

**For:** FSA Offices

**Excess Moisture (EM) Commodities**

**Approved by:** Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

EM commodities are defined as eligible loan commodities with moisture levels that exceed the applicable standard moisture levels, according to 2-LP Grains and Oilseeds. Beginning with 1998 crop, EM commodities became eligible for nonrecourse and recourse marketing assistance loans (MAL's).

MAL reports indicate that a limited number of EM commodities were placed under loan in crop years 1998 through 2002. Most producers elected to forgo MAL to request LDP for EM quantities. Since the alternative repayment rate for many loan eligible commodities is above the base county loan rate, the number of EM commodities placed under loan may increase in crop year 2004.

State and County Offices have requested guidance on MAL policies for EM commodities pledged as collateral to secure MAL.

EM commodities that exceed the STC's established moisture levels are eligible for recourse loans only.

**B Purpose**

This notice:

- informs States and County Offices of MAL policies for EM commodities
- requires STC to establish moisture levels.

<b>Disposal Date</b>	<b>Distribution</b>
June 1, 2005	All FSA Offices; State Offices relay to County Offices

## Notice LP-1965

### 2 Excess Moisture MAL Policies

#### A STC Action

EM commodities with moisture levels that exceed the applicable standard moisture levels, according to 2-LP Grains and Oilseeds, but are at or below the STC acceptable moisture levels are eligible for nonrecourse MAL's. EM commodities that exceed the STC established moisture level are eligible for recourse loans only.

STC's must set moisture levels for each commodity to determine moisture levels eligible for nonrecourse loan. STC established moisture levels must be documented and included in the STC minutes.

#### B EM Nonrecourse MAL's

EM quantities pledged as collateral for a nonrecourse MAL shall be:

- disbursed at 100 percent of the applicable loan rate of the quantity
- reduced to reflect the standard moisture levels according to 2-LP Grains and Oilseeds.

For settlement of EM commodities, any quantity delivered to CCC will be adjusted based upon the established schedule of premiums and discounts and the additional schedule of discounts. In some cases, the settlement rate may be zero. In those cases, the producer will be responsible for repayment of the entire principal plus interest.

**Note:** Shrink factors shall be applied according to 8-LP, Exhibit 4, when adjusting the quantity for moisture.

#### C EM Recourse Loans

EM quantities pledged as collateral for recourse loans may or may **not** be adjusted to reflect the standard moisture level. If the producer has the capability to dry the EM commodity, the EM quantity must be adjusted to reflect the standard moisture level, according to 2-LP Grains and Oilseeds. Discounts for moisture will **not** be applied to the base county loan rate if the quantity is adjusted for moisture.

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### 2 Excess Moisture MAL Policies (Continued)

#### C EM Recourse Loans (Continued)

The applicable base county loan rate must be adjusted for:

- the higher of the following:
  - grade based on test weight, if applicable for the commodity
  - test weight
- excess moisture, if the producer does **not** have drying capabilities.
- commodity crop year specific schedule of premiums and discounts and, if applicable, the additional schedule of discounts.

Commodities pledged as collateral for a recourse loan are ineligible to be repledged for a nonrecourse loan.

#### D Loan Deficiency Payments for EM Commodities

EM commodities eligible for nonrecourse loans are eligible for LDP. The LDP rate will be calculated based on the full loan rate.