FY 2008 Explanatory Notes

Commodity Credit Corporation

Table of Contents

Page

Commodity Credit Corporation

Purpose Statement 20-1

Statement of Available Funds 20-14

Classification by Object 20-15

Appropriation Language 20-16

CCC Export Loans Program Account

Appropriation Language 20-22

Justification of Increase and Decreases 20-24

Classification by Object 20-25

Farm and Sugar Storage Facility Loans Program Account

Appropriation Language 20-26

Justification of Increases and Decreases 20-28

Geographic Breakdown of Obligations 20-29

Classification by Object 20-30

Status of Program 20g-1

COMMODITY CREDIT CORPORATION

Purpose Statement

The Commodity Credit Corporation (CCC or Corporation) is a wholly-owned Government corporation created in 1933 under a Delaware charter and reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948 (15 U.S.C. 714). CCC assists in stabilizing, supporting, and protecting farm income and prices, helps to maintain balanced and adequate supplies of agricultural commodities, helps in the orderly distribution of these commodities, and assists in the conservation of soil and water resources. The goal is to promote economic stability in the farm sector through an approach that supports farm income and facilitates prices that are reasonable to consumers and competitive in world markets, while retaining basic management responsibilities of farmers and minimizing Federal interference in the agricultural economy.

The principal operations conducted by CCC are support programs for agricultural commodities. These include the storage, handling, and disposition of commodities acquired under the various programs; loan deficiency payment programs for feed grains, wheat, rice, cotton and oilseeds; and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480). The Corporation finances Farm Service Agency (FSA) conservation programs such as the Conservation Reserve Program and numerous Natural Resources Conservation Service (NRCS) conservation programs.

The Corporation supports a number of export credit activities. Under section 202 of the Agricultural Trade Act of 1978 as amended, the Corporation is authorized to provide payment guarantees on the commercial financing of U.S. agricultural exports. In addition, under the Facility Guarantee Program, authorized by section 1542(b) of the Food, Agriculture, Conservation, and Trade Act of 1990, CCC provides guarantees to facilitate the financing of goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets.

CCC operates under a large number of statutory directives and limitations and has broad charter powers, authorizing it to carry out almost any operation required to meet these objectives, including:

Buying	Donating	Transporting	Crop loss protection
Selling	Lending	Making Payments	Other activities
Bartering	Storing	Conservation Operations	

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of seven members, in addition to the Secretary. Various Department of Agriculture officials are ex-officio officers of the Corporation. The activities of the Corporation are carried out mainly by the personnel and through the facilities of the FSA and the FSA State and county committees. The Foreign Agricultural Service, NRCS, and other agencies and offices of the Department, and commercial agents also carry out certain phases of the Corporation's activities.

FSA administers CCC's activities through its headquarters offices in Washington, D.C., and the Kansas City field office. The FSA State and county offices, under the direction of the State and county committees, carry out certain support and related activities of the Corporation. There are 50 State offices, an insular area office in Puerto Rico, and about 2,337 county offices.

FINANCING

The Corporation has an authorized capital stock of $100 million held by the United States, with the authority to have outstanding borrowing of up to $30 billion at any one time. Its capital structure is replenished each year by appropriations to restore net realized losses on support operations and to reimburse costs of other programs.

Borrowing Authority

Funds are borrowed from the Treasury and may also be borrowed from private lending agencies and others. The Corporation maintains 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 bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4). 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 United States as of the preceding month. Interest may also be paid on other notes and obligations at a rate prescribed by the Corporation and approved by the Secretary of the Treasury.

The Department of Agriculture and Related Agencies Appropriations Acts of 1966 made provision for terminating interest after June 30, 1964 on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after the end of the fiscal year in which such losses are realized.

Contract Authority

Support and other programs required by statute may result in the Corporation's incurring obligations in excess of available funds or borrowing authority. Such obligations are liquidated from subsequent appropriations and other funds that may become available to the Corporation. Any increase in obligations in excess of available fund resources is reported as contract authority in the year involved; a decrease is reported as the application of appropriations and other funds to liquidate the contract authority.

Appropriations

Reimbursement for Net Realized Losses. Under Section 2 of Public Law 87-155, the Act of August 17, 1961 (15 U.S.C. 713a-11), annual appropriations are authorized for each fiscal year, commencing with FY 1961, to reimburse the Corporation for net realized losses. The Omnibus Budget Reconciliation Act of 1987 amended Public Law 87-155 to authorize that the Corporation be reimbursed for its net realized losses by means of a current, indefinite appropriation. However, the Corporation has continued to be reimbursed by annual appropriations for net realized losses sustained, but not previously reimbursed, except under the enactment of the FY 2000 Appropriations Act. The FY 2000 Appropriations Act, P.L. 106-78, authorized a current, indefinite appropriation up to the amount of actual losses reflected on the books of the Corporation as of the close of the immediately preceding fiscal year. The FY 2002, 2003, 2004, 2005, and 2006 Appropriations Acts, P.L. 107-76, P.L. 108-7, P.L. 108-199, P.L. 108-447, and P.L. 109-97 respectively, authorized the Corporation to be reimbursed for net realized losses sustained, but not previously reimbursed, pursuant to section 2 of the Act of August 17, 1961 (15 U.S.C. 713a-11). The FY 2007 and FY 2008 Appropriations Acts are not anticipated to depart from this process.

CCC Export Credit Guarantee Liquidating Account. Under the Budget Enforcement Act of 1990, Title XIII of the Omnibus Budget Reconciliation Act of 1990, a permanent, indefinite appropriation for the Corporation's Export Credit Guarantee Programs (GSM-102 and GSM-103) is authorized to cover the obligations and commitments of pre-fiscal year 1992 guarantees. Therefore, Export Credit Guarantee Program activity is no longer financed through CCC borrowing authority.

CCC Export Credit Guarantee Program Account. Under the Budget Enforcement Act of 1990, Title XIII of the Omnibus Budget Reconciliation Act of 1990, a permanent, indefinite appropriation for the Corporation's Export Credit Guarantee Programs (GSM-102, including Supplier Credit and Facilities Financing) is authorized to cover the subsidy costs of the current year's program. The FY 2008 appropriation estimate represents the present value of CCC's estimated net cash flows over the lifetime of the credit guarantees to be made in FY 2008. A current, definite amount is appropriated by Congress for the administrative costs of carrying out the export guarantee programs. Therefore, CCC borrowing authority is not used.

Hazardous Waste Management Program. Legislation affecting this program includes the Safe Drinking Water Act and the Comprehensive Environmental Response, Compensation, and Liability Act. CCC conducted a grain storage program from the 1930's to the early 1970's. At its peak during the 1950's, CCC operated grain storage facilities on leased property at approximately 4,500 locations nationwide. During this period, some of the grain was authorized for fumigation using carbon tetrachloride to control destructive insects. In 1985, use of carbon tetrachloride was prohibited and the EPA assigned a maximum allowable contaminant level. Since that time, over 50 former CCC grain bin sites have been found to have carbon tetrachloride ground water contamination levels exceeding the EPA maximum. From FY 1992 through FY 2003, CCC received annual funding from the USDA Hazardous Waste Management Fund to conduct its own investigations. For FY 2003 and FY 2004, USDA funding was greatly reduced and for FY 2005 and FY 2006 no funding was provided, therefore CCC has relied more on its Section 11 borrowing authority to conduct both operation and maintenance of existing treatment systems as well as remedial actions. CCC is authorized to use its borrowing authority, not to exceed $5 million, for site investigations, ongoing operations and maintenance and remediation expenses.

COMMODITY PROGRAMS

CCC provides loans, purchases, and payments along with other programs in order to support farm income and prices and stabilize commodity markets. These actions are authorized under the Commodity Credit Corporation Charter Act, as amended, the Agricultural Act of 1949, as amended, and the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill).

CCC is required to support the price of dairy products. Marketing assistance loans are required to be available for wheat, feed grains, cotton, rice, soybeans, minor oilseeds, pulse crops, honey, wool and mohair at levels provided for by law. CCC has to make an offer, open to all producers, to make loans upon or purchase any quantity of these commodities produced which meet eligibility requirements. Eligibility requirements include grade, moisture content, adequacy of storage, and compliance with conservation use provisions. Income support in the form of direct and counter-cyclical payments is required by law to be available to growers of feed grain, wheat, upland cotton, soybeans, minor oilseeds, peanuts and rice.

CCC has little control over the volume of loan business it must handle. The relationship of the market price for each commodity to the loan rate largely determines the volume of that commodity which will be placed under loan or acquired by the CCC. Price, in turn, is determined by weather conditions, insect damage, use of fertilizers, existing supplies, domestic and export demand, and all other factors influencing production and affecting the market. Dispositions of inventory are governed by the same set of economic factors. These circumstances can cause tremendous variations over relatively short periods in the volume of CCC commodity loan and related operations. The following paragraphs highlight specific commodity activity:

USDA has incorporated stochastic price and production variability into its 10-year budget baseline process starting with the FY 2007 President's Budget. For the 2007-2016 crops, CCC outlay projections for counter-cyclical payments, marketing loan benefits, and milk income loss contract payments are based on price probability distributions and flexibilities generated by the Economic Research Services' Food and Agricultural Policy Simulation model. This approach was used for feed grains (corn, barley, sorghum, oats), wheat, rice, upland cotton, soybeans, and dairy.

Dairy program. Dairy qualifies for milk price supports and dairy market loss payments. The 2002 Farm Bill extended the Dairy Price Support Program from June 1, 2002 through December 31, 2007 at a rate of $9.90 per hundredweight for milk containing 3.67 percent butterfat. The support program is carried out through the purchase of surplus butter, nonfat dry milk, and cheese at prices that enable processors to pay dairy farmers, on average, the support price for milk. As under previous law, the Secretary may allocate the rate of price support between the purchase prices for nonfat dry milk and butter in a manner that minimizes CCC expenditures or meets other objectives, as the Secretary considers appropriate. Cash CCC inventory sales (with some exceptions) shall be at any price that the Secretary determines will maximize CCC returns. The 2002 Farm Bill also provided for a Milk Income Loss Contract Program under which the Secretary may contract with eligible producers up to September 30, 2005, to make monthly payments when milk prices fall below specified levels. The Milk Income Loss Contract (MILC) Program was extended through August 2007.

Tobacco program. The American Jobs Creation Act of 2004, P.L. 108-357 eliminated the program effective with the 2005 crop. In return for termination of the program, growers and quota holders will receive a "buyout." The owner of quota will be paid $7 per pound for the quota they hold. The actual producer will be paid $3 per pound for quota they produced. The legislation eliminates all geographic and poundage restrictions on tobacco production as well as price support. The buyout cost is funded by assessments on the tobacco product manufacturers and importers. The program will cost $10.14 billion and the growers and quota holders will be paid over a 10-year period.

