



Peanut Marketing Assistance Loans and Loan Deficiency Payments

Overview

The Farm Security and Rural Investment Act of 2002 provides loans for crop years 2002 through 2007 for peanut producers. Producers may apply for marketing assistance loans for farm or warehouse-stored peanuts or for peanut loan deficiency payments (LDPs). These programs help to stabilize America's peanut industry and ensure the well being of agriculture in the United States.

Peanut nonrecourse marketing assistance loans provide eligible producers with interim financing on their production and facilitate the orderly distribution of loan-eligible peanuts throughout the year. A nonrecourse loan allows a producer with eligible peanuts to store the production and pledge the peanuts as collateral instead of selling them immediately after harvest. The loan helps an eligible producer pay bills without having to sell the peanuts at a time of year when prices tend to be lowest. When market conditions may be more favorable, a producer may sell the peanuts and repay the loan with the proceeds of the sale. If a producer is unable to repay the loan, he or she can deliver to Commodity Credit Corporation (CCC) the quantity of peanuts pledged as collateral as full payment for the loan at maturity.

Nonrecourse marketing assistance

loans are administered by the Farm Service Agency (FSA) on behalf of the CCC. The regulations authorizing this program are in 7 CFR Part 1421 Marketing Assistance Loans and Loan Deficiency Payments. The regulations, which cover peanuts, pulse crops, wheat, feed grains, soybeans and other oilseeds, were published on October 11, 2002. The regulations authorizing the establishment of minimum quality and handling standards for domestic and imported peanuts marketed in the United States can be found at 7 CFR, Parts 996, 997, 998, and 999, published on September 9, 2002.

Eligibility

To be eligible for a loan or an LDP, the producer must:

- Share in the risk of producing the commodity;
- Be compliant with conservation and wetland requirements;
- Have and retain beneficial interest in the peanuts until the loan is repaid or the CCC takes title to the commodity;
- Report how cropland acreage is used on the farm.

To be eligible for a loan or an LDP, the peanuts must:

- Have been produced and harvested by an eligible producer and be in storable

condition;

- Be merchantable for feed, food or other uses as determined by CCC;
- Meet the specific commodity eligibility requirements for nonrecourse loans;
- Be one of the following types, Virginia, Runner, Spanish, or Valencia;
- Not have been shelled or crushed;
- Be inspected and graded if warehouse-stored;
- Be inspected and graded upon delivery if farm-stored.

Beneficial Interest

Producers must have beneficial interest in the peanuts at the time of the request to obtain a marketing assistance loan or LDP. Beneficial interest consists of the producer's maintaining control of the commodity, risk of loss, and title to the commodity. If any of these are lost, the producer does not have beneficial interest in the peanuts. There are no provisions for waiving beneficial interest for the 2004 and subsequent crop years.

Application Process Marketing Assistance Loan

For a marketing assistance loan, producers can request a farm-stored or warehouse-stored loan. Warehouse-stored loans will be adjusted for premiums and discounts if applicable.

Loan Limit and Terms

For each of the 2002 through 2007 crop years, there is a combined \$75,000 payment limitation for marketing loan gains and LDPs for peanuts, wool, mohair, and honey. For warehouse-stored loans, CCC will pay storage charges accrued from the date on which all required documents are provided until the date of repayment or forfeiture.

Farm-stored loans are either certified or measured. Certified loans refer to the producer's personally verifying crop quantity.

Measured loans refer to on-site measurement conducted by a county agent, which requires payment for the service at the time of request.

Producers who request warehouse-stored loans must present an acceptable warehouse receipt issued by a CCC-approved warehouse. To obtain a warehouse-stored peanut loan, the CCC loan collateral peanuts must be stored in a CCC-approved warehouse.

2004 Price Support Levels by Peanut Type

The loan level by type for an average grade of 2004 crop peanuts per ton are:

- Virginia-type peanuts: \$353.15
- Runner-type peanuts: \$356.06
- Spanish-type peanuts: \$339.23
- Valencia-type peanuts: \$353.15

The method of computing the loan levels for 2004 crop peanuts and

the grades within the types are the same as last year.

Service Fees

The peanut marketing assistance loan service fee, which is nonrefundable, shall be the smaller of the following:

- \$45.00 for each loan plus \$3 for each storage bin or receipt over one; or
- ½ of 1 percent times the gross amount.

