

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Cotton Loans and Loan Deficiency Payments
7-CN (Revision 15)

Amendment 51

Approved by: Acting Deputy Administrator, Farm Programs



Amendment Transmittal

A Reasons for Amendment

All references to:

- the “2012” crop year, where applicable, have been updated to include “2013” because the American Taxpayer Relief Act of 2012 provided for a continuation of the MAL and LDP program for the 2013 crop year
- commodity certificate exchanges have been removed since they are no longer authorized
- “claim” have been replaced with “receivable”.

Subparagraph 1 C has been amended to include the American Taxpayer Relief Act of 2012.

Subparagraph 26 A has been amended to remove reference to commodity certificate exchanges.

Subparagraph 34 A has been amended to remove reference to commodity certificate exchanges.

Subparagraph 35 E has been amended to update the Notification of Accelerated Loan Repayment letter by removing reference to commodity certificate exchange.

Subparagraph 35 F has been amended to replace “claim” with “receivable” and update the handbook reference to 64-FI.

Subparagraph 41 A has been amended to replace the reference of claims to NRRS.

Paragraph 43 has been amended to update crop years.

Subparagraph 46 B has been amended to include CCC-993 for the 2013 crop year.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 49 C has been amended to update crop years.

Subparagraph 100 A has been amended to update the basic requirement for acreage reporting and the provisions for using CCC-931 for the 2013 crop year.

Subparagraph 105 B has been amended to update the notes for notification of deceased producers as provided in 8-LP.

Subparagraph 124 C has been amended to remove reference to commodity certificate exchange.

Subparagraph 127 A has been amended to update the eligibility criteria for 2013 crop year commodities harvested from ACRE-Elected Farms.

Subparagraph 160 C has been amended to remove references to commodity certificate exchange.

Subparagraph 164 A has been amended to update crop years.

Subparagraph 181 B has been amended to remove the reference to commodity certificates.

Subparagraph 197 A has been amended update crop years.

Subparagraph 202 has been amended to remove the:

- note in subparagraph A
- reference to commodity certificates in subparagraph B.

Subparagraphs 204 B, D, and F have been amended to remove reference to commodity certificates.

Subparagraph 207 A has been amended to provide that commodity certificates are not applicable to 2010 and succeeding crop years

Paragraph 209 has been amended to update procedure for wire transfer payments according to 8-LP.

Subparagraphs 210 A and 210.5 A have been amended to remove reference to commodity certificates.

Subparagraph 214 B has been amended to update the:

- point of contact for requesting a corrected statement of charges
- reference to receivables.

Subparagraphs 214 C, D, and E have been amended to the handbook reference for receivables.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 224 A has been amended to remove the reference to commodity certificates.

Subparagraph 261 B has been amended to remove reference to:

- commodities certificates
- replace payment limitation with adjusted gross income provisions.

Subparagraph 267:

- A has been amended to replace the reference to payment limitation with adjusted gross income provisions
- D has been amended to update the handbook reference for receivable.

Subparagraphs 274 G and 275 D have been amended to replace the reference to payment limitation with adjusted gross income.

Subparagraph 282 B has been amended to remove reference to payment limitation.

Paragraph 290 has been amended to update the handbook reference for receivables.

Exhibit 3.5 has been amended to provide updated paragraph references.

The following Exhibits have been amended to provide updated premiums and discounts for 2013:

- Exhibit 5
- Exhibit 6
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- Exhibit 11.

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Part 1 General Information and Administrative Provisions

Section 1 General Information

1 Purpose and Authorities

A Handbook Purpose

This handbook provides instructions for administering the:

- Cotton Loan Program that includes upland cotton and ELS cotton
- Cotton LDP Program
- recourse Seed Cotton Loan Program.

B Authority and Responsibility

PSD has the authority and responsibility for the programs prescribed in this handbook.

C Sources of Authority

Following are the sources of authority for the Cotton Loan, Cotton LDP, and the recourse Seed Cotton Loan Programs:

- the Agricultural Act of 1949, as amended
- the Commodity Credit Corporation Charter Act, as amended
- 7 CFR Part 1427
- *--the Food, Conservation, and Energy Act of 2008 for 2008 through 2012 crop years
- American Taxpayer Relief Act of 2012 for 2013 crop year.--*

2 Program Objectives

A Cotton Loan and LDP Programs

The objectives of the Cotton Loan and Cotton LDP Programs are to:

- provide interim financing to assist with the orderly marketing of the cotton crop
- minimize loan forfeitures and market disruptions that could occur when loan rates exceed market prices.

B Recourse Seed Cotton Loan Program

The objectives of the recourse Seed Cotton Loan Program are to:

- extend the ginning season to reduce harvesting, handling, and ginning costs
- provide interim financing to producers while they wait for their cotton to be ginned.

25 Calculations of LDP and Market Gains

A Market Loan Gain Amount

The market loan gain applicable to the payment limitation is equal to the difference between the loan principal amount and the loan repayment amount, excluding any credits for accrued charges.

26 CCA's and FCA's

A Determining CCA's and FCA's

[7 CFR 1427.25(f)] CCA is an adjustment intended to make designated lower grades of cotton more competitively priced. CCA is either:

- added to the LDP rate for the cotton
- *--subtracted from AWP for the cotton, thereby reducing the cash loan repayment rate for the loan collateral.--*

CCA used to adjust the AWP or LDP rate may be less than the level of the announced CCA. Use the following table to determine CCA.

IF the announced AWP is...	THEN...	
less than or equal to NALR	CCA is equal to the announced CCA.	
greater than NALR	subtract the announced CCA from the announced AWP.	
	IF the result is...	THEN CCA is...
	equal to or greater than NALR	“zero”.
	less than NALR	the announced CCA minus the difference between: <ul style="list-style-type: none"> • the announced AWP • NALR.

33 Interest Rates

A Rates

For:

- regular loan interest rates, see 50-FI
- debts, charge interest according to 58-FI.

B Computation for Loans Less Than \$500,000

Producers who redeem loans that have original principal amounts of less than \$500,000 shall be assessed interest beginning on the loan disbursement date to, but **not** including, the date of repayment.

C Computation for Loans of \$500,000 or More

Producers who redeem loans that have original principal amount of \$500,000 or more for which the repayment is by:

- check or cash, shall be assessed interest beginning on the loan disbursement date through the day after the date of repayment
- wire transfer, shall be assessed interest beginning on the loan disbursement date up to the second day before the date of repayment.

Note: Follow 3-FI for depositing and recording wire transfers.

D Repayment Date

The repayment date shall be the date repayment is received in the County Office.

E If Different Rates Apply

If different rates apply, compute interest from the applicable beginning date to, but **not** including, the effective date interest changed, and from the date of interest changed to the applicable ending date.

F Overdisbursed or Underdisbursed Loans

- *-If a loan that is being repaid at principal plus interest was overdisbursed or--* underdisbursed, and **not** corrected, adjust the note amount by the amount of the overdisbursement or underdisbursement for interest and repayment computations.

34 IRS Reporting Requirements

A IRS Reporting

Market gains from cash loan redemptions, LDP's, storage credits, and forfeitures are reported to IRS for Federal income tax purposes. * * * For additional information on IRS reporting requirements, see 62-FI.

35 Loans Ineligible for Forfeiture

A Applicability

If COC determines that ineligible ginned cotton was placed under loan or the producer is ineligible for loan, the cotton **cannot** be forfeited to CCC in settlement of the loan.

Note: See paragraph 257 for handling abandonment or foreclosure actions on seed cotton loans.

B Immediate Call

If COC determines that the cotton or producer is ineligible for loan, immediately call the loan. Use the letter in subparagraph E to notify the producer of the loan call.

Note: When COC determines that the cotton or producer is ineligible for loan, do **not** allow *--the loan to be redeemed at a rate less than principal and charges, plus interest,--* unless the producer appeals the determination according to paragraph 23.

C Failure to Repay Within 30 Calendar Days

If the producer fails to repay the loan within 30 calendar days, notify the producer of the amount due and that foreclosure proceeding will begin. Use the demand letter in subparagraph F to demand payment.

Note: See paragraph 23 if the producer appeals the loan call.

D Foreclosure Action

When a loan is **not** repaid and a claim is established, COC shall:

- sell the cotton according to paragraph 36
- apply the sales proceeds to the claim.

35 Loans Ineligible for Forfeiture (Continued)

E Notification of Accelerated Loan Repayment

If COC determines a loan shall be repaid because the cotton or producer is determined ineligible, the County Office shall send the following letter to the producer.

(Letterhead)	(Date)
<p>Dear _____,</p> <p>(Explain the situation that resulted in an acceleration of the loan maturity date, including why the producer or cotton was determined ineligible for loan.)</p> <p>The principal, charges and interest to repay the loan are shown below. Your loan will be called if we do not hear from you, or you do not pay the amount due within 30 calendar days from the date of this letter. Your revised maturity date is (enter 30 calendar days from the date of this letter).</p> <p>Note: Because the cotton is ineligible for loan, the cotton cannot be forfeited to CCC in settlement of your loan nor can the loan be repaid at a rate less principal plus interest, plus any applicable charges paid by CCC. * * *</p> <p>Enter the following:</p> <ul style="list-style-type: none"> ● (loan quantity outstanding) ● (principal due) ● (interest due) ● (daily interest rate) ● (interest rate) ● (other charges paid by CCC). <p>Interest will continue to accrue at the daily interest rate shown from the date of this letter until the loan is repaid or transferred to claims. The amounts stated above will be recorded for offset and offset may be taken from any CCC or FSA payment due you.</p> <p>If you believe that you have been sent this notice in error, that the determination is in error, or that the amount due is incorrect, you may appeal this determination to the County Committee by filing a written request no later than 30 calendar days after you receive this notice in accordance with the FSA appeal procedures found at 7 CFR Part 780. If you appeal to the County Committee, you have the right to an informal hearing which you or your representative may attend either personally or by telephone. If you appeal this determination to County Committee, you may later appeal an adverse determination of the County Committee to the FSA State Committee or National Appeals Division (NAD). To appeal, write to the County Committee at the following address and explain why you believe this determination is erroneous. (Insert COC address).</p> <p>You may contact the County Office to receive a copy of the documents related to this determination.</p> <p>Sincerely,</p> <p>(insert CED name) County Executive Director</p> <p style="text-align: center;">USDA is an Equal Opportunity Employer</p>	

35 **Loans Ineligible for Forfeiture (Continued)**

F Demand Letter for Loan Repayment

If a producer has been sent a demand letter providing a 30-calendar-day repayment opportunity, but repayment has **not** been received, then if the producer did:

- **not** appeal the notification, send the following letter but delete the paragraph providing appeal rights
- appeal the action, send the following letter if, following the appeal, repayment is still demanded, and include mention of appeal rights to NAD and alternative dispute
--resolution according to 58-FI and 64-FI.--

35 Loans Ineligible for Forfeiture (Continued)

F Demand Letter for Loan Repayment (Continued)

*--

United States Department of Agriculture
 Farm Service Agency
 Lyon County FSA Office
 P.O. Box 389
 Rock Rapids, IA 51246-0389

October 15, 2007

Thomas Grant
 1003 Brees Ave.
 Payton, IA 51241-7522

Dear Thomas Grant:

You were notified on *(date of loan maturity notification letter)* that your *(year)* crop *(commodity type)* loan *(number)* was due payable on or before *(maturity date)*. The loan has matured and the debt has **not** been repaid. Interest will continue to accrue until the amount is repaid. Interest will continue to accrue until the amount due is repaid.

If the principal and charges, plus interest, are **not** repaid on or before the 30th calendar day from the date of this letter, on the 31st day:

- foreclosure proceedings will begin
- the amount due will be recorded for offset from any FSA or CCC payment due you
- a receivable will be established.

If value of the commodity delivered does **not** liquidate the outstanding balance, you will be expected to remit the deficiency promptly upon notification by CCC.

After the receivable is established:

- the receivable may be reported to other Federal Agencies for offset from any amounts that may be due you
- late payment interest, based on the rate established by the Department of the Treasury, will be applied to your debt on a daily basis from the date the receivable is established until the debt is paid in full.

An additional 3 percent interest shall be assessed on the unpaid balance of the debt retroactively from the date the receivable is established, if payment in full is **not** made within 60 calendar days after the date the receivable is established.

We want to work with you to resolve this matter. Depending upon your situation, there is the possibility of paying this debt in installments. If you have any questions regarding this matter, please do **not** hesitate to contact us.

If you believe that you have been sent this notice in error, that the determination is in error, or that the amount due is incorrect, you may appeal this determination to the County Committee by filing a written request no later than 30 calendar days after you receive this notice in accordance with the FSA appeal procedures found at 7 CFR Part 780. If you appeal to the County Committee, you have the right to an informal hearing which you or your representative may attend either personally or by telephone. If you appeal this determination to the County Committee, you may later appeal and adverse determination of the County Committee to the FSA State Committee or National Appeals Division (NAD). To appeal, write to the County Committee at the following address and explain why you believe this determination is erroneous. *(Insert COC address)*.

You may contact the County Office to receive a copy of the documents related to this determination.

Sincerely,

(insert CED name)
 County Executive Director

USDA is an Equal Opportunity Employer

*--

41 Offsets

A Basic Provisions

Offsets are applicable for amounts owed CCC, FSA, or other creditors. The offset amount may be shown on CCC-679 or established as the result of a claim against the producer.

Make administrative offsets from loan or LDP amounts due producers, if appropriate, according to 58-FI, **after** the notification letter has been mailed to the producer, including the *--notification when a loan is transferred to NRRS with collateral remaining on the farm.--*

B Joint Disbursement of Loan Proceeds

The balance of the loan proceeds may be disbursed jointly to the producer and lienholder **after** applicable administrative offsets to CCC, FSA, or other creditor agencies, as applicable, according to 58-FI, have been made when the lienholder requests joint disbursement on CCC-679 for:

- recorded lien
- unrecorded lien, if **actual** notice of lien is given to the County Office.

For other creditor agency claims received in the County Office:

- **before** the filing date of any recorded lien or notification of an unrecorded lien, the lienholder **must** agree to the creditor agency debt offset **before** disbursement of loan proceeds jointly to the producer and lienholder by checking CCC-679, block 8 (3)
- **after** the filing date of any recorded lien or notification of an unrecorded lien, the creditor agency debt shall be offset **only** if the lienholder agrees to disburse the loan proceeds solely to the producer by checking CCC-679, block 8 (1).

