

For: FSA State and County Offices

**2003 Peanut Marketing and Buying Point Automation**

Approved by: Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

The Farm Security and Rural Investment Act of 2002 dramatically changed the peanut marketing procedures for 2002 and subsequent crop farmer's stock peanuts. Basic changes to the automated system of data processing and transfer include, but are not limited to, the following.

- FSA-1002 will **not** be used during the 2003 crop year.
- FSA-1003 will **not** be used to identify the load of peanuts delivered at the buying point. Producers will be responsible for keeping track of individual producer shares for each load of peanuts delivered for commercial sale.
- FV-95 will continue to be used as a note sheet to record peanut inspection and grading information.
- FSA-1007 and FSA-1007 VC will continue to be used with modifications. The new name of the form is the Inspection Certification and Calculation Worksheet.
- FSA-1007 data will continue to be transmitted to the FSA-Data Collection Center (FSA-DCC) in Kansas City.
- Warehouse Receipt for Peanuts will be required to apply for a warehouse-stored marketing assistance loan (MAL).

**Disposal Date**

February 1, 2004

**Distribution**

Peanut CMA's; State Offices; State Offices relay to County Offices

## Notice LP-1939

### 1 Overview (Continued)

#### B Purpose

This notice:

- provides State and County Office responsibilities associated with the automated peanut marketing activities for the 2003 crop
- highlights peanut handler/sheller and buying point responsibilities, PSD, and KCAO responsibilities
- defines the roles of other entities involved in peanut marketing activities
- provides policy and procedures for:
  - handling:
    - statement of charges attached to peanut warehouse receipts
    - Segregation 2 and 3 peanut loan and LDP requests
    - peanuts harvested as green, hay, or feed
    - 2003 through 2007 crop years peanuts MAL and LDP program
  - determining the eligible:
    - LDP quantity when using FSA-1007 for production evidence
    - loan and LDP when using a warehouse receipt.

#### C Contact

If there are any questions about this notice, contact Tonye Gross at PSD by:

- e-mail at **Tonye Gross@wdc.usda.gov**
- telephone at 202-720-4319.

**Note:** County Offices shall route questions through their State Office.

## Notice LP-1939

### 2 Responsibilities

#### A PSD Responsibilities

PSD shall provide:

- guidelines and procedures for marketing farmer's stock peanuts to peanuts handlers/shellers and buying points
- guidelines for obtaining MAL or LDP
- overall program integration.

#### B Kansas City Administrative Office Responsibilities

KCAO shall do the following.

Step	Action
1	Operate FSA-DCC.
2	Receive, process, and distribute FSA-1007 transmission files.
3	Provide technical support on issues relating to FSA-1007 transmissions. <b>Note:</b> This does <b>not</b> include support of the buying point automation software.
4	Generate FSA-1007 transmission reports.

#### C State Office Responsibilities

State Offices shall do the following.

Step	Action
1	Inform buying points and handlers/shellers that technical questions about FSA-1007 processing and transmissions shall be handled by handler/sheller representatives.
2	Contact PSD for questions about buying point automation procedures.
3	Refer questions on peanut inspection and grading to FSIS, AMS. Refer to Exhibit 1 for FSIS contact information.
4	Inform County Offices of the contents of this notice.

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2 Responsibilities (Continued)

D County Office Responsibilities

County Offices shall do the following.

Step	Action
1	Inform producers that: <ul style="list-style-type: none"><li>• FSA-1002 will not be used for the 2003 crop year</li><li>• they will be responsible for tracking their peanut production</li><li>• they will be responsible for maintaining beneficial interest.</li></ul>
2	Inform peanut producers that they will be responsible for keeping track of individual producer shares for each load of peanuts delivered for commercial sale, warehouse-stored MAL or LDP.
3	Inform peanut producers and handlers/shellers to contact the Federal-State Inspection Service (FSIS), AMS, for questions associated with peanut inspection and grading. Refer to Exhibit 1 for FSIS contact information.
4	Instruct buying points and handlers/shellers to contact the handler/sheller designated representative for technical questions about FSA-1007 processing and transmissions.
5	Instruct peanut producers to contact the warehouse operator for questions about the contents of the Warehouse Receipt for Peanuts.
6	Inform peanut producers that warehouse-stored MAL's will be based on the Warehouse Receipt for Peanuts.
7	Inform peanut producers, handlers/shellers, and warehouse operators that County Offices do <b>not</b> : <ul style="list-style-type: none"><li>• receive FSA-1007 transmissions</li><li>• handle corrections to FSA-1007 and Warehouse Receipt for Peanuts.</li></ul>
8	Inform peanut producers, buying points, handlers/shellers, warehouse operators, and other entities associated with the peanut industry of the contents of this notice.

