

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

2009 Through 2012 Crop Year MAL and LDP Policy, Except Cotton

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A Background

The Food, Conservation, and Energy Act of 2008 (2008 Act) authorized 2008 through 2012 crop year MAL's and LDP's on wheat, barley, oats, corn, grain sorghum, soybeans, long and medium grain rice, peanuts, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, graded and nongraded wool, mohair, honey, dry peas, lentils, small chickpeas, and, beginning with the 2009 crop year, large chickpeas.

Although covered by the 2008 Act, the 2008 crop year operated under basically the same regulations, provisions, and policies of the 2002 Farm Bill.

Policies and procedures included in this notice:

- are effective immediately for the 2009 crop year
- will be included in a forthcoming amendment to 8-LP.

B Purpose

This notice provides general policies and procedures for administering 2009 through 2012 crop year MAL and LDP requests for all commodities, **except** cotton.

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

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2 General 2009 Crop MAL and LDP Policies

A MAL and LDP Policy Overview

General MAL and LDP policies not specifically mentioned in this notice remain in effect according to 8-LP. The basic program provisions for administering the MAL and LDP program will continue to be included in 8-LP.

B Producer Eligibility

Eligible loan commodities must have been produced by an eligible producer on a farm according to 8-LP, paragraph 132.

For 2009 through 2012 crop years, MAL's and LDP's are available to eligible producers according to 8-LP, paragraph 100.

Note: States, local government, political subdivisions, and agencies thereof, are **no** longer eligible to receive any MAL benefit or LDP payment.

C Commodity Eligibility

The following commodities are eligible for 2009 through 2012 crop year MAL's and LDP's:

- barley
- canola
- corn
- crambe
- dry peas
- flaxseed
- graded wool
- grain sorghum
- honey
- hullless barley
- hullless oats
- large chickpeas
- lentils
- long grain rice
- medium grain rice (includes short grain rice)
- mohair
- mustard seed
- nongraded wool
- oats
- peanuts
- rapeseed
- safflower
- sesame seed
- small chickpeas
- soybeans
- sunflower seed
- wheat.

Hay, silage, and unshorn pelts are eligible for LDP, but **not** for MAL. Additionally, for wheat harvested as other than grain, the producer must indicate the applicable class of wheat to determine the applicable LDP rate.

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2 General 2009 Crop MAL and LDP Policies (Continued)

D Removing Quality Grades for Pulse Crops

The 2008 Act removed previous mandate of basing pulse crops' regional loan rates and loan repayment rates on "feed" or "US number 3" grade. The pulse crop loan repayment rates will now reflect values of "food" or "US number 1".

E Loan Rates for 2009 Through 2012 Crop Years

The following provides loan rates for 2009 through 2012 crop years.

Crop	2009 Crop Year Loan Rate	2010 Through 2012 Crop Years Loan Rate
Corn	\$1.95/bu	\$1.95/bu
Barley and Hulless Barley	\$1.85/bu	\$1.95/bu
Dry Peas	\$5.40/cwt	\$5.40/cwt
Graded Wool	\$1.00/lb	\$1.15/lb
Grain Sorghum	\$1.95/bu	\$1.95/bu
Honey	\$0.60/lb	\$0.69/lb
Large Chickpeas	\$11.28/lb	\$11.28/lb
Lentils	\$11.28/cwt	\$11.28/cwt
Long Grain Rice	\$6.50/cwt	\$6.50/cwt
Medium Grain Rice	\$6.50/cwt	\$6.50/cwt
Mohair	\$4.20/lb	\$4.20/lb
Nongraded Wool	\$0.40/lb	\$0.40/lb
Oats and Hulless Oats	\$1.33/bu	\$1.39/bu
Other Oilseeds	\$9.30/cwt	\$10.09/cwt
Peanuts	\$355.00/ton	\$355.00/ton
Small Chickpeas	\$7.43/cwt	\$7.43/cwt
Soybeans	\$5.00/bu	\$5.00/bu
Wheat	\$2.75/bu	\$2.94/bu

F ACRE Program

The ACRE Program reduces applicable (county, regional, or national) loan commodity rates by 30 percent if producers on a farm make the irrevocable decision to enroll in the ACRE Program, at any time during 2009 through 2012.