41 Offsets (Continued)

C Authorizing Offsets

Offsets may be made for amounts contained on a separate statement of unpaid charges, or for a separate bill for unpaid charges, if the charges:

- are associated with the handling of the commodity represented by the warehouse receipt
- have been approved by DAFP
- ~~are~~ **not** warehouse receiving, load-out, or warehouse storage charges.~~--*~~

Note: See paragraph 165 for charges attached to warehouse receipts that are commonly approved for offset.

~~These~~ charges are **not** considered a lien, but **must** be included on CCC-679, block 5 (c), if an offset will be made for the charges. See subparagraph 124 D for completing CCC-679.

If an offset applies, do **not** disburse the loan unless the lienholder agrees to the offset on CCC-679 by checking block 5 (a) or (c). If any lienholder checks block 5 (b), the loan~~--*~~ shall **not** be approved.

D Prior Liens

Deductions are made for applicable fees or charges and amounts due prior lienholders **before** offsets are made.

Do **not** make offsets on loans subject to prior liens unless agreed to by prior lienholders in writing.

E Right to Appeal

The offset does **not** deprive the producer of the right to appeal the justness of the debt.

F Bankruptcy Cases

Consult with the regional attorney, through the State Office, before making offsets when a producer is involved in bankruptcy proceedings.

42 Overdisbursements and Receivables (Continued)**C Notification Letter**

Notify the producer, using 8-LP, Exhibit 11, notification letter F when a determination has been made that an amount is due CCC.

D Additional Action

If repayment is **not** received after producer has been notified using the letter in subparagraph C, take additional action according to 8-LP, Exhibit 11.

E Demand Letter (No Appeal)

The content for the no appeal demand letter is forthcoming.

F Demand Letter (Appeal)

The content for the appeal demand letter is forthcoming.

--43 Payment and AGI Limitation for 2009-2013 Crops*A Payment Limitation for 2009-2013 Crops**

For the 2009-2013 crop years CCC will **not** limit market loan gains and LDP's.

B AGI Limitation Rule for 2009-2013 crop

A person or legal entity shall not be eligible to receive Market Loan Gains or LDP benefits for the 2009 through 2013 crop years, if the average nonfarm AGI exceeds \$500,000.--*

Exception: The person or entity is eligible for MAL, but the loan **must** be repaid at principal plus interest.

44 (Withdrawn--Amend. 50)

45 Power of Attorney

A FSA-211 * * *

Producers may designate an agent on FSA-211 * * * according to 1-CM to act on their behalf in obtaining and repaying loans and obtaining LDP's.

Important: Producers shall **not** use FSA-211 to designate an agent to serve as "Holder" of EWR.

B Nonrecognized Power of Attorney

Any delegation of authority given in violation of this paragraph is without force and effect, and CCC shall **not** recognize it.

*--C Executing CCC-605 to Redeem Cotton Pledged as Collateral

An individual may execute CCC-605 on behalf of another **only** when FSA-211 signed by the grantor provides **all** of the following:

- under the FSA and CCC Programs section of FSA-211, the grantor selects 1 of the following:
 - item 1, All current programs
 - item 2, All current and all future programs
 - item 8, Marketing Assistance Loans and Loan Deficiency Payments
- under the Transactions for FSA and CCC Programs section of FSA-211, grantor selects item 7, Other
- under item 7, specifies "executing CCC-605".

Important: If FSA-211 does **not** meet all of the requirements, the appointed attorney in fact shall **not** be authorized to execute CCC-605 on behalf of the grantor.

Producers **must** be fully aware that designating an agent to execute CCC-605's grants that agent the authority to further delegate authority to another agent.

An agent designated on FSA-211 **cannot** execute a new FSA-211 to further delegate authority to another agent.--*

46 Prompt Payment Act

A Applicability

The Prompt Payment Act, as administered by FMD, requires CCC, according to 61-FI, to pay a late payment interest penalty on the amount of loan disbursements and LDP's if **all** of the following apply:

- documentation is provided
- the payment is **not** made by the due date in subparagraph B
- all eligibility requirements are met.

B Payment Due Dates

This table provides the payment owed dates for loan and LDP purposes.

IF the program is for...	THEN the payment due date is...
loan agreements	30 calendar days after the County Office receives an application with all required documentation and signatures.
manual loan repayments that result in overcollection	the eighth workday after the following: <ul style="list-style-type: none"> • repayments are recorded through APSS • loans are determined to be overpaid.
LDP's	30 calendar days from the date the producer provides all information needed to complete the LDP request. This information includes, but not limited to, the following: <ul style="list-style-type: none"> • acreage certification • AD-1026's <p>Note: Includes farm plans.</p> <ul style="list-style-type: none"> • all signatures, as applicable • CCC-902's for foreign person determinations (crop years 2009 *--through 2013) according to 4-PL--* • CCC-931. <p>Notes: For the 2012 crop year, CCC-931 must not be a version dated before 12-7-11.</p> <p>A valid AGI certification is on file according to 4-PL, Part 6 for each applicable crop year.</p> <p>•*--CCC-933 for 2013 crop year.--*</p>

46 Prompt Payment Act (Continued)

*--B Payment Due Dates (Continued)

IF the program is for...	THEN the payment due date is...
payments that are the subject of an ongoing judicial action, including when the payee has filed for bankruptcy	30 calendar days after judicial action is completed.

C Paying Prompt Payment Interest

County Offices shall pay prompt payment interest when payment dates, according to subparagraph B and 61-FI, are **not** met. Maximum prompt payment interest is 1 year's interest (360 days).

The prompt payment interest rate is issued semiannually, by notice, and included in 50-FI.--*

47 (Withdrawn--Amend. 41)

49 Warehouse Storage and Other Charges (Continued)

C Warehouse Charges Payable Upon Forfeiture of Cotton Loan Collateral.

Producers who forfeit loan cotton to CCC in satisfaction of their loan obligation are responsible to pay the following:

- unpaid warehouse compression; if, at the time of forfeiture a bale EWR indicates that any warehouse compression charge is **not** paid, the amount of that charge will be included on the producer collection invoice
- excess storage credit; storage credits are provided based on the lower of the following:
 - submitted tariff rate for the year
 - warehouse 2006 tariff rate
 - maximum storage credit rates, for the following:
 - 2009-2011 crops that are:
 - \$3.933 per bale/month for California and Arizona
 - \$2.394 per bale/month for all other States where stored
 - *--2012 and 2013 crops that are:--*
 - \$3.496 per bale/month for California and Arizona
 - \$2.128 per bale/month for all other States where stored.

In **all** cases, these storage credits continue to be calculated on the daily-rate equivalent of monthly rates.

Example: A bale has been stored in a warehouse having a loan-cotton storage rate of \$2.75 per month and a maximum storage credit rate of \$2.10 per month. For a bale forfeited at the end of a 10-month loan period, the producer would be billed for the storage paid to the warehouse exceeding the maximum rate as follows:
 10 months x (\$2.75 - \$2.10) = \$6.50 per bale.

Part 2 Eligibility

Section 1 Producer Eligibility

100 Determining Producer Eligibility

A Basic Requirements

[7 CFR 1427.4(b)] [7 CFR 1427.164] For a producer to be eligible for loans and LDP's, the producer, as landowner, landlord, tenant, or sharecropper, **must** have:

- produced the eligible upland or ELS cotton for which a loan or LDP is requested, as applicable
- for loans, BI in the cotton from the time of harvest through the date the loan is requested and **must** keep BI continuously until redemption of the cotton or until CCC takes title to the cotton
- for LDP's, BI in the cotton from the time of harvest through the date of submitting CCC-633 EZ, page 1
- *--a complete acreage report with respect to all cropland on the farm(s) requesting MAL and/or LDP for the current crop year according to 2-CP using FSA-578
- completed AD-1026 according to 6-CP
- completed CCC-931 according to 4-PL, **except** CCC-931 is **not** required for loans redeemed at principal plus interest

Note: For 2012 crop year, CCC-931 must **not** be dated before 12-7-11.

- completed CCC-933 for the 2013 crop year.--*

B BI

[7 CFR 1427.5(e)] A producer is considered to have BI in the cotton if all of the following remain with the producer:

- control of the cotton

Notes: A producer is considered to have control of the cotton if the producer keeps the ability to make all decisions affecting the cotton, including movement, sale, and pledging, as collateral for loan.

The producer is **not** considered to have lost control of the cotton if an option to redeem the loan collateral has been provided to another person or entity as long as the producer also keeps this right to redeem the collateral from loan.

100 Determining Producer Eligibility (Continued)

B BI (Continued)

- title.

Note: A producer is considered to have title to the cotton if the producer has **not** sold or delivered the cotton, including the delivery of warehouse receipts, to the buyer.

Important: Once BI in the cotton is lost by the producer, the cotton remains ineligible for loan or LDP even if the producer regains control, risk of loss, and title.

Cotton producers that request MAL's or LDP's from CCC are responsible, at the time of application, to:

- have had uninterrupted BI in the cotton
- make CCC holder of cotton EWR's for all MAL's * * *.

FSA State and County Offices shall:

- inform producers, gins, and warehouses about CCC's requirements for bale information or holdership of EWR's, as appropriate, to process MAL or LDP requests
- advise all staff that FSA may apply appropriate disciplinary actions to employees who request cotton buyers to return EWR's of sold cotton to CCC.

FSA State and County offices shall **not**:

- request any cotton industry entity, such as a merchant, broker, or gin, to deliver cotton EWR's to CCC after BI has been lost
- request entities other than the producer to make CCC holder of cotton EWR's
- correct or reverse actions taken by producers or producers' agents that result in loss of BI or to take any actions to restore lost BI so that MAL or LDP benefits can be provided
- act on behalf of producers to direct or request entities other than the producer about the holdership of cotton EWR's.

104 Types of Contracts

A Option to Purchase

An option to purchase is an agreement allowing the buyer, at the **buyer's** option, to enter into a contract to buy the commodity at a later date. The option:

- does **not** give the buyer any interest in the commodity
- expires at a specified time.

B Sales Contracts

A sales contract, including advance sales contracts, contracts to sell, price later contracts, and contracts for future delivery, gives the buyer an interest in the commodity at a time specified in the contract or at a time implied by law.

C Addendum

An addendum to an option to purchase or sales contract to amend any contract provision, including removing any restrictive clause, **must** be agreed upon by all parties.

For CCC to consider this addendum valid, it **must** be executed before ginning.

D Canceling Options to Purchase or Sales Contracts

An option to purchase or a sales contract entered into may be canceled at any time before ginning. If the option to purchase or sales contract to be canceled was previously provided to the County Office, a copy of the following **must** be provided to the County Office:

- the canceled option to purchase or sales contract, as applicable, with the signatures of all parties canceling the contract
- any subsequent option to purchase or sales contract.

105 Heirs of a Deceased Producer**A Succession of Interest**

Succession of interest occurs before or after harvest if heirs:

- succeed to the BI of the deceased producer in both the cotton and the farming unit on which it was produced
- assume the decedent's obligation under a loan if a loan has already been obtained.

B Knowledge of a Deceased Producer

If the County Office learns that a producer who has an outstanding loan is deceased, and CCC-686 has **not** been executed, the County Office shall:

- send a certified letter to the fiduciary representative, heirs, or other persons in charge of settling the estate notifying that person:
 - of the existence of the outstanding CCC loan
 - that the loan is covered by a security agreement or secured by pledged warehouse receipts
- attach a copy of the letter to the loan papers on file in the County Office
- immediately notify the State Office.
- *--State Offices shall forward notification of deceased producers for which CCC-686 has **not** been executed to the regional attorney for appropriate action.

Notes: County Offices shall:

- **not disburse** any MAL's or LDP's using a deceased individual's TIN.
- disburse MAL's or LDP's in TIN of the estate or to other qualifying individuals or entities as reflected on a properly completed and approved CCC-686.

Heirs must complete the required documents and meet the eligibility requirements according to paragraph 100.

MAL's or LDP's disbursed to joint ventures or general partnerships with a deceased member will be included on the Payments to Individuals Identified as Deceased Report for corrective action.

See 1-CM for additional information on deceased individuals.--*

124 Liens: Search, Waivers, and UCC-1 Requirements (Continued)

A Basic Policy (Continued)

Use the following tables for determining the required actions.

Does the producer have 1 of the following:			
<ul style="list-style-type: none"> • loan or LDP violation in current or preceding year • existing lien on crop • at time of request, either bankruptcy or OIG investigation? 			
Answer	Loan Type	Conduct Lien Search	File UCC-1 or Equivalent if No Fee
--Loan Value Less Than \$50,000--			
Yes	All loans	Yes	Yes
No	Farm-Stored: Seed cotton or ELS Outside Stored	Yes, if no charge to CCC	Yes
	Warehouse-Stored: Upland or ELS	Yes, if no charge to CCC	No
--Loan or Aggregate Loan Value <u>1/</u> of \$50,000 and More--			
Yes	All loans	Yes	Yes
No	Farm-Stored: Seed cotton or ELS Outside Stored	Yes	Yes
	Warehouse-Stored: Upland or ELS	Yes	No

1/ Based on disbursed values, **not** outstanding balance.

IF the fee for a lien search is...	AND the fee for filing UCC-1 or similar record is...	THEN...
zero	zero	<ul style="list-style-type: none"> • conduct a lien search regardless of loan value • file UCC-1.
zero	imposed	<ul style="list-style-type: none"> • conduct a lien search regardless of loan value • file UCC-1 for farm-stored and seed-cotton loans.
imposed	zero	<ul style="list-style-type: none"> • file UCC-1 • conduct a lien search if the loan or aggregate loan *--amount is \$50,000 or more.
imposed	imposed	<ul style="list-style-type: none"> • conduct a lien search if the loan or aggregate loan amount is \$50,000 or more--* • file UCC-1 for farm-stored and seed-cotton loans.

Note: A joint disbursement of loan proceeds to the producer and lienholder does **not** satisfy the requirement for a lien waiver.

124 Liens: Search, Waivers, and UCC-1 Requirements (Continued)

B Determining Whether or Not Liens Exist

When necessary to determine whether or **not** a lien exists, County Offices shall make a lien search on **all** cotton (seed cotton and lint cotton) to be pledged for loan at the appropriate recording official's office.

Exception: If a producer certifies to a lienholder, CCC-679 can be submitted to the County Office and honored.

When:

- actual notice of the existence of an unrecorded lien is provided to the County Office by the lienholder in person or in writing, consider the lien an existing lien
- a State notifies the County Office in writing of the existence of an unrecorded statutory lien for nonpayment of a Boll Weevil Eradication Program assessment, the producer **must** seek a lien waiver from an authorized representative of the State before the loan can be disbursed.

