2009 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 offices in Washington, D.C. and Kansas and FSA State and county offices. 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 Farm Security and Rural Investment Act of 2002 (the 2002 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 Agricultural Trade Development and Assistance Act of 1954 (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

<u>Reimbursement for Net Realized Losses</u>. 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, and 2008 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, and P.L. 110-161 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 2009 Appropriations Act is not anticipated to depart from this process.

<u>CCC Export Credit Guarantee Liquidating Account</u>. 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. CCC is authorized to use its borrowing authority, not to exceed $5 million, for site investigations, ongoing operations and maintenance and remediation expenses.

COMMODITY PROGRAMS

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

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

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

USDA has incorporated stochastic price and production variability into its 10-year budget baseline process starting with the FY 2007 President's Budget. For the 2008-2018 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 2002 Farm Bill extended the Dairy Price Support Program from June 1, 2002 through December 31, 2007 at a rate of $9.90 per hundredweight for milk containing 3.67 percent butterfat. The support program is carried out through the purchase of surplus butter, nonfat dry milk, and cheese at prices that enable processors to pay dairy farmers, on average, the support price for milk. As under previous law, the Secretary may allocate the rate of price support between the purchase prices for nonfat dry milk and butter in a manner that minimizes CCC expenditures or meets other objectives, as the Secretary considers appropriate. Cash CCC inventory sales (with some exceptions) shall be at any price that the Secretary determines will maximize CCC returns. The 2002 Farm Bill also provided for a Milk Income Loss Contract Program under which the Secretary may contract with eligible producers up to September 30, 2005, to make monthly payments when milk prices fall below specified levels. The Milk Income Loss Contract (MILC) Program was extended through September 2007 by P.L. 110-28.

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

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

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

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

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

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

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

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

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

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

The following table shows estimated CCC payments made directly to producers, assuming the provisions of the 2002 Farm Bill:

COMMODITY CREDIT CORPORATION
Direct, Counter-Cyclical, Production Flexibility, Marketing Loss Assistance, Loan Deficiency, Oilseed, Emergency Disaster, and Noninsured Assistance Payments
Fiscal Years 2007-2009
(Thousands of Dollars)

	2007 Actual	2008 Estimate	2009 Estimate
Total Production Flexibility Payments For all Commodities	$-776	0	0
Direct Payments:			
Corn	1,590,968	$2,126,200	$2,088,200
Grain Sorghum	146,907	199,560	195,000
Barley	60,066	84,800	81,600
Oats	2,327	3,131	2,961
Total Feed Grains	1,800,268	2,413,691	2,367,761
Wheat	850,438	1,117,875	1,117,875
Upland Cotton	454,452	614,810	598,424
Rice	317,907	422,859	422,859
Peanuts	74,249	49,973	68,613
Soybeans	445,040	594,179	587,000
Minor Oilseeds	14,821	19,703	19,509
Total	3,957,175	5,233,090	5,182,041
Counter-Cyclical Payments **a**/:			
Corn	1,627,551	0	0
Grain Sorghum	1,021	0	0
Barley	267	0	0
Oats	0	0	0
Total Feed Grains	1,628,839	0	0
Wheat	-43	-45	0
Upland Cotton	1,281,307	416,234	514,080
Rice	54,136	0	0
Peanuts	194,404	67,071	15,017
Soybeans	-89	0	0
Total	3,158,554	483,260	529,097
Marketing Loss Assistance Payments:			
Dairy - Milk Income Loss Contract Payments.	156,598	0	0
Other Marketing Loss Asst Payments	1,252	0	0
Total	157,850	0	0
Loan Deficiency Payments **a**/:			
Corn	2,684	14	0
Grain Sorghum	490	0	0
Barley	2,507	0	0
Oats	0	0	0
Total Feed Grains	5,681	14	0
Wheat	-11	0	0
Upland Cotton	105,677	0	0

	2007 Actual	2008 Estimate	2009 Estimate
Rice	-93	0	0
Peanuts	15	0	0
Lentils	2,339	0	0
Chickpeas	0	0	0
Dry Edible Peas	7,129	0	0
Wool	6,658	6,389	6,486
Mohair	579	1,243	1,668
Soybeans	45,798	0	0
Minor Oilseeds	-21	0	0
Total	173,751	7,646	8,154
Oilseed Payments	-23	0	0
Noninsured Assistance Payments	126,951	325,000	325,000
Crop Disaster Program:			
Crop Disaster Payments	-5,296	2,394	0
Dairy Producer Losses	3,970	0	0
Nursery Losses	80	0	0
P.L. 109-234 Specialty Crop Disaster Assistance	19,842	997	0
Sugarcane Disaster – Louisiana	40,000	0	0
Sugar Beets Disaster	-5	0	0
Total	58,591	3,391	0
Other Programs:			
Emergency Livestock Assistance	664	11	0
Livestock Indemnity	198	6	0
Cotton Seed Payments	14,889	324	0
Tobacco Payments	955,495	960,000	960,000
Peanut Quota Compensation	160	0	0
Tree Assistance Program	1,973	403	0
Total	973,379	960,744	960,000
Payments, Grand Total	8,605,452	7,013,131	7,004,292

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.

On July 1, 2005, the guarantee fees (premia) charged under the export credit guarantee programs were changed from a flat fee basis to a country risk-based approach. The revised premia respond to a World Trade Organization (WTO) dispute panel decision and are intended to remove any long-term subsidy component of the program, prospectively. Also in response to the panel decision, the GSM-103 intermediate export credit guarantee program was suspended on July 1, 2005, and the Administration submitted proposed legislation to Congress seeking deletion of the statutory authority for the program, and in 2007, the Supplier Credit Program was also suspended. In addition, credit guarantees are no longer extended to countries in the highest risk rating categories.

Total sales registrations in FY 2007 were $1.4 billion, all for the GSM-102 program. Total program level for FY 2008 is estimated to be $2.3 billion, including $2.2 billion for the short-term export credit guarantee program (GSM-102), and $60 million for facilities guarantees. The program level for FY 2009 is $400 million higher than FY 2008 and is estimated to be at $2.7 billion, including $2.6 billion for the short-term export credit guarantee program (GSM-102) and $75 million for facilities guarantees.

