

For: State and County Offices, CMA's, DMA's, and LSA's

PSD Streamlining Suggestions

Approved by: Deputy Administrator, Farm Programs



1 Streamlining Suggestions for PSD

A Background

At the request of DAFP, suggestions were submitted from State and County Offices about streamlining FSA programs and functions. Each suggestion has been carefully reviewed to determine the impact of the suggestion on producers, statutory limitations, and if the suggestion would benefit all counties across the nation.

This notice responds to suggestions about programs and functions related to Price Support programs. Similar suggestions may have been consolidated and only addressed once.

B Purpose

This notice provides responses to streamlining suggestions related to Price Support programs.

Note: See Exhibits 1 through 7.

Disposal Date	Distribution
March 1, 2006	State and County Offices; State Offices relay to County Offices, CMA's, DMA's, and LSA's

Combination of Marketing Assistance Loan (MAL) and Loan Deficiency Payment (LDP) Streamlining Suggestions

Suggestion: CCC-666 is not needed when a measured loan or LDP is requested.

Suggestion: 8-LP, subparagraph 427 A requires the completion of CCC-666 and FSA-409 when a measured loan or LDP is requested. CCC-666 would not be needed if FSA-409 identifies that the measurement service is for a requested loan or LDP. This would save time and paper costs by eliminating CCC-666 and only using FSA-409.

Response: FSA-409 is a request for measurement service only and is used for multiple programs. CCC-666 is the official request for a farm-stored loan and provides the certification applicable to farm-stored loans that must be signed by the producer. If a producer requests a measurement service to determine the quantity to be placed under loan, FSA-409 must be completed, as applicable. FSA-409 and CCC-666 do not provide the same functions.

Suggestion: Before the final loan availability date, producers may re-offer as security or repledge collateral for a loan on any commodity that has been previously mortgaged or pledged. Loans repaid should remain repaid.

Response: Loans repaid at principal plus interest remains eligible for MAL or LDP if repaid within the loan availability period. As long as the commodity and producer remain eligible for MAL, FSA has no authority to deny a producer the right to obtain MAL.

Suggestion: Any corrections to a warehouse receipt shall be made by the warehouseman issuing the warehouse receipt. In the past, warehousemen provided written documentation to the County Office to make necessary changes on the warehouse receipt. It is time-consuming to send the warehouse receipt back and forth, not to mention the chance of losing the receipt in the mail.

Response: Parties issuing a warehouse receipt are responsible for making all changes necessary to a warehouse receipt. County Offices are not authorized to make changes to a warehouse receipt because of possible liability issues.

Suggestion: For budgetary considerations, eliminate the certificate exchange repayment option.

Response: Legislation would be required to eliminate the commodity certificate exchange provision from the MAL program.

Suggestion: Second party reviews on loans, in addition to the program technician processing the loan and CED approving and signing off on it, is just busy work and unnecessary.

Response: Second party reviews are required to ensure that all transactions are performed as accurately as possible. Proper financial internal controls are required, including second party reviews.

**Combination of Marketing Assistance Loan (MAL) and Loan Deficiency Payment (LDP)
Streamlining Suggestions (Continued)**

Suggestion: The COR requirement to have a copy of the lien search in each loan file is overkill. When the producer has several loans, 1 would suffice.

Response: Sufficient documentation must be provided in the loan folders to support MAL approval. The COR staff randomly selects MAL to review for compliance. To satisfy the compliance reviews, all required documentation must be provided; therefore, it is necessary to include a copy of the lien search in each file folder to ensure that program eligibility requirements were met.

Suggestion: 8-LP, paragraph 126 states that STC must annually determine the maximum acceptable moisture levels for commodity crops. Why is it necessary for STC to annually determine maximum acceptable moisture levels for high moisture and excess moisture commodity crops? Once established, why would we expect STC to change the level from 1 year to the next? Can the procedure be changed to say the levels are established until further notice?

Response: Each crop year, current weather and environmental conditions may warrant a change to the moisture levels previously established. These adjustments are necessary on a year-to-year basis to make commodities eligible for nonrecourse MAL and LDP. Without STC-approved moisture levels, producers would only be eligible for a recourse loan above the Uniform Grain and Rice Storage Agreement approved standards for moisture and would not be eligible for LDP.