Notes: If a lien waiver is **not** obtained, do **not** disburse the loan.

Do **not** process a State statutory lien payment as an administrative offset.

C Obtaining CCC-679

CCC-679's shall be obtained by the producer or CMA, as applicable:

- **after** each loan request and **before** disbursing the loan
- if liens or encumbrances are recorded, including waivers from FSA FLP representatives
- even if the liens or encumbrances will be satisfied from the loan proceeds

* * *

- if **actual** notice is received from a lienholder
- for IRS Federal tax liens, if the producer certifies that the lien exist.

127 **Commodities From ACRE-Elected Farms**

A Commodities Harvested From ACRE-Elected Farms

The ACRE Program reduces applicable (county, regional, or national) loan commodity rates by 30 percent if producers on a farm make the irrevocable decision to elect participation in the ACRE program at any time during the 2009 through 2012 crop years.

For the 2013 crop years, the loan rate will be reduced by 30 percent if producers on the farm participate in the ACRE program for crop year 2013.

Commodities harvested from an ACRE-elected farm will have a 30 percent reduction in MAL rates.

Notes: The applicable loan repayment option (the lesser of loan rate principal plus interest, 30-day, or alternative rate) will **not** be similarly adjusted with a 30 percent reduction to calculate the applicable AWP.

*--For the 2013 crop year, eligible producers must enroll in ACRE. Acre enrollment will **not** carry over on the farm from previous years.*

Warehouse stored ACRE commodities require separate warehouse receipts. This includes a separate bale file for ACRE and non-ACRE cotton.

If ACRE and non-ACRE production cannot be distinguished separately, then the entire quantity is subject to the 30 percent reduction in MAL rates.

B Example of Determining ACRE-Elected Rate for MAL's

The following table illustrates how the MAL rate is computed for ACRE-elected and non-ACRE-elected farms. The applicable market gain is also computed when AWP value is \$0.442.

Example of Determining ACRE-Elected MAL Rate			
Line	Description	ACRE	Non-ACRE
1	Upland Cotton Loan Rate	\$0.520	\$0.520
2	ACRE Reduction: 30 Percent of Loan Rate (.30 x Line 1)	\$0.156	N/A
3	Effective MAL Rate Adjusted for ACRE (Line 1 - Line 2)	\$0.364	\$0.560
4	AWP (Never Reduced)	\$0.442	\$0.442
5	Applicable Market Gain (Line 3 – Line 4)	\$0.000	\$0.078

***--127 Commodities From ACRE-Elected Farms (Continued)**

C Examples of Determining ACRE-Elected Rate for LDP's

The following table illustrates how the LDP rate is computed for ACRE-elected and non-ACRE-elected farms when AWP value is \$0.354.

Determining LDP Rate			
Line	Description	ACRE	Non-ACRE
1	Upland Cotton Loan Rate	\$0.520	\$0.520
2	ACRE Reduction: 30 Percent of Loan Rate (.30 x Line 1)	\$0.156	N/A
3	Effective MAL Rate Adjusted for ACRE (Line 1 - Line 2)	\$0.364	\$0.560
4	AWP (Never Reduced)	\$0.354	\$0.354
5	Applicable Market Gain (Line 3 – Line 4)	\$0.010	\$0.166

The following table illustrates how the LDP rate is computed for ACRE-elected and non-ACRE-elected farms when AWP value is \$0.442.

Determining LDP Rate			
Line	Description	ACRE	Non-ACRE
1	Upland Cotton Loan Rate	\$0.520	\$0.520
2	ACRE Reduction: 30 Percent of Loan Rate (.30 x Line 1)	\$0.156	N/A
3	Effective MAL Rate Adjusted for ACRE (Line 1 - Line 2)	\$0.364	\$0.520
4	AWP (Never Reduced)	\$0.442	\$0.442
5	Applicable Market Gain (Line 3 – Line 4)	\$0.000	\$0.078

--*

128-159 (Reserved)

Part 3 Loans for Ginned Cotton

Section 1 Loan Requirements

--160 Regular Loans--

A General

This part covers the following day-to-day operations of County Offices that are required before making and disbursing a cotton loan payment:

- source of loan
- loan availability
- disbursements
- bankruptcy cases
- liens
- interest rates.

B Basic Program Provisions

Included in this part are the basic provisions applicable to specific types of loans, such as:

- warehouse receipt requirements
- determining loan rates
- acceptable classification data
- maturity dates.

* * *

--160 Regular Loans (Continued) --

* * *

161 Source of Loans**A Cotton Loans**

[7 CFR 1427.6] Eligible producers may obtain cotton loans (and LDP's) **only** from any of the following:

- the County Office that keeps the farm records for the farm on which the cotton was produced (the Administrative County)
- an approved cotton clerk, according to 14-CN [7 CFR 1427.6]
- an approved LSA, according to 22-CN. [7 CFR 1427.5(a) and 1427.6]
- an approved CMA, according to 21-CN. [7 CFR 1427.5(a)]

Multi-county producers may request loans (and LDP's) in a county other than their Administrative County. However, the actual loan outlay on an LDP payment is **not** to be provided by any county other than the producer's Administrative County.

County Offices that are **not** the Administrative County for the multi-county producer **must** send loan, LDP, module lock-in, and other such requests to the Administrative County for processing.

Notes: The producer may obtain loans by bringing a diskette to the County Offices with cotton bale data prepared by a private entity according to paragraph 170.

CMA's may obtain loans for their eligible producers. [7 CFR 1427.6(b)]

164 Warehouse Receipt Requirements

A Definition of Acceptable Warehouse Receipts

[7 CFR 1427.3] Acceptable warehouse receipt means an original or replacement receipt that may or may **not** be certificated for delivery for a futures-pricing contract, and is either of the following:

- for 2008 crop cotton **only**, a pre-numbered, pre-punched, negotiable warehouse receipt issued under the authority of the U.S. Warehouse Act, a State licensing authority, or by an approved CCC warehouse in such format authorized and approved, in advance, by CCC
- ***--for 2008 through 2013 crop cotton, EWR record issued by the warehouse and--*** recorded in a central filing system, or systems maintained in 1 or more locations, that are approved by FSA to operate the system.

Note: Starting with 2009 crop cotton, CCC will **not** accept paper warehouse receipts as collateral for MAL's.

B Allowance for Delivery of Cotton

The warehouse receipt **must** provide for delivery of the cotton to the bearer or be properly assigned by endorsement in blank to vest title in the holder of the receipt.

C Gin Bale Number

The warehouse receipt **must** contain gin bale number. If:

- gin number and warehouse receipt number are the same, a notation to that effect will meet the requirement
- bale was moved from origin warehouse, new receipt **must** contain the warehouse receipt tag number and identification of the origin warehouse.

D Receiving Charges

The warehouse receipt **must** show whether warehouse receiving charges have been paid or waived.

E Warehouse Code

The warehouse receipt **must** contain the warehouse code that was assigned by CCC.

164 Warehouse Receipt Requirements (Continued)

F Warehouse Tag Number, Including Tare and Net Weights

[7 CFR 1427.11(c)] The warehouse receipt **must** contain the:

- warehouse tag number (warehouse receipt number)
- tare and net weight of the cotton.

Note: Tare weight **must** be 1 of the weights in pounds according to subparagraphs 72 C *--and 125 E.--*

Nonelectronic receipts showing any alterations in the weight shall **not** be accepted unless they bear on the face the following stamped legend, or similar wording, approved by CCC.

Corrected (gross, tare, or net) Weight _____
Warehouse Name _____
By _____

Note: The legend **must** be signed or initialed by an authorized warehouse representative.

Section 2 Loanmaking, Ginned Cotton

181 Before Processing the Loan

A Eligibility

[7 CFR 1427.5] The eligibility requirement for the producer and cotton shall be determined according to Part 2 before processing loans.

B Required Forms and Documentation

When a producer requests a regular cotton loan, the producer shall complete CCC Cotton A-5 according to paragraph 182 and provide:

- a list of the bales, either a paper list or an electronic pre-processed bale file
- acceptable warehouse receipts according to paragraph 164

Note: Cotton warehouse receipts **must** be held by CCC (EWR's **must** be *--"downloaded") for all loans repaid by cash.--*

- acceptable classification data according to paragraph 167
- AD-1026 according to 6-CP
- BI certification, when requested by COC, according to subparagraph 103 C
- CCC-10
- CCC-679, when applicable, according to subparagraph 124 D
- *--CCC-931 according to 4-PL and applicable PL directives for 2009 through 2012 crop years

Notes: CCC-931 is not needed on file at **loan** disbursement, but is required before the loan is repaid with a marketing loan gain.

For the 2012 crop year, CCC-931 must **not** be a version dated before 12-7-11.

A valid AGI certification is on file according to 4-PL, Part 6 for each applicable crop year.

- CCC-931C or CCC-933 for the 2013 crop year
- CCC-902 according to 4-PL.

Note: CCC-902 is required for foreign person determination on both loans and LDP's.--*

181 Before Processing the Loan (Continued)

* * *

C Loan Requests Submitted Electronically

Producers may submit loan and LDP application forms electronically if the applicant has received access under the eAuthentication system. See paragraph 4 for the web site.

The date and time of the electronic transmission shall be considered the date and time of receipt by FSA.

D UCC-1 Not Required

The filing of UCC-1 by County Offices is **not** required for warehouse-stored upland cotton loans because CCC's security interest has been perfected because CCC holds the warehouse receipts.

181.5 Completing CCC-10

A Applicability

Producers applying for CCC or FSA loans at USDA Service Centers are required to provide specific information on CCC-10. CCC-10:

- serves as CCC's or FSA's notice of intent to perfect its security interest
- identifies the debtor's exact full legal name, if the debtor is an entity, and the type and location of the entity
- identifies the jurisdiction in which CCC will conduct lien searches
- authorizes CCC or FSA to file UCC-1's before executing a security agreement
- * * *
- is applicable to warehouse loans to identify the jurisdiction in which to conduct lien searches, but for which UCC-1 is **not** filed.

181.5 Completing CCC-10 (Continued)**B Obtaining Authorization**

County Offices shall obtain CCC-10 and signatures as follows:

- if a current CCC-10 is **not** already filed, obtain a signed CCC-10
- ensure that producers understand that:
 - applicable collateral for loans is **not** described on CCC-10
 - CCC-10 remains in effect until the producer notifies CCC or FSA of any changes by filling out a new CCC-10
 - for UCC-1's filed manually that require the debtor's signature, CCC requires CCC-10 to identify the jurisdiction in which to perform lien searches
- for:
 - *--general partnerships, any member may sign for the general partnership and bind all members, unless the Articles of Partnership are more restrictive
 - joint ventures, all members **must** sign for the joint venture, unless an individual is authorized to act on behalf of the joint venture and bind all members; joint ventures that do **not** have an individual authorized to act on behalf of the joint venture may execute FSA-211 to appoint an attorney-in-fact to act on behalf of the joint venture and bind all members.--*
 - corporations, limited partnerships, and limited liability corporations, the person authorized to sign for the entity is required to sign
 - trusts, the trustee or trustees are required to sign
 - estates, the executor is required to sign
- allow spouses to sign CCC-10 for each other only as allowed according to 1-CM
- gather data and signatures concerning spouses where spousal information is required by State law, according to the regional attorney
- if applicable, provide a copy of CCC-10 to other County Offices in which the producer is active
- file CCC-10's in alphabetical order in folders labeled "LP 1-2 Financing Statements."

C CCC-10 Availability

CCC-10 is available for download by FSA employees from the FSA Intranet at <http://intra3.fsa.usda.gov/dam/ffasforms/forms.html>.

Section 3 Loan Repayments, Ginned Cotton

197 Basic Provisions

***--A 2008 Through 2013 Crop Upland Cotton Repayments**

[7 CFR 1427.19] A producer or agent designated on CCC-605 may repay the loan amount for 1 or more bales of 2008 through 2013 crop upland cotton pledged as collateral for a--* loan at a level that is the lesser of the following:

- loan principal, plus interest that accrued on the loan principal during the loan period, plus any compression and reconcentration charges that were previously paid by CCC
- AWP, as determined by CCC and in effect on the day the repayment is received in the County Office, adjusted for location, quality, and allowable CCA, multiplied times the net bale weight, plus any compression charges that were previously paid by CCC, minus warehouse storage charges according to paragraph 198.

Note: AWP **cannot** be adjusted by discounts and CCA to a value less than zero.

See the following paragraphs:

- 22 to determine AWP and CCA in effect
- 198 for instructions on how upland cotton cash loan repayments are calculated
- * * *
- 204 for accepting CCC-605's.

See the following subparagraphs:

- 26 C for grades to which FCA applies
- 27 A for grades of cotton for which CCA is applicable.

Note: When CCA is applicable and in effect, CCA is subtracted from AWP to calculate the loan repayment rate.

Producers may repay the loan amount for bales after the loan has matured, if the receipts are still in the County Office and the forfeiture has **not** been processed, by repaying the loan principal plus interest that accrued on the loan principal during the loan period, plus any compression and reconcentration charges that were previously paid by CCC. After maturity such loans **cannot** be repaid at AWP or exchanged with a commodity certificate.

197 Basic Provisions (Continued)

B ELS Cotton

[7 CFR 1427.19(c)(2)] A producer may repay the loan amount for 1 or more bales of ELS cotton pledged as collateral for a loan by repaying the loan amount and charges, plus interest, determined for these bales.

* * *

C Payment Limitation Provisions

[7 CFR 1400] See paragraphs 25, 43, and 44 for payment limitation provisions.

D Using CCC-697

The repayment rate for an upland cotton loan **cannot** be “locked-in” using CCC-697. CCC-697 does **not** apply to cotton because it is intended for use with farm-stored commodities.

202 Estimating Upland Cotton Loan Repayments

A When to Estimate Repayments

County Offices may estimate upland cotton loan repayments when the:

- computer is **not** operating
- workload in the County Office will **not** permit loan repayment processing when repayment is requested.

* * *

B Using Average Bale Weights

County Offices may estimate loan repayment amounts for cash redemptions * * * by multiplying the national average bale weight of 500 pounds times the number of bales being redeemed times the lesser of the following:

- AWP, according to paragraph 22, adjusted for any positive location differential
- highest loan rate applicable to the loan, plus applicable interest.

Note: The location differential is equal to the difference between the county loan rate where the cotton is stored minus NALR.

202 Estimating Upland Cotton Loan Repayments (Continued)

C Example Repayment Value Calculation

Estimated loan repayment value is equal to the national AWP, adjusted for any positive location differential, times the average bale weight, times the number of bales being redeemed.