Peanut price support program. Under the 2002 Farm Bill, peanuts qualify for direct payments, counter-cyclical payments, marketing assistance loans and loan deficiency payments for the 2002 through 2007 crops.

The 2002 Farm Bill terminated the marketing quota programs and repealed price support programs. The prior quota programs remained in effect for the 2001 crop only, with payments being made during fiscal years 2002 through 2006. This legislation also established marketing assistance loans for the 2002 through 2007 crops, with a loan rate of $355 per ton. The payment rate is the amount by which the established loan rate exceeds the rate at which a loan may be repaid. The Farm Bill also requires that for crop years 2002 through 2006 CCC pay storage, handling, and other associated costs to ensure proper storage of peanuts for which a loan is made. This authority terminates beginning with the 2007 crop.

Sugar program. Sugar qualifies for price support. The 2002 Farm Bill extended the national average sugar loan rates to cover through the 2007 crops at 18 cents per pound for raw cane sugar and 22.9 cents per pound for refined beet sugar. Loans are available to processors of domestically grown sugarcane and sugar beets for a term of nine months that fall within one fiscal year. The non-recourse loans are available through the 2007 crop for processors of domestically produced sugar beets and sugarcane including for in-process sugar. Loans for in-process sugar have a loan rate of 80 percent of the loan rate for raw cane sugar or refined beet sugar (based on the source material used). If forfeitures occur, the processor shall convert the in-process into final product at no cost to the CCC. Upon transfer, the processor will receive payment based on the loan rate less 80 percent of raw cane or refined beet sugar rate times the quantity of sugar transferred.

Non-Insured Assistance Program (NAP). The Federal Crop Insurance Reform Act of 1994, P.L. 103-354, removed the authority in the Agricultural Act of 1949 for disaster payments and expanded crop insurance authorities to provide for catastrophic coverage at 50 percent yield protection at a flat fee for crops currently covered by insurance programs. Farmers are able to pay an additional premium to increase coverage. Where crop insurance coverage is not available through the Risk Management Agency, producers of crops for food and fiber and certain other crops are covered under NAP, which is financed by CCC and operated through the FSA. The program reimburses producers at the same rates and terms as the catastrophic crop insurance program.

Payments to Producers:

Direct Payments and Counter-Cyclical Payments. The 2002 Farm Bill rescinded production flexibility contracts and established direct and counter-cyclical payments for May 2002 through 2007. The eligible commodities for both direct payments and counter-cyclical payments are wheat, corn, grain sorghum, barley, oats, upland cotton, rice, soybeans, other oilseeds, and peanuts.

Counter-cyclical payments are made to producers for eligible commodities for which payment yields and base acres are established if it is determined that the effective commodity price is less than the target commodity price. Counter-cyclical payments are made for the crop as soon as practicable after the end of the 12-month marketing year for the eligible commodity. If, before the end of the 12-month marketing year it is determined that counter-cyclical payments will be required for the eligible commodity, producers will be provided the option to receive partial payment of the projected counter-cyclical payment.

Direct payments are made to producers for eligible commodities for which payment yields and base acres are established. The commodity payment amount is calculated as follows: Payment Amount = specified rate x payment acres x payment yield. The producer can choose to receive advance payments (up to 50 percent) during the producer's selected month, which may be any month during the period beginning on December 1 of the calendar year before the calendar year in which the crop of the covered commodity is harvested through the month within which the direct payment would otherwise be made. The Deficit Reduction Act of 2005, P.L. 109-171, signed February 8, 2006, amended the 2002 Farm Bill by authorizing advance direct payments for covered commodities of up to 40 percent of the direct payment for the 2006 crop year and up to 22 percent for the 2007 crop year.

Marketing Assistance Loans and Loan Deficiency Payments. The 2002 Farm Bill authorized non-recourse marketing assistance loans to producers of each eligible loan commodity for 2002 through 2007. These loans have a term of 9 months beginning on the first day of the first month after the month in which the loan is made, and they cannot be extended. The producer must comply with applicable conservation requirements under subtitle B of title XII of the Food Security Act of 1985 and applicable wetland protection requirements under subtitle C of title XII of the Act during the term of the loan.

Producers of eligible commodities can repay a marketing assistance loan at a rate that is the lesser of the loan rate established for the commodity plus interest; or a rate that the Secretary determines. Special rules apply to upland cotton, rice, and extra long staple cotton. New crops eligible for marketing assistance loans include triticale, peas, lentils, honey, wool, and mohair. Producers also have the option for most commodities to take loan deficiency payments in lieu of a marketing assistance loan when repayment rates are below the loan rate.

The following table shows estimated CCC payments made directly to producers:

COMMODITY CREDIT CORPORATION
Direct, Counter-Cyclical, Production Flexibility, Marketing Loss Assistance, Loan Deficiency, Oilseed, Emergency Disaster, and Noninsured Assistance Payments
Fiscal Years 2006-2008
(Thousands of Dollars)

	2006 Actuals	2007 Estimate	2008 Estimate
Total Production Flexibility Payments For all Commodities	$-595	0	0
Direct Payments:			
Corn	1,993,880	$1,657,800	$2,109,300
Grain Sorghum	188,111	156,427	198,800
Barley	76,176	67,600	83,200
Oats	2,806	2,627	3,047
Total Feed Grains	2,260,973	1,884,454	2,394,347
Wheat	1,076,353	888,954	1,126,038
Upland Cotton	575,373	485,484	611,380
Rice	401,831	330,375	425,436
Peanuts	65,507	55,584	68,865
Soybeans	563,811	470,727	603,000
Minor Oilseeds	18,524	15,525	19,990
Total	4,962,372	4,131,103	5,249,056
Counter-Cyclical Payments:			
Corn	2,514,529	1,637,200	0
Grain Sorghum	264,530	0	0
Barley	46,481	0	0
Oats	-341	0	0
Total Feed Grains	2,825,199	1,637,200	0
Wheat	-27,528	-88	0
Upland Cotton	1,410,424	970,171	842,639
Rice	85,579	60,548	0
Peanuts	208,111	135,353	140,296
Soybeans	-146,173	-144	0
Total	4,355,612	2,803,040	982,935
Marketing Loss Assistance Payments:			
Dairy - Milk Income Loss Contract Payments.	351,586	325,000	0
Other Marketing Loss Asst Payments	-81	0	0
Total	351,505	325,000	0
Loan Deficiency Payments:			
Corn	4,042,455	1,600	0
Grain Sorghum	125,350	1,029	0
Barley	34,867	2,300	0
Oats	0	0	0
Total Feed Grains	4,202,672	4,929	0
Wheat	14,281	21	0
Upland Cotton	250,236	162,458	71,406

	2006 Actuals	2007 Estimate	2008 Estimate
Rice	49,287	0	0
Peanuts	582	0	0
Lentils	14,578	4,375	2,980
Chickpeas	262	0	0
Dry Edible Peas	42,223	13,286	16,892
Wool	6,611	7,551	6,986
Mohair	1,251	1,502	2,738
Soybeans	22,007	43,525	0
Minor Oilseeds	25,566	0	0
Total	4,629,556	237,647	101,002
Oilseed Payments:			
Total	4	0	0
Noninsured Assistance Payments	66,268	327,744	325,000
Crop Disaster Program:			
Crop Disaster Payments	120,353	95,000	0
Dairy Producer Losses	6,963	17,000	0
Katrina Transportation and Alternative Storage Costs	9,788	0	0
Quality Loss Program	0	0	0
Sugarcane Disaster	40,400	40,000	0
Sugar Beets Disaster	8	0	0
Total Crop Disaster Program	177,512	152,000	0
Emergency Livestock Assistance	193,670	95,000	0
American Indian Livestock Feed Program	7,202	0	0
Livestock Indemnity	-3	45,000	0
Cotton Seed Payments	9,930	15,000	0
Tobacco Payments	966,797	960,000	960,000
Peanut Quota Compensation	-2,924	0	0
Tree Assistance Program	4,372	35,268	0
Emergency Forestry Conservation Reserve Program	0	37,216	23,317
Program Subtotal	1,179,044	1,187,484	983,317
Total Payments	15,721,278	9,164,018	7,641,310

EXPORT PROGRAMS

Export Credit Guarantees. Under the short-term Export Credit Guarantee Program (GSM-102), CCC guarantees (for up to 3 years) payments due U.S. exporters, or their assignees (U.S. financial institutions), from defaults in payments by foreign banks on export credit sales due to commercial as well as noncommercial risks. Facility payment guarantees operate under the general provisions of the GSM-102 program and provide export financing for capital goods and services to improve handling, marketing, processing, storage, or distribution of imported agricultural products. Supplier credit guarantees are designed to assist U.S. exporters of agricultural commodities who wish to provide relatively short-term (up to 180 days) credit directly to foreign buyers.

On July 1, 2005, the guarantee fees (premia) charged under the export credit guarantee programs were changed from a flat fee basis to a country risk-based approach. The revised premia respond to a World Trade Organization (WTO) dispute panel decision and are intended to remove any long-term subsidy component of the program, prospectively. Also in response to the panel decision, the GSM-103 intermediate export credit guarantee program was suspended on July 1, 2005, and the Administration submitted proposed legislation to Congress seeking deletion of the statutory authority for the program. In addition, credit guarantees are no longer extended to countries in the highest risk rating categories.

Total sales registrations in FY 2006 were $1.4 billion, all for the GSM-102 program. Total program level for FY 2007 is estimated to be $2.1 billion, including $2.0 billion for the short-term export credit guarantee program (GSM-102), $100 million for supplier credit guarantees and $26 million for facilities guarantees. The program level for FY 2008 is $350 million higher than FY 2007 and is estimated to be at $2.4 billion, including $2.2 billion for the short-term export credit guarantee program, (GSM-102), $200 million for supplier credit guarantees and $26 million for facilities guarantees.

The 2008 budget continues to reflect credit reform procedures for Federal credit programs authorized by the Budget Enforcement Act of 1990, Title XIII of the Omnibus Budget Reconciliation Act of 1990. These procedures require that for loans made since 1992, budget authority and outlays for these programs represent estimated subsidy costs, such as estimated claims and administrative expenses, rather than claim disbursements and repayments. The appropriation language also specifies the portion of the requested budget authority to be used for administrative expenses. Budget authority for the subsidy represents the present value of CCC's estimated net cash flows over the lifetime of the credit guarantee. Budget authority and outlays for the subsidies are presented in the Budget in "loan program accounts." All claim disbursement and repayment activity related to loans made in FY 1992 or later appear in a "financing account" and are considered "off-budget" for purposes of estimating the deficit. Budget authority and outlays for pre-FY 1992 portfolios of guarantees and claims are reflected in the budget in "liquidating accounts" and are calculated on a cash basis as before, to represent claim disbursements and borrower repayments.

