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2008

NGFA Country Elevator Committee

St. Louis, Missouri

December 7, 2008



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2008

The Food, Conservation, and Energy Act of 2008

Enacted into law on June 18, 2008

Effective date: May 22, 2008





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2008

Putting Policy in Action and Delivering Results

- 2008-Crop Marketing Assistance Loans and LDP Provisions Implemented – June 10th
- 2008-Crop Direct & Counter Cyclical Payment (DCP) Signup – Began June 30th
- Advance Direct Payments – Began July 7th
 - Farmers will receive up to \$1.15 Billion in 2008 Advance Direct Payments



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Putting Policy in Action and Delivering Results

- 2008-Crop Payment Limitation and Eligibility Provisions Implemented – July 14th
- 2008-Crop Cotton and Peanuts Marketing Assistance Loans and LDP Provisions Implemented – July 25th
- Biomass Crop Assistance Program (BCAP) – October 1st intent to prepare an Environmental Impact Statement for BCAP as a new program



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Putting Policy in Action and Delivering Results

- CRP Part 1 Environmental Assessment Notice – OGC cleared
- 2009-Crop DCP Payment Signup -- To start soon
- MILC Payment Signup – To start soon



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Regulations and Implementation

- Cotton Final Rule -- Implemented November 5th
- MILC Final Rule – Implemented December 1st
- Payment Eligibility and Limitation Final Rule – OMB clearance



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Regulations and Implementation

- DCP and ACRE Final Rule – OMB Clearance
- Sugar Title 1 Final Rule – Departmental Clearance
- Marketing Assistance Loans and LDP Final Rule – FSA Clearance



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Regulations and Implementation

- CRP Part 1 Interim Rule – Departmental Clearance
- Conservation Compliance Final Rule – FSA Clearance
- Farm Storage Facility Loan Final Rule – FSA Clearance



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Regulations and Implementation

- BCAP Proposed Rule – FSA Clearance
- Supplemental Revenue Assistance Payment Program (SURE) Interim Rule – FSA Clearance



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2008 Act Impacts

Marketing Assistance Loans (MALs) and Loan
Deficiency Payments (LDPs)
General Policy



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Nonrecourse MALs

- Will continue to be available for 2008 through 2012 crops
- Marketing tool available to producers upon harvest or shearing
- Extends through the final loan availability date



MAL Rates

(**Red** indicates change from 2002 Farm Bill)

Crop	2008 Crop Year Loan Rate	2009 Crop Year Loan Rate	2010 through 2012 Crop Years Loan Rate
Wheat	\$2.75/bu	\$2.75/bu	\$2.94/bu
Corn	\$1.95/bu	\$1.95/bu	\$1.95/bu
Grain Sorghum	\$1.95/bu	\$1.95/bu	\$1.95/bu
Barley	\$1.85/bu	\$1.85/bu	\$1.95/bu
Oats	\$1.33/bu	\$1.33/bu	\$1.39/bu
Long Grain Rice	\$6.50/cwt	\$6.50/cwt	\$6.50/cwt
Medium Grain Rice	\$6.50/cwt	\$6.50/cwt	\$6.50/cwt
Soybeans	\$5.00/bu	\$5.00/bu	\$5.00/bu



MAL Rates

(Red indicates change from 2002 Farm Bill)

Crop	2008 Crop Year Loan Rate	2009 Crop Year Loan Rate	2010 through 2012 Crop Years Loan Rate
Other Oilseeds	\$9.30/cwt	\$9.30/cwt	\$10.09/cwt
Dry Peas	\$6.22/cwt	\$5.40/cwt	\$5.40/cwt
Lentils	\$11.72/cwt	\$11.28/cwt	\$11.28/cwt
Small Chickpeas	\$7.43/cwt	\$7.43/cwt	\$7.43/cwt
Large Chickpeas	NA	\$11.28/lb	\$11.28/lb
Graded Wool	\$1.00/lb	\$1.00/lb	\$1.15/lb
Nongraded Wool	\$0.40/lb	\$0.40/lb	\$0.40/lb
Mohair	\$4.20/lb	\$4.20/lb	\$4.20/lb
Honey	\$0.60/lb	\$0.60/lb	\$0.69/lb



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Term of MALs

- 9 months
- Begins on the first day of the first month after the month in which the loan is disbursed



Repayment of MALs

- Wheat
- Feed Grains (except rice)
- Soybeans
- Pulse Crops
- Oilseeds
- Wool
- Mohair
- Honey



