

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

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

Approved by: 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 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**

July 1, 2010

**Distribution**

State Offices; State Offices relay to County Offices and FAX to CMA's and DMA's

## Notice LP-2135

### 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.

An eligible producer is a person or entity that has complied with annual program requirements according to 8-LP, paragraph 128, including:

- reporting acreage for applicable crops, according to 2-CP
- completing AD-1026, according to 6-CP
- completing CCC-926 according to 4-PL.

**Notes:** Forms CCC-502 and CCC-526 **are** required for 2008 crop MAL's and LDP's only, according to 1-PL.

CCC-902 is **not** required for 2009 through 2012 crop years, MAL's and LDP's.

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

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### 2 General 2009 Crop MAL and LDP Policies (Continued)

#### 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.

#### 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".

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**2 General 2009 Crop MAL and LDP Policies (Continued)**

**E Loan Rates for 2009 Through 2012 Crop Years**

The following table 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/cwt	\$11.28/cwt
Small Chickpeas	\$7.43/cwt	\$7.43/cwt
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
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 elect participation in the ACRE Program, at any time during 2009 through 2012.

Producers in an ACRE-elected 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 Exhibits 1 and 2 for examples.

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

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### 2 General 2009 Crop MAL and LDP Policies (Continued)

#### 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.

#### 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.

**2 General 2009 Crop MAL and LDP Policies (Continued)**

**K 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.

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

Federally or State-licensed warehouses, 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.

**Note:** This is only applicable to 2009 crop MAL.

**M Premiums and Discounts**

Starting with the 2009 crop year, except for peanuts, CCC will no longer adjust loan rates for farm and warehouse-stored loans using premiums and discounts at loanmaking time. Software was 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. The loan rate for warehouse-stored rice MAL will be based on milling factors. See 2-LP Rice, Exhibit 7 for example of calculations.

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### 2 General 2009 Crop MAL and LDP Policies (Continued)

#### N 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 M
- 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.

#### O 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.

**Note:** See Notice LP-2133 for new lien waiver policy.

#### P 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.

#### Q 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.

## Notice LP-2135

### 3 Action

#### A State Office Action

State Offices shall instruct County Offices to notify all producers of the contents of this notice using all available resources.

#### B County Office Action

County Offices shall:

- continue to use 8-LP for additional guidance
- use every available resource to inform producers and farm organizations of the contents of this notice.

Example of APSS Calculations for Feed Grains, Oilseeds, Pulse Crops, and Wheat MAL's/LDP's