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**2 Responsibilities (Continued)**

**E Peanut Handler/Sheller Responsibilities**

Peanut handlers/shellers shall do the following.

<b>Step</b>	<b>Action</b>
1	Continue to use the assigned handler number and buying point number.  <b>Note:</b> New peanut handler/sheller must contact PSD for handler number assignment. New buying points must continue to register with AMS.
2	Provide affiliated peanut buying points with software and hardware to process and transmit <b>all</b> FSA-1007 records to FSA-DCC following the requirements established by FSA.
3	Instruct affiliated buying points on the continued use of FSA-1007 to reflect official results of farmer's stock inspection. The use of FSA-1007's shall follow the guidelines issued by FSA.
4	Designate a handler/sheller technical representative who will provide technical support and training to affiliated buying points.
5	Contact the FSA National Help Desk for questions about transmissions to FSA-DCC. Refer to paragraph 9 for FSA National Help Desk information.
6	Call FSA National Help Desk before sending test transmissions to FSA-DCC.
7	Ensure that <b>all</b> FSA-1007 records processed by all affiliated buying points are transmitted to FSA-DCC following the guidelines issued by FSA.
8	Handlers/shellers must contact FSA, PSD to request a new transmission ID to transmit to FSA-DCC.
9	Inform peanut producers that warehouse-stored MAL's will be processed based on the Warehouse Receipt for Peanuts.
10	Instruct affiliated buying points that corrections to peanut grading and inspection data shall be handled by FSIS, AMS. Transmitted records with errors in FSA-1007, Section I, shall be superseded upon approval by the FSIS inspector.  <b>Note:</b> There is no need to notify the County Office of superseded or corrected FSA-1007's.
11	Submit end-of-season reconciliation file (Recon.dat) to KCAO after completing all marketing activities for the 2003 crop year.
12	Complete the online peanut handler/sheller and buying point profile survey following the instructions issued during the 2001 crop year.

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### 2 Responsibilities (Continued)

#### F Buying Point Responsibilities

Buying points shall do the following.

Step	Action
1	Install peanut buying point hardware and software following the instructions provided by the affiliated peanut handler/sheller.
2	Continue to use the assigned buying point number and handler number.  <b>Note:</b> New buying point numbers will be assigned by AMS. Refer to Exhibit 1 for FSIS contact information.
3	Follow the instructions issued by the handler/sheller about FSA-1007 processing and transmissions.
4	Contact affiliated handler/sheller representative for technical software support.
5	Inform peanut producers that warehouse-stored MAL's will be processed based on the Warehouse Receipt for Peanuts.
6	Contact FSIS, AMS for questions about peanut grading and inspection.
7	Direct peanut producers to local County Office for questions about warehouse-stored MAL's and LDP's.
8	Create a backup of all FSA-1007 transmissions and keep the backup until all marketings for the 2003 crop year have been reconciled.

#### G FSIS, AMS Responsibilities

FSIS, AMS shall do the following.

Step	Action
1	Continue to assign buying point numbers and notify KCAO and PSD of newly assigned numbers.
2	Continue to use the assigned buying point number and handler number.
3	Sign and date FSA-1007, Section I (Inspection Certification – Farmer's Stock Peanuts).
4	Approve superseded FSA-1007 to correct errors in Section I of a transmitted FSA-1007.
5	Handle questions about grading and inspection.

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### 2 Responsibilities (Continued)

#### H DACO Responsibilities

DACO shall do the following.

Step	Action
1	Handle questions about peanut warehouses storing farmer's stock peanuts offered as collateral for warehouse-stored MAL's.
2	Handle issues about rates for storage, handling, and associated costs for warehouse-stored loan collateral and forfeited peanuts.
3	Handle questions about Peanut Storage Agreement and Warehouse Receipt for Peanuts.