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Repayment of MALs

At a repayment rate that is lesser of:

1. Loan rate plus interest; OR
2. A rate that:
 - is based on average market prices during a preceding 30-day period; and
 - will minimize marketing loan benefits across State and County boundaries; OR



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Repayment of MALs

3. A rate that will minimize:

- potential loan forfeitures
- accumulation of stocks
- storage costs
- market impediments
- marketing loan benefits across State and County boundaries



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Repayment of MALs (Rice)

At a repayment rate that is lesser of:

1. Loan rate plus interest; or
2. Adjusted world market price (AWP)

AWP = prevailing world market price –
quality and location adjustments



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Repayment of MALs (Non-Oil Sunflower Seed)

At a repayment rate that is lesser of:

1. Loan rate plus interest; or
2. The repayment rate established for oil sunflower seed



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Repayment of MALs (Temporarily Adjust Repayment Rate)

Modification in case of severe disruption to:

- marketing
- transportation
- related infrastructure
- ONLY be in effect on a short-term and temporary basis



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Removal of Quality Grades for Pulse Crops

- 2002 Act based loan rates and, indirectly, repayment rates on “feed” or “Number 3” grade
- 2008 Act removes this language and repayment rates will be based on “food” or “Number 1” grade



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Loan Deficiency Payments (LDPs)

- Will continue to be available for 2008 through 2012 crops
- Marketing tool available to producers who agree to forgo the MAL
- Continues for unshorn pelts, hay and silage



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Payments in Lieu of LDPs for Grazed Acreage

- Will continue to be available for 2008 through 2012 crops
- Payments for grazed wheat, oats, barley and triticale



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Recourse Loans (High Moisture Feed Grains)

- Will continue to be available for 2008 through 2012 crops
- Corn and grain sorghum
- Repayment at loan rate plus interest



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Commodity Certificate Repayment Turn-Around Loan

Commingled Commodities

Pledged collateral will no longer be allowed to be stored in unlicensed warehouses if the producer repays the MAL immediately with a commodity certificate.



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Impacts for 2008 Crop Only

Payment Limitation and Eligibility, and Adjusted
Gross Income



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Payment Limitation

Remains at \$75,000 for marketing loan gains and LDPs for:

- Wheat
- Feed grains
- Soybeans
- Oilseeds
- Pulse Crops



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Payment Limitation

Separate \$75,000 for marketing loan gains and LDPs for :

- Peanuts
- Honey
- Wool
- Mohair
- Unshorn Pelts



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Payment Eligibility

Payment limitations of \$75,000 apply:

- Per person
- Three entity rule
 - Individual entity – full payment directly
 - Two additional entities – up to a half payment from each



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Adjusted Gross Income (AGI)

Average AGI

3 taxable years preceding the most complete taxable year



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Adjusted Gross Income (AGI)

Eligible

AGI > \$2.5 million

and

More than 75% of AGI from
agricultural sources

Not Eligible

AGI > \$2.5 million

and

Less than 75% of AGI from
agricultural sources



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Impacts 2008 through 2012 Crop Years

Commodity Assessments



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Commodity Assessments

CCC may no longer charge any fees for the collection of commodity assessments.



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2008 Act Impacts

Peanut Marketing Assistance Loans (MALs) and
Loan Deficiency Payments (LDPs)
General Policy



2008 Crop Peanut Loan Rates

- On June 26, 2008, CCC announced the 2008 crop peanut loan rates by type.
- Peanut premiums and discounts remain unchanged from 2007 crop year.

Peanut Type	Loan Values Per Ton
Virginia	\$357.32
Runner	\$354.75
Spanish	\$348.95
Valencia	\$357.32



Peanut Storage, Handling, and Associated Costs

- CCC shall pay handling and other associated costs (other than storage costs) when peanuts are placed into loan
- Repayment of handling and other associated costs when peanuts are redeemed
- CCC pays storage, handling, and other associated costs when peanuts are forfeited



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Farm Storage Facility Loan Program

- Increase in loan term from 7 years to a maximum of 12 years
- Increase in loan principal to a maximum of \$500,000 per loan
- Expanded eligible commodities to include:
 - Renewable biomass
 - Storable agricultural commodities



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FSFL Storage Needs Requirement

Current procedure:

- Use 3-year average acreage
- Multiply acreage by COC yield times two
- Deduct existing available storage



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Definition of Hay

A grass or legume that:

- Has been cut & stored
- Is usually dried

Legumes include alfalfa & clovers

Effective when Federal Regulations are published



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Commonly Used Grass Mixtures

- Timothy
- Rye grass
- Brome
- Fescue
- Coastal Bermuda
- Orchard grass
- Other native species, depending on the region



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Eligible Structures for Storing Hay

New structures and/or new components for existing structures:

- suitable for storing hay
- built according to acceptable design guidelines from:
 - CSREES
 - Land-Grant Universities



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Eligible Structures for Storing Hay (cont'd)

- Useful life of 15 years
- Suitable flooring for the region where facility is located



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Definition of Renewable Biomass

Any organic matter that is available on a renewable or recurring basis for the production of energy in the form of heat, electricity and/or liquid/solid/gaseous fuels

Effective when Federal Regulations are published



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Examples of Renewable Biomass

- Renewable feed grain plant material
 - Corn
 - Grain sorghum
 - Wheat
- Energy Crops
 - Sugar
 - Soybeans
 - Switch grass



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Examples of Renewable Biomass

- Trees (excluding old growth timber)
 - Forestry residues – logging slash, forest thinnings, pulping process wastes
 - Short rotation woody crops – poplar, willow, southern pine
- Algae



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Determining Storage Need for Renewable Biomass

- Have applicant certify as to biomass commodity for which storage is requested
- Verify if biomass commodity is reported on FSA-578
- If not reported on FSA-578, have applicant indicate on aerial photo where biomass commodity is or was grown & determine acres



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Eligible Structures for Storing Renewable Biomass

New structures and/or new components of existing structures:

- Suitable for storing a renewable biomass commodity
- Built according to industry guidelines & specifications
- Having a useful life of 15 years



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DCP Payment Yields

- A Farm's Payment Yield(s) remain the same (no updating)
- Establish Payment Yields for Counter-Cyclical Payments:
 - Designated oilseed or eligible pulse crop (Large Chickpea, Small Chickpea, Dry Peas, Lentils)



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DCP Payment Acres

Year	Percentage of Base Acres Used to Calculate <u>Direct</u> Payments	Percentage of Base Acres Used to Calculate <u>Counter-Cyclical</u> Payments
2008	85%	85%
2009	83.3%	85%
2010	83.3%	85%
2011	83.3%	85%
2012	85%	85%



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Direct Payment Rates

Crop	2008 through 2012 Payment Rate
Barley	\$0.24/bu
Corn	\$0.28/bu
Grain Sorghum	\$0.35/bu
Oats	\$0.024/bu
Other Oilseeds	\$0.80/cwt
Peanuts	\$36/ton
Rice, Long Grain	\$2.35/cwt
Rice, Medium Grain	\$2.35/cwt
Soybeans	\$0.44/bu
Upland Cotton	\$0.0667/lb
Wheat	\$0.52/bu



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Direct Payments

- Advance Payments available for 2008 through 2011 crop years
- Advance payment percentage is 22 %
- 2008 DCP signup began on June 30, 2008, and will end September 30, 2008
- FSA began issuing advance payments on July 7, 2008 (If requested by producer)



Counter-Cyclical Payments

(**Red** indicates increase from 2002 Farm Bill)

Crop	2008 Crop Year Target Price	2009 Crop Year Target Price	2010 through 2012 Crop Years Target Price
Wheat	\$3.92/bu	\$3.92/bu	\$4.17/bu
Corn	\$2.63/bu	\$2.63/bu	\$2.63/bu
Grain Sorghum	\$2.57/bu	\$2.57/bu	\$2.63/bu
Barley	\$2.24/bu	\$2.24/bu	\$2.63/bu
Oats	\$1.44/bu	\$1.44/bu	\$1.79/bu
Upland Cotton	\$0.7125/lb	\$0.7125/lb	\$0.7125/lb
Long Grain Rice	\$10.50/cwt	\$10.50/cwt	\$10.50/cwt
Medium Grain Rice	\$10.50/cwt	\$10.50/cwt	\$10.50/cwt
Soybeans	\$5.80/bu	\$5.80/bu	\$6.00/bu
Peanuts	\$495/ton	\$495/ton	\$495/ton



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Counter-Cyclical Payments (Red indicates increase from 2002 Farm Bill)

Crop	2008 Crop Year Target Price	2009 Crop Year Target Price	2010 through 2012 Crop Years Target Price
Other Oilseeds	\$10.10/cwt	\$10.10/cwt	\$12.68/cwt
Dry Peas	NA	\$8.32/cwt	\$8.32/cwt
Lentils	NA	\$12.81/cwt	\$12.81/cwt
Small Chickpeas	NA	\$10.36/cwt	\$10.36/cwt
Large Chickpeas	NA	\$12.81/cwt	\$12.81