This example is for 10 bales of 2000 crop cotton stored at a warehouse in Lonoke County, Arkansas.

AWP = \$0.3380

Location Differential = \$0.0070 (\$0.5305 -\$0.5235)

Bale Weight = 480 (Arkansas average)

$(\$0.3380 + \$0.0070) \times 480 \text{ lbs.} = \$165.60 \times 10 = \$1,656.00.$

D Using Producer- or Agent-Supplied Repayment Data

If a producer or, if applicable, an agent provides bale repayment data and the data is determined reasonable by the County Office, the County Office may use the data instead of ~~the national average bale weights.~~*

The data **must** show, at a minimum, the following for all bales being redeemed:

- actual individual bale repayment amount
- total repayment amount.

Note: If the data does **not** meet the minimum requirement, estimate the repayment using ~~average bale weights according to subparagraph C.~~*

203 Insufficient Cash Repayment Amounts (Continued)**B Handling Insufficient Payments (Continued)**

- if additional funds are:
 - received within 15 calendar days, cancel the refund check and reissue the check to CCC to repay the unreleased bales, using the additional money received and the refund check, at the same repayment rate used for the released bales
- **not** received within 15 calendar days, issue the refund check to the person making the repayment on the 16th calendar day.

Note: In this case, the withheld bales shall be considered redeemed and processed on the same date as the previously released bales.

Note: After 15 calendar days, the repayment for the withheld bales **must** be calculated at the rate in effect on the date any additional funds are received in the County Office.

C Intentional Insufficient Repayments

If it appears that the only reason the repayment is insufficient was to lock in AWP, County Offices shall immediately send any refund check to the person making the repayment.

In addition to issuing the refund check, notify the person making the repayment that the repayment rate for the bales **not** released shall be calculated at the rate in effect on the date additional funds are received in the County Office.

204 Using CCC-605, Authorization of Electronic Agent and Designation of Agent - Cotton

A General Use and Purpose

[7 CFR 1427.5(e)(2)(iii)] and [7 CFR 1427.19] Producers use a single CCC-605 for each loan to:

- identify and designate an agent for the 1 loan specified on the form
- authorize such agent the option to redeem all or a portion of the bales of cotton pledged as collateral for a loan identified on the form
- authorize CCC to process the redemption and release of the loan collateral using the CCR process.

Producers using this form provide **both** the agent designation and authorizations established by the producer; none of these functions can be provided separately or independent of the others.

Execution of CCC-605 does **not** relieve any producer from the terms and conditions of the loan note and security agreement.

B Producer Use and Cancellation

[7 CFR 1427.5(e)(2)(F)] A producer who executes CCC-605 has several options regarding the disposition of the cotton loan collateral identified on the CCC-605. The producer may:

- cancel the CCC-605 by providing written, signed, and dated notice to the County Office where the loan was processed containing the following information:
 - the agent name
 - loan number
 - applicable bales
- redeem the loan collateral * * * either themselves, effectively canceling CCC-605, or by request of the producer's designated agent processed by either of the following:
 - County Office by providing the required repayment funds
 - CCR, which is available for use by producer or producer's agent that has an established EWR holder ID provided by EWR provider, who are registered and authenticated for CCR use
- forfeit the loan collateral to CCC unless redeemed by the producer's agent.

204 Using CCC-605, Authorization of Electronic Agent and Designation of Agent - Cotton (Continued)

C Resolving Concurrent Agent and Producer Redemption Requests

Requests for loan redemption may be submitted through CCR and County Office at the same time. CCC processes the request and releases the cotton to the first entity, either the producer or producer's agent that provides repayment funds to CCC.

Under CCR, cotton loan collateral is:

- **committed when funds are received** and **not** available for a subsequent redemption requested at a County Office
- **not committed** by a pending CCR invoice for which no funds have been received.

When a County Office is informed that CCR invoice is pending, before accepting funds for a subsequent redemption request, the County Office shall determine whether funds have been transmitted to CCC by calling Shannon Fulghem, Cotton Operations Processing Staff , at 816-926-1533.

If **funds have not been transmitted** to CCR based on a pending invoice request by an agent, and the EAD indicator is:

- "N", the County Office shall process the repayment in APSS, and release bales
- "Y", the County Office shall:
 - reset the indicator to "N", process the repayment in APSS, and release bales
 - reset the indicator to "Y", if there are outstanding bales.

If **funds have been transmitted** to CCR, County Office shall **not** process the request presented to them. The cotton will be released under CCR.

D Use by Producers' Designated Agents

Entities designated and authorized by producers on CCC-605, and any subsequent-designated *--agents, have authority to exercise an option to obtain cotton loan collateral by repaying the producer's cotton loan.--*

Producers' designated agents are **not** obligated to exercise the option provided under the terms of CCC-605.

204 Using CCC-605, Authorization of Electronic Agent and Designation of Agent - Cotton (Continued)

D Use by Producers' Designated Agents (Continued)

Such agents do **not** own the cotton or any "equity" in it. Any loss of ownership, title, or control of the cotton by the producer during the term of the loan constitutes loss of BI in the cotton, making the cotton loan subject to immediate repayment in full.

*--Designated agents of the producer may request release of the cotton from loan and may:

- redeem the loan collateral at the County Office by providing:--*
 - a paper copy of the producer-endorsed CCC-605
 - a list of the requested bales
 - sufficient funds

* * *

- use the CCR process to redeem all or a portion of the loan collateral * * *.

E Subsequent Designation of Agent

Designated agents of the producer may transfer the designation to a subsequent agent by endorsement of the CCC-605.

Subsequent agents, designated on CCC-605, may further transfer the designation to other subsequent agents on CCC-605 by endorsement.

204 Using CCC-605, Authorization of Electronic Agent and Designation of Agent - Cotton (Continued)

E Subsequent Designation of Agent (Continued)

If any subsequent agent designation is for less bales than:

- are associated with the applicable loan, CCC-605-1 or other bale list **must** be completed according to subparagraph 207 C
- originally designated by the producer, CCC-605-2 and CCC-605-1 shall be completed according to subparagraphs 207 B and 207 C, respectively.

F County Office Use

CCC-605, CCC-605-1, and CCC-605-2 shall be prepared only by producers and their designated agents and never by FSA personnel.

County Offices make these forms available for use by producers and their agents, but CCC bears no responsibility for establishing or maintaining the record of the current designated agent, or electronic record of such agent designation, for any producer or producer loan

When a valid CCC-605, CCC-605-1, or CCC 605-2 is presented at a County Office, the last *--agent designated for the identified bales may redeem the cotton.--*

G Policy and Procedures for Filing

CCC-605, CCC-605-2, and CCC-605-1 are **not** filed by County Offices because CCC is **not** a party to these agreements. County Office filing would infer that CCC will be knowledgeable of and responsible for managing such agreement which is **not** a responsibility CCC agrees to undertake. Thus, these forms are **not** to be filed by County Offices.

Exception: If a designated agent is redeeming part of the cotton covered by CCC-605 or CCC-605-2, the County Office shall place a copy of CCC-605 or CCC-605-2 and supporting CCC-605's, CCC-605-1's, and CCC-605-2's in the loan folder and return the originals to the agent.

The County Office employee making any photocopy of an original CCC-605 or CCC-605-2 shall write or stamp, initial, and date the following statement on the photocopy: "This is a photocopy of the original having the required original signatures."

205 Required Signatures and Documents for Agent Designations

A Signatures Required for Valid CCC-605

Agents presenting CCC-605 to a County Office are responsible for that form to be properly completed.

A FAXed copy of CCC-605 is acceptable and may be acted upon by the County Office if the producer has signed CCC-Cotton A, dated 09-02-04 or later.

B Signature Required for Valid CCC-605-2

For a presented CCC-605-2 to be considered valid, the agent **must** present:

- a properly completed CCC-605-2 that has the signature of the transferring agent according to subparagraph E
- a copy of the original CCC-605 that was properly completed and signed by the producer
- copies of all CCC-605-2's transferring designation for the presented CCC-605-2.

C Impressed Signatures on CCC-605's and CCC-605-2's

Any signature that is affixed to an original CCC-605 or CCC-605-2 and is a reproduction of the person's or authorized person's signature shall be considered an impressed signature.

Signatures that were reproduced by a photocopy machine or a FAX machine are **not** considered impressed signatures.

* * *

207 Completing Designation of Agent Forms (Continued)

A Instructions for CCC-605 (Continued)

Item	Instructions
Part E	
15A	Producer's agent enters the holder ID of the entity to which the loan collateral is to be released.
15B	Producer's agent signs, if agent is returning CCC-605 to County Office to exchange the loan commodity for a commodity certificate. Signature is not required to confirm item 15A entry. *--Note: Not applicable for 2010 and succeeding crop years.--*
15C	Producer's agent enters date of signature.
Part F	
16	Enter the date (mm-dd-yyyy) CCC-605 was received in the County Office.
Part G	
17	Enter the crop year of the loan collateral. This is the same as entered in item 4A.
18	Enter the loan number of the loan. This is the same as entered in item 4B. A separate Part G is required for each individual loan.
19A	Enter the maturity date of the loan for which the transfer authorization is provided. This is the same as entered in item 4C for the loan.
19B	Enter the file sequence number of the loan to which the transfer authorization is granted. This is the same as entered in item 4D.
20	If the producer is designating the agent for the total loan quantity identified in item 4, check the "ALL" box. If the producer is designating a partial loan quantity, or a partial designated quantity is being designated by the agent or subsequent agent, check the "See attached Form CCC-605-1 or other list" box.
21A	The producer reads Part G and enters the name, address, and holder ID of the agent designated by the producer in item 6.
21B	Enter the holder ID for the agent. This is the same as entered in item 6.
Part H	
22A	Enter the name and address including ZIP Code of the contact producer. Only the contact producer's address needs to be listed in cases where several producers have signed the note and security agreement for the loan. However, the other producers must sign and date in items 23A and 23B. Part H is continued on CCC-605, page 4, to provide additional signature space.
22B	Enter the telephone number including area code. This is the same as item 8B.
22C	Enter the signature of the contact producer.
22D	Enter the date (mm-dd-yyyy) the contact producer signed item 22C.
23A	Each individual producer (other than the contact producer) who signed the loan note and security agreement enters their signature.
23B	Enter the date (mm-dd-yyyy) of signature for each signature entered in item 23A.

207 Completing Designation of Agent Forms (Continued)

A Instructions for CCC-605 (Continued)

*--

This form is available electronically.		See Page 3 for Privacy Act and Public Burden Statements.	
CCC-605 (07-10-07)		U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	
AUTHORIZATION OF ELECTRONIC AGENT AND DESIGNATION OF AGENT - COTTON			
Instructions for completing CCC-605: Producer reads Parts A and B. All Producers who signed the note and security agreement (CCC Cotton A) for the loan identified in Part B, Item 4 must sign Part C. Agents complete Part D to transfer designation to a subsequent agent and Part E to request Commodity Certificate Exchange.			
PART A - TERMS OF AUTHORIZATION FOR CCC TO USE ELECTRONIC AGENT DESIGNATION			
<p>1. For purposes of this authorization:</p> <p style="margin-left: 20px;">a. The term "Provider" means the individual or entity that maintains electronic warehouse receipts for the collateral applicable to the loan identified in Part B of this authorization in a central filing system. As of September 1, 2006, the CCC-approved Providers were: EWR, Inc., FAMBRO Electronic Warehouse Receipts, Inc., Intelligent Storage Services, Inc., and Plains Cotton Cooperative Assoc. The list of Providers can change and may have changed by the time this document is executed.</p> <p style="margin-left: 20px;">b. The term "Designated Agent" means the individual or entity identified by the Provider on the electronic warehouse receipt bale data file as being authorized, through a grant by the Producer or by succession to a grant by the Producer, to redeem all or a portion of the cotton pledged as collateral for the loan(s) identified in Part B, Item 4 of this authorization.</p> <p>2. The undersigned Producer(s) hereby requests and authorizes CCC to accept repayment of all bales of the loan or loans, as identified in Part B, Item 4 of this authorization, from the individual or entity identified as the Designated Agent on the electronic warehouse receipt bale data file maintained by the Provider for such loan collateral. Producer agrees further that the Producer will hold CCC harmless for any errors that may result from reliance on the information supplied in that regard by the Producer through the electronic warehouse receipt or otherwise.</p> <p>3. The undersigned Producer(s) may request cancellation of this authorization by submitting a signed and dated request of such cancellation that identifies the applicable loan number. Producer agrees that CCC will not permit the loan collateral identified in Part B, Item 4 to be redeemed by the Producer at a County Office until the producer cancels this authorization. Producer acknowledges that cancellation of this electronic authorization and agent designation occurs when the electronic record is affected and not at the time of the producer request, and that cancellation of the electronic authorization does not constitute cancellation of any agency designation provided in Part B.</p>			
PART B - DESIGNATION OF AGENT FOR LOAN REDEMPTION			
<p>THE UNDERSIGNED PRODUCER(S) ("PRODUCER") hereby authorizes the agent identified in Item 6 or, if applicable, the subsequent agent identified by endorsement on Page 2 of this form or the execution of a Form CCC-605-2, to redeem all or a portion of the cotton pledged as collateral for the loan identified in Item 4 B, and to utilize CCC's centralized electronic redemption process for such redemption. The Producer agrees that no other Form CCC-605 has been or will be executed with respect to such cotton. If this form covers all the warehouse receipts pledged as security for the loan as described in Item 4 B, mark "ALL" in Item 5. If this designation of agent is for only some of the warehouse receipts pledged as security for the loan, mark "see attached Form CCC-605-1, or other list" and enter the bale receipt number(s) in numerical order on Form CCC-605-1 or other list properly dated and signed by the producer. Attach CCC-605-1 or other list to this form.</p> <p>Title to the cotton shall, without a sale thereof, immediately vest in CCC upon maturity of the loan. CCC shall have no obligation to pay for any market value which the cotton may have in excess of the amount of the loan. CCC may sell, transfer and deliver the cotton or documents evidencing title thereto at such time, in such manner, and upon such terms and conditions as CCC may determine, without demand, advertisement, or notice of the time and place of sale. CCC does not guarantee that the cotton subject to this agreement will be permitted to be redeemed at a level lower than the original loan level if the producer has exceeded statutory payment limitation amounts. In addition, CCC does not guarantee that the cotton subject to this agreement will not be redeemed by anyone other than the designated agent or that the warehouse receipts representing the cotton will not be released to anyone other than the designated agent.</p>			
4. Loan Number to which authorization for electronic redemption applies to all bales:		5. Loan Quantity Applicable to this Agent Designation	
A. Crop Year	B. Loan Number	<input checked="" type="checkbox"/> All <input type="checkbox"/> See attached Form CCC-605-1 or other list	
C. Maturity Date	D. File Sequence Number		
6A. Agent's Name and Address (Including Zip Code)	7A. Name and Address of County FSA Office Providing Loan		
6B. Holder ID Number:	7B. FAX Number:		
PART C - SIGNATURE OF PRODUCER(S) WHO SIGNED LOAN NOTE AND SECURITY AGREEMENT (CCC COTTON A) FOR LOAN(S) (SIGNATURES CONTINUED ON PAGE 4) TO DESIGNATE AND AUTHORIZE AN AGENT			
8A. Name and Address of Contact Producer (Include ZIP Code)		8B. Telephone Number (Include Area Code)	
8C. Signature of Contact Producer		8D. Date (MM-DD-YYYY)	
9A. Other Producers Signature		10A. Other Producers Signature	
9B. Date (MM-DD-YYYY)		10B. Date (MM-DD-YYYY)	

--*

207 Completing Designation of Agent Forms (Continued)

C Instructions for CCC-605-1 (Continued)

REPRODUCE LOCALLY. Includes form numbers and date on all reproductions. Form Approved - OMB No. 0560-0074

CCC-605-1
(09-19-00)

U. S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

DESIGNATION OF AGENT - COTTON
(CONTINUATION SHEET TO FORM CCC-605)

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The authority for requesting the following information is the Agricultural Act of 1949, as amended, the Federal Agriculture Improvement and Reform Act of 1996, the Commodity Credit Corporation Charter Act, as amended, and regulations (7 CFR 1427). The information will be used to determine who may repay cotton loans. Furnishing the requested information is voluntary, however, without it assistance cannot be provided. This information may also be provided to other USDA agencies, IRS, Department of Justice, or other State and Federal law enforcement agencies, and in response to orders of a court magistrate or administrative tribunal. The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 641, 651, 1001; 15 USC 714m; and 31 USC 3729, may be applicable to the information provided.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0074. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.

