



Fact Sheet

December 2004

Wool and Mohair Marketing Assistance Loan and Loan Deficiency Payment Program

Overview

The Farm Security and Rural Investment Act of 2002 (the Act) provides 2002-2007 crop year marketing assistance loans and loan deficiency payments (LDPs) for wool and mohair to eligible producers who produce and shear wool and mohair from live sheep and goats. The LDP program is also available to eligible producers of nongraded wool in the form of unshorn pelts for the 2002-2007 crop years.

The wool and mohair nonrecourse marketing assistance loan and LDP program provides eligible producers with two forms of Federal assistance. Eligible producers can either:

- 1) request a nine-month marketing assistance loan; or
- 2) agree to forgo the loan and request an LDP.

The program helps stabilize America's wool and mohair industry and ensures the well-being of agriculture in the United States. Nonrecourse marketing assistance loans are administered by USDA's Farm Service Agency (FSA) on behalf of the Commodity Credit Corporation (CCC).

Wool and Mohair Nonrecourse Marketing Assistance Loans

Wool and mohair nonrecourse marketing assistance loans are

nine-month loans that provide eligible producers with interim financing on their production. The loans facilitate the orderly distribution of loan-eligible crop throughout the year. Instead of selling the wool and mohair immediately after shearing, a nonrecourse loan allows a producer to store the production, pledging the crop itself as collateral.

The loan helps an eligible producer pay bills when they come due without having to sell the wool or mohair at a time of year when prices tend to be lowest. When market conditions may be more favorable, a producer may redeem the loan and sell the commodity to receive a higher market value. If the producer is unable to repay the loan, he or she can deliver to CCC the quantity of wool or mohair pledged as collateral as full payment for the loan at maturity.

Marketing loan repayment provisions specify that, under certain circumstances, producers may repay loans at less than principal, plus accrued interest and other charges, with repayment of some portion of the relevant interest and principal being waived. Producers may also purchase commodity certificates and exchange a commodity certificate with outstanding loan collateral in repayment of marketing assistance loans. Commodity certificates are negotiable

certificates which the CCC can exchange for a commodity owned or controlled by the CCC.

Loan Deficiency Payments

LDPs are payments made to producers who, although eligible to obtain a marketing loan, agree to forgo the loan in return for a payment on the eligible wool, mohair, or unshorn pelt.

Eligibility

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

- meet the definition of an eligible producer;
- comply with highly erodible land conservation and wetland conservation provisions;
- produce and shear eligible wool and mohair or produce an unshorn pelt from a slaughtered lamb for unshorn pelts;
- have beneficial interest in the commodity;
- own, other than through a security interest mortgage or lien, the sheep and goats that produce the wool and mohair for a period of not less than 30 calendar days before shearing, or in the case of unshorn lambs, 30 days prior to slaughter of the lamb; and
- for unshorn pelts only, sell the unshorn lamb for immediate slaughter or slaughter the unshorn lamb for personal use.

Fact Sheet

Wool and Mohair Marketing Assistance Loan and Loan Deficiency Payment Program

To be eligible for a nonrecourse marketing assistance loan or LDP, the wool and mohair must:

- have been produced and sheared by the eligible producer;
- be in existence and in storable condition;
- be of merchantable quality suitable for loan;
- be produced and shorn from live animals of domestic origin in the United States; and
- be unprocessed from its natural form.

To be eligible for an unshorn pelt LDP, the unshorn pelt must:

- have been produced by an eligible producer; and
- be produced from a live unshorn lamb of domestic origin in the United States at the time beneficial interest was lost.

Beneficial Interest

To be eligible for a loan or LDP, eligible producers must have beneficial interest in the applicable commodity. Beneficial interest must be retained by a producer from shearing, or other specified term for special commodities, continuously through:

- for an LDP, the date the LDP is requested; or
- for a loan, the earlier of the date the loan is repaid or CCC takes title to the commodity.

A producer is considered to have beneficial interest in a commodity

if all of the following remain with the producer:

- 1) title to the commodity;
- 2) risk of loss; and
- 3) control of the commodity.

When beneficial interest in the commodity is lost by the producer, the commodity remains ineligible for a loan or LDP even if the producer regains beneficial interest.

Payment Limitation

Market gains and LDPs received by a producer for wool, mohair, and unshorn pelts are subject to one \$75,000 payment limitation per crop year.

Final Loan Availability Date

The final loan availability date to request a marketing assistance loan or LDP for wool, mohair, and unshorn pelts is January 31 of the year following the year in which the commodity is sheared or the unshorn lamb is slaughtered.

Applicable Forms

When requesting a loan or LDP for wool and mohair or an LDP for unshorn pelts, producers must complete either a:

- CCC-633 WM for certified farm-stored loans;
- CCC-709 for field direct LDPs;
- CCC-633-LDP for basic LDPs;
- CCC-709-PELT, for field direct unshorn pelt LDPs; or
- CCC-633-PELT, for basic unshorn pelt LDPs.

Producers applying for a loan or LDP on wool must indicate “graded” or “ungraded,” as the type of wool on the applicable loan and LDP forms.

Applications are available at local FSA offices and on the Internet at: <http://forms.sc.egov.usda.gov/FormSearch.asp>

Loan and LDP Rates

For graded wool, loans are based on the statutory rate of \$1.00, “grease basis” (directly off the animal), but are issued to producers as “clean basis” using yield data from the core test report. Instead of obtaining a loan on graded wool, producers may request LDPs, which are payable at the loan rate that would have been received for the lot of wool, less the announced repayment amount for wool of that quality that is applicable during the week. The graded wool loan rates are announced by regions according to eight specific micron ranges (fiber diameters).