Suggestion: It is my understanding the industry standard for corn moisture has been reduced to 15.0 percent from 15.5 percent. Will our handbooks be updated to match the industry standard so we are the same in the future?

Response: The current United States Grain Moisture Standard for corn is 15.5 percent. Our handbook reflects the U.S. Grain Standards.

Suggestion: 8-LP, paragraph 132 requires STC, or designee, to annually review 25 percent of estimate yields established by COC's. All of the counties have been reviewed in the last 4 years. Checking this number of counties seems excessive. This is time-consuming for the County Office to pull the data together and also for STC to review.

Response: A policy decision has been made to decrease the requirement to annually review 25 percent of estimate yields established by COC to 15 percent. A future amendment to 8-LP will reflect the change.

Combination of Marketing Assistance Loan (MAL) and Loan Deficiency Payment (LDP) Streamlining Suggestions (Continued)

Suggestion: Discontinue performing measurement “service” for MAL and LDP applications. Reduced staffing (permanent and temporary) makes this very difficult to perform in a timely manner.

Response: Producers may request a certified MAL or LDP based on production evidence or by requesting the County Office to perform a measurement service. As long as a producer wants to request a measurement service for a measured loan or LDP, FSA has no authority to deny the producer the right to obtain this service.

Suggestion: Require producers with CMA uniform marketing agreements to obtain loan or LDP benefits through CMA.

Response: This suggestion is under consideration and resulting policy will be issued in a future CMA notice.

Suggestion: Discontinue the requirement for County Offices to retain hard copy of each day’s LDP rates. It is archived on the web.

Response: The requirement to retain a hard copy of the daily LDP rates has been reviewed and County Offices are no longer required to retain a hard copy of daily LDP rates. Procedure will be updated to reflect this change in a future amendment to 8-LP.

Suggestion: 8-LP, subparagraph 951 E states that the delivery period for CCC-681-1 may be either 15 or 30 calendar days, while CCC-697 has a 60-calendar-day expiration date. It would be less confusing and save time if CCC-681-1 would expire the same day as CCC-697.

Response: CCC-681-1 and CCC-697 serve entirely 2 different functions. CCC-681-1 allows for the marketing of the loan collateral while the commodity remains mortgaged to CCC, a service that provides flexibility to the producer in marketing the commodity by delivering the commodity before repayment of the marketing assistance loan. The time allotted on CCC-681-1 should not exceed the expected time required for the commodity to be delivered, which is usually 15 or 30 calendar days.

On the other hand, CCC-697 allows a producer to lock in a repayment rate for 60 calendar days, which provides the producer marketing flexibility and the opportunity to maximize the return on the commodity.

Suggestion: Recently, beneficial interest requirements were removed for hybrid seed corn producers. For producers of this crop, an LDP rate will be calculated as of the earlier date the producer receives any payment or the date of delivery. Since the beneficial interest requirements have been relaxed for this crop, it is recommended to consider this action for all loan commodities. This would reduce the amount of time it takes to review all grower contracts for beneficial interest eligibility, and would reduce County Office workload.

Response: The statute requires that the beneficial interest requirement for hybrid seed corn be suspended and does not allow the suspension of beneficial interest for any other commodity.

Combination of Marketing Assistance Loan (MAL) and Loan Deficiency Payment (LDP) Streamlining Suggestions (Continued)

Suggestion: Farmers think in bushels not hundredweight (referring to grain sorghum). Change unit of measurement for grain sorghum.

Response: The unit measure for grain sorghum is provided in hundredweight. Currently, APSS is programmed to only accept grain sorghum in hundredweight. A major software enhancement would be necessary to change from hundredweight to bushels, and because of budget constraints, FSA is unable to accommodate this type of software enhancement to APSS. This suggestion will be considered under future software development under MIDAS.

Suggestion: Beneficial interest procedure could be simplified to state that beneficial interest is lost upon the earlier of an actual payment or delivery to an elevator unless the elevator issues a warehouse receipt. This would eliminate the problems we have experienced with producers attempting to circumvent policy and obtain free storage since the LDP rate went up the day after the grain was delivered.

Response: A producer is considered to have beneficial interest in the commodity if the producer has control, risk of loss, and title to the commodity. In some cases, producers do not lose beneficial interest in the commodity upon delivery because elevators offer free storage to producers. Determining exactly when a producer will lose control is currently under review.