1. PRODUCER'S NAME AND ADDRESS Jim Howard RT. 1, Box 120 Somotown, SS 23485	2. AGENT'S NAME AND ADDRESS Bill Smith P.O. Box 2364 Somotown, SS 22998	3. COUNTY OFFICE HOLDING WAREHOUSE RECEIPTS Seedfar County FSA Office P.O. Box 234 Somotown, SS 23485
4. MATURITY DATE 6-30-0X	5. LOAN NUMBER 67	6. CROP YEAR 200X

7. List warehouse receipt numbers in numerical order.

WHSE. RECEIPT NO.	WHSE. RECEIPT NO.	WHSE. RECEIPT NO.	WHSE. RECEIPT NO.
1 915666	21	41	61
2 915667	22	42	62
3 915700	23	43	63
4 915703	24	44	64
5 915706	25	45	65
6 915707	26	46	66
7 915708	27	47	67
8 915709	28	48	68
9 915710	29	49	69
10 915720	30	50	70
11	31	51	71
12	32	52	72
13	33	53	73
14	34	54	74
15	35	55	75
16	36	56	76
17	37	57	77
18	38	58	78
19	39	59	79
20	40	60	80

8. SIGNATURE OF PRODUCER	DATE
/s/ Jim Howard	9-15-0X

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 320-W, Whittier Building 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

208 Maturity Date Notification Letter

A Notice of Maturity Letter

Send the following notification letter to producers of maturing warehouse-stored nonrecourse loans no earlier than 60 calendar days or no later than 45 calendar days from the maturity date. Appeal rights or process are **not** referenced because there is no adverse action or determination. See paragraph 256 for seed-cotton loan maturity notifications.

	(Date) _____, 20__
Dear _____:	
This is to notify you that your (crop year) cotton loan, No. (loan number) will mature on (maturity date). Loan extensions have not been authorized.	
Under the terms and conditions of the loan, the following options are available:	
<ul style="list-style-type: none"> • repay the loan on or before the maturity date • forfeit the loan collateral to CCC if not repaid by close of business on the maturity date. 	
If you choose to forfeit, or if you designated an agent using CCC-605 and that agent or any subsequent agent does not redeem this loan by close of business on the maturity date, you must pay all of the following charges:	
<ul style="list-style-type: none"> • warehouse storage charges that accrued before the date all documents required from you for the loan were provided to this County Office • unpaid warehouse receiving charges including any charges for new ties • any difference between the CSA loan storage rate specified in the storage agreement between the warehouse and CCC and the storage credit cap during the loan period • any other unpaid charges that reduce the value of the cotton delivered to CCC including unpaid compression charges based on the tariff rate. 	
If you do not take action by loan maturity, your loan collateral will be forfeited to CCC automatically.	
Sincerely,	
County Executive Director, _____ County FSA Office	

209 Wire Transfer Repayments

***--A Background**

Wire transfer repayments are available through APSS. Producers or buyers may wire transfer repayments directly to CCC’s account at the U.S. Department of Treasury.

Note: Producers may **not** transfer repayments to the local Concentration Banking System office.

B Processing Wire Transfer Repayments

CCC-258 is provided to producers or buyers by County Offices to cross-reference loans redeemed by CCC-258.

County Offices can use their manual log of wire transfer numbers, maintained according to 3-FI, paragraph 39, to enter the loan numbers to which the wire transfer will apply.

The date the wire transfer receipt and CCC-258 are received in the County Office is the date of repayment. Use PCP in effect on the date the receipt of the wire transfer is received.

Process loan redemptions made by wire transfer according to the following.

Step	Action
1	Upon request from a buyer or producer for a loan redemption by wire transfer, provide (by FAX, if requested) CCC-258 according to subparagraph C.
2	Advise the buyer or producer that the completed CCC-258 is to be: <ul style="list-style-type: none"> • transmitted to the bank providing the wire transfer • FAXed by the bank or the buyer to the County Office on the day of the wire transfer with the bank’s receipt of the wire transfer.
3	Accept the wire transfer receipt from the bank as confirmation of receipt of funds and record the repayment through APSS. The system will generate CCC-500 as a receipt for the wire transfer. The date the wire transfer receipt is received in the County Office is the date of repayment. Use CCC-determined value in effect on the date received. See 3-FI for additional information on how to record remittance.

--*

209 Wire Transfer Repayments (Continued)

*--C Completing CCC-258

County Offices shall complete CCC-258 according to the following table and 1-FI.

Item	Instructions
1	This item is completed at the option of the bank and is not required by CCC.
2	No entry necessary. This item notifies the payer that interest is calculated to the date entered in item 3.
3	Enter repayment date requested by the payer. The wire transfer of funds must occur no later than the requested repayment date for the transfer of funds to be sufficient to repay the loan. If the date is not specified by the payer, the County Office will enter the date corresponding to the amount entered in item 8.
4	This item is preprinted and is the bank’s routing number for the FSA account. No entry necessary.
5	This item is completed at the option of the bank for informational purposes, and is not required by CCC.
6	This item is completed by the bank.
7	This item is completed by the bank.
8	The County Office shall compute the repayment amount to the date entered in item 3 and enter the estimated payment amount required from the payer. Although this amount may be used for the transfer of funds, the final loan repayment amount applied is the amount determined by CCC.
9	This item is completed by the bank.
10	This item is preprinted. No entry is necessary.
11	<p>This item contains a preprinted alpha/numeric code. County Offices shall enter the following:</p> <ul style="list-style-type: none"> • “1” to show the type of payment, followed by “/” • State and county code and check digit, followed by “/” <p>Note: County Offices shall contact their State Office for assistance, if needed.</p> <ul style="list-style-type: none"> • “SCH#” and the 4-digit log number between “9001” and “9998”, which is from the county log of wire transfer numbers maintained according to 3-FI, subparagraph 39 B, followed by “/” <p>Example: BNF = /AC -4994 OBI = CCC/1/SSCCCX/SCH#XXXX/.</p>
12	Optional. The County Office may manually enter the name of the buyer or producer and the loan number or numbers for which payment will be wired.
13	Optional. The County Office may manually enter, “Fax receipt of the bank wire transfer to the County Office on the date of the wire transfer to the FAX number entered in item 14B”, as additional instructions to the bank
14	Enter the telephone and FAX number for the County Office. This is the FAX number to which the wire transfer receipt shall be FAXed.
15	Signature of County Office representative.

--*

210 Release of Warehouse Receipts

A Policy

When a cotton loan is repaid with cash * * *, the warehouse receipts for the collateral are released to:

- the producer or other entity authorized by the producer to repay the loan
- another entity, if specified by the entity providing the loan repayment ***.

B Releasing Receipts Based on Estimated Repayment Amounts

County Offices should release receipts no later than 6 workdays after sufficient monies have been received in the County Office.

Bales may be released based on estimated repayment value if the remittance for the repayment is equal to or exceeds an amount based on either of the following:

- average bale weights, according to subparagraph 202 B
- producer- or agent-supplied repayment data, according to subparagraph 202 D.

If the remittance is **not** sufficient to redeem all of the bales requested, County Offices shall:

- release only the bales for which sufficient payment is received
- advise the person redeeming the cotton:
 - of additional amount required to redeem the additional bales requested
 - that the warehouse receipts for the additional bales will **not** be released unless the additional amount is received
 - that, if additional amount required to redeem the additional bales is **not** received within 15 calendar days, any amount over what is required to redeem the released bales will be refunded.

Section 3.5 Loan Redemptions Using CCR

210.5 Redeeming Loans Using CCR

A General Information

CCR is a web-based system that:

- provides a centralized process for merchants to redeem upland cotton loans disbursed by County Offices
- allows receipts from multiple loans and multiple counties to be redeemed in a single transaction
- uses EAD established based on a producer-signed CCC-605
- performs all calculation, collection, and release functions for cotton loans redeemed using CCR
- *--allows repayment at either:
 - AWP when it is less than NALR--*
 - the principal plus interest repayment when AWP is equal to or greater than NALR
- releases receipts automatically to the merchant once funds have been received and posted to COPS.

B CCR Business Rules

To be a valid CCR redemption request, each EWR **must**:

- be under a County Office issued loan
- **not** be in forfeiture status
- **not** be in a pending status for another CCR request
- be a valid EWR reflecting CCC as the current holder
- **not** have any COPS errors
- contain EAD holder ID that matches the COPS record.

The requested repayment date **must** be within the current AWP period of Friday through Thursday.

The storage credit will be calculated up to the applicable due date or repayment date plus 2 calendar days for certificate exchanges regardless of the date the bales are released.

The CCR invoice is valid for 21 calendar days, but may be canceled by the merchant any time before payment is submitted.

210.5 Redeeming Loans Using CCR (Continued)**B CCR Business Rules (Continued)**

CCR will accept a repayment:

- **earlier** than the requested repayment date based on the amount due on the requested repayment date. Bales will be automatically released the later of:
 - date payment is processed
 - original due date
- **later** than the due date, but before the invoice expires. The repayment amount will be recalculated based on:
 - repayment rate in effect on the date of the wire transfer
 - a storage credit up to the wire date plus 2 days for certificate exchanges.

If insufficient funds are received:

- only bales for which funds are sufficient will be redeemed
- a new request will be required for remaining bales.

If overpayment is received, CCC will provide a refund by direct deposit to the merchant's account.

C Merchant Action

To use CCR, a merchant **must**:

- register to use the system
- obtain producer signature on CCC-605 dated June 21, 2004, or later
- coordinate with the EWR provider to make merchant the EAD holder for bales that are being redeemed
- electronically transmit to:
 - CCC a redemption request to the CCR system
 - CCC the requested repayment date
 - CCC a list identifying the receipts to be redeemed
 - FRB funds according to invoice instructions.

210.8 Processing CCR Transactions (Continued)

C Downloading and Processing CCR Repayment File (Continued)

* * *

- using CCR County Bales for Manual Redemption Report as the source document to complete applicable data fields

Note: Enter the storage credit date from report as the “Est. Receipt Release Date” on Screen PPC40200.

- issue check for storage credit to the redeeming merchant indicated on the report
- mail a copy of CCC-500 to the redeeming merchant along with the check for storage credit.

*--210.8 Processing CCR Transactions (Continued)

D Accessing and Printing Report

County Offices shall access and print the CCR County Bales for Manual Redemption Report according to the following table.

Step	Action	Result				
1	On the COPS Home Page, select "Invoice Review" under the "Invoicing" tab.	Invoice Review Criteria Screen will be displayed.				
2	On the Invoice Review Criteria Screen, do 1 of the following: <ul style="list-style-type: none"> • from the "Invoice Type" drop-down box, select "Cotton Redemption Invoice" and CLICK "List" • enter the invoice number in the invoice number data field. 	<ul style="list-style-type: none"> • Invoice List Screen will be displayed with all invoices for the applicable county. Go to step 3. • Cotton Redemption County Invoice Screen will be displayed. Go to step 4. 				
3	On the Invoice List Screen, select the invoice by clicking on the applicable line number.	The Cotton Redemption County Invoice Screen will be displayed.				
4	IF... the invoice contains bales that require manual redemption	THEN... <ul style="list-style-type: none"> • the Cotton Redemption County Invoice Screen will display the message, "There are bales to be manually redeemed on this invoice"; click the "Bales for Manual Redemption" button to view the PDF report • an additional button labeled "Bales for Manual Redemption". <table border="1" data-bbox="808 1367 1489 1625"> <thead> <tr> <th data-bbox="808 1367 1073 1409">IF...</th> <th data-bbox="1073 1367 1489 1409">THEN...</th> </tr> </thead> <tbody> <tr> <td data-bbox="808 1409 1073 1625">the button labeled "Bales for Manual Redemption" displays</td> <td data-bbox="1073 1409 1489 1625">CLICK the "Bales for Manual Redemption" button; the CCR County Bales for Manual Redemption report will be displayed in PDF report; print report.</td> </tr> </tbody> </table>	IF...	THEN...	the button labeled "Bales for Manual Redemption" displays	CLICK the "Bales for Manual Redemption" button; the CCR County Bales for Manual Redemption report will be displayed in PDF report; print report.
IF...	THEN...					
the button labeled "Bales for Manual Redemption" displays	CLICK the "Bales for Manual Redemption" button; the CCR County Bales for Manual Redemption report will be displayed in PDF report; print report.					

