

For: State and County Offices and CMA's

**New Loan Repayment Rate Methods for All Eligible
MAL Commodities, Except Cotton, Peanuts, and Rice**

Approved by: Acting Deputy Administrator, Farm Programs



1 Announcing New Loan Repayment Rate Methods

A Background

Section 1204 of the Food, Conservation, and Energy Act of 2008 (2008 Act) permits the producers on a farm to repay MAL's on wheat, feed grains (except rice), soybeans, other oilseeds, pulse crops, wool, mohair, and honey at a rate that is the lesser of the following:

- the loan rate established for the commodity, plus interest
- a rate (as determined by the Secretary) that:
 - is calculated based on average market prices for the loan commodity during the preceding 30-calendar-day period
 - will minimize discrepancies in marketing loan benefits across State and county boundaries
- a rate that the Secretary may develop using alternative methods for calculating a repayment rate for a loan commodity that the Secretary determines will:
 - minimize potential loan forfeitures
 - minimize the accumulation of stocks of the commodity by the Federal Government
 - minimize the cost incurred by the Federal Government in storing the commodity

Disposal Date	Distribution
October 1, 2009	State Offices; State Offices relay to County Offices and FAX to CMA's

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1 Announcing New Loan Repayment Rate Methods (Continued)

A Background (Continued)

- allow the commodity produced in the United States to be marketed freely and competitively, both domestically and internationally
- minimize discrepancies in marketing loan benefits across State and county boundaries.

A Departmental press release has been issued announcing new loan repayment methods. In addition, these provisions do **not** apply to peanuts, rice, and cotton.

B Purpose

This notice:

- informs State and County Offices of the new loan repayment rate methods for eligible MAL commodities, except cotton, rice, and peanuts
- authorizes State and County Offices to use the new loan repayment rate methods beginning on **April 15, 2009**.

2 New Loan Repayment Rate Methods

A Determining Loan Repayment Rates

After applicable day of implementation, MAL's can be repaid at any time during the loan period at a rate that is the lesser of 1 of the following:

- loan rate plus interest
- the 30-calendar-day method, as explained in subparagraph B
- the alternative method, as explained in subparagraph C, which is either of the following:
 - 5-calendar-day method for wheat, feed grains, soybeans, canola, flaxseed, and oil and non-oil sunflower seed

Note: The repayment rate for **non-oil** sunflowers (confectionary type) will occur at the lesser of either of the following:

- loan rate plus interest
- the **oil** sunflower seed repayment rate.
- current method for pulse crops, other oilseeds, wool, and mohair.

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2 New Loan Repayment Rate Methods (Continued)

A Determining Loan Repayment Rates (Continued)

The repayment rates are **not** crop year specific and will apply to all outstanding 2008 crop MAL's and 2009 MAL's and LDP's when implementing the new provisions.

See the following exhibits for examples on how to calculate repayment rates:

- Exhibit 1 for **corn, grain sorghum, soybeans, barley, oats, canola, flaxseed, and oil and non-oil sunflower seed**
- Exhibit 2 for **wheat**
- Exhibit 3 for **crambe, mustard seed, rapeseed, safflower, and sesame seed**
- Exhibit 4 for **pulse crops (lentils, dry peas, small chickpeas, and starting with the 2009 crop year, large chickpeas).**

Note: For 2008 warehouse-stored MAL's, the posted county or regional price will have to be adjusted by any premiums or discounts applied at loanmaking to obtain the effective loan repayment rate.

B 30-Calendar-Day Method

CCC will determine and publish loan repayment rates based on average market prices during the preceding 30-calendar-day period.

For corn, grain sorghum, soybeans, barley, oats, canola, flaxseed, oil and non-oil sunflower seed, crambe, mustard seed, rapeseed, safflower, and sesame seed, the 30-calendar-day method will reflect a 30-calendar-day moving average of all terminal market prices for the crop, adjusted by the difference between the applicable national loan rate and county loan rate.

For wheat, the 30-calendar-day method will reflect a 30-calendar-day moving average of all terminal market prices for the specific class, adjusted by the difference between the applicable national average loan rate by class and county loan rate by class. The following table shows the 2008 wheat national average loan rates by class.

Wheat Class	2008 National Average Loan Rate (per Bushel)
Durum	\$2.77
Hard Red Spring	\$2.73
Hard Red Winter (HRW)	\$2.96
Soft Red Winter	\$2.37
Soft White	\$2.61

Note: See **Exhibit 5** for a table of terminal markets by commodity.

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2 New Loan Repayment Rate Methods (Continued)

B 30-Calendar-Day Method (Continued)

For pulse crops (lentils, dry peas, small chickpeas, and starting with the 2009 crop year, large chickpeas), the 30-calendar-day method will reflect a 30-calendar-day moving average of market prices for the crop, adjusted by the difference between the applicable national loan rate and applicable regional loan rate. **No** adjustment is necessary for small chickpeas. There is no regional or county loan rate for small chickpeas.

