



FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

September 2009

Honey MAL and LDP

Overview

The Food, Conservation, and Energy Act of 2008 (2008 Act) provides that the Farm Service Agency (FSA) administer the nonrecourse marketing assistance loan and loan deficiency payment (LDP) program for 2008 through 2012 crop honey.

The honey nonrecourse marketing assistance loan and LDP program are available to eligible honey producers. The program helps to stabilize America's honey industry and ensure the well being of agriculture in the United States. Nonrecourse marketing assistance loans (MAL) are administered by FSA, on behalf of the Commodity Credit Corporation (CCC).

Honey Nonrecourse Marketing Assistance Loan

Honey nonrecourse MALs provide eligible producers with interim financing on their production and facilitate the orderly distribution of loan-eligible honey throughout the year. Instead of selling the honey immediately after harvest, a nonrecourse loan allows a producer with eligible honey to store the production, pledging the honey itself as collateral. The honey

loan provides funding for an eligible producer to pay bills without having to sell the honey at a time of year when prices tend to be lowest. When market conditions may be more favorable, a producer may sell the honey and repay the loan with the proceeds of the sale. A producer may satisfy the loan obligation by delivering to CCC the quantity of honey pledged as collateral as full payment for the loan at maturity.

Market loan repayment provisions specify that, under certain circumstances, producers may repay loans at less than principal plus accrued interest and other charges, with repayment of some portion of the relevant interest and principal being waived. Producers may also use commodity certificates to repay marketing assistance loans.

Note: Commodity certificates are available until the end of the 2009 crop year.

Eligibility

To be eligible for a loan, a producer must have:

- Produced honey in the United States during the calendar year for which the

loan is requested, and extracted honey on or before December 31, of the applicable crop year;

- Had a continuous beneficial interest in the honey through date of repayment of the loan; and
- Been responsible for the financial risk of keeping the bees and producing the honey.

To be eligible for a loan, the honey must:

- Have been produced by an eligible producer;
- Have been produced and extracted in the United States during the applicable calendar year;
- Be of merchantable quality deemed by CCC to be suitable for loan; and
- Be stored in acceptable containers.

Adjusted Gross Income

For 2009 through 2012 crop years, to be eligible to receive marketing loan gains or LDPs, a legal entity or individual's average adjusted gross nonfarm income cannot exceed \$500,000.

A person or legal entity with average gross nonfarm income that exceeds

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\$500,000 is not eligible for marketing loan gains or LDPs; however, the person or legal entity is eligible for a MAL, but the MAL must be repaid at principal plus interest, or commodity certificates may be exchanged for 2008 and 2009 crop year loan collateral.

Program Availability

The CCC makes 9-month nonrecourse MALs available to producers on 2008-2012 crop honey.

Loan Availability Date

Eligible producers must submit requests for honey nonrecourse MALs on or before March 31 of the calendar year following the applicable crop year.

Maturity Date

Loans mature on demand, but no later than the last day of the 9th month after the note and security agreement were approved.

Loan Rate and Conditions

The nonrecourse MAL program applies to 2008-2012 crop honey and provides a national average loan rate of 60 cents per pound for 2008 and 2009 crop years. The honey loan rate is 69 cents per pound for 2010 through 2012 crop years.

Where to Request Loans

If the honey is stored on the producer's farm, the producer is required to apply at the FSA county office serving the area. If the honey is stored at a location other than the producer's farm, the producer is required to apply either: (1) at the county office serving the storage location, or (2) at the office serving the area in which the producer's main business is located.

Other Program Provisions

- A loan service fee is collected at the time of loan disbursement.
- Interest is charged at a rate of 1 percent higher than the CCC borrowing interest rate.
- Honey pledged as collateral for a loan must be from eligible floral sources and must be in containers that meet the type, size, cleanliness, strength, damage and fill requirements defined by regulations published by CCC in the Federal Register.
- Pre-loan inspections are required to ensure that honey inventory exists in approved storage containers and is of approximate certified weight.

Loan Deficiency Payment Provisions

Producers who are eligible for nonrecourse marketing assistance loans may choose to receive loan deficiency payments (LDPs) in lieu of MALs. LDPs provide producers with price support during times of low market prices. LDP provisions are active when the alternative repayment rate at a given location is less than the base loan rate at the same location, i.e., when the payment rate is greater than zero. Premiums and discounts are not considered when determining the LDP rate. LDP provisions are in effect for a given loan-eligible quantity of honey until the final loan availability date.

Payment Limitations

The 2008 Act provides a \$75,000 payment limitation for the 2008 crop year only for any:

- Gain received by the producer from repaying a MAL for honey at a lower rate than the original loan rate; or
- LDP received.

Beginning with the 2009 crop year, payment limitation is not applicable to MALs and LDPs. Therefore, CCC will no longer limit the gains from MALs and LDPs on 2009 and subsequent crop years.

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Note: Payment limitation shall continue to apply to marketing loan gains and LDPs on loans processed prior to the 2009 crop year.

For More Information

Further information on this and other FSA programs is available from local USDA Service Centers or on the FSA Web site at: www.fsa.usda.gov.

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