--*

214 Collecting Charges Due on Forfeited Loans

A Determining Charges Due

[7 CFR 1427.11(f)] The payment of charges under warehouse loans, forfeitures, and *--transfers are summarized in Exhibit 18. When loans are forfeited, and after warehouse charges are paid by KCCO, KCCO will determine the total of the following 4 amounts--* that will be billed to the producer:

- warehouse storage charges that accrued **before** the date all documents required from the producer for the loan were provided to the County Office
- unpaid warehouse receiving charges including any charges for new ties
- *--unpaid warehouse compression charges
- warehouse storage charges that accrued starting the date all documents were received that exceed the storage credit rate.

Any charges billed to the producer will be based on the tariffs effective at the warehouse where forfeited. Thus, charges related to loan bales that were transferred and then forfeited are based on charges at the receiving warehouse.--*

The date documents provided (enter on CCC Cotton A-5, item 8) is the **later** of the following dates that CCC received any of the following documents required for the loan:

- the date of receipt of a signed CCC Cotton A-5 and all other required documents listed in subparagraph 181 B
- the date CCC was made holder of EWR's as specified on the EWR Validation Review Report

Note: The date CCC was made holder of EWR is **not** necessarily the same date as the date that a County Office downloaded EWR's.

- the date paper warehouse receipts were delivered to the County Office.

B Collecting Charges Due From Producer

[7 CFR 1427.13(e)] When the producer collection invoice is posted to COPS, the County Office shall:

- follow subparagraph 215 A to access the invoice

214 Collecting Charges Due on Forfeited Loans (Continued)

B Collecting Charges Due From Producer (Continued)

- follow subparagraph 215 B to print the invoice

Important: COPS will generate an invoice for charges of \$9.99 or less, but will automatically write off the charges. County Offices shall **not** take collective action for these invoices. Invoices of \$9.99 or less may be accessed and printed in COPS under Invoice Review by selecting:

- Invoice Type of “Producer Collection Invoice”
 - Status of “Writer-off Producer Collection \$9.99 or Less”.
- determine whether the producer collection invoice is for the correct producer and loan
 - if statement of charges is incorrect, contact ADC, PSCAO, CLG to request a corrected statement of charges by:
 - *--telephone at 816-926-1533
 - e-mail at shannon.fulghem@kcc.usda.gov
 - if statement of charges is correct, establish receivables in NRRS according to 64-FI,--* with:
 - **all** producers who signed CCC-Cotton A as debtor or co-debtors
 - discovery code of “10”
 - reason code of “300”
 - program code of “XXUPCNFORF”

Note: “XX” is the last 2 digits of the crop year.

- *--producer will receive NRRS-generated initial notification letter--*
- immediately update the producer collection invoice with the receivable information according to subparagraph 215 C
- notate the receivable number on the producer collection invoice and file a copy in the producer’s loan folder.

215 Accessing and Updating Producer Collection Invoices (Continued)

C Updating Invoice

*--After a receivable has been established for the producer collection invoice, County Offices shall immediately update the invoice payment status in COPS with the receivable information according to the following table. Do **not** wait to update COPS after payment has been received.

Step	Action	Result
1	Type the COPS Internet address, http://www.fsa.usda.gov/cotton , into the address field on the Internet browser.	The COPS Home Page will be displayed.
2	On the COPS Home Page, click “Invoice Payment” under the “User Function” heading.	The Secure System Logon Screen will be displayed.
3	On the Secure System Logon Screen: <ul style="list-style-type: none"> • enter the user ID and password • click “Logon”. If the user does not have a user ID and password, contact the State Price Support Specialist through the State Office Security Officer.	The COPS Logon Confirmation Screen will be displayed.
4	On the COPS Logon Confirmation screen, click “Continue”.	The COPS Invoice Payment History Criteria Screen will be displayed.
5	On the COPS Invoice Payment History Criteria Screen, enter the invoice number and click “Submit”.	The Invoice Payment Screen for the chosen invoice will be displayed.

--*

215 Accessing and Updating Producer Collection Invoices (Continued)

C Updating Invoice (Continued)

Step	Action	Result
6	<p>On the Invoice Payment Screen, enter:</p> <ul style="list-style-type: none"> • date receivable was established • receivable number • re-enter receivable number • click “Update Receivable”. 	<p>The dialog box will be displayed with the question, “Are You Sure You Want to Update This Invoice to Receivable Status?”.</p> <p>Verify the receivable number and date.</p> <p>If the user selects:</p> <ul style="list-style-type: none"> • “Yes”, the Invoice Payment Screen will confirm that the invoice has successfully updated • “Cancel”, the dialogue box will be removed. <p>Repeat step 6 to re-enter the receivable information.</p> <p>To return to the:</p> <ul style="list-style-type: none"> • Invoice Detail Screen, click “To Invoice Details” • the COPS Home Page, click on “COPS Home.

D Establishing Claims

If invoice charges remains unpaid 60 days after the notification letter has been sent to the *-producer(s), County Offices shall follow 64-FI, Part 8 to indicate the receivable is in active referral for TOP or cross-servicing.--*

215 Accessing and Updating Producer Collection Invoices (Continued)

E Recording Collections of Invoice Charges

County Offices shall record a collection of invoice charges according to instructions in:

- 58-FI, Part 7, for claims
- *--64-FI, Part 4, for receivables.--*

Note: Since COPS was updated with the receivable information, it is **not** necessary to update the producer collection invoice to “Paid”.

216, 217 (Reserved)

Section 5 (Withdrawn--Amend. 32)

218-220 (Withdrawn--Amend. 32)

221 (Reserved)

Section 3 Loan Repayments and Forfeitures, Outside-Stored ELS**224 Loan Repayments and Forfeitures****A General Repayment Provisions**

An outside-stored ELS loan is subject to many of the general repayment provisions as apply to warehouse-stored ELS loans. Applicable provisions of this handbook are in paragraphs:

- 197 B, for number of bales
- 197 F, for types of remittances accepted
- 197 G, for releasing the original CCC-Cotton A
- 199 D, for cash repayments through APSS
- 204 through 207, for agent designations using CCC-605.

B Forfeiture Provisions

Many of the forfeiture provisions for an outside-stored ELS loan are substantially different from provisions that apply to warehouse-stored loans. The provisions for forfeiture of this loan collateral, as contained in CCC-601 ELS Appendix, are:

- cotton collateral shall be delivered to CCC in the original bag with original bale identification as provided by the ginner

Note: There is no warehouse receipt for bale identification.

- cotton shall be delivered to a warehouse designated by CCC
- within 30 calendar days after delivery to the CCC-designated warehouse, producer shall provide AMS classification information to CCC
- loan settlement value is based on the classification information determined after delivery to the CCC-designated warehouse
- unlike cotton warehouse loan forfeitures, CCC does **not** bill the producer for warehouse receiving charges that CCC paid to the storing warehouse
- compression charges that may be added by the warehouse are paid by the buyer.

224.5 Maturity Date Notification Letter**A Sample Letter**

At least 45 calendar days, but **not** to exceed more than 60 calendar days, before loan maturity, County Offices shall send the following letter to each producer of an ELS outside-stored cotton loan.

*--

Dear Producer:

This is to notify you that your (**year**) crop outside-stored ELS cotton loan, number (**loan number**), will mature (**maturity date**).

Under the terms and conditions of this loan, the following options are available:

- repay the loan before maturity
- forfeit the loan collateral to CCC at maturity.

If you elect to forfeit the loan collateral to CCC, you are responsible for all charges associated with:

- moving the cotton into a warehouse designated by CCC
- warehouse charges for receiving the cotton, issuance of an electronic warehouse receipt, compression, and any miscellaneous charges; CCC assumes responsibility for storage effective on the date of presentation of an electronic warehouse receipt
- providing classification information from AMS based on a sample drawn by an approved sampler after delivery to the warehouse.

The loan settlement value will be based on the classification that occurs after delivery to the warehouse.

If you do **not** take action by loan maturity, your loan collateral will be forfeited to CCC automatically.

If you designated a buyer as agent using CCC-605 and that agent, or any subsequent agent, does **not** redeem this loan by maturity, you are responsible for the above charges.

Sincerely,

County Executive Director

--*

Part 5 LDP's

Section 1 Basic Requirements

260 Source of LDP's

A Where to Apply

*--[7 CFR 1427.23] LDP's (and loans) may be obtained by eligible producers only from any of the following:

- the County Office that keeps the farm records for the farm on which the cotton was produced (the Administrative County)--*

* * *

- *--an approved cotton clerk, according to 14-CN [7 CFR 1427.6]
- an approved CMA or LSA, according to 21-CN [7 CFR 1427.5(a) and 1427.6].

Multi-county producers may request LDP's in a county other than their Administrative County. However, the actual LDP is **not** to be provided by any county other than the producer's Administrative County.

County Offices that are **not** the Administrative County for the multi-county producer **must** send the loan, LDP, or module lock-in request to the Administrative County for processing.--*

261 Eligibility

A Type of Cotton

[7 CFR 1427.23] Upland cotton that has been ginned is eligible for LDP.

Note: LDP's are available on lint cotton obtained from seed cotton pledged as collateral for a seed cotton loan; however, the proceeds of LDP **must** be applied to the outstanding seed cotton loan amount.

B Producer and Cotton Eligibility

[7 CFR 1427.5] Producers and cotton **must** meet the same eligibility requirements, according to paragraph 100, that are used for a regular upland cotton CCC-Cotton A loan, except that:

- CCC does **not** have to be the holder of EWR's for the bales
- cotton does **not** have to be stored in a warehouse or be represented by a warehouse receipt
- the producer is **not** required to have BI in the cotton if CCC-633 EZ, page 1 was submitted before BI was lost.

Note: Any portion of the production on which LDP is **not** requested is eligible for a loan, if stored in an approved warehouse.

--Cotton remains eligible for loan and repayment at principal and interest if LDP has been requested on the cotton but was denied because of adjusted gross income provisions.--

C Payment Limitation Provisions

[7 CFR 1400] See paragraphs 25, 37, 43, and 44 for payment limitation provisions.

*--Cotton denied LDP because of adjusted gross income provisions is eligible for loan through final loan availability date as long as all other eligibility requirements, including BI, are met. Such loans **cannot** be repaid with cash at a reduced rate but can be delivered to--* CCC in satisfaction of the loan obligation.

267 LDP's Based on Locked-in Rate

A Policy

Applications for LDP's based on a locked-in rate are available for cotton before it has been ginned. Such applications have the following unique requirements:

- applications are irrevocable, so they **cannot** be cancelled, amended, or withdrawn
- ***--Exception:** Cotton denied LDP because of adjusted gross income provisions is--* eligible for loan, subject to all loan, producer, and bale eligibility requirements.
- applicants **must** agree to identify the unginned cotton for which the locked-in LDP rate is requested by submitting a module (or other storage unit) number for each individual unit of storage
- after such cotton is ginned, the bales produced from each locked-in unit **must** be identified to CCC by the corresponding module number.

Notes: Any application for which production evidence is **not** provided is a violation subject to liquidated damages.

Modules are the largest storage unit eligible for identification and **must** be identified and distinguished from one another by discrete numbers.

Generally, LDP's under this option shall be provided only for the bales produced from the unginned cotton for which the locked rate is provided up to a **maximum of 20 bales per module** (or the maximum established by STC). Bales exceeding this maximum may receive the locked-in rate only if a higher maximum is successfully appealed to STC.

If a gin provides information that a module included under a lock-in request was ginned **before** the date of the lock-in request, LDP for such bales shall be based on LDP rate applicable:

- to the requested lock-in, if the producer had BI in the bales at the time the lock-in was requested
- on the date BI was lost, if the producer:
 - had completed CCC-633 EZ, page 1 before loss of BI
 - lost BI in the bales before the lock-in was requested.

B Applications for Module Lock-In LDP

Applicants apply for a module lock-in LDP using CCC-633 EZ, page 3 according to instructions provided.

267 LDP's Based on Locked-in Rate (Continued)

C Processing LDP for Excessive Bales

Bales that are submitted for LDP based on a locked-in rate, but exceed the maximum number approved for payment, are referred to as excessive bales and shall receive LDP based on the following process.

Bales exceeding the approved maximum level are to be paid at:

- the rate prevailing on the date the bale information was submitted
- the locked-in rate for excessive bales if approved by STC.

County Offices shall:

- identify for producers the excessive bales submitted under the request for a locked-in rate
- notify producer of option to appeal to STC the payment rate on the excessive bales
- if the excessive bales are:
 - *--successfully appealed to STC for the locked-in rate, use the original CCC-633 EZ as the basis for providing LDP based on the locked-in rate
 - **not** appealed to STC for the locked-in rate, or appealed but denied the locked-in rate under the appeal, have producer submit a separate CCC-633 EZ and provide LDP--* based on the payment rate effective on the date the production evidence containing the excessive bales was submitted.

267 LDP's Based on Locked-in Rate (Continued)

D Violations for Failure to Provide Production Evidence

As soon as a violation can be determined following the May 31 LDP application deadline, but **not** later than June 30, assess liquidated damages to each module or other storage unit of an application for which production evidence was **not** submitted.

The responsibility to pay any such damages is jointly shared by all applicants who signed the *-LDP application. Establish a receivable for liquidated damages according to 64-FI using:--*

- for the first charge program code (on Screen AQK10801), enter program code LIDAUPCN and the amount of liquidated damages
- for the first reference number, enter the farm number
- for the type, ENTER "FM"
- for the receivable due date, enter the current system date
- for the basis of debt code, enter 10306.

County Offices shall:

- issue automated notification letter generated when receivable was created. Insert explanation that debt occurred due to "failure to provide production evidence for an irrevocable LDP rate lock-in on module"
- issue the first demand letter if debt remains unpaid after 30 calendar days after the date of the notification letter
- establish a claim according to 64-FI if debt remains unpaid 30 calendar days after the date of the first demand letter.

268 LDP Document Retention and Distribution

A Distribution to the Producer

Each signing producer should receive a copy of the following:

- signed CCC-633 EZ, pages 1 and 3
- CCC-Cotton AA-1
- application summary for eLDP's
- Producer's Disbursement Transaction statement
- other documents signed by the producer for this LDP.

B Documents for LDP Folder

File the following documents in the loan folder:

- *--CCC-633 EZ, pages 1 and 3; may be signed original or signed copy--*
- original CCC-Cotton AA-1
- copies of the following:
 - application summary for eLDP's
 - original Producer's Disbursement Transaction statement
 - other documents signed by the producer pertaining to this LDP, such as a bale list
 - all printouts from cotton PC, including validation review reports, bale lists, and bale recaps.

269, 270 (Reserved)

274 Gin-Direct LDP's * * * (Continued)

***--E Signatures Required for Approval**

If more than 1 producer shares in a bale of cotton, each producer who has a share in the bale **must** sign LDP request before it can be approved.

