



May/June 2006

2006 CROP CCC LOAN AND LDP INFORMATION



This newsletter contains information regarding 2006 crop year commodity loans and loan deficiency payments.

I encourage you to read the information included in this newsletter and to retain it for future reference.

As always, you should contact your local FSA office if you have any specific questions. Wishing you a successful growing season,

Gary J. Nelson, State Executive Director

### General Loan and LDP Requirements

To be eligible for a loan or LDP a producer must:

- have beneficial interest in the commodity
- complete an acreage report for the commodity
- be in compliance with highly erodible and wetlands provisions
- not have been convicted of a controlled substance violation
- not have a delinquent non-tax federal debt

### Beneficial Interest Requirements

Producers are required to maintain beneficial interest in the commodity tendered for loan or LDP. Beneficial interest includes having control, title, and risk of loss in the commodity. Loss of any one element causes loss of beneficial interest.

Sales agreements, including options to purchase, priced later and contracts for future delivery can impact beneficial interest. Once beneficial interest is lost, the commodity remains ineligible for loan or LDP, even if the producer regains control, risk of loss or title at a later date. Some contracts may also have provisions, such as restrictions on ability to mortgage the commodity or storage earned prior to delivery, that impact when beneficial interest is lost even if no payment has been issued to the seller.

Producers planning to use any of the various types of sales contracts can request to have the contract reviewed by the local county FSA office to

determine how the contract would impact beneficial interest.

### General Commodity Eligibility Requirements

To be eligible for loan or LDP commodities must:

- have been produced by an eligible producer and harvested in the current crop year
- be in existence and in storable condition
- be merchantable for food, feed or other uses as determined by CCC
- not contain mercurial compounds, toxin-producing molds or other poisonous substances (vomitoxin and aflatoxin levels can affect wheat, barley and corn eligibility)

Commodities that are obtained through substitution, purchase or received as a gift are not eligible for loan or LDP. Crop mixtures are not eligible for loan or LDP. Commodity grades, class and eligibility for nonrecourse loan are based on the United States Standards for Grain.

Unshorn pelts and commodities harvested as other than grain are eligible for LDP only.

### Payment Limitation

Federal statute limits the amount a producer may earn in marketing loan gains and LDP's to \$75,000 for grains, oilseeds and pulse crops. There is a separate \$75,000 limitation for honey, wool, mohair and unshorn pelt marketing loan gains and LDP's.

### Eligible Commodities and Loan/LDP Availability Dates for the 2006 Crop:

Commodity	Final Availability Date
Wool, Mohair, Unshorn Pelts	January 31, 2007
Barley, Canola, Crambe, Flaxseed, Honey, Oats, Rapeseed, Wheat, Sesame Seed	March 31, 2007
Corn, Dry Peas, Grain Sorghum, Lentils, Mustard, Safflower, Small Chickpeas, Soybeans, Sunflowers	May 31, 2007

### Loan Types

Two types of loans are available, depending on the quality of the commodity. Commodities that meet **nonrecourse** warehouse stored loan requirements are eligible for market loan repayments and delivery to CCC at maturity. Commodities that do not meet the nonrecourse warehouse loan grade requirements are eligible for **recourse** loans. Recourse loans must be repaid at principal plus interest. They cannot be repaid at the market rate and cannot be delivered to CCC at maturity.

Test weight and moisture levels can impact the eligibility for farm-stored nonrecourse loan. If there are known commodity quality problems, producers should contact their local county FSA office to discuss available loan options.

Farm-stored loans are available in approved storage structures that provide safe storage for the commodity. Warehouse-stored loans are available at CCC-approved storage warehouses only. Proof of storage paid through the loan maturity date must be provided with the warehouse receipt for the warehouse stored loan. Warehouse-stored loan rates are adjusted for quality based on applicable CCC loan premiums and discounts. Wheat protein premiums are available only for warehouse-stored loans and the warehouse receipt must be accompanied with a copy of the approved laboratory protein test document.

### Fees and Interest Rates

Loan service fees are the smaller of \$45, or one-half of one percent (.005%) of the gross loan amount plus \$3 for each additional bin or warehouse receipt over one. There are no service fees for LDP disbursements.

