

**Fact Sheet****Commodity Credit Corporation****Background**

The Commodity Credit Corporation (CCC) is a Government-owned and operated entity that was created to stabilize, support, and protect farm income and prices. CCC also helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution.

CCC was incorporated October 17, 1933, under a Delaware charter with a capitalization of \$3 million. It was initially managed and operated in close affiliation with the Reconstruction Finance Corporation, which funded its operations. On July 1, 1939, CCC was transferred to the United States Department of Agriculture (USDA). It was reincorporated on July 1, 1948, as a Federal corporation within USDA by the Commodity Credit Corporation Charter Act (62 Stat. 1070; 15 U.S.C. 714).

Basic Responsibilities

The CCC Charter Act, as amended, aids producers through loans, purchases, payments, and other operations, and makes available materials and facilities required in the production and marketing of agricultural commodities.

The CCC Charter Act also authorizes the sale of agricultural commodities to other government agencies and to foreign governments and the donation of food to domestic, foreign, or

international relief agencies. CCC also assists in the development of new domestic and foreign markets and marketing facilities for agricultural commodities.

The 1996 Farm Bill significantly changed U.S. agricultural policy. Earlier, USDA made deficiency payments to producers of wheat, feed grains, cotton, and rice to make up the differences between target prices and seesawing market prices. The 1996 Farm Bill capped spending for the first time, guaranteeing farmers a series of fixed but declining "production flexibility contract" payments.

Organization

CCC is managed by a Board of Directors, subject to the general supervision and direction of the Secretary of Agriculture, who is an ex-officio director and chairperson of the Board. The Board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States by and with the advice and consent of the Senate. All members of the Board and Corporation officers are USDA officials.

CCC has no operating personnel. Its price support, storage, and reserve programs, and its domestic acquisition and disposal activities are carried out primarily through the personnel and facilities of the Farm Service Agency (FSA).

Other USDA Agencies

The Agricultural Marketing Service (AMS) occasionally uses CCC authority to acquire various commodities for domestic and foreign food assistance programs. Export sales (except for tobacco and peanuts) and foreign assistance disposal of CCC-controlled stocks are administered through the General Sales Manager of the Foreign Agricultural Service (FAS). The Natural Resources Conservation Service administers several conservation programs under the auspices of CCC.

Officers of CCC, directly or through officials of designated USDA agencies, maintain liaison with numerous other governmental and private trade operations. CCC's commodity programs must be approved by the Board of Directors and/or the Secretary of Agriculture.

Financing

CCC has an authorized capital stock of \$100 million held by the United States, with the authority to have outstanding borrowings of up to \$30 billion at any one time. The fiscal year 1988 Appropriation Act increased the statutory borrowing authority to \$30 billion.

Funds are borrowed from the U.S. Treasury and may also be borrowed from private lending agencies and others. CCC reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by such agencies and others. All CCC-issued bonds, notes, debentures, and similar obligations are subject to approval by the Secretary of the Treasury. Reservation of borrowing authority for these purposes has not been required for many years.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the U. S. government as of the preceding month. Interest may also be paid on other notes and obligations at a rate prescribed by CCC and approved by the Secretary of the Treasury.

Support Activities

Commodity support operations, handled primarily through loan, purchase and payment programs, include those for wheat, corn, oilseeds, cotton (upland and extra long staple), rice, tobacco, milk and milk products, barley, oats, grain sorghum, mohair, honey, peanuts, and sugar. Farmers may receive basic nonrecourse commodity loans on most of these commodities at a designated rate per unit (loan rate) by pledging and storing a quantity of a commodity as collateral.

Proposals for support programs usually are prepared by FSA offices in the form of a docket—a group of documents covering economic and other factors upon which the proposal is based, total funds required, proposed method of support, conditions of eligibility, basic operating provisions, and other information relative to the proposal.

When the Board of Directors and/or the Secretary of Agriculture approves a program proposal, USDA releases a public announcement, usually a press release. Program regulations are published in the Federal Register, and detailed operating instructions are sent to personnel in charge of administering the program in Washington, D.C., and field offices. FSA county office personnel assist farmers in the preparation of program participation documents and keep them informed of program details.

Inventory Operations

CCC is authorized to transport, store, process, and dispose of various agricultural commodities and their products. CCC provides storage adequate to fulfill its program needs by contracting with commercial warehouses to store agricultural commodities in county and terminal locations. In carrying out support programs, CCC acquires its inventory in two principal ways:

Collateral Acquisition: If a producer does not redeem the commodity by loan repayment time, CCC takes title and possession of the commodity that was pledged as collateral for the nonrecourse marketing assistance loan.

Nonrecourse loans are defined as loans for which producers have the option of either repaying the principal and interest or forfeiting (delivering) the collateral (the commodity) to CCC in full settlement of the loan. Settlement of the loan is then based on the loan rate and the associated quantity and quality of the commodity involved.

In lieu of securing a loan from CCC, a producer may be eligible for a loan deficiency payment (LDP). Market loan repayment and LDP provisions are intended to prevent delivery of loan collateral to CCC. These provisions considerably reduce the Federal government's acquisition of stocks that might otherwise occur, which could make U.S.-produced commodities less competitive in world markets.

Purchases: Support for milk and milk products is carried out through purchases of butter, cheese, and nonfat dry milk from processors and handlers.

There are no CCC support programs for processed products, other than dairy products, and sugar—raw cane sugar and refined beet sugar. Many commodities, such as wheat, corn, and oats are stored in raw, bulk form by CCC and require considerable processing before they can be used for food.

Commodities and products acquired through direct purchases either go immediately into available outlets or are placed in CCC's inventory.

