

Wool Marketing Loan Program  
Region 2  
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Wool Marketing Loan Program

- How to utilize the program
- Not debating if it's right/wrong – good/bad
- Different from incentive program and emergency payments of the past few years
- This presentation
  - Basic Overview
  - 2002 production year
  - 2003 production year
  - Unshorn lamb portion

Wool Marketing Loan Program Overview

Ways to Participate in the program

- Ungraded Loan at 40 cents
- Ungraded Loan Deficiency Payment (LDP)
- Graded Loan at variable loan rates
- Graded Loan Deficiency Payment (LDP)

Wool Marketing Loan Program Overview

- This is a LOAN Program

Using the wool you produce as collateral for a loan from the USDA

- 40 cents/lb Ungraded Wool
- \$1.00/lb Graded Wool

Wool Marketing Loan Program Overview – Graded Wool

- Graded Wool = Core Tested Wool  
Must have Average Fiber Diameter & Yield
- \$1.00 is the average rate on a greasy basis
- However, loan rates and repayment rates are reported on a Clean Basis  
Clean Price X Yield % = Greasy Price

### Wool Marketing Loan Program Overview – Graded Wool

- Different rates for different quality wool
- 8 different micron categories

Not all wool is the same price. Some wools are higher in value. Loan rates are adjusted for fiber diameter.

Think about using a house as collateral for a loan, not all houses are the value.

2002 Loan Rates \$1.33 - \$5.27 (clean prices!) For grease price need to Multiply by Yield

### Wool Marketing Loan Program Overview - Loans

- 9 Month loan period
- Low USDA interest rates + small filing fees
- Secure a loan at 40 cents per pound for your wool (or variable graded rates)
- Repay loan at loan rate (40 cents) or at the repayment rate if lower.
- Variable repayment rates for graded wool

### Wool Marketing Loan Program Overview - Loans

- Repayment rates are announced weekly
- Calculated on a world price basis (Australian wool market prices)
- Adjusted for changes in currency exchange rates
- Non-recourse – can default and deliver wool instead of payment
  - Wool is appraised for value
  - Discounts applied to the wool if lacking quality (only if you default)
  - May end up owning Government refund
  - Details are yet to be released
  - You won't be able to take advantage of the Government

### Wool Marketing Loan Program Overview – LDP'S

- Forgo the option to take a loan on your wool
- Government will pay the difference between the loan rate and the announced repayment rates (posted wool prices) for the day of application
- NO LDP IF REPAYMENT RATE IS ABOVE THE LOAN RATE

### Wool Marketing Loan Program Overview – LDP Example

<b>Ungraded</b> Loan Rate	40 cents/lb
Announced Repayment rate	<u>24 cents/lb</u>
Amount of LDP (40 – 24)	16 cents/lb Grease prices
<b>Graded</b> Loan Rate (22.1-23.5 micron)	\$2.20/lb clean
Announced Repayment rate	<u>\$1.98/lb clean</u>
Amount of LDP (\$2.20 - \$1.98)	\$0.22/lb clean
22 Cents x 50% Yield = 11 cents grease/lb	

### Wool Marketing Loan Program Overview – Repayment Rates

- Announced weekly on Tuesday - 3:00 pm EST
- Go into effect on Wednesday 12:01 am
- Good for a one week period (Wed – Tues)
- Based on changes in world wool prices and currency exchange rates
- <http://www.fsa.usda.gov/dafp/psd/mohair.htm>

### Wool Marketing Loan Program Overview – Beneficial Interest

- **Think Loan** – You must “still own” the wool in order to participate in the program
- Beneficial Interest is lost at delivery to pool, broker or broker’s intermediary (shearer)
- NEED TO FILE CCC-709 **BEFORE SHEARING** IF BENEFICIAL INTEREST IS LOST IMMEDIATELY AFTER SHEARING
- See Notice LP-1891 for details

### Wool Marketing Loan Program Overview – Production Evidence

- Need some kind of statement or documentation verifying what you produced including quantity and a date
- Receipts with name, address, telephone number of buyer or marketing agency
- Wool that has been burned, buried or otherwise destroyed is not eligible for participation --- including 2002 wool

