Fact Sheet

August 2003

USDA United States Department of Agriculture

Pulse Crops

Summary of 2002-2007 Program

Overview

The Farm Security and Rural Investment Act of 2002 (2002 Act) provides, for the first time, marketing assistance loans and loan deficiency payment provisions for dry peas, lentils, and small chickpeas for the 2002-2007 crops. Marketing assistance loans provide interim financing on eligible production and facilitate the orderly marketing of loan eligible commodities throughout the year.

Eligibility Requirements

Nonrecourse Marketing Assistance Loans - To be eligible for marketing assistance loans, producers must:

1. Comply with conservation and wetland protection requirements; and
2. Report how they use all their farm's cropland acreage.

Direct and counter-cyclical payment agreements are not required for marketing assistance loan eligibility.

Nonrecourse Marketing Assistance Loans and Loan Deficiency Payments

Marketing assistance loans provide eligible producers interim financing on their production. Instead of selling the crop immediately at harvest, producers may pledge their production as loan collateral, receiving loan proceeds equal to the loan rate times the quantity placed under loan. Marketing assistance loans mature at the end of the ninth month following the month in which the loan was received.

Under marketing loan provisions, producers may (under certain conditions) repay a 9-month nonrecourse price support loan at less than the loan rate plus accrued interest and other charges whenever the Commodity Credit Corporation (CCC) estimates that the local market price is lower. Producers are also eligible for a loan deficiency payment (LDP) in lieu of obtaining a loan.

Loan rates:

- For lentils and small chickpeas, the national loan rate is applied uniformly in all counties;
- For dry peas, two regional loan rates were established and apply uniformly in all counties within those regions;
- Are based on the county where the commodities are stored; and
- May be adjusted by CCC with premiums and discounts to reflect quality factors of a given quantity placed under loan.

Pulse Crop Loan Rates Per Hundredweight (cwt): 2002-2007

Pulse Crop	2002-2003 1/	2004-2007
Dry Peas	$6.33	$6.22
Lentils	$11.94	$11.72
Small Chickpeas	$7.56	$7.43

1/ #1 grade loan rates for 2002 crop. Feed grade dry peas, #3 grade lentils, and #3 grade small chickpeas loan rates for 2003-2007 crops.

Two dry pea regional markets were identified for the 2003 crop. West region includes all counties in the Palouse (Idaho, Oregon, and Washington) and other states west of the Rocky Mountains (Arizona, California, Nevada, New Mexico, and Utah). East region includes all counties in Montana and North Dakota, plus all counties in all other states not in the West Region. For the 2003 crop, the West dry pea loan rate is $6.68 per cwt. The East loan rate is $5.89 per cwt.

Other Loan Eligibility Requirements

Producers must:

- Have beneficial interest in the commodity on the date the loan or LDP is requested and, in the case of a loan, retain beneficial interest while the loan is outstanding; and

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- Ensure the pulse meets CCC minimum grade and quality standards.

Beneficial Interest

A producer retains beneficial interest in the commodity if all of the following remain with the producer:

Control of the commodity - The producer retains the ability to make all decisions affecting the commodity, including movement, sale, and the request for a loan or LDP;
Risk of loss in the commodity - The producer is responsible for loss or damage to the commodity. If the commodity is insured, any indemnity must be payable to the producer; and
Title to the commodity - The producer has not sold or delivered the commodity or warehouse receipt to the buyer. Title may be considered to be transferred before the producer receives payment for the commodity.

Once beneficial interest in the commodity is lost, the commodity loses loan and LDP eligibility and remains ineligible even if the producer later regains beneficial interest. For further information, see the Farm Program fact sheet on “Beneficial Interest Require-ments For Loans and LDPs, Excluding Sugar and Tobacco,” or contact a local FSA county office.

Loan Settlements

Loans mature on the last day of the ninth calendar month following the month in which the loan is approved.

Producers may settle their outstanding nonrecourse loan:

- During the 9-month loan period by repaying the loan; or
- Upon maturity by forfeiting the commodity to CCC.

Loan Repayment Rates

The loan repayment rate is the lower of (1) the applicable county loan rate plus accrued interest and other charges (per cwt) or (2) the marketing loan repayment rate for the respective commodity.

Pulse crop loan repayment rates are established on a weekly basis and announced each Friday at 7:00 a.m. Eastern time and are available at each FSA county office. The loan repayment rates are based on the previous week’s market prices for each pulse crop, as CCC determines. National loan repayment rates are announced for the 2002 crop. National loan repayment rates are applicable for lentils and small chickpeas for the 2002 and 2003 crops. A national loan repayment rate applied to 2002-crop dry peas. Regional loan repayment rates will be applicable for 2003-crop dry peas.

