UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

Cotton Loans
FACT SHEET

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Fees and Charges Assessed by the Commodity Credit Corporation for Cotton Loans, Loan Forfeitures, and Relocation of Collateral

OVERVIEW

USDA's Commodity Credit Corporation (CCC) marketing assistance loans (MAL) are a marketing tool producers can use to store their production after harvest, which increases their marketing opportunities. In place of using MALs, producers may elect to take a loan deficiency payment (LDP) that provides a payment equal to any net gain from a MAL.

This fact sheet explains various fees and charges associated with cotton MALs, LDPs, and the relocation of cotton loan collateral.

LOAN SERVICE FEE

CCC assesses a fee to cover a portion of its administrative costs for providing the loan. This loan service fee is deducted from the total amount of the loan before it is disbursed. The service fee is the smaller of one-half of 1 percent (0.5 percent), multiplied by the gross loan amount, or $7.50 per loan (on the initial loan only, if there are multiple loans) plus 90 cents for each bale of cotton. No service fees are assessed for processing or disbursing LDPs.

RESEARCH AND PROMOTION FEES

CCC deducts research and promotion fees from upland cotton loan proceeds and LDPs in accordance with regulations for administering the Cotton Research and Promotion Act. Such fees do not apply to, and are not deducted from, ELS loan disbursements. CCC remits all amounts collected to the Cotton Board. For upland cotton loans, the fee is $1.00 per bale plus one-half percent of the total loan value. For LDPs the fee is one-half percent of the LDP. These fees are established by statute.

COTTON CLERK FEE

If a cotton clerk prepares loan documents at the request of a producer, the clerk may collect fees deducted from the loan proceeds, not to exceed the following rates: 25 cents for the first bale plus 15 cents for bales two through six; for seven or more bales, $1.00 plus 10 cents for each bale over six.

CHARGES DUE AT TIME OF COLLATERAL FORFEITURE

Producers are responsible for certain unpaid warehouse charges if they forfeit their cotton loan collateral to CCC instead of repaying the loan obligation. CCC does not assess any fees of its own on forfeited cotton. However, CCC pays any unpaid warehouse fees that apply to the forfeited cotton and then invoices the producer for such charges. These charges are discussed below and normally include warehouse receiving charges, unpaid warehouse compression, storage charges that accrued prior to the loan and storage charges that accrued during the loan period but that exceed authorized storage credits.

UNPAID WAREHOUSE COMPRESSION CHARGES

CCC disburses MALs for cotton with unpaid warehouse compression charges. However, CCC holds the producer responsible for such charges. If the cotton under MAL is forfeited, CCC invoices the producer for all warehouse compression charges listed as unpaid on the warehouse receipt.

WAREHOUSING RECEIVING AND PRE-LOAN STORAGE CHARGES

The cotton producer (or designated agent repaying the loan) is responsible for any warehouse receiving charges for forfeited cotton. If the cotton under an MAL is forfeited, CCC pays any unpaid warehouse receiving charges along with any storage charges that accrued from the date the warehouse received the cotton to the date the loan began. CCC invoices the producers for these charges.

place restrictions on the planting of an agricultural commodity on highly erodible land or wetlands. Further, they prohibit the conversion of a wetland to make possible the production of an agricultural commodity.

STORAGE CHARGES DURING THE LOAN PERIOD OF FORFEITED COTTON

A producer's responsibility for paying storage charges is different for forfeited upland cotton than it is for Extra Long Staple (ELS) cotton. This is because current authority provides storage credits for upland cotton so that upland loan obligations can be repaid at a value equal to the adjusted world price level. Thus, if ELS loan collateral is forfeited to CCC, the producer is responsible for all storage charges that accrued from the time the warehouse received the cotton to the date of forfeiture. CCC pays these accrued charges to the warehouse and subsequently invoices the producer.

For upland cotton loan collateral that is forfeited, CCC will pay all or a portion of warehouse storage charges that accrue, but only for the period that the cotton was pledged as loan collateral. CCC storage-credits begin on the "documents received date" of the loan. This date is the latter of 1) the date all loan application documents were received, or 2) the date warehouse receipts were received by CCC. Under this definition, CCC may calculate storage credits starting on a date previous to the loan disbursement date.

