



# FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE  
FARM SERVICE AGENCY

September 2009

## Rice Nonrecourse Marketing Assistance Loan & Loan Deficiency Payment

### Overview

Marketing assistance loans (MALs) provide eligible producers with interim financing on their production. Instead of selling the crop immediately at harvest, producers may pledge their production as loan collateral, receiving loan proceeds equal to the loan rate times the quantity placed under loan. MALs mature at the end of the ninth month following the month in which the loan was disbursed.

Under marketing loan provisions, rice producers may repay a loan at the lower of the loan rate plus accrued interest or the adjusted world price (AWP). If the AWP is lower than the loan rate, the amount by which the loan rate exceeds the AWP is the marketing loan gain (MLG) rate.

Producers are also eligible for a loan deficiency payment (LDP) in lieu of obtaining a loan. The LDP rate is the amount by which the loan rate exceeds the AWP-the same as the MLG rate.

### Eligibility: Rice Quality Requirements

Rice (*Oryza Sativa* L.) must meet the definition for rough rice provided

in the U.S. Standards for Rice, including rice of special grade designations. Grains referred to as wild rice (*Zizania aquatic* L.) are ineligible. Rice grade standards are available at <http://archive.gipsa.usda.gov/referencelibrary/Standards/ricestandards.pdf>.

Aromatic rice (such as Jasmine varieties) must be pledged under a loan agreement separate from non-aromatic rice and stored separately from non-aromatic rice. When aromatic rice is delivered to USDA's Commodity Credit Corporation (CCC), it must be delivered to a CCC-approved facility able and willing to store such rice on an identity preserved basis, i.e. aromatic rice may not be commingled with non-aromatic rice. Producers shall not receive any credit for expenses incurred in the delivery of aromatic rice to storage.

### Loan Rate

The national average loan rate for 2009- 2012 crops of long-grain and medium-grain rice is \$6.50 per cwt (medium-grain rice includes short-grain rice). To achieve the national average rate and provide rate adjustments for different classes and

qualities, separate loan rates are provided for whole and broken milled rice kernels. For 2009-crop rice, the whole kernel loan rates per pound are 9.94 cents for long grain, 9.72 cents for medium/short grain and 6.84 cents for broken rice.

### Farm-and Warehouse- Stored Loan Rates

Loan rates for farm-stored rice (or rice for which the grade and milling yield are not determined) are based on state average grade and milling qualities for the prior five years. The farm-stored marketing assistance loan rates for 2009-crop rough rice are:

	Long Grain	Medium Grain/Short Grain
	(\$/cwt)	(\$/cwt)
Arkansas	6.48	6.32
California	6.45	6.54
Louisiana	6.48	6.36
Mississippi	6.57	6.50
Missouri	6.43	6.50
Texas	6.70	6.50
Other	6.50	6.50
(U.S. Average)		

Loan rates for warehouse-stored rice are based on class, quality, and milling yield determinations obtained from grading and milling a sample of the individual lot of rice. The milling quality refers to the quantity of milled whole

## FACT SHEET

### Rice MAL & LDP

September 2009

kernels and milled broken kernels resulting when a rough rice sample is well milled. As the share of whole kernels increases, the milling quality is deemed higher. The following example assumes that the milling of 1 cwt of long grain rough rice yields 56 pounds of whole kernels, 14 pounds of broken kernels and 30 pounds of hulls and bran (for which no loan value is provided). The loan value for long grain rough rice of this milling quality would be calculated as follow:

56 pounds whole x 9.94 cents/pound = \$5.57  
14 pounds broken x 6.84 cents/pound = \$0.96  
Loan value per cwt rough rice = \$6.53

Applicable discounts may be applied to the rate for grade and smut (a fungus that can affect the quality of rice). Costs associated with storing rice while under loan are the producer's responsibility.

#### Discounts for Grade and Smut

For the 2009 crop and beyond, and for warehouse and farm-stored rice, loan rate discounts will not be assessed at loan disbursement. Discounts to the loan rate will only be assessed when the loan is liquidated by either for forfeiture or settled by delivery of the commodity to CCC.

Loan rates are subject to discounts for U.S. Grade #3 and lower and smut content. These discounts apply uniformly across all regions. The Grain Inspection, Packers and Stockyards Administration determine grade definitions. Standards for rough rice may be found at <http://archive.gipsa.usda.gov/referencelibrary/Standards/ricestandards.pdf>.

Grade discounts (per cwt of rough rice) are 30 cents for Grade #3, 60 cents for Grade #4, \$1.00 for Grade #5, and \$2.00 for Grade #6, and \$5.50 for Sample Grade.

Discounts for smut content (per cwt of rough rice) are 5 cents for 0.1 to 1.0-percent smut; 10 cents for 1.1 to 2.0-percent smut; and 15 cents for 2.1 to 3.0-percent smut. Rice containing more than 3.0 percent smut is referred to as smutty rice. Smutty rice is sample grade and considered low quality rice for determining loan eligibility.

Low quality rice is eligible for loan at a rate equal to 20 percent of the discounted loan rate. Because smutty rice is eligible for a nonrecourse loan, LDPs are available to producers at the same rate as commodities without low quality.

The national average rough rice loan rate is used to determine farm-stored loan

proceeds in States other than the six major rice-producing States. Grades and quality factor discounts apply when rice is delivered to CCC upon loan maturity.