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2 General 2009 Crop MAL and LDP Policies (Continued)

F ACRE Program (Continued)

Producers in an ACRE-enrolled farm will have a 30 percent reduction in MAL rates. The applicable loan repayment option (the lesser of loan rate principal plus interest, 30-day, or alternative rate) will **not** be similarly adjusted with a 30 percent reduction to calculate the applicable CCC-determined value (PCP, regional county price, national posted price (NPP), or AWP).

Note: See Exhibit 1 for examples.

Wool, mohair, and honey are **not** subject to ACRE provisions.

G AGI

According to 4-PL, for 2009 through 2012 crop years, to be eligible to receive a marketing loan gain (MLG) or LDP, an entity or individual's average adjusted gross **nonfarm** income cannot exceed \$500,000.

A person or legal entity with average adjusted gross **nonfarm** income that exceeds \$500,000 is **not** eligible for MLG's and LDP payments. However, the person or entity is eligible for MAL, but MAL **must** be repaid at principal plus interest, or a commodity certificate may be exchanged for the loan collateral.

Note: Commodity certificates are available until the end of the 2009 crop year.

Producers denied LDP because of AGI may be afforded the opportunity to request a nonrecourse MAL before the final loan availability date.

H Payment Limitations

Beginning with the 2009 crop year, CCC will no longer limit MLG's and LDP's.

Note: MLG's and LDP's obtained on 2008 crops are subject to the payment limitation rules in effect for the 2008 crop.

I Actively Engaged Determination

During 2009 through 2012 crop years, an actively engaged determination is **not** required for producers requesting MAL or LDP, according to 4-PL, subparagraph 11 A.

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2 General 2009 Crop MAL and LDP Policies (Continued)

J Beneficial Interest

To be eligible for MAL or LDP, eligible producers must have beneficial interest in the applicable commodity. A producer is considered to have beneficial interest in a commodity if both of the following remain with the producer:

- title to the commodity
- control of the commodity.

Beneficial interest must be retained by the producer from harvest, continuously for:

- loans, producers must retain beneficial interest in the commodity until the loan is repaid
- LDP's, producers must have beneficial interest at the time of the LDP agreement request on CCC-633EZ, page 1.

K UGRSA

Beginning with the 2009 crop year, and except for peanuts, CCC will no longer require the execution of UGRSA in storage facilities that are either of the following:

- Federally licensed
- State-licensed with an operating warehouse licensing program.

CCC reserves the right to execute a storage agreement if deemed necessary by DAFP to protect CCC's interests.

CCC may, on a case-by-case basis, require UGRSA for storage facilities that are neither of the following:

- Federally licensed
- State-licensed with an operating warehouse licensing program.

Note: A future notice will provide specific policy and procedure on the impact of this change.

L Treatment of Certain Commingled Commodity

The 2008 Act removed previous authority allowing producers to store pledged collateral in **unlicensed** facilities as long as the producers would immediately redeem the loan with a commodity certificate.

Producers storing commingled commodities in unlicensed facilities are **not** eligible to repay MAL using the commodity certificate exchange.

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2 General 2009 Crop MAL and LDP Policies (Continued)

M Commodity Certificate Exchange Policy for Commodities Stored at Federally or State-Licensed Warehouses, or CCC-Approved Warehouses

Federally or State-licensed warehouses, with or without UGRSA, and CCC-approved warehouses are eligible to store CCC loan commodities. Producers storing commodities in these facilities are eligible to repay a turn-around MAL using the commodity certificate exchange provision.

N Premiums and Discounts

Starting with the 2009 crop year, except for peanuts, CCC will no longer adjust loan rates for warehouse-stored loans using premiums and discounts at loanmaking time. Software will be modified to allow users to record basic loan information without having to enter grading factors and premiums and discounts.

If the loans are **not** repaid and are forfeited to CCC, additional instructions will be issued in a PS notice on processing forfeitures to record grading factors affecting premiums and discounts.

Note: Milling factors for rice will be used to adjust the loan rate using a separate worksheet to calculate the applicable loan rate to be used. This will be addressed in a future notice before the rice loan availability period.

