

For: FSA Offices

**Clarifying Marketing Assistance Loan (MAL) and LDP Policies for  
Excess Moisture (EM) Commodities**

Approved by: Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

A recent OIG audit report indicated that MAL policies and procedures were **not** being uniformly implemented among States and County Offices for EM commodities pledged as collateral for nonrecourse MAL's. The OIG audit report recommended that FSA:

- clarify the existing policy and procedure within the applicable handbooks
- inform the States and County Offices of national MAL policies for EM commodities.

**Note:** 8-LP and 2-LP Grains and Oilseeds will be amended to reflect the policies and procedures included in this notice.

**B Purpose**

This notice informs States and County Offices of MAL and LDP policies for EM commodities.

**2 EM Commodities MAL and LDP Policies**

**A EM Commodities**

EM commodities are defined as commodities with moisture levels that exceed standard moisture levels according to 2-LP Grains and Oilseeds; and are at or below the acceptable moisture levels established by the STC.

Commodities with moisture levels that exceed the STC established moisture level are ineligible for MAL; however, the commodity may be eligible for a recourse loan according to 8-LP.

Disposal Date	Distribution
August 1, 2007	All FSA Offices; State Offices relay to County Offices

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### 2 EM Commodities MAL and LDP Policies (Continued)

#### A EM Commodities (Continued)

STC's may set a maximum moisture level for each eligible loan commodity grown within the State. If the STC sets a maximum moisture level, the maximum moisture levels **must** be documented in the STC minutes. When establishing maximum moisture levels, STC's shall consider to what extent the maximum moisture level established will impact the:

- commodity if the commodity would remain in storage for the 9-month loan period
- marketability or merchantability of the commodity.

STC's shall update the State-established maximum moisture levels annually and provide a copy to PSD no later than **September 1**, for the applicable crop year. STC's shall use reasonable and sound judgment when setting maximum moisture levels. Justification for moisture levels **must** be documented in STC minutes.

**Example:** A copy of the 2006 crop year State-established maximum moisture levels **must** be provided to PSD by **September 1, 2006**.

#### B EM Nonrecourse MAL's

EM quantities pledged as collateral for nonrecourse MAL's shall be adjusted to reflect U.S. standard moisture levels provided in 2-LP Grains and Oilseeds. The shrink factors shall be applied according to 8-LP, Exhibit 4 when adjusting the quantity for moisture.

#### C Recourse Loans

EM quantities are eligible to be pledged as collateral for recourse loans. Follow procedures provided in 8-LP, Part 4, Section 4 to determine applicable loan rate and quantity.

Commodities pledged as collateral for recourse loans are ineligible to be repledged for nonrecourse MAL at the full loan rate.

#### D LDP Requests for Quantities with EM

EM commodities eligible for nonrecourse MAL are eligible for LDP. LDP requested quantity **must** be reduced to reflect the U.S. standard moisture levels provided in 8-LP.

LDP amounts shall be calculated based on the net quantity (gross quantity adjusted for moisture) times the LDP rate in effect for the applicable commodity. The producer's intention to dry is **not** applicable when determining LDP eligibility.

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### 3 Action

#### A State Office Action

SED's and State Price Support Specialists shall:

- ensure that policies and procedures in this notice are being uniformly followed by County Offices
- provide PSD with a copy of the STC-established maximum moisture levels according to subparagraph 2 A of this notice.
- verify that any outstanding loans disbursed on EM commodities were disbursed according to policies and procedures provided in this notice.

**Note:** If it is determined that an outstanding loan was disbursed in error, instruct County Offices to take corrective action.

#### B County Office Action

County Offices shall:

- publicize the contents of this notice to all producers
- inform the State Price Support specialist of any outstanding loans disbursed in error and take the necessary corrective action as soon as possible
- ensure that MAL and LDP policies and procedures for EM commodities are properly administered.