FY 2010 Explanatory Notes

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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.

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 (FAS), the Natural Resources Conservation Service (NRCS), and other agencies and offices of the Department, and commercial agents also carry out certain phases of the Corporation's activities. With respect to FSA-administered CCC programs, FSA utilizes its headquarters, field, State, and county offices. FSA has headquarters offices in Washington, DC, two field offices in Kansas City, an office in Salt Lake City, and a field office in St. Louis servicing farm loan programs. There are 50 State offices, an insular area office in Puerto Rico, and approximately 2,280 county offices. Similarly, NRCS-administered programs are carried out through the national office of NRCS and its nationwide office structure. CCC activities carried out by FAS require the use of the FAS headquarters office and agricultural attaches located throughout the world.

Historically, the principal operations conducted by CCC related to the operation of price and income support programs for producers of agricultural commodities. While the CCC Charter Act provides broad authority with respect to the support of U.S. agriculture, the majority of CCC activities are those that the Corporation is required to implement under various statutes, such as the Food, Conservation, and Energy Act of 2008 (the 2008 Act). Operations of the CCC include:

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

In addition, a significant amount of CCC funds are expended in the operation of numerous conservation programs, principally under the Food Security Act of 1985. Most of these conservation programs are administered on behalf of CCC by NRCS.

CCC is the principal source of funds for the international activities of the Department of Agriculture. Under the CCC Charter Act and other acts, most notably the Food for Peace Act (P.L. 480) and the Agricultural Trade Act of 1978, the Corporation provides assistance in the development of international markets and 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, and storage, handling, and disposition of commodities acquired under the various programs. CCC funds, and CCC-acquired commodities, are also used with respect to the administration of developmental programs in foreign countries.

CCC-owned commodities are also available for use in the administration of domestic nutrition and feeding programs administered by the Food and Nutrition Service.

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, 2006, 2007, 2008, and 2009 Appropriations Acts, P.L. 107-76, P.L. 108-7, P.L. 108-199, P.L. 108-447, P.L. 109-97, P.L. 110-5, P.L. 110-161, and P.L. 111-8 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 2010 Appropriations Act is 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 Facilities Financing) is authorized to cover the subsidy costs of the current year's program. The FY 2009 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 2009. 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. In FY 2007 and FY 2008 $4.8 million was provided for reimbursable agreements through Section 11. In FY 2009, $4.8 million will be provided through Section 11. 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, the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill), and the Food, Conservation and Energy Act of 2008 (2008 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, long grain and medium grain rice, soybeans, minor oilseeds, pulse crops, honey, wool and mohair at levels provided for by law. Pulse crops include both large and small chickpeas. 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.

The 2008 Farm Bill adds the Average Crop Revenue Election (ACRE) program as an alternative to counter-cyclical payments and in exchange for a 20 percent reduction in direct payments and a 30 percent reduction in marketing assistance loans rates for all commodities produced on the farm except for seed cotton loans. The election to enroll a farm in ACRE may be made for any of the crop years 2009-2012, but once the election is made, it is irrevocable through the 2012 crop.

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 2009-2019 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, sugar and dairy.

Dairy program. Dairy qualifies for milk price supports and dairy market loss payments. The 2008 Farm Bill replaces the price support program of the 2002 Farm Bill with the Dairy Product Price Support Program, which is effective for calendar years 2008-2012. It requires the Secretary to support the price of cheddar cheese, butter and nonfat dry milk through purchases of such products at prices not less than $1.13 per pound for cheddar cheese in blocks, not less than $1.10 per pound for cheddar cheese in barrels, not less than $1.05 per pound for butter, and not less than $0.80 per pound for nonfat dry milk. Purchase prices for milk products may be adjusted lower based on preset levels of product net removals. The 2008 Farm Bill extends the Milk Income Loss Contract (MILC) Program through September 30, 2012. The payment calculation percentage is raised from 34 to 45 percent and the payment quantity is raised from 2,400,000 to 2,985,000 million pounds per fiscal year effective October 1, 2008 through August 31, 2012. A feed cost adjuster is added that raises the $16.94 base price when the national average ration cost exceeds $7.35 per hundredweight for a given month.

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 2008 Farm Bill, peanuts qualify for ACRE, direct payments, counter-cyclical payments, marketing assistance loans and loan deficiency payments for the 2009 through 2012 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 quota compensation payments being made during fiscal years 2002 through 2006. The 2002 Farm Bill also established marketing assistance loans for the 2002 through 2007 crops, with a loan rate of $355 per ton. The 2008 Farm Bill continues this rate. The payment rate is the amount by which the established loan rate exceeds the rate at which a loan may be repaid.

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. The 2008 Farm Bill extends the marketing allotment provisions of the 2002 Act, except they are now permanent and cannot be set at a level less than 85 percent of estimated sugar deliveries for human consumption. The 2008 Farm Bill introduces the Feedstock Flexibility Program, which requires the diversion of sugar from food use to ethanol producers, if needed, to keep sugar prices above levels at which sugar processors might otherwise forfeit sugar under loan to the CCC.

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. The 2008 Farm Bill adds long grain and medium grain rice and large chickpeas as eligible commodities.

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. The 2008 Farm Bill continues the 2002 Farm Bill payment rates; however, payment acres decrease from 85 to 83.3 percent of base acres for 2009-2011 crops, and no advance payments are available for the 2012 and subsequent crops.

Average Crop Revenue Election (ACRE) Payments. The 2008 Farm Bill adds the ACRE program for the 2009-2012 crop years. Producers who elect to enroll a farm in ACRE are eligible for ACRE payments in lieu of counter-cyclical payments on the farm and in exchange for a 20 percent reduction in direct payments on the farm and a 30 percent reduction in the marketing assistance loan rates for all commodities produced on the farm except that the loan rate for seed cotton loans will not be so reduced. The election to enroll a farm in ACRE may be made for any of the crop years 2009-2012, but once the election is made, it is irrevocable through the 2012 crop.

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 2008 Farm Bill establishes specific loan rates for long grain and medium grain rice and restricts loan rate adjustments to grade and quality factors. Also, large chickpeas are added as a new marketing assistance loan commodity with a higher loan rate than small chickpeas.

Market Loss Assistance for Asparagus Producers. The 2008 Farm Bill authorizes the use of $15 million to make payments to 2007 crop asparagus producers. Of the total, $7.5 million will be available to fresh asparagus producers and $7.5 million will be available to frozen market asparagus producers.

