

For: State and County Offices

Commodity Certificates for Upland Cotton Exchanges

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

The Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, 2000 amended the FAIR Act of 1996 to provide the Secretary discretionary authority to make in-kind payments under the nonrecourse marketing assistance loan and loan deficiency payment programs. The Secretary has decided to use his authority to allow CCC to make in-kind payments by the issuance of negotiable certificates, which the CCC shall exchange for upland cotton owned or controlled by CCC.

On February 8, 2000, CCC announced the use of commodity certificates. Commodity certificates will be made available to producers to use in acquiring collateral pledged to CCC for a commodity loan. The acquisition of the loan collateral using commodity certificates may encourage producers to repay the loan rather than forfeiting or delivering the collateral to CCC at loan maturity.

The use of commodity certificates:

- reduces the government's role in the producer's marketing decisions
- enhances the flow of the commodity into the market.

At this time, neither commodity loan disbursements nor LDP payments will be issued as commodity certificates.

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Disposal Date	Distribution
October 1, 2000	State Offices; State Offices relay to County Offices

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1 Overview, Continued

B

Purpose

This notice provides State and County Offices:

- general provisions for commodity certificate
- information and instructions for:
 - determining commodity certificate exchange values
 - purchasing and issuing commodity certificates
 - exchanging commodity certificates for upland cotton pledged as collateral for a CCC loan.

Note: This notice addresses upland cotton loans. A separate CMA notice will be issued to address other commodities and CMA policies relative to commodity certificates.

2 General Provisions

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Commodity Certificate Exchange Process

Exchange commodity certificates according to the following.

Step	Function
1	Producer or producer's agent requests to acquire loan collateral using commodity certificates.
2	County Office identifies loan and loan quantity, and determines repayment value.
3	Producer or producer's agent purchases commodity certificate for the exact dollar value needed to acquire the loan collateral from the County Office. Manually prepare CCC-257 according to 3-FI.
4	Producer or producer's agent signs for the commodity certificate using either CCC-681-1A, annotated CCC-605-1, or bale list and uses commodity certificate to acquire the loan collateral.
5	County Offices release the loan collateral.

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2 General Provisions (Continued)

B

**Eligible Producer
or Producer's
Agent**

Eligible producers must:

- have an outstanding commodity loan not past maturity in order to purchase commodity certificates
- immediately exchange commodity certificates for loan collateral.

Eligible producer's agents must:

- have been designated by the producer on CCC-605
 - immediately exchange commodity certificates for the loan collateral indicated on the CCC-605.
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**Ineligible
Commodities**

Commodity certificates are not issued for exchange with collateral of:

- seed cotton loans
 - ELS cotton loans.
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D

**Program
Effective Date**

Commodity certificates will become available starting February 22, 2000. Loan redemptions received before that date shall be processed as marketing assistance loan repayments not commodity certificate exchanges.

E

Expiration

The commodity certificate will only be valid for immediate use and will expire immediately upon the repayment of the loan and exchange of the certificate for the commodity.

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2 General Provisions (Continued)

F

Exchange Rate

The exchange rate is AWP, as determined by CCC and in effect on the day the repayment is received in the County Office, adjusted for location, quality, and allowable CCA, multiplied by the net bale weight, plus any compression charges that were previously paid by CCC, minus warehouse storage charges according to 7-CN, subparagraph 401.5 C.

Note: There will be no commodity certificate exchange if AWP is equal to or greater than the national average loan rate.

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**Payment
Limitation**

Commodity certificate exchanges are not applicable to payment limitation.

3 Determining Commodity Certificate Exchange Value

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Objective

County Offices may:

- calculate the exchange value using the marketing loan option in APSS without completing the repayment
 - use producer- or agent-supplied estimated repayment data according to 7-CN, paragraph 404, that at a minimum, shows the following for all bales being redeemed:
 - actual individual bale repayment amount
 - total repayment amount
 - estimate the repayment using the average bale weights according to 7-CN, subparagraph 404 B.
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B

**Using Producer-
or Agent-
Supplied or
Estimated
Repayment
Calculations**

When County Offices use the producer- or agent-supplied or estimated repayment data, the following statement must be added to the commodity certificate acknowledgment and signed for by the producer or producer's agent.