Suggestion: Procedure for small amount due is outdated. Update from \$9.99 to \$24.99.

Response: The change from \$9.99 to \$24.99 is with regard to writing off small balances. If the guidelines at 58-FI, paragraph 114 are met, then the small debt amount may be written off. However, every effort should be made to collect this debt.

Suggestion: Pulse crop loan settlement discounts are not available to county staff. Policy currently requires County Offices to contact PSD for low quality and sample grade discounts. This policy requires County Offices to contact PSD every time a producer requests to know the settlement value before delivery. Producers will not decide to deliver the loan or repay it until they know if the settlement value will be less than the market price. This will delay loan settlements, and require considerable staff time just to provide producers with loan discount information. In addition, there is no schedule for reference as described in CCC-601, which will generate appeals and FSA policy will not be defensible at NAD hearings.

Suggestion: We have discussed the pulse crop discount issue with PSD. PSD was informed of the potential for problems with not having a defined discount schedule for the pulse crops. The PSD solution in this case requires additional staff involvement at all levels, delays providing information to producers, and may generate more NAD appeals because of the difficulty in linking the loan note Terms and Conditions to the policy.

**Combination of Marketing Assistance Loan (MAL) and Loan Deficiency Payment (LDP)
Streamlining Suggestions (Continued)**

Response: This is in response to the above 2 suggestions. All commodity grade and additional premiums and discounts are determined by KCCO under DACO and are determined at the beginning of each crop year. To date, there have not been discounts established or published for pulse crops.

To assist State and County Offices, it was determined that PSD be contacted for a settlement rate for low quality or sample grade discounts. This is not necessary if the pulse crops are grading U.S. Number 1, 2, or 3. Once the State Office notifies PSD of the need for a settlement rate, PSD requests the rate from KCCO. County Offices should only provide a settlement rate once the commodity has been delivered to CCC. This settlement rate is based on the quality factors of the commodity delivered. It is the producer's responsibility to make a management decision before loan maturity if a loan will be repaid or delivered to CCC in satisfaction of the loan liquidation.

LDP Streamlining Suggestions

Suggestion: Replace LDP's with county average price deficiency payments like we used to have. There would be a huge savings in staff time and programming required by LDP's. It would be fairer than LDP's, which pay nothing to the producer who lost his or her crop, and the payment could be fully automated. It would also be much easier to staff for versus the erratic demands of LDP's.

Response: LDP's are not to be confused with the county average price deficiency payment program that was in effect during the 1980's. LDP is defined as a payment to producers who are eligible for MAL and who agree to forgo the loan instead of LDP. The statute does not allow for replacing LDP's with any other type of payment.

Suggestion: Combine CCC-633 and CCC-709.

Suggestion: Instead of signing CCC-709 for each crop, is it possible to put a statement in the certification block of FSA-578 making the producer eligible for LDP's provided all other eligibility is met? If the producer will be storing grain, the same statement as on CCC-709 could be included. The statement concerning a delinquent tax debt could be placed on the payment eligibility paperwork or when completing the adjusted gross income paperwork. This would cut down considerably when taking an acreage report.

Suggestion: Incorporate CCC-709 requirements into FSA-578, and eliminate CCC-709. By signing FSA-578, the crops would become eligible for field-direct LDP's with the LDP rate based on the date beneficial interest was lost (sold, fed). The producer would still be required to file CCC-633 LDP for stored LDP requests. This would cut down on the number of appeals concerning LDP's drastically.

Suggestion: CCC-633 LDP's require producers to initial several items under "Terms and Conditions" in Part A. Many CCC-633 LDP's have multiple producers sharing in the request. All producers sharing are required to initial and sign. The blocks provided do not provide enough space for multiple initials.

When all producers do not initial as required, County Offices must copy and return CCC-633 LDP for the missing items. That requires additional time for processing, adds employee work for handling applications more than once, and delays payment to the producers.

Response: The new CCC-633EZ is the answer to the above 4 suggestions. This new form replaces CCC-633 LDP and CCC-709, in addition to CCC-Cotton-AA. See Notices LP-1997 and LP-1999.

LDP Streamlining Suggestions (Continued)

Suggestion: All producers requesting LDP's for multiple county benefits should be able to process in 1 County Office rather than multiple County Offices.