### 3 Marketing of Segregation 2 and Segregation 3 Peanuts

#### A Loan Rates for Segregation 2 and 3 Peanuts

Segregation 2 and 3 peanuts are eligible for a nonrecourse MAL or LDP. The quantity of Segregation 2 and 3 peanuts eligible for loan or LDP shall be the Net Weight (excluding foreign material and excess moisture) of the load, and including the LSK pounds or ton.

If the FSIS inspector determines that the load of farmer's stock peanuts graded Segregation 2 or 3, then the MAL rate shall be discounted to 35 percent of the applicable loan rate.

Segregation 2 and 3 peanuts pledged as collateral for loan:

- will be discounted to 35 percent of the national loan rate for the applicable type
- will **not** be subject to any other discounts.

Segregation 2 and 3 peanuts are eligible for LDP. Eligible quantity will be based on net quantity according the acceptable production evidence.

#### B Reinspecting Segregation 3 Peanuts

Farmer's stock peanuts graded Segregation 3 may be reconditioned at the buying point to remove foreign material and loose-shelled kernels. The second inspection shall be the final grade. When a load of peanuts is presented for regrade, a copy of FV-95 must be presented to the inspector to identify the load.

#### C 72-Hour Rule

The 72-hour rule, which was in effect during the 2001 crop year, will **not** apply under current procedures. The load of peanuts can be reinspected anytime after the initial inspection has been completed.

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### 4 Peanuts Harvested for Green Peanut

#### A Definition of Green Peanuts

Peanuts harvested as green peanuts are eligible for LDP's. Green peanuts are peanuts which, before drying or removal of moisture from the peanuts either by natural or artificial means, are marketed by the producer for consumption exclusively as boiled peanuts.

#### B Using NAP Crop Planting Periods

To ensure that producer receives LDP program benefits for the applicable crop years production, County Offices are requested to use the NAP crop planting periods to establish final planting and harvest dates for green peanuts since there is a wide range of planting and harvest dates in some States.

#### C NAP Crop Information Tables

NAP Crop Information Tables are available in 1-NAP, Exhibit 7.5.

**Note:** County Offices must determine the maximum eligible quantity according to 8-LP, paragraph 536.

### 5 Statement of Charges

#### A Authorizing Offsets of Unpaid Charges

8-LP, paragraph 410 provides policies for authorizing offsets of amounts, contained on a separate statement of unpaid charges or a separate bill for unpaid charges, from the loan proceeds. These charges must be associated with the:

- handling of the commodity represented by the warehouse receipt
- marketing of the commodity pledged for loan collateral.

For peanuts, County Offices are authorized to offset charges associated with cleaning and drying of peanuts from the producer's loan proceeds. These charges are not considered a lien, but they must be included on CCC-679, item 8 (3), if an offset will be made for these charges.

#### B Request for Additional Charges To Be Offset

State and County Offices must request DAFP concurrence for any charges, except for cleaning and drying costs, associated with the handling of peanuts that will be offset from a producer's loan proceeds.

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### 6 Minimum Quality Standards

#### A Segregation 1 Peanuts

Farmer stock peanuts with not more than 2.49 percent damaged kernels nor more than 1 percent concealed damage caused by rancidity, mold, or decay and which are free from visible *Aspergillus flavus*.

#### B Segregation 2 Peanuts

Farmers stock peanuts with more than 2.49 percent damaged kernels or more than 1 percent concealed damage caused by rancidity, mold, or decay and which are free from visible *Aspergillus flavus*.

#### C Segregation 3 Peanuts

Farmers stock peanuts with visible *Aspergillus flavus*.

#### D Loan Eligibility

For loan eligibility:

- peanuts must not contain more than 10.49 percent moisture
- peanuts, which contain more than 10.49 percent foreign material will be discounted according to the discount table provided in Notice PS-479.

### 7 Designation of Agent (CCC-605P, CCC-605P-1, and CCC-605P-2)

#### A Producer Responsibility

Producers may designate an agent to redeem all or a portion of the peanuts pledged as collateral for MAL.

