



Fact Sheet

Fees and Charges Assessed by the Commodity Credit Corporation for Loans and Reconcentrations

Background

This fact sheet explains various fees and charges associated with cotton loans, loan settlements, loan deficiency payments (LDPs), and the movement of cotton loan collateral (referred to as cotton reconcentration).

USDA's Commodity Credit Corporation's (CCC) marketing assistance loans enable producers to store ginned cotton. This option increases producers' opportunities to sell and extends their marketing decisions rather than sell their crop immediately upon harvest. The following fact sheets provide detailed information about these loan programs: *Nonrecourse Marketing Assistance Loans and Loan Deficiency Payments; Extra Long Staple Cotton Summary of 2000 Commodity Loan Program; and Upland Cotton: Locking the Adjusted World Price (AWP) for Loan Deficiency Payments on Upland Seed Cotton.*

Loan and LDP Fees/Charges at Time of Disbursement

■ Loan Service Fee

CCC assesses a fee to cover a portion of the administrative costs for providing the loan. This loan service fee is deducted from

the total amount of the loan before the loan is disbursed to the producer. The loan service fee is the smaller of $\frac{1}{2}$ of 1 percent (.005) times the gross loan amount, or \$7.50 per loan plus 90 cents for each bale. There is no service fee assessed when an LDP is dispersed.

■ Research and Promotion Fees

Under regulations for administering the Cotton Research and Promotion Act, CCC collects research and promotion fees. These fees are deducted from loan proceeds and LDPs and paid by CCC directly to the Cotton Board. By statute, the amount of the fee for loans is different from the fee deducted from LDPs. For loans, the fee is \$1.00 per bale plus $\frac{1}{2}$ percent of the total loan value. For LDPs, the fee is $\frac{1}{2}$ percent of the LDP. Merchants who redeem bales from loan or market cotton that received LDPs also pay fees to the Cotton Board in addition to the CCC deductions. Research and Promotion fees should generally not be included by ginners in their request for loan offsets although, in at least one

State, ginners collect and remit the portion of the fee not assessed by CCC on LDPs.

■ Loan Offset Charges

An offset charge is an amount deducted from a loan or LDP to pay an amount owed to CCC, the FSA or other Federal creditors.

■ Cotton Clerk Fee

If a cotton clerk prepares loan documents at the request of a producer, the clerk may collect fees deducted from the loan proceeds, not to exceed the following rates: 25 cents for the first bale plus 15 cents for bales two through six; for seven or more bales, \$1.00 plus 10 cents for each bale over six.

■ Charges Due at Time of Collateral Forfeiture

Producers are ordinarily responsible to refund certain warehousing charges to CCC if their cotton is delivered to the warehouse but their loan is not repaid. Producers should be aware of the amount due for these charges before they elect to forfeit the cotton to CCC.

■ Warehouse Charges

In some areas, producers may be asked by their ginner to pre-pay the warehouse fee

as an offset charge. The amount of the fee varies, and can be obtained by asking the warehouse operator or ginner. If a producer agrees to have this charge offset from loan proceeds, such prepayment must be entered on the warehouse receipt to avoid having to repay the fee if the cotton is forfeited to CCC. If the prepayment of this fee is not shown on the warehouse receipt, CCC will pay this fee to the warehouse and then bill the producer. In such cases, the producer will need to pay CCC and obtain a refund from the warehouse.

■ **Storage from Date of Warehousing to Loan Date (Pre-loan Storage Charges)**

The storage charges that accrued from the warehouse receiving date to the date that the loan begins are billed to any producer who forfeits cotton to CCC. The date that the loan begins is defined as the "documents received date" of the loan. The storage rate charged to the producer for this period is the warehouse contract storage rate.

■ **Storage Charges During the Loan Period**

If a cotton loan is repaid, the storage charges that accrued while the cotton was under loan may be totally or partially subtracted from the loan repayment amount. The amount of this deduction depends on the level of the adjusted world price (AWP)

bale value on the repayment date. If the AWP bale value is less than the bale loan value, the entire charge for accrued storage (based on the warehouse tariff rate) is deducted from the repayment amount. If the AWP bale value is equal to or above the loan value of the bale, by less than the sum of interest and warehouse storage charges that accrued during the loan, then the repayment amount is reduced by all or some of the storage charges. If the AWP bale value is above the bale loan rate by as much as or more than the sum of interest and storage charges that accrued during the loan, there is no deduction for the storage charge. Whether deducted from the loan or not, the storage amount for the period of the loan is based on the latter of 1) the date all loan application documents were received, or 2) the date warehouse receipts were received by CCC.

If the cotton is forfeited to CCC, the storage charges during the loan period are paid to the warehouse by CCC without regard to the level of the AWP bale value.

■ **Unpaid Compression Charges**

Starting with the 2002 crop, producers forfeiting cotton to CCC will be billed for any unpaid compression charges. The amount will be the actual compression charge levied by the ginner/warehouse that is

shown as unpaid on the warehouse receipt. Ordinarily, a lien waiver must be obtained for any lien or encumbrance on the cotton tendered for a loan. Because compression charges are ordinarily paid by the buyer of the cotton, CCC does not require lien waivers for unpaid compression. However, this procedure does not absolve producers from the responsibility of paying compression charges for cotton forfeited to CCC.