The following table shows estimated CCC payments made directly to producers, assuming the provisions of the 2008 Farm Bill:

COMMODITY CREDIT CORPORATION
Direct, Counter-Cyclical, Production Flexibility, Marketing Loss Assistance, Loan Deficiency, Oilseed, Emergency Disaster, and Noninsured Assistance Payments
Fiscal Years 2008-2010
(Thousands of Dollars)

	2008 Actual	2009 Estimate	2010 Estimate
Total Production Flexibility Payments For all Commodities	$-261	0	0
Direct Payments:			
Corn	1,950,273	$2,200,100	$1,947,400
Grain Sorghum	180,613	207,849	177,800
Barley	71,907	89,437	76,000
Oats	2,692	3,264	2,725
Total Feed Grains	2,205,485	2,500,650	2,203,925
Wheat	1,031,808	1,165,705	1,009,626
Upland Cotton	573,510	632,337	580,565
Rice	401,958	433,424	404,770
Peanuts	45,239	72,701	66,577
Soybeans	546,072	610,551	538,700
Minor Oilseeds	17,134	21,169	17,902
Total	4,821,206	5,436,537	4,822,065
Counter-Cyclical Payments **a/**:			
Corn	-357	0	0
Grain Sorghum	-11	0	0
Barley	-6	0	0
Total Feed Grains	-374	0	0
Wheat	-5	-40	0
Upland Cotton	267,204	799,490	1,126,411
Rice	14	0	0
Peanuts	92,231	4,342	36,986
Soybeans	-6	0	0
Total	359,064	803,792	1,163,397
Market Loss Assistance Payments:			
Dairy - Milk Income Loss Contract Payments.	2,153	600,000	82,000
Other Market Loss Asst Payments	-62	15,000	0
Total	2,091	615,000	82,000
Loan Deficiency Payments **a/**:			
Corn	83	0	0
Grain Sorghum	13	0	0
Barley	4	0	0
Total Feed Grains	100	0	0
Wheat	-1	0	0
Upland Cotton	120	142,518	134,705

	2008 Actual	2009 Estimate	2010 Estimate
Rice	-49	0	0
Peanuts	-1	0	0
Lentils	-3	0	0
Chickpeas	0	0	0
Dry Edible Peas	-2	0	0
Wool	4,117	5,336	5,229
Pelts	897	1,089	1,068
Mohair	800	1,364	1,553
Soybeans	58	0	0
Minor Oilseeds	0	0	0
Total	6,036	150,307	142,555
Noninsured Assistance Payments	73,989	275,000	275,000
Crop Disaster Program:			
Crop Disaster Payments	1,281	41	0
Emergency Livestock Asst Program	25	0	0
Livestock Indemnity Program	2	0	0
Total	1,308	41	0
Other Programs:			
Upland Cotton Econ Adjustment Asst	0	83,600	82,700
ELS Cotton User Marketing Payments	29,839	0	0
Cotton Seed Payments	319	0	0
Tobacco Payments	954,817	960,000	960,000
Tree Assistance Program	1,010	60	0
Total	985,985	1,043,660	1,042,700
Payments, Grand Total	6,249,679	8,324,337	7,527,717

a/ These estimates do not include stochastic add-ons.

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. The Foreign Agricultural Service (FAS) administers the CCC Export Credit Guarantee Programs. Additional information about these programs can be found in the FAS section of these Explanatory Notes.

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 in 2007, the Supplier Credit Program was also suspended. Statutory authority for both programs was deleted in the 2008 Farm Bill. In addition, credit guarantees are no longer extended to countries in the highest risk rating categories.

Total sales registrations in FY 2008 were $3.11 billion, all for the GSM-102 program. Total program level for FY 2009 is estimated to be nearly $5.5 billion, including $5.4 billion for the short-term export credit guarantee program (GSM-102), and $75 million for facilities guarantees. The program level for FY 2010 is also expected to reach $5.5 billion.

The 2010 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 guarantees issued 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 claims 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 Food, Conservation, and Energy Act of 2008, P.L. 110-246, re-authorizes funding for new and existing conservation programs implemented by FSA or NRCS. The bill provides funding through 2012 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, administered by FSA, is USDA's largest conservation/environmental program. The purpose of CRP 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 long-term resource-conserving vegetative covers. CRP participants enroll acreage for periods of 10 to 15 years in exchange for annual rental payments, cost-share payments, and technical assistance for installing and maintaining approved conservation practices.

Established by the 1985 Food Security Act, CRP was amended and extended under subsequent farm bills. Most recently, the 2008 Act re-authorized CRP enrollment through December 31, 2012, decreased maximum CRP enrollment at any one time to 32 million acres beginning October 1, 2009, expanded Farmable Wetlands Program (FWP) eligibility, and included provisions for funding a tree thinning cost-share program and a transitions option. The transitions option is designed to encourage use of expiring CRP lands to assist beginning and socially disadvantaged farmers.

CRP enrolls land through both general and continuous signups. Under general signup provisions, producers compete for acceptance nationally during specified enrollment periods based on an environmental benefits index. Continuous signup is reserved for high environmental impact small-footprint practices such as riparian buffers, filter-strips, and wetland restorations.

Most continuous signup enrollments are eligible for additional payments above and beyond payments made for general signup contracts. Most continuous practices receive annual incentives of up to 20 percent of the annual rental payment, plus an up-front signing incentive of $100/acre and a practice incentive equal to 40 percent of installation costs, payable when practice installation is complete. Continuous signup also includes:

- Conservation Reserve Enhancement Program (CREP). Under Federal-State partnerships 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 signup incentives, and most CREP agreements provide for additional financial incentives.
- FWP enrollment is limited to 1 million acres across all States, was originally limited to small non-flood-plain wetlands and adjacent uplands, and also receives continuous signup incentives. The 2008 Farm Bill expanded eligibility to include aquaculture ponds, flooded farmland, constructed wetlands, and associated buffers.

Between 2002 and 2008, USDA initiated several enhancements to continuous CRP designed to increase environmental benefits by enrolling up to:

- 500,000 acres of bottomland hardwood trees to enhance wildlife habitat, sequester carbon, protect water quality, and reduce flood damage;
- 500,000 and 250,000 acres, respectively for restoration of floodplain and non-floodplain wetlands;
- 250,000 acres of upland bird habitat buffers;
- 100,000 acres to provide habitat for duck nesting in wetland complexes located in the Prairie Pothole region;
- 250,000 acres for restoration of longleaf pine ecosystems in the Southeastern U. S; and
- 500,000 acres to restore habitat for high-priority wildlife species throughout the U. S.

Beginning in FY 2009, incentive payments similar to those provided for other continuous signup practices were established for the wetland restoration initiatives noted above. All the above initiatives now have similar payment provisions.