The 2009 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 Farm Security and Rural Investment Act of 2002, P.L. 107-171, re-authorizes funding for new and existing conservation programs implemented by FSA or NRCS. The bill provides funding through 2007 to help farmers adopt and maintain conservation systems that protect water quality, reduce soil erosion, protect and enhance wildlife habitat and wetlands, conserve water and sequester carbon. NRCS administers many of the programs that are financed through CCC, and detailed descriptions of program operations and performance indicators can be found under NRCS elsewhere in these Explanatory Notes.

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

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

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

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

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

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

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

In FY 2006, general signup (#33) was held and 950,000 acres were approved for enrollment. No general signup was conducted in FY 2007. Under continuous signup, including, CREP and FWP, a combined total of 314,000 acres were enrolled in FY 2007. About 395,000 acres are estimated to be enrolled under the various continuous signup types in fiscal year 2008, and an additional 457,000 in fiscal year 2009. The budget assumes a general signup of up to 250,000 acres in FY 2008 and another in FY 2009 of up to 2.4 million acres.

However, CRP enrollment is assumed to gradually decrease from 36.8 million acres at the end of FY 2007 to 32.9 million acres by FY 2011 due to expiring contracts and high returns expected from returning land to crop production. Enrollment then gradually increases to reach 39.2 million acres in FY 2017. In May 2000, continuous sign-up, CREP, and FWP participants became eligible for additional financial incentives. Designed to boost participation, actual incentives issued in FY 2007 totaled approximately $58 million. In 2004, USDA further enhanced CRP by announcing the Northern Bobwhite Quail Initiatives and additional wetland restoration initiatives. Also in 2004, the Administration affirmed its commitment to full enrollment of CRP and announced that USDA will offer early re-enrollment and extensions of expiring contracts. On December 23, 2004, the President signed P.L. 108-498, a law that limits transfer of CCC funds between conservation programs for technical assistance for the programs and authorizes use of CCC funds for CRP technical assistance.

In addition, The Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006, P.L. 109-148, mandated that during calendar year 2006, the Secretary shall carry out an emergency pilot program in States that the Secretary determines have suffered damage to merchantable timber in counties affected by hurricanes during the 2005 calendar year. The Act provided $404.1 million for this program, called the Emergency Forestry Conservation Reserve Program (EFCRP). The Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006, P.L. 109-234, signed June 15, 2006, increased funding by $100 million, to $504.1 million. EFCRP enrollment during calendar year 2006 was 180,175 acres. 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 was resumed in August, 2007.

Conservation Reserve Program
Program Level
(Dollars in Thousands)

Program Level	2007 Actual	2008 Estimated	2009 Estimated
Financial Assistance	$1,865,037	$1,930,468	$1,853,971
Technical Assistance (Obligations)	83,211	64,578	95,601
Total, Program Level	$1,948,248	$1,995,046	$1,949,572

Cumulative CRP Enrollment
FY 2007 through FY 2013
(Acres in Thousands)

	2007	2008	2009	2010	2011	2012	2013
Acres Enrolled	36,798	34,792	34,222	33,331	32,891	33,333	33,646

Soil and Water Conservation Assistance. The Agricultural Risk Protection Act of 2002 provided $40 million in CCC funds to be available in FY 2001 for financial assistance to farmers and ranchers to address threats to natural resources, comply with Federal and State environmental laws, and make beneficial, cost-effective changes to conserve and improve natural resources. Fiscal year 2007 net outlays were $515 thousand.

Agricultural Management Assistance Program (AMA). The 2002 Farm Bill authorized the use of CCC funding of $20 million for each fiscal year 2004 through 2007, and $10 million for subsequent years, to provide grants to qualified public and private entities for educating agricultural producers about the full range of risk management activities, including futures, options, agricultural trade options, crop insurance, cash forward contracting, debt reduction, production diversion, farm resources risk reduction and other risk management strategies. Fiscal Year (FY) 2007 net outlays were $1 million, which was carryover of previous years' programs. The FY 2007 Agriculture Appropriations Act limited CCC funding for AMA to $6.0 million. CCC transferred $5.0 million to the Natural Resources Conservation Service and $1.0 million to the Agricultural Marketing Service in FY 2007. No transfers are estimated for FY 2008 and the 2009 Budget proposes permanently cancelling the $10 million in AMA funds authorized for FY 2009.

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 2007 program outlays were $1.9 million with a projected $403 thousand for FY 2008.

Milk Income Loss Contract. The 1996 Farm Bill had established a Dairy Recourse Loan Program that was never implemented due to repeated legislative extensions of the Dairy Price Support Program. The 2002 Farm Bill repealed all legislative authority for the Dairy Recourse Loan Program, but established a new Milk Income Loss Contract Program, under which the Secretary may contract with eligible producers up to September 30, 2005, to make monthly payments when milk prices fall below specified levels. The Milk Income Loss Contract Program was extended through August 31, 2007 by the Deficit Reduction Act of 2005, P.L. 109-171. Section 9006 of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007 extended the MILC program through September 30, 2007. The Milk Income Loss Contract Program outlays in FY 2007 were $156.6 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. This shall apply during the 2003 through 2007 crop years.

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.

U.S. dairy products were competitive in overseas markets during 2007 due to favorable world market conditions, and no bonuses were awarded under DEIP. This situation is expected to continue relatively unchanged during 2008 and 2009; however, as a contingency the budget includes an estimated DEIP program level of $3 million for 2009. The program level may increase or decrease from the projected level depending upon the relationship between U.S. and world market prices during the course of the programming year.

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 2009 Budget provides funding of $200 million for 2009.

do not meet minimum levels necessary to assume continuation. The program level for 2009 is expected to be established once Congressional action on the new Farm Bill has been completed.

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. Funding for TASC is not included in the CCC baseline budget estimates, but a level of funding is expected to be determined by provisions of the new Farm Bill.

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. Similar to the Cooperator program, the CCC budget baseline provides no funding for the Emerging Markets Program, but funding is likely to be made available under the new Farm Bill.

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 and is not subject to reauthorization under the Farm Bill. For 2009, budget includes $2.5 million of CCC funding for program.