### Wool Marketing Loan Program Overview – Graded Wool

- Graded = Core tested (AFD, Yield and VM)
- Laboratory analysis conducted by:  
Yocom McColl Testing Laboratories Inc.  
540 West Elk Place  
Denver, CO 80216-1823  
(303) 294-0582
- Cost? Depends on Volume of Wool (\$100+)

### Wool Marketing Loan Program Overview – General Procedures

- When signing up or requesting either the loan or the LDP, you must certify and determine if you are going to take the ungraded or graded option and Loan or LDP
- Need core test information to participate in the graded portion of the program
- If you take the graded loan, you must repay it at the graded loan repayment rate
- Can't have your cake and eat it too!

### Wool Marketing Loan Program Overview – General Details

- Notice 1878
- Notice 1891
- FSA Website  
<http://www.fsa.usda.gov/dafp/psd/mohair.htm>
- More details will be forthcoming from the USDA with more details on the program

### Wool Marketing Loan Program Overview – 2002 Wool Clip

- Loss of beneficial interest waiver for 2002
- Have until January 31, 2002 to file for your 2002 production and receive the LDP
- Lost Beneficial Interest (sold wool) between October 11 and November 4, 2002 – **HAD** until December 6, 2002 to complete sign-up
- After November 4, 2002 – different rules apply

### Wool Marketing Loan Program Overview – 2002 Wool Clip

- Sold wool before October 11, 2002
  - Take production evidence to local FSA office, that includes date beneficial interest was lost
  - Receipts with names and addresses
- After November 4, 2002
  - Fill out forms if you haven't done so already!
  - If you lost Beneficial Interest, appeal to local county office is possible for your situation

### Wool Marketing Loan Program Overview – 2002 Wool Clip

- If you still own the wool – you can take out a loan, or collect an LDP on the production!
- You have until January 31, 2002 to apply for wool sheared in Calendar year 2002
- If you sold the wool – the only option is the LDP, since you don't have any wool to use as collateral.

### Wool Marketing Loan Program Overview – 2002 Wool Clip

- LDP Examples for 2002
  - Ungraded Wool Loan Rate      40 cents/lb
  - Sold wool on March 1, 2002
  - Region 2 repayment rate                      18 cents/lb
  - Your LDP would be (40-18)                      22 cents/lb

On all eligible wool certified for the program  
Does NOT matter what you sold your wool for

### Wool Marketing Loan Program Overview – 2002 Wool Clip

- Ungraded loan rate constant 40 cents (Region 2)
  - Repayment and LDP's vary by the date
- | <u>Date 2002</u> | <u>Repayment</u> | <u>LDP</u>  |
|------------------|------------------|-------------|
| January 1        | 18 cents/lb      | 22 cents/lb |
| April 1          | 20 cents/lb      | 20 cents/lb |
| June 1           | 24 cents/lb      | 16 cents/lb |
| September 1      | 17 cents/lb      | 23 cents/lb |
| December 1       | 29 cents/lb      | 11 cents/lb |

Regional figures are available for each week in 2002

### Wool Marketing Loan Program Overview – 2003 Wool Clip

- Forms, Forms, Forms
- Remember Beneficial Interest!
  - Fill out form CCC 709 BEFORE SHEARING if you choose to take the LDP payment on the day of delivery (sell to shearer)
- Still Have your 2003 wool?
  - CCC 633 WM – if you intend to take out a loan
  - CCC 633 LDP – after shearing, weigh the wool (production evidence), Store it, LDP, then sell it

### Wool Marketing Loan Program Overview – Unshorn Lambs

- Details very sketchy at this time
    - Slaughter Lambs only
    - Ungraded LPD rate
    - Set amount per lamb
- ??? Could be something like this:  
LDP rate for the day you lose beneficial interest in wooled slaughter lambs @ 6 lbs wool/lamb  
 $6 \text{ lbs} \times \text{LDP rate (11 cents)} = 66 \text{ cents per head?}$

### Wool Marketing Loan Program

- More Details will be made available from the USDA on the program
- Be kind to your local staff!

This is a new program and they don't have details either. Remember sheep/wool programs are probably not a large program in your county.