CED or designee may approve LDP request for CCC.

Note: Only the share of the production applicable to the producers who sign the request will be considered covered.

F Revising Gin-Direct Applications

Gin-direct LDP applications may only be revised before ginning. If a producer wants to revise a gin-direct application, require the producer to:

- line through the applicable quantity to be revised
- enter the revised quantity and initial and date the entry.

Note: All producers who signed the application **must** initial and date all revisions for the farms of which they share in the production.

Example: If a producer signed the application for all the cotton on Farm 40, the producer could gin 300 bales and before ginning any more, revise the application to--* cover only the 300 bales, leaving the bales remaining to be ginned eligible for a loan or LDP in the normal manner.

274 Gin-Direct LDP's (Continued)

G Terminating Gin-Direct LDP Request

Gin-direct LDP applications may only be terminated if the producer has **not** ginned any of the cotton covered by the application.

Example: If a producer signed an application for all the cotton on Farm 40 and 300 bales had been ginned as of the current date, the producer would **not** be allowed to terminate the agreement for the 300 bales ginned, but COC may permit the producer to revise the application so cotton **not** yet ginned would **not** be covered by the application.

Note: Cotton for which LDP is requested, but for which LDP is **not** provided because of ***--adjusted gross income provisions, may be pledged for loan if otherwise eligible and BI has been maintained. This loan **must** be repaid at principal plus interest.--***

H Production Evidence

To receive LDP on requested production, the producer **must** provide acceptable production evidence according to paragraph 266 on or before May 31 after the calendar year in which the crop is planted. Production evidence **must** show the date each bale is ginned.

Note: Producers are **not** required to provide evidence for all production covered by the application before LDP may be made. Multiple LDP's may be made under the terms of any gin-direct LDP application.

I Processing LDP

Once production evidence is provided, follow paragraph 276 for entering data into APSS.

Notes: Use AWP and CCA in effect on the date cotton was ginned.

Use the date the application was approved as the LDP Approval Date.

More than one LDP may be required when a different AWP and CCA are applicable for the production listed on any gin-direct LDP application.

275 Module Lock-In and Post-Ginning LDP (Continued)**D Policy for Module Lock-In LDP**

Use CCC-633 EZ, page 3 to process LDP applications when the following 3 conditions are met:

- producers request to “lock-in” AWP
- producer’s eligible cotton has been harvested
- the cotton has **not** been ginned.

Such requests lock-in the LDP payment rate for payments that will be disbursed after the cotton is ginned and bale information is provided. Procedures in subparagraph A apply. Lock-in requests will expire if bale information is **not** provided before the final date of availability (May 31). See paragraph 162.

Notes: Requests for LDP’s based on a locked-in rate, once submitted, may **not** be canceled or revised by the producer. However, cotton for which the lock-in is provided, but ***--LDP is not provided because of adjusted gross income provisions, is eligible to be--*** pledged for loan. **Any initial AWP lock-in on CCC-633 EZ, page 3 does not apply to these loans.**

If the modules or trailers:

- are divided among producers, give each producer on the farm an opportunity to choose to obtain a LDP
- are **not** divided, a joint LDP **must** be requested.

Interest is **not** payable for the period between the AWP lock-in and the presentation of production evidence (the list of bales corresponding to the module for which lock-in is provided).

275 Module Lock-in and Post Ginning LDP (Continued)

E Using CCC-633 EZ for Module Lock-In and Post Ginning LDP

For module lock-in and post-ginning LDP requests, complete CCC-633 EZ, page 3 according to the following table.

Item	Instruction
33	Enter the producer's name and address.
34	Enter the last 4 digits of the applicant's SSN or tax ID.
35	Enter the applicant's telephone/cell number.
36	Enter the crop year of the commodity for which the LDP is requested.
37	<p>Applicant answers question by checking (√) either the "Yes" or "No" box.</p> <p>Note: If the applicant answers "Yes", then the applicant uses the remarks section of the continuation page to explain the amount owed, the Federal agency owed, and terms of any repayment agreement.</p>
38	Applicant enters initials in box to the left of either "Irrevocable Module Lock-in" or "Irrevocable Post-Ginning".
39	This item does not apply to either module lock-in or post-ginning LDP requests.
40-42	<p>If the request is for a module lock-in LDP, the applicant completes Part I as follows.</p> <p>Item 40. Enter the gin code of the gin that supplied the module numbers and that will gin the cotton.</p> <p>*--Item 41. Enter the module location at the farm or gin so the module can be located if selected for spot-check.</p> <p>Item 42. Enter all gin-assigned numbers that are affixed to the storage unit to identify it with this LDP request. If additional space is needed, attach a separate list that has been initialed and dated by the producer.--*</p> <p>Note: This part is not applicable to post-ginning LDP requests.</p>
43-45	<p>Each producer with a share in the production on the application submitted must enter:</p> <ul style="list-style-type: none"> • their signature in Item 43 • their percent share of the quantity in Item 44 • the date of signature in Item 45.

Section 3 eLDP Processing**282 Processing Upland Cotton eLDP's****A General Information**

County Offices have 2 systems available for disbursing LDP requests submitted by a producer using CCC-Cotton AA:

- cotton eLDP system
- APSS.

--Beginning with crop year 2005, external customers having a Level 2 eAuthentication ID and password can apply for LDP's online.--

Cotton eLDP system:

- operates through a Kansas City-based central Web site
- is available 24 hours a day, except during routine backup and maintenance periods
- interfaces with SCIMS to obtain customer name and address information
- uses pre-processed bale data files formatted in the same manner as for LDP's processed by the cotton PC software and APSS
- interfaces with ACRS to calculate the applicable LDP rate
- is supported by the NPS for payment processing
- assigns, by crop year, a unique eLDP 50,000 series number and a State and county code to each eLDP to distinguish it from LDP that is generated in the AS/400 or external partner
- includes eLDP's on APSS-generated LDP summary reports.

282 Processing Upland Cotton eLDP's (Continued)

B County Office Action

County Offices shall:

- assist producers with requesting eLDP services
- set up customer profiles according to 15-PS to allocate reasonable quantity * * *
- take eLDP applications that will be process by the County Office according to paragraph 285.2
- process eLDP's according to paragraph 285.1 by:
 - entering applications
 - approving payments
 - printing and distributing forms
- contact their State Price Support Specialist for assistance.

289 Using History Diskettes

A Types of History Diskettes

Start-of-day processing periodically removes loan data from the history files. The removed data is saved onto the 2 types of diskettes listed in this table.

Type	Purpose
APK205	Used to correct loans.
APK208	Stored as off-site backups to APK205 diskettes.

B APK205 Diskettes

If correcting 1 or more transactions, APK205 diskettes may be needed to restore information necessary for the correction.

If a diskette is needed, the “Diskette Date” field on Screen PXA00005 will display the date of APK205 diskettes containing the loan information needed for the correction. Insert diskettes into the disk drive, in sequential order, when prompted. After the transaction is restored from the diskettes, the correction process will continue.

Note: Depending on the transaction being reversed, other APK205 diskettes may be needed for subsequent transactions that also will be reversed during the correction process.

C APK208 Diskettes

The correction process may reject damaged APK205 diskettes and display an error message. If an error message is received, APK208 diskettes can be copied to obtain another set of APK205 diskettes.

--Follow 12-PS, paragraph 1743 for information on converting the APK208 diskettes to--
APK205 diskettes.

290 Corrections Involving Payables**A Accounting Interface**

After verifying the correction report and pressing “Enter” on Screen PXA10000 according to subparagraph 288 B, Screen ANK52010 will be displayed with the check or checks issued for the loan being corrected. Screen ANK52010 will list the program code, amount, check number, issue date, and loan number with the question, “Is the check to be canceled available?”

B Loan To Be Re-Entered, and Loan Disbursed With a Check

If the loan will be re-entered and direct deposit was **not** used, ENTER “Y”. The check will be canceled without creating a receivable in accounting. Re-enter the loan as a manual action according to paragraph 192 for cotton loans or paragraph 244 for seed cotton loans. When recording check data in accounting, enter the check number of the original check; this ***--re-issues the same check number on the new loan. See 64-FI for additional information.--***

C Loan Not To Be Re-Entered

If the loan will **not** be re-entered, ENTER “N”. The check will be canceled and screens will be displayed to record receivable information. Complete receivable processing according to ***--64-FI.--***

D Receivable Created in Correction Process

If any loan disbursements were made by direct deposit and the direct deposit record has been transmitted, or if “N” was inadvertently entered to the question, “Is the check to be canceled available?” on Screen ANK52010 when the loan will actually be re-entered, a receivable will be created that **must** be repaid. When re-entering the loan, the check **must** be made payable ***--to CCC. The check must then be applied to the receivable as a repayment. See 64-FI for--*** more information.

Note: The receivable repayment date **must** be the same as the receivable creation date to prevent interest from being assessed.

Definitions of Terms Used in This Handbook

Acceptable Warehouse Receipt

[7 CFR 1427.3] Acceptable warehouse receipt means an original or replacement receipt that may or may not be certificated for delivery for a futures-pricing contract, and is either of the following:

- for 2008 crop cotton **only**, a pre-numbered, pre-punched, negotiable warehouse receipt issued under the authority of the U.S. Warehouse Act, a State licensing authority, or by an approved CCC warehouse in such format authorized and approved, in advance, by CCC
- *--for 2008 through 2013 crop cotton, EWR record issued by such warehouse recorded in a--* central filing system or systems maintained in 1 or more locations that are approved by FSA to operate such system.

AMS National Database

The AMS national database is:

- composed of all of the classing data on cotton that is classed by AMS
- located at the AMS office in Memphis, Tennessee.

Approved Cotton Clerk

An approved cotton clerk means a person outside the County Office who is approved to prepare loan and LDP documents for producers.

Approved Gin Location

Approved gin location means a location that is approved by CCC.

Approved Provider

Approved provider means providers that enter into a user agreement with CCC that ensures that:

- EWR's maintained in a central filing system meet loan program requirements
- all EWR data is in a format that can be downloaded into APSS through PC's.

Approved Warehouse

Approved warehouse means a public warehouse for which a CCC storage agreement is in effect.

Arid Region

An arid region is a region of low rainfall and low humidity.

Bagging and Ties

Bagging and ties means wrapping materials used to secure a bale of cotton.

CCC Commodity Inspector

CCC commodity inspector means the COC representative who does field work under the CCC loan program.

Definitions of Terms Used in This Handbook (Continued)**CCC-Cotton A Loan**

CCC-Cotton A loan means a cotton loan made to an individual by a County Office.

CCC-Cotton G Loan

CCC-Cotton G loan means a cotton loan made to an approved cotton marketing cooperative through a servicing agent bank.

Central Filing System

Central filing system means an electronic computer system operated and maintained by an approved provider where information relating to EWR's is recorded.

Class Card

Class card means a classification memorandum issued by AMS showing the class, grade and staple length, micronaire, and strength reading of a bale of cotton.

Color Group

Color group means cotton that is in 1 of the following color groups:

- White
- Light Spotted
- Spotted
- Tinged
- Yellow Stained.

Compression Status

Compression status means the density of the bale of cotton. In APSS, the compression status of a bale is expressed as an alpha code, called the "compression code".

Contract Commodity

Contract commodity means barley, corn, grain sorghum, oats, rice, upland cotton, and wheat.

Cotton

[7 CFR 1427.3] Cotton means upland and ELS cotton meeting the definitions in this exhibit, **excluding** cotton **not** meeting such definitions.

Cotton Board

[80 Stat. 297] Cotton Board means the board that was authorized under the Cotton Research and Promotion Act to collect the research and promotion fee assessed on upland cotton.

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Schedule of Premiums and Discounts for Grade, Staple Length, and Leaf for Upland Cotton

A Policy

The discount for all grades, length, and leaf content **not** shown in this exhibit is .4000 (40 cents/lb.) and additional discounts may also apply.

The discount for leaf 8 for all color grades is .4000.

--For 2013 crop upland cotton, the national average loan rate is \$0.52 pound. The minimum-- loan rate is zero, and no loan rate can be adjusted below zero by any discounts. CCC does **not** provide a loan on a bale unless the computed loan rate is greater than zero.

B Color Grade Symbols

The following color grade symbols are used in this exhibit to designate the different grades:

- SM - Strict Middling
- MID - Middling
- SLM - Strict Low Middling
- LM - Low Middling
- SGO - Strict Good Ordinary
- GO - Good Ordinary
- BG - Below Grade.

Schedule of Premiums and Discounts for Grade, Staple Length, and Leaf for Upland Cotton
(Continued)

C White Cotton

*--Following are premiums and discounts for 2013 crop upland cotton classed as “White”. Coarse count adjustment applies to shaded cells; the fine count adjustment applies to the 15 cells with **bolded** entries.

2013 Crop White Cotton Premiums and Discounts									
Grade Code	Leaf	Staple Length (Inches)							
		13/16 Through 31/32	1	1- 1/32	1-1/16	1-3/32	1-1/3	1-5/32	Longer Than 1-5/32
		(26-31)	(32)	(33)	(34)	(35)	(36)	(37)	(38 and Longer)
SM 11&21 BETTER	1-2	-295	-205	-15	210	455	550	570	575
	3	-320	-220	-35	185	380	475	495	505
	4	-375	-240	-125	105	230	310	320	325
	5	-470	-350	-240	-45	130	185	195	195
	6	-655	-495	-410	-295	-235	-220	-215	-215
	7	-730	-650	-575	-450	-410	-390	-385	-385
MID 31	1-2	-350	-220	-55	160	370	485	495	505
	3	-385	-230	-65	150	345	430	440	450
	4	-435	-260	-160	80	190	270	280	285
	5	-510	-375	-255	-100	90	135	145	145
	6	-700	-515	-415	-305	-270	-245	-240	-240
	7	-785	-665	-580	-455	-435	-415	-410	-410
SLM 41	1-3	-510	-320	-175	45	145	200	205	210
	4	-555	-340	-240	Base	80	135	140	145
	5	-590	-455	-355	-195	-135	-65	-65	-65
	6	-770	-580	-505	-385	-340	-315	-315	-315
	7	-890	-745	-680	-560	-525	-510	-510	-510
LM 51	1-4	-685	-535	-350	-250	-190	-175	-175	-175
	5	-730	-625	-535	-385	-315	-290	-290	-290
	6	-910	-720	-645	-525	-485	-465	-465	-465
	7	-1010	-845	-810	-695	-655	-640	-640	-640
SGO 61	1-5	-745	-680	-610	-480	-435	-435	-435	-435
	6	-935	-820	-760	-670	-635	-625	-625	-625
	7	-1035	-955	-870	-760	-725	-715	-715	-715
GO 71	1-6	-1010	-1005	-940	-815	-780	-780	-780	-780
	7	-1045	-1040	-985	-850	-825	-825	-825	-825
BG 81	1-8	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000

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Schedule of Premiums and Discounts for Grade, Staple Length, and Leaf for Upland Cotton
(Continued)

D Light Spotted Upland Cotton

*--Following are premiums and discounts for 2013 crop upland cotton classed as “Light Spotted”.
Course count applies to shaded selections.

