

Marketing Assistance Loans and Loan Deficiency Payments

Marketing Assistance Loans (MLA): Marketing assistance loans provide interim financing at harvest time to meet cash flow needs without having to see the commodity when market prices are typically at harvest-time lows.

Loan Deficiency Payments (LDP): A producer who is eligible to obtain a loan, but who agrees to forgo the loan, may obtain an LDP. The LDP rate equals the amount by which the applicable loan rate where the commodity is stored exceeds the alternative loan repayment rate for the commodity. Loan Deficiency Payments are paid on those commodities for which the producer has beneficial interest at the time of application.

2006 and Subsequent Years Beneficial Interest Changes

The following policy will be effective for the 2006 and subsequent crop years.

General Rules

To obtain MAL or LDP, you must maintain beneficial interest in the commodity at the time of request. The Commodity Credit Corporation (CCC) has determined that if a producer has control of the commodity, it is assumed that the producer has risk of loss of the commodity.

Control of the Commodity: A producer has control of the commodity if they:

- retain the ability to make all decisions affecting the commodity;
- retain all risk of loss associated with producing and maintaining the quality and quantity of the commodity.

In order to have beneficial interest for a MAL, the producer must:

- be the producer of the commodity;
- have had ownership of the commodity from the time it was planted (with respect to wool and mohair from the time of shearing) through the earlier of the date the loan was repaid or the maturity date of the loan;
- not have received any payments from any party with respect to the commodity;
- have control of the commodity from the time of planting (for wool and mohair from the time of shearing) through the maturity date of the loan.

To have control of the commodity, the producer must have complete decision making authority about:

- whether the commodity will be tendered as collateral for an MAL;
- when the loan will be repaid;
- if the collateral will be forfeited to CCC in satisfaction of the MAL;
- where the commodity will be main-



tained during the term of the MAL.

New and Amended Beneficial Interest Policy

Open Storage: If you deliver to a CCC-approved warehouse, Federally- or State-licensed warehouse and the commodity is placed in open storage, you must be able to receive from the warehouse a negotiable warehouse receipt or other form of acceptable production evidence, if requested.

Unapproved Facilities: Producers who deliver to a facility where the commodity is commingled with commodities from other producers and the facility is not a CCC-approved, Federally- or State-licensed warehouse are eligible to receive an LDP based on the date of delivery. The LDP rate will be based on the date of physical delivery since beneficial interest will be lost on that date.

A CCC-633EZ, Page 1 must be on file in the FSA County Office before delivery of the commodity to the unapproved/unlicensed facility. This would also apply to producers delivering to a dairy, feedlot, pit, ethanol plant, feed mill, or wool pool.

2006 and Subsequent Years Beneficial Interest Changes, continued

Seed and Hybrid Seed Contracts: Commodities produced under a contract in which the title to the seed remains with the entity and the entity provides the seed to the producer, including contracts for the production of hybrid seed and other speciality seed, are eligible to be pledged as collateral for a MAL and/or LDP. Beneficial interest will be considered lost the earlier of the date:

- a payment is received for the commodity;
- the commodity is delivered to the contract company.

Purchased Commodity: A person purchases or otherwise acquires a commodity from a producer under any circumstances does not have beneficial interest in the commodity regardless if the purchase or acquisition is made before or after the harvest of the commodity. However, CCC will consider a person to have beneficial interest in the commodity if, before harvest, the person has obtained title to the growing commodity and the risk of producing the commodity at the same time title was obtained for the land on which the commodity was growing.

Deceased Producer: Upon the death of a producer, CCC will consider an estate, heirs of the deceased producer, or a person to who title to a commodity has passed by State law, to have beneficial interest in a commodity produced by the deceased producer. The same terms and conditions that would have been applicable to the deceased producer will be applicable to the assumed producer.

**CCC-633EZ
Required for 2006
LDP**

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Important Dates

- ✓ **July 17** Final date to certify all crops, except small grains
- ✓ **August 1** Final date to file nomination forms at County office. *Nomination forms must be returned to the FSA County Office or be postmarked by August 1*
- ✓ **Sept 1** Final date to apply for coverage under NAP for 2007 on Christmas trees, Crustaceans, Grass-Sod & Finfish
- ✓ **Sept 30** Final date to apply for coverage under NAP for 2007 on Wheat

Change of address must be reported to your LOCAL FSA County Office.