Direct Export Credit. Under the short-term export credit sales program, GSM-5, CCC may provide direct financing on terms not to exceed three years for the commercial sale of agricultural commodities from private stocks. There have been no sales under the direct credit program since FY 1985.

CONSERVATION PROGRAMS

Title II of the Farm Security and Rural Investment Act of 2002, P.L. 107-71, re-authorizes funding for new and existing conservation programs implemented by FSA or NRCS. The bill provides funding through 2007 to help farmers adopt and maintain conservation systems that protect water quality, reduce soil erosion, protect and enhance wildlife habitat and wetlands, conserve water and sequester carbon. NRCS administers many of the programs that are financed through CCC, and detailed descriptions of program operations and performance indicators can be found under NRCS elsewhere in these Explanatory Notes.

Conservation Reserve Program (CRP). CRP is USDA's largest conservation/environmental program. The purpose of CRP, administered by FSA, is to cost-effectively assist farm owners and operators in conserving and improving soil, water, air, and wildlife resources by converting highly erodible and other environmentally sensitive acreage normally devoted to the production of agricultural commodities to a long-term resource-conserving cover.

CRP participants enroll acreage for periods of 10 to 15 years in exchange for annual rental payments and cost-share and technical assistance for installing approved conservation practices.

New CRP enrollments are authorized through December 31, 2007, with maximum enrollment at any one time of 39.2 million acres. Use of conservation and environmental priority areas to target conservation program funding is encouraged. There are currently four ways farmers and ranchers can participate in the CRP:

- General sign-up. Producers with eligible lands compete nationwide for acceptance using an environmental benefits index (EBI) during discrete sign-up periods. Annual payments are based on soil-specific productivity-based rental rates.

- Continuous sign-up. Producers enroll specific practices, primarily conservation buffers, at any time during the year, on a non-competitive basis. Selected buffer practices are eligible for additional annual incentives of up to 20 percent of the annual rental payment.

- Conservation Reserve Enhancement Program (CREP). Under Federal-State partnerships generally covering up to 100,000 acres per State with 20 percent of funding provided by the State, producers enroll specific practices on a continuous basis. CREP enrollments receive continuous sign-up incentives, and most CREP agreements provide for additional financial incentives.

- Farmable Wetlands Program (FWP). The 2001 Appropriations Act authorized the Secretary to enroll 500,000 acres during 2001and 2002 in 6 pilot States. This authorization was expanded in the 2002 Farm Bill to include a maximum of 1 million acres and all States. Producers may enroll small non-flood-plain wetlands and adjacent uplands on a continuous basis and are eligible for continuous sign-up incentives. Acreage enrolled is not allowed to reduce the acreage enrolled in continuous sign-up or CREP.

In FY 2006 general signup was held and 950,000 acres were approved for enrollment. Under continuous and FWP sign-ups, a combined total of 380,000 acres were enrolled. About 556,000 acres are estimated to be enrolled under continuous signup in fiscal year 2007, and an additional 395,000 in fiscal year 2008. In each of fiscal years 2007 and 2008, no general sign-ups are assumed to be held. Additionally, the FY 2008 budget assumes early re-enrollments and extensions of FY 2007-2010 expiring contracts.

Overall, CRP enrollment is assumed to gradually increase from about 36.1 million acres at the end of FY 2006 to 37.1 million acres by FY 2007. Enrollment is then expected to decline in FY 2008 and FY 2009 before steadily increasing to 39.2 million acres by FY 2016. In May 2000, continuous sign-up, CREP, and FWP participants became eligible for additional financial incentives. Designed to boost participation, actual incentives issued in FY 2006 totaled approximately $82 million. In 2004, USDA further enhanced CRP by announcing the Northern Bobwhite Quail Initiatives and additional wetland restoration initiatives. Also in 2004, the Administration affirmed its commitment to full enrollment of CRP and announced that USDA will offer early re-enrollment and extensions of expiring contracts. On December 23, 2004, the President signed P.L. 108-498, a law that limits transfer of CCC funds between conservation programs for technical assistance for the programs and authorizes use of CCC funds for CRP technical assistance

In addition, The Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006, P.L. 109-148, mandated that during calendar year 2006, the Secretary shall carry out an emergency pilot program in States that the Secretary determines have suffered damage to merchantable timber in counties affected by hurricanes during the 2005 calendar year. The Act provided $404.1 million for this program, called the Emergency Forestry Conservation Reserve Program (EFCRP). The Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006, P.L. 109-234, signed June 15, 2006, increased funding by $100 million, to $504.1 million. EFCRP enrollment during calendar year 2006 was 215,000 acres.

Conservation Reserve Program
Program Level
(Dollars in Thousands)

Program Level	2006 Actual	2007 Estimated	2008 Estimated
Financial Assistance	$1,830,364	$1,900,418	$1,949,316
Technical Assistance (Obligations)	100,359	86,956	64,139
Total, Program Level	$1,930,723	$1,987,374	$2,013,455

Cumulative CRP Enrollment
FY 2006 through FY 2012
(Acres in Thousands)

	2006	2007	2008	2009	2010	2011	2012
Acres Enrolled	36,100	37,094	33,636	32,230	33,013	34,135	35,559

Soil and Water Conservation Assistance. The Agricultural Risk Protection Act of 2002 provided $40 million in CCC funds to be available in FY 2001 for financial assistance to farmers and ranchers to address threats to natural resources, comply with Federal and State environmental laws, and make beneficial, cost-effective changes to conserve and improve natural resources. Fiscal year 2006 net outlays were $738 thousand.

Agricultural Management Assistance Program (AMA). The 2002 Farm Bill authorized the use of CCC funding of $20 million for each fiscal year 2004 through 2007, and $10 million for subsequent years, to provide grants to qualified public and private entities for educating agricultural producers about the full range of risk management activities, including futures, options, agricultural trade options, crop insurance, cash forward contracting, debt reduction, production diversion, farm resources risk reduction and other risk management strategies. Fiscal year 2006 net outlays were $1.025 million, which was carryover of previous years programs. The FY 2006 Agriculture Appropriations Act limited CCC funding for AMA to $6.0 million. CCC transferred $5.0 million to the Natural Resources Conservation Service and $1.0 million to the Agricultural Marketing Service in FY 2006.

OTHER CCC PROGRAMS

Tree Assistance Program. The following CCC funding was provided under Division B, Chapter 1, of the FY 2005 Military Construction Appropriations and Emergency Hurricane Supplemental Appropriations Act: Sec. 101(c)(1): Such sums as necessary (estimated at $10 million) for assistance to producers who suffered tree losses during the period December 1, 2003, to December 31, 2004, excluding those who received assistance from Section 32 for 2004 hurricane crop losses; Sec. 101(c)(2): $15 million for losses on production of periodic crops of timber; Sec. 111: $8.5 million for assistance to pecan producers for tree loss or damage due to any hurricane or tropical storm of the 2004 hurricane season in counties declared a disaster by the President. The Emergency Agricultural Disaster Assistance Act of 2006, P.L. 109-234, authorized such sums as are necessary from CCC to producers who suffered tree losses in hurricane-affected counties and fruit and tree nut producers in hurricane-affected counties for site preparation, replacement, rehabilitation and pruning. FY 2006 program outlays were $4.4 million. Outlays are estimated at $35.3 million for FY 2007 with none projected for FY 2008.

Milk Income Loss Contract. The 1996 Farm Bill had established a Dairy Recourse Loan Program that was never implemented due to repeated legislative extensions of the Dairy Price Support Program. The 2002 Farm Bill repealed all legislative authority for the Dairy Recourse Loan Program but established a new Milk Income Loss Contract Program, under which the Secretary may contract with eligible producers up to September 30, 2005, to make monthly payments when milk prices fall below specified levels. The Milk Income Loss Contract Program was extended through August 31, 2007 by the Deficit Reduction Act of 2005, P.L. 109-171. The Milk Income Loss Contract Program outlays in FY 2006 were $351.5 million. Outlays are estimated at $325 million for FY 2007 with none projected for FY 2008.

Payment Limitations. In general, the 2002 Farm Bill revised the Food Security Act of 1985 (7 U.S.C. 1308) for payment limitations. The total amount of direct payments made to a person during any crop year for 1 or more covered commodities may not exceed $40,000. The total amount of counter-cyclical payments made to a person during any crop year for 1 or more covered commodities may not exceed $65,000. The total amount of marketing loan gains and payments that a person may receive during any crop year may not exceed $75,000. Notwithstanding any other provision or law, an individual or entity shall not be eligible to receive any benefit during a crop year if the average adjusted gross income of the individual or entity exceeds $2,500,000, unless not less than 75 percent of the average adjusted gross income of the individual or entity is derived from farming, ranching, or forestry operations, as determined by the Secretary. This shall apply during the 2003 through 2007 crop years.

Foreign Market Development Programs. CCC funds are used extensively to enhance U.S. competitiveness and expand foreign markets for U.S. agricultural commodities and products. The following programs highlight CCC activity in these areas:

Dairy Export Incentive Program (DEIP). DEIP operates on a bid bonus system, with cash bonus payments to exporters to facilitate commercial sales of U.S. dairy products in overseas markets. DEIP estimates of the quantity of dairy products to be exported and associated expenditures were formulated within the maximum allowable expenditure and quantity levels specified in conjunction with provisions of the Uruguay Round Agreement on Agriculture.

Consequently, current baseline projections assume that DEIP will not exceed $116.6 million annually during FY's 2007-2017. Actual DEIP subsidies are further limited on a product-by-product basis under the Uruguay Round.

Export Enhancement Program (EEP). U.S. commitments under the Uruguay Round Agreement provide a maximum annual funding level for EEP of $478 million, and that level is available for EEP programming should market conditions warrant. The commodity supply and demand estimates assume use of EEP only when market conditions are appropriate.

Market Access Program (MAP). Under this program, CCC funds are used to reimburse participating organizations for a portion of the costs of carrying out overseas marketing and export promotion activities. Program participants include nonprofit agricultural trade organizations, State-regional trade groups, cooperatives, and private companies that qualify as small business concerns. The 2008 Budget assumes funding of $200 million for FY 2008.

Foreign Market Development (Cooperator) Program (FMD). This program provides cost-share assistance to support overseas market development activities for U.S. agricultural products. The 2002 Farm Bill made $34.5 million available for FMD for each fiscal year through 2007, and this amount is assumed to be available for FY 2008.

