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United States Department of Agriculture • Farm Service Agency State Office
Latrice Hill, Public Relations & Outreach Specialist
6311 Ridgewood Rd Suite W100
Jackson, MS 39211 • Phone: (601) 965-4300, ext. 108
Website: http://www.fsa.usda.gov/ms

USDA Announces New Loan Repayment Rate Methods for Commodities Participating In the Marketing Assistance Loan Program

Improved Method Will Minimize Potential Forfeitures

Jackson, MS- April 28, 2009 - USDA began using an improved and more stable system for determining non-recourse marketing assistance loan repayment rates and loan deficiency payment rates for wheat, feed grains, pulse crops, oilseeds, wool, mohair and honey, said R.M. Carnegie, Acting State Executive Director of Mississippi's Farm Service Agency.

"The new method will moderate fluctuations of the loan repayment rate," explained Carnegie. "This reduces the effects daily market volatilities have on loan repayment rates and provides more certainty for producers who have taken advantage of marketing assistance loans or loan deficiency payments."

The 2008 Farm Bill provides the authority to establish a loan repayment rate that may be determined as the lesser of the loan rate plus interest and a rate based on: 1) average market prices during the previous 30 days, or 2) an alternative method the secretary may develop.

On April 15, 2009, for wheat, corn, grain sorghum, soybeans, barley, oats, canola, flaxseed and sunflower seed, USDA's Commodity Credit Corporation (CCC) began determining and publishing daily loan repayment rates based on the average market prices during the preceding 30 days. At the same time, CCC is also announcing each day a repayment rate based on the preceding five days. The new method replaces the previous one, which was based on the previous day's market rates. The effective alternative repayment rate will be the lower of either the 30-day average or the 5-day average.

The 30-day method will reflect a 30-day moving average of all terminal market prices for the crop, adjusted by the difference between the applicable national loan rate and the county loan rate. The 5-day method will reflect a 5-day moving average of applicable terminal market prices adjusted by applicable county differential and terminal adjustments.

This new loan repayment method will minimize potential forfeitures, accumulation of CCC stocks, CCC storage costs, market impediments and discrepancies in benefits across state and county boundaries.

Previously, the loan repayment rate for a county was based on the daily posted county price for the commodity, and this rate was adjusted by any premiums and discounts made to a non-recourse marketing assistance loan at the time the loan was made.

No changes are being made to the loan repayment system for cotton, peanuts and rice.

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