#### Other loan Eligibility Requirements

Producer must:

- Have beneficial interest in the commodity on the date the loan or LDP is requested and, in the case of a loan, retain beneficial interest while the loan is outstanding; and
- Ensure the grain meets CCC minimum grade and quality standards.

#### Loan Settlements

Loans mature on the last day of the ninth calendar month following the month in which the loan is approved.

Producers may settle their outstanding nonrecourse loan:

- During the 9-month loan period by repaying the loan; or
- Upon maturity by forfeiting or delivering the commodity to CCC.

#### Loan Repayment Rates

The loan repayment rate is the lower of (1) the loan rate plus accrued interest and other charges (per cwt) or (2) the adjusted world price (AWP).

## FACT SHEET

### Rice MAL & LDP

September 2009

Loan repayment rates are established for each class on a national basis and are available at each USDA Service Center based upon the price of rice sold in world markets, adjusted to U.S. quality and location.

#### **Announcement of AWP and MLG/ LDP Rates**

USDA announces the rice AWP every Wednesday at 7:00 a.m. Eastern Standard time, along with the applicable MLG and LDP rates. If the Wednesday is a Federal holiday or is not a Government workday, the announcement is made on the next workday. Announced AWP and MLG/LDP rates are applicable until the next announcement. Producers can obtain these prices and rates from their local USDA Service Center or online at: [http://www.fsa.usda.gov/Internet/FSA\\_File/rice\\_rates.xls](http://www.fsa.usda.gov/Internet/FSA_File/rice_rates.xls)

The rice AWP reflects the value of well-milled white rice sold in world markets, adjusted to U.S. quality and location. The quality and location adjustments are described in Title 7 of the Code of Federal Regulations (CFR) Part 1421, at the following Government Printing Office (GPO) Internet Site: [http://www.access.gpo.gov/nara/cfr/waisidx\\_09/7cfr1421\\_09.html](http://www.access.gpo.gov/nara/cfr/waisidx_09/7cfr1421_09.html).

If the AWP is below the loan rate when the loan is repaid, the producer is allowed to retain the difference between the loan rate and the AWP. This retained amount is referred to as the MLG. If the producer elects to forego a loan on a quantity of rice otherwise eligible for loan, an LDP may be requested at the MLG rate applicable on the date of the request for the LDP. MLG and LDP rates are calculated and announced separately for long, and medium/short grain rice based on national average qualities of rice and not adjusted for individual loans.

The prices, as well as other Agency news releases and media advisories, are available on the Internet at the FSA home page: <http://www.fsa.usda.gov>.

#### **Interest Rate**

The interest rate charged on loans is based on the rate the U.S. Treasury charges CCC, plus 1 percentage point at the time the loan is made. Any loan outstanding as of December 31 is subject to the January interest rate from January 1 until the loan is repaid.

#### **LDPs for Rice**

Rice producers should have an LDP Agreement and Request CCC-633 EZ page 1 on file with the Farm Service Agency county

office where their records are kept or present a CCC-633 EZ page 1 and 2 when they apply for a rice LDP. LDP's are payments made to a producer who, although eligible to obtain a CCC marketing assistance loan, agree to forgo the loan in return for a payment on the rice. The amount of the LDP is the difference between the loan rate based on the national average milling yield and adjusted world price, multiplied by the quantity.

#### **Final Loan/LDP Availability Dates**

The final rice loan/LDP availability date is May 31 of the calendar year after the calendar year the grain is harvested.

#### **Commodity Certificates**

Commodity certificates are available to producers for acquiring 2009 crop collateral pledged to CCC for a commodity loan. Commodity certificate exchanges will be available for sale at FSA offices to producers with outstanding nonrecourse marketing assistance loans. The exchange rate will be the effective AWP on the date the commodity certificate is purchased. Commodity certificates are not available when the exchange rate exceeds the applicable loan rate.

The authority to make commodity certificates available will terminate effective with the ending of crop year 2009. Commodity certificates will continue to be exchanged for a 2009 crop MAL commodity up to the individual loan maturity date for that 2009 crop commodity. However, commodity certificates will not be available for exchange for any 2010 and subsequent crop MALs.

The termination of commodity certificate exchanges by the crop year of the MAL collateral means that for some periods during calendar year 2010, commodity certificate exchanges may be processed for 2009 crop MALs, but not for 2010 and subsequent crop year MALs.

### **Production Evidence**

Producers repaying a loan at less than the loan rate plus accrued interest and other charges or receiving an LDP must provide production evidence acceptable to CCC, such as evidence of sales, warehouse receipts, or load summary or assembly sheets.

### **Adjusted Gross Income, Payment Limitations, and ACRE**

#### **Adjusted Gross Income Limitation**

Rice producers must comply with Adjusted Gross Income Limitations which are covered in Fact sheet dated March 18, 2009, Adjusted Gross Income 2009 and Subsequent Crop Years.

#### **Payment Limitations**

There are no payment limitations on any benefit associated with the marketing assistance loan or loan deficiency payment programs.

#### **Average Crop Revenue Election (ACRE)**

Marketing assistance loan rate will be reduced by 30 percent if production comes from a farm enrolled in the ACRE program. Lesser of repayment options will not be adjusted by 30 percent. See fact sheet dated March 16, 2009, ACRE program.

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