Technical Assistance for Specialty Crops (TASC) Program. The 2002 Farm Bill authorized TASC as a new program to address unique barriers that prohibit or threaten the export of U.S. specialty crops. Under the program, grants are provided to assist U.S. organizations in activities designed to overcome phytosanitary and related technical barriers to trade. For 2008, the budget provides $2 million for the program, which will be carried out with CCC funding.

Quality Samples Program (QSP). This initiative provides samples of U.S. agricultural products to foreign importers to promote a better understanding and appreciation for the high quality of U.S. products. The program will be funded at an annual level of $2.5 million.

Transfers of Funds. The 2002 Farm Bill and the FY 2006 Appropriations Acts authorized CCC to transfer funds to various agencies to fulfill authorized programs for fiscal years 2002 through 2007. The FY 2007 and FY 2008 Appropriations Acts are not anticipated to depart from this process. The following table shows recipient agencies and amounts of transfers anticipated for fiscal years 2007 and 2008:

CCC Farm Bill Transfers
(Dollars in Thousands)

Agencies Receiving Transfers:	FY 2007	FY 2008
Agricultural Marketing Service	$1,750	$0
Chief Economist	2,000	0
Food & Nutrition Service	15,000	0
Natural Resources Conservation Service	2,351,000	2,278,000
Rural Development	69,000	0
Total	2,438,750	2,278,000

CCC NET EXPENDITURES

CCC net expenditures for FY 2007 are estimated at $13.37 billion, down $6.8 billion from FY 2006 outlays of $20.21 billion. FY 2008 baseline expenditures are estimated at $11.72 billion.

The net decrease in projected FY 2008 CCC expenditures from FY 2007 includes the following changes: an increase of $1.1 billion in direct payments; offset by decreases of $1.8 billion in counter cyclical payments, $137 million in loan deficiency payments, $325 million in milk income loss payments, $327 million in crop and other disaster assistance.

The following table shows CCC net expenditures by commodity and program for fiscal years 2006 through 2008.

COMMODITY CREDIT CORPORATION
FY 2006 ACTUAL, FY 2007 AND FY 2008 ESTIMATED EXPENDITURES
(Dollars in Thousands)

	2006 Actual	2007 Estimate	2008 Estimate
Corn	$8,803,925	$3,303,780	$2,114,200
Grain Sorghum	578,328	159,280	198,336
Barley	158,953	70,087	83,366
Oats	1,609	3,958	3,096
Corn and Sorghum Products	-900	-773	189
Total Feed Grains and Products	9,541,915	3,536,332	2,399,187
Wheat and Products	1,079,833	952,892	1,168,984
Rice	604,691	406,528	456,806
Upland Cotton	3,982,222	2,779,820	2,211,179
ELS Cotton	23,187	17,197	13,437
Tobacco	77,030	6,995	7,000
Honey	-993	1,903	334
Dairy	412,054	346,559	74,528
Soybeans and Products	604,250	304,301	683,222
Minor Oilseeds	54,326	7,411	20,980
Sugar	10,393	4,198	302,187
Peanuts	404,421	268,562	199,162
Wool and Mohair	7,849	9,052	9,752
Vegetable Oil Products	16,682	23,101	33,249
Other Commodities	85,499	52,034	27,322
Total Commodities	16,903,359	8,716,884	7,607,329
Tobacco Trust Fund	891,232	960,000	960,000
Export Guarantee Program, Liquidating	-974,134	-191,130	-40,728
Export Guar. Program (subsidy) Account	142,288	200,000	68,000
Short-Term & Intermediate Export Credit	-4,097	-3,420	-2,833
Market Access Program	158,014	172,983	200,000
Foreign Market Development Cooperator	35,681	34,500	34,500
Quality Samples Program	1,054	2,500	2,500
Export Donations - Ocean Transportation	39,013	55,000	51,869
Crop Disaster Assistance	177,512	152,000	0
Noninsured Assistance Program	57,113	312,244	309,250
Emergency Livestock Assistance	193,670	95,000	0
American Indian Livestock Indemnity	7,199	45,000	0
Tree Assistance	4,372	35,268	0
Conservation Reserve Program (CRP)	1,895,872	2,018,797	2,013,455
Emergency Forestry CRP	5,500	43,721	23,317
Environmental Quality Incentives Program	457	0	0
Wetlands Reserve Program	19,897	22,892	0
Farmland Protection Program	147	0	0
Soil and Water Cons Assistance Program	738	5,216	0
Interest	366,058	366,589	182,365
CCC Operating Expenses	13,684	4,338	4,400
Change in Working Capital	163,175	250,000	250,000

	2006 Actual	2007 Estimate	2008 Estimate
Farm Storage Facility Loan Program Account	2,910	0	6,000
Boll Weevil Program Account	3,232	0	0
Apple Loan Program Account	204	0	0
All Other	107,092	67,282	55,563
Total Net Expenditures, CCC Baseline	20,211,242	13,365,664	11,724,987

Commodity Credit Corporation
Statement of Available Funds
2006 Actual and Estimated 2007 and 2008
(Dollars in Thousands)

Item	2006 Actual	2007 Estimated	2008 Estimated
Reimbursement for Net Realized Losses	$25,430,747	$23,098,328	$12,983,053
CCC Export Credit Guarantee Program Account (permanent, indefinite)	128,449	61,237	64,077
CCC Export Loans Program Account (current, indefinite)	5,226	5,226	5,344
CCC Storage Facility Program Account (permanent, indefinite)	0	270	1,032
CCC Storage Facility Program Account (current, indefinite)	0	0	4,660
Total Commodity Credit Corporation	$25,564,422	$23,165,061	$13,058,166

Classification by Object
2006 Actual and Estimated 2007 and 2008
(Dollars in Thousands)

		2006 Actual	2007 Estimate	2008 Estimate
	Direct Obligations:			
22.0	Transportation of things................	$58,000	$202,525	$205,566
25.2	Other services...........................	283,000	101,816	113,602
25.2	Other services: storage & handling...	96,092	98,415	19,786
26.0	Supplies and materials (cost of commodities sold or donated - CCC).	5,891,488	3,634,649	3,585,210
31.0	Equipment..................................	0	0	0
41.0	Grants, subsidies, and contributions...	18,729,753	10,284,821	10,856,578
43.0	Interest and dividends....................	561,372	350,950	325,559
99.0	Subtotal direct obligations...........	$25,619,705	$14,673,176	$15,106,301
	Reimbursable Obligations:			
22.0	Transportation of things: PL 480 Ocean Transportation..........	803,661	679,733	653,454
26.0	Supplies and materials (cost of commodities sold or donated - PL 480).	494,829	543,367	462,546
33.0	Investments and loans.....................	12,013,778	11,347,362	10,066,290
99.0	Subtotal reimbursable obligations...	13,312,268	12,570,462	11,182,290
99.9	Total Obligations..............................	$38,931,973	$27,243,638	$26,288,591

Commodity Credit Corporation

The estimates include appropriation language for this item as follows (new language underscored):

COMMODITY CREDIT CORPORATION FUND

Reimbursement for Net Realized Losses

For the current fiscal year, such sums as may be necessary to reimburse the Commodity Credit Corporation for net realized losses sustained, but not previously reimbursed, pursuant to section 2 of the Act of August 17, 1961 (15 U.S.C. 713a-11): Provided, That of the funds available to the Commodity Credit Corporation under section 11 of the Commodity Credit Corporation Charter Act (15 U.S.C, 714i) for the conduct of its business with the Foreign Agricultural Service, up to $5,000,000 may be transferred to and used by the Foreign Agricultural Service for information resource management activities of the Foreign Agricultural Service that are not related to Commodity Credit Corporation business.

Hazardous Waste Management
(Limitation on Expenses)

For the current fiscal year, the Commodity Credit Corporation shall not expend more than $5,000,000 for site investigation and cleanup expenses, and operations and maintenance expenses to comply with the requirement of section 107(g) of the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. 9607(g)), and section 6001 of the Resource Conservation and Recovery Act (42 U.S.C. 6961).

Reimbursement for Net Realized Losses
(in $000)

Estimate, 2007	$23,098,328
Budget Estimate, 2008	12,983,053
Decrease in Appropriations	-10,115,275

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of change	2007 Estimated	Change	2008 Estimated
Reimbursement of losses:			
2006 actual losses	$23,098,328	-$23,098,328	$0
2007 estimated losses	0	12,983,053	12,983,053
Total Available	23,098,328	-10,115,275	12,983,053

PROJECT STATEMENT
(On basis of appropriation)

Item	2006 Actual	2007 Estimated	Increase	2008 Estimated
Reimbursement of losses:				
Appropriation	$25,430,747	$23,098,328	-$10,115,275	$12,983,053

FY 2006 losses were reimbursed through the FY 2007 Continuing Resolution.

RECONCILIATION TO BUDGET AUTHORITY

The preceding analysis of realized losses explains the actual 2006 losses of CCC. Regardless of whether appropriations made to CCC are to restore losses or are for other purposes, CCC must record losses in its books for numerous required purposes, including the computation of capital impairment.

The following table reconciles budget authority with appropriations:

	(Dollars in Thousands) 2007	2008
Appropriation (for realized losses) a/	$23,098,328	$12,983,053
Portion applied to CCC debt reduction	-20,659,578	-10,705,053
Transferred to Other Accounts	-2,438,750	-2,278,000
Adjusted Appropriation	0	0
Adjustments:		
Authority to borrow	10,778,228	10,587,307
CCC Export Loans Program Account	66,463	69,421
Budget Authority (net)	10,844,691	10,656,728

a/ Reimbursed through current indefinite appropriation in FY 2007 Continuing Resolution and the same is anticipated to be authorized in FY 2008 Appropriation Act.