Designation of an agent does not relieve the producer from the terms and conditions of the note and security agreement. Agents designated may transfer the designation to a subsequent agent on CCC-605P by endorsement. Agents who are subsequently designated may transfer the designation to other subsequent agents on CCC-605P-2 by endorsement. See Notice LP-1925 for additional beneficial interest policy for peanuts.

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### 7 Designation of Agent (CCC-605P, CCC-605P-1, and CCC-605P-2) (Continued)

#### B Authorized Signatures of Agents

Each sheller/handler or entity must provide a listing of authorized agent/representative with sample signatures for designated agents from their company to the State Office. The State Office will provide a copy of all authorized agents' signatures to each peanut County Office in their State.

#### C Clarification

CCC-605P, item 12 will only need to be signed by the agent if it is a commodity certificate redemption.

### 8 Peanut Marketing Assistance Loans and LDP Provisions

#### A Peanuts Harvested for Hay

Peanuts harvested for hay are eligible for LDP's. County Offices must determine the maximum eligible quantity.

#### B Warehouse Storage Load-In Charges

The 2002 Act authorized CCC to pay handling, storage, and associated costs for all peanuts placed under loan for the 2002 through 2006 crop years. For the 2003 crop year, the applicable rate will be based on the State where the storing warehouse is located. The load-in payments for peanuts will be paid to the "Parent Warehouse" on a monthly basis. 2003 warehouse rates were issued in Notice LP-1938.

CCC will pay storage charges accrued from the date **all** documents required from the producer for the peanuts warehouse-stored loan are provided to the County Office through the date of the repayment or forfeiture.

**Note:** Storage credit and load-in charges will be paid on warehouse-stored loan collateral peanuts only.

#### C North Carolina Warehouse Rate

The North Carolina load-in charge rate is \$36.75 as determined by the State where the warehouse is located. This rate includes \$30.00 plus the initial grading and inspection fee assessed by the North Carolina, AMS, Federal State Inspection Service.

## Notice LP-1939

### 8 Peanut Marketing Assistance Loans and LDP Provisions(Continued)

#### D Beneficial Interest

Producers **must** have beneficial interest in the peanuts at the time of the request to obtain MAL or LDP. Beneficial interest consists of the producer maintaining control of the commodity, risk of loss, and title to the commodity. If any of these are lost, the producer does not have beneficial interest in the peanuts. There are **no** provisions for waiving beneficial interest for the 2003 and subsequent crop years.

**Note:** For the 2003 crop year only, FSA-1007 may be considered acceptable production evidence only if a producer has filed a completed CCC-709 LDP and the peanuts are immediately sold upon delivery. The date the peanuts are sold will be the date printed in the "Date Delivered for Immediate Sale" field under the columns R, S, and T on FSA-1007 and is the date to be used when determining when beneficial interest is lost. This date should **not** exceed 72 hours from the date of inspection in FSA-1007, Section I. Notice LP-1917 should be used as a guide when determining beneficial interest for peanuts.

#### E Loan Service Fee

The service fee for peanut loans shall be the smaller of:

- $\frac{1}{2}$  of 1 percent times the gross loan amount
- \$45 per loan, plus \$3 for the receipt more than 1.

#### F Eligible Farm Storage

Peanuts stored in approved farm-storage structures are eligible for farm-stored loans. Eligible farm storage structures must be:

- located on or off of the farm, excluding public warehouses
- provided safe storage for the peanuts through the loan maturity date
- measurable.

Peanuts can be stored in bags if all of the conditions provided in 8-LP, paragraph 424 are met for storing commodities in bags. Peanut wagons are considered eligible storage structures for farm-stored loans.

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### 8 Peanut Marketing Assistance Loans and LDP Provisions(Continued)

#### G National Posted Price (NPP)

NPP for peanuts will:

- be announced each Tuesday at 3 p.m. e.t. for each of the 4 types of peanuts
- become effective on Wednesday at 12:01 a.m.

These rates are used to determine the alternative loan repayment rates for MAL's and to determine LDP's. Producers will repay outstanding peanut MAL's at a rate that is the lesser of the principal plus interest, or NPP. When NPP for peanuts is less than the national loan rate for the applicable type, producers can request LDP instead of a loan.