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Counter-Cyclical Payments

- Available for 2008 through 2012 crop years
- Issued if effective price is less than the target price of the covered commodity
- Made after October 1, or as soon as practical after end of marketing year for the covered commodity



Counter-Cyclical Payments

- Partial advance payment for 2008 through 2010 crop years may not exceed 40% (Partial advance if estimated counter-cyclical payment will be required for the covered commodity)
- Repayment of partial advance payment amount by which the total of partial payment exceeds the actual counter-cyclical payment for the covered commodity
- No partial advance payments authorized for the 2011-2012 crop years



Average Crop Revenue Election Program (ACRE)

- 2009 through 2012 crop years
- Irrevocable election on the farm for the initial crop year the election is made through the 2012 crop year
- Failure to make election (all producers on a farm), then farm considered enrolled in DCP



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Average Crop Revenue Election Program (ACRE)

- Alternative to receiving counter-cyclical payment
- 20 percent **reduction** in direct payments
- 30 percent **reduction** in marketing assistance loan rates
- 30 percent **reduction** do not apply to repayment rates



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Reauthorized

- Conservation Reserve Program (CRP)
- Source Water
- Grassland Reserve Program (GRP)



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CRP: Two Parts

- Part 1 – Farmable Wetlands Program (FWP), Tree Thinning, AGI Conservation Exception
 - Winter 2008 (after EA)
- Part 2 - Transition Assistance, Routine Grazing, Cropping History/Alfalfa Rotation, 25 Percent Cropland Limit
 - About 2 years after Environmental Impact Statement (EIS)



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CRP: Getting to 32 Million Acres

Current Enrollment, November 2008	33.6 million
Less: September 30, 2009, Expirations	(3.9 million)
Plus: Projected FWP, continuous, CREP enrollment	~1.0 million
Projected Enrollment, October 1, 2009	30.7 million



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Opportunity to Refocus CRP

- \uparrow crop production = \uparrow CRP need
- Water quality and quantity
- Energy
- T&E species
- Greenhouse gases



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Likely to Happen

- Expirations to get to 32 million
- Transition – Update CRP to 21st century
- Re-focus, Re-target CRP



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Source Water

- Implemented under agreement with National Rural Water Association
 - Plans to help prevent source water pollution
 - Protect recharge areas for public water supplies
- Up to \$20 million authorized through 2012
- Active in 37 States.



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GRP

- FSA–NRCS Partnership
- FSA rental contracts – 40 percent
- NRCS easements – 60 percent
- 1,220,000 acres through 2012



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New Authority

- Title II, Public Access
- Title VIII, Emergency Forest Restoration Program (EFRP)
- Title IX, Biomass Crop Assistance Program (BCAP)



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Title II: Public Access

- \$50 million for FY 2009-2012
 - FY 2009 funding proposed for other purposes
- Grant program to States and Tribes
- Encourage public access to private land for recreation, hunting, and fishing.



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Title VIII: EFRP

- Emergency measures to restore nonindustrial private forest land
- “ECP for NIPF”
- Subject to appropriations
- Requires EIS



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Title IX: BCAP

- Bio-energy Crop Production
- Collaboration/Partnership
 - Producers
 - Industry
 - Rural Development
- Requires EIS



BCAP

- Supports the establishment and production of crops within project areas for conversion to bio-energy
- Project areas are selected through an application process
- Producers enter into BCAP contracts
 - **5 year for annual and perennial crops**
 - **15 year for woody biomass**
- Producers within project areas may receive
 - **Cost share payments for establishment**
 - **Annual rental payments**
 - **Payments for harvest, transportation and storage**



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Beneficial Interest MAL and LDP

Eligibility Requirements



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Beneficial Interest Producers Must Maintain

- Control of the Commodity
- Title to the Commodity



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Control of the Commodity

The producer has control of the commodity if he can do all of the following:

- Move the commodity
- Make marketing decisions
- Select the option of receiving a loan or an LDP



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Title to the Commodity

The producer maintains title to the commodity when:

- the commodity has not been sold
- the commodity has not been delivered to the buyer
- the commodity has not been applied to a contract



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Beneficial Interest MAL

Beneficial interest must be retained by a producer continuously for a MAL:

- from the time of planting
- through the date the loan is repaid



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Beneficial Interest LDP

Beneficial interest must be retained by a producer continuously for an LDP:

- from the time of planting
- through the date the CCC-633 EZ, Page 1 is filed in the County Office.