Storage credits are based on the lower of the actual warehouse storage rate or the maximum storage-credit rate as established according to statutory limits. For the 2014 through 2018 crops of upland cotton, CCC calculates storage credits based on the lesser of the warehouse's 2006-crop tariff rate or the maximum rate where stored. For the 2014 through 2018 crops, the maximum storage credit rates are $3.9330 per bale per month for Arizona and California, and $2.394 per bale per month for all other states. These monthly rates are converted to an equivalent daily-rate basis.

If the cotton loan collateral is forfeited, CCC automatically pays the warehouse any unpaid receiving charges and all accrued storage charges from the date the cotton was received based on the warehouse's storage rate for loan cotton. CCC then invoices the producer for any warehouse charges paid by CCC including unpaid warehouse receiving charges, unpaid compression charges, warehouse storage charges that accrued before the date all documents required from the producer for the loan were provided to the County Office, and warehouse storage charges that accrued starting the date all documents were received that exceed the storage credit rate.

LOAN OFFSET AND ASSIGNMENT CHARGES

A loan offset charge is an amount deducted from a loan or LDP to pay an amount owed to CCC, the FSA, or other federal creditors, or for other debts having lien status under state law. An assignment charge is a transfer of a person's right to receive a payment to another party.

CHARGES ASSOCIATED WITH COTTON TRANSFERS

CCC does not assume responsibility for charges associated with relocating warehouse-stored loan collateral to another warehouse, regardless of the reason the cotton is relocated. This policy applies even if CCC informs a producer that cotton loan collateral must be moved, such as when a warehouse closes or loses its authority to store loan bales. CCC approves requests from agents authorized by producers to transfer loan cotton only if such agents agree to pay all such charges associated with the transfer. Thus, in most cases, the producer is not billed for any charges incurred due to a relocation made by the producer's agent. However, producers may be responsible for relocation charges incurred but not paid by their agent. Individual transfer charges are explained in the following table:

Charge	Loan Without Transfer	Transfer of Loan Collateral	
	Original Storing Warehouse	Shipping (Original Warehouse	Receiving Warehouse
Receiving at warehouse	Paid by buyer upon load-out. If collateral is forfeited, paid by CCC and billed to producer.	Paid by requestor of transfer.	Paid by requestor of transfer at load-out. If forfeited, paid by CCC, then billed to producer.
Pre-loan Storage	Paid by producer or buyer. If collateral is forfeited, paid by CCC and billed to producer based on the CSA rate for loan cotton.	Paid by requestor of transfer.	Not applicable. Cotton is under loan when received under a transfer.
Accrued Storage During Loan Period	Paid by buyer for redeemed cotton. CCC may reduce the loan repayment amount by all or a portion of the storage charges during the loan period based on CCC's storage credit rate for the warehouse. If cotton forfeits, charges are paid by CCC and any amount exceeding the storage-credit rate is billed to producer.	Paid by requestor of transfer.	Paid by buyer for redeemed cotton. The loan redemption amount may be reduced based on the CCC storage credit rate applicable at the shipping warehouse for the entire loan period; credits are reduced by a fixed two-day period for time in transit and may be subject to the 75-day limit from the date a new EWR is issued by receiving warehouse. If cotton forfeits, CCC pays receiving warehouse based on its rate for loan cotton; any amount exceeding the storage-credit rate at receiving warehouse is billed to producer.
After Loan Storage	Paid by buyer. If forfeited, CCC pays the warehouse at the CSA rate for CCC owned cotton.	Not applicable because under a transfer any after-loan storage charges would occur at the receiving warehouse.	Paid by buyer. If forfeited, CCC pays the warehouse at the CSA rate for CCC owned cotton.
Compression	Paid by buyer upon load-out, regardless of whether loan is repaid or if cotton is bought from CCC. If cotton forfeits, billed by CCC to producer.	Paid by requestor of transfer.	Paid by buyer upon load-out, regardless of whether loan is repaid or if cotton is bought from CCC. If cotton forfeits, billed by CCC to producer based on rate at receiving warehouse.
Load-out	Paid by buyer.	Paid by requestor of transfer.	Paid by buyer.
Freight to Receiving Warehouse	Paid by producer.	N/A	Paid by requestor of transfer.

FOR MORE INFORMATION

Further information on this and other FSA programs is available from a local FSA Service Center or on FSA's Web site at: http://www.fsa.usda.gov.

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