The rates can be obtained at <http://www.fsa.usda.gov/dafp/psd/peanut.htm>.

#### H Peanut Electronic Warehouse Receipt Pilot

PSD has been authorized to develop a pilot project to handle electronic warehouse receipts (EWR) for peanuts for the 2003 crop year. For the pilot project, EWR, Inc., (provider) will be the provider and will be responsible for maintaining a central database for all EWR's for peanuts. Following the guidelines issued by FSA, the provider, operating under an agreement with DACO, shall:

- issue, store, transfer, and cancel the movement of the EWR information in a secure manner
- provide PSD with warehouse receipt data which shall be used by the FSA county system to process loans and LDP applications.

Additional information will be provided in future policy and instruction notices.

## Notice LP-1939

### 8 Peanut Marketing Assistance Loans and LDP Provisions(Continued)

#### I Determining Loan and LDP Quantities

Eligible quantities for:

- loans on warehouse-stored Segregation 1, 2, and 3 peanuts shall be the “Total Tons”, which is the sum of “Net Pounds/Tons” and “Net LSK Pounds/Tons”, from the Warehouse Receipt
- LDP's requested on all grades of peanuts using:
  - a Warehouse Receipt shall be the “Total Tons” which is the sum of “Net Pounds/Tons” and “Net LSK Pounds/Tons”
  - FSA-1007 shall be the “net weight” provided on Section II, item G.

**Note:** See Exhibit 2 for examples.

### 9 FSA National Help Desk Technical Assistance

#### A Contact Information

Designated handler/sheller representatives may call the FSA National Help Desk at 816-926-1552 for technical support relating to FSA-DCC and FSA-1007 transmissions.

#### B Hours of Operation

FSA National Help Desk calls:

- will be answered directly Monday through Friday from 8 a.m. to 5:30 p.m. c.s.t.
- received after workhours will be recorded by voicemail and returned the next workday morning.

**FSIS Contact Information**

The following are FSIS contact persons, addresses and telephone numbers.

<b>Southeast (Georgia, Alabama, and Florida)</b>	
<b>Federal Contacts</b>	<b>State Contacts</b>
<p>Mr. Bill Norrell                      Mr. Robert Spann                      Federal Program Managers                      USDA, AMS, FVP, Fresh Products Branch                      PO Box 3999                      Haines City, FL 33845-3999</p> <p>Telephone: 863-421-0973                      FAX: 863-421-6783</p>	<p>Mr. Donald Dozier                      Alabama Federal-State Inspection Service                      PO Box 1368                      Dothan, AL 36302                      Telephone: 334-792-5185; FAX: 334-671-7984</p> <p>Mr. Ben Shoemaker                      Florida Federal-State Inspection Service                      PO Box 566                      Graceville, FL 32440                      Telephone: 850-263-3204; FAX: 850-263-7382</p> <p>Mr. Charles Beasley                      Florida Federal-State Inspection Service                      PO Box 1072                      Winter Haven, FL 33882-1072                      Telephone: 863-291-5820; FAX: 863-291-5215</p> <p>Mr. Donnie Harris                      Georgia Federal-State Inspection Service                      PO Box 71767                      Albany, GA 31708-1767                      Telephone: 229-432-7505; FAX: 229-438-8920</p>

**FSIS Contact Information (Continued)**

<b>Virginia-Carolina (Virginia, North Carolina, and South Carolina)</b>	
<b>Federal Contacts</b>	<b>State Contacts</b>
<p>Mr. Robert Martin                      Mr. Milton Gray                      Federal Program Managers                      USDA, AMS, FVP, Fresh Products Branch                      PO Box 1326                      Williamston, NC 27892-1326</p> <p>Telephone: 252-809-1116                      FAX: 252-809-4925</p>	<p>Mr. Wayne Bryant                      NCDA Cooperative Grading Service                      PO Box 588                      Williamston, NC 27892                      Telephone: 252-792-1672; FAX: 252-792-4784</p> <p>Mr. Jimmy Martin                      SCDA, Inspection Service                      PO Box 13391                      Columbia, SC 29201                      Telephone: 803-737-4597; FAX: 803-737-4667</p> <p>Mr. S.S. Webb, Jr.                      VDACS, Peanut Marketing Program                      PO Box 1130                      Suffolk, VA 23434                      Telephone: 757-925-2286; FAX: 757-925-2275</p>

