



Wool and Mohair Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment Program

Overview

The Farm Security and Rural Investment Act of 2002 (the Act) provides 2002 through 2007 crop year marketing assistance loans and loan deficiency payments (LDP's) for wool and mohair to eligible producers who produce and shear wool and mohair from live sheep and goats. The LDP program is also available to eligible producers of nongraded wool in the form of unshorn pelts for the 2002-2007 crop years.

The wool and mohair nonrecourse marketing assistance loan and LDP program provides eligible producers with two forms of Federal assistance. Eligible producers can either 1) request a nine-month marketing assistance loan or 2) agree to forgo the loan and request an LDP. The program helps stabilize America's wool and mohair industry and ensures the well-being of agriculture in the United States. Nonrecourse marketing assistance loans are administered by the Farm Service Agency (FSA), on behalf of the Commodity Credit Corporation (CCC).

Wool and Mohair Nonrecourse Marketing Assistance Loans

Wool and mohair nonrecourse marketing assistance loans are nine month loans that provide eligible producers with interim financing on their production and facilitate the orderly distribution of

loan-eligible crop throughout the year. Instead of selling the wool and mohair immediately after shearing, a nonrecourse loan allows a producer to store the production, pledging the crop itself as collateral. The loan helps an eligible producer pay bills when they come due without having to sell the wool or mohair at a time of year when prices tend to be lowest. When market conditions may be more favorable, a producer may sell the product and repay the loan with the proceeds of the sale. If the producer is unable to repay the loan, he or she can deliver to CCC the quantity of wool or mohair pledged as collateral as full payment for the loan at maturity.

Market loan repayment provisions specify that, under certain circumstances, producers may repay loans at less than principal plus accrued interest and other charges, with repayment of some portion of the relevant interest and principal being waived. Producers may also purchase commodity certificates and exchange the commodity certificate with outstanding loan collateral in repayment of marketing assistance loans.

Loan Deficiency Payment

LDP's are payments made to producers who, although eligible to obtain a CCC loan, agree to forgo the loan in return for a payment on

the eligible wool, mohair, or unshorn pelt.

Eligibility

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

- Meet the definition of an eligible producer;
- Comply with highly erodible land conservation and wetland conservation provisions;
- Produce and shear eligible wool and mohair or produce an unshorn pelt from a slaughtered lamb for unshorn pelts;
- Have beneficial interest in the commodity;
- Own, other than through a security interest mortgage or lien, the sheep and goats that produce the wool and mohair for a period of not less than 30 calendar days before shearing, or in the case of unshorn lambs, 30 days prior to slaughter of the lamb;
- For unshorn pelts only, sell the unshorn lamb for immediate slaughter or slaughter the unshorn lamb for personal use.

To be eligible for a nonrecourse marketing assistance loan or LDP, the wool and mohair must:

- Have been produced and sheared by the eligible producer;
- Be in existence and in storable condition;

Fact Sheet

Wool and Mohair Nonrecourse Marketing

Assistance Loan and Loan Deficiency Payment Program

- Be of merchantable quality suitable for loan;
- Be produced and shorn from live animals of domestic origin in the United States.

To be eligible for an unshorn pelt LDP, the unshorn pelt must:

- Have been produced by an eligible producer;
- Be produced from a live unshorn lamb of domestic origin in the United States at the time beneficial interest was lost.

Beneficial Interest

To be eligible for a loan or LDP, eligible producers must have beneficial interest in the applicable commodity. Beneficial interest must be retained by a producer from shearing or other specified term for special commodities continuously through:

- For LDP, the date LDP is requested;
- For loan, the earlier of the date the loan is repaid or CCC takes title to the commodity.

A producer is considered to have beneficial interest in a commodity if all of the following remain with the producer: 1) title to the commodity 2) risk of loss and 3) control of the commodity. When beneficial interest in the commodity is lost by the producer, the commodity remains ineligible for loan or LDP even if the producer regains beneficial interest.

Producers are required to provide acceptable production evidence, which indicates the date beneficial

interest was lost with the LDP request.

Payment Limitation

Market gains and LDP's received by a producer for wool, mohair, and unshorn pelts are subject to one \$75,000 payment limitation per crop year.

Final Loan Availability Date

The final loan availability date to request a marketing assistance loan or LDP for wool, mohair, and unshorn pelts is January 31 of the year following the year in which the commodity is sheared or the unshorn lamb is slaughtered.

Applicable Forms

When requesting a loan or LDP for wool and mohair or an LDP for unshorn pelts, producers must complete either a:

- CCC-633 WM for certified farm-stored loans;
- CCC-709 for field direct LDP's;
- CCC-633-LDP for basic LDP's;
- CCC-709-PELT, for field direct unshorn pelt LDP's; and
- CCC-633-PELT, for basic unshorn pelt LDP's.

Forms CCC-709 and CCC-633-LDP have been revised to accommodate wool and mohair LDP requests and must be completed according to instructions provided by CCC.

Forms CCC-709-PELT and CCC-633-PELT are new application forms to request LDP's for unshorn pelts and must be completed

according to instructions provided by CCC.

CCC-633-WM is a new loan request form and must be completed according to instructions provided by CCC.

Producers applying for a loan or LDP on wool must indicate, "graded" or "ungraded," as the type of wool on the applicable loan and LDP forms.

Applications are available at local FSA offices and on the Internet at: <http://forms.sc.egov.usda.gov/FormSearch.asp>

Loan and LDP Rates

For graded wool, loans will be based on the statutory rate of \$1.00, "grease basis," (directly off the animal) but will be issued to producers as "clean basis," using yield data from the core test report. Instead of obtaining a loan, producers may request LDP's on graded wool; LDP's are payable at the loan rate that would have been received for the lot of wool, less the announced repayment amount for wool of that quality that is applicable during the week. The graded wool loan rates are announced by regions according to eight specific micron ranges.