Interest Rate

The interest rate charged on loans is based on the rate the U.S. Treasury charges CCC, plus 1 percentage point at the time the loan is made. Any loan outstanding as of December 31 is subject to the January interest rate from January 1 until the loan is repaid.

LDPs for Pulses Sold Upon Harvest

Producers may receive LDPs for pulses delivered directly from the field to a processor, buyer, warehouse, or cooperative and receive the LDP rate effective on the date of delivery. Request for such payments must be made on or before the date of harvest using form CCC-709. Pulse crop quantities included under such requests are not eligible for marketing assistance loans, even if the LDP rate on the date of delivery is zero.

Final Loan/LDP Availability Dates

The final pulse loan/LDP availability date is May 31 of the calendar year after the calendar year the pulse is harvested.

Commodity Certificates

Commodity certificates are available to producers for acquiring 2002- through 2007-crop collateral pledged to CCC for a commodity loan. Commodity certificate exchanges will be available for sale at FSA county offices to producers with outstanding nonrecourse marketing assistance loans. The exchange rate will be the effective loan repayment rate on the date the commodity certificate is purchased. Commodity certificate exchanges are not available when the exchange rate exceeds the applicable loan rate or when the repayment rate has been locked in on the CCC-697.

For further information, see the fact sheet “Commodity Certificates,” contact a local FSA office, or visit the FSA Web site at: www.fsa.usda.gov

Production Evidence

Producers repaying a loan at less than the loan rate plus accrued interest and other charges or receiving an LDP must provide production evidence acceptable to CCC, such as evidence of sales, warehouse receipts, or load summary or assembly sheets.

Planting Flexibility

The 2002 Act continues wild rice, fruit, and vegetable (WR/FAVs) planting restrictions, but slightly eases the restrictions compared with those under the Federal Agriculture Improvement Act of 1996 (1996 Act). To be eligible for loan benefits and payments under the 1996 Act, producers signed 7-year contracts and fruit and vegetable restrictions applied to the entire contract period. Under the 2002 Act, producers may annually opt out of eligibility for direct and counter-cyclical payments and plant fruits, vegetables, and wild rice without restrictions.

Producers seeking to receive direct and counter-cyclical payments with respect to the farm are prohibited from planting wild rice, fruits, and vegetables (other than lentils, mung beans, and dry peas) on base acres unless the commodity, if planted, is destroyed before harvest or meets the following statutory exceptions. Plantings of WR/FAVs are not limited:

1. In any region with a history of double cropping commodities eligible for direct and counter-cyclical payments with WR/FAVs;
2. On a farm with a history of planting WR/FAVs, except that direct and counter-cyclical payments will be reduced by an acre for each acre planted to a WR/FAV; and
3. By a producer with an established history of planting a specific WR/FAV, except that the acreage may not exceed the average annual plantings in the 1991-1995 or the 1998-2001 crop years (excluding any crop year with no plantings) and that direct and counter-cyclical payments shall be reduced by an acre for each acre planted to a WR/FAV.

Adjusted Gross Income and Payment Limitations

Adjusted Gross Income Limitation

Starting with the 2003 crop, individuals and entities whose previous 3-year average adjusted gross income (AGI) exceeds $2.5 million are ineligible for many program benefits unless they can establish that at least 75 percent of their AGI is derived from agriculture. Program benefits for which individuals or entities exceeding the AGI limit will be ineligible include:

- Direct payments;
- Counter-cyclical payments;
- Loan deficiency payments;
- Marketing loan gains;
- Agricultural Management Assistance Program;
- Conservation Security Program;
- Conservation Reserve Program;
- Environmental Quality Incentives Program;
- Farmland Protection Program;
- Grassland Reserve Program;
- Ground and Surface Water Conservation Program;
- Wetland Reserve Program.

Payment Limitations

The 2002 Act also establishes limits on payments a “person” may receive from farm programs. The definition of “person” includes individual farmers, but also encompasses limited partnerships, corporations, and other types of organizations. The 3-entity rule, carried over from previous legislation, limits to three the number of entities through which a “person” may receive payments.

The sum of LDPs and marketing loan gains for the commodities listed below is subject to a $75,000-per-person payment limitation for each crop year. This payment limitation is separate from the $40,000-per-person limitation for direct payments and $65,000-per-person limitation for counter-cyclical payments. For more information on payment limitations see the FSA fact sheet “Payment Eligibility and Limitations,” contact a local FSA office, or visit the FSA Web site at: www.fsa.usda.gov

The per “person” payment limitations apply for each crop year for the following:

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Direct Payments

- $40,000 total for wheat, corn, grain sorghum, barley, oats, upland cotton, rice, soybeans, and other oilseeds; and
- $40,000 for peanuts.

