



*Fact Sheet*

*August 2006*

## **Peanut Marketing Assistance Loans and Loan Deficiency Payments**

### **Overview**

The Farm Security and Rural Investment Act of 2002 provides loans for crop years 2002 through 2007 for peanut producers.

Producers may apply for marketing assistance loans for farm- or warehouse-stored peanuts or for peanut loan deficiency payments (LDPs). These programs help to stabilize America's peanut industry and ensure the well being of agriculture in the United States.

Peanut nonrecourse marketing assistance loans provide eligible producers with interim financing on their production and facilitate the orderly distribution of loan-eligible peanuts throughout the year. A nonrecourse loan allows a producer with eligible peanuts to store the production and pledge the peanuts as collateral instead of selling them immediately after harvest. The loan helps an eligible producer pay bills without having to sell the peanuts at a time of year when prices tend to be lowest. When market conditions may be more favorable, a producer may sell the peanuts and repay the loan with the proceeds of the sale. If a producer is unable to repay the loan, he or she can deliver to Commodity Credit Corporation (CCC) the quantity of peanuts pledged as collateral as full payment for the loan at maturity.

Nonrecourse marketing assistance loans are administered by the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) on behalf of the CCC. The regulations authorizing this program are in 7 CFR Part 1421 Marketing Assistance Loans and Loan Deficiency Payments. The regulations, which cover peanuts, pulse crops, wheat, feed grains, soybeans, and other oilseeds were published on October 11, 2002 and amended on June 6, 2006. The regulations authorizing the establishment of minimum quality and handling standards for domestic and imported peanuts marketed in the United States can be found at 7 CFR, Parts 996, 997, 998, and 999, published on September 9, 2002.

### **Eligibility**

To be eligible for a marketing assistance loan or LDP, the producer must:

- Share in the risk of producing the commodity;
- Be compliant with conservation and wetland requirements;
- Have and retain beneficial interest in the peanuts until the loan is repaid or CCC takes title to the commodity; and
- Report how cropland acreage is used on the farm.

To be eligible for a loan or LDP, the peanuts must:

- Have been produced and harvested by an eligible producer and be in storable condition;
- Be merchantable for feed, food, or other uses as determined by CCC;
- Meet the specific commodity eligibility requirements for nonrecourse loans;
- Be one of the following types: Virginia, Runner, Spanish, or Valencia;
- Not have been shelled or crushed;
- Be inspected and graded if warehouse-stored; and
- Be inspected and graded upon delivery if farm-stored.

### **Beneficial Interest**

Producers must have beneficial interest in the peanuts at the time of the request to obtain a marketing assistance loan or LDP. Beneficial interest consists of the producer's maintaining control of the commodity and title to the commodity. If either of these are lost, the producer does not have beneficial interest in the peanuts. There are no provisions for waiving beneficial interest for the 2006 and subsequent crop years.

### **Application Process for Marketing Assistance Loans**

For a marketing assistance loan,

producers can request a farm-stored or warehouse-stored loan. Warehouse-stored loans will be adjusted for premiums and discounts if applicable.

### **Loan Limit and Terms**

For each of the 2002 through 2007 crop years, there is a combined \$75,000 payment limitation for marketing loan gains and LDPs for peanuts, wool, mohair, and honey. For warehouse-stored loans, CCC will pay storage charges accrued from the date on which all required documents are provided until the date of repayment or forfeiture.

Farm-stored loans are either certified or measured. Certified loans refer to the producer personally verifying crop quantity.

Measured loans refer to on-site measurement conducted by a county agent, which requires payment for the service at the time of request.

Producers who request warehouse-stored loans must present an acceptable warehouse receipt issued by a CCC-approved warehouse. To obtain a warehouse-stored peanut loan, the CCC loan collateral peanuts must be stored in a CCC-approved warehouse.

### **2006 Price Support Levels by Peanut Type**

The loan levels by type for an average grade of 2006-crop peanuts per ton are:

- Runner-type peanuts - \$355.43
- Spanish-type peanuts - \$343.61
- Valencia-type peanuts - \$354.86
- Virginia-type peanuts - \$354.86

The method of computing the loan levels for 2006-crop peanuts and the grades within the types are the same as last year.

### **Service Fees**

The peanut marketing assistance loan service fee, which is nonrefundable, shall be the smaller of the following:

- \$45 for each loan plus \$3 for each storage bin or receipt over one; or
- $\frac{1}{2}$  of 1 percent times the gross amount.

### **Authorized Offsets**

Offsets from the loan proceeds (or deductions) may be made for amounts contained on a separate statement of unpaid charges or a separate bill for unpaid charges. These charges must be associated with the handling of the peanuts represented by the warehouse receipt and the marketing of the peanuts pledged as loan collateral. The FSA county offices peanut Designated Marketing Associations (DMAs) and Cooperative Marketing Associations (CMAs) are only authorized to offset charges associated with cleaning, drying, custom harvesting and seed accounts of

peanuts from the producer's loan proceeds. These charges are not considered a lien, and must be included on a CCC-679, block 8(3), if an offset will be made for these charges. The Deputy Administrator for Farm Programs must approve all other requests for offset of charges.