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

CCC Farm Bill Transfers (Dollars in Thousands)		
Agencies Receiving Transfers:	**FY 2008**	**FY 2009**
Food and Nutrition Service	$15,000	0
Natural Resources Conservation Service	2,089,000	$1,813,000
Total	2,104,000	1,813,000

CCC NET EXPENDITURES

CCC baseline net expenditures for FY 2008 are estimated at $10.24 billion, down $0.8 billion from FY 2007 outlays of $11.04 billion. FY 2009 baseline expenditures are estimated at $10.46 billion.

The following table shows CCC net expenditures by commodity and program for fiscal years 2007 through 2009.

COMMODITY CREDIT CORPORATION
FY 2007 ACTUAL, FY 2008 AND FY 2009 ESTIMATED EXPENDITURES
(Dollars in Thousands)

	2007 Actual	2008 Estimate	2009 Estimate
Corn	$3,195,497	$2,162,389	$2,107,906
Grain Sorghum	150,460	201,853	197,137
Barley	57,670	91,944	80,681
Oats	1,619	4,203	3,045
Corn and Sorghum Products	-961	484	646
Total Feed Grains and Products	3,404,285	2,460,873	2,389,415
Wheat and Products	729,175	1,296,405	1,193,046
Rice	336,702	459,477	442,773
Upland Cotton	2,591,502	1,491,373	1,375,704
ELS Cotton	9,649	49,821	-5,551
Tobacco	30,280	7,000	4,500
Honey	-2,539	79	0
Dairy	158,986	4,361	244,599
Soybeans and Products	344,954	537,203	603,693
Minor Oilseeds	5,870	24,009	22,254
Sugar	24,736	-27,882	95,669
Peanuts	336,086	120,525	83,800
Wool and Mohair	7,230	7,661	8,194
Vegetable Oil Products	21,223	33,711	53,968
Other Commodities	29,047	4,414	9,443
Total Commodities	8,027,186	6,469,030	6,521,507
Tobacco Trust Fund	933,791	960,000	960,000
Export Guarantee Program, Liquidating	-196,550	-310,858	1,566
Export Guar. Program (subsidy) Account	129,039	113,000	39,000
Short-Term & Intermediate Export Credit	-3,420	-20,926	-61
Market Access Program	184,062	191,070	199,100
Foreign Market Development Cooperator	35,545	14,361	0
Quality Samples Program	876	1,950	2,147
Export Donations - Ocean Transportation	884	51,200	49,700
Crop Disaster Assistance	58,591	3,391	0
Noninsured Assistance Program	119,191	316,496	316,326
Emergency Livestock Assistance	664	11	0
American Indian Livestock Indemnity	198	6	0
Tree Assistance	1,973	403	0
Conservation Reserve Program (CRP)	1,963,161	2,008,867	1,949,572
Emergency Forestry CRP	6,060	23,682	25,326
Environmental Quality Incentives Program	-3	0	0
Wetlands Reserve Program	7,734	6,316	0
Farmland Protection Program	27	0	0
Agricultural Management Assistance Program	923	0	0
Soil and Water Cons Assistance Program	515	300	0
Interest	513,040	47,681	87,933
CCC Operating Expenses	2,035	3,250	3,250
Change in Working Capital	-776,580	250,000	250,000

	2007 Actual	2008 Estimate	2009 Estimate
Farm Storage Facility Loan Program Account	502	63,000	14,000
All Other	31,004	47,277	44,074
Total Net Expenditures, CCC Baseline	11,040,448	10,239,507	10,463,440

Commodity Credit Corporation
Statement of Available Funds
2007 Actual and Estimated 2008 and 2009
(Dollars in Thousands)

Item	2007 Actual	2008 Estimated	2009 Estimated
Reimbursement for Net Realized Losses	$23,098,328	$12,566,914	$11,106,324
CCC Export Credit Guarantee Program Account (permanent, indefinite)	39,000	52,914	25,715
CCC Export Loans Program Account (current, discretionary)	5,260	5,291	5,353
CCC Storage Facility Program Account (permanent, indefinite)	548	1,540	9,375
CCC Storage Facility Program Account (current, discretionary)	0	0	4,724
Total Commodity Credit Corporation	$23,143,136	$12,626,659	$11,151,491

COMMODITY CREDIT CORPORATION

Classification by Object
2007 Actual and Estimated 2008 and 2009
(Dollars in Thousands)

		2007	2008	2009
	Direct Obligations:			
22.0	Transportation of things..................	$49,040	$200,837	$198,300
25.2	Other services.............................	103,706	58,407	179,278
25.2	Other services: storage & handling......	73,981	14,890	12,717
26.0	Supplies and materials (cost of commodities sold or donated - CCC)...	5,391,490	3,128,103	2,791,569
31.0	Equipment................................	0	0	0
41.0	Grants, subsidies, and contributions.....	9,449,838	9,561,004	9,546,053
43.0	Interest and dividends....................	355,930	232,674	221,231
99.0	Subtotal direct obligations............	$15,423,985	$13,195,915	$12,949,198
	Reimbursable Obligations:			
22.0	Transportation of things: PL 480 Ocean Transportation............	649,832	731,800	731,800
26.0	Supplies and materials (cost of commodities sold or donated - PL 480).	644,450	487,600	487,600
33.0	Investments and loans....................	10,633,628	9,338,742	8,785,688
99.0	Subtotal reimbursable obligations...	11,927,910	10,558,142	10,005,088
99.9	Total Obligations............................	$27,351,895	$23,754,057	$22,954,236

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows:

COMMODITY CREDIT CORPORATION FUND

Reimbursement for Net Realized Losses

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

Hazardous Waste Management
(Limitation on Expenses)

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

Reimbursement for Net Realized Losses
(in $000)

Estimate, 2008	$12,566,914
Budget Estimate, 2009	11,106,324
Decrease in Appropriations	-1,460,590

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of change	2008 Estimated	Change	2009 Estimated
Reimbursement of losses:			
2006 actual losses	$12,566,914	-$12,566,914	$0
2007 estimated losses	0	11,106,324	11,106,324
Total Available	12,566,914	-1,460,590	11,106,324

PROJECT STATEMENT
(On basis of appropriation)

Item	2007 Actual	2008 Estimated	Increase	2009 Estimated
Reimbursement of losses:				
Appropriation	$23,098,328	$12,566,914	-$1,460,590	$11,106,324

FY 2007 losses were reimbursed through the FY 2008 Consolidated Appropriations Act.

