

**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 (LDPs) 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 and subsequent 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 to pay bills 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 selects not 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

LDPs are payments made to producers who, although eligible to

obtain a CCC loan, agree to forgo that 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 slaughtering the lambs;
- 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;

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- Be in existence and in storable condition;
- 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 the producer indicates intentions to receive LDP benefits by submitting CCC-633 EZ, Page 1, to a USDA Service Center;
- 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 both title to the commodity and control of the commodity remain with the producer. When beneficial interest in the commodity is lost by the producer, the commodity remains ineligible for loan even if the producer regains beneficial interest. However, if beneficial

interest is lost, a producer may still request an LDP benefit using CCC-633 EZ, Page 4, provided a CCC-633 EZ, Page 1, was previously submitted for the current applicable crop year before beneficial interest was lost.

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 LDPs 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 for wool and mohair, producers must complete a CCC-633 WM for certified farm stored loans.

When requesting an LDP for wool, mohair, and unshorn lamb pelts, producers must complete BOTH:

- CCC-633 EZ, Page 1, terms and conditions; and
- CCC-633 EZ, Page 4, LDP request.

All applicable forms for requesting a marketing assistance loan or LDP 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 or 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 LDPs on graded wool; LDPs are payable at the loan rate that would have been received for the lot of wool, less the announced repayment amount (that is applicable during the week) for wool of that quality. 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 LDPs 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 differentials will also apply to nongraded wool.

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

CCC-determined value to establish the alternative repayment and LDP rate. The posted prices will become effective Wednesday at 12:01 a.m., Eastern Standard Time.

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

National and regional loan rates, posted prices, and LDP rates for the 2002 and subsequent crop years are available at, USDA Internet, FSA Intranet, and PSD's Web site at: <http://www.fsa.usda.gov/dafp/psd/>.

All counties in the states listed in the **Region 1 table** shall use loan rates applicable for graded and nongraded wool. States and counties listed in the tables for **Region 1 and Region 2** shall use loan rates applicable for graded and nongraded wool. (See tables at the end of this fact sheet)

For More Information

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

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 establish 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 Standard Time. County Offices will calculate the

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REGION 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	

REGION 2	
STATE	COUNTIES
Arizona	Apache, Cochise, Gila, Graham, Greenlee, Navajo
Colorado	All
Iowa	All
Kansas	All
Montana	Big Horn, Carbon, Carter, Custer, Daniels, Dawson, Fallon, Fergus, Gallatin, Garfield, Golden Valley, McCone, Musselshell, Park, Petroleum, Phillips, Powder River, Prairie, Richland, Roosevelt, Rosebud, Sheridan, Stillwater, Sweet Grass, Treasure, Valley, Wheatland, Wibaux, Yellowstone
Minnesota	All
New Mexico	All
North Dakota	All
Nebraska	All
Oklahoma	All
South Dakota	All
Texas	All
Utah	Daggett, Duchesne, Grand, San Juan, Summit, Uintah
Wisconsin	All
Wyoming	All

REGION 3	
STATE	COUNTIES
Alaska	All
Arizona	Coconino, La Paz, Maricopa, Mohave, Santa Cruz, Pima, Pinal, Yavapai, Yuma
California	All
Hawaii	All
Idaho	All
Montana	Beaverhead, Blaine, Broadwater, Cascade, Chouteau, Deer Lodge, Flathead, Glacier, Granite, Hill, 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