



# FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE  
FARM SERVICE AGENCY

March 2011

## Rice Marketing Assistance Loans and Loan Deficiency Payments

### Overview

The Food, Conservation, and Energy Act of 2008 (2008 Act) reauthorizes nonrecourse marketing assistance loans (MALs) and loan deficiency payment (LDPs) for the 2008 through 2012 crop of rice.

Nonrecourse MALs and LDPs are administered by the Farm Service Agency (FSA), on behalf of the Commodity Credit Corporation (CCC). See the fact sheet "Nonrecourse Marketing Assistance Loans/ Loan Deficiency Payments" for additional information about MALs and LDPs.

### Rice Nonrecourse Marketing Assistance Loans

Rice nonrecourse 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.

Under marketing loan provisions, rice producers may repay a MAL 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 also are eligible for a loan deficiency payment (LDP) in lieu of obtaining a MAL. 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 aquatica* L.) are ineligible. Rice grade standards are available at [http://archive.gipsa.usda.gov/reference-](http://archive.gipsa.usda.gov/reference-library/Standards/ricestandards.pdf)

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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 through 2012 crops of long grain and medium/shortgrain rough rice is \$6.50 per hundredweight (cwt). To achieve the national average rate and provide rate adjustments for different classes and milling qualities, separate loan rates are provided for whole and broken-milled rice kernels. For 2011-crop rice, the whole kernel loan rate is \$9.93 per cwt for long grain and \$9.55 per cwt for medium/short grain. The 2011 broken kernel loan rate for all classes is \$7.06 per cwt

### 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 milling qualities for the prior five years. The farm-stored marketing assistance loan rates for 2011-crop rough rice are:

Long Grain/Medium Grain/Short Grain

	(\$/cwt)	(\$/cwt)
Arkansas	6.48	6.22
California	6.33	6.54
Louisiana	6.47	6.50
Mississippi	6.58	6.50
Missouri	6.45	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 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. Milled rice loan rates are computed using average milling yields by class and the national average loan rate of \$6.50 per cwt.

### 2011 Rice Loan Rate Discounts

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 forfeiture or settled by delivery of the commodity to CCC.

Loan rate discounts for grades lower than U.S. Grade #2 are \$0.30 for Grade #3, \$0.60 for Grade #4, \$1.00 for Grade #5, \$2.00 for Grade #6, and \$5.50 for Sample Grade. 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/reference-library/Standards/ricestandards.pdf>.

Discounts for smut content (per cwt of rough rice) are 5 cents for 0.1 to 1.0percent smut; 10 cents for 1.1 to 2.0percent smut; and 15 cents for 2.1 to 3.0percent 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 loan rate. Because smutty rice is eligible for a nonrecourse loan, LDPs are available to producers at the same rate as commodities with low quality.

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## Rice MALs and LDPs

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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.

### 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 nine-month loan period by repaying the loan or;
- Upon maturity by forfeiting or settling by delivering the commodity to CCC.

Adjustments will be made, if applicable.

### 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 AWP. 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 a.m. Eastern 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://edocket.access.gpo.gov/cfr\\_2010/janqtr/pdf/7cfr1421.102.pdf](http://edocket.access.gpo.gov/cfr_2010/janqtr/pdf/7cfr1421.102.pdf)

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.

These program announcements, as well as other agency news releases and media advisories, are available at the FSA home page at <http://www.fsa.usda.gov>.

### LDPs for Rice

Producers who are eligible for a non-recourse MAL, may choose to receive a LDP in lieu of a MAL. The LDP rate equals the difference between the loan rate based on the national average milling yield and the AWP.

### 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.

### 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

Producers or legal entities whose average adjusted gross non-farm income exceeds \$500,000 are not eligible for MLGs or LDPs, but are eligible for MALs that must be repaid at principal plus interest.

### Average Crop Revenue Election (ACRE)

MAL rate will be reduced by 30 percent if production comes from a farm participating in the ACRE program. Alternative loan repayment rates will not be adjusted by 30 percent. The LDP rate for commodities produced on farms enrolled in ACRE must include the 30 percent reduction from the MAL rate before determining the LDP rate. See fact sheet entitled ACRE Program.

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