



June 2007

State Executive Director Comments

Greetings,

This newsetter contains information regarding 2007 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 of the publication of this newsletter, the President has signed legislation that authorizes disaster programs to cover crop and livestock losses for 2005, 2006 and for 2007 losses through February 28. We do not have any specific details concerning the dates for signup, but we anticipate a fall signup. Information will be released through the media as it becomes available. We will provide much more information in our next State Newsletter.



State Newsletter.

Wishing you a safe and prosperous 2007 cropping season,

Gary J. Nelson, FSA State Executive Director

2007 Crop CCC Loan and LDP Information

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 and title 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 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. Even without a sales contract, delivery location, such as a feed lot, ethanol plant, seed plant or licensed warehouse can also impact when beneficial interest is considered lost.

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. Quantities requested for LDP are not eligible for loan. 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 2007 Crop:

Commodity	Final Availability Date
Wool, Mohair, Unshorn Pelts	January 31, 2008
Barley, Canola, Crambe, Flaxseed, Honey, Oats, Rapeseed, Wheat, Sesame Seed	March 31, 2008
Corn, Dry Peas, Grain Sorghum, Lentils, Mustard, Safflower, Small Chickpeas, Soybeans, Sunflowers	May 31, 2008

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 grade #1 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 \$30 per visit plus \$16 for the first hour and \$8 for every 30 minutes after the first hour.

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 county 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 rate 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 on 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 2007 crop commodity loan rates are available at any county FSA office, or online at: <http://www.fsa.usda.gov/FSA> and clicking on the "Price Support" link.

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, or 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. In addition to the required repayment of the quantity in violation, administrative penalties may apply. These include denial of future farm-stored loans and LDP's without production evidence, refund of loan market gain or LDP amount, and assessment of liquidated damages up to 10 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. The new CCC-633 EZ LDP (06-07-06) application must be used for the 2007 crop year.

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. It will cover all farms and commodities in which a producer has an interest for the 2007 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 the page 2 or 4 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/eauthCreateAccount.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 2007 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, 2008. Producers may file a "CCC-633 Grazing" application anytime during the application period. Once requested, applications cannot 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 FSA Office.

Hulless Oats and Hulless Barley

For the 2007 crop year, hulless oats and hulless barley are not eligible for loan and LDP benefits. Hulless oats and hulless barley do not meet the definition for barley or oats as provided in the U.S. Standards for barley and oats. They are considered "not-standardized grains" and are not eligible for loan or LDP.

Blue Corn

Blue corn does not meet the U.S. Standards for Grain definition of corn. It is considered "not-standardized grain" and is not eligible for loan or LDP.

Grain Sorghum

Grain sorghum is divided into three categories for determining eligibility for loan and LDP. Non-tannin sorghum for grain or silage/hay is eligible regardless of parentage or grain yield. Tannin sorghum for grain or silage/hay is eligible regardless of parentage or grain yield, but if harvested for grain must be identity preserved. Tannin sorghum used for pasture is not eligible. County FSA offices have available lists of eligible varieties. Producers are encouraged to retain seed tags for proof of seeded variety when requesting loans or LDP's on grain sorghum.

Project Safe Send

July is project Safe Send Month, an opportunity for North Dakota Residents to dispose of unusable pesticides. There are 16 collection sites across North Dakota. For more information call the ND Department of Agriculture at (800) 242-7535.

Acreage Reporting

The timely filing of an acreage report for all crops and land uses, including failed acreage, can prevent loss of benefits for a number of programs, including Direct and Counter-cyclical Payment Program, Conservation Reserve Program, Non-insured Crop Disaster Assistance Program, as well as marketing assistance loans and loan deficiency payments. To be timely, you must file an FSA-578 by July 16.

To be considered timely, acreage reports for:

- prevented planted acreage must be filed no later than 15 calendar days after the final planting date for the applicable crop
- failed acreage must be filed before the disposition of the crop.

If the prevented planting acreage report is filed beyond the period identified above, the County Committee can consider the request

Provided FSA has the opportunity to:

- make a farm visit to verify the eligible disaster conditions which prevented the specific acreage from being planted
- determine, based on information obtained by visual inspection of the specific acreage or crop, that eligible disaster conditions, such as damaging weather or other adverse natural occurrences, opposed to other factors, prevented the acreage or crop from being planted.

FSA will accept crop certifications from farm operators, farm owners, persons authorized by power of attorney and/or tenants and sharecroppers on acreage in which they have a share. Crop acreage reports from producers are accepted for multiple future applications.

Measurement Service

Farmers who would like a guarantee on their crop plantings and land use acreages can make it official by requesting measurement service. Producers must file a request with the county office staff and pay the cost of a field visit to have staking and referencing or measurement after planting done on the farm.

Measurement service guarantees compliance with a program, if the planting is limited to the measured area. Incorrect acreage self-certification can result in reduced program payments or loss of eligibility.

Dates to Remember	
June	NASS will be conducting the June Survey to determine 2007 crop Acreages.
July 16	Final Date to File a Timely Acreage Report
July 16	Production reporting deadline for 2006 NAP.
July 16	Deadline to apply for a 2006 NAP payment.
August 1	Deadline to nominate for County Committee Election
Dec. 1	Deadline to purchase NAP on Fall Crops including forages, grapes and honey.

Expired/Forgotten eAuthentication ID's and Passwords

If you have forgotten your eAuth ID or password, or if your password has expired you can find information at the following site: <http://www.eauth.egov.usda.gov>. Click on Frequently Asked Questions link.

Preparing Expired CRP for Spring-Seeded Crops

CRP participants may take steps to prepare for spring-seeded crops during the final year of the CRP contract. After August 1, CRP cover may be destroyed by applying chemicals. A payment reduction will not be assessed as long as prior approval is obtained. CRP acreage in tree plantings, filter strips, buffers, and wetland restoration are not eligible for the early seedbed preparation. Destruction by tillage must not occur before October 1.

FSA Youth Loans

FSA makes loans to individual rural youths to establish and operate income producing projects of modest size in connection with their participation in 4-H clubs, Future Farmers of America, and similar organizations. Each project must be part of an organized and supervised program of work. The project must be planned and operated with the help of the organization adviser, produce sufficient income to repay the loan, and provide the youth with practical business and educational experience. Each year, many young entrepreneurs take advantage of these loans and gain valuable business experience in the process. For more information on FSA Youth Loans or Other FSA loan Programs, please feel to call the local FSA service Center in your area or visit our website at: <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&to pic=landing>

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