The following tables reflect actual and estimated losses by commodity and program for fiscal years 2006 through 2008:

FY 2006 - ACTUAL (millions $)

ITEM	TOTAL	Feed Grains and Product	Wheat and Products	Rice	Upland Cotton	Soybeans	Dairy Products	All Other Commodities and Programs a/
Program Costs:								
Gain (-) or loss on sales	1,125.0	116.6	6.4	13.6	936.9	1.2	22.2	28.1
Domestic Donations	69.9	0.0	0.0	0.0	0.0	0.0	59.4	10.5
Export Donations	197.8	3.2	119.4	4.2	0.0	9.7	21.6	39.7
Storage and Handling	96.1	0.7	13.2	0.3	0.1	0.1	2.0	79.7
Transportation	3.6	0.0	0.0	0.0	0.0	0.0	2.5	1.1
Production Flexibility Payments	-0.6	-0.1	-0.1	0.0	-0.4	0.0	0.0	0.0
Loan Deficiency Payments	4,608.9	4,177.6	14.2	46.8	251.1	36.6	0.0	82.6
Counter-Cyclical Payments	4,330.1	2,462.9	0.3	187.5	1,461.3	1.3	0.0	216.8
Direct Payments	5,238.9	2,378.5	1,135.0	425.2	619.2	593.3	0.0	87.7
Livestock Emergency Assistance	59.1	0.0	0.0	0.0	0.0	0.0	0.0	59.1
Milk Income Loss Payments	440.1	0.0	0.0	0.0	0.0	0.0	440.1	0.0
Conservation Reserve Program	2,008.7	0.0	0.0	0.0	0.0	0.0	0.0	2,008.7
Environmental Quality Incentives Program	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Other Conservation Programs b/	26.7	0.0	0.0	0.0	0.0	0.0	0.0	26.7
Crop Disaster Payments	139.3	0.0	0.0	0.0	0.0	0.0	0.0	139.3
Foreign Market Development Cooperator Program	35.7	0.0	0.0	0.0	0.0	0.0	0.0	35.7
Quality Samples Program	1.1	0.0	0.0	0.0	0.0	0.0	0.0	1.1
Noninsured Assistance Program	57.5	0.0	0.0	0.0	0.0	0.0	0.0	57.5
Market Access Program	157.5	0.0	0.0	0.0	0.0	0.0	0.0	157.5
Marketing Loan Write-offs	279.9	184.1	2.1	41.0	4.9	12.1	0.0	35.7
Transfers to Other USDA Agencies	1,864.1	0.0	0.0	0.0	0.0	0.0	0.0	1,864.1
Other c/	1,896.3	1.8	21.6	0.5	323.7	12.9	6.2	1,529.6
Total Program Costs:	22,636.2	9,325.3	1,312.1	719.1	3,596.8	667.2	554.0	6,461.7
Nonprogram Costs:								
Interest (net):								
Support and Related Costs	441.0							
Export Credit Sales	-0.6							
Loss in Interest Income	8.0							
Operating Expenses	13.7							
Total Nonprogram Costs	462.1							
Total Net Realized Losses	23,098.3							

a/ Other commodities and programs include tobacco, soybean products, blended food products, vegetable oil products, sugar, wool, mohair, ELS cotton, pulse crops, peanuts, honey and minor oilseeds.
b/ Other conservation programs include the Emergency Forestry Conservation Reserve Program, Wetlands Reserve Program, Farmland Protection Program, Agricultural Management Assistance Program, and Soil and Water Conservation Assistance.
c/ Other costs include miscellaneous cash payment losses, other loans written off, ocean transportation for export donations, cotton user marketing payments, and all other miscellaneous expense.

FY 2007 - ESTIMATED (millions of dollars)

ITEM	TOTAL	Feed Grains and Product	Wheat and Products	Rice	Upland Cotton	Soybeans	Dairy Products	All Other Commodities and Programs a/
Program Costs:								
Gain (-) or loss on sales	567.9	-0.3	-1.5	0.1	564.1	0.1	0.3	5.1
Domestic Donations	41.1	0.0	0.0	0.0	0.0	0.0	41.1	0.0
Export Donations	116.8	3.0	38.7	13.8	0.0	0.0	4.6	56.7
Storage and Handling	98.4	0.4	14.6	0.3	0.1	0.3	3.0	79.7
Transportation	1.7	0.0	0.0	0.0	0.0	0.0	1.7	0.0
Loan Deficiency Payments	219.1	3.2	0.0	1.8	161.4	30.3	0.0	22.4
Counter-Cyclical Payments	590.0	-66.7	-27.9	-128.4	855.0	-147.7	0.0	105.7
Direct Payments	5,185.7	2,393.3	1,103.6	422.8	578.3	600.2	0.0	87.5
Livestock Emergency Assistance	95.0	0.0	0.0	0.0	0.0	0.0	0.0	95.0
Milk Income Loss Payments	236.5	0.0	0.0	0.0	0.0	0.0	236.5	0.0
Conservation Reserve Program	1,987.4	0.0	0.0	0.0	0.0	0.0	0.0	1,987.4
Other Conservation Programs b/	71.8	0.0	0.0	0.0	0.0	0.0	0.0	71.8
Crop Disaster Payments	152.0	0.0	0.0	0.0	0.0	0.0	0.0	152.0
Foreign Market Development Cooperator Program	34.5	0.0	0.0	0.0	0.0	0.0	0.0	34.5
Quality Samples Program	2.5	0.0	0.0	0.0	0.0	0.0	0.0	2.5
Noninsured Assistance Program	311.6	0.0	0.0	0.0	0.0	0.0	0.0	311.6
Dairy Export Incentive Payments	3.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0
Market Access Program	173.0	0.0	0.0	0.0	0.0	0.0	0.0	173.0
Marketing Loan Write-offs	67.8	0.0	0.0	0.0	61.9	4.2	0.0	1.7
Transfers to Other USDA Agencies	2,441.8	0.0	0.0	0.0	0.0	0.0	0.0	2,441.8
Other c/	413.4	-0.1	-0.1	0.6	175.9	0.1	0.0	237.0
Total Program Costs:	12,811.0	2,332.8	1,127.4	311.0	2,396.7	487.5	290.2	5,865.4
Nonprogram Costs:								
Interest (net):								
Support and Related Costs	168.3							
Export Credit Sales	-0.5							
Loss in Interest Income	0.0							
Operating Expenses	4.3							
Total Nonprogram Costs	172.1							
Total Net Realized Losses	12,983.1							

a/ Other commodities and programs include tobacco, soybean products, blended food products, vegetable oil products, wool, mohair, ELS cotton, pulse crops, peanuts, honey and minor oilseeds.
b/ Other conservation programs include the Emergency Forestry Conservation Reserve Program, Wetlands Reserve Program, and Soil and Water Conservation Assistance.
c/ Other costs include miscellaneous cash payment losses, ocean transportation for export donations, and all other miscellaneous expenses.

FY 2008 - ESTIMATED (millions of dollars)

ITEM	TOTAL	Feed Grains and Product	Wheat and Products	Rice	Upland Cotton	Soybeans	Dairy Products	All Other Commodities and Programs a/
Program Costs:								
Gain (-) or loss on sales	158.0	0.0	0.0	0.0	151.2	0.0	6.2	0.6
Domestic Donations	40.4	0.0	0.0	0.0	0.0	0.0	40.4	0.0
Export Donations	117.1	3.0	40.6	16.6	0.0	2.4	4.5	50.0
Storage and Handling	19.8	0.0	12.3	0.3	0.0	0.0	1.6	5.6
Transportation	5.0	0.0	0.0	0.0	0.0	0.0	5.0	0.0
Loan Deficiency Payments	178.2	1.2	0.0	5.2	71.5	70.7	0.0	29.6
Counter-Cyclical Payments	1,277.5	0.0	0.0	0.0	1,132.0	5.3	0.0	140.2
Direct Payments	5,249.1	2,394.3	1,126.0	425.4	611.4	603.0	0.0	89.0
Conservation Reserve Program	2,013.5	0.0	0.0	0.0	0.0	0.0	0.0	2,013.5
Other Conservation Programs b/	23.3	0.0	0.0	0.0	0.0	0.0	0.0	23.3
Foreign Market Development Cooperator Program	34.5	0.0	0.0	0.0	0.0	0.0	0.0	34.5
Quality Samples Program	2.5	0.0	0.0	0.0	0.0	0.0	0.0	2.5
Noninsured Assistance Program	309.3	0.0	0.0	0.0	0.0	0.0	0.0	309.3
Dairy Export Incentive Payments	3.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0
Market Access Program	200.0	0.0	0.0	0.0	0.0	0.0	0.0	200.0
Marketing Loan Write-offs	17.7	0.0	0.0	0.0	16.8	0.0	0.0	0.9
Transfers to Other USDA Agencies	2,288.0	0.0	0.0	0.0	0.0	0.0	0.0	2,288.0
Other c/	780.9	0.7	0.1	8.9	619.9	7.5	0.0	143.8
Total Program Costs:	12,717.8	2,399.2	1,179.0	456.4	2,602.8	688.9	60.7	5,330.8
Nonprogram Costs:								
Interest (net):								
Support and Related Costs	166.5							
Export Credit Sales	-0.5							
Loss in Interest Income	0.0							
Operating Expenses	4.4							
Total Nonprogram Costs	170.4							
Total Net Realized Losses	12,888.2							

a/ Other commodities and programs include soybean products, blended food products, vegetable oil products, wool, mohair, ELS cotton, pulse crops, peanuts and minor oilseeds.
b/ Other conservation programs include Emergency Forestry Conservation Reserve Program.
c/ Other costs include miscellaneous cash payment losses, ocean transportation for export donations, and all other miscellaneous expenses.

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows (new language underscored):

Commodity Credit Corporation Export Loans Program Account (Including Transfers of Funds)

For administrative expenses to carry out the Commodity Credit Corporation's export guarantee program, GSM 102 and GSM 103, $5,344,000; to cover common overhead expenses as permitted by section 11 of the Commodity Credit Corporation Charter Act and in conformity with the Federal Credit Reform Act of 1990, of which $4,985,000 may be transferred to and merged with the appropriation for "Foreign Agricultural Service, Salaries and Expenses", including $775,000 to be made available for debt recovery, and of which $359,000 may be transferred to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses".

CCC EXPORT CREDIT GUARANTEE PROGRAMS

	Guaranteed Loan Level	Subsidy [a]	Administrative Expenses
Estimate, 2007	$2,090,000,000	$61,237,000	$5,226,000
Budget Estimate, 2008	2,440,000,000	64,077,000	5,344,000
Change in Appropriations	350,000,000	2,840,000	118,000

Summary of Increases and Decreases
(On basis of appropriation)

Item of Change	2007 Estimated	Pay Costs	Program Changes	2008 Estimated
Subsidy Costs				
GSM-102	$59,710,000	0	-$6,841,000	$52,869,000
Supplier Guarantees	344,000	0	10,864,000	11,208,000
Facilities Guarantees [a]	1,183,000	0	-1,183,000	0
Total Subsidy Costs	61,237,000	0	2,840,000	64,077,000
Administrative Expenses:				
FSA	1,820,500	18,500	-1,480,000	359,000
FAS	3,405,500	99,500	1,480,000	4,985,000
Total Administrative Expenses	5,226,000	118,000	0	5,344,000
Total Available	66,463,000	118,000	2,840,000	69,421,000

[a] Total subsidy costs do not include negative subsidy for Facilities Guarantee Program in FY 2008.