“I understand that the loan repayment amount on which this commodity certificate exchange is presented is subject to additional verification. I agree to pay any balance that is due after the County Office computes the actual amount. I also understand that I will receive any balance that may be owed to me.”

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3 Determining Commodity Certificate Exchange Value (Continued)

C

**Assigning
Transaction ID
Number**

Each commodity certificate loan exchange transaction shall be identified by a unique transaction number that will be assigned, and maintained in a register, according to Notice LP-1723, subparagraph 3 B. County Offices will maintain 1 register for all commodities.

D

Reporting

See Notice LP-1723, subparagraph 3 C, for State and County Office reporting requirements.

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4 Alternatives for Recording Receipt of Commodity Certificates

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CCC-681-1A

CCC-681-1A is an existing form approved as a continuation sheet for the CCC-681-1. This form is appropriate to record the receipt of commodity certificates when the producer or producer's agent is present in the County Office for the transaction.

For the purpose of producer or producer's agent acknowledgment of commodity certificate purchase, CCC-681-1A will be used according to this notice. County Offices shall:

- print blank CCC-681-1A's using APSS
- modify CCC-681-1A according to subparagraph B
- prepare one CCC-681-1A for all loans being exchanged at one time by a producer or producer's agent
- include all commodity certificate transaction codes for all loans on one CCC-681-1A.

The original CCC-681-1A **must never** leave the County Office.

The following may purchase a commodity certificate and exchange it for commodities previously pledged as collateral for a loan:

- any producer who signed the Note and Security Agreement, CCC Cotton A
- any producer's agent designated on CCC-605
- a person with a valid FSA-211 for a producer who signed the Note and Security Agreement, as applicable
- for joint loans, only the signature of the producer purchasing the commodity certificate is required.

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4 Alternatives for Recording Receipt of Commodity Certificates (Continued)

B

**Completing
CCC-681-1A,**

Manually complete CCC-681-1A according to this table.

Item	Instruction
1	Enter name, address, and ID number of the producer or producer's agent requesting to purchase commodity certificate for loan exchange.
2	Change "Crop Year" to "Check Number" and enter the check number received from the producer or producer's agent.
3	Change "Commodity" to "Check Date" and enter the date of the check received from the producer/producer's agent.
4	Change "Loan Quantity" to "Check Amount" and enter the check amount received from the producer or producer's agent that was determined on CCC-694-1, item 24. Manually prepare CCC-257 according to 3-FI, paragraph 37.
5 - 9	Cross all headers and leave blank. No entries are required.
10	Change "Buyer" to "Seller" and ENTER "CCC".
11	Change "This Authorization Expires On" to "Commodity Certificate Transaction Number" and enter the transaction number determined from the transaction number register according to subparagraph 3 B. This number is complete with the crop year, loan number(s), and the commodity certificate transaction number(s) assigned from the register. For example: 99-00210-0001. Include a separate commodity certificate transaction number for each loan being redeemed. See subparagraph 4 C for an example.
Part B	Replace the statement with the following: I acknowledge: (1) receipt of Commodity Credit Corporation (CCC) Commodity Certificate which I requested to purchase from CCC; (2) that the certificate will be exchanged with CCC in the manner specified in CCC regulations at 7 CFR Part 1400 in order that I may receive commodities from CCC which had previously been pledged as collateral for a CCC marketing assistance loan; and (3) that for purposes of valuing the commodity acquired under this transaction, such value will be the marketing loan repayment rate applicable under 7 CFR Parts 1421 (commodities other than upland cotton) and 1427 (upland cotton) for the commodity determined as of the day I made payment to CCC for the commodity certificate.

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4 Alternatives for Recording Receipt of Commodity Certificates (Continued)

C
Example
CCC-681-1A

This is an example of CCC-681-1A used according to this notice.