**FSIS Contact Information (Continued)**

<b>Southwest (Texas, Oklahoma, New Mexico, and Arkansas)</b>	
<b>Federal Contacts</b>	<b>State Contacts</b>
<p>Mr. Dave Markwardt                      Mr. Gary Verheek                      Federal Program Managers                      USDA, AMS, FVP, Fresh Products Branch                      N. Pointe Office Park, Suite 530                      7505 NW Tiffany Springs Parkway                      Kansas City, MO 64153</p> <p>Telephone: 816-880-4690                      FAX: 816-880-4692</p>	<p>Mr. Jerry Shugart                      Texas Cooperative Inspection Program                      PO Box 368                      Gorman, TX 76454                      Telephone: 254-734-3006; FAX: 254-734-3009</p> <p>Mr. Stacy Gerk                      New Mexico Federal-State Inspection Service                      PO Box 483                      Portales, NM 88130                      Telephone: 505-356-8393; FAX: 505-356-6464</p> <p>Mr. Dave Markwardt                      Mr. Gary Verheek                      USDA, AMS, FVP, Fresh Products Branch                      PO Box 1205                      McCloud, OK 74851                      Telephone: 405-964-6143; FAX: 405-964-6145</p>

**Example of Determining Eligible Loan and LDP Quantities**

**Example 1** Using a warehouse receipt to determine the eligible loan quantity.

Producer A presents a warehouse receipt and makes a requests for a loan on Segregation 1, 2, or 3, Runner type peanuts. The warehouse receipt contains the following information:

- “Net Pounds” = 8,200
- “LSK Pounds” = 165

Eligible Quantity:

- Pounds:  $8,200 + 165 = 8,365$
- Tons:  $8,365 \div 2,000 = 4.18$

Loan Rate Per Ton of Segregation 1; Runner Peanuts:

\$355.98

Loan Amount:

$\$355.98 \times 4.18 = \$1,488.87$

Loan Rate Per Ton of Segregation 2 and 3; Runner Peanuts:

35 percent of \$355.98 = \$124.59/ton

Loan Amount:

$\$124.59 \times 4.18 = \$520.79$

**Note:** Premiums and discounts were **not** applied to this example.

**Example of Determining Eligible Loan and LDP Quantities (Continued)**

**Example 2** Using a warehouse receipt as production evidence to determine eligible LDP quantity.

Producer B presents a warehouse receipt and makes requests for LDP on Segregation 1, 2, or 3, Virginia type peanuts. The warehouse receipt contains the following information:

- “Net Pounds” = 10,000
- “LSK Pounds” = 345

Eligible Quantity:

- Pounds:  $10,000 + 345 = 10,345$
- Tons:  $10,345 \div 2,000 = 5.17$

Loan rate Per Ton of Segregation 1; Virginia Peanuts:

\$353.27

National Posted Price for Virginia Peanuts:

\$341.66

LDP Rate Per Ton of Virginia Peanuts:

$\$353.27 - \$341.66 = \$11.61/\text{ton}$

LDP Amount:

$\$11.61 \times 5.17 = \$60.02$

**Example of Determining Eligible Loan and LDP Quantities (Continued)**

**Example 3** Using FSA-1007 as production evidence to determine eligible LDP quantity.

Producer C presents FSA-1007 and makes a request for LDP on Segregation 1, 2, or 3, Valencia type peanuts. FSA-1007 contains the following information:

Section II, item G of FSA-1007 shows “Net Weight” = 6,000 pounds

Eligible Quantity:

- Pounds: 6,000
- Tons:  $6,000 \div 2,000 = 3$

Loan Rate Per Ton of Segregation 1; Valencia Peanuts:

\$353.27

National Posted Price for Valencia Peanuts:

\$338.66

LDP Rate Per Ton of Valencia Peanuts:

$\$353.27 - \$338.66 = \$14.61/\text{ton}$

LDP Amount:

$\$14.61 \times 3 = \$43.83$