In fiscal year 2006, general signup number 33 was held, enrolling about 900,000 acres. General signups were not held in fiscal year 2007 or 2008, and the budget assumes no general signup in fiscal year 2009. Under continuous signup, including, CREP and FWP, a combined total of 396,000 acres were enrolled in fiscal year 2008. About 400,000 acres are projected to be enrolled under continuous signup in fiscal year

2009 and 344,000 acres are projected for fiscal year 2010. A general signup of 3.972 million acres is projected for fiscal year 2010, with contracts beginning in fiscal year 2011. Enrollment is projected to end fiscal year 2009 at 33.9 million acres, declining to 30.0 million acres in fiscal years 2012 and 2013 before gradually increasing to 32.0 in fiscal year 2019.

Conservation Reserve Program
Program Level
(Dollars in Thousands)

Program Level	2008 Actual	2009 Estimated	2010 Estimated
Financial Assistance	$1,927,012	$1,878,565	$1,851,963
Technical Assistance (Obligations)	63,166	67,664	84,080
Total, Program Level	$1,990,178	$1,946,229	$1,936,043

Cumulative CRP Enrollment
FY 2008 through FY 2014
(Acres in Thousands)

	2008	2009	2010	2011	2012	2013	2014
Acres Enrolled	34,633	33,913	30,380	30,223	30,048	29,981	30,359

Emergency Forestry Conservation Reserve Program (EFCRP). 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. 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. The U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, P.L. 110-28, signed on May 25, 2007, reauthorized EFCRP enrollment and signup resumed in August, 2007. Signup was terminated in December 2008. EFCRP enrollment as of October 31, 2008 was 260,000 acres.

Voluntary Public Access and Habitat Incentive Program. The Voluntary Public Access and Habitat Incentive Program was established by Section 2606 of the 2008 Act to encourage farmers and ranchers to allow public access on their lands. It provides up to $50 million of CCC funding through FY 2012 to be granted to States that have public access programs. Outlays are estimated at $16.67 million per year for the period FY 2010-2012.

Biomass Crop Assistance Program (BCAP). BCAP was established by Section 9001 of the 2008 Act. Funded by the CCC, BCAP provides rental and cost-share payments to encourage production of biomass crops. Payments are also provided to offset harvest, storage, and transportation costs. Costs are estimated at $429 million through FY 2016.

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. The 2008 Farm Bill increased funding to $15 million for FY 2008-2012. There were no outlays in FY 2008 as funding was transferred out. CCC transferred $8.0 million to the Natural Resources Conservation Service, $6.0 million to the Risk Management Agency, and $1.0 million to the Agricultural Marketing Service in FY 2008, and plans to transfer the same amounts in FY 2009-2010.

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 2008 program outlays were $1.01 million with a projected $60 thousand for FY 2009.

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 2008 Farm Bill extends the MILC program through September 30, 2012. The Milk Income Loss Contract Program outlays in FY 2008 were $2.1 million.

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 one 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 one 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. The 2008 Farm Bill extends this through the 2008 crop year.

The 2008 Farm Bill rescinds the three entity rule for payment limitation purposes for the 2009-2012 crops. Instead, payments are tracked as received directly or indirectly by an individual person or legal entity. Except for those who elect to receive ACRE payments, the direct payment limitation remains at $40,000 and the counter-cyclical payment limitation remains at $65,000. Beginning with the 2009 crop, the 2008 Farm Bill rescinds the payment limitation for both marketing loan gains and loan deficiency payments. Commodity program payments are subject to farm and nonfarm adjusted gross income (AGI) limits for 2009-2012 crop years. The AGI limit for farm income is $750,000 and $500,000 for nonfarm income.

Export Subsidy Program. Under the Dairy Export Incentive Program (DEIP), CCC funds are used to make bonus payments to exporters of U.S. agricultural commodities to enable them to be price competitive and, thereby, make sales in targeted overseas markets where competitor countries are making subsidized sales.

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:

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 2010 Budget proposes to reduce the annual funding level for MAP by $40 million to $160 million in order to reduce spending and the size of the Federal deficit. Under the proposal, greater emphasis will be placed on promoting generic American products overseas.

Foreign Market Development (Cooperator) Program (FMD). Under the Foreign Market Development (Cooperator) Program, cost-share assistance is provided to nonprofit commodity and agricultural trade associations to support overseas market development activities that are designed to remove long-term impediments to increased U.S. trade. These activities include technical assistance, trade servicing, and market research. Unlike MAP, Cooperator Program activities are carried out on a generic commodity basis and do not include brand-name or consumer promotions. The 2008 Farm Bill re-authorized the program and the 2010 budget provides $34.5 million for the Cooperator Program.

Technical Assistance for Specialty Crops (TASC) Program. TASC is designed 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. Re-authorized by the 2008 Farm Bill, the budget provides $8 million for TASC in FY 2010.

Emerging Markets Program. The Emerging Markets Program authorizes CCC funding to be made available to carry out technical assistance activities that promote the export of U.S. agricultural products and address technical barriers to trade in emerging markets. Many types of technical assistance activities are eligible for funding, including feasibility studies, market research, industry sector assessments, specialized training, and business workshops. The 2008 Farm Bill re-authorized this program and the budget provides $10 million for FY 2010.

Quality Samples Program (QSP). Under the Quality Samples Program, CCC provides funding to assist private entities to furnish samples of U.S. agricultural products to foreign importers in order to overcome trade and marketing obstacles. The program provides foreign importers with a better understanding and appreciation of the characteristics of U.S. agricultural products. The program is carried out under the authority of the CCC Charter Act. For 2010, the budget includes $2.5 million of CCC funding for this program.

Transfers of Funds. The 2002 and 2008 Farm Bills and the FY 2006, FY 2007, FY 2008, and FY 2009 Appropriations Acts authorized CCC to transfer funds to various agencies to fulfill authorized programs through fiscal year 2009. The following table shows recipient agencies and amounts of transfers anticipated for fiscal years 2009 and 2010:

CCC Farm Bill Transfers

(Dollars in Thousands)

Agencies Receiving Transfers:	**FY 2009**	**FY 2010**
Agricultural Marketing Service	$55,500	$61,500
Animal and Plant Health Inspection Service	46,427	50,000
Office of Chief Economist	1,000	1,000
Cooperative State Research, Education, and Extension Service	121,000	137,000
Departmental Administration	2,000	2,000
Farm Service Agency	50,000	0
Foreign Agricultural Service	84,000	0
Food and Nutrition Service	23,600	20,600
Natural Resources Conservation Service	2,364,950	3,389,414
Risk Management Agency	6,000	6,000
Rural Development	239,000	364,000
Total	2,993,477	4,031,514

CCC NET EXPENDITURES

CCC net expenditures for FY 2009 are estimated at $13.37 billion, up $4.29 billion from FY 2008 outlays of $9.08 billion. FY 2010 baseline expenditures are estimated at $11.77 billion.

