

FSA Issues Commodity Certificate Exchange Program Rules for 2015 and Future Years

Friday, March 11, 2016

By Shawn Wade

The USDA Farm Service Agency has issued rules implementing the Commodity Certificate Exchange program that can be purchased and used to repay Marketing Assistance Loans (MALs) for cotton and peanuts in 2015 and in future years.

Use of commodity certificates beginning with the 2015 marketing year was authorized by the Consolidated Appropriations Act of 2015 signed into law on December 18, 2015. Reinstatement of commodity certificate authority was advocated by Plains Cotton Growers, the National Cotton Council and other agricultural groups to provide relief to cotton producers dealing with the adverse effects of low cotton prices.

The new CCE procedures will allow cotton and peanut producers with outstanding marketing assistance loans to redeem the MALs using generic commodity certificates under the same terms and conditions that were in effect for the 2008 crop year.

Loans redeemed using generic commodity certificates will not be subject to either payment limitations or Adjusted Gross Income provisions included in the 2014 Farm Bill.

The end result for producers is that loans redeemed under circumstances that generate a market loan gain (MLG) because the loan redemption rate is below the outstanding loan amount at the time of loan repayment will not see the market loan gain counted against the \$125,000 combined payment limitation for ARC, PLC and marketing loan benefits.

It is important to note that the commodity certificate exchange program does not change the treatment of Loan Deficiency Payment (LDP) benefits, which will continue to subject to payment limitation and Adjusted Gross Income provisions. All 2015 LDP benefits that have been received will continue to be counted against 2015-crop payment limitations.

In the future producers can avoid having LDP benefits included in their payment limitation by performing what is known as a "turn-around loan" instead of requesting a loan deficiency payment. A "turn-around loan" involves obtaining a market assistance loan that is immediately redeemed with a commodity certificate.

"In recent years, many cotton producers have diversified their operations with various ARC and PLC eligible crops in order to mitigate their exposure to low prices and the financial stresses they bring. Unfortunately, the marketing loan gains that were generated by low cotton prices also significantly limited the assistance that was available to the other program eligible crops planted on their farms," PCG Executive Vice President Steve Verett said.

"Regaining the ability to repay cotton marketing loans with commodity certificates is critical to cotton producers across the country that are struggling financially from a combination of low prices, high input costs and low yields without the benefit of Farm Bill programs like ARC and PLC," Verett said.

Under the new rules producers will be able to use commodity certificates to redeem outstanding 2015 marketing assistance loans as well as convert previously completed cash redemptions that generated a marketing loan gain (MLG) to commodity certificate redemptions.

USDA FSA is in the process of mailing letters to cotton producers announcing the new provisions along with instructions for contacting their county FSA office or loan servicing agent (LSA) to obtain additional information or to complete and sign a new form CCC-694-2, "Acknowledgement of Commodity Certificate Purchase." Producers members of a cooperative marketing association (CMA) will not be required to sign and submit form CCC-694-2 because the CMA transacts business regarding market assistance loan on their behalf and will be asked to submit a single CCC-694-2 form that will cover all CMA members.

Producers who DO NOT participate in an eligible CMA will be required to sign and submit the new form at either the county FSA office or their LSA, as appropriate.

Failure to complete a CCC-694-2 will cause all previous cash redemptions to be treated as such with the corresponding market loan gain subject to payment limitation and Adjusted Gross Income provisions.

PCG's 59th Annual Meeting

Friday, April 8

Lubbock Memorial Civic Center • 9 a.m.-Noon

Keynote Speaker

Presented by Farmers Cooperative Compress

David Wasserman

The Cook Political Report

More information at www.plainscotton.org!

2016 PCG Seed Cost Calculator Now Available

Friday, March 11, 2016

By Mary Jane Buerkle

The 2016 version of the Plains Cotton Growers, Inc. Seed Cost Calculator is ready and available for download from the PCG website at <http://www.plainscotton.org>.

The PCG seed cost calculator is an interactive Microsoft Excel spreadsheet that allows producers to calculate an estimated cost per acre, for both seed and technology, based on published suggested retail prices.

The calculator has become a popular tool among producers interested in comparing seed and technology prices as they work to finalize their cotton variety selections.

The 2016 version of the spreadsheet includes listings for more than 90 conventional, Roundup Ready FLEX, XtendFlex, GlyTol, Bollgard II, TwinLink, and Widestrike varieties, including numerous stacked gene versions of these technologies that will be available for sale in West Texas in 2016.