O Warehouse-Stored Loan-Making

Before disbursing a warehouse-stored MAL, the County Office shall:

- discontinue applying premiums and discounts to the loan rate, according to subparagraph N
- require in-handling charges associated with the quantity on the receipt to be prepaid or provided for
- discontinue applying storage deduction at loan-making if storage is not paid through the loan maturity date.

Note: Only apply storage deductions if loan is forfeited.

P Commodity Assessments

CCC may **no** longer charge any fees for the collection of commodity assessments. Therefore, Federal and State entities are **no** longer required to pay CCC a fee to cover the cost of modifying an existing commodity assessment collection.

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2 General 2009 Crop MAL and LDP Policies (Continued)

Q Lien Search Policy

Beginning with the 2009 crop year, County Offices shall conduct lien searches on all commodities pledged as collateral for amounts greater than \$50,000. However, County Offices are authorized to conduct lien searches for any loan amount when the interest of CCC is at risk.

R New Loan Repayment Rate Methods

New loan repayment rate methods are addressed in Notice LP-2113.

S Peanut Storage, Handling, and Associated Costs

Continuing with the 2009 crop, CCC will pay for handling and associated costs, other than storage costs, for peanuts pledged as loan collateral. CCC requires the payment of these costs, handling and associated costs, at loan redemption.

CCC will also pay for handling, storage, and other associated costs if peanuts pledged as loan collateral are forfeited to CCC.

T GRAZE-OUT Payments

GRAZE-OUT payments are available to producers during the 2009 through 2012 crop years. Eligible producers who:

- elect to use acreage planted to wheat, barley, oats, or triticale, for the grazing by livestock
- agree to forgo any other harvesting of the commodity on this acreage during the crop year.

Note: GRAZE-OUT payments are subject to ACRE provision and will be handled like LDP.

U Price Support Software

County Offices will be able, beginning on April 6, 2009, to process 2009 crop LDP request for payments using eLDP software. In addition, 2009 wool and mohair MAL disbursements can be processed through APSS. APSS is **not** yet available to process 2009 crop year LDP's.

Note: Modifications are being developed and a forthcoming PS notice will be issued when software for 2009 crop year MAL's and LDP's, for commodities other than wool, mohair, and unshorn pelts, is available.

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3 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:

- immediately administer 2009 crop year MAL's and LDP's
- continue to use 8-LP for additional guidance
- 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.

ACRE for Grains, Oilseeds, and Pulses

		CCC-Determined Value					
		Principal Plus Interest		PCP Between County Loan Rate (CLR) and ACRE Adjusted CLR		PCP Below ACRE Adjusted CLR	
Line	Item	Example 1 Standard Loan and LDP		Example 2 Standard Loan and LDP		Example 3 Standard Loan and LDP	
		ACRE	Non-ACRE	ACRE	Non-ACRE	ACRE	Non-ACRE
1	Base CLR	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
2	Quality Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3	Rate Adjusted for Quality	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
MLG/LDP Calculations							
4	Rate Adjusted for Quality	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
5	If ACRE Enrolled 30% Deduction	\$0.60	\$0.00	\$0.60	\$0.00	\$0.60	\$0.00
6	ACRE Adjusted CLR	\$1.40	\$2.00	\$1.40	\$2.00	\$1.40	\$2.00
7	Applicable Repayment Rate (Lesser of Principal Plus Interest, 30-Day, or Alternative Rate)	\$1.45	\$2.05	\$1.45	\$1.80	\$1.30	\$1.30
8	Quality Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9	Adjusted CCC-Determined Value (PCP, regional posted price, or NPP)	\$1.45	\$2.05	\$1.45	\$1.80	\$1.30	\$1.30
10	ACRE Adjusted CLR (Line 6)	\$1.40	\$2.00	\$1.40	\$2.00	\$1.40	\$2.00
11	Adjusted PCP or CCC-Determined Value Line 9	\$1.45	\$2.05	\$1.45	\$1.80	\$1.30	\$1.30
12	MLG/LDP Payment (Line 10 - Line 11)	-\$0.05	-\$0.05	-\$0.05	\$0.20	\$0.10	\$0.70