The following table shows CCC net expenditures by commodity and program for fiscal years 2008 through 2010.

COMMODITY CREDIT CORPORATION FY 2008 ACTUAL, FY 2009 AND FY 2010 ESTIMATED EXPENDITURES (Dollars in Thousands)			
	2008 Actual	2009 Estimate	2010 Estimate
Corn	$1,856,281	$2,333,681	$1,956,946
Grain Sorghum	203,526	208,475	179,624
Barley	69,629	94,639	76,399
Oats	2,573	4,112	2,912
Corn and Sorghum Products	9,485	-4,407	0
Total Feed Grains and Products	2,141,494	2,636,500	2,215,881
Wheat and Products	869,171	1,297,815	1,048,474
Rice	301,273	574,448	405,389
Upland Cotton	1,603,937	2,667,658	2,928,950
ELS Cotton	26,990	8,440	-6,320
Tobacco	1,389	4,304	0
Honey	-2,216	74	-34
Dairy	-58	1,064,107	523,115
Soybeans and Products	445,599	659,480	547,271
Minor Oilseeds	15,055	24,949	18,402
Sugar	-35,034	0	0
Peanuts	144,435	81,267	111,786
Wool and Mohair	5,920	7,822	7,882
Vegetable Oil Products	43,065	45,246	35,830
Other Commodities	101,528	21,818	2,771
Total Commodities	5,662,548	9,093,928	7,839,397
Tobacco Trust Fund	960,000	1,139,513	960,000
Export Guarantee Program, Liquidating	-223,805	0	-2,000
Export Guar. Program (subsidy) Account	118,724	110,000	43,000
Short-Term & Intermediate Export Credit	-20,926	-61	0
Market Access Program	179,159	212,123	200,000
Foreign Market Development Cooperator	32,812	35,458	34,500
Quality Samples Program	569	2,544	2,500
Export Donations - Ocean Transportation	16,170	68,520	48,300
Crop Disaster Assistance	1,281	41	0
Cotton Seed Disaster Payment	319	0	0
Noninsured Assistance Program	62,460	247,315	246,761
Emergency Livestock Assistance	25	0	0
American Indian Livestock Indemnity	2	0	0
Tree Assistance	1,010	60	0
Conservation Reserve Program (CRP)	1,990,867	1,958,237	1,936,043
Emergency Forestry CRP	9,524	22,710	15,823
Environmental Quality Incentives Program	-3	0	0
Wetlands Reserve Program	3,245	3,071	0
Voluntary Public Access & Habitat Incentives Program	0	0	16,667
Pilot Program for Local and Regional Food Aid	0	3,000	15,000
Biomass Crop Assistance	0	2,150	15,450
Technical Assistance for Specialty Crops	1,483	3,431	6,089
Interest	-29,169	18,723	25,379
CCC Operating Expenses	8,275	53,750	6,500

	2008 Actual	2009Estimate	2010 Estimate
Change in Working Capital	169,460	250,000	250,000
Farm Storage Facility Loan Program Account	61,765	6,000	5,000
All Other	70,832	138,126	102,812
Total Net Expenditures, CCC Baseline	9,076,627	13,368,639	11,767,221

Commodity Credit Corporation
Statement of Available Funds
2008 Actual and Estimated 2009 and 2010
(Dollars in Thousands)

Item	2008 Actual	2009 Estimated	2010 Estimated
Reimbursement for Net Realized Losses	$12,566,914	$12,085,034	$13,878,054
CCC Export Credit Guarantee Program Account (permanent, indefinite)	87,000	40,000	11,130
CCC Export Loans Program Account (current, discretionary)	5,291	5,333	6,820
CCC Storage Facility Program Account (permanent, indefinite)	1,540	9,375	0
Total Commodity Credit Corporation	$12,660,745	$12,139,742	$13,896,004

COMMODITY CREDIT CORPORATION

Classification by Object
2008 Actual and Estimated 2009 and 2010
(Dollars in Thousands)

		2008	2009	2010
	Direct Obligations:			
22.0	Transportation of things……………….	239,619	236,124	207,378
25.2	Other services…………………………	123,706	371,073	312,531
25.2	Other services: storage & handling……	7,281	16,388	21,849
26.0	Supplies and materials (cost of commodities sold or donated - CCC)…	1,165,180	3,583,838	2,905,584
31.0	Equipment……………………………..	0	0	0
41.0	Grants, subsidies, and contributions…..	9,515,615	10,500,855	10,414,358
43.0	Interest and dividends………………...	106,038	57,566	87,880
99.0	Subtotal direct obligations………...	11,157,439	14,765,844	13,949,580
	Reimbursable Obligations:			
22.0	Transportation of things: PL 480 Ocean Transportation………….	345,383	985,786	693,278
26.0	Supplies and materials (cost of commodities sold or donated - PL 480).	911,049	714,413	500,258
33.0	Investments and loans…………………	9,291,047	9,014,623	8,824,444
99.0	Subtotal reimbursable obligations…	10,547,479	10,714,822	10,017,980
99.9	Total Obligations…………………………	21,704,918	25,480,666	23,967,560

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows:

COMMODITY CREDIT CORPORATION FUND

Reimbursement for Net Realized Losses
(Including Transfers of Funds)

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, 2009	$12,085,034
Budget Estimate, 2010	13,878,054
Increase in Appropriations	+1,793,020

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of change	2009 Estimated	Change	2010 Estimated
Reimbursement of losses:			
2008 actual losses	$12,085,034	-$12,085,034	$0
2009 estimated losses	0	13,878,054	13,878,054
Total Available	12,085,034	+1,793,020	13,878,054

PROJECT STATEMENT
(On basis of appropriation)

Item	2008 Actual	2009 Estimated	Increase	2010 Estimated
Reimbursement of losses:				
Appropriation	$12,566,914	$12,085,034	+$1,793,020	$13,878,054

FY 2008 losses were reimbursed through the FY 2009 Omnibus Appropriations Act.