Measurement service is available for measuring farm-stored bins for loans and LDP's. The rates are \$25 per visit, \$10 for each additional bin site, plus \$3 per bin or silo and \$10 per flat storage structure.

The loan interest rate is based on the CCC announced rate for the month in which the loan is disbursed. The rate is based on the CCC borrowing interest rate plus one percent. The interest rate is subject to adjustment on January 1 of the following year if the loan is still outstanding.

### Requesting Loans

Loans can be requested by mail, via fax or in person by properly completing the loan application. Loan applications are available at all FSA offices and online at:

<http://forms.sc.egov.usda.gov/eforms/mainervlet>

The application must be filed at the county office that maintains the farm records for the farm that produced the commodity for the loan. Filing the application at a different office will delay the loan processing.

Lien searches are required for all applicants and spouses to identify prior lien holders. Lien waivers are required from all lien holders before the loan can be disbursed.

### Loan Repayments

Commodity loans can be repaid at any time at principal plus interest. Market loan repayments can be made on nonrecourse loans prior to loan maturity, when the market repayment rate is less than principal plus interest. Matured loans cannot be repaid at the market repayment rate.

If the sales proceeds are needed to repay the loan, a marketing authorization (CCC-681-1) can be requested. The request can either be made in person or by telephone. The term of the marketing authorization can be either 15 or 30 calendar days. All parties who signed the note are responsible for repaying the loan. If the buyer does not repay the loan as required by the marketing authorization, CCC will make demand for repayment to the producers who signed the note. If a market repayment option is available, the option cannot be used after loan maturity or when the buyer does not remit repayment within 15 days of the expiration date of the marketing authorization.

The market repayment rate can be "locked-in" for 60 days on all or part of the loan quantity by completing a CCC-697. The locked-in rate will expire the earlier of: 14 calendar days before the loan maturity date or 60

calendar days from the approval date. The lock-in can be obtained only once on a specific loan quantity. All parties who signed the loan note and security agreement are required to sign the lock-in request.

Outstanding nonrecourse loans can be repaid with a commodity certificate prior to loan maturity. The certificate is purchased in the amount of the market repayment rate for that date. The certificate purchase and the loan repayment must be completed on the same date. The transaction must be completed in person in the county office where the loan was disbursed. Commodity certificate repayments are not considered a market gain and do not count against the \$75,000 payment limitation.

### Loan Settlements

Commodity loans mature 9 months after the month in which the loan is disbursed. A matured farm-stored loan can be delivered to CCC at a CCC-approved warehouse. Discounts will apply based on grade and quality factors. Any deficiency in quantity and quality must be repaid by the parties who signed the note and security agreement. Interest applies to all deficiencies.

Warehouse-stored loans that remain unpaid at maturity will be forfeited to CCC according to the terms of the note and security agreement.

Producers should explore all available settlement options before deciding to forfeit the commodity to CCC. Situations can occur where CCC takes all the loan grain, but the producer owes nearly all of the loan principal plus interest due to loan settlement discounts for poor quality. Commodity discount schedules are available at all county FSA offices.

### Loan Rates

The 2006 crop commodity loan rates are available at any county FSA office, or online at:  
<http://www.fsa.usda.gov/dafp/psd/loanRate.htm>

### Loan and LDP Violations

Producers who obtain a commodity loan agree to the terms and conditions in the CCC-601 and the loan regulations in 7 CFR Part 1421. Failure to provide accurate information on the loan application, comply with the terms and conditions for movement

of the collateral, repayment, or settlement can result in a violation and assessment of penalties.

Incorrect certification is the certifying of a quantity for loan or LDP in excess of the quantity eligible for the loan or LDP or any fraudulent representation with respect to obtaining loans or LDP's.

Unauthorized removal is the movement of any farm-stored loan quantity from the storage structure(s) which were designated when the loan was approved to any other storage structure, without prior written authorization from the county committee.

Unauthorized disposition is the conversion of any loan quantity pledged as collateral for a farm-stored loan without prior written authorization from the county committee. Unauthorized disposition situations require that the county committee send the case file to the Office of Inspector General for review for potential criminal prosecution.

