

Pulse Crops Marketing Assistance Loans and Loan Deficiency Payments

Overview

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) authorizes nonrecourse marketing assistance loans (MALs) and loan deficiency payment (LDPs) for the 2008 through 2012 pulse crops of dry peas, lentils, and small chickpeas, adding large chickpeas for the 2009 through 2012 crop years. The American Taxpayer Relief Act of 2012 (ATRA) extends the MAL and LDP provisions for these pulse crops for the 2013 crop year.

Nonrecourse MALs and LDPs are administered by the Farm Service Agency (FSA) on behalf of the Commodity Credit Corporation (CCC).

See the fact sheet Nonrecourse Marketing Assistance Loans/Loan Deficiency Payments for additional information about MALs and LDPs at www.fsa.usda.gov/Internet/FSA_File/mal_ldp_2013.pdf

Pulse Crops Nonrecourse MALs and LDPs

Pulse crop MALs provide eligible producers interim financing on their production. Instead of selling the crop immediately at harvest when prices are often at their annual lows, producers may pledge their production as loan collateral, receiving loan proceeds equal to the loan rate times the quantity placed under loan. MALs mature at the end of the ninth month following the month in which the loan is approved.

A producer who is eligible to obtain a MAL, but who agrees to forgo the MAL, may obtain a LDP. The LDP rate equals the amount by which the applicable loan rate where the commodity is stored exceeds the effective MAL repayment rate for the respective commodity. The LDP amount equals

the LDP rate times the quantity of the commodity for which the LDP is requested.

To be eligible for a MAL or LDP, the pulse crop must:

- Have been produced, mechanically harvested by an eligible producer and be in storable condition;
- Be merchantable for food, feed, or other uses as determined by CCC and;
- Meet specific CCC minimum grade and quality standards for non recourse MALs.

Loan Rates

The 2008 Farm Bill and ATRA set national loan rates at the levels shown in Table 1 (shown below). Regional loan rates are established for dry peas and lentils, but not for large or small chickpeas. The national loan rates of \$11.28 and \$7.43 per cwt are always applicable to large and small chickpeas, respectively.

Two dry peas and lentils regional markets were identified for all the crop years covered in the 2008 Farm Bill and ATRA. The West region includes all counties in the Palouse (Idaho, Oregon and Washington) and other states west of the Rocky Mountains (Alaska, Arizona, California, Hawaii, Nevada, New Mexico and Utah). East region includes all counties in Montana and North Dakota, plus all counties in all other states not in the West Region. See Table 2, for the 2013 crop year regional loan rates for dry peas, lentils, large chickpeas and small chickpeas.

Premiums and Discounts

Premiums and discounts are determined according to the grade and quality of a specific quantity of a

commodity that a producer pledges as loan collateral. Premium and discount schedules vary considerably by commodity and are applied to the loan rate in the county where the commodity is stored. Premiums and discounts are applied at the time of settlement.

Beneficial Interest

Producers must have beneficial interest in the pulse crop at the time of the request to obtain a MAL or LDP. Beneficial interest occurs when the producer maintains control of and title to the pulse crop.

For further information, see the FSA fact sheet on “Beneficial Interest Requirements For MALs and LDPs” at www.fsa.usda.gov/Internet/FSA_File/benint11.pdf

Loan Repayment Rates

A producer may repay a MAL any time during the loan period at the lesser of the:

- Loan rate plus accrued interest and other charges or;
- Alternative loan repayment rates as determined by CCC.

CCC determines and announces regional posted prices for dry peas and lentils and national posted prices for large and small chickpeas. Pulse crop loan repayment rates are established on a weekly basis and announced each Friday at 7 a.m. Eastern time and are available at each FSA county office. The loan repayment rates are established by CCC based on previous 30-day and five-day market prices for each pulse crop.

Table 1 Pulse Crop National Loan Rates per Hundredweight (cwt): 2008-2012

Pulse Crop	2008	2009-2013
Dry Peas	\$6.22	\$5.40
Lentils	\$11.72	\$11.28
Small Chickpeas	\$7.43	\$7.43
Large Chickpeas	NA	\$11.28

Table 2 Pulse Crop 2013 Crop Year Regional Loan Rates per Hundredweight (cwt)

Region	States	Loan Rates			
		2013 Dry Peas	2013 Lentils	2013 Small Chickpeas	2013 Large Chickpeas
West, which includes the Palouse	Alaska, Arizona, California, Hawaii, Idaho, Nevada, New Mexico, Oregon, Utah and Washington.	\$5.55 per cwt.	\$13.51 per cwt.	\$7.43 per cwt.	\$11.28 per cwt.
East	Montana and North Dakota, plus all other states not in the West region.	\$5.35 per cwt.	\$10.68 per cwt.	\$7.43 per cwt.	\$11.28 per cwt.

Marketing Loan Gains

A producer realizes a marketing loan gain (MLG) if the loan is repaid at less than the loan principal. The MLG rate equals the amount by which the applicable loan rate exceeds the loan repayment rates.

Adjusted Gross Income

Producers or legal entities whose average adjusted gross nonfarm income exceeds \$500,000 are not eligible for MLGs and LDP payments; however, the person or entity is eligible for a MAL, but the MAL must be repaid at principal plus interest.

Average Crop Revenue Election (ACRE)

MAL rates will be reduced by 30 percent if production comes from a farm participating in the ACRE program. Alternative loan repayment rates will not be adjusted by 30 percent. The

LDP rate for commodities produced on farms enrolled in ACRE must include the 30 percent reduction from the MAL rate before determining the LDP rate. See fact sheet entitled ACRE Program, or contact a local USDA Service Center, or visit the FSA website at www.fsa.usda.gov.

Final Loan/LDP Availability Dates for Pulse Crops

The final pulse crop loan/LDP availability date is May 31 of the calendar year after the calendar year the pulse crop is harvested.

For More Information

Additional information on MALs and LDPs for pulse crop producers is available from local USDA Service Centers and on the FSA website at www.fsa.usda.gov.

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