2013 Crop Light Spotted Upland Cotton Premiums and Discounts									
Grade Code	Leaf	Staple Length (Inches)							
		13/16 through 31/32	1	1-1/32	1-1/16	1-3/32	1-1/3	1-5/32	Longer Than 1-5/32
		(26-31)	(32)	(33)	(34)	(35)	(36)	(37)	(38 and Longer)
SM 12&22 BETTER	1-2	-425	-255	-105	75	180	260	265	265
	3	-465	-275	-120	60	150	225	230	230
	4	-500	-300	-195	-15	100	175	180	180
	5	-625	-460	-390	-210	-125	-95	-95	-95
	6	-795	-575	-520	-410	-375	-370	-365	-365
	7	-875	-730	-685	-580	-545	-535	-530	-530
MID 32	1-2	-490	-335	-190	-20	30	75	85	90
	3	-530	-355	-205	-45	15	70	75	75
	4	-590	-415	-270	-140	-65	-10	-10	-10
	5	-695	-550	-435	-300	-250	-220	-220	-220
	6	-855	-640	-585	-470	-435	-420	-420	-420
	7	-960	-800	-735	-635	-600	-590	-590	-590
SLM 42	1-3	-595	-420	-310	-165	-90	-25	-25	-25
	4	-655	-475	-325	-200	-135	-85	-85	-85
	5	-750	-600	-470	-360	-295	-280	-280	-280
	6	-955	-715	-635	-505	-475	-460	-460	-460
	7	-1045	-880	-795	-685	-645	-635	-635	-635
LM 52	1-4	-790	-585	-455	-380	-335	-335	-335	-335
	5	-870	-665	-580	-480	-445	-445	-445	-445
	6	-1090	-830	-790	-665	-630	-630	-630	-630
	7	-1170	-945	-905	-780	-755	-750	-750	-750
SGO 62	1-5	-920	-795	-745	-620	-600	-600	-600	-600
	6	-1115	-1025	-965	-830	-815	-815	-815	-815
	7	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
BG 82	1-8	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000

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Schedule of Premiums and Discounts for Grade, Staple Length, and Leaf for Upland Cotton
(Continued)

E Spotted Upland Cotton

*--Following are premiums and discounts for 2013 crop upland cotton classed as “Spotted”.
Course count applies to shaded selections.

2013 Crop Spotted Upland Cotton Premiums and Discounts									
Grade Code	Leaf	Staple Length (Inches)							
		13/16 through 31/32	1	1-1/32	1-1/16	1-3/32	1-1/3	1-5/32	Longer Than 1-5/32
		(26-31)	(32)	(33)	(34)	(35)	(36)	(37)	(38 and Longer)
SM 13&23 BETTER	1-2	-560	-395	-340	-145	-100	-85	-85	-85
	3	-595	-420	-365	-170	-125	-110	-110	-110
	4	-640	-495	-430	-220	-175	-160	-160	-160
	5	-765	-595	-555	-345	-300	-285	-285	-285
	6	-870	-690	-645	-430	-385	-370	-370	-370
	7	-945	-780	-725	-590	-555	-545	-540	-540
MID 33	1-2	-675	-470	-415	-215	-195	-185	-185	-185
	3	-675	-470	-415	-215	-195	-185	-185	-185
	4	-745	-545	-480	-270	-250	-235	-235	-235
	5	-885	-665	-600	-420	-380	-370	-370	-370
	6	-960	-755	-735	-510	-500	-490	-490	-490
SLM 43	1-3	-725	-610	-500	-375	-345	-330	-330	-330
	4	-795	-655	-545	-410	-365	-350	-350	-350
	5	-910	-735	-655	-550	-520	-510	-510	-510
	6	-1005	-855	-795	-690	-680	-675	-675	-675
	7	-1085	-975	-890	-795	-785	-780	-780	-780
LM 53	1-4	-915	-770	-685	-545	-525	-520	-520	-520
	5	-1005	-840	-795	-630	-630	-630	-630	-630
	6	-1125	-1030	-955	-810	-800	-795	-795	-795
	7	-1205	-1095	-1065	-910	-895	-895	-895	-895
SGO 63	1-5	-1130	-1015	-940	-745	-705	-700	-700	-700
	6	-1215	-1145	-1065	-920	-900	-900	-900	-900
BG 83	1-8	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000

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Schedule of Premiums and Discounts for Grade, Staple Length, and Leaf for Upland Cotton
(Continued)

F Tinged Upland Cotton

*--Following are premiums and discounts for 2013 crop upland cotton classed as “Tinged”.
Coarse count applies to shaded selections.

2013 Crop Tinged Upland Cotton Premiums and Discounts									
Grade Code	Leaf	Staple Length (Inches)							
		13/16 through 31/32	1	1-1/32	1-1/16	1-3/32	1-1/3	1-5/32	Longer Than 1-5/32
		(26-31)	(32)	(33)	(34)	(35)	(36)	(37)	(38 and Longer)
SM 24 BETTER	1-2	-755	-600	-550	-335	-325	-325	-325	-325
	3	-755	-600	-550	-335	-325	-325	-325	-325
	4	-880	-725	-650	-435	-425	-425	-425	-425
	5	-980	-825	-775	-560	-550	-550	-550	-550
	6	-1130	-975	-925	-710	-700	-700	-700	-700
MID 34	1-2	-770	-615	-565	-350	-340	-340	-340	-340
	3	-770	-615	-565	-350	-340	-340	-340	-340
	4	-895	-740	-665	-450	-440	-440	-440	-440
	5	-995	-840	-790	-575	-565	-565	-565	-565
	6	-1145	-990	-940	-725	-715	-715	-715	-715
SLM 44	1-3	-890	-730	-680	-470	-460	-460	-460	-460
	4	-960	-830	-730	-520	-510	-510	-510	-510
	5	-1055	-905	-830	-620	-610	-610	-610	-610
	6	-1205	-1050	-1000	-785	-775	-775	-775	-775
LM 54	1-4	-995	-855	-805	-595	-585	-585	-585	-585
	5	-1080	-930	-855	-635	-635	-635	-635	-635
	6	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
	7-8	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
BG 84	1-8	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000

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Schedule of Premiums and Discounts for Grade, Staple Length, and Leaf for Upland Cotton
(Continued)

G Yellow Stained Upland Cotton

*--Following are premiums and discounts for 2013 crop upland cotton classed as “Yellow Stained”. Coarse count applies to shaded selections.

2013 Crop Yellow Stained Upland Cotton Premiums and Discounts									
Grade Code	Leaf	Staple Length (Inches)							
		13/16 through 31/32	1	1-1/32	1-1/16	1-3/32	1-1/3	1-5/32	Longer Than 1-5/32
		(26-31)	(32)	(33)	(34)	(35)	(36)	(37)	(38 and Longer)
SM 25	1-2	-1015	-860	-810	-595	-585	-585	-585	-585
	3	-1015	-860	-810	-595	-585	-585	-585	-585
	4	-1140	-985	-910	-695	-685	-685	-685	-685
	5	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
	6	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
	7-8	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
MID 35	1-2	-1030	-875	-825	-610	-600	-600	-600	-600
	3	-1030	-875	-825	-610	-600	-600	-600	-600
	4	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
	5	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
	6	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
	7-8	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000
BG 85	1-8	-4000	-4000	-4000	-4000	-4000	-4000	-4000	-4000

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Schedule of Discounts for Extraneous Matter in Upland Cotton

*--The following discounts for extraneous matter apply to 2013 crop upland cotton.

Note: The discounts for bark vary by State.

Extraneous Matter Codes and Discounts (Points per Pound)		
Description of Code	Extraneous Matter Code	Discount (Points per Pound)
		2013
No Extraneous Matter	(00)	0
Preparation		
Level 1	(01)	-150
Level 2	(02)	-660
Bark		
Kansas, New Mexico, Oklahoma, Texas		
Level 1	(11)	-265
Level 2	(12)	-485
All other States		
Level 1	(11)	-400
Level 2	(12)	-705
Grass		
Level 1	(21)	-400
Level 2	(22)	-705
Seed Coat Fragments		
Level 1	(31)	-400
Level 2	(32)	-705
Oil		
Level 1	(41)	-400
Level 2	(42)	-705
Spindle Twist		
Level 1	(51)	-400
Level 2	(52)	-705
Other		
Level 1	(61)	-400
Level 2	(62)	-705

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Schedule of Premiums and Discounts for Uniformity in Upland Cotton

*--The following premiums and discounts for uniformity apply to 2013 crop upland cotton in all States. Uniformity is expressed as a percent and no other code is used.

Uniformity (Percent)	Points
77.9 & Below	-65
78.0 – 78.9	-55
79.0 – 79.9	-35
80.0 – 80.9	0
81.0 – 81.9	0
82.0 – 82.9 (Base Level)	+5
83.0 – 83.9	+10
84.0 – 84.9	+20
85.0 – 85.9	+25
86.0 & above	+30

--*

Schedule of Premiums and Discounts for Strength for Upland Cotton

*--The following are the premiums and discounts for strength for 2013 crop upland cotton.

Strength (Grams per Tex)	Discounts and Premiums (Points per Pound)
	2013
17.9 or less	-500
18.0 - 18.9	-200
19.0 - 19.9	-200
20.0 - 20.9	-200
21.0 - 21.9	-200
22.0 - 22.9	-165
23.0 - 23.9	-135
24.0 - 24.9	-115
25.0 - 25.9	-95
26.0 - 26.9 (Base level)	0
27.0 - 27.9 (Base level)	0
28.0 - 28.9	0
29.0 - 29.9	+10
30.0 - 30.9	+15
31.0 - 32.9	+30
33.0 and higher	+30

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Schedule of Premiums and Discounts for Micronaire of Upland Cotton

The minimum loan rate is greater than zero, and no loan rate can be adjusted to zero, or below zero by any discounts. CCC does **not** provide a loan on a bale unless its computed loan rate is greater than zero.

*--The following are the micronaire premiums and discounts for 2013 crop upland cotton.

Micronaire Reading	Discounts and Premiums (Points per Pound)
	2013
2.4 and below	-950
2.5 through 2.6	-900
2.7 through 2.9	-605
3.0 through 3.2	-340
3.3 through 3.4	-170
3.5 through 3.6	0
3.7 through 4.2	+15
4.3 through 4.9	0
5.0 through 5.2	-270
5.3 and above	-285

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Note: The premiums apply only to:

- White Grades:
 - 11 through 41, leaf 1 through 6
 - 51, leaf 1 through 5
- Light Spotted Grades:
 - 12 through 32, leaf 1 through 5
 - 42, leaf 1 through 4
 - 52, leaf 1 through 3.

Schedule of Loan Rates for ELS Cotton (American-Pima) by Color, Leaf, and Staple

*--The national average loan rate for **2013 crop** ELS cotton is \$0.7977 per pound. The following schedule of loan rates is applicable for eligible qualities of 2013 crop ELS cotton stored in--* approved warehouses at all locations. ELS cotton with a staple length of less than 44/32 is ineligible for loan.

*--

2013 Crop ELS Cotton Loan Rates by Color, Leaf, and Staple				
Color	Leaf	Staple Length (Inches)		
		1-3/8 Inches (44/32)	1-7/16 Inches (46/32)	1-1/2 Inches (48/32) and Longer
1	1-2	79.10	82.40	82.55
	3	75.65	78.95	79.10
	4	75.50	78.80	78.95
	5	75.40	78.70	78.85
	6	75.30	78.60	78.75
	7	75.30	78.60	78.75
2	1-2	78.80	82.05	82.25
	3	75.35	78.60	78.80
	4	75.20	78.45	78.65
	5	75.10	78.35	78.55
	6	75.00	78.25	78.45
	7	75.00	78.25	78.45
3	1-2	73.65	76.95	77.10
	3	70.20	73.50	73.65
	4	70.05	73.35	73.50
	5	69.95	73.25	73.40
	6	69.85	73.15	73.30
	7	69.85	73.15	73.30
4	1-4	56.70	60.00	60.00
	5	53.00	56.30	56.30
	6	52.90	56.20	56.20
	7	52.90	56.20	56.20
5	1-5	46.35	47.15	47.15
	6	42.55	43.35	43.35
	7	42.55	43.35	43.35
6	1-6	40.90	41.05	41.05
	7	37.10	37.25	37.25
7	1-7	37.00	37.00	37.00

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Notes: The rates shown for color grade/staple length/leaf are calculated based on the NALR of \$0.7977/lb adjusted by the estimated national average incidence of discounts for micronaire and for strength.

All grades of ELS cotton are subject to the loan rate adjustments for micronaire, extraneous, and strength matter as shown in Exhibit 11. ELS cotton loan rates **cannot** be adjusted below zero. CCC does **not** provide a loan on a bale unless the computed loan rate is greater than zero.

Schedules of Discounts for ELS Cotton

A ELS Micronaire Discounts

*--The following are the micronaire discounts for 2013 crop ELS cotton.

Micronaire Reading	Points per Pound
	2013
2.6 and below	-2110
2.7 through 2.9	-1650
3.0 through 3.2	-1190
3.3 through 3.4	-610
3.5 and above	0

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B ELS Extraneous Matter Discounts

*--The following are the extraneous matter discounts for 2013 crop ELS cotton.

Description of Code	Code and Discounts (Points per Pound)	
	Code	Discount
No Extraneous Matter	(00)	0
Preparation		
Level 1	(01)	-810
Level 2	(02)	-1095
Grass		
Level 1	(21)	-715
Level 2	(22)	-1035
Spindle Twist		
Level 1	(51)	-715
Level 2	(52)	-1035
Bark, Seed Coat Fragments, Oil, Other		
Level 1	(11), (31), (41), (61)	-715
Level 2	(12), (32), (42), (62)	-1035

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C ELS Strength Discounts

*--The following are the strength discounts for 2013 crop ELS cotton.

Strength Reading (g/tex)	Points per Pound
37.5 and above	0
36.5 – 37.4	-850
35.5 – 36.4	-110
35.4 and below	-1350

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