

For: State and County Offices

**Commodity Certificate Exchange Questions and Answers**

Approved by: Deputy Administrator, Farm Programs



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**1 Overview**

**A  
Background**

Notice CN-907 provided policies and procedures for commodity certificate exchanges on loan collateral. This notice provides additional information on the commodity certificate exchanges based on questions received.

Notice LP-1724 provides additional information that also applies to cotton loans.

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**B  
Purpose**

Paragraph 2 provides State and County Offices with policy and procedure clarification in a question and answer format on the following topics:

- eligible producers
- processing considerations.

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<b>Disposal Date</b>	<b>Distribution</b>
October 1, 2000	State Offices; State Offices relay to County Offices

2 Questions and Answers

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**A**  
**Eligible**  
**Producers**

**In Notice CN-907, subparagraph 3 B, shouldn't the second sentence of the statement read "I agree to purchase an additional certificate to pay any balance..."?**

Any balance owed to CCC under a commodity certificate exchange would need to be processed as an additional commodity certificate purchase. It also follows that if CCC needs to refund any amount to the producer or producer's agent, that such a refund would be in cash and not a commodity certificate. The suggested rewording is more exact than the original and the statement should read as follows:

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

This statement is to be entered on the commodity certificate acknowledgment, CCC-681-1A , CCC-605, CCC-605-1, or the agent bale list, when the County Offices use producer-or agent-supplied estimated repayment data according to Notice CN-907, subparagraph 3 B.

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**B**  
**Processing**  
**Considerations**

**How do we handle partial redemptions using commodity certificates on cotton?**

We propose that we determine the bale that cannot be repaid without denied market gain and allow commodity certificate repayment from that bale forward.

**How do we know the number of pounds or bales of cotton to be recorded as:**

- **cash repayment**
- **certificate exchange?**

The purchase of commodity certificates is an option available to producers whether or not the payment limit affects the entire loan or just a portion. There is no obligation for County Offices to limit the sale of commodity certificates to just that portion of a loan quantity to which the payment limitation would apply. The entire quantity of a loan may be exchanged for a commodity certificate. County Offices may sell 1 commodity certificate for exchange with the loan quantity requested for repayment rather than determine exactly at which bale the payment limitation has been exceeded.

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2 Questions and Answers (Continued)

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**B**  
**Processing**  
**Considerations**  
**(Continued)**

**Is a producer able to place under loan and exchange for a commodity certificate, cotton upon which LDP was denied because of payment limitation?**

Yes. Cotton denied LDP because of payment limitation, is still eligible to be placed under loan. The producer must still have beneficial interest and make application within the loan availability period. The cotton must otherwise meet the usual eligibility requirements.

**Why not simply provide LDP's with commodity certificates?**

Commodity certificates are being issued for immediate exchange for loan collateral only. There is currently no plan to issue commodity certificates as payment for other CCC obligations such as LDP's, AMTA payments, or any other obligation.

**Should County Offices limit commodity certificate sales to only producers with payment limitation concerns, and not sell them to producers who are not facing denied market gain?**

CCC has announced that commodity certificates are available to all producers or their designated agents without regard to the payment limitation situation. However, there is no harm in explaining to those producers not having payment limitation concerns, that there is absolutely no financial advantage to them in purchasing certificates.

**Are FAXed signatures acceptable for certificate exchanges?**

CCC-681-1A is to be signed in the County Office only, and unsigned blank copies are not to be provided for submission by mail or otherwise. CCC-681-1A is never to leave the County Office, before or after it is signed, when used for a certificate exchange.

For cotton loan repayments processed when producers' agents, designated by CCC-605, submit documents by mail or otherwise, accept impressed signatures on file, as approved on a county-by-county basis and FAXed signatures on CCC-605, CCC 605-1, or the agent-prepared bale list.

**Is storage credit provided by CCC on cotton loans exchanged for commodity certificates?**

Yes, there is no change from a loan redemption by cash.

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**2 Questions and Answers (Continued)**

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**B  
Processing  
Considerations  
(Continued)**

**For what period will commodity certificates be issued?**

Commodity certificates are authorized by farm legislation that is effective through crop year 2002. Unless there is a change in farm law, certificates will be available for crop years 1998, 1999, 2000, 2001, and 2002.

**Is it necessary to complete CCC-694-1 for cotton loan certificate exchanges?**

No.

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