The applicable CCC-633 EZ, Pages 2, 3, or 4 must be filed in the County Office before the final loan availability date for the applicable commodity.



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Loss of Beneficial Interest Will Occur

For LDP purposes, the earlier of the date the commodity is:

- applied to the Contract
- invoiced
- delivered to the buyer



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Loss of Beneficial Interest Will Occur (cont'd)

When any payment is received for the purchase of the commodity unless the producer has entered into an Option to Purchase contract with the required regulatory language that allows the producer to receive the option payment.

Regulatory language located at: 7 CFR Part 1421.6



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Unapproved Facilities

Deliveries of a commodity to entities such as a:

- Dairy
- Feedlot
- Pit
- Ethanol plant
- Wool pool
- Feed mill
- Feed or Grain bank
- any other unapproved storage facility determined by the Secretary

Will result in the loss of beneficial interest as of the date of delivery, regardless of any other action or agreement between the entity and the producer.



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Open Storage

Producers who deliver:

- to an approved CCC storage facility

AND

- the commodity is placed in open storage

must be able to obtain a warehouse receipt for the commodity.



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Open Storage (cont'd)

The warehouseman must be able to issue the warehouse receipt indicating the producer retains beneficial interest in the commodity.



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Open Storage (cont'd)

If a warehouse receipt is not received for the commodity, the producer should request that the warehouseman include the following certification statement on the production evidence with a signature and date:



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Open Storage (cont'd)

“Title and control of the specified quantity physically delivered to the warehouse remains with the producer. This certification is provided in lieu of a negotiable warehouse receipt.”

FSA considers this statement valid for 30 days from date of issuance.



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2009 – 2012 Crop Changes Mandated by 2008 Act



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Average Adjusted Gross Income (AGI) Limitations for 2009 through 2012

Commodity Programs, Disaster Assistance – AGI

- DCP, ACRE, Marketing Loan Gain, LDP, Supplemental Agricultural Disaster Assistance, MILC, NAP
- Average AGI – 3 taxable years preceding the most complete taxable year
- Nonfarm AGI greater than \$500,000, the individual or entity ineligible
- Farm AGI greater than \$750,000, the individual or entity ineligible



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Payment Limitation

Payment limitation is applicable to 2008 crop MALs and LDPs.

Payment limitation will not be applicable to 2009 through 2012 crop year MALs and LDPs.

(Dollar limits are removed for MALs and LDPs)



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Commodity Certificates

The authority to make available Commodity Certificates will expire at the end of the 2009 crop year.

Note: Secretary could reauthorize in the future if conditions warrant.



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Electronic Warehouse Receipt History

- Began with Cotton
- Electronic classing data for Cotton was available several years earlier (1993)
- EWR first used for Cotton in 1995
- Limited use the first two years
- 100% of Cotton Price Support Loan activity represented by EWR



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Benefits of Electronic Warehouse Receipts

- No handling and storage of paper receipts
- Improved validation of receipt information
- Significant reduction in manual data entry
- Increased accuracy of loan and LDP preparation.
(Screens pre-filled with receipt information)



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Benefits of Electronic Warehouse Receipts

- Reduction in errors and duplicate benefits
- Improved tracking of price support benefits
- No mailing or delivery of paper receipts following loan repayment
- Improved handling of forfeited receipts



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Electronic Warehouse Receipts & Peanuts

Crop Year 2007 was fifth successful year for Peanut Electronic Warehouse Receipts!

- Pilot project to use Peanut Electronic Receipts for Price Support started in 2003 crop year
- One EWR provider for pilot project (EWR Inc.)
- FSA developed and maintains PC based software to handle Price Support Loans and Loan Deficiency Payments using EWR



Rice EWR System

- **Implemented during the 2006 CY**
 - 8 FSA Service Centers
 - 3 Rice States
 - 1 Provider
 - 41 Warehouses
 - 1,847 EWR's issued
 - 966 Rice Loans with EWR
- **Was made available to all FSA Service Centers for the 2007 CY**