Response: This suggestion has merit and policy is currently under review.

Suggestion: If acres from FSA-578 are used and COC establishes the maximum bushels acceptable for LDP, it would seem that making manual revisions to FSA-578 is a time-consuming process that is redundant. The eLDP would eliminate the need to revise intended uses on acreage reports manually.

Response: Manual revisions to FSA-578 are applicable for graze-out payments only. 8-LP has been amended to clarify this procedure. FSA-578 must indicate grazing for producers to meet eligibility requirements under the graze-out program.

Suggestion: Eliminate CCC-633EW. CCC-633EW is currently being used to determine maximum bushels eligible for LDP, especially when multiple farms are involved (8-LP, paragraph 536). eLDP should eliminate the need for a manual tracking if the County Office is correctly entering the maximum quantity eligible for LDP in the producer's profile. COC will determine the maximum bushels eligible, for other than grain use as well as grain use, and that assignment of yield could be made, noted in the COC minutes, and carried out through the producer's profile. Again, limited resources make completion of manual forms redundant when the eLDP system is in place.

Response: CCC-633EW is a worksheet used to determine the maximum quantity a producer could have when comparing commodities harvested as other than grain to a whole grain yield. In addition, CCC-633EW is identified as a form of production evidence for producers who feed their commodities. It is important to realize that the eLDP process will identify maximum quantity for payment limitation purposes, but CCC-633EW is a tool for producers in reporting production.

Suggestion: 8-LP, paragraph 519 requires the recording of a discrepancy in LDP bushels regardless of how minor the discrepancy is. FSA has had much more liberal approaches of tolerance for other programs, such as Ewe Lamb Replacement Retention Program (ELRRP), before requiring a refund. It is believed there needs to be a tolerance for LDP bushels also so County Offices do not have to make corrections for very minor discrepancies.

Response: The tolerance level for both MAL and LDP is 10 percent. MAL and LDP are programs that are different than ELRRP. Tolerance levels for these programs cannot be the same as each program has definite rules regarding discrepancies, shortages, and violations. While a liberal approach can be made for ELRRP, a producer is responsible to repay any amount that cannot be supported by production evidence for MAL and LDP regardless of the amount.

Current shortages that are within tolerance must be recorded in APSS using the violations software. Every effort will be made to improve this process under the MIDAS project.

LDP Streamlining Suggestions (Continued)

Suggestion: For cotton, have a file sequence number on CCC-605. By having a block that the gin enters the number, the County Office could flag electronically without manually pulling folders to obtain information.

Response: CCC-605 has been revised to include the file sequence number. Instructions and the revised CCC-605 were issued in 7-CN, Amendment 27 on October 25, 2005.

Suggestion: Many of the APSS-generated forms are not in a format that is able to be placed in a window envelope. Two such forms are CCC-500 and CCC-681-1. The change will save employees time.

Response: There are requirements that must be adhered to when developing and designing a program form. In the future, every effort will be made to accommodate window envelopes.

Suggestion: Make one LDP payment on an average price per crop for all producers who have not requested MAL at the end of the loan availability period. Not all producers need MAL's for crop financing. An average season LDP rate could be determined, all producers would automatically be eligible for this payment, and this would reduce seasonal LDP activity and, therefore, workload in the County Office.

Suggestion: Pay all producers who certify a crop average an average of loan deficiency, if any, for a certain period of time instead of LDP's.

Suggestion: Do not allow producers to play the posted county price game associated with LDP's. Develop a flat rate based on prices received during the 12-month marketing period and pay that rate to each producer who harvested the crop. This would significantly reduce workload and stress on both County Office employees and producers.

Response: This is in response to the above 3 suggestions. The 2002 Act provides the statutory requirements for implementing LDP's. Along with the authority to provide LDP, the 2002 Act also provides that the LDP rate shall be the amount by which the loan rate for a commodity exceeds the rate at which MAL for that commodity may be repaid. The statute does not allow for any modifications or changes to the LDP rate.

Suggestion: Current beneficial interest requirements for LDP's require considerable staff time to determine eligibility, to determine when lost if not retained, and to process producer appeals when denied. That staff time could be used to provide better customer service and issue timely payments.