RECONCILIATION TO BUDGET AUTHORITY

The preceding analysis of realized losses explains the actual 2008 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)	
	2009	2010
Appropriation (for realized losses) **a/**	$12,085,034	$13,878,054
Portion applied to CCC debt reduction	-9,091,557	- 9,846,540
Transferred to Other Accounts	-2,993,477	-4,031,514
Adjusted Appropriation	0	0
Adjustments:		
Authority to borrow	11,505,000	10,603,000
CCC Export Loans Program Account	147,093	17,950
Budget Authority (net)	11,652,093	10,620,950

a/ Reimbursed through current indefinite appropriation in FY 2009 Omnibus Appropriations Act and the same is anticipated to be authorized in FY 2010 Appropriation Act.

The following tables reflect actual and estimated losses by commodity and program for fiscal years 2008 through 2010:

FY 2008 - ACTUAL (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	-118.3	0.0	-119.1	0.3	1.2	0.1	-0.5	-0.3
Domestic Donations	99.4	0.0	0.3	0.0	0.0	0.0	11.3	87.8
Export Donations	199.4	51.2	80.0	9.0	0.0	0.0	0.0	59.2
Storage and Handling	7.3	0.0	6.8	0.0	0.3	0.0	0.0	0.2
Transportation	1.0	0.0	0.0	0.0	0.0	0.0	0.2	0.8
Production Flexibility Payments	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
Loan Deficiency Payments	6.0	0.2	0.0	0.0	0.1	0.0	0.0	5.7
Counter-Cyclical Payments	724.6	0.0	0.0	0.0	631.2	0.0	0.0	93.4
Direct Payments	5,241.9	2,379.0	1,130.6	428.0	621.7	593.4	0.0	89.2
Milk Income Loss Payments	1.5	0.0	0.0	0.0	0.0	0.0	1.5	0.0
Conservation Reserve Program	1,953.1	0.0	0.0	0.0	0.0	0.0	0.0	1,953.1
Environmental Quality Incentives Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Conservation Program **b/**	-3.4	0.0	0.0	0.0	0.0	0.0	0.0	-3.4
Crop Disaster Payments	1.3	0.0	0.0	0.0	0.0	0.0	0.0	1.3
Foreign Market Development Coop	32.8	0.0	0.0	0.0	0.0	0.0	0.0	32.8
Quality Samples Program	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Noninsured Assistance Program	62.5	0.0	0.0	0.0	0.0	0.0	0.0	62.5
Market Access Program	179.2	0.0	0.0	0.0	0.0	0.0	0.0	179.2
Marketing Loan Write-offs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to Other USDA Agencies	2,620.1	0.0	0.0	0.0	0.0	0.0	0.0	2,620.1
Other **c/**	1,166.2	-0.4	-8.6	0.8	14.1	-0.8	0.6	1,160.5
Total Program Costs:	12,174.9	2,430.0	1,090.0	438.1	1,268.6	592.7	13.1	6,342.4
Nonprogram Costs:								
Interest (net):								
Support and Related Costs	-111.2							
Export Credit Sales	0.0							
Loss in Interest Income	13.0							
Operating Expenses	8.3							
Total Nonprogram Costs	-89.9							
Total Net Realized Losses	12,085.0							

a/ Other commodities and programs include tobacco, soybean products, blended food products, vegetable oil products, sugar, wool, mohair, 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 2009 - 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	484.8	0.0	-1.1	0.0	480.0	0.5	5.7	-0.3
Domestic Donations	171.2	0.0	0.0	0.0	0.0	0.0	155.4	15.8
Export Donations	151.1	13.2	64.0	0.0	0.0	2.3	0.0	71.6
Storage and Handling	16.4	0.0	1.0	0.1	0.0	0.0	10.0	5.3
Transportation	18.0	0.0	0.0	0.0	0.0	0.0	18.0	0.0
Loan Deficiency Payments	140.5	0.0	0.0	0.0	132.8	0.0	0.0	7.7
Counter-Cyclical Payments	426.2	-4.3	0.0	-78.6	368.4	141.3	0.0	-0.6
Direct Payments	5,322.2	2,484.0	1,021.5	468.2	539.6	703.5	0.0	105.4
Milk Income Loss Payments	599.7	0.0	0.0	0.0	0.0	0.0	599.7	0.0
Conservation Reserve Program	1,957.3	0.0	0.0	0.0	0.0	0.0	0.0	1,957.3
Other Conservation Program **b/**	25.8	0.0	0.0	0.0	0.0	0.0	0.0	25.8
Foreign Market Development Coop	35.5	0.0	0.0	0.0	0.0	0.0	0.0	35.5
Quality Samples Program	2.5	0.0	0.0	0.0	0.0	0.0	0.0	2.5
Noninsured Assistance Program	246.6	0.0	0.0	0.0	0.0	0.0	0.0	246.6
Dairy Export Incentive Payments	100.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0
Market Access Program	212.1	0.0	0.0	0.0	0.0	0.0	0.0	212.1
Marketing Loan Write-offs	53.3	0.0	0.0	0.0	53.3	0.0	0.0	0.0
Transfers to Other USDA Agencies	2,993.5	0.0	0.0	0.0	0.0	0.0	0.0	2,993.5
Other **c/**	854.1	1.6	-0.1	0.0	624.6	0.2	0.0	227.8
Total Program Costs:	13,810.8	2,494.5	1,085.3	389.7	2,198.7	847.8	888.8	5,906.0
Nonprogram Costs:								
Interest (net):								
Support and Related Costs	13.5							
Export Credit Sales	0.0							
Loss in Interest Income	0.0							
Operating Expenses	53.8							
Total Nonprogram Costs	67.3							
Total Net Realized Losses	13,878.1							

a/ Other commodities and programs include tobacco, soybean products, blended food products, vegetable oil products, wool, mohair, 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 2010 - 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	404.6	0.0	-0.4	-0.3	398.0	1.3	6.1	-0.1
Domestic Donations	83.3	0.0	0.0	0.0	0.0	0.0	83.3	0.0
Export Donations	89.4	2.2	39.8	0.0	0.0	0.0	0.0	47.4
Storage and Handling	21.8	0.0	0.6	0.1	0.0	0.0	19.7	1.4
Transportation	9.0	0.0	0.0	0.0	0.0	0.0	9.0	0.0
Loan Deficiency Payments	142.6	0.0	0.0	0.0	134.8	0.0	0.0	7.8
Counter-Cyclical Payments	1,163.4	0.0	0.0	0.0	1,126.4	0.0	0.0	37.0
Direct Payments	4,822.1	2,204.0	1,009.7	404.8	580.6	538.7	0.0	84.3
Conservation Reserve Program	1,936.0	0.0	0.0	0.0	0.0	0.0	0.0	1,936.0
Other Conservation Program **b/**	32.5	0.0	0.0	0.0	0.0	0.0	0.0	32.5
Foreign Market Development Coop	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	246.8	0.0	0.0	0.0	0.0	0.0	0.0	246.8
Dairy Export Incentive Payments	25.0	0.0	0.0	0.0	0.0	0.0	25.0	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	48.9	0.0	0.0	0.0	48.9	0.0	0.0	0.0
Transfers to Other USDA Agencies	4,031.5	0.0	0.0	0.0	0.0	0.0	0.0	4,031.5
Other **c/**	1,254.2	3.3	0.0	0.0	660.0	0.2	394.2	196.5
Total Program Costs:	14,548.1	2,209.5	1,049.7	404.6	2,948.7	540.2	537.3	6,858.1
Nonprogram Costs:								
Interest (net):								
Support and Related Costs	28.6							
Export Credit Sales	0.0							
Loss in Interest Income	0.0							
Operating Expenses	6.5							
Total Nonprogram Costs	35.1							
Total Net Realized Losses	14,583.2							