(See CCC-681-1 Page 2 for Privacy Act and Public Burden Statements) Form Approved - OMB No. 0560-0087

CCC-681-1A U.S. DEPARTMENT OF AGRICULTURE
(04-11-96) Commodity Credit Corporation

CCC-681-1 CONTINUATION SHEET

PART A - COLLATERAL IDENTIFICATION

1. ADDITIONAL DEBTORS INFORMATION

Producer Jeff Thomas RR 1, Box 2 Anytown, USA	Identification Number: XXX-XX-XXXX	Producer Identification Number:
Producer	Identification Number:	Producer Identification Number:
Producer	Identification Number:	Producer Identification Number:
Producer	Identification Number:	Producer Identification Number:

2. Crop Year Check Number	3. Commodity Check Date	4. Loan-Quantity Check Amount	5. Loan Number	6. Loan Maturity	7. Quantity for which excise tax, assessment or promotion fee paid
3302	2-22-00	\$9,500			

8. STORAGE LOCATION	9. NAME AND ADDRESS OF SECURED PARTY: COMMODITY CREDIT CORPORATION

10. NAME AND ADDRESS OF BUYER/SELLER CCC	11. THIS AUTHORIZATION EXPIRES ON: COMMODITY CERTIFICATE TRANSACTION NUMBER 99-00210-0001 99-00256-0002
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PART B - PRODUCER'S REQUEST AND AGREEMENT

The undersigned producer(s) agrees to all terms and conditions specified in Form CCC-681-1 with the same loan number, buyer, and expiration date stated in Part A of this CCC-681-1A.

I acknowledge: (1) receipt of Commodity Credit Corporation (CCC) Commodity Certificate which I requested to purchase from CCC; (2) that the certificate will be exchanged with CCC in the manner specified in CCC regulations at 7 CFR Part 1400 in order that I may receive commodities from CCC which had been pledged as collateral for a CCC marketing assistance loan; and (3) that for purposes of valuing the commodity acquired under this transaction, such value will be the marketing loan repayment rate applicable under 7 CFR Parts 1421 (commodities other than upland cotton) and 1427 (upland cotton) for the commodity determined as of the day I made payment to CCC for the commodity certificate.

Debtor's/Producer's Signature	Date	Debtor's/Producer's Signature	Date
/s/ Jeff Thomas	2-22-00		
Debtor's/Producer's Signature	Date	Debtor's/Producer's Signature	Date
Debtor's/Producer's Signature	Date	Debtor's/Producer's Signature	Date
Debtor's/Producer's Signature	Date	Debtor's/Producer's Signature	Date

This program or activity will be conducted on a nondiscriminatory basis without regard to race, color, religion, national origin, age, sex, marital status, or disability.

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4 Alternatives for Recording Receipt of Commodity Certificates (Continued)

D

**Annotating
CCC-605,
CCC-605-1 or
Agent Bale List**

This alternative is used when commodity certificate exchanges are requested by a producer agent designated by CCC-605, and when the producer agent is not present in the County Office at the time of the request.

Eligible producer agents must provide FSA with either CCC-605, CCC-605-1, or a bale list to be retained by the County Office for each commodity certificate exchange. Any of the forms submitted by the producer agent for the commodity certificate exchange:

- is signed by the producer or his agent
- has entered on either side the following statement:

I acknowledge: (1) receipt of Commodity Credit Corporation (CCC) Commodity Certificate which I requested to purchase from CCC; (2) that the certificate will be exchanged with CCC in the manner specified in CCC regulations at 7 CFR Part 1400 in order that I may receive commodities from CCC which had previously been pledged as collateral for a CCC marketing assistance loan; and (3) that for purposes of valuing the commodity acquired under this transaction, such value will be the marketing loan repayment rate applicable under 7 CFR Parts 1421 (commodities other than upland cotton) and 1427 (upland cotton) for the commodity determined as of the day I made payment to CCC for the commodity certificate.

The transaction ID number shall be entered on the form by the County Office.

5 Exchanging Certificates for Loan Quantities

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**Certificate
Exchange**

When the producer or producer's agent has acknowledged receipt of the commodity certificates and the check has been submitted to purchase the commodity certificate, immediately complete the certificate exchange.

County Offices shall:

- follow paragraph 3, as applicable
 - exchange the loan quantity for the commodity certificate
 - release warehouse receipts in the normal automated manner for the loan quantity that is applicable to the commodity certificate exchange transaction according to 23-CN
 - place CCC-681-1A in a suspense file cross referencing the loan for which the cotton was redeemed
 - record the commodity certificate exchange transaction through the APSS repayment subsystem after it has been enhanced for that purpose.
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