Response: The 2002 Act provides that LDP's are available to producers who are eligible to obtain MAL and who agree to forgo obtaining MAL in return for LDP. This includes the requirement for beneficial interest determinations. Because beneficial interest requirements are statutory, determinations cannot be waived.

eLDP Streamlining Suggestions

Suggestion: The eLDP producer profile process must be simplified and tied into the System 36.

Suggestion: Eliminate the requirement to load the eLDP customer profile. Let the system track the eligible quantity available.

Suggestion: Customer profiles should be established when the producer indicates a desire to obtain eLDP. This would reduce unnecessary workload in the County Office.

Response: This is in response to the above 3 suggestions. Current budgetary constraints and resource shortages have prolonged further software development that would provide web-based systems and interface with the eLDP web-based process. Until additional resources are available, customer profiles will be necessary to determine producer eligibility. Once the web-based software processes are developed, the need for the customer profile will be nonexistent.

Spot Check Streamlining Suggestions

Suggestion: For LDP spot checks, leave in the pool for 2 months and then drop. The rules require the farmer to own the commodity at the time LDP is requested. If the commodity will be fed, why do we spend resources trying to establish whether there was sufficient quantity several months after the fact? These take a lot of time. Let us check more LDP's up front if this solves a perceived problem. Again, this is an example of wasted resources. There is no acceptable evidence for a fed commodity after the fact. Either require a paid service inspection up front (with people to do it), or do not worry about it after a reasonable time (not several months).

Suggestion: Hold LDP spot checks until the end of a loan availability period and then conduct spot checks by producer. Spot check procedure for MAL remains unchanged.

Suggestion: Suspend price support bin inspections, and require production evidence when the commodity is sold. Revise spot check methodology to allow a total review of a producer's production at 1 time. If selected, all LDP's and loans would be reviewed.

Suggestion: Only spot check loans monthly. LDP spot checks should be done at the end of the season and should be identified by producer and not by LDP application. This would have an immediate cost savings with office employee and field reporter time and travel. It would not jeopardize the integrity of the program because of no collateral issues tied to LDP's. This change does affect policy requirements according to 8-LP, Part 5, but is not mandated by regulation or law.

Response: This is in response to the above 4 suggestions. The procedure for conducting LDP spot checks has been reviewed and will be changed to provide for one LDP spot check at the end of the year. The policy and procedures are still being drafted and are not in effect until those directives have been issued.

For fed commodities, the producer can request measurement service before feeding or bring in any type of acceptable production evidence to support that the quantity requested for LDP is within the reasonable production from that farm. In cases where the producer has already fed, CCC-633 EW may be completed using any of the methods provided in 8-LP, paragraph 536.

Suggestion: Spot-checking of high moisture corn loans. Spot checks of high moisture structures are at best a guess, not to mention dangerous. As long as the producer is repaying MAL according to the repayment agreement, there is no reason to spot-check these loans.

Response: Commodities that are not stored in safe storage structures are not to be measured. LDP's that cannot be spot-checked because of high moisture commodities stored in structures that cannot be measured are not subject to spot check according to 8-LP, subparagraph 501 C, as long as the maximum eligible quantity has been determined as applicable.

Spot Check Streamlining Suggestions (Continued)

Suggestion: State Office (District Director) requirement to spot check 1 loan and one LDP for each commodity in each county, each year. Are any of these checks necessary as CED is also required to spot check the commodity inspector?

Response: Each State Office may have different requirements for District Directors as well as delegation of duties to CED's. 8-LP requires County Offices ensure that the commodity inspectors are performing their duties properly and each State Office representative is required to annually check one loan and one LDP for each commodity inspector. These quality checks are necessary to maintain the integrity of our programs.

Software Streamlining Suggestions

Suggestion: Implement software to automatically interface commodity loan software to accounting so claims would be automatically recreated as required.

Response: Software will be developed to accommodate this interface when all documentation is complete and resources are available to program the software interface with the accounting claims systems.

Suggestion: Reports that need to be run, such as GRP, should automatically print at the end of the month instead of needing to access the reports to print.

Suggestion: Producer ID searches for web applications should use the last 4 digits of ID, not the entire ID number as now required. For security reasons, only the last 4 digits print on most forms.

Suggestion: The system should be programmed to calculate expiration dates and print them on CCC-681-1's and CCC-697's. The system should also keep a running total of the bushels released and those with expired and unexpired CCC-697's.