a/ Other commodities and programs include soybean products, blended food products, vegetable oil products, wool, mohair, 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
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS

	Program Level	Subsidy
Appropriations Act, 2009…………………………..….	$152,500,000	$9,375,000
Budget Estimate, 2010………………………………..	152,500,000	0
Decrease in Appropriation……………………………	0	-9,375,000

Summary of Increases and Decreases
(On basis of appropriation)

Item of Change	2009 Estimated	Program Changes	2010 Estimated
Program Level:			
FSFL…………………………………	$150,000,000	0	$150,000,000
SSFL…………………………………	2,500,000	0	2,500,000
Total Program Level………………	152,500,000	0	152,500,000
Subsidy Costs:			
FSFL…………………………………	9,375,000	-9,375,000	0
SSFL…………………………………	0	0	0
Total Available……………………	9,375,000	-9,375,000	0

COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS

Project Statement by Program
(On basis of appropriation)

	2008 Actual	2009 Estimated	Increase or Decrease		2010 Estimated
Program Level:					
FSFL	$148,000,000	$150,000,000	0		$150,000,000
SSFL	0	2,500,000	0		2,500,000
Total Program Level	148,000,000	152,500,000	0		152,500,000
Subsidy Costs:					
FSFL	1,495,000	9,375,000	-9,375,000	(1)	0
SSFL	0	0	0		0
Total Available or Estimate	1,495,000	9,375,000	-9,375,000		0

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $9,375,000 for subsidy costs ($9,375,000 available in 2009):
The decrease in subsidy costs is due to changes in the subsidy rate for the Farm Storage program.

COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS
Geographic Breakdown of Obligations
2008 Actual and Estimated 2009 and 2010

	2008 Actual	2009 Estimated	2010 Estimated
Alabama	$963,860	$1,014,724	$1,014,724
Arkansas	50,685	53,360	53,360
Colorado	2,671,796	2,812,791	2,812,791
Delaware	118,954	125,232	125,232
Florida	190,327	200,370	200,370
Georgia	21,880	23,035	23,035
Hawaii	1,629,463	1,715,452	1,715,452
Idaho	230,903	243,089	243,089
Illinois	14,536,896	15,304,028	15,304,028
Indiana	4,569,425	4,810,560	4,810,560
Iowa	25,725,972	27,083,568	27,083,568
Kansas	1,171,320	1,233,132	1,233,132
Kentucky	1,093,082	1,150,765	1,150,765
Louisiana	1,832,662	1,929,374	1,929,374
Maine	275,862	290,420	290,420
Maryland	202,672	213,367	213,367
Massachusetts	103,438	108,897	108,897
Michigan	3,559,440	3,747,277	3,747,277
Minnesota	20,348,281	21,422,089	21,422,089
Mississippi	2,993,306	3,151,267	3,151,267
Missouri	7,626,283	8,028,733	8,028,733
Montana	819,600	862,852	862,852
Nebraska	10,215,560	10,754,650	10,754,650
New Jersey	126,355	133,023	133,023
New York	1,550,910	1,632,753	1,632,753
North Carolina	1,498,482	1,577,559	1,577,559
North Dakota	6,330,133	6,664,184	6,664,184
Ohio	3,875,736	4,080,264	4,080,264
Oklahoma	274,113	288,578	288,578
Oregon	81,935	86,258	86,258
Pennsylvania	1,473,400	1,551,154	1,551,154
South Carolina	1,001,365	1,054,209	1,054,209
South Dakota	12,266,799	12,914,136	12,914,136
Tennessee	1,571,549	1,654,482	1,654,482
Texas	998,693	1,051,396	1,051,396
Utah	51,719	54,449	54,449
Vermont	194,464	204,726	204,726
Virginia	675,164	710,794	710,794
Washington	0	0	0
West Virginia	34,326	36,137	36,137
Wisconsin	2,330,211	2,453,180	2,453,180
Wyoming	69,993	73,687	73,687
Undistributed	13,143,146	10,000,000	10,000,000
Total, Available or Estimate	148,500,163	152,500,000	152,500,000

COMMODITY CREDIT CORPORATION
Farm and Sugar Storage Facility Loan Programs

Classification by Objects
2008 Actual and Estimated 2009 and 2010

Object Class		2008	2009	2010
25.3	Other purchases of goods and services from Government accounts	0	0	0
41.0	Grants, subsidies, and contributions	$1,495,000	$9,375,000	0
99.0	Total obligations	1,495,000	9,375,000	0

COMMODITY CREDIT CORPORATION

STATUS OF PROGRAM

Current Activities:

Commodity Loans Made and Outstanding (Dollars in Billions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Loans Made	$8.4	$9.7	$8.3	$10.1	$10.7	$9.1	$12.6	$12.0	$11.3	$9.5
Loans Outstanding	$2.4	$3.1	$1.9	$1.6	$1.6	$1.8	$1.1	$1.5	$0.7	$0.6

FY 2008 Commodity Loans (Dollars in Thousands)

Commodity	Loans Outstanding SOY	Loans Made	Loan Reductions	Loans Outstanding EOY
Cotton	$144,708	$4,051,921	$3,827,667	$368,962
Feed Grains	216,269	2,264,863	2,382,077	99,055
Minor Oilseeds.............	2,493	9,740	11,836	397
Peanuts.........................	10,777	485,412	480,347	15,842
Rice	147,128	441,692	552,191	36,629
Soybeans	107,481	888,581	985,034	11,028
Sugar	35,035	1,237,786	1,272,821	0
Wheat...........................	71,531	119,548	97,489	93,590
Other	8,445	9,504	13,903	4,046
Total.....................	$743,867	$9,509,047	$9,623,365	$629,549