RECONCILIATION TO BUDGET AUTHORITY

The preceding analysis of realized losses explains the actual 2007 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)	
	2008	2009
Appropriation (for realized losses) **a/**	$12,566,914	$11,106,324
Portion applied to CCC debt reduction	-10,462,914	- 9,293,324
Transferred to Other Accounts	-2,104,000	-1,813,000
Adjusted Appropriation	0	0
Adjustments:		
Authority to borrow	9,310,000	9,342,000
CCC Export Loans Program Account	58,205	31,068
Budget Authority (net)	9,368,205	9,373,068

a/ Reimbursed through current indefinite appropriation in FY 2008 Consolidated Appropriations Act and the same is anticipated to be authorized in FY 2009 Appropriation Act.

The following tables reflect actual and estimated losses by commodity and program for fiscal years 2007 through 2009:

FY 2007 - ACTUAL (millions $)

ITEM	TOTAL	Feed Grains and Product	Wheat and Products	Rice	Upland Cotton	Soybeans	Dairy Products	All Other Commodities and Programs a/
Program Costs:								
Gain (-) or loss on sales	1,013.0	0.3	-0.7	0.0	1,016.0	0.3	-7.7	4.8
Domestic Donations	23.4	0.0	0.0	0.0	0.0	0.0	21.6	1.8
Export Donations	70.8	2.4	12.3	6.0	0.0	0.0	15.0	35.1
Storage and Handling	74.0	0.4	12.5	-.06	0.6	0.3	0.6	59.66
Transportation	0.5	0.0	0.0	0.0	0.0	0.0	-0.1	0.6
Production Flexibility Payments	-0.7	0.0	0.0	-0.1	-0.6	0.0	0.0	0.0
Loan Deficiency Payments	152.2	4.1	-.01	-.01	105.0	31.2	0.0	11.92
Counter-Cyclical Payments	892.0	-64.1	0.0	-6.3	826.0	0.0	0.0	136.4
Direct Payments	5,095.6	2,337.6	1,100.5	420.4	572.2	574.3	0.0	90.6
Livestock Emergency Assistance	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.8
Milk Income Loss Payments	68.4	0.0	0.0	0.0	0.0	0.0	68.4	0.0
Conservation Reserve Program	1,973.5	0.0	0.0	0.0	0.0	0.0	0.0	1,973.5
Environmental Quality Incentives Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Conservation Programs b/	14.3	0.0	0.0	0.0	0.0	0.0	0.0	14.3
Crop Disaster Payments	59.4	0.0	0.0	0.0	0.0	0.0	0.0	59.4
Foreign Market Development Cooperator Program	35.5	0.0	0.0	0.0	0.0	0.0	0.0	35.5
Quality Samples Program	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.9
Noninsured Assistance Program	126.4	0.0	0.0	0.0	0.0	0.0	0.0	126.4
Market Access Program	184.1	0.0	0.0	0.0	0.0	0.0	0.0	184.1
Marketing Loan Write-offs	12.8	0.8	0.0	0.0	6.6	2.9	0.0	2.5
Transfers to Other USDA Agencies	1,860.7	0.0	0.0	0.0	0.0	0.0	0.0	1,860.7
Other c/	778.9	4.9	-3.7	1.07	69.9	1.2	0.0	705.53
Total Program Costs:	12,436.5	2,286.4	1,120.9	421.0	2,595.7	610.2	97.8	5,304.5
Nonprogram Costs:								
Interest (net):								
Support and Related Costs	163.1							
Export Credit Sales	-0.5							
Loss in Interest Income	-34.2							
Operating Expenses	2.0							
Total Nonprogram Costs	130.4							
Total Net Realized Losses	12,566.9							

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 2008 - ESTIMATED (millions of dollars)

ITEM	TOTAL	Feed Grains and Product	Wheat and Products	Rice	Upland Cotton	Soybeans	Dairy Products	All Other Commodities and Programs a/
Program Costs:								
Gain (-) or loss on sales	6.5	-0.6	-4.9	0.0	3.6	0.0	1.2	7.2
Domestic Donations	14.7	0.0	0.0	0.0	0.0	0.0	14.7	0.0
Export Donations	143.6	3.9	68.6	12.1	0.0	3.3	.9	54.8
Storage and Handling	14.9	0.0	13.8	0.2	0.0	0.1	0.7	0.1
Transportation	0.6	0.0	0.0	0.0	0.0	0.0	0.6	0.0
Loan Deficiency Payments	-2.1	0.0	0.0	0.0	-9.7	0.0	0.0	7.6
Counter-Cyclical Payments	-69.1	-328.9	0.0	0.0	339.3	-141.4	0.0	61.9
Direct Payments	5,746.5	2,693.6	1,160.9	497.9	583.7	723.0	0.0	87.4
Conservation Reserve Program	1,995.1	0.0	0.0	0.0	0.0	0.0	0.0	1,995.1
Other Conservation Programs b/	30.3	0.0	0.0	0.0	0.0	0.0	0.0	30.3
Crop Disaster Payments	3.4	0.0	0.0	0.0	0.0	0.0	0.0	3.4
Foreign Market Development Cooperator Program	14.3	0.0	0.0	0.0	0.0	0.0	0.0	14.3
Quality Samples Program	2.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Noninsured Assistance Program	324.8	0.0	0.0	0.0	0.0	0.0	0.0	324.8
Market Access Program	191.1	0.0	0.0	0.0	0.0	0.0	0.0	191.1
Transfers to Other USDA Agencies	2,104.0	0.0	0.0	0.0	0.0	0.0	0.0	2,104.0
Other c/	474.2	1.0	0.0	0.1	321.5	0.0	-0.3	151.9
Total Program Costs:	10,994.8	2,369.0	1,238.4	510.3	1,238.4	585.0	17.8	5,035.9
Nonprogram Costs:								
Interest (net):								
Support and Related Costs	108.2							
Export Credit Sales	0.0							
Loss in Interest Income	0.0							
Operating Expenses	3.3							
Total Nonprogram Costs	111.5							
Total Net Realized Losses	11,106.3							

