional information

Additional information may be obtained at local FSA offices or through the Montana FSA Web site at http://www.fsa.usda.gov/mt.