

MARKETING LOAN REPAYMENT PROGRAM (MLR) LOAN DEFICIENCY PAYMENT PROGRAM (LDP)

Prepared by: Gary A. Hachfeld, Extension Educator, Nicollet County, South Central Cluster 29 1/99

The two most common methods for disposing of or closing out of CCC loans are:

- 1) Paying back the loan principal with interest and retaining ownership of the grain or,
- 2) Forfeiture of ownership of the grain and hauling it to an approved CCC warehouse.

Can forfeit only warehouse certificate loans.

Farm stored loans can be delivered when CCC calls them, **but only after loan maturity**, if producer does nothing.

However, there are two additional choices for disposing of CCC loans when prices fall below the loan rate for that specific commodity. Both choices are provisions within the 1996 Farm Bill.

For CCC nonrecourse loans, if the Posted County Price (PCP) for a given commodity is less than the CCC loan rate plus interest, the producer can exercise the Marketing Loan Repayment provision (MLR).

For current year crops, not yet under loan or delivered on contract, a producer can exercise the Loan Deficiency Payment (LDP) provision when the PCP is lower than the County Loan Rate.

MARKETING LOAN REPAYMENT PROGRAM (MLR)

- Marketing Loan Repayment (MLR) applies **only** to crops under CCC loan. The CCC loan must **have not yet matured** in order to be eligible for the MLR.
- MLR can be used when repaying CCC loans if the PCP, for a given commodity, is lower than the loan rate plus interest for that commodity.

• EXAMPLES:

Assumptions:

a) At time of Loan:

- Commodity = Corn
- Amount Under Loan = 10,000 bushels
- County Loan Rate = \$1.74 per bushel
- Loan Principal (10,000 bu. X \$1.74) = \$17,400
- CCC Loan Interest Rate = 6.5%
- Loan Interest (9 mo.) = \$848
- Total Loan Amount (Principal & Interest) = \$18,248
- PCP Total = bushels X PCP

b) After 9 Months (could be less than 9 mo.)

- County Loan Rate = \$1.74 bushel
- **Market Gain** = Loan Principal - PCP
- **Loan Interest Forgiven** = Total Loan Amount - Loan Principal **OR** PCP Total (**whichever is larger**)

- Example 1:

- Commodity = Corn
- Amount = 10,000 bushels
- Loan Principal = 10,000 bu. X \$1.74 = \$17,400
- PCP = \$1.77 per bushel (changes daily)
- PCP Total = 10,000 bu. X \$1.77 = \$17,700
- **Market Gain** =
 $\$17,400 - \$17,700 = - \$300$ (No Market Gain)
- Loan Principal plus Interest = \$18,248
- **Loan Interest Forgiven** =
 $\$18,248 - \$17,700 = \$548$ (Interest Forgiven)
- **Total Advantage** = \$548

- Example 2:

- Commodity = Corn
- Amount = 10,000 bushels
- PCP = \$1.72 per bushel (changes daily)
- Loan Principal = 10,000 bu. X \$1.74 = \$17,400
- PCP = 10,000 bu. X \$1.72 = \$17,200
- **Market Loan Gain** =
 $\$17,400 - \$17,200 = \$200$ (Market Gain)

- Loan Principal plus Interest = \$18,248
- **Loan Interest Forgiven =**
 $\$18,248 - \$17,400 = \$848$ (Interest Forgiven)
- **Total Advantage = \$1,048**

PCP used is the PCP on the day the MLR provision is initiated. No future PCP can be used.

- Commodities eligible for MLR must be under CCC loan.
- Eligible commodities include any eligible for CCC loan such as:
 - Corn
 - Oilseeds (including soybeans)
 - Oats
 - Barley
 - Wheat
- Producer must supply production evidence such as:
 - Evidence of sale
 - Warehouse, processor, or buyer summary sheets
 - Warehouse receipts
 - Paid measurement service
 - Combination of paid measurement service along with others listed above
- Production evidence must also show:
 - Producers name
 - Crop year
 - Commodity
 - Date of delivery or transaction
 - Gross and net bushels
 - Date of sale
 - Signature of buyer
 - Proof of payment from buyer
 - Settlement records or copy of check
- Producers have 30 days to present production evidence of sale to their county Farm Service Agency (FSA).

LOAN DEFICIENCY PAYMENT PROGRAM (LDP)

Loan Deficiency Payments (LDP) apply **only** to growing or harvested crops **not yet sold, or under CCC loan.**

- Eligible crops include:
 - Corn (shelled, ear, high moisture)
 - Oilseed (including soybeans)
 - Oats
 - Barley

- Wheat
- LDP applies when the PCP is lower than the County Loan Rate.
- **Example:**
 - Commodity: Corn
 - County Loan Rate = \$1.74 per bushel
 - PCP = \$1.69 (changes daily)
 - **LDP = \$1.74 (County Loan Rate) minus \$1.69 (PCP) = \$.05 per bushel**
- Producers can not receive LDP on grain not yet harvested (grain must be eligible for CCC loan program).
- Producer can not receive an LDP on bushels under CCC loan.
- Producer can not put same bushels under loan after claiming LDP.
- LDP can be earned on equal number of bushels eligible for CCC loan.
- Grain must not be previously pledged as collateral for a loan and repaid with cash at a rate less than principal and interest.
- Grain can not have previously received LDP.
- Producer who has grain contracted or plans to deliver the grain directly to the warehouse for sale or to the farm to be processed for livestock feed **MUST** contract the FSA office **BEFORE** harvesting and/or delivery of the grain to apply for LDP.
- To initiate an LDP, a producer must complete CCC-709, "Intention To Use LDP", before delivery, if grain is going to be sold out of the field or delivered on contract.
- Total bushels for LDP can not exceed bushels on CCC-709.
- Producers who feed grain must pay for measurement services so as to verify grain quantity. Must complete CCC-666 before feeding grain. Any grain fed before LDP election is ineligible for LDP.
- If producer plans to store grain, can do so and complete CCC-666 at a later date for LDP.

- Producer can choose day to initiate LDP and designate bushel quantity but can not “lock in” LDP rate in advance.
- Producers can take an LDP on any eligible crop up through the deadline for placing that crop under CCC loan.

NOTE:

- 1) Payment limitation of \$75,000 per person applies. MLR gains plus LDP can not exceed the \$75,000 payment limitation.
- 2) For more details and information on MLR and LDP, contact your local FSA office staff.

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