

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 large chickpeas.

Policies and procedures included in this notice:

- are effective for the 2009 through 2012 crop year
- will be included in a forthcoming 8-LP revision.

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. Contents of this notice will be contained in the forthcoming 8-LP (Rev. 2).

Disposal Date	Distribution
July 1, 2011	State Offices; State Offices relay to County Offices; FAX to CMA's and DMA's

Notice LP-2153

2 General 2009 Through 2012 Crop Year 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 the 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
 - CCC-926, CCC-927, and CCC-928, if applicable, are **not** needed at the time of MAL disbursement
 - CCC-926, CCC-927, and CCC-928, if applicable, are required if MAL is repaid under marketing loan gain provisions or upon request of all LDP benefits.

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

C Foreign Person

The applicable CCC-902 is required to be on file at the time of MAL disbursement or LDP request to determine foreign person status. In most instances, producers who participate in DCP/ACRE have already submitted the applicable CCC-902 for an actively engaged in farming determination and to determine foreign person status.

Producers who apply **only** for MAL or LDP will need to complete the U.S. citizenship and certification portions of CCC-902 to certify U.S. citizenship status. No other parts of CCC-902 have to be completed. County Offices shall manually enter across the top of CCC-902 the following statement, "**For MAL and LDP purposes only**".

County Offices shall update web-based subsidiary files according to 3-PL.

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2 General 2009 Through 2012 Crop Year MAL and LDP Policies (Continued)

D 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
- hulless barley
- hulless 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.

E Removing Quality Grades for Pulse Crops

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

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2 General 2009 Through 2012 Crop Year MAL and LDP Policies (Continued)

F Loan Rates for 2009 Through 2012 Crop Years

The following provides the national 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

Note: County Offices shall use their applicable county loan rate for each crop year.

G 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.

Commodities harvested from 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. See Exhibits 1 and 2 for examples.

Commingled commodities harvested from ACRE and non-ACRE elected farms must be placed under separate loans. Warehouse stored ACRE commodities require separate warehouse receipts. If ACRE and non-ACRE production cannot be distinguished separately, then the entire quantity is subject to the 30 percent reduction in MAL rates.

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

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2 General 2009 Through 2012 Crop Year MAL and LDP Policies (Continued)

H AGI

According to 4-PL, for 2009 through 2012 crop year, 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's. However, the person or entity is eligible for MAL, but MAL **must** be repaid at principal plus interest.

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

I Payment Limitations

Payment limitation provisions do not apply to MLG's and LDP's.

J 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.

K 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.

If a County Office believes beneficial interest in a commodity for which a loan or LDP is requested may have been lost, the County Office may request from the producer a signed CCC-491 if a written contract is not available to be reviewed for beneficial interest provisions.

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2 General 2009 Through 2012 Crop Year MAL and LDP Policies (Continued)

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.

M Premiums and Discounts

Except for peanuts, CCC will not adjust loan rates for farm and warehouse-stored loans using premiums and discounts at loanmaking. Software was modified to allow users to record basic loan information without having to enter grading factors and premiums and discounts. In all cases, apply the test weight and pack factor applicable to that test weight when determining the **quantity** for a measured loan.

If the loans are **not** repaid and are forfeited to CCC, grading factors affecting premiums and discounts will be applied at the time of settlement or forfeiture.

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. 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.

Note: The loan rate for warehouse-stored rice MAL will be based on milling factors. See 2-LP Rice, Exhibit 7 for an example of calculations.

N Warehouse-Stored Loanmaking

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

- ensure that the warehouse is operating according to the Federal and State licensing requirements or operating under UGRSA
- ensure that there are separate warehouse receipts for ACRE and non-ACRE harvested production, as applicable

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2 General 2009 Through 2012 Crop Year MAL and LDP Policies (Continued)

N Warehouse-Stored Loanmaking (Continued)

- require that **all** in-handling charges have been paid or provided for **before** a warehouse-stored MAL will be disbursed

Notes: Acceptable documentation includes either of the following:

- in-handling charges recorded directly on the warehouse receipt (**except** cotton and peanuts)
- certification signed by the warehouse operator with the following language:

“Arrangements for the payment of in-handling charges have been made by the depositor of the commodity covered by receipt number(s) (*Insert Receipt Number(s)*). No lien will be asserted by the warehouse operator against the Commodity Credit Corporation or any subsequent holder of the warehouse receipt for in-handling charges.”
- discontinue applying storage deduction at loan-making if storage is not paid through the loan maturity date.

Notes: Only apply storage deductions if loan is forfeited.

See Notice PS-670 for requirements of warehouse-stored peanut loans.

O Lien Search Policy

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 may be at risk. Lien search policy stated in 8-LP paragraph 403 remains unchanged.

County Offices may accept lien waivers on CCC-679's from producers at the beginning of a crop year, even **before** a loan request is submitted.

All other lien waiver provisions remain unchanged.

Note: Producers are responsible for requesting lien waivers **before** loan requests. Under no circumstance should County Offices initiate this process without producers first requesting the lien waiver or until County Offices have completed the lien search according to 8-LP.