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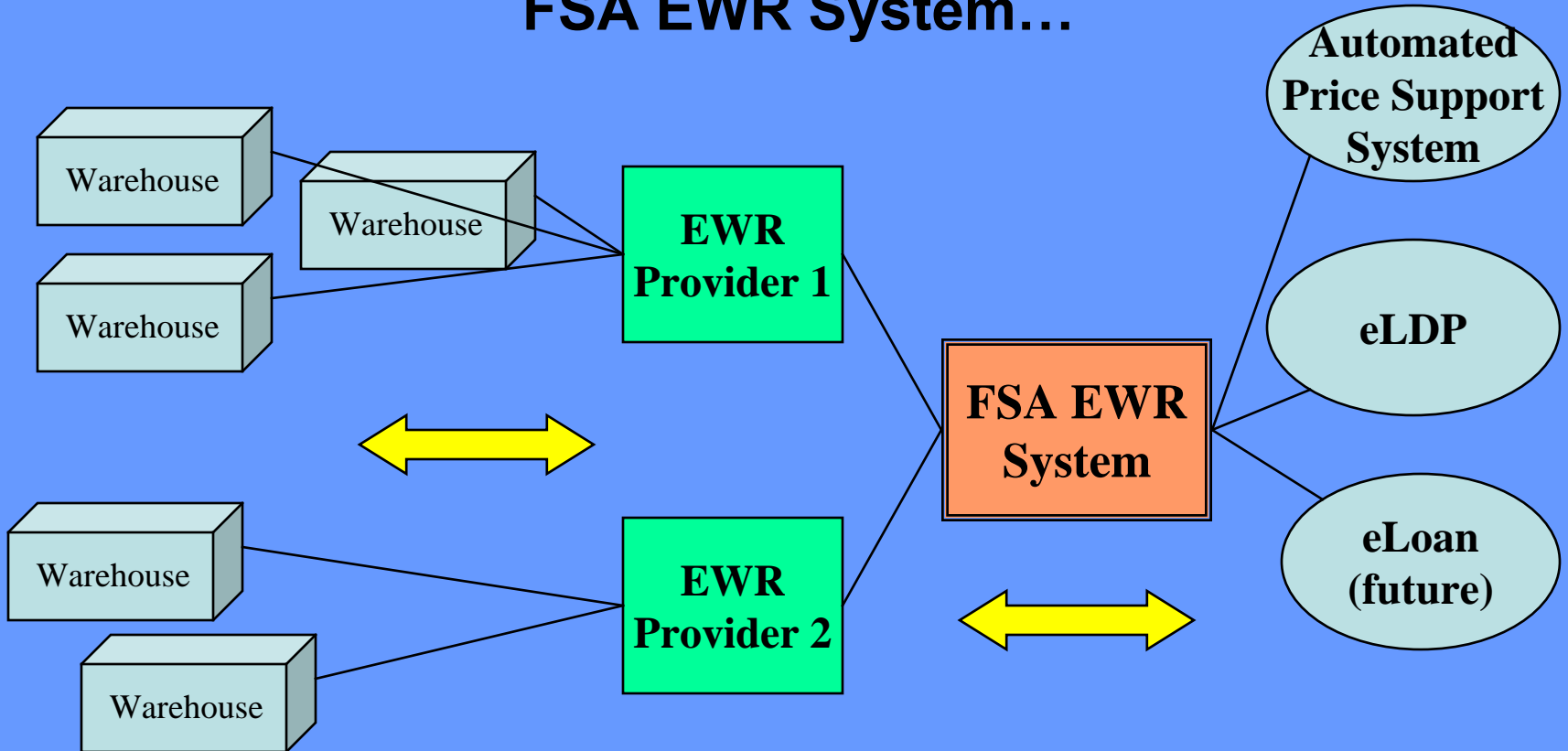
2008

2007 Crop Year Price Support Activity Making Use of EWR

- **Peanuts - 26,130 Receipts representing 1,148,531 Tons**
- **Rice - 1,707 Receipts representing 36,350,954 Hundredweight**
- **Cotton - 15,105,670 Bales represented by EWR**



FSA EWR System...





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2007 CY Enhancements

- Additional EWR Data Fields:
 - Storage Charge Per Ton
 - Date Storage Paid Through
 - Prepaid In-charge Per Ton
 - Prepaid Out-Charge Per Ton
 - Total Prepaid In/Out Charges



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The Future of EWR...

- **FSA EWR System –**
 - Handle other commodities
 - Handle multiple Providers
 - Support Internet/web based
 - Use of XML and Web Services when possible
 - Incorporate EWR standards



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MIDAS

- Modernize delivery of agriculture programs
- Sect. 1618 of Farm Bill requires study within 180 days of enactment
- Funding availability



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