<b>MAL and LDP: Feed Grains, Oilseeds, Pulse Crops, and Wheat</b>			
<b>Note:</b> PCP, RPP, or NPP is <b>not</b> adjusted:			
<ul style="list-style-type: none"> <li>• for P&amp;D when determining LDP rate</li> <li>• when loan rates are discounted to set percentage for nonrecourse loan on commodities harvested as other than grain, contaminated commodities, and low quality commodities.</li> </ul>			
<b>Example 1 - P+I</b>		<b>ACRE</b>	<b>Non-ACRE</b>
1	Loan Rate (county, regional, or national)	\$2.00	\$2.00
2	Quality Adjustment (P&D's)	\$0.00	\$0.00
3	Rate Adjusted for Quality (no adjustments for quality)	\$2.00	\$2.00
4	ACRE: 30% of Rate Adjusted for Quality (.30 x line 3)	<b>\$0.60</b>	<b>\$0.00</b>
5	<b>Effective Loan Rate: Adjusted for ACRE (line 3 - line 4)</b>	<b>\$1.40</b>	<b>\$2.00</b>
6	Assumed Repayment (Lower of P+I or PCP or RPP or NPP)	\$1.45	\$2.05
7	Repayment Rate Quality Adjustment	\$0.00	\$0.00
8	Adjusted for Repayment Rate (line 6 - line 7)	<b>\$1.45</b>	<b>\$2.05</b>
<b>MLG/LDP Calculations</b>			
9	Effective Loan Rate (line 5)	\$1.40	\$2.00
10	Adjusted Repayment Rate (line 8)	\$1.45	\$2.05
11	MLG/LDP (line 9 - line 10)	<b>\$0.00</b>	<b>\$0.00</b>
<b>Example 2 - P+I for ACRE, Alternative Payment Rate for Non-ACRE</b>		<b>ACRE</b>	<b>Non-ACRE</b>
1	Loan Rate (county, regional, or national)	\$2.00	\$2.00
2	Quality Adjustment (P&D's)	\$0.00	\$0.00
3	Rate Adjusted for Quality (no adjustments for quality)	<b>\$2.00</b>	<b>\$2.00</b>
4	ACRE: 30% of Rate Adjusted for Quality (.30 x line 3)	<b>\$0.60</b>	<b>\$0.00</b>
5	<b>Effective Loan Rate: Adjusted for ACRE (line 3 - line 4)</b>	<b>\$1.40</b>	<b>\$2.00</b>
6	Assumed Repayment (Lower of P+I or PCP or RPP or NPP)	\$1.45	\$1.80
7	Repayment Rate Quality Adjustment	\$0.00	\$0.00
8	Adjusted for Repayment Rate (line 6 - line 7)	<b>\$1.45</b>	<b>\$1.80</b>
<b>MLG/LDP Calculations</b>			
9	Effective Loan Rate (line 5)	\$1.40	\$2.00
10	Adjusted Repayment Rate (line 8)	\$1.45	\$1.80
11	MLG/LDP (line 9 - line 10)	<b>\$0.00</b>	<b>\$0.20</b>
<b>Example 3 - Alternative Repayment for ACRE and Non-ACRE</b>		<b>ACRE</b>	<b>Non-ACRE</b>
1	Loan Rate (county, regional, or national)	\$2.00	\$2.00
2	Quality Adjustment (P&D's)	\$0.00	\$0.00
3	Rate Adjusted for Quality (no adjustments for quality)	<b>\$2.00</b>	<b>\$2.00</b>
4	ACRE: 30% of Rate Adjusted for Quality (.30 x line 3)	<b>\$0.60</b>	<b>\$0.00</b>
5	<b>Effective Loan Rate: Adjusted for ACRE (line 3 - line 4)</b>	<b>\$1.40</b>	<b>\$2.00</b>
6	Assumed Repayment (Lower of P+I or PCP or RPP or NPP)	\$1.30	\$1.30
7	Repayment Rate Quality Adjustment	\$0.00	\$0.00
8	Adjusted for Repayment Rate (line 6 - line 7)	<b>\$1.30</b>	<b>\$1.30</b>
<b>MLG/LDP Calculations</b>			
9	Effective Loan Rate (line 5)	\$1.40	\$2.00
10	Adjusted Repayment Rate (line 8)	\$1.30	\$1.30
11	MLG/LDP (line 9 - line 10)	<b>\$0.10</b>	<b>\$0.70</b>

**Example of APSS Calculations for Warehouse-Stored Rice MAL's/LDP's**

<b>MAL's and LDP's: Warehouse-Stored Rice</b>			
<b>Rice Milling Yield:</b> 50/65 (Whole Kernel = 50%; Total Yield = 65%; Broken Kernel = 15%)			
<b>Non-ACRE Enrolled: Rice Loan Rate: Long Grain</b>			
<ul style="list-style-type: none"> <li>• Whole Kernel = \$9.94</li> <li>• Broken Kernel = \$6.84</li> </ul>			
<b>Calculations</b>			
<ul style="list-style-type: none"> <li>• Whole Kernel x Rate = .50 x \$9.94 = \$4.97</li> <li>• Broken Kernel x Rate = .15 x \$6.84 = \$1.03</li> <li>• Loan Rate = \$6.00</li> </ul>			
<b>ACRE Enrolled Rice Loan Rate: Long Grain – (Loan Rate Reduced by 30%)</b>			
<ul style="list-style-type: none"> <li>• Whole Kernel = \$6.96</li> <li>• Broken Kernel = \$4.79</li> </ul>			
<b>Calculations</b>			
<ul style="list-style-type: none"> <li>• Whole Kernel x Rate = .50 x \$6.96 = \$3.48</li> <li>• Broken Kernel x Rate = .15 x \$4.79 = \$0.72</li> <li>• Loan Rate = \$4.20</li> </ul>			
		<b>ACRE</b>	<b>Non-ACRE</b>
1	<b>Net Loan Rate</b>	<b>\$4.20</b>	<b>\$6.00</b>
	<ul style="list-style-type: none"> <li>• Whole Kernel</li> <li>• Broken Kernel</li> </ul>	\$6.96 \$4.79	\$9.94 \$6.84
2	Quality Adjustment (P&D's)	\$0.00	\$0.00
3	Effective Loan Rate After Quality Adjustment	<b>\$4.20</b>	<b>\$6.00</b>
<b>MLG/LDP Calculations</b>			
4	Whole Kernel Rate	<b>\$6.96</b>	<b>\$9.94</b>
5	Assumed World Market Index	<b>\$4.00</b>	<b>\$4.00</b>
6	MLG/LDP Rate (Line 4 – Line 5)	<b>\$2.96</b>	<b>\$5.94</b>