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 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	95.8	0.0	0.0	0.0	0.0	0.0	0.0	95.8
Domestic Donations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Export Donations	158.0	3.7	70.0	12.1	0.0	5.0	0.0	67.2
Storage and Handling	12.7	0.0	12.4	0.2	0.0	0.1	0.0	0.0
Transportation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan Deficiency Payments	8.2	0.0	0.0	0.0	0.0	0.0	0.0	8.2
Counter-Cyclical Payments	529.1	0.0	0.0	0.0	514.1	0.0	0.0	15.0
Direct Payments	5,182.0	2,367.8	1,117.9	422.9	598.4	587.0	0.0	88.0
Conservation Reserve Program	1,949.6	0.0	0.0	0.0	0.0	0.0	0.0	1,949.6
Other Conservation Programs **b/**	23.8	0.0	0.0	0.0	0.0	0.0	0.0	23.8
Foreign Market Development Cooperator Program	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Quality Samples Program	2.1	0.0	0.0	0.0	0.0	0.0	0.0	2.1
Noninsured Assistance Program	325.0	0.0	0.0	0.0	0.0	0.0	0.0	325.0
Market Access Program	199.1	0.0	0.0	0.0	0.0	0.0	0.0	199.1
Transfers to Other USDA Agencies	1,813.0	0.0	0.0	0.0	0.0	0.0	0.0	1,813.0
Other **c/**	676.7	20.6	0.1	0.0	307.9	0.5	244.6	103.0
Total Program Costs:	10,975.1	2,392.1	1,200.4	435.2	1,420.4	592.6	244.6	4,689.8
Nonprogram Costs:								
Interest (net):								
Support and Related Costs	81.9							
Export Credit Sales	0.0							
Loss in Interest Income	0.0							
Operating Expenses	3.3							
Total Nonprogram Costs	85.2							
Total Net Realized Losses	11,060.3							

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

The estimates include appropriation language for this item as follows (new language underscored, deleted matter enclosed in brackets):

<u>Commodity Credit Corporation Export Loans Program Account (Including Transfers of Funds)</u>

For administrative expenses to carry out the Commodity Credit Corporation's export guarantee program, GSM 102 and GSM 103, [$5,328,000] <u>$5,353,000</u>; to cover common overhead expenses as permitted by section 11 of the Commodity Credit Corporation Charter Act and in conformity with the Federal Credit Reform Act of 1990, of which $4,985,000 may be transferred to and merged with the appropriation for ``Foreign Agricultural Service, Salaries and Expenses", and of which [$343,000] <u>$368,000</u> may be transferred to and merged with the appropriation for ``Farm Service Agency, Salaries and Expenses".

COMMODITY CREDIT CORPORATION
CCC EXPORT CREDIT GUARANTEE PROGRAMS

	Guaranteed Loan Level	Subsidy	Administrative Expenses
Appropriations Act, 2008	$2,274,000,000	$52,914,000	$5,328,000
Budget Estimate, 2009	2,675,000,000	25,715,000	5,353,000
Change in Appropriation	401,000,000	-27,199,000	25,000

Adjustments in 2008:		
Appropriations Act, 2008	$5,328,000	
Rescission under P.L. 110-161 a/	-37,000	
Adjusted Base for 2008		5,291,000
Budget Estimate, 2009		5,353,000
Increase over adjusted 2008		62,000

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

Summary of Increases and Decreases
(On basis of adjusted appropriation)

Item of Change	2008 Estimated	Pay Costs	Program Changes	2009 Estimated
Subsidy Costs				
GSM-102	$52,914,000	0	-$30,240,000	$22,674,000
Supplier Guarantees	0	0	0	0
Facilities Guarantees	0	0	3,041,000	3,041,000
Total Subsidy Costs	52,914,000	0	-27,199,000	25,715,000
Administrative Expenses:				
FSA	341,000	7,000	20,000	368,000
FAS	4,950,000	35,000	0	4,985,000
Total Administrative Expenses	5,291,000	42,000	20,000	5,353,000
Total Available	58,205,000	42,000	-27,179,000	31,068,000

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

	2007 Actual	2008 Estimated	Increase or Decrease		2009 Estimated
Guaranteed Credit Level					
GSM-102	$1,333,534,000	$2,214,000,000	$386,000,000		$2,600,000,000
Facilities	0	60,000,000	15,000,000		75,000,000
Total Guaranteed Credit Level	1,333,534,000	2,274,000,000	401,000,000		2,675,000,000
Subsidy					
GSM-102	39,000,000	52,914,000	-30,240,000		22,674,000
Facilities	0	0	3,041,000		3,041,000
Total Guaranteed Subsidy Cost	39,000,000	52,914,000	-27,199,000	(1)	25,715,000
Administrative Expenses	5,260,210	5,291,000	62,000	(2)	5,353,000
Total Available or Estimate	44,260,210	58,205,000	-27,137,000		31,068,000
Rescission	0	37,000			
Total, Appropriation	44,260,210	58,242,000			

Justification of Increases and Decreases

(1) A decrease of $27,199,000 in estimated subsidy ($52,914,000 available in 2008).
The decrease in subsidy level in 2009 is due to adjustments in the assumptions for recovery rates used in the subsidy calculation model, based on an in-depth review of past program performance.

(2) An increase of $62,000 in administrative expenses ($5,291,000 available in 2008).
The requested amount reflects an increase of $27,000 for FSA and $35,000 for FAS to cover increased pay costs, other personnel compensation, and increased operating costs.

COMMODITY CREDIT CORPORATION
CCC EXPORT CREDIT GUARANTEE PROGRAMS

Classification by Objects
2007 Actual and Estimated 2008 and 2009

		2007	2008	2009
25.3	Purchase of goods and services from Government accounts	$5,260,210	$5,291,000	$5,353,000
41.0	Grants, subsidies, and contributions	39,000,000	52,914,000	25,715,000
99.0	Total direct obligations	44,260,210	58,205,000	31,068,000

COMMODITY CREDIT CORPORATION
FARM STORAGE FACILITY LOANS PROGRAM ACCOUNT

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

For administrative expenses necessary to carry out the Farm Storage and Sugar Storage Facility Loan Program, $4,724,000, shall be paid to the appropriation for "Farm Service Agency, Salaries and Expenses".