CCC EXPORT CREDIT GUARANTEE PROGRAMS
Project Statement
(On basis of adjusted appropriation)

	2006 Actual	2007 Estimated	Increase or Decrease		2008 Estimated
Guaranteed Credit Levels	$1,363,300,000	$2,090,000,000	$350,000,000		$2,440,000,000
Guaranteed Credit Subsidy [a/]	$139,326,287	$61,237,000	$2,840,000	(1)	$64,077,000
Administrative Expenses	5,226,210	5,226,000	118,000	(2)	5,344,000
Total Available	144,552,497	66,463,000	2,958,000		69,421,000
Rescission	52,790				
Total, Appropriation	144,605,287				

[a/] Guaranteed Credit Subsidy does not include negative subsidy for Facilities Guarantee Program in FY 2008.

Justification of Increase

(1) An increase of $2,840,000 in estimated subsidy ($61,237,000 available in 2007).

The increase in subsidy level in 2008 is due to an increased program level and changes in projected country programming.

(2) An increase of $118,000 in administrative expenses ($5,226,000 available in 2007).

The requested amount is based on increased pay costs for both FSA and FAS totaling $118,000. There is also a decrease of $1,480,000 for FSA and increase of $1,480,000 for FAS associated with the transfer of certain bank analysis and debt recovery functions from FSA to FAS.

CCC EXPORT CREDIT GUARANTEE PROGRAMS

Classification by Objects
2006 Actual and Estimated 2007 and 2008

		2006	2007	2008
25.3	Purchase of goods and services from Government accounts	$5,226,210	$5,226,000	$5,344,000
41.0	Grants, subsidies, and contributions	139,326,287	61,237,000	64,077,000
99.0	Total direct obligations	144,552,497	66,463,000	69,421,000

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows (new language underscored):

Farm Storage Facility Loans Program Account

For administrative expenses necessary to carry out the Farm Storage and Sugar Storage Facility Loan Programs, $4,660,000, shall be paid to the appropriation for "Farm Service Agency, Salaries and Expenses".

This language requests an appropriation under the Farm Storage Facility Loans Program Account to cover the administrative cost of carrying out the program in accordance with the Federal Credit Reform Act.

COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS

	Program Level	Administrative Expenses	Subsidy
Estimate, 2007	$73,500,000	0	$269,800
Budget Estimate, 2008	92,500,000	$4,660,000	1,032,500
Increase in Appropriation	19,000,000	4,660,000	762,700

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	2007 Estimated	Program Changes	2008 Estimated
Program Levels:			
FSFL	$71,000,000	$19,000,000	$90,000,000
SSFL	2,500,000	0	2,500,000
Total Program Level	73,500,000	19,000,000	92,500,000
Budget Authority:			
FSFL Subsidy	269,800	738,200	1,008,000
SSFL Subsidy	0	24,500	24,500
Total Subsidy	269,800	762,700	1,032,500
Administrative Expenses	0	4,660,000	4,660,000
Total Available	269,800	5,422,700	5,692,500

COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS

Project Statement
(On basis of appropriation)

	2006 Actual	2007 Estimated	Increase or Decrease		2008 Estimated
Program Level:					
FSFL	$111,000,000	$71,000,000	$19,000,000	(1)	$90,000,000
SSFL	0	2,500,000	0		2,500,000
Total Program Level	111,000,000	73,500,000	19,000,000		92,500,000
Subsidy Costs:					
FSFL	0	269,800	738,200	(2)	1,008,000
SSFL	0	0	24,500	(3)	24,500
Total Subsidy Costs a/	0	269,800	762,700		1,032,500
Administrative Expenses	0	0	4,660,000	(4)	4,660,000
Total, Appropriation	0	269,800	5,422,700		5,692,500

a/ Total subsidy does not include negative subsidy for FSFL in FY 2006.

Justification of Increases

(1) An increase of $19,000,000 for the Farm Storage Facility Loans program level ($71,000,000 available in 2007.)

This increase is due to projected per unit construction cost increases and also for the construction of new storage facilities for corn for bio-fuel.

(2) An increase of $738,200 for FSFL subsidy ($269,800 available in 2007.)

Subsidy percentage estimates for cohort 2008 loans increased to 1.12 percent from 0.38 percent for cohort 2007 loans. The increase is mainly due to higher estimated defaults and fewer estimated prepayments.

(3) An increase of $24,500 for SSFL subsidy ($0 available in 2007.)

Subsidy percentage estimates for cohort 2008 loans increased to 0.98 percent from -2.71 percent for cohort 2007 loans.

(4) An increase of $4,660,000 for administrative expenses ($0 available in 2007.)

Administrative expenses were not previously included as part of the Farm Storage Facility Loans program account, but were budgeted under FSA's Salaries and Expense account. The change is proposed to bring Farm Storage administrative expenses in line with requirements of the Federal Credit Reform Act and OMB Circular A-11.

COMMODITY CREDIT CORPORATION
Farm and Sugar Storage Facility Loan Programs

Geographic Breakdown of Obligations
2006 Actual and Estimated 2007 and 2008

	2006 Actual	2007 Estimated	2008 Estimated
Alabama	$435,341	$315,758	$397,382
Arkansas	1,497,604	1,086,229	1,367,023
Colorado	99,999	72,530	91,280
Georgia	43,485	31,540	39,693
Idaho	21,683	15,727	19,792
Illinois	8,716,611	6,322,257	7,956,582
Indiana	3,213,456	2,330,756	2,933,265
Iowa	27,241,531	19,758,593	24,866,257
Kansas	1,197,380	868,473	1,092,976
Kentucky	1,308,955	949,400	1,194,823
Louisiana	175,000	126,929	159,741
Maine	133,400	96,757	121,768
Maryland	362,649	263,033	331,028
Michigan	1,944,071	1,410,057	1,774,561
Minnesota	26,289,580	19,068,133	23,997,310
Mississippi	761,115	552,045	694,751
Missouri	4,047,444	2,935,657	3,694,534
Montana	336,115	243,788	306,808
Nebraska	4,195,158	3,042,796	3,829,369
New York	1,106,734	802,727	1,010,234
North Carolina	49,999	36,265	45,639
North Dakota	2,403,089	1,742,988	2,193,556
Ohio	1,734,650	1,258,162	1,583,401
Oklahoma	98,781	71,647	90,168
Oregon	85,000	61,651	77,589
Pennsylvania	856,678	621,358	781,981
South Carolina	846,141	613,716	772,363
South Dakota	8,161,250	5,919,448	7,449,645
Tennessee	1,043,895	757,149	952,874
Texas	202,849	147,129	185,162
Utah	7,000	5,077	6,390
Vermont	42,400	30,753	38,703
Virginia	451,290	327,326	411,940
Washington	53,000	38,442	48,379
Wisconsin	2,172,452	1,575,704	1,983,029
Undistributed	9,664,217	0	0
Total Available or Estimate	111,000,000	73,500,000	92,500,000

Farm and Sugar Storage Facility Loan Programs

Classification by Objects
2006 Actual and Estimated 2007 and 2008

	Object Class	FY 2006	FY 2007	FY 2008
25.3	Purchase of goods and services from Government accounts	0	0	$4,660,000
41.0	Grants, subsidies, and contributions	0	$269,800	1,032,500
99.0	Total direct obligations	0	269,800	5,692,500

COMMODITY CREDIT CORPORATION

STATUS OF PROGRAM

Current Activities:

Commodity Loans Made and Outstanding
(Dollars in Billions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Loans Made	$5.3	$7.2	$8.4	$9.7	$8.3	$10.1	$10.7	$9.1	$12.6	$12.0
Loans Outstanding	$1.4	$2.2	$2.4	$3.1	$1.9	$1.6	$1.6	$1.8	$1.1	$1.5

FY 2006 Commodity Loans
(Dollars in Thousands)

Commodity	Loans Outstanding SOY	Loans Made	Loan Reductions	Loans Outstanding EOY
Cotton	$79,579	$4,890,573	$4,421,892	$502,314
Feed Grains	300,895	2,042,562	2,046,787	248,583
Oilseeds	5,143	48,870	40,494	13,324
Peanuts	39,400	769,594	749,277	18,772
Rice	179,304	810,020	796,327	189,427
Soybeans	153,441	2,281,453	2,136,182	263,557
Sugar	0	794,209	783,909	10,300
Tobacco	0	9	9	0
Wheat	330,025	339,031	453,255	196,498
Other	20,287	37,457	33,553	20,318
Total	**$1,108,074**	**$12,013,778**	**$11,461,685**	**$1,463,093**

FY 2006 Direct and Counter-Cyclical Payments
(Dollars in Thousands)

Commodity	Counter-Cyclical	Direct
Barley	$46,481	$76,176
Corn	2,514,529	1,993,880
Minor Oilseeds	0	18,524
Oats	-341	2,806
Peanuts	208,111	65,507
Rice	85,579	401,831
Sorghum	264,530	188,111
Soybeans	-146,173	563,811
Upland Cotton	1,410,424	575,373
Wheat	-27,528	1,076,353
Total	**$4,355,612**	**$4,962,372**

Other Payments Made Directly to Producers. The following table includes production flexibility payments, deficiency payments, loan deficiency payments, marketing loss assistance payments, and oilseed payments, but excludes direct and counter-cyclical payments.

Other Payments to Producers
(Dollars in Millions)

Commodity	2001	2002	2003	2004	2005	2006
Cotton	$1,163.6	$1,183.3	$185.8	$19.9	$381.9	$249.8
Dairy	672.5	-0.4	1,795.7	221.1	9.1	351.6
Feed Grains	6,837.5	3,224.8	-131.9	159.2	3,050.2	4,202.5
Minor Oilseeds	234.3	78.9	5.5	4.2	7.4	25.6
Rice	1,050.9	621.9	268.3	199.5	49.0	49.3
Soybeans	3,048.4	3,129.2	17.3	3.4	286.3	22.0
Wheat	2,609.2	1,072.1	-6.5	30.5	43.3	14.2
Wool and Mohair	45.8	-0.1	18.0	12.0	7.6	7.9
Other	22.6	0.0	40.0	18.9	33.4	57.6
Total Payments	**$15,684.8**	**$9,309.7**	**$2,192.2**	**$668.7**	**$3,868.2**	**4,980.5**

Minus (-) indicates credit adjustment to the program.

Purchases. Some commodities are purchased directly from processors. Milk prices are supported through purchases of processed dairy products from processors. Purchases of dairy products, purchases of wheat and wheat products, corn, oats, peanuts, and vegetable oils for donations and purchases of grains, soybeans, and oilseeds on which loans are also made totaled $5,884.5 million, which is comprised of cash purchases of $757.6 million and certificate purchases of $5,126.9 million. Of this amount, $55.2 million was for dairy products.

