

For: State and County Offices and applicable CMA's

Commodity Certificates for Commodity 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 LDP programs. The Secretary has decided to use this authority to allow CCC to make in-kind payments by issuing negotiable certificates, which CCC shall exchange for a commodity 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 loan collateral to CCC at loan maturity. Using 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 and FAX to applicable CMA's

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1 Overview (Continued)

B

Purpose

This notice provides State and County Offices:

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

Note: This notice addresses CMA's who obtain loans and LDP's through service County Offices and all commodities except cotton. A CN notice and a CMA notice will be issued to address cotton and CMA policies relative to commodity certificates.

2 General Provisions

A

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 using CCC-694-1.
3	Producer 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 signs for the commodity certificate and uses it to acquire the loan collateral.
5	County Offices release the loan collateral.

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2 General Provisions (Continued)

**B
Eligible
Producers**

Eligible producers must:

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

**C
Eligible
Commodities**

Eligible loan commodities include wheat, corn, grain sorghum, oats, barley, soybeans, rice, sunflower seed, canola, rapeseed, safflower, flaxseed, mustard seed, and crambe.

**D
Effective Date**

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

**F
Exchange Rate**

The commodity certificate exchange rate is the:

- AWP for rice
- CCC-determined value for all other commodities.

There will be **no** commodity certificate exchange if AWP or CCC-determined value is equal to or greater than the applicable county loan rate.

**G
CCC-697**

A commodity certificate exchange must **not** be applied to any quantity for which an outstanding CCC-697 exists.

**H
Payment
Limitation**

Commodity certificate exchanges are not applicable to payment limitation.

**I
FAX Requests**

FAX forms or signatures are **not** authorized for purchasing commodity certificates or exchanging the certificate for a commodity.

Notice LP-1723

3 Completing CCC-694-1 (Reverse)

A

Objective

CCC-694-1 has been revised to add an additional page. Use CCC-694-1 to calculate the:

- dollar value needed to purchase commodity certificate
- certificate exchange rate using commodity certificates.

County Offices shall manually complete CCC-694-1, Part B

- when a producer visits the County Office that issued the commodity loan or loans to be used in the certificate transaction
 - at the discretion of CED, for all loans per commodity or for each commodity loan, as applicable.
-

B

Assigning Transaction ID Number

Each commodity certificate transaction shall be identified by a unique transaction number. The 11 digit number will be comprised of the crop year, loan number, and a 4 digit number, such as 99-00210-0001.

County Offices shall:

- manually assign the commodity certificate transaction ID number
 - use CCC-676 to maintain a register of commodity certificate transaction ID numbers
 - use a new CCC-676 for the commodity certificate transaction ID number register
 - assign numbers sequentially by crop year for **each** loan being redeemed with commodity certificates, starting with 0001
 - enter the following on CCC-676:
 - State and county code in item 1
 - crop year, loan number, and sequentially assigned number in column 3
 - producer's name in column 4
 - commodity in column 5
 - nothing in columns 6 and 7 blank
 - loan quantity to be exchanged with commodity certificates in column 8
 - dollar value of the commodity certificate in column 9
 - information, as applicable, in column 10
-

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3 Completing CCC-694-1 (Reverse) (Continued)

B

**Assigning
Transaction ID
Number
(Continued)**

- enter all loan commodity certificate transaction ID numbers, as applicable, on CCC-694-1 and CCC-681-1A according to subparagraphs 3 D and 4 B.

See 8-LP, paragraph 491, for an example of CCC-676.

C

**Reporting
Guidelines**

Once a week, County Offices must send a copy of CCC-676 to State Offices.

County Offices shall:

- by COB, Thursday, draw a line on the last entry of CCC-676
- photocopy all pages not previously submitted to the State Offices
- FAX the copies to the State Offices.

State Offices shall:

- bundle all weekly copies of FAXed CCC-676's received from the County Offices
 - by COB, Monday, do **either** of the following:
 - overnight copies to Director, PSD, at 1400 Independence Ave SW, Room 4095-S, Washington, DC 20250
 - FAX copies to Director, PSD, at 202-690-3307.
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3 Completing CCC-694-1 (Reverse) (Continued)

D

**Completing
CCC-694-1,
Part B**

Manually complete CCC-694-1, Part B according to this table. CCC-694-1 will be available on the FSA BBS in the Forms Library.