For wool, mohair, and honey, CCC will determine and publish loan repayment rates based on average market prices during the preceding 30 calendar days.

C Alternative Method

For wheat, corn, grain sorghum, soybeans, barley, oats, canola, flaxseed, and oil and non-oil sunflower seed, CCC will determine and publish loan repayment rates based on an alternative rate. The Secretary developed an alternative method based on a preceding 5-calendar-day period, replacing the current method based on the previous day's market rates. The 5-calendar-day alternative method will reflect a 5-calendar-day moving average of applicable terminal market prices adjusted by the following:

- applicable county differential
- 5-calendar-day average of applicable terminal market adjustments.

This method:

- will moderate fluctuations
- lessens the effects daily market volatilities have on loan repayment rates
- provides more certainty for producers using MAL's and LDP's.

For pulse crops (lentils, dry peas, small chickpeas, and starting with the 2009 crop year, large chickpeas), crambe, mustard seed, rapeseed, safflower, sesame seed, wool, and mohair, CCC will determine and publish loan repayment rates using current methodology.

For honey, no alternative repayment method will be available.

D Effective Date

The effective date to implement the new repayment rate method is on or after **April 15, 2009**, as applicable.

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2 New Loan Repayment Rate Methods (Continued)

E Publication Frequency

For wheat, corn, grain sorghum, soybeans, barley, oats, canola, flaxseed, and oil and non-oil sunflower seed, the repayment rates will be published daily, except on weekends, and will be in effect until the next posting.

For pulse crops (lentils, dry peas, small chickpeas, and starting with the 2009 crop year, large chickpeas), crambe, mustard seed, rapeseed, safflower, sesame seed, wool, and mohair, the repayment rates will be published once a week, except on weekends, and will be in effect until the next posting.

For honey, the repayment rate will be published once a month and will be in effect until the next posting.

3 New Loan Repayment Rate Web Sites

A Web Sites

Effective April 15, 2009, the loan repayment rates will be posted to the following web sites for:

- wheat, feed grains, soybeans, and other oilseeds loan repayment rates:
<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=landing>
- pulse crop loan repayment rates: **http://www.fsa.usda.gov/Internet/FSA_File/pulses.xls**
- wool and mohair loan repayment rates:
 - **http://www.fsa.usda.gov/Internet/FSA_File/mktpriclean1.xls**
 - **http://www.fsa.usda.gov/Internet/FSA_File/mktpriclean2.xls**
 - **http://www.fsa.usda.gov/Internet/FSA_File/mktpriclean3.xls**
- honey loan repayment rates:
http://www.fsa.usda.gov/Internet/FSA_File/honey_arr.doc

Note: These web sites include new links for archived rates.

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4 Action

A State Office Action

State Offices shall:

- publicize the contents of this notice immediately to the maximum extent possible
- instruct County Offices to notify all producers of the contents of this notice using all available resources.

B County Office Action

County Offices shall:

- publicize and notify producers immediately of the contents of this notice
- use every available resource to inform producers and farm organizations of the contents of this notice.

Example of Loan Repayment Rate Calculation for Corn, Grain Sorghum, Soybeans, Barley, Oats, Canola, Flaxseed, and Oil and Non-Oil Sunflower Seed

For corn, grain sorghum, soybeans, barley, oats, canola, flaxseed, and oil and non-oil sunflower seed, calculate the repayment rates as follows.

Note: For the purpose of this explanation, **corn** repayment rates for **October 1 in McLean County, Illinois**, will be calculated as follows.

- Follow this table for the **30-calendar-day method**.

Step	Action
1	<p>Go back 30 calendar days from October 1 (September 1 through September 30).</p> <p>Note: The repayment rate is based on a moving average. Therefore, to calculate the repayment rate for October 2, the user will need terminal market price data for the previous 30 calendar days (September 2 through October 1).</p>
2	<p>Starting with the September 1 data, add all corn terminal market prices and divide by 10. Record the unrounded result as the average terminal market price for September 1.</p> <p>Note: See Exhibit 5 for the number of terminal markets. Divide by:</p> <ul style="list-style-type: none"> • 10 for “YC” • 6 for “SOR” • 8 for “YSB” • 5 for “BAR” • 6 for “OAT” • 4 for “CAN” • 3 for “FLX” • 2 for “SUN/SFN”.
3	Repeat step 2 for the next 29 calendar days.
4	Add all unrounded results from September 1 through September 30 and divide by 30. Record the result as a rounded number (\$X.xx).
5	Subtract the national loan rate from the result in step 4.
6	Add the county loan rate to the result in step 5.
7	Record the answer from step 6. This is the 30-calendar-day loan repayment rate for corn in McLean County, Illinois, for October 1.