Noninsured Assistance Program (NAP). NAP payments in FY 2006 totaled $66.3 million, with offsetting fees collected of $9.1 million. Of the payments, $200,000 was for the 2002 and prior crop, $200,000 was for the 2003 crop, $2.9 million was for the 2004 crop, $46.9 million was for the 2005 crop and $16.1 million was for the 2006 crop.

Bioenergy Program. For FY 2006, Bioenergy Program payments totaled $59.1 million. The program ended June 30, 2006.

Emergency Assistance. CCC funding was provided for the following emergency programs in FY 2006.

FY 2006 Emergency Assistance
(Dollars in Thousands)

Program	2006 Outlays
Katrina Transportation and Alternative Storage Costs	$9,788
Crop Disaster	120,353
Dairy Producer Losses	6,963
Livestock Indemnity	-3
Quality Loss Program	0
Sugar Beet Crop Disaster	8
Sugarcane Crop Disaster	40,400
Emergency Livestock Assistance	193,670
Tree Assistance	4,372
American Indian Livestock Assistance	7,202
Total	**$382,753**

Farm Bill-Authorized CCC Transfers, FY 2006
(Dollars in Thousands)

Agencies Receiving Transfers	FY 2006 Amount
Agricultural Marketing Service (AMS)	$1,750
Chief Economist (OCE)	2,000
Food & Nutrition Service (FNS)	15,000
Forest Service (FS)	5,000
Natural Resources Conservation Service (NRCS)	1,768,167
Risk Management Agency (RMA)	0
Rural Development (RD)	12,000
Cooperative State Research, Education & Extension Services (CSREES)	75
Total	**$1,803,992**

Prompt Payment Act Interest Payments. Total interest paid on late payments during FY 2006 was $3,723,700, compared to $1,698,059 in FY 2005. The majority of the increase is the result of late payments for the Loan Deficiency Program (LDP), Conservation Reserve Program (CRP), and Direct & Counter Cyclical Payments (DCP). Payments were late because of program documentation delays, a high number of payments being processed during the payment cycle, misplaced or mishandled documentation, and computer system processing delays.

With increasingly scarce resources, FSA has striven to balance program delivery responsibilities, compliance with expanding performance and accountability requirements, and modernization. However, the Agency has reached the point that not all requirements can be adequately met simultaneously at current resource levels.

As competition and accountability for limited resources continue to increase, FSA's challenge is to continue to provide its customers with the efficient, accurate and timely service they deserve.

FSA is conducting a review with the goal to increase the effectiveness of FSA's local offices by identifying the best allocation of available resources to achieve the optimal system of offices with upgraded equipment, modern technology, and well-trained personnel.

Farm Storage Facility Loan Program (FSFL). For FY 2006, loan obligations totaled $111.0 million.

Sugar Storage Facility Loans. No loans were made in FY 2006.

COMMODITY EXPORT ACTIVITIES

The Corporation is authorized to promote the export of U.S. agricultural commodities and products through sales, payments, direct credit, credit guarantees, and the conduct of other activities related to the exportation of commodities. During FY 2006, CCC commercial export credit activities consisted of credit guarantees under the GSM-102 Export Credit Guarantee Program.

Direct Credit. From the beginning of the short-term export credit sales program in 1956 through September 30, 2005, sales of agricultural commodities amounted to approximately $9,649.2 million, with an additional $722.9 million in capitalized interest resulting from debt rescheduling. However, there has been no new program activity since fiscal year 1987. Amounts outstanding under this program were $24.4 million as of September 30, 2006, which were rescheduled credits. Principal repayments from inception through September 30, 2006, totaled $9,586.6 million, including $4.1 million in FY 2006.

CCC Export Credit Guarantees. During FY 2006, the following sales were registered under the CCC Export Sales Guarantee Programs.

Activity	FY 2006 Sales Registration ($000)
GSM-102, Short-term Guarantees	$1,363.30
Supplier Credit Guarantee Program	0.00
Facilities Guarantee Program	0.00
Total	**$1,363.30**

On July 1, 2005, the guarantee fees (premia) charged under the export credit guarantee programs were changed from a flat fee basis to a country risk-based approach. The revised premia respond to a World Trade Organization (WTO) dispute panel decision and are intended to remove any long-term subsidy component of the program, prospectively.

U.S. Agricultural Technical Expertise Provided to Emerging Markets. The Food, Agriculture, Conservation and Trade Act of 1990, as amended, authorizes for each fiscal year through 2007, a program for promoting agricultural exports to emerging markets through the sharing of U.S. agricultural technical expertise. Actual expenditures during FY 2006 totaled $9.9 million, which included prior year obligations.

Export Enhancement Program. An export enhancement program was initiated in 1985 under which CCC funds or commodities are made available to exporters as bonuses to make U.S. agricultural products competitive in foreign markets. All sales involving bonus CCC funds or commodities are intended to increase and enhance U.S. agricultural exports above what would have occurred in the absence of the program. No cash payments, including payments from prior year programs, or bonuses were awarded in FY 2006.

Dairy Export Incentive Program (DEIP). The DEIP operates on a bid bonus system similar to the Export Enhancement Program, with cash bonus payments. Cash payments in FY 2006, including payments from prior year programs, totaled $0.2 million. No bonuses were awarded in FY 2006.

Bill Emerson Humanitarian Trust. The Bill Emerson Humanitarian Trust (BEHT) is a commodity reserve that was established to ensure that the United States can meet its international food aid commitments. Commodities authorized for the 4-million ton reserve include wheat, corn, grain sorghum and rice. The Secretary is authorized to release up to 500,000 metric tons annually for urgent humanitarian relief in disasters in the case of unanticipated need and to release an additional 500,000 metric tons of eligible commodities that could have been released but were not released in previous years. The Secretary also is authorized to release eligible commodities from the reserve when supplies are so limited that eligible commodities cannot be made available for programming under P.L. 480. The 2002 Farm Bill extends the authorization to replenish the BEHT through FY 2007. CCC is authorized to hold funds as well as commodities in the reserve. No releases from BEHT took place in FY 2006.

STORAGE ACTIVITIES

The objectives of the Corporation in carrying out its storage program are to help producers finance needed storage facilities on their own farms and to make efficient use of commercial facilities in the storage of CCC-owned commodities.

Commercial Storage. The Corporation has contracts with about 2,258 commercial warehouse operators in 4,389 locations within 40 States for the storage of Government-owned and loan grain and rice. The agreements provide for a storage rate covering about 2,721 grain and rice warehouse facilities operating under the agreements. The grain and rice facilities have a total capacity of about 7.8 billion bushels. The ownership of CCC-owned commodities during FY 2006 was significantly lower than FY 2005 which resulted in decreased storage and handling charges totaling $96.1 million, which included $78.2 million for peanuts. Total number of loans was 67,210.

In accordance with the Grain Standards and Warehouse Improvement Act of 2000, user fees are charged for warehouse examination services of all warehouses licensed under the United States Warehouse Act (USWA). Grain, rice, and cotton warehouses not licensed under the United States Warehouse Act pay contract fees to CCC. However, the collection of an annual contract fee is currently suspended.

SUPPLY AND FOREIGN PURCHASE ACTIVITIES

The Corporation is authorized to procure agricultural commodities in the U.S. and abroad for U.S. and foreign governmental agencies and entities, pursuant to sections 5(b) and (c) of its Charter Act, and section 4 of the act of July 16, 1943 (15 U.S.C. 713a-9).

ACQUISITION AND DISPOSAL ACTIVITIES

The Corporation acquires stocks of various farm products as a result of its support activities. Such acquisitions result from purchases from producers and processors and collateral acquisitions arising from loan operations. The inventory was reduced in FY 2006 from FY 2005. CCC's acquisition-cost value on September 30, 2006, was $226.0 million as compared to $304.2 million in FY 2005.

Summary of Dispositions. The Corporation moves substantial quantities of farm commodities into useful channels, both at home and abroad. The value (at acquisition cost) of commodities removed from CCC inventories in FY 2006 was $6,098.0 million and sales proceeds were $4,705.4 million, including certificate sales proceeds of $4,048.4 million.

Commodity Inventories Owned by CCC
End of Year, Fiscal Years 1993-2006
(Dollars in Thousands)

	Cotton	Dairy	Feed Grains	Soybeans	Wheat	Other	Total
2006	$1,204	$40,906	$3,835	$5,257	$160,921	$13,916	$226,039
2005	633	95,197	4,724	37	173,281	30,314	304,186
2004	680	605,544	21,793	11	291,436	30,740	950,204
2003	27,076	1,325,207	29,673	3,606	291,731	306,863	1,984,156
2002	43,530	1,283,648	34,868	14,105	370,042	740,360	2,486,553
2001	10,400	866,800	45,500	15,700	403,700	942,807	2,284,907
2000	2,300	562,200	71,600	48,400	399,600	119,600	1,203,700
1999	2,600	206,400	42,300	25,100	425,700	11,200	713,300
1998	0	128,225	21,358	11,700	369,967	0	531,250
1997	100	23,047	7,300	0	346,334	21	376,802
1996	61	2,306	75,411	0	407,510	0	485,288
1995	52	38,587	116,433	1	528,122	18,328	701,523
1994	3,317	211,133	122,002	773	538,206	65,285	940,716
1993	3,281	610,953	167,172	1,219	561,708	31,145	1,375,478

The following table shows the value ($ in thousands) of commodities disposed of during FY 2006:

Type of Disposition	Cost Value	Proceeds
Domestic Sales for Dollars	$167,668	$129,082
P.L. 480 (Export) Title I*	43,359	42,495
P.L. 480 (Export) Title II*	485,244	485,244
Domestic Certificate Redemption	5,126,897	4,048,389
Domestic Donations	69,912	0
Export Donations	197,782	0
Domestic Transfer to other Government Agencies	1,069	1,452
Domestic Inventory Adjustments and/or Recoveries	6,082	-1,309
Subtotal Domestic Dispositions	5,371,628	4,177,614
Subtotal Export Dispositions	726,385	527,739
TOTAL DISPOSITIONS	**$6,098,013**	**$4,705,353**

* Proceeds represent the value of commodities charged to P.L. 480 and recorded as sales.

Explanation of Dispositions.

Domestic Commercial Sales. For unrestricted use - Commodities acquired under support can be sold for unrestricted use domestically only at prices which are not below minimums prescribed by law. There are no similar minimums on sales of non-storables.

For restricted use - Commodities may be sold for restricted uses or outlets at less than the minimums prescribed by law. These uses would include new or by-product uses, peanuts and oilseeds sold for extraction of oil, and commodities that have substantially deteriorated in quality or are in danger of loss or waste.