Examples of unauthorized disposition include feeding of loan collateral or using loan collateral for seed prior to repayment, hauling and selling loan collateral after a marketing authorization expires, and selling loan collateral without a marketing authorization.

Administrative penalties for loan and LDP violations include denial of future farm-stored loans and LDP's without production evidence, and assessment of liquidated damages up to 25 percent of the loan or LDP amount for the quantity in violation.

### Loan Deficiency Payments (LDP's)

LDP's are available when the CCC-determined market repayment rate is below the commodity loan rate. If an LDP payment is requested, a producer agrees to forego obtaining a loan on the same quantity.

LDP's are only available on a commodity after the commodity is harvested, or sheared if wool or mohair, or extracted if honey. Approved storage is not required for commodities to be eligible for LDP.

LDP's are available for commodities harvested as "other than grain," which includes hay or silage.

### LDP Applications

LDP applications can be filed in person, by fax or through the eLDP process. A new CCC-633 EZ LDP (02-14-06) application is available and must be used for the 2006 crop year. The CCC-633 LDP and the CCC-709 forms are obsolete and will not be accepted for 2006 LDP requests.

The CCC-633 EZ is a multi-part form. Page 1 is the intention to request an LDP. It must be filed each crop year and can be filed anytime after January 1. It will cover all farms and commodities in which a producer has an interest for the 2006 crop year. Page 1 must be filed before beneficial interest is lost in the commodity and before a request for payment is completed on pages 2-4. The completion of page 1 does not cause a producer to lose loan eligibility for the commodity. The option of obtaining a loan is maintained until a quantity is requested on page 2 or 4 of the payment request.

Joint applications are no longer accepted. Each producer or entity who intends to file an LDP request must complete a separate CCC-633 EZ page 1 and separate page 2 or 4. Page 1 can be filed in any county FSA office in which a producer has a farming interest.

Page 2 of the form is used to request the LDP payment for wheat, feed grains, oilseeds, pulse crops and honey. Page 4 is used to request wool, mohair and unshorn pelt LDP payments. Page 2 and page 4 of the application must be filed in the county FSA office that maintains the farm records for the farm that produced the requested commodity.

The LDP rate is based on the date that the administrative county office receives the properly completed application if beneficial interest is maintained on the date the application is received. If a properly completed CCC-633 EZ page 1 is on file before loss of beneficial interest, and beneficial interest was lost prior to the date of filing the page 2 or page 4 payment request, the LDP rate will be based on the date that beneficial interest was lost.

Producers who rely on third parties to fax the application are responsible for accuracy, form completion, and ensuring that the application is filed in the correct county FSA office.

### eLDP's

FSA allows electronic access for authorized producers to request LDP's using a personal computer. This allows producers to request LDP's at their convenience and receive payment within two business days.

In order to obtain authorization, a producer must register for an "eAuthentication Level 2 Account." Registration can be completed by logging onto:  
<http://www.eauth.egov.usda.gov/eauth/CreateAccount.html>

Producers must file a CCC-633 EZ page 1 with the administrative county FSA office and request a "Customer Profile" be established for their farm production that they intend to use for LDP.

After completion of these items, individual producers and authorized signature representatives for corporations can then file eLDP applications. Producers involved in general partnerships and joint venture operations must continue to file their applications with the county FSA office at this time.

### GRAZE-OUT Program

Producers are eligible to receive GRAZE-OUT payments in lieu of loan deficiency payments (LDP's) for the 2006 crop year. Eligible crops are wheat, barley, oats, and triticale. The acreage must be grazed by livestock.

The application period for GRAZE-OUT begins on the first day of mechanical harvest as determined by the county committee and ends on March 31, 2007. Producers may file a "CCC-633 Grazing" application anytime during the application period. Once requested, applications can't be cancelled or withdrawn.

Producers who request GRAZE-OUT payments agree to forgo any other harvesting of the commodity on the acreage. They also must retain beneficial interest in the crop through the date the crop is grazed out. The requested acreage for graze out is not eligible for any other marketing assistance loans or LDP's for the crop, crop insurance indemnity for the crop, crop disaster program payment or Non-insured Assistance Program benefits.