Authorized Offsets

Offsets from the loan proceeds (or deductions) may be made for amounts contained on a separate statement of unpaid charges or a separate bill for unpaid charges. These charges must be associated with the handling of the peanuts represented by the warehouse receipt and the marketing of the peanuts pledged as loan collateral. The FSA county office is only authorized to offset charges associated with cleaning and drying of peanuts from the producer's loan proceeds. These charges are not considered a lien, and must be included on a CCC-679, block 8(3), if an offset will be made for these charges. The Deputy Administrator for Farm Programs must approve all other requests for offset of charges.

Marketing Loan Gains

A producer realizes a marketing loan gain if the loan is repaid at less than the loan principal. The marketing loan gain rate equals the amount by which the applicable

loan rate exceeds the loan repayment rates.

Loan Deficiency Payments

A producer who is eligible to obtain a loan, but who agrees to forgo the loan, may obtain a Loan Deficiency Payment (LDP). The LDP rate equals the amount by which the applicable loan rate where the commodity is stored exceeds the national posted repayment rate. LDPs can be either certified or field-direct. Basic LDPs for any stored quantity in which the producer maintains beneficial interest is requested on a CCC-633 LDP, which cannot be cancelled at any time. LDPs are assignable, and not subject to premiums or discounts. The basic LDP rate is the rate in effect on the date of request.

The rate for field-direct LDPs is based on the rate in effect on the date peanuts are delivered or harvested. A producer must request the LDP on a CCC-709 form before harvest if beneficial interest will be lost immediately at harvest and upon delivery to a warehouse, buyer, cooperative, etc. The CCC-709 can only be terminated if the producer has not harvested any of the peanuts covered by the CCC-709. Once harvest has begun, producers cannot terminate the CCC-709.

Note: For the 2004 crop year, an FSA-1007 form may be considered acceptable production evidence only if a producer has filed a completed CCC-709 LDP form and the peanuts are immediately sold upon delivery. The date the

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peanuts are sold will be printed on the FSA-1007, and this date is used to determine when beneficial interest is lost.

Electronic Warehouse Receipts

The Peanut Electronic Warehouse Receipts (EWR) Pilot Project implemented in late 2003 will continue during the 2004 crop year. FSA has designated a provider (EWR, Inc.) to maintain a central filing system for peanut EWRs. The Pilot Project is designed to:

- Allow the provider to issue peanut EWRs following the guidelines issued by FSA;
- Transfer EWR data from the provider to the requesting FSA county office;
- Use EWR data received from the provider to process marketing assistance loans or LDPs using Automated Price Support System; and
- Track the status of EWR data.

Repayment Rates (National Posted Price)

CCC announces the national posted price for peanuts weekly on Tuesdays at 3:00 p.m. Eastern Standard Time (EST) on the FSA Web site and in local FSA offices. The repayment rate becomes effective Wednesday at 12:01 a.m. EST. The rates can be obtained by visiting: <http://www.fsa.usda.gov/dafp/psd/peanuts.htm>

Loan Maturity

Peanut loans mature on demand, but no later than the last day of the ninth calendar month after

the month in which the loan is disbursed.

Designation of Agent

Producers may designate an agent to redeem all or a portion of the peanuts pledged as collateral for a marketing assistance loan.

Designation of an agent does not relieve the producer from the terms and conditions of the note and security agreement. Designated agents may transfer the designation to a subsequent agent on form CCC-605P, by endorsement. Agents who are subsequently designated may transfer the designation to other subsequent agents on CCC-605P-2, by endorsement. County offices will make the forms CCC-605P, CCC-605-1, and CCC-605P-2 available to the public. Producers should be advised that a separate CCC-605P is required for each loan. These forms are available at <http://forms.sc.egov.usda.gov/eforms/mainservlet> or in local county offices.

Application Deadline/Loan Availability Period

Peanut marketing assistance loans and LDPs are available to all eligible producers during the year following a normal harvest. All applications for peanut marketing assistance loans or LDPs must be made by January 31.

For More Information

Additional information on loans and LDPs for peanut producers is available from local USDA Service

Centers and on the FSA Web Site at www.fsa.usda.gov

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