

For: State and County Offices

Commodity Certificate Exchange Clarifications

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

Notices LP-1723 and LP-1724 provided policies, procedures, and questions and answers for commodity certificate exchanges on loan collateral.

B

Purpose

This notice provides State and County Offices with additional policy and procedure clarification for:

- providing copies of CCC-694-1 to producers
 - CCC-681-1 and CCC-685 provisions for commodity certificate exchanges
 - IRS reporting
 - processing multiple actions with a single check from the producer
 - commodity certificate sales to producers who are not facing denied market gain.
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Disposal Date	Distribution
October 1, 2000	State Offices; State Offices relay to County Offices

2 Commodity Certificate Exchange Clarifications

A

Providing CCC-694-1 Copies

County Offices shall provide a copy of CCC-694-1 to the producer requesting a commodity certificate for exchange of loan collateral on CCC-681-1A.

B

Completing Commodity Certificate Exchanges With CCC-681-1 or CCC-685

If a producer wants to complete CCC-681-1A and use the buyer's check to purchase the commodity certificate, the producer may sign CCC-681-1A to acknowledge the commodity certificate exchange for loan collateral when CCC-681-1 or CCC-685 is requested.

When the buyer's check is received, County Offices shall:

- use the buyer's check to purchase the commodity certificate applicable to CCC-681-1 or CCC-685
- use the exchange rate in effect on the date the buyer's check is received in the County Office
- complete CCC-694-1, as applicable
- complete CCC-681-1A, as applicable
- purchase commodity certificate
- repay the loan in the normal manner
- release the commodity or warehouse receipts in the normal manner.

If CCC-681-1 is requested by telephone, advise the producer to visit the County Office before the CCC-681-1 expiration date to complete CCC-681-1A, as applicable.

C

IRS Reporting

Market gain earned from a commodity certificate exchange for loan collateral will not be reported by CCC to IRS. However, producers should be reminded that either the loan disbursement or any market gain earned is income and must be reported as required by IRS. Any questions about this issue are between the producer and IRS.

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Notice LP-1726

2 Commodity Certificate Exchange Clarifications (Continued)

**D
Processing
Multiple Actions
With a Single
Check From the
Producer**

Notices LP-1724 and FI-2418 provided instructions for processing multiple actions when a single check is received from the producer. Notice FI-2418 clarified Notice LP-1724.

County Offices shall follow instructions issued in Notice FI-2418, subparagraph 3 A and not instructions issued in Notice LP-1724, subparagraph 2 E.

**E
Commodity
Certificate Sales
to Producers Not
Facing Market
Gain**

CCC has announced that commodity certificates are available to all producers or their designated agents without regard to payment limitation.

However, County Offices may explain to those producers not having payment limitation concerns, that there is absolutely no financial advantage to them in purchasing certificates.