FY 2008 Direct and Counter-Cyclical Payments (Dollars in Thousands)

Commodity	Counter-Cyclical	Direct
Barley...	-$6	$71,907
Corn..	-357	1,950,273
Minor Oilseeds...........................	0	17,134
Oats	0	2,692
Peanuts	92,231	45,239
Rice	14	401,958
Sorghum....................................	-11	180,613
Soybeans	-6	546,072
Upland Cotton............................	267,204	573,510
Wheat...	-5	1,031,808
Total	$359,064	$4,821,206

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	2003	2004	2005	2006	2007	2008
Cotton	$185.8	$19.9	$381.9	$622.3	$115.9	$30.3
Dairy	1,795.7	221.1	9.1	351.6	156.6	2.2
Feed Grains	-131.9	159.2	3,050.2	4,202.5	5.7	0
Minor Oilseeds	5.5	4.2	7.4	25.6	0	0
Rice	268.3	199.5	49.0	49.3	-0.2	0.1
Soybeans	17.3	3.4	286.3	22.0	45.8	0.1
Wheat	-6.5	30.5	43.3	14.3	0	-0.1
Wool and Mohair	18.0	12.0	7.6	7.9	7.2	5.8
Other	40.0	18.9	33.4	69.7	26.1	0.3
Total Payments	**$2,192.2**	**$668.7**	**$3,868.2**	**$5,365.2**	**$357.1**	**$38.7**

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 $1,117.1 million, which is comprised of cash purchases of $1,116.1 million and certificate purchases of $1 million.

Noninsured Crop Disaster Assistance Program (NAP). NAP payments in FY 2008 totaled $74 million, with offsetting fees collected of $11.5 million. Of the payments, $5.3 million was for the 2006 crop, $57.7 million was for the 2007 crop and $11 million was for the 2008 crop.

Emergency Assistance. CCC funding was provided for the following emergency programs in FY 2008.

FY 2008 Emergency Assistance
(Dollars in Thousands)

Program	2008 Outlays
Crop Disaster Assistance	$1,281
Livestock Assistance Program	25
American Indian Livestock	2
Tree Assistance Program	1,010
Total	**$2,318**

Farm Bill-Authorized CCC Transfers, FY 2008
(Dollars in Thousands)

Agencies Receiving Transfers	FY 2008 Amount
Department of Commerce, NOAA – Fisheries Disaster Assistance	$170,000
Department of Interior – Desert Terminal Lakes	175,000
Agricultural Marketing Service	41,750
Animal and Plant Health Inspection Service	95,699
Office of Chief Economist	2,000
Cooperative State Research, Education, and Extension Service	30,000
Economic Research Service	500
Food and Nutrition Service	20,600
National Agricultural Statistics Service	1,000
Natural Resources Conservation Service	1,955,547
Risk Management Agency	6,000
Rural Development	122,000
Total	**$2,620,096**

Prompt Payment Act Interest Payments. Total interest paid on late payments during FY 2008 was $1,078,371.78, compared to $928,053.31 in FY 2007. The results of late payments are for the Loan Deficiency Program (LDP), Conservation Reserve Program (CRP), and Direct & Counter Cyclical Payments (DCP). Payments were late because of program documentation delay, high number of payments being processed during payment cycle, local office misplaced or mishandled documentation, and computer system processing delays as reported by State and County Offices.

Farm Storage Facility Loan Program (FSFL). For FY 2008, loan obligations totaled $135.0 million.

Sugar Storage Facility Loans. No loans were made in FY 2008.

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 2008, 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. The amount outstanding under this program is $0.06 million as of September 30, 2008, which represents rescheduled credits to a single country. Principal repayments from inception through September 30, 2008, totaled $9,649.1 million.

<u>CCC Export Credit Guarantees</u>. During FY 2008, the following loan commitments were made under the CCC Export Sales Guarantee Programs.

Activity	**FY 2008 Loan Commitments ($000)**
GSM-102, Short-term Guarantees	$3,640
Facilities Guarantee Program	0.00
Total	$3,640

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>U.S. Agricultural Technical Expertise Provided to Emerging Markets.</u> The Food, Agriculture, Conservation and Trade Act of 1990, as amended, authorizes for each fiscal year through 2012, a program for promoting agricultural exports to emerging markets through the sharing of U.S. agricultural technical expertise. Actual expenditures during FY 2008 totaled $17.3 million, which included prior year obligations.

<u>Dairy Export Incentive Program (DEIP).</u> The DEIP operates on a bid bonus system similar to the former Export Enhancement Program, with cash bonus payments. No cash payments or bonuses were awarded in FY 2008.

<u>Bill Emerson Humanitarian Trust (BEHT).</u> The BEHT is a commodity reserve that was established to ensure that the United States can meet its international food aid commitments. Cash and commodities are authorized for the 4-million ton reserve and 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 2008 Farm Bill extends the authorization to replenish the BEHT through FY 2012. CCC is authorized to hold funds as well as commodities in the reserve. In FY 2008, the President directed the Secretary of Agriculture to draw down on the BEHT to meet emergency food aid needs abroad. With this action, an estimated $200 million in emergency food aid will be made available through the U.S. Agency for International Development. On April 15 and May 16, 2008 the Secretary of Agriculture authorized the release of wheat from the Trust for use under Public Law (P.L.) 480, Title II. On May 23, 2008 the CCC made available for sale all remaining wheat owned by the CCC, which had been retained for the BEHT, with the proceeds available under P.L. 480 Title II.

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.

<u>Commercial Storage.</u> The Corporation has contracts with about 2,634 commercial warehouse operators in over 4,500 locations within 40 States for the storage of Government-owned and loan grain and rice. The agreements provide for a storage rate covering about 2,596 grain and rice warehouse facilities operating under the agreements. The grain and rice facilities have a total capacity of about 8.2 billion bushels.

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 2008 from FY 2007. CCC's acquisition-cost value on September 30, 2008, was $10.8 million as compared to $185.0 million in FY 2007.

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 2008 was $1,347.8 million and sales proceeds were $1,167.3 million, including certificate sales proceeds deficit of – $0.237 million.