GRAZE-OUT payment rates will be determined by the amount the applicable commodity loan rate exceeds the Commodity Credit Corporation-determined value for the county where the farm is located. The GRAZE-OUT payment rate is the rate in effect on the day the request is completed and received in the Farm Service Agency Administrative County Office.

GRAZE-OUT payments are calculated by multiplying the actual grazed acreage requested for grazing times the DCP yield times the payment rate. Producers who want more information on the GRAZE-OUT program should contact their local Farm Service Agency county office.

## MISCELLANEOUS PROGRAM INFORMATION

### CRP Extensions and Re-enrollments

Participants on CRP contracts that expire September 30, 2008 through September 30, 2010, were notified of their opportunity to extend the contract or re-enroll the CRP acreage. Extensions are for periods of 2, 3, 4 or 5 years. Re-enrollments are for periods of 10 or 15 years. Participants who wish to accept this offer must pay an inspection fee by June 30, 2006. The fee is \$45 plus \$1 per acre, not to exceed \$500 per contract.

All acreage under CRP contracts that will be extended or re-enrolled will be inspected this year. The inspection will verify that there are no unauthorized activities on the acreage and weeds are being controlled to the extent they do not impact the required cover or surrounding landowners.

### CRP Continuous Signup Practices

Certain environmentally sensitive land may be enrolled into CRP at any time under the continuous CRP signup provisions. Cropland on which new windbreaks, shelterbelts, grass waterways and filter strips will be established is eligible to be enrolled. Also, saline soils, wetlands and adjacent upland may be enrolled under these provisions. In addition to annual rental payments and cost share payments, some acreages are eligible for additional incentive payments, if enrolled.

## MILCX

The Milk Income Loss Contract Program (MILC) was extended to September 30, 2007. Dairy producers may sign up for the extended program during an initial signup period that ends on May 17, 2006. There is an extended signup period from May 18, 2006 through September 30, 2007. However, dairy producers enrolling after May 17, 2006, will be limited on the months that they will earn payments this fiscal year.

### Selected Interest Rates for May 2006

90-Day Treasury Bill	4.625%
Farm Operating - Direct	5.125%
Farm Ownership - Direct	5.250%
Limited Resource	5.000%
Farm Ownership - Direct Down Payment, Beginning Farmer or Rancher	4.000%
Emergency	3.750%
Farm Storage Facility	4.875%
Sugar Storage Facility	5.000%
Commodity Loans 1996-Present	5.875%

## 2006 Acreage Reports and Prevented Planting

The deadline for submitting a timely filed acreage report is July 15, 2006. However, since July 15, 2006 falls on a Saturday, producers will have until Monday, July 17, 2006 to file a timely acreage report. Producers are reminded that filing an accurate acreage report for all crops and land uses, including failed acreage and prevented planting acreage, can prevent the loss of benefits for a variety of programs.

Also, producers who request prevented planting acreage credit must report the acreage and complete a CCC-576, Notice of Loss, within 15 calendar days after the latter of:

- the occurrence of prevented planting, or
- the end of the planting period.

### Direct and Counter-Cyclical Program (DCP)

The deadline to timely enroll in the 2006 DCP is June 1, 2006. All signatures must be on file in order for

the farm to be considered enrolled. Producers can enroll the farm after June 1 provided they pay a \$100/farm fee. The deadline to enroll with the \$100 fee is September 30, 2006.

### Agricultural Survey Is an Important Opportunity

In June and July, the National Agricultural Statistics Service will be gathering information from ND producers. Producers are encouraged to participate in the survey.

### Dates to Remember

May 29	FSA Offices closed for Memorial Day.
May 31	Final 2005 loan and LDP availability date for corn, dry peas, grain sorghum, lentils, mustard, safflower, small chickpeas, soybeans and sunflowers.
June 1	Deadline to timely enroll in the 2006 DCP.
June 30	Deadline to pay fee for CRP Extension.
July 15	Deadline to file production for 2005 NAP Loss payments and APH.
July 15	Deadline to timely file a 2006 acreage report.

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