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2 General 2009 Through 2012 Crop Year MAL and LDP Policies (Continued)

P 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 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.

See Notice LP-2151 for specific 2010 crop year GRAZE-OUT provisions.

Q Commodity Certificates for Commodity Exchanges and Repayments

Commodity certificate exchange provisions are no longer applicable to 2010 and subsequent year redemptions.

Commodity certificate redemptions are available for repayment purposes until the end of the 2009 crop year. Commodity certificates shall not be available for 2010 and subsequent year repayments.

3 2010-Crop Wool, Mohair, and Unshorn Pelt Policy

A Loan Rates for 2010 Through 2012 Crop Years

The 2008 Act raised the loan rate for graded wool from \$1 per pound to \$1.15 per pound during crop years 2010 through 2012.

Loan rates and posted prices for graded and ungraded wool were announced by regions for the 2002 through 2009 crop years. There will be **no** regional loan rate differentials for 2010 through 2012 graded and ungraded wool. Mohair will continue to be announced as a national rate.

The following provides national loan rates for 2010 through 2012 crop years.

Crop	2010 through 2012 Crop Year Loan Rates
Graded Wool	\$1.15 per pound
Ungraded Wool	\$0.40 per pound
Mohair	\$4.20 per pound

Note: Wool and mohair are **not** subject to ACRE provisions.

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3 2010-Crop Wool, Mohair, and Unshorn Pelt Policy (Continued)

B Regional Posted Prices

Beginning with 2010 crop, graded and ungraded wool regional posted prices will **not** be announced. A national posted price for 2010 crop wool and mohair will be announced weekly. County Offices shall use the ungraded wool posted price for determining the LDP rate for unshorn pelts.

C Premiums and Discounts

Loan rates will be adjusted **at settlement** for applicable premiums and discounts, according to the 2010 crop year specific schedule provided in Exhibit 3.

The ungraded wool premium and discount schedule for region 2 will be used at MAL settlement as the national 2010 crop year schedule provided in Exhibit 4.

The mohair premium and discount schedule for crop year 2010 will remain the same as previous crop years.

D Accepting and Completing CCC-633 EZ Forms

County Offices shall obtain the following herd characteristics from eligible producers requesting benefits and record the information on CCC-633EZ, item 86:

- flock size
- date of shearing (not applicable for unshorn pelts)
- breed of animals in herd.

Producers must initial and date the information provided on CCC-633EZ, item 86. Attach additional pages as necessary to record herd characteristics.

4 New Provisions for Requesting Loans and Measurement Service

A Requesting Loans

Continue to follow 8-LP, paragraph 401 when accepting and processing requests for loans. Starting with the 2010 crop year, loan requests may be received by mail, FAX, telephone, or filed in person **by** the final loan availability date.

Producers may initiate a request for a loan by phone. Loan requests by phone must be documented, initialed, and dated by the County Office employee accepting the request on CCC-666, item 19B. A loan request is complete when CCC-666 is signed by the producer, approved by CCC, and all required documents are received.

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5 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 follow 8-LP and this notice for assistance in administering MAL's and LDP's
- 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

MAL and LDP: Feed Grains, Oilseeds, Pulse Crops, and Wheat			
Note: PCP, RPP, or NPP is not adjusted:			
<ul style="list-style-type: none"> • for P&D when determining LDP rate • when loan rates are discounted to set percentage for nonrecourse loan on commodities harvested as other than grain, contaminated commodities, and low quality commodities. 			
Example 1 - P+I		ACRE	Non-ACRE
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 percent of Rate Adjusted for Quality (.30 x line 3)	\$0.60	\$0.00
5	Effective Loan Rate: Adjusted for ACRE (line 3 - line 4)	\$1.40	\$2.00
6	Assumed Repayment (Lower of P+I, PCP, 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)	\$1.45	\$2.05
MLG/LDP Calculations			
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)	\$0.00	\$0.00
Example 2 - P+I for ACRE, Alternative Payment Rate for Non-ACRE		ACRE	Non-ACRE
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)	\$0.60	\$0.00
5	Effective Loan Rate: Adjusted for ACRE (line 3 - line 4)	\$1.40	\$2.00
6	Assumed Repayment (Lower of P+I, PCP, 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)	\$1.45	\$1.80
MLG/LDP Calculations			
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)	\$0.00	\$0.20
Example 3 - Alternative Repayment for ACRE and Non-ACRE		ACRE	Non-ACRE
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)	\$0.60	\$0.00
5	Effective Loan Rate: Adjusted for ACRE (line 3 - line 4)	\$1.40	\$2.00
6	Assumed Repayment (Lower of P+I, PCP, 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)	\$1.30	\$1.30
MLG/LDP Calculations			
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)	\$0.10	\$0.70