Example of Loan Repayment Rate Calculation for Corn, Grain Sorghum, Soybeans, Barley, Oats, Canola, Flaxseed, and Oil and Non-Oil Sunflower Seed (Continued)

- Follow this table for the **5-calendar-day method**.

Step	Action
1	Go back 5 calendar days from October 1 (September 26 through September 30). Note: The repayment rate is based on a moving average. Therefore, to calculate the repayment rate for October 2, the user will need terminal market price data for the previous 5 calendar days (September 27 through October 1).
2	Starting with the September 26 data, record each applicable corn terminal market price as a rounded number (\$X.xx). The terminal market pricing points assigned to McLean County, Illinois, are Gulf (“GLF”) and Decatur (“TKO”).
3	Repeat step 2 for the next 4 calendar days.
4	Add all rounded results from September 26 through September 30 for each applicable terminal market and divide each result by 5. Record each result as a rounded number (\$X.xx).
5	Subtract from the recorded result in step 4, and for each assigned terminal market, the following: <ul style="list-style-type: none"> • the assigned county differential for that specific terminal market • the calculated 5-calendar-day average terminal market adjustments for that specific terminal market.
6	Record the answer for each assigned terminal market.
7	The higher result in step 6 will be the alternative loan repayment rate for corn in McLean County, Illinois, for October 1.

The effective loan repayment rate for corn in McLean County, Illinois, for October 1 will be the LOWER of either the 30-calendar-day or 5-calendar-day method.

Example of Loan Repayment Rate Calculations for Wheat

For wheat, calculate the repayment rates as follows.

Note: For the purpose of this explanation, **HRW wheat** repayment rates for **October 1 in Mitchell County, Kansas**, will be calculated as follows.

- Follow this table for the **30-calendar-day method**.

Step	Action
1	<p>Go back 30 calendar days from October 1 (September 1 through September 30).</p> <p>Note: The repayment rate is based on a moving average. Therefore, to calculate the repayment rate for October 2, the user will need terminal market price data for the previous 30 calendar days (September 2 through October 1).</p>
2	<p>Starting with the September 1 data, add all HRW wheat terminal market prices and divide by 6. Record the unrounded result as the average terminal market price for September 1.</p> <p>Note: See Exhibit 5 for the number of terminal markets. Divide by:</p> <ul style="list-style-type: none"> • 6 for “HRW” • 2 for “HRS” • 6 for “SRW” • 3 for “SWH” • 4 for “HAD”.
3	<p>Repeat step 2 for the next 29 calendar days.</p>
4	<p>Add all unrounded results from September 1 through September 30 and divide by 30. Record the result as a rounded number (\$X.xx).</p>
5	<p>Subtract the wheat national average loan rate by class (see table in subparagraph 2 B) from the result in step 4.</p>
6	<p>Add the county loan rate to the result in step 5.</p>
7	<p>Record the answer from step 6. This is the 30-calendar-day loan repayment rate for HRW wheat in Mitchell County, Kansas, for October 1.</p>

Example of Loan Repayment Rate Calculations for Wheat (Continued)

- Follow this table for the **5-calendar-day method**.

Step	Action
1	Go back 5 calendar days from October 1 (September 26 through September 30). Note: The repayment rate is based on a moving average. Therefore, to calculate the repayment rate for October 2, the user will need terminal market price data for the previous 5 calendar days (September 27 through October 1).
2	Starting with the September 26 data, record each applicable HRW wheat terminal market price as a rounded number (\$X.xx). The terminal market pricing points assigned to Mitchell County, Kansas, are Gulf (“GLF”) and Kansas City (“KCM”).
3	Repeat step 2 for the next 4 calendar days.
4	Add all rounded results from September 26 through September 30 for each applicable terminal market and divide each result by 5. Record each result as a rounded number (\$X.xx).
5	Subtract from the recorded result in step 4, and for each assigned terminal market, the following: <ul style="list-style-type: none"> • the assigned county differential for that specific terminal market • the calculated 5-calendar-day average terminal market adjustments for that specific terminal market.
6	Record the answer for each assigned terminal market.
7	The higher result in step 6 will be the alternative loan repayment rate for HRW wheat in Mitchell County, Kansas, for October 1.

The effective loan repayment rate for HRW wheat in Mitchell County, Kansas, for October 1 will be the LOWER of either the 30-calendar-day or 5-calendar-day method.

Example of Loan Repayment Rate Calculations for Crambe, Mustard Seed, Rapeseed, Safflower, and Sesame Seed

For **crambe, mustard seed, rapeseed, safflower, and sesame seed**, calculate the repayment rates as follows.