CONSERVATION

Conservation Activities in FY 2006

Program	Authorized Acres or Funding Level	(Dollars in Thousands)	
		CCC Net Outlays	**Transfer to NRCS**
Conservation Reserve Program	39.2 million acres (rolling maximum)	$1,895,872	0
Wetlands Reserve Program	2.275 million acres (rolling maximum)	19,897	$273,102
Environmental Quality Incentives Program	$1,017 million	457	994,706
Ground and Surface Water Conservation Program	$51 million	0	70,093
Farmland Protection Program	$112 million	147	73,500
Wildlife Habitat Incentives Program	$47 million	0	43,000
Soil and Water Conservation Program	0	738	0
Total		**$1,917,111**	**$1,454,401**

FINANCING

Borrowing Authority. CCC operations are financed through borrowing from the U.S. Treasury. The FY 1988 Appropriations Act, P.L. 100-202, increased the statutory borrowing authority to $30 billion. As of September 30, 2006, $16.420 billion of this authority was in use.

Reimbursement for Net Realized Losses. During FY 2006, the Corporation received $25.431 billion for reimbursement of 2005 losses. As of September 30, 2006, unrestored realized losses totaled $23.098 billion. These losses are financed by the Corporation's borrowing authority until reimbursed by appropriation.

Section 11 Activities. Section 161 of the 1996 Act amended section 11 of the CCC Charter Act to limit the uses of CCC funds for reimbursable agreements and transfers and allotments of funds to State and Federal agencies. Starting 1997, total CCC funds used under that section in a fiscal year, including agreements for ADP or information technology management activities, shall not exceed the total of such allotments and transfers in fiscal year 1995. The Section 11 cap was increased in FY 2001 from $36.2 million to $56.2 million to include Farm Service Agency loan service fees of nearly $20 million based on 1995 collection computations. Obligations in fiscal year 2006 were $50.6 million.

PART PROGRAM ASSESSMENTS

Counter-Cyclical Payments. The 2004 PART review determined that the program was adequate. The assessment validated the program's effectiveness in reaching its mandated beneficiaries and fulfilling its purpose of stabilizing farm income with minimal distortion of production or trade. In FY 2005, FSA met its target of maintaining the participation rate at 98 percent of eligible farms. In administering the program, FSA uses strong financial practices and has taken steps to improve operational efficiency. Assessment areas of concern include expanding payments beyond just major field crops, identifying and collecting more meaning performance data, and institutionalizing a more systematic vice ad-hoc approach for obtaining independent evaluations. Improving the program design, including changing crop eligibility would require changes to legislation. FSA continues to address PART recommendations and associated milestones.

Dairy Price Support Program (DPSP). DPSP was reassessed through PART in 2006 and received a rating of results not demonstrated. The PART assessment found that DPSP has not been updated in response to changing industry conditions since it began in 1949, DPSP has design flaws that limit its effectiveness, USDA manages the government owned dairy products for multiple purposes and is not required to minimize costs.

Based on PART findings, FSA will: conduct biannual evaluations of USDA purchase prices for nonfat dry milk and butter to determine whether the program is operating at least cost to the taxpayer; strengthen financial disbursement system controls as identified in financial audits; and examine public input from USDA farm bill forums to evaluate program performance.

Milk Income Loss Contract (MILC) Program. MILC was reassessed through PART in 2006 and received a rating of adequate. The PART assessment found that MILC 1) has a modest impact in slowing the decline in production on small and medium size dairy operations, 2) has design flaws because payments are tied to production, and 3) the safety net benefits of MILC are not compatible with other USDA dairy programs.

Based on PART findings, the following improvement plans will be implemented: MILC, along with other dairy assistance programs, will be examined to assess program alternatives that improve performance, and MILC will continue to strengthen controls in the program's disbursement system as identified in financial audits.

CCC Marketing Loan Payments. The 2003 PART review determined that the program was moderately effective and effectively provided per-unit revenue support on realized production of eligible crops. Specific findings concluded that: the program provides the same level of support to all producers, regardless of financial need; marketing loans provide a focused support to producers of major field crops only, but do not provide a safety net to producers of other crops that may need assistance; and commodity certificate redemption and non-recourse forfeiture provisions allow producers to exceed their payment limitations. The PART affirmed recognized limitations of the marketing loan program and that improvements to the program, such as changes to crop eligibility, would require legislation changes. FSA continues to address PART recommendations and associated milestones.

Bioenergy. The 2003 PART review determined that the program was adequate and is well-managed. The assessment concluded that the program serves a clear need in helping to reduce U.S. dependence on traditional energy sources and providing alternative markets for agricultural producers. However, the PART also found that the program is not optimally structured to address differences in bioenergy markets and is in some ways redundant of other programs that share a similar purpose. Specific findings include: a) Current market conditions for ethanol vary substantially from biodiesel. As a result, the program plays a large role in spurring biodiesel production increases whereas the program is not key in increasing ethanol production; b) Other efforts have a greater impact on stimulating increased ethanol production – primarily tax credits, c) Improved coordination with other USDA bioenergy-related programs is needed. Coordination efforts related to commercialization are substantially weaker than those activities for research and development; and d) The program made significant improvements in performance measurement. However, targets have been reassessed to make sure they are ambitious in light of available resources. FSA addressed PART recommendations and associated milestones, and all Bioenergy follow-up actions were completed. This program ended June 30, 2006.

Direct Crop Payments. The 2002 PART review determined that the program was adequate. The assessment concluded the program is generally well managed, however several important conclusions and suggestions were generated based on the findings. The purpose of the program is clear, but the design could be improved to ensure the program reached a greater amount of farmers. For example, in FY 2000, direct payments reached only 41 percent of all eligible farmers. Likewise, independent reviews of the program concluded that it has provided support in maintaining farm income, but had not been effective in reducing the need for government subsidies. The program's management has developed performance goals designed to improve the delivery of the program. FSA intends to maintain or improve the current participation rate for direct and counter-cyclical payment programs at 98 percent or better. FSA continues to address PART recommendations and associated milestones.

Conservation Reserve Program (CRP). The 2005 PART review determined that the program was moderately effective. The assessment determined that there is a need for improvement in both program management and accountability. Specific recommendations include: improving FSA's technical assistance accountability systems; performing independent program evaluations for improving performance and cost efficiency; and continuing to collect performance data to improve field-level oversight of CRP contracts. USDA is currently conducting a study required by the 1977 Resource Conservation Act that requires the Secretary to provide periodic program evaluation for private lands conservation, and the Secretary delegated this responsibility to the Natural Resource Conservation Service (NRCS). FSA is partnering with NRCS, and other USDA sister agencies to complete the Conservation Evaluation and Assessment Project which will provide the information necessary to assess conservation programs. Preliminary results of this study will be available in spring 2007. In the meantime, FSA will continue to address PART recommendations and document associated milestones. PART milestones have been met.

Non-Insured Crop Disaster Program (NAP). NAP provides financial assistance to agricultural producers who grow crops not covered by crop insurance, thereby limiting farmers' losses from natural disasters and helping them to manage risk. The PART assessment was completed in 2006 and the program received a rating of moderately effective. The PART assessment found that NAP is valuable for agricultural producers as a risk management tool, the program is managed relatively well, and that independent NAP evaluations are primarily limited to OIG audits.

Based on PART findings, FSA will: eliminate shortcomings identified in financial audits by strengthening the processes and controls in the program's disbursement system; develop and implement a performance-based budgeting process that will improve accountability of budget and financial systems; and investigate options to commission independent evaluations that analyze program performance.

Summary of CCC Activities for FY 2004 through 2006 (millions of dollars)

Item	2004 Actual	2005 Actual	2006Actual
Loan Activity:			
Loans Outstanding, Beginning of Year	$1,644.0	$1,801.7	$1,108.1
Loans Made	9,149.6	12,619.2	12,013.8
Loans Repaid	-7,903.6	-6,818.6	-6,054.9
Loans Repaid – Certificates	-902.7	-5,149.1	-5,126.9
Marketing Loans Repaid	-113.6	-318.1	-279.9
Collateral Acquired	-25.3	-978.3	-128.4
Write-offs	-34.8	-41.7	-58.7
Transfers to Accounts Receivable	-11.9	-7.0	-10.0
Loans Outstanding, End of Year	1,801.7	1,108.1	1,463.1
Inventory Activity:			
Inventory, Beginning of Year	1,984.2	950.2	304.2
Commodity Purchases	1,323.8	957.6	757.6
Certificates from Loan Redemption	902.7	5,149.2	5,126.9
Collateral Acquired	25.3	978.3	128.4
Loan Collateral Settlements	0.4	86.6	4.2
Processing, Packaging, etc.	30.7	19.2	3.8
Storage and Handling	(-90.2)	(-99.6)	(-96.1)
Transportation	(-22.1)	(-6.6)	(-3.6)
Other Transfers (net)	-254.5	-134.9	-1.1
Commodity Cost of Sales	-2,417.8	-7,159.1	-5,830.3
Domestic Donations	-430.7	-271.2	-69.9
Export Donations	-213.9	-271.7	-197.8
Inventory, End of Year	950.2	304.2	226.0
Direct Cash Payments:			
Production Flexibility Payments a/	-10.8	1.2	-0.6
Direct Payments	5,288.6	5,234.6	4,962.4
Counter-Cyclical Payments	809.4	2,771.5	4,355.6
Deficiency Payments a/	-1.6	0.0	0.0
Loan Deficiency Payments	461.2	3,855.6	4,629.6
Milk Income Loss Payments	221.0	9.1	351.5
Noninsured Assistance Payments b/	124.1	109.6	66.3
Conservation Reserve Payments	1,785.5	1,788.3	1,830.4
Other Conservation Payments	96.0	22.3	22.3
Bioenergy Program Payments	150.2	100.0	59.1
Other Payments	380.0	1,532.0	1,350.8
Total	9,303.6	15,424.2	17,627.4

Commodity Export Activities:			
CCC Export Credit Guarantee Programs			
(Program Level)	(3,716.6)	(2,624.5)	(1,363.3)
(Net Outlays)	-98.5	-1,384.1	-831.8
Export Enhancement Program			
(Program Level)	(0)	(0)	(0)
(Net Outlays)	0	0	0
Market Access Program			
(Program Level)	(125.0)	(140.0)	(200.0)
(Net Outlays)	123.9	138.9	158.0
Dairy Export Incentive Program			
(Program Level)	(2.7)	(0)	(0)
(Net Outlays)	19.0	1.2	0.2
Other:			
Realized Loss	12,456.3	25,430.7	23,098.3
Investment in Agricultural Commodities	2,751.9	1,412.3	1,689.1

a/ Reflects Refunds of Overpayments or Accounting Adjustments
b/ Does not include fee collections.