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## Should we Continue to Support Commodity Certificates?

### BACKGROUND

The Commodity Credit Corporation (CCC) may issue commodity certificates to agricultural producers who have pledged a covered commodity as collateral for a Marketing Assistance Loan (MAL). MALs are available from the Farm Service Agency (FSA) and provide interim financing at harvest time for producers to meet cash flow needs without having to sell their commodities immediately following harvest. This allows the producer to delay the sale of the commodity until favorable market conditions emerge. MALs are considered “nonrecourse” because the loan can be redeemed by repayment, or by delivering the agricultural commodity that was pledged as collateral.

Commodity certificates allow producers with outstanding MALs to purchase certificates and exchange the certificate for their outstanding loan collateral rather than forfeit that loan collateral to the CCC at loan maturity. Certificates are available to the loan holders to use in exchanging MAL commodities pledged as collateral. Commodities covered include wheat, upland cotton, rice, feed grains, pulse crops, peanuts, wool, soybeans, and other designated minor oilseeds. Payment limitation provisions do not apply to commodity certificate exchanges.

The certificate rate is the Adjusted World Price for upland cotton and rice, the National Posted Price for peanuts, and the Posted County Price for other commodities in effect on the date the certificate is purchased. Certificates may be exchanged when an exchange rate is less than the applicable loan rate. Producers must immediately exchange a commodity certificate for their outstanding nonrecourse MAL collateral after it is purchased.

### ISSUE

On a single day, a farmer can take out the MAL and then immediately repay the loan with commodity certificates at the posted county price. The loan rate is the gain and it will equal the Loan Deficiency Payment on that day. However, by taking it as a loan and repaying with certificates, the gain doesn't count in the single all-commodity payment limit of \$125,000.

### OPTION #1

Support the inclusion of commodity certificates in the next Farm Bill.

### OPTION #2

Support changes to the current commodity certificate program. If this option is selected, what changes are needed?

### OPTION #3

Should there be a limit on the percentage of a producer's production that can be redeemed through the use of generic certificates?

### OPTION #4

Should we continue to exclude gains from commodity certificate exchanges from the payment limit of \$125,000?