Note: For the purpose of this explanation, **safflower** repayment rates for **October 1 in McLean County, Illinois**, will be calculated as follows.

- Follow this table for the **30-calendar-day method**.

Step	Action
1	Go back 30 calendar days from October 1 (September 1 through September 30). Note: The repayment rate is based on a moving average. Therefore, to calculate the repayment rate for October 2, the user will need terminal market price data for the previous 30 calendar days (September 2 through October 1).
2	Starting with the September 1 data, add all safflower terminal market prices and divide by 3. Record the unrounded result as the average terminal market price for September 1.
3	Repeat step 2 for the next 29 calendar days.
4	Add all unrounded results from September 1 through September 30 and divide by 30. Record the result as a rounded number (\$X.xx).
5	Subtract the national loan rate from the result in step 4.
6	Add the county loan rate to the result in step 5.
7	Record the answer from step 6. This is the 30-calendar-day loan repayment rate for safflower in McLean County, Illinois, for October 1.

- For the **current method**, CCC will determine the **alternative** loan repayment rate using current methodology.

The effective loan repayment rate for safflower in McLean County, Illinois, for October 1 will be the LOWER of either the 30-calendar-day or current method.

Example of Loan Repayment Rate Calculations for Pulse Crops

For pulse crops (lentils, dry peas, small chickpeas, and starting with the 2009 crop year, large chickpeas), calculate the repayment rates as follows.

Note: For the purpose of this explanation, **lentil** repayment rates for **October 1 in Latah County, Idaho**, will be calculated as follows.

- Follow this table for the **30-calendar-day method**.

Step	Action
1	Go back 30 calendar days from October 1 (September 1 through September 30). Note: The repayment rate is based on a moving average. Therefore, to calculate the repayment rate for October 2, the user will need posted price data for the previous 30 calendar days (September 2 through October 1).
2	Starting with the September 1 data, record the rounded result (\$X.xx) of the posted price for September 1.
3	Repeat step 2 for the next 29 calendar days.
4	Add all rounded results from September 1 through September 30 and divide by 30. Record the result as a rounded number (\$X.xx).
5	Subtract the national loan rate from the result in step 4.
6	Add the applicable regional loan rate to the result in step 5. Note: For small chickpeas, no adjustment is necessary. There is no regional loan rate for small chickpeas.
7	Record the answer from step 6. This is the 30-calendar-day loan repayment rate for lentils in Latah County, Idaho, for October 1.

- For the **current method**, CCC will determine the **alternative** loan repayment rate using current methodology.

The effective loan repayment rate for lentils in Latah County, Idaho, for October 1 will be the LOWER of either the 30-calendar-day or current method.

Terminal Markets

Following is a table reflecting all terminal markets for all commodities.

Terminal Markets	Commodity						
	Wheat HRW	Wheat HRS	Wheat SRW	Wheat SWH	Wheat HAD	Corn YC	Sorghum SOR
AMA	X					X	
ARL							
AUG							
CAR							
CIN			X			X	X
COL							
COR							
EVN			X				
FAR							
GLD							
GLF	X		X			X	X
GFK							
GRF							
KCM	X		X			X	
LOS					X		
MEM			X			X	X
MIN	X	X			X	X	
NCD							X
PAR							
PNW	X	X		X	X	X	
RDW							
RIC							
SCD							X
TOL			X	X		X	
TKO						X	
VEL							
WCD	X			X	X	X	X

Terminal Markets (Continued)

Terminal Markets	Commodity						
	Soybeans YSB	Barley BAR	Oats OAT	Canola CAN	Flaxseed FLX	Oil Type SUN	Sunflower Seed SFN
AMA							
ARL				X			
AUG				X			
CAR							
CIN	X		X				
COL							
COR							
EVN							
FAR					X	X	X
GLD						X	X
GLF	X	X	X				
GFK							
GRF					X		
KCM	X	X	X				
LOS							
MEM	X						
MIN	X	X	X				
NCD							
PAR							
PNW	X	X	X				
RDW				X	X		
RIC							
SCD							
TOL	X		X				
TKO	X						
VEL				X			
WCD		X					

Terminal Markets (Continued)

Terminal Markets	Commodity				
	Crambe CRA	Rapeseed RAP	Mustard Seed MUS	Safflower SAF	Sesame Seed SEM
AMA					
ARL					
AUG					
CAR	X				
CIN					
COL				X	
COR				X	
EVN					
FAR					
GLD					
GLF					
GFK			X		
GRF		X	X		
KCM					
LOS					
MEM					
MIN					
NCD					
PAR					X
PNW					
RDW					
RIC				X	
SCD					
TOL					
TKO					
VEL					
WCD					