Ungraded wool offered as loan collateral will secure a nonrecourse loan made at a rate of 40 cents per pound. Instead of obtaining a loan on ungraded wool, producers may request LDPs, with the LDP rate being the difference between 40 cents per pound and the announced repayment amount applicable during the week. Regional differentials will also apply to nongraded wool.

Producers who desire a nonrecourse loan for mohair will receive

Fact Sheet

Wool and Mohair Marketing Assistance Loan and Loan Deficiency Payment Program

the statutory rate of \$4.20 per pound. There are no regional differentials for mohair.

At loan maturity, if producers wish to settle the loan collateral in satisfaction of the loan, the loan amount may be adjusted based on a schedule of premiums and discounts applicable to the crop year.

Because there are no CCC-approved warehouses for wool or mohair, all nonrecourse marketing assistance loans not repaid by the loan maturity date must be disposed through local sales at the farm storage location after maturity at no storage expense to CCC. Producers are responsible for all expenses associated with the local sale, including the Agriculture Marketing Service inspection fee of \$40.87 for the required inspection of the wool or mohair that will be settled by local sale.

In addition, mohair delivered for settlement of an outstanding CCC loan will require, at the producer's expense, a core test and corresponding report of results from a CCC-approved testing facility to determine applicable quality factors.

Unshorn pelt payments will be based on the LDP rate for non-graded wool for the week in which beneficial interest was lost in the applicable region where the unshorn pelts were produced and where the producer's farm records are maintained. LDPs for unshorn pelts will be based on a standard weight of 6.865 pounds per pelt.

The following are the national loan rates for the 2002-2007 crop years for wool and mohair (grease basis):

Commodity	Loan Rate
Graded Wool	\$1.00 per pound
Ungraded Wool	\$0.40 per pound
Mohair	\$4.20 per pound

Regional loan rates for wool and mohair are announced at the beginning of each crop year.

All counties in the states listed below will use loan rates applicable to Region 1 for graded and non-graded wool:

- Alabama;
- Arkansas;
- Connecticut;
- Delaware;
- Florida;
- Georgia;
- Illinois;
- Indiana;
- Kentucky;
- Louisiana;
- Maine;
- Maryland;
- Massachusetts;
- Michigan;
- Mississippi;
- Missouri;
- New Hampshire;
- New Jersey;
- New York;
- North Carolina;
- Ohio;
- Pennsylvania;
- Rhode Island;
- South Carolina;
- Tennessee;
- Vermont;
- Virginia; and
- West Virginia.

States and applicable counties listed in the following table will use loan rates applicable to Region 2 for graded and nongraded wool:

State	Counties
Arizona	Apache, Cochise, Gila, Graham, Greenlee, Navajo
Colorado	All
Iowa	All
Kansas	All
Montana	Big Horn, Carbon, Carter, Custer, Daniels, Dawson, Fallon, Fergus, Gallatin, Garfield, Golden Valley, McCone, Musselshell, Park, Petroleum, Phillips, Powder River, Prairie, Richland, Roosevelt, Rosebud, Sheridan, Stillwater, Sweet Grass, Treasure, Valley, Wheatland, Wibaux, Yellowstone
Minnesota	All
New Mexico	All
North Dakota	All
Nebraska	All
Oklahoma	All
South Dakota	All
Texas	All
Utah	Daggett, Duchesne, Grand, San Juan, Summit, Uintah
Wisconsin	All
Wyoming	All

States and applicable counties listed in the following table will use loan rates applicable to Region 3 for graded and nongraded wool:

Fact Sheet

Wool and Mohair Marketing Assistance Loan and Loan Deficiency Payment Program

State	Counties
Alaska	All
Arizona	Coconino, LaPaz, Maricopa, Mohave, Santa Cruz, Pima, Pinal, Yavapai, Yuma
California	All
Hawaii	All
Idaho	All
Montana	Beaverhead, Blaine, Broadwater, Cascade, Chouteau, Deer Lodge, Flathead, Glacier, Granite, Hill, Jefferson, Judith Basin, Lake, Lewis and Clark, Liberty, Lincoln, Madison, Meagher, Mineral, Missoula, Pondera, Powell, Sanders, Toole, Ravalli, Silver Bow, Teton
Nevada	All
Oregon	All
Utah	Beaver, Box Elder, Cache, Carbon, Davis, Emery, Garfield, Iron, Juab, Kane, Millard, Morgan, Piute, Rich, Salt Lake, Sanpete, Sevier, Tooele, Utah, Wasatch, Washington, Wayne, Weber
Washington	All

Core Tests

To obtain a graded wool loan or LDP, the wool must be core-tested by a CCC-approved testing facility

and is measured through laboratory analysis for fiber diameter (micron) and yield. A core test refers to a lab test that measures the thickness of the fiber. The average fiber diameter provided on the core test report indicates the micron applicable to the tested wool. A list of CCC-approved testing facilities for graded wool is available at USDA Service Centers.

Repayment Rates and Posted Prices

Regional posted prices used to calculate the CCC-determined value to determine the LDP rate and the marketing loan repayment rates for wool, mohair, and unshorn pelts will be announced each Tuesday at 3:00 p.m., Eastern time by news release. County offices will calculate the CCC-determined value to determine the alternative repayment and LDP rate. The posted prices become effective Wednesday at 12:01 a.m., Eastern time.

Regional loan rates, posted prices, and LDP rates for the 2002 and subsequent crop years are available on FSA's Web site at: <http://www.fsa.usda.gov/dafp/psd/>

For More Information

Further information on this and other FSA programs is available from local FSA offices and on FSA's Web site at: www.fsa.usda.gov

The United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.