Suggestion: Revamp software for establishing a producer profile for a general partnership. Having a drop down box would allow the County Office the ability to add members of the general partnership, thus eliminating the need to exit and re-enter to achieve the required action as we know it today.

Suggestion: Have loan maturity letters print at start of day, like FSFL letters print. This would ensure that letters are sent timely and not missed, plus it would be a time saver.

Response: This is in response to the above 5 suggestions. Because of budgetary and resource constraints, we are not able to enhance APSS to accommodate these suggestions. However, as funds and resources become available, we plan to develop web-based programs of which these suggestions will be considered.

Suggestion: Price support activities are mostly all on-line. Price support software is user-friendly. Making LDP payments through the web will be a time saver to County Offices. Hopefully, the payment rates will be calculated correctly through the web.

Response: FSA is making every effort to provide the payment rates through the web-based eLDP process.

Suggestion: Require all LDP's to be processed via the web-based system. It is more efficient and saves County Office funds, staff time, and postage.

Response: This suggestion is currently in progress. It is FSA's intent to require all LDP's to be processed through the web this fall.

Milk Income Loss Contract (MILC) Streamlining Suggestions

Suggestion: Loading zero pounds of milk in the month when no MILC rate is in effect is unnecessary and takes a lot of time.

Suggestion: Backing out all MILC payments when a producer transfers to another County Office takes a lot of time and creates the increased chances of an error being made.

Suggestion: The entry of zero for milk production for months that do not have a payment rate should be made on a national basis.

Suggestion: 11-LD, paragraph 50 identifies procedure when a dairy operation relocates to another county. Currently, procedure requires the original county to cancel the operation in the computer that creates a debt. Then the new county recreates the application and issues a payment back to the original county to pay off the debt. This process is very time-consuming and allows for multiple errors. If the new county would start the relocated operation at the beginning of a fiscal year, this would still ensure that the maximum amount of pounds is not exceeded and would be less time-consuming as well as allow for less errors occurring during the process.

Response: This is in response to the above 4 suggestions. Web-based software has been developed for MILC. FSA has been testing the e-MILC process in Beta counties. Unfortunately, there has only been 1 month in which a MILC payment has been authorized. Also, the MILC program will expire on September 30, 2005. If legislation authorizing the extension of MILC is received, every effort will be made to consider the suggestions listed above as well as other suggestions that have been postponed because of budgetary and resource constraints with software development.

Farm Storage Facility Loan (FSFL) Streamlining Suggestions

Suggestion: All the paperwork required to issue FSFL is overkill, especially when you consider we can make commodity loans in huge dollar amounts and not have the same amount of paperwork.

Response: Since FSFL's are real estate loans, certain forms are required to protect CCC's interest. This requires additional forms than the forms that must be completed for a customer to obtain benefit under non-real estate programs.

Suggestion: Having FSA farm program personnel struggle through the process of making and closing FSFL's over \$50,000, when farm loan program (FLP) personnel are already the technical experts in this area, is not the best use of our staff.

Response: FSFL's over \$50,000 are done by closing agents; therefore, the county FSA farm program personnel should have minimal amount to do in closing a loan over \$50,000.

Suggestion: Loans for storage facilities for hay would eliminate the need to establish separate storage for different forages.

Response: Hay is not an eligible FSFL commodity.

Suggestion: Facility loans should be more consistent with FLP requirements.

Response: When FSFL was developed, every effort was made to be consistent with FLP loan requirements.

Suggestion: The requirement to process CCC-297 in all cases seems unnecessary.

Response: Severance agreements are standard in all real estate loans where real estate is not taken as a first lien. 1-FSFL, paragraph 118 provides that CCC-297 is not required for FSFL that is secured by a first lien on the underlying real estate, or the Regional Attorney waives the requirement for a severance agreement because State law makes using such an agreement unnecessary.

Suggestion: Multiple printouts of the status of a producer in bankruptcy from the System 36 are excessive.

Response: There currently is no bankruptcy software on the System 36 for FSFL. Therefore, it is unknown as to what the multiple printouts indicated in the above suggestion relates to.

Suggestion: The requirement for a concrete structure to be covered by fire insurance is unnecessary.

Response: This suggestion would require a regulation change. When an amendment is drafted to the FSFL regulation, this suggestion will be considered.