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

COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS

	Program Level	Administrative Expenses	Subsidy
Appropriations Act, 2008	$152,500,000	0	$1,539,500
Budget Estimate, 2009	152,500,000	$4,724,000	9,375,000
Increase in Appropriation	0	4,724,000	7,835,500

Summary of Increases and Decreases
(On basis of appropriation)

Item of Change	2008 Estimated	Pay Costs	Program Changes	2009 Estimated
Program Level:				
FSFL	$150,000,000	0	0	$150,000,000
SSFL	2,500,000	0	0	2,500,000
Total Program Level	152,500,000	0	0	152,500,000
Subsidy Costs:				
FSFL	1,515,000	0	7,860,000	9,375,000
SSFL	24,500	0	-24,500	0
Total Subsidy	1,539,500	0	7,835,500	9,375,000
Administrative Expenses	0	0	4,724,000	4,724,000
Total Budget Authority	1,539,500	0	12,559,500	14,099,000

COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS

Project Statement by Program
(On basis of appropriation)

	2007 Actual	2008 Estimated	Increase or Decrease		2009 Estimated
Program Level:					
FSFL	$144,184,000	$150,000,000	0		$150,000,000
SSFL	2,500,000	2,500,000	0		2,500,000
Total Program Level	146,684,000	152,500,000	0		152,500,000
Subsidy Costs:					
FSFL	548,000	1,515,000	$7,860,000	(1)	9,375,000
SSFL	0	24,500	-24,500	(2)	0
Total Subsidy Costs	548,000	1,539,500	7,835,500		9,375,000
Administrative Expenses	0	0	4,724,000	(3)	4,724,000
Total Available or Estimate	548,000	1,539,500	12,559,500		14,099,000

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $7,860,000 for subsidy costs ($1,515,000 available in 2008):
The increase in subsidy is due to changes in default assumptions for the Farm Storage program. The most recent program data used for reestimates indicates a higher default rate than previously assumed for this program. The budget assumptions for FY 2009 are consistent with actual program performance to date.

(2) A decrease of $24,500 for subsidy costs for the Sugar Storage Facility Loan program ($24,500 available in 2008):
The decrease in subsidy is due to changes in economic assumptions which led to a slight decrease in the subsidy rate associated with the program.

(3) An increase of $4,724,000 in total administrative expenses ($0 available in 2008):
This increase is offset by a decrease of $4,724,000 in the direct appropriation for FSA Salaries and Expenses. Expenses associated with administering Farm and Sugar Storage Facility Loans have been funded through the FSA Salaries and Expenses Account. This change proposes to move funding to administer these loans from the FSA Salaries and Expenses Account to the Farm Storage Facility Loans Program Account in line with the requirements of the Federal Credit Reform Act.

COMMODITY CREDIT CORPORATION
FARM AND SUGAR STORAGE FACILITY LOAN PROGRAMS
Geographic Breakdown of Obligations
2007 Actual and Estimated 2008 and 2009

	2007 Actual	2008 Estimated	2009 Estimated
Alabama	$703,586	$731,967	$731,967
Arkansas	2,755,012	2,866,143	2,866,143
Colorado	200,160	208,234	208,234
Delaware	63,325	65,879	65,879
Florida	0	1,250,000	1,250,000
Georgia	1,809,283	1,882,265	1,882,265
Hawaii	0	1,250,000	1,250,000
Idaho	21,695	22,570	22,570
Illinois	15,079,864	15,688,150	15,688,150
Indiana	4,354,338	4,529,981	4,529,981
Iowa	35,807,912	37,252,318	37,252,318
Kansas	886,718	922,486	922,486
Kentucky	1,725,413	1,795,012	1,795,012
Louisiana	2,952,962	3,072,078	3,072,078
Maine	138,884	144,486	144,486
Maryland	305,363	317,681	317,681
Michigan	4,309,926	4,483,778	4,483,778
Minnesota	23,758,767	24,717,139	24,717,139
Mississippi	4,167,495	4,335,602	4,335,602
Missouri	5,830,189	6,065,365	6,065,365
Montana	412,664	429,310	429,310
Nebraska	11,053,638	11,499,515	11,499,515
New Hampshire	28,856	30,020	30,020
New Jersey	50,000	52,017	52,017
New York	1,576,077	1,639,652	1,639,652
North Carolina	1,200,945	1,249,388	1,249,388
North Dakota	4,195,400	4,364,633	4,364,633
Ohio	3,101,154	3,226,247	3,226,247
Oklahoma	106,285	110,572	110,572
Pennsylvania	1,434,831	1,492,709	1,492,709
South Carolina	1,754,573	1,825,349	1,825,349
South Dakota	9,355,074	9,732,436	9,732,436
Tennessee	996,737	1,036,943	1,036,943
Texas	68,845	71,622	71,622
Vermont	20,000	20,807	20,807
Virginia	479,156	498,484	498,484
Washington	157,638	163,997	163,997
West Virginia	164,570	171,208	171,208
Wisconsin	3,156,628	3,283,958	3,283,958
Total, Available or Estimate	144,183,963	152,500,000	152,500,000

COMMODITY CREDIT CORPORATION
Farm and Sugar Storage Facility Loan Programs

Classification by Objects
2007 Actual and Estimated 2008 and 2009

Object Class		2007	2008	2009
25.3	Other purchases of goods and services from Government accounts	0	0	$4,724,000
41.0	Grants, subsidies, and contributions	$548,000	$1,539,500	9,375,000
99.0	Total obligations	548,000	1,539,500	14,099,000

COMMODITY CREDIT CORPORATION

STATUS OF PROGRAM

Current Activities:

Commodity Loans Made and Outstanding
(Dollars in Billions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Loans Made	$7.2	$8.4	$9.7	$8.3	$10.1	$10.7	$9.1	$12.6	$12.0	$11.3
Loans Outstanding	$2.2	$2.4	$3.1	$1.9	$1.6	$1.6	$1.8	$1.1	$1.5	$0.7

FY 2007 Commodity Loans
(Dollars in Thousands)

