

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

Farm-Stored MAL Rates Adjusted for Test Weight Policy Change

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

Regulations governing the MAL and LDP Programs, codified in 7 CFR 1421.9 (g), provide the following:

“For the 2009 through 2012 crop years, premiums and discounts will not be applicable for all eligible loan commodities, except for peanuts, at loan disbursement; however, premiums and discounts will apply if the eligible loan commodities are forfeited and delivered to CCC and any deficiency must be repaid to CCC.”

This applies to both farm- and warehouse-stored MAL disbursements.

Notice:

- LP-2114 provides general policy about premiums and discounts for warehouse-stored loans
- PS-651 provides instructions to process MAL's through APSS for warehouse-stored loans without premiums and discounts. This policy also applies to farm-stored loan rate adjustments because of test weight.

Policies and procedures included in this notice are effective immediately for 2009 and subsequent crop years. The new policy and procedure will be included in 8-LP.

B Purpose

This notice announces new policies and procedures, at loan disbursement, for the loan rate applicable to farm-stored loans for feed grains, oilseeds, pulse crops, rice, and wheat because of test weight.

Disposal Date	Distribution
March 1, 2010	State Offices; State Offices relay to County Offices and FAX to CMA's and DMA's

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1 Overview (Continued)

C Contact

If there are questions about this notice:

- County Offices shall contact the State Office program specialist
- State Offices shall contact **Jose R. Gonzalez**, PSD, by either of the following:
 - e-mail to jose.gonzalez@wdc.usda.gov
 - telephone at 202-690-2534.

2 2009 Through 2012 Crop Policy on Adjusting Farm-Stored Loans at Loan Disbursement for Low Quality Because of Test Weight

A New Policy

8-LP, paragraph 422 provides for farm-stored loan rate adjustments for test weight.

Effective with the 2009 crop, loan rates for farm-stored MAL shall **not** be adjusted for test weight at loanmaking. Applicable discounts will be taken at the time of loan settlement, if the commodity is delivered to CCC at loan maturity.

Loan rates shall be 20 percent of the loan rate for the county where the commodity is stored for any loan commodity with a test weight that falls on the **additional** schedule of discounts.

In **all** cases, apply the test weight and pack factor applicable to that test weight when determining the **quantity** for a measured loan.

B Recourse Loans

Producers may opt out of the low quality nonrecourse loan in favor of a recourse loan. Follow 8-LP, paragraph 465 guidelines to determine eligible loan quantity and loan rate.

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2 2009 Through 2012 Crop Policy on Adjusting Farm-Stored Loans at Loan Disbursement for Low Quality Because of Test Weight (Continued)

C APSS Input

At loanmaking, follow this table to determine data entry.

IF processing a farm-stored...	THEN on Screen...	ENTER...	BUT do not enter...
certified loan	PLB11000	certified quantity Note: Adjust quantity if it exceeds moisture standards in 2-LP Grains and Oilseeds or 2-LP Rice.	test weight.
measured loan	PLB12000	<ul style="list-style-type: none"> • seal number • farm number where stored, if applicable • measurement date • weighted quantity, from completed CCC-677-1 	<ul style="list-style-type: none"> • test weight • length • width • height • diameter • circumference • cubic foot deduction • cone height • cone diameter • cone depth. <p>Note: Use bin calculator in APSS to calculate the weighted quantity.</p>

D Reminder About Premiums and Discounts

CCC will apply discounts at the time of loan settlement if a farm-stored loan is not repaid and is delivered to CCC. The applicable loan rate in effect for the commodity will be adjusted by all applicable discounts. Any calculated overpayment **must** be repaid to CCC.

E Correcting MAL Disbursements

If a test weight entry on a 2009 crop year disbursed loan caused a loan rate reduction, this loan will have to be canceled and reissued.

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3 Action

A State Office Action

State Offices shall:

- instruct County Offices to read and implement the changes in policy in this notice
- advise County Offices to educate producers about the consequences of delivering poor quality commodities to CCC instead of repaying MAL's.

B County Office Action

County Offices shall:

- for nonrecourse **certified** farm-stored MAL, **not** adjust basic loan rate for test weight discounts if it is on the crop year specific schedule of discount table
- for nonrecourse **measured** farm-stored MAL:
 - manually calculate, using CCC-677-1, the eligible loan quantity after determining actual test weight, pack factor, and moisture content in a measured farm loan
 - **not** adjust basic loan rate for test weight discounts if it is on the crop year specific schedule of discount table
 - discount to 20 percent of the basic loan rate if the test weight is on the **additional** schedule of discounts table
- for recourse certified or measured farm-stored loans, follow 8-LP, paragraph 465 guidelines to determine eligible loan quantity
- enter values in APSS at loanmaking as indicated in subparagraph 2 C
- correct MAL disbursements for any outstanding 2009 crop loan issued with reduced loan rates because of test weight factors.