Counter-cyclical Payments

- $65,000 total for wheat, corn, grain sorghum, barley, oats, upland cotton, rice, soybeans, and other oilseeds; and
- $65,000 for peanuts.

Marketing Loan Gains and Loan Deficiency Payments

- $75,000 total for wheat, corn, grain sorghum, barley, oats, upland cotton, rice, soybeans, other oilseeds, dry peas, lentils, and small chickpeas; and
- $75,000 total for peanuts, wool, mohair, and honey.

PULSE PROGRAM SUMMARY 1/

CROP YEAR	LOAN RATE ($/cwt)	LOAN PLACEMENTS 2/ (000 cwt)	CCC STOCKS 2/ (000 cwt)	PLANTED AREA 3/ (000 acres)	HARVESTED AREA 3/ (000 acres)	PRODUCTION 3 (000 cwt)	SEASON AVERAGE FARM PRICE 3/ ($/cwt)	VALUE OF PRODUCTION 3/ (000 $)
Dry Peas								
1996	---	--	---	224.5	212.2	2,774	11.16	30,967
1997				312.3	289.2	5,867	7.58	43,889
1998	---	---	---	332.4	316.5	6,038	7.00	42,242
1999	---	---	---	274.7	258.0	4,833	5.66	27,385
2000	---	---	---	193.2	183.1	3,572	5.37	19,060
2001	---	---	---	222.7	199.4	3,831	5.67	21,823
2002	6.33	170	0	310.7	276.2	4,299	7.65	31,860
Lentils								
1996	---	---	---	147.2	140.0	1,333	17.10	22,758
1997	---	---	---	193.0	183.0	2,406	13.00	31,351
1998	---	---	---	162.0	158.5	1,938	11.30	21,863
1999	---	---	---	182.0	174.5	2,387	11.70	28,026
2000	---	---	---	217.0	214.0	3,029	10.50	30,157
2001	---	---	---	201.0	197.0	2,898	9.56	27,714
2002	11.94	30	0	203.0	193.0	2,325	12.80	30,339

1/ Pulse crops, including dry peas, lentils, and small chickpeas, were included under marketing assistance loan provisions for the first time in the 2002 Act. Supply, demand, and price information for small chickpeas are not available.
2/ Source: Farm Service Agency.
3/ Source: NASS.

PULSES: SUPPLY, DEMAND, STOCKS, AND PRICE

CROP YEAR 1/	BEG. STOCKS 2/	PRODUC-TION 3/	IM-PORTS 4/	SUPPLY	SEED USE 5/	FOOD & RES. 6/	DOMESTIC USE	EX-PORTS 4/	TOTAL USE	ENDING STOCKS	STOCKS-TO-USE	FARM PRICE 3/
	---000 cwt---										(percent)	($/cwt)
Dry Peas												
1996	717	2,774	406	3,897	500	1,637	2,092	1,362	3,454	443	12.8	11.16
1997	443	5,867	283	6,593	532	1,656	3,471	2,154	5,625	968	17.21	7.58
1998	968	6,038	295	7,301	440	1,675	4,053	2,101	6,154	1,146	18.6	7.00
1999	1,146	4,833	308	6,287	309	1,695	2,524	1,616	4,140	2,147	41.9	5.66
2000	2,147	3,572	379	6,098	356	1,715	3,253	1,656	4,909	1,189	24.2	5.37
2001	1,189	3,831	444	5,465	497	1,735	2,751	1,900	4,651	814	17.5	5.67
2002	814	4,299	454	5,567	528	1753	2,995	1,975	4,970	596	12.0	7.65
Lentils												
1996	940	1,333	137	2,410	81	600	732	1,199	1,931	479	24.8	17.10
1997	479	2,406	236	3,121	106	607	884	1,188	2,072	1,049	50.6	13.00
1998	1,049	1,938	149	3,136	89	614	436	1,856	2,292	844	36.8	11.30
1999	844	2,387	108	3,339	100	621	1,194	1,529	2,723	616	22.6	11.70
2000	616	3,029	122	3,767	119	629	1,074	1,727	2,801	966	34.5	10.50
2001	966	2,898	166	4,030	111	636	947	2,362	3,309	721	21.8	9.56
2002	721	2,325	160	3,206	117	643	856	1,950	2,806	400	14.3	12.80

1/ Crop year is September-August.
2/ Ending stocks reported on June 30 by U.S. Dry Pea and Lentil Council.
3/ Source: NASS.
4/ Source: Census Bureau.
5/ Computed using seeding rate (Economic Research Service).
6/ Food use computed using per capita consumption rate (Economic Research Service). Remainder is residual.