Commodity	Loans Outstanding SOY	Loans Made	Loan Reductions	Loans Outstanding EOY
Cotton	$502,314	$4,752,495	$5,110,101	$144,708
Feed Grains	248,583	2,184,233	2,216,547	216,269
Minor Oilseeds	13,324	27,541	38,372	2,493
Peanuts	18,772	576,842	584,837	10,777
Rice	189,427	559,720	602,019	147,128
Soybeans	263,557	1,969,482	2,125,558	107,481
Sugar	10,300	1,051,171	1,026,436	35,035
Wheat	196,498	147,492	272,459	71,531
Other	20,318	17,124	28,997	8,445
Total	$1,463,093	$11,286,100	$12,005,326	$743,867

FY 2007 Direct and Counter-Cyclical Payments
(Dollars in Thousands)

Commodity	Counter-Cyclical	Direct
Barley	$267	$60,066
Corn	1,627,551	1,590,968
Minor Oilseeds	0	14,821
Oats	0	2,327
Peanuts	194,404	74,249
Rice	54,136	317,907
Sorghum	1,021	146,907
Soybeans	-89	445,040
Upland Cotton	1,281,307	454,452
Wheat	-43	850,438
Total	$3,158,554	$3,957,175

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	2002	2003	2004	2005	2006	2007
Cotton	$1,183.3	$185.8	$19.9	$381.9	$622.3	$115.9
Dairy	-0.4	1,795.7	221.1	9.1	351.6	156.6
Feed Grains	3,224.8	-131.9	159.2	3,050.2	4,202.5	5.7
Minor Oilseeds	78.9	5.5	4.2	7.4	25.6	0
Rice	621.9	268.3	199.5	49.0	49.3	-0.2
Soybeans	3,129.2	17.3	3.4	286.3	22.0	45.8
Wheat	1,072.1	-6.5	30.5	43.3	14.3	0
Wool and Mohair	-0.1	18.0	12.0	7.6	7.9	7.2
Other	0.0	40.0	18.9	33.4	69.7	26.1
Total Payments	**$9,309.7**	**$2,192.2**	**$668.7**	**$3,868.2**	**$5,365.2**	**$357.1**

Minus (-) indicates credit adjustment to the program.

Purchases. Some commodities are purchased directly from processors. Milk prices are supported through purchases of processed dairy products from processors. Purchases of dairy products, purchases of wheat and wheat products, corn, oats, peanuts, and vegetable oils for donations and purchases of grains, soybeans, and oilseeds on which loans are also made totaled $5,386.8 million, which is comprised of cash purchases of $727 million and certificate purchases of $4,659.7 million. Of this amount, $0.1 million was for dairy products.

Noninsured Assistance Program (NAP). NAP payments in FY 2007 totaled $127 million, with offsetting fees collected of $7.8 million. Of the payments, $0.1 million was for the 2004 crop, $2.6 million was for the 2005 crop, $116 million was for the 2006 crop and $8.2 million was for the 2007 crop.

Emergency Assistance. CCC funding was provided for the following emergency programs in FY 2007.

FY 2007 Emergency Assistance
(Dollars in Thousands)

Program	2007 Outlays
P.L. 109-234 Specialty Crop Disaster Assistance	$19,842
Crop Disaster	-5,296
Dairy Producer Losses	3,970
Livestock Indemnity	198
Nursery Losses Program	80
Sugar Beet Crop Disaster	-5
Louisiana Sugar Hurricane Disaster	40,000
Emergency Livestock Assistance	664
Tree Assistance	1,973
Total	**$61,426**

Farm Bill-Authorized CCC Transfers, FY 2007

Agencies Receiving Transfers	FY 2007Amount ($000)
Agricultural Marketing Service (AMS)	$1,750
Chief Economist (OCE)	2,000
Food & Nutrition Service (FNS)	15,000
Natural Resources Conservation Service (NRCS)	1,746,556
Rural Development (RD)	14,000
Total	**$1,779,306**

Prompt Payment Act Interest Payments. Total interest paid on late payments during FY 2007 was $733,800, compared to $3,723,700 in FY 2006. 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 2007, loan obligations totaled $174.3 million.

Sugar Storage Facility Loans. No loans were made in FY 2007.

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 2007, CCC commercial export credit activities consisted of credit guarantees under the GSM-102 Export Credit Guarantee Program.

Direct Credit. From the beginning of the short-term export credit sales program in 1956 through September 30, 2005, sales of agricultural commodities amounted to approximately $9,649.2 million, with an additional $722.9 million in capitalized interest resulting from debt rescheduling. However, there has been no new program activity since fiscal year 1987. Amounts outstanding under this program were $21.0 million as of September 30, 2007, which were rescheduled credits. Principal repayments from inception through September 30, 2006, totaled $9,590.0 million, including $3.4 million in FY 2007.

CCC Export Credit Guarantees. During FY 2007, the following loan commitments were made under the CCC Export Sales Guarantee Programs.

Activity	FY 2007 Loan Commitments ($000)
GSM-102, Short-term Guarantees	$1,333.50
Supplier Credit Guarantee Program	0.00
Facilities Guarantee Program	0.00
Total	$1,333.50

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

U.S. Agricultural Technical Expertise Provided to Emerging Markets. The Food, Agriculture, Conservation and Trade Act of 1990, as amended, authorizes for each fiscal year through 2007, a program for promoting agricultural exports to emerging markets through the sharing of U.S. agricultural technical expertise. Actual expenditures during FY 2007 totaled $9.4 million, which included prior year obligations.

Export Enhancement Program. An export enhancement program was initiated in 1985 under which CCC funds or commodities are made available to exporters as bonuses to make U.S. agricultural products competitive in foreign markets. All sales involving bonus CCC funds or commodities are intended to increase and enhance U.S. agricultural exports above what would have occurred in the absence of the program. No cash payments, including payments from prior year programs, or bonuses were awarded in FY 2007.

Dairy Export Incentive Program (DEIP). The DEIP operates on a bid bonus system similar to the Export Enhancement Program, with cash bonus payments. No cash payments or bonuses were awarded in FY 2007.

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

STORAGE ACTIVITIES

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

Commercial Storage. The Corporation has contracts with about 2,602 commercial warehouse operators in 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 2,585 grain and rice warehouse facilities operating under the agreements. The grain and rice facilities have a total capacity of about 8.1 billion bushels. The inventory of CCC-owned commodities was reduced during FY 2007 which resulted in 14.3 million in storage and handling charges. Total number of loans was 54,627.