Ungraded wool offered as loan collateral will secure a nonrecourse loan made at a rate of 40 cents per pound. Instead of obtaining a loan, producers may request LDP's on ungraded wool, with the LDP rate being the difference between 40 cents per pound and the announced repayment amount applicable during the week. Regional

Fact Sheet

Wool and Mohair Nonrecourse Marketing Assistance Loan and Loan Deficiency Payment Program

differentials will also apply to nongraded wool.

Producers who desire a nonrecourse loan for mohair will receive the statutory rate of \$4.20 per pound. There are no regional differentials for mohair.

At loan maturity, if producers wish to forfeit the loan collateral, the loan amount may be adjusted based on a schedule of premiums and discounts applicable to the crop year.

Unshorn pelt payments will be based on the LDP rate for nongraded wool for the week in which beneficial interest was lost in the applicable region where the unshorn pelts were produced and where the producer's farm records are maintained. LDP's for unshorn pelts will be based on a standard weight of 6.865 pounds per pelt.

The following are the national loan rates for the 2002 through 2007 crop year for wool and mohair (grease basis):

Commodity	Loan Rate
Graded Wool	\$1.00 per pound
Ungraded Wool	\$0.40 per pound
Mohair	\$4.20 per pound

Regional loan rates for wool and mohair will be announced at the beginning of each crop year.

All counties in the states listed in the following table shall use loan rates applicable to **Region 1** for graded and nongraded wool. (See **Chart 1**)

States and applicable counties listed in the following table shall use

loan rates applicable to **Region 2** for graded and nongraded wool. (See **Chart 2**)

States and applicable counties listed in the following table shall use loan rates applicable to **Region 3** for graded and nongraded wool. (See **Chart 3**)

Core Tests

To obtain a graded wool loan rate, the wool must be core tested by a CCC-approved testing facility to be measured through laboratory analysis for fiber diameter (micron) and yield. A core test refers to a lab test where the thickness of the fiber is measured. The average fiber diameter provided on the core test report will indicate the micron applicable to the tested wool. A list of CCC-approved testing facilities for graded wool can be obtained from any USDA Service Center.

Repayment Rates and Posted Prices

The regional posted prices that are used to calculate the CCC-determined value to determine the LDP rate and the marketing loan repayment rates for wool, mohair and unshorn pelts will be announced each Tuesday at 3:00 p.m., Eastern time by press release. County Offices will calculate the CCC-determined value to determine the alternative repayment and LDP rate. The posted prices will become effective Wednesday at 12:01 a.m., Eastern time.

Regional loan rates, posted prices, and LDP rates for the 2002 and 2003 crop years are available at,

USDA Internet, FSA Intranet, and PSD's Web site at:
www.fsa.usda.gov/daftp/psd

For More Information

Further information on this and other FSA programs is available from local USDA Service Centers or on the FSA Web site at:
www.fsa.usda.gov

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Fact Sheet

Wool and Mohair Nonrecourse Marketing

Assistance Loan and Loan Deficiency Payment Program

CHART 1

STATES					
Alabama	Georgia	Maine	Missouri	Ohio	Vermont
Arkansas	Illinois	Maryland	New Hampshire	Pennsylvania	Virginia
Connecticut	Indiana	Massachusetts	New Jersey	Rhode Island	West Virginia
Delaware	Kentucky	Michigan	New York	South Carolina	
Florida	Louisiana	Mississippi	North Carolina	Tennessee	

CHART 2

STATE	COUNTIES			
Arizona	Apache Gila Greenlee	Cochise Graham Navajo		
Colorado	All			
Iowa	All			
Kansas	All			
Montana	Big Horn Daniels Gallatin Musselshell Powder River Rosebud Treasure Yellowstone	Carbon Dawson Garfield Park Prairie Sheridan Valley	Carter Fallon Golden Valley Petroleum Richland Stillwater Wheatland	Custer Fergus McCone Phillips Roosevelt Sweet Grass Wibaux
Minnesota	All			
New Mexico	All			
North Dakota	All			
Nebraska	All			
Oklahoma	All			
South Dakota	All			
Texas	All			
Utah	Daggett San Juan	Duchesne Summit	Grand Uintah	
Wisconsin	All			
Wyoming	All			

Fact Sheet

Wool and Mohair Nonrecourse Marketing

Assistance Loan and Loan Deficiency Payment Program

CHART 3

STATE	COUNTIES			
Arizona	Coconino	LaPaz	Maricopa	
	Mohave	Santa Cruz	Pima	
	Pinal	Yavapai	Yuma	
California	All			
Idaho	All			
Montana	Beaverhead	Blaine	Broadwater	Cascade
	Chouteau	Deer Lodge	Flathead	Glacier
	GraniteHill	Jefferson	Judith Basin	Lake
	Lewis and Clark	Liberty	Lincoln	Madison
	Meagher	Mineral	Missoula	Pondera
	Powell	Sanders	Toole	Ravalli
	Silver Bow	Teton		
Nevada	All			
Oregon	All			
Utah	Beaver	Box Elder	Cache	Carbon
	Davis	Emery	Garfield	Iron
	Juab	Kane	Millard	Morgan
	Piute	Rich	Salt Lake	Sanpete
	Sevier	Tooele	Utah	Wasatch
	Washington	Wayne	Weber	
Washington	All			