

For: State and County Offices

2003 Peanut Repayment Policies

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

The peanut loan repayment software is currently not calculating an accurate repayment amount for Segregation I warehouse stored loans because of the manner in which loose-shelled kernels are being handled within the calculation. This has caused a problem with the market gain not being equal to LDP and incorrect interest calculations. County Offices are advised to discontinue processing peanut repayments of Segregation I warehouse stored loans using APSS.

Since peanut marketing assistance loans may be repaid at any time during the 9-month loan period, accept peanut repayments based on an estimated amount.

B Purpose

This notice advises State and County Offices to:

- immediately discontinue using APSS to process Segregation I warehouse stored loan peanut repayments
- use instructions in this notice to calculate estimated repayment amounts and deposit repayment amounts on a manual schedule of deposit while APSS is inoperable.

| Disposal Date | Distribution |
|----------------------|--|
| August 1, 2004 | State Offices; States Offices relay to County Offices and Peanut CMA's and DMA's |

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2 Peanut Market Loan Repayments

A Market Loan Repayments

The market loan repayment provisions allow producers to repay outstanding marketing assistance loans at the alternative repayment rate. When the National Posted Price (NPP) is less than the principal plus interest for the outstanding peanut marketing assistance loan, the loan repayment rate is NPP in effect on the date of the repayment.

The difference between the loan rate and NPP is the market loan gain. When peanut loans are redeemed at NPP, all or some of the loan interest may be waived and the repayment amount is reduced by storage credit.

Note: Waived interest and storage credit are **not** subject to payment limitation.

Producers may request a market loan repayment:

- on all grades of peanuts, including Seg 2 and 3 if NPP is below the loan rate
- at anytime during the 9-month loan period
- when NPP is less than the principal plus interest.

B Accepting Market Loan Repayments When Marketing Assistance Loans Have Not Been Disbursed

Marketing assistance loans may not be redeemed if the loan has not been disbursed. If a producer has a loan request on file and the loan has not been approved and disbursed, then the producer may request an immediate commodity certificate exchange by:

- canceling the original loan request
- requesting a subsequent loan and an immediate commodity certificate exchange on the same day.

Note: The requested commodity must meet all eligibility requirements at the time of the loan request.

In case of warehouse-stored loans, warehouse receipts cannot be released to the producer or a buyer until a loan has been disbursed and redeemed.

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2 Peanut Market Loan Repayments (Continued)

C Accepting and Processing Market Loan Repayments After Loans Are Disbursed

Since the County Office is unable to process the repayment in APSS, County Offices shall estimate the repayment amount for cash repayments by:

- multiplying the outstanding loan amount by the applicable NPP
- **not** reducing the estimated repayment rate by storage credit.

County Offices shall release the warehouse receipts and explain to producers that the repayment amount is an estimated amount and the producer may either:

- receive a refund
- be required to repay any outstanding loan amount due.

Note: Commodity certificate repayments **cannot** be processed in APSS unless the repayment amount is equal to the exact loan repayment amount due. County Offices shall **not** estimate commodity certificate repayments.