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 2007 from FY 2006. CCC's acquisition-cost value on September 30, 2007, was $185.0 million as compared to $226.0 million in FY 2006.

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 2007 was $5,509.0 million and sales proceeds were $4,402.0 million, including certificate sales proceeds of $3,653.4 million.

Commodity Inventories Owned by CCC
End of Year, Fiscal Years 1994-2007
(Dollars in Thousands)

	Cotton	Dairy	Feed Grains	Soybeans	Wheat	Other	Total
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
1994	3,317	211,133	122,002	773	538,206	65,285	940,716

The following table shows the value ($ in thousands) of commodities disposed of during FY 2007:

Type of Disposition	Cost Value	Proceeds
Domestic Sales for Dollars	$75,306	$60,864
P.L. 480 (Export) Title I *	34,383	34,383
P.L. 480 (Export) Title II*	644,450	644,450
Domestic Certificate Redemption	4,659,794	3,653,388
Domestic Donations	23,406	0
Export Donations	70,798	0
Domestic Transfer to other Government Agencies	226	236
Domestic Inventory Adjustments and/or Recoveries	593	8,479
Subtotal Domestic Dispositions	4,759,325	3,722,967
Subtotal Export Dispositions	749,631	678,833
TOTAL DISPOSITIONS	$5,508,956	$4,401,800

*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

Conservation Activities in FY 2007

		(Dollars in Thousands)	
Program	**Authorized Acres or Funding Level**	**CCC Net Outlays**	**Transfer to NRCS**
Conservation Reserve Program	39.2 million acres (rolling maximum)	$1,963,161	0
Emergency Forestry Conservation Reserve Program		6,060	0
Wetlands Reserve Program	2.275 million acres (rolling maximum)	7,734	$243,449
Environmental Quality Incentives Program	$1,017 million	-3	995,560
Farmland Protection Program	$112 million	27	73,500
Soil and Water Conservation Program	0	515	0
Agricultural Management Assistance	$20 million	923	5,000
Total		**$1,978,417**	**$1,317,509**

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, 2007, $3.367 billion of this authority was in use.

Reimbursement for Net Realized Losses. During FY 2007, the Corporation received $23,098.3 million for reimbursement of 2006 losses. As of September 30, 2007, unrestored realized losses totaled $12,566.9 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 2007 were $49.4 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.

Direct Crop Payments. The 2002 PART review determined that the program was adequate. The assessment concluded the program is generally well managed, however several important conclusions and suggestions were generated based on the findings. The purpose of the program is clear, but the design could be improved to ensure the program reached a greater amount of farmers. For example, in FY 2000, direct payments reached only 41 percent of all eligible farmers. Likewise, independent reviews of the program concluded that it has provided support in maintaining farm income, but had not been effective in reducing the need for government subsidies. The program's management has developed performance goals designed to improve the delivery of the program. FSA intends to maintain or improve the current participation rate for direct and counter-cyclical payment programs at 98 percent or better. FSA continues to address PART recommendations and associated milestones. This program will have a PART review again in FY 2008.

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

Non-Insured Crop Disaster 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 2005 through 2007 (millions of dollars)

Item	2005 Actual	2006 Actual	2007Actual
Loan Activity:			
Loans Outstanding, Beginning of Year	$1,801.7	$1,108.1	$1,463.1
Loans Made	12,619.2	12,013.8	11,286.1
Loans Repaid	-6,818.6	-6,054.9	-7,157.4
Loans Repaid – Certificates	-5,149.1	-5,126.9	-4,659.8
Marketing Loans Repaid	-318.1	-279.9	-12.8
Collateral Acquired	-978.3	-128.4	-76.4
Write-offs	-41.7	-58.7	-89.2
Transfers to Accounts Receivable	-7.0	-10.0	-9.7
Loans Outstanding, End of Year	1,108.1	1,463.1	743.9
Inventory Activity:			
Inventory, Beginning of Year	950.2	304.2	226.0
Commodity Purchases	957.6	757.6	727.0
Certificates from Loan Redemption	5,149.2	5,126.9	4,659.8
Collateral Acquired	978.3	128.4	76.4
Loan Collateral Settlements	86.6	4.2	4.4
Processing, Packaging, etc.	19.2	3.8	10.2
Storage and Handling	(99.6)	(96.1)	(74.0)
Transportation	(6.6)	(3.6)	(0.5)
Other Transfers (net)	-134.9	-1.1	-9.8
Commodity Cost of Sales	-7,159.1	-5,830.3	-5,414.8
Domestic Donations	-271.2	-69.9	-23.4
Export Donations	-271.7	-197.8	-70.8
Inventory, End of Year	304.2	226.0	185.0
Direct Cash Payments:			
Production Flexibility Payments a/	1.2	-0.6	-0.8
Direct Payments	5,234.6	4,962.4	3,957.2
Counter-Cyclical Payments	2,771.5	4,355.6	3,158.6
Deficiency Payments a/	0.0	0.0	0.0
Loan Deficiency Payments	3,855.6	4,629.6	173.8
Milk Income Loss Payments	9.1	351.5	157.9
Noninsured Assistance Payments b/	109.6	66.3	127.0
Conservation Reserve Payments	1,788.3	1,830.4	1,865.0
Other Conservation Payments	22.3	22.3	15.0
Bioenergy Program Payments	100.0	59.1	0.0
Other Payments	1,532.0	1,350.8	980.9
Total	15,424.2	17,627.4	10,434.6
Commodity Export Activities:			
CCC Export Credit Guarantee Programs			
(Program Level)	(2,624.5)	(1,363.3)	(1,445.3)
(Net Outlays)	-1,384.1	-831.8	-67.5
Export Enhancement Program			
(Program Level)	(0)	(0)	(0)
(Net Outlays)	0	0	0
Market Access Program			
(Program Level)	(140.0)	(200.0)	(200.0)
(Net Outlays)	138.9	158.0	184.1
Dairy Export Incentive Program			
(Program Level)	(0)	(0)	(0)
(Net Outlays)	1.2	0.2	0
Other:			
Realized Loss	25,430.7	23,098.3	12,566.9
Investment in Agricultural Commodities	1,412.3	1,689.1	928.9

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