Commodity Inventories Owned by CCC
End of Year, Fiscal Years 1995-2008
(Dollars in Thousands)

	Cotton	Dairy	Feed Grains	Soybeans	Wheat	Other	Total
2008	0	0	$4,597	0	$89	$6,071	$10,757
2007	$14,392	$13,864	1,957	$3,316	144,136	7,321	184,986
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

The following table shows the value ($ in thousands) of commodities disposed of during FY 2008:

Type of Disposition	Cost Value	Proceeds
Domestic Sales for Dollars	$125,027	$244,025
P.L. 480 (Export) Title I *	10,267	10,267
P.L. 480 (Export) Title II*	911,049	911,049
Domestic Certificate Redemption	986	-237
Domestic Donations	99,379	0
Export Donations	199,367	0
Domestic Transfer to other Government Agencies	62	65
Domestic Inventory Adjustments and/or Recoveries	1,654	2,159
Subtotal Domestic Dispositions	127,729	246,012
Subtotal Export Dispositions	1,220,062	921,316
TOTAL DISPOSITIONS	$1,347,791	$1,167,328

*****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 nonstorables.

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 Activities in FY 2008

Program	Authorized Acres or Funding Level	(Dollars in Thousands) CCC Net Outlays	Transfer to NRCS
Conservation Reserve Program	39.2 million acres (rolling maximum)	$1,990,867	0
Emergency Forestry Conservation Reserve Program	$23.934 million	9,524	0
Wetlands Reserve Program	2.275 million acres (rolling maximum)	3,245	$184,218
Environmental Quality Incentives Program	$1.2 million	0	1,200,000
Farmland Protection Program	$97 million	0	97,000
Soil and Water Conservation Program	0	2	0
Agricultural Management Assistance Program	$15 million	0	7,500
Ground and Surface Water Conservation Program (program ended on September 30, 2008)	0	0	60,000
Wildlife Habitat Incentives Program	$85 million	0	85,000
Conservation Security Program (terminated after September 30, 2008 will become the Conservation Stewardship Program)	0	0	319,001
Grassland Reserve Program	1.220 million acres	0	2,828
Total		**$2,003,638**	**$1,955,547**

(Authorized funding levels are based on the FY 2008 Farm Bill, P.L. 110-246, enacted June 18, 2008.)

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, 2008, $2.608 billion of this authority was in use.

Reimbursement for Net Realized Losses. During FY 2008, the Corporation received $12,566.9 million for reimbursement of 2007 losses. As of September 30, 2008, unrestored realized losses totaled $12,085.0 million. 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 2008 were $54 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. In 2007 a second PART review was conducted and the program received an assessment of "adequate." Specific 2007 findings concluded that the program has been proven to successfully provide short-term financing but has a high percentage of improper payments. In response, FSA has initiated an improvement plan that is implementing policies to reduce improper payments; conducting more frequent external audits of program effectiveness; and making the delivery of services to producers consistent across county offices. The program has achieved significant improvements in its improper payment percentage (IPP). In FY 2006, the program reported an IPP of 20.26 percent, or $1,611 million. However, in FY 2007 the IPP was 7.52 percent, or $458 million, which is a $1,153 million decrease from FY 2006. FSA continues to take action to improve the improper payment percentages, including establishing a policy within the parameters of the 2008 Farm Bill to improve program delivery.

In 2008, Direct Crop Payments were reviewed again, and the PART review determined the program was "adequate" with three major findings. 1) The program design could be improved to reach more than the 36 percent of U.S. eligible farmers who receive payments, 60 percent of whom have annual sales of at least $50,000. 2) The program is generally well-managed and program management has devised performance goals that are designed to improve the delivery of program benefits to farmers. 3) There is significant evidence that direct payments are capitalized into land values and consequently increase cash rents.

Therefore, the payments limit beginning farmers' ability to get into farming and limit the ability of small farmers to operate, particularly those not receiving payments.

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 Resources 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 to date. PART milestones have been met.

Non-Insured Crop Disaster Assistance 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 2006 through 2008 (millions of dollars)

Item	2006 Actual	2007Actual	2008Actual
Loan Activity:			
Loans Outstanding, Beginning of Year	$1,108.1	$1,463.1	$743.9
Loans Made	12,013.8	11,286.1	9,509.0
Loans Repaid	-6,054.9	-7,157.4	-9,058.6
Loans Repaid – Certificates	-5,126.9	-4,659.8	-1.0
Marketing Loans Repaid	-279.9	-12.8	0
Collateral Acquired	-128.4	-76.4	-8.3
Write-offs	-58.7	-89.2	-549.2
Transfers to Accounts Receivable	-10.0	-9.7	-6.3
Loans Outstanding, End of Year	1,463.1	743.9	629.5
Inventory Activity:			
Inventory, Beginning of Year	304.2	226.0	185.0
Commodity Purchases	757.6	727.0	1,116.2
Certificates from Loan Redemption	5,126.9	4,659.8	1.0
Collateral Acquired	128.4	76.4	8.4
Loan Collateral Settlements	4.2	4.4	0.7
Processing, Packaging, etc.	3.8	10.2	-0.3
Storage and Handling	(96.1)	(74.0)	(7.3)
Transportation	(3.6)	(0.5)	(1)
Other Transfers (net)	-1.1	-9.8	47.6
Commodity Cost of Sales	-5,830.3	-5,414.8	-1,049.0
Domestic Donations	-69.9	-23.4	-99.4
Export Donations	-197.8	-70.8	-199.4
Inventory, End of Year	226.0	185.0	10.8
Direct Cash Payments:			
Production Flexibility Payments a/	-0.6	-0.8	-0.3
Direct Payments	4,962.4	3,957.2	4821.2
Counter-Cyclical Payments	4,355.6	3,158.6	359.1
Deficiency Payments a/	0.0	0.0	0.0
Loan Deficiency Payments	4,629.6	173.8	6.0
Milk Income Loss Payments	351.5	157.9	2.1
Noninsured Assistance Payments b/	66.3	127.0	73.9
Conservation Reserve Payments	1,830.4	1,865.0	1,927.0
Other Conservation Payments	22.3	15.0	9.9
Bioenergy Program Payments	59.1	0.0	0.0
Other Payments	1,350.8	980.9	985.2
Total	17,627.4	10,434.6	8,184.1
Commodity Export Activities:			
CCC Export Credit Guarantee Programs			
(Program Level)	(1,363.3)	(1,445.3)	(3,640.0)
(Net Outlays)	-831.8	-67.5	-105.1
Market Access Program			
(Program Level)	(200.0)	(200.0)	(200.0)
(Net Outlays)	158.0	184.1	179.2
Dairy Export Incentive Program			
(Program Level)	(0)	(0)	(0)
(Net Outlays)	0.2	0	0
Other:			
Realized Loss	23,098.3	12,566.9	12,085.0
Investment in Agricultural Commodities	1,689.1	928.9	640.3

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