CCC is authorized to contract for the use of privately owned facilities in carrying out its activities. CCC has no authority to acquire personal property except for ADP equipment. It may rent or lease office space necessary for its business. CCC is prohibited from acquiring real property, or any interest in property, except for the purpose of protecting its financial interests and for providing adequate storage to carry out its programs.

Disposal Operations

The sale, donation, or transfer of CCC-owned commodities is handled by FSA's Kansas City Commodity Office (KCCO), 9200 Ward Parkway, Kansas City, MO; mailing address P.O. Box 419205, Kansas City, MO, 64141-6205.

KCCO makes sales at fixed prices or through competitive bids. Information on CCC-owned commodities available for sale, or barter (if authorized), is contained in a CCC Sales List issued by USDA at the end of each month and effective for the following month.

In pricing commodities for unrestricted domestic use, CCC-owned commodities generally are sold at the market price, as CCC determines, but not less than the current county loan repayment rate in effect at time of sale, adjusted for location, applicable quality factors, plus reasonable carrying charges. Commodities in danger of loss or

waste through deterioration or spoilage are exempted from the minimum price restriction.

For further information on the sale of CCC-owned commodities, contact: Warehouse and Inventory Division, Farm Service Agency, 1400 Independence Avenue, S.W., Washington, D.C. 20250-0553.

Domestic Food Assistance Programs

CCC is authorized to donate food commodities acquired through price-support programs or from purchases in the commercial marketplace to the Bureau of Indian Affairs, and federal, state, and private agencies. The commodities are used in the United States for school lunch programs, summer camps for children, and in the assistance of needy persons. They are also used in charitable institutions, including hospitals, to the extent needy persons are served. In most instances, arrangements are made to process the commodities into food.

CCC also provides surplus dairy products to the armed services and to veterans' hospitals without charge, except for the cost of packaging. CCC also donates food acquired through support programs to federal penal and correctional institutions and state correctional institutions for minors, except where service is provided on a concessionary basis. CCC makes available to the Secretary of the Interior grain acquired through support operations to be used as feed for migratory waterfowl for the purpose of preventing crop damage.

The Secretary of the Interior may also requisition CCC-owned grain for feeding starving migratory birds, and any state may requisition CCC-owned grain upon the finding of the Secretary of the Interior that resident game birds and other resident wildlife are threatened with starvation.

CCC makes available farm commodities or products in areas of acute economic distress, and in connection with certain major disasters, as determined by the President of the United States.

Export Programs

CCC promotes exports of U.S. agricultural commodities through sales, payments, export credits, and other related activities. Currently, CCC makes available export credit guarantees and export bonuses to promote exports. The Foreign Agricultural Service (FAS) administers these programs for CCC: the Export Credit Guarantee Program (GSM-102), the Intermediate Export Credit Guarantee Program (GSM-103), the Supplier Credit Guarantee Program (SCGP), and the Facility Guarantee Program (FGP).

The GSM-102 and 103 programs make it possible for foreign buyers to purchase U.S. agricultural commodities from private U.S. exporters, with U.S. banks providing financing to importers' banks on commercial terms. The banks finance the export of the commodities, and CCC guarantees repayment to the U.S. banks. GSM-102 and 103 operate mainly in countries where credit is necessary to increase or maintain U.S. exports

and where private financial institutions may be unwilling to provide financing without CCC's guarantee.

Under the SCGP, CCC guarantees a significant percentage of the payments due when exporters extend short-term financing directly to private importers for the purchase of U.S. agricultural products. Credit terms may be up to 180 days, and CCC's guarantee covers the U.S. exporter.

Under the FGP, CCC extends credit guarantees to U.S. banks for financing export sales of U.S. capital goods and services to improve agriculture-related facilities in emerging markets, such as storage, processing, and handling facilities. Sales of capital goods and services must be linked to projects which primarily benefit U.S. agricultural exports.

Export Enhancement Program

The Export Enhancement Program (EEP) helps products produced by U.S. farmers meet the competition from other countries that subsidize farm products exports, especially the European Union. Under the program, USDA pays cash to U.S. exporters as a bonus, allowing them to sell U.S. agricultural products in targeted countries at prices which match those of subsidizing competitors and are below those the exporter pays to acquire them.

Dairy Export Incentive Program

The Dairy Export Incentive Program (DEIP) helps exporters of U.S. dairy products meet prevailing world prices for certain designated dairy products and destinations. Under DEIP, USDA pays cash to U.S. exporters as bonuses, and it allows them to sell the dairy products at prices which match those of competing competitors and which are below the exporter's costs of acquisition.

The United States, as part of its World Trade Organization commitments resulting from the Uruguay Round Agreement on Agriculture, has established annual export subsidy ceilings. The ceilings are by commodity and entail maximum permitted quantities and maximum budgetary expenditures for export subsidies.

Market Access Program

Under the Market Access Program (MAP), USDA uses funds or commodities from CCC to encourage the development, maintenance and expansion of commercial export markets for agricultural commodities. This is done through cost-share assistance to eligible trade organizations that implement a foreign market development program. FAS administers MAP through cooperative agreements between CCC and nonprofit agricultural trade commodity groups.

For information on export sales programs, contact: General Sales Manager, Foreign Agricultural Service, USDA, Washington, D.C. 20250.

More Information

For more information about FSA programs, contact an FSA county office, or check the world wide web at www.fsa.usda.gov

The United States Department of Agriculture (USDA) prohibits discrimination in its programs on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, or 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 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C., 20250-9410, or call (202) 720-5964 (voice and TDD). USDA is an equal employment opportunity employer.