■ **Fee for Cotton Represented by Paper Warehouse Receipts**

Starting with the 2002 crop, producers forfeiting cotton will be billed by CCC at a rate of \$10.00 per bale for cotton represented by a paper warehouse receipt. This fee is to offset charges incurred by CCC for processing the forfeiture and marketing costs.

■ **Fee for Cotton Compressed to a Density Defined as a Flat or Modified Flat Bale**

Starting with the 2002 crop, CCC will bill producers \$50.00 for each bale of cotton forfeited to CCC that has been compressed to a density defined as a flat bale or modified flat bale (according to specifications of the Joint Cotton Industry Bale Packaging Committee). This fee is to offset charges the CCC incurs to have such cotton re-compressed to universal density specifications.

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■ **Charges under Cotton Reconcentrations**

A reconcentration of cotton is the movement of cotton under loan from one warehouse to another. Such relocations of cotton are generally infrequent, and usually result from unforeseen events. Before any relocation of cotton occurs, the producer is informed in writing. Such producers have the choice to either agree to the

reconcentration or redeem the cotton from loan at the initial warehouse. Reconcentration charges for producers and CCC are listed in the following table, along with a comparison to the charges for a regular loan without reconcentration.

Payment of Charges Under Cotton Reconcentration (RO)

For Cotton Under Loan

Item	Normal Loan	Reconcentration		
		Shipping Warehouse		Receiving Warehouse
		(After Shipping)	Redemption	Forfeiture
Receiving	Paid by producer. If forfeited, paid to warehouse by CCC, then billed to producer.	Originally paid by CCC. Added to loan redemption amount and paid by producer or buyer for redeemed cotton. Billed to producer if forfeited.	Added to loan redemption amount; paid by redeemer or buyer.	Added to loan redemption amount; absorbed by CCC if cotton is forfeited.
Storage: Pre-loan	Paid by producer or buyer. If cotton forfeited, paid to warehouse by CCC, then billed to producer.	Paid by CCC, but added to loan redemption amount and paid by producer or buyer for redeemed cotton. Billed to producer by CCC if cotton is forfeited.	Not applicable as cotton considered under loan when received.	Not applicable as cotton considered under loan when received.
Storage: Accrued During Loan Period	If $AWP < P+I$ accrued storage, storage is credited by reducing repayment amount. Buyer pays warehouse. If $AWP > P+I$ storage, then no credit is provided. In either case, CCC pays warehouse if cotton is forfeited.	Paid by CCC and transferred to new loan. If cotton is redeemed from new loan at receiving warehouse, CCC bills producer for any charges paid in excess of approved storage credit. If cotton is forfeited at receiving warehouse, no collection is made from the producer.	Storage charges (net storage credits, if any) at the receiving warehouse are paid by buyer or redeemer when cotton is redeemed.	Storage accrued at the receiving warehouse is paid by CCC if cotton is forfeited.
Payment of charges continues				

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Item	Normal Loan	Reconcentration		
Storage: After Loan	Paid by producer if redeemed. If cotton is forfeited, storage fee is paid to the warehouse by CCC.	Not applicable under RO.	Paid by producer or buyer.	Paid by CCC until cotton sold.
Compression	Paid by buyer if loan redeemed; billed to producer by CCC if cotton is forfeited.	Paid by CCC and added to repayment amount. If cotton is forfeited, charges are added to CCC's sales price.	Compression, if any from shipping warehouse, paid by redeemer or, if cotton is forfeited, is added to CCC's sales price.	
Load-out	Paid by buyer.	Paid by CCC then added to loan repayment amount. CCC recovers outlay upon redemption. Absorbed by CCC if cotton is forfeited.	Paid by buyer.	Paid by buyer.
Loss in Weight Exceeding 10 pounds/bale	Not applicable	Billed by CCC to sending warehouse based on per/lb loan rate.	Not applicable.	Not applicable.

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Warehouse Storage Rates and Billing for Upland Cotton Under Loan	
Charges Accrued Before Loan Period:	
Cotton redeemed	Paid by buyer at tariff rate when cotton is loaded out. CCC uninvolved-no payments or billing by CCC.
Cotton forfeited	Paid to warehouse by CCC at contract rate, then billed by CCC to producer at the contract rate.
Charges Accrued During Loan Period:	
Cotton redeemed	None, some or all may be deducted from the loan repayment amount based on the tariff rate. The amount deducted, if any, depends on the AWP level at the time of redemption. Paid to the warehouse by the buyer at tariff rate at load-out.
Cotton forfeited	Currently paid by CCC at contract rate without regard to AWP level.
Charges Accrued After loan period:	
Merchant-owned	Tariff rate
CCC-owned	Contract rate

For More Information

Further information on this and other FSA programs is available from local FSA offices or on FSA's Web site at: www.fsa.usda.gov.

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