### **Marketing Loan Gains**

A producer realizes a marketing loan gain if the loan is repaid at less than the loan principal. The marketing loan gain rate equals the amount by which the applicable loan rate exceeds the loan repayment rates.

### **Loan Deficiency Payments**

A producer who is eligible to obtain a loan, but who agrees to forgo the loan, may obtain a loan deficiency payment (LDP). The LDP rate equals the amount by which the applicable loan rate where the commodity is stored exceeds the national posted repayment rate.

The following are examples of LDP calculations.

Using a warehouse receipt as production evidence to determine eligible LDP quantity, Producer A presents a warehouse receipt and makes requests for LDP on Segregation 1, 2, or 3, Virginia type peanuts. The warehouse receipt contains the following information.

- "Net Pounds" = 10,000
- "LSK Pounds" = 345

Eligible Quantity:

- Pounds:  $10,000 + 345 = 10,345$
- Tons:  $10,000 \div 2,000 = 5.00$
- Tons:  $345 \div 2,000 = \frac{.17}{5.17}$

Loan rate Per Ton of Segregation  
1, Virginia Peanuts: \$354.86

National Posted Price for Virginia  
Peanuts: \$341.66

LDP Rate Per Ton of Virginia  
Peanuts:  $\$354.86 - \$341.66 =$   
 $\$13.20/\text{ton}$

LDP Amount:  $\$13.20 \times 5.17 =$   
 $\$68.24$

When the National Posted Price  
by peanut type is higher than the  
applicable loan rate, there would  
be no LDP.

LDPs can either be certified or  
based on submitted acceptable  
production evidence. LDPs must  
be requested on form CCC-633  
EZ. Eligible producers must indi-  
cate their intentions by submitting  
a completed CCC-633 EZ, page  
1, to their local FSA county office  
before beneficial interest is lost  
and by the final loan availability  
date. The CCC-633 EZ, page 2,  
must be submitted by the produc-  
er when the producer wants the  
LDP payment. LDPs are assign-  
able and not subject to premiums  
or discounts. The basic LDP rate  
is the rate in effect on the date of  
request.

Peanut DMAs will obtain the CCC-  
633 EZ from their customers.

Note: For the 2006-crop year, an  
FSA-1007 form may be consid-  
ered acceptable production evi-  
dence only if a producer has filed  
a completed CCC-633 EZ (pages  
1 and 2) and the peanuts are im-  
mediately sold upon delivery. The  
date the peanuts are sold will be  
printed on the FSA-1007, and this  
date is used to determine when  
beneficial interest is lost.

**Electronic Warehouse Receipts**

The use of peanut electronic  
warehouse receipts (EWR), imple-  
mented in late 2003, will continue  
during the 2006-crop year. FSA  
has designated a provider (EWR,  
Inc.) to maintain a central filing  
system for peanut EWRs. The  
electronic system is designed to:

- Allow the provider to issue  
peanut EWRs following the  
guidelines issued by FSA;
- Transfer EWR data from the  
provider to the requesting FSA  
county office;
- Use EWR data received  
from the provider to process  
marketing assistance loans or  
LDPs using Automated Price  
Support System; and
- Track the status of EWR data.

**Repayment Rates (National  
Posted Price)**

CCC announces the national  
posted price for peanuts weekly  
on Tuesdays at 3:00 p.m. East-  
ern time (ET) on the FSA Web

site and in local FSA offices. The  
repayment rate becomes effec-  
tive Wednesday at 12:01 a.m.  
ET. The rates can be obtained  
by visiting: <http://www.fsa.usda.gov/dafp/psd/peanuts.htm> or  
<http://www.fsa.usda.gov/pas/reports/peanuts.htm>.

**Loan Maturity**

Peanut loans mature on demand,  
but no later than the last day of  
the ninth calendar month after the  
month in which the loan is dis-  
bursed.

**Designation of Agent**

Producers may designate an  
agent to redeem all or a portion of  
the peanuts pledged as collateral  
for a marketing assistance loan.

Designation of an agent does  
not relieve the producer from  
the terms and conditions of the  
note and security agreement.  
Designated agents may transfer  
the designation to a subsequent  
agent on form CCC-605P, by  
endorsement. Agents who are  
subsequently designated may  
transfer the designation to other  
subsequent agents on CCC-  
605P-2, by endorsement. County  
offices will make forms CCC-  
605P, CCC-605-1, and CCC-  
605P-2 available to the public.  
Producers should be advised that  
a separate CCC-605P is required  
for each loan. These forms are  
available at <http://forms.sc.egov.usda.gov/eforms/mainervlet> or  
in FSA county offices.

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**Application Deadline/Loan  
Availability Period**

Peanut marketing assistance loans and LDPs are available to all eligible producers during the year following a normal harvest. All applications for peanut marketing assistance loans or LDPs must be made by January 31.

**For More Information**

Additional information on loans and LDPs for peanut producers is available from local USDA Service Centers and on the FSA Web site at <http://www.fsa.usda.gov/pas/>.

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