Complete items:

- 23 through 28 and items 34 through 41 to determine the commodity certificate value needed
- 29 through 32 to complete the loan exchange.

If items 34 through 41 are completed, forward totals to items 24, 25, and 30, as applicable.

Item	Instruction
23 and 34	Enter crop year, loan number, and commodity certificate transaction ID number determined from the transaction number register according to subparagraph B. For multiple loan exchanges, enter this information in item 34, as applicable. If multiple loan exchanges are applicable, ENTER, "See Item 34" in item 23, as applicable.
24	Enter the total commodity certificate value determined by multiplying item 25 times item 28.
25	Enter the total loan quantity to be exchanged. For multiple or partial loan exchanges, include item 39 in the total entered in item 25, as applicable.
26	Enter the loan rate, as applicable.
27	Enter the exchange date. This is the date the commodity certificate is purchased from CCC.
28	Enter the exchange rate. This is the market loan repayment rate in effect on the date the commodity certificate is purchased according to paragraph 4.
29	Enter the loan quantity to be redeemed from item 25.
30	Enter the loan principal to be repaid. (Item 26 x Item 29) For multiple loan exchanges, include the total loan principal from item 40.
31 and 32	Leave blank.
33	Enter remarks, as applicable.
34 through 41	Complete as necessary. Carry all totals to items 24, 25, and 30, as applicable.
42	Sign, date, and provide title, as applicable. County Offices shall file CCC-694-1 and CCC-681-1 A in a folder until APSS has been modified to record loan exchanges.

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4 Completing CCC-681-1A

A

Objective

CCC-681-1A is an existing form approved as a continuation sheet for CCC-681-1.

For the purpose of producer 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 redeemed at one time by a producer
- 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-677 or CCC-678, as applicable
- a person with a valid FSA-211 for a producer who signed the Note and Security Agreement, as applicable
- only the signature of the producer purchasing the commodity certificate is required for joint loans.

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4 Completing CCC-681-1 A (Continued)

B

Instructions

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

Item	Instruction
1	Enter name, address, and ID number of the producer requesting to purchase commodity certificate for loan exchange.
2	Change “Crop Year” to “Check Number” and enter the check number received from the producer.
3	Change “Commodity” to “Check Date” and enter the date of the check received from the producer.
4	Change “Loan Quantity” to “Check Amount” and enter the check amount received from the producer that was determined on CCC-694-1, item 24. Manually prepare CCC-257 according to 3-FI.
5 through 9	Cross out 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 numbers, and the commodity certificate transaction numbers 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 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 Completing CCC-681-1 A (Continued)

**C
Example of
CCC-681-1 A**

This is an example of CCC-681-1 A completed 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 <small>(04-11-96)</small>		U.S. DEPARTMENT OF AGRICULTURE 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	
Producer		Identification Number:		Producer	
Producer		Identification Number:		Producer	
Producer		Identification Number:		Producer	
2. Crop Year Check Number 3302	3. Commodity Check Date 2-22-00	4. Loan-Quantity Check Amount \$9,500	5. Loan-Number	6. Loan-Maturity	7. Quantity for which excise tax, assessment or promotion fee paid
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		
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	
/s/ Jeff Thomas		2-22-00			
Debtor's/Producer's Signature		Date		Debtor's/Producer's Signature	
Debtor's/Producer's Signature		Date		Debtor's/Producer's Signature	
Debtor's/Producer's Signature		Date		Debtor's/Producer's Signature	
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.					

5 Completing Commodity Exchanges

A

**County Office
Action**

When the producer has signed CCC-681-1A and the check has been submitted to purchase the commodity certificate, immediately complete the exchange of loan commodities previously pledged as collateral.

County Offices shall:

- follow subparagraph 3, as applicable
 - release loan quantity exchanged by commodity certificate in the normal manner
 - place CCC-694-1 and CCC-681-1A in a suspense file cross-referencing the loan for which the commodity was exchanged
 - record the commodity certificate exchange when APSS has been modified.
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