

# WEEKLY OUTLOOK

A joint publication of the Departments of Agricultural Economics, Colleges of Agriculture of Purdue University, West Lafayette, Indiana, and the University of Illinois at Urbana-Champaign

**September 6, 1994**

## **BE PREPARED TO COLLECT THE LOAN DEFICIENCY PAYMENT ON CORN**

**Provisions of the 1990 farm bill call for implementing a marketing loan for eligible producers for the 1994 wheat and feed grain crops. Producers who participated in the Acreage Reduction Program (ARP) are eligible. All soybean producers are eligible for the marketing loan. Producers can take advantage of the marketing loan if the posted county price (PCP) falls below the Commodity Credit Corporation (CCC) loan rate for the county. This may occur for corn prices sometime during the harvest period, but is not expected for wheat or soybeans.**

There are two basic ways a producer might benefit from the marketing loan provisions. First, a producer may choose to receive a loan deficiency payment (LDP) rather than placing grain under loan. An LDP may be received on grain marketed directly from the field (field direct) or on grain that is in storage. For the field direct alternative, the producer should file form CCC-709 with the county ASCS office prior to harvest. The LDP rate for this alternative is the county loan rate minus the PCP in the county where the CCC-709 is filed, regardless of where the grain is delivered. The LDP is determined on the day the grain is delivered. For grain in storage, the producer should file form CCC-666 and the LDP rate is the county loan rate in the county where the grain is stored minus the PCP in the same county. In this case, the LDP is determined when the grain is delivered, or a producer may file form CCC-681-1 to lock in the PCP for up to 30 days. This applies to both farm and commercially stored grain. Grain that has been forward priced may qualify for a LDP. Grain on a delayed price contract may also qualify if a payment has not been received before filing form CCC-709. Grain that is to be fed to livestock also qualifies for a LDP.

A second way a producer may use marketing loan provisions is to repay the regular CCC loan on stored grain at the posted county price (in the county where the grain is stored), if that price is less than the principal plus interest due on the regular loan. The difference between the PCP and the amount due on the regular loan is referred to as the Marketing Loan Gain. Producers should file form CCC-666.

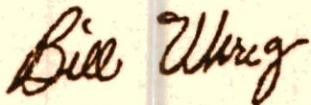
Posted county prices are determined daily by ASCS. The PCP is the higher of selected terminal market prices minus an average basis, or an export bid at the Louisiana Gulf. The PCP is updated each afternoon and is applicable for the next day.

To be eligible for the LDP or marketing loan gain, producers must share in the risk of producing the grain and be in compliance with all government programs, including sod buster and swamp buster provisions. In addition, the grain must meet the same grade standards as grain for a nonrecourse loan. Grain stored as high moisture in an oxygen limiting structure is not eligible.

Producers must have control of the grain to collect either a LDP or marketing loan gain. The appropriate CCC forms should be filed before the grain is delivered. All grain produced on complying farms is eligible for the marketing loan program, but production evidence must be provided to ASCS. Acceptable types of evidence includes: evidence of sales (contract), load summary sheets, warehouse receipt, and ASCS measurement of farm storage. Scale tickets without other approved documentation are not considered acceptable production evidence.

For farm stored grain, the LDP will be paid on the estimated quantity in storage. If the final figure is less than the estimate, the producer must repay the LDP plus interest. If the final figure exceeds the estimate, the LDP will be paid on up to a 10 percent overrun. The LDP is considered income in the year in which it is paid, but ASCS will not issue the payment until production evidence is provided. Once an LDP or marketing loan gain has been received, the grain is no longer eligible for any additional CCC loans. The grain is still eligible for the target price deficiency payment.

Check with your county ASCS office, before starting harvest, for clarification of the rules of the marketing loan program.



Issued by J. William Uhrig  
Extension Economist  
Purdue University

Cooperative Extension Service  
United States Department of Agriculture  
University of Illinois  
At Urbana-Champaign  
Urbana, Illinois 61801

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