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

MAL's and LDP's: Warehouse-Stored Rice			
Rice Milling Yield: 50/65 (Whole Kernel = 50 percent; Total Yield = 65 percent; Broken Kernel = 15 percent)			
Non-ACRE Elected: Rice Loan Rate: Long Grain			
<ul style="list-style-type: none"> • Whole Kernel = \$9.91 • Broken Kernel = \$7.01 			
Calculations			
<ul style="list-style-type: none"> • Whole Kernel x Rate = .50 x \$9.91 = \$4.96 • Broken Kernel x Rate = .15 x \$7.01 = \$1.05 • Loan Rate = \$5.99 			
ACRE Elected Rice Loan Rate: Long Grain – (Loan Rate Reduced by 30 percent)			
<ul style="list-style-type: none"> • Whole Kernel = \$6.94 • Broken Kernel = \$4.91 			
Calculations			
<ul style="list-style-type: none"> • Whole Kernel x Rate = .50 x \$6.94 = \$3.47 • Broken Kernel x Rate = .15 x \$4.91 = \$0.74 • Loan Rate = \$4.21 			
		ACRE	Non-ACRE
1	Net Loan Rate	\$4.21	\$6.01
	<ul style="list-style-type: none"> • Whole Kernel • Broken Kernel 	\$6.94 \$4.91	\$9.91 \$7.01
2	Quality Adjustment (P&D's)	\$0.00	\$0.00
3	Effective Loan Rate After Quality Adjustment	\$4.21	\$6.01
MLG/LDP Calculations			
4	Whole Kernel Rate	\$6.94	\$9.91
5	Assumed World Market Index	\$4.00	\$4.00
6	MLG/LDP Rate (line 4 – line 5)	\$2.94	\$5.91

2010 Crop Year Specific Schedule of Premiums and Discounts

Loan rates will be adjusted at settlement for applicable premiums and discounts, according to the 2010 crop year specific schedule as follows.

Graded Wool Loan National Discounts (Apply At Settlement Only).								
2010 Crop Year Graded Wool Discounts								
	Micron Range							
	<18.6	18.6-19.5	19.6-20.5	20.6-22.0	22.1-23.5	23.6-25.9	26.0-28.9	29.0 and over
Loan rate	3.88	3.38	2.94	2.72	2.56	2.33	1.78	1.38
Type:								
Bellies	1.94	1.69	1.47	1.36	1.28	1.17	0.89	0.69
Pieces	1.94	1.69	1.47	1.36	1.28	1.17	0.89	0.69
Locks/Tags	2.91	2.54	2.21	2.04	1.92	1.75	1.34	1.04
Crutchings	2.91	2.54	2.21	2.04	1.92	1.75	1.34	1.04
Blackface	1.94	1.69	1.47	1.36	1.28	1.17	0.89	0.69
Black wool	3.49	3.04	2.65	2.45	2.30	2.10	1.60	1.24
35 micron and over								1.24
Preparation: 1/								
Bellies out, untied, classed, not skirted	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Bellies out, untied, unclassified, not skirted	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Bellies in, untied, unclassified, not skirted	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
No preparation, tied	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Length: 1/								
Less than 1/4 inch under minimum	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
1/4 or more, but less than 1/2 inch under minimum	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
1/2 to 1 inch under minimum	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Less than 2 inches	2.33	2.03	1.76	1.63	1.54	1.40	1.07	0.83
Vegetable matter:								
0-2 percent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.1-4.0 percent	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
4.1-6 percent	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
>6.1 percent	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Other:								
Damaged, stained, muddy, wet, non-merchantable	3.88	3.38	2.94	2.72	2.56	2.33	1.78	1.38
Polypropylene contamination	3.88	3.38	2.94	2.72	2.56	2.33	1.78	1.38
1/ Applies to fleece wool only. Does not apply to offsorts, that is, lots or bags that are solely bellies, pieces, locks/tags, or crutchings.								

Premiums and Discounts for 2010 and Subsequent Crop Year Wool

A Ungraded Wool Discounts for Offsorts

The following provides national CCC discounts for ungraded wool offsorts. Subtract the per pound discount from the applicable loan rate.

Factor/Type/Description	National Discount Per Pound
Bellies	\$0.20
Black Wool	\$0.36
Blackface	\$0.20
Crutchings	\$0.30
Locks/Tags	\$0.30
Pieces	\$0.20

B Ungraded Wool Discounts for Length

The following provides national CCC discounts for ungraded (greasy) wool based on the length of the wool below the 3 inch minimum. Subtract the per pound discount from the applicable loan rate.

Length in Inches	National Discount Per Pound
2.76 – 2.99	\$0.10
2.51 – 2.75	\$0.15
2.00- 2.50	\$0.20
Under 2.00	\$0.25

Length discounts for ungraded wool apply to fleece wool **only**. Length discounts do **not** apply to offsorts that consist solely of lots or bags of the following:

- bellies
- pieces
- locks/tags
- crutchings.

C Miscellaneous Discounts for Ungraded Wool

The following provides national CCC discounts based on miscellaneous factors. Subtract the per pound discount from the applicable loan rate.

Factor/Description	National Discount Per Pound
Polypropylene Contamination	\$0.40
Unmerchantable	\$0.40