

section, except that CCC shall not credit the loan repayment amount for a bale for any accrued storage charges for any period that the cotton bale was stored outside exceeding a continuous 15-day period beginning on the day the warehouse was notified that the bale is under loan.

(2) Above the national average loan rate by less than the sum of the accrued interest and warehouse storage charges that accrued during the period the cotton was pledged for loan, CCC will pay at the time of loan repayment to the producer, agent, or subsequent agent authorized by the producer in the manner prescribed by CCC, without regard to any warehouse charges that accrued before the cotton was pledged for loan:

(i) That portion of the warehouse storage charges that accrued during the period the cotton was pledged for loan that are determined to be necessary to permit the loan to be repaid at the adjusted world price; and

(ii) With respect to the 2006 and subsequent crops of upland cotton stored inside an approved cotton warehouse during the entire period of the loan, storage charges based on the rates in paragraph (j) of this section, except that CCC shall not credit the loan repayment amount for a bale for any accrued storage charges for any period that the cotton bale was stored outside exceeding a continuous 15-day period beginning on the day the warehouse was notified that the bale is under loan; or

(3) Above the national average loan rate by as much as or more than the sum of the accrued interest and warehouse storage charges that accrued during the period the cotton was pledged for loan, CCC shall not pay any of the accrued warehouse storage charges.

(i) Repayment of loans will not be accepted after CCC acquires title to the cotton in accordance with §1427.7.

(j) For the purpose of calculating storage credits that may be applicable under paragraph (h) of this section to the 2006 and subsequent crops of upland cotton, the warehouse storage rates to be used shall be the lower of;

(1) The tariff storage rate for the warehouse for the 2005-crop, or for any

warehouse not in existence in 2005, a CCC-assigned average 2005-crop tariff rate for the county or area; or

(2) For warehouses located in Arizona and California, \$4.37 per bale per month; and for warehouses located in all States other than Arizona and California, \$2.66 per bale per month.

[67 FR 64459, Oct. 18, 2002, as amended at 71 FR 51428, Aug. 30, 2006]

§ 1427.20 Handling payments and collections not exceeding \$9.99.

Amounts of \$9.99 or less will be paid to the producer only at their request. Deficiencies of \$9.99 or less, including interest, may be disregarded unless CCC demands in writing that they be paid.

§ 1427.21 Settlement.

(a) The settlement of loans shall be made by CCC on the basis of the quality and quantity of the cotton delivered to CCC by the producer or acquired by CCC.

(b) Settlements made by CCC for eligible cotton which are acquired by CCC which are stored in an approved warehouse shall be made on the basis of the entries set forth on the applicable warehouse receipt and other accompanying documents.

(c) If a producer does not pay CCC the amount due under a loan, CCC shall take title to the cotton as provided in §1427.7(b).

(d) With respect to ELS cotton which is stored as provided in §1427.10(e), settlement of loans shall be made based upon the determination of the quantity and quality made by CCC at the time of acceptance of the cotton by CCC at the warehouse designated by CCC as provided in §1427.18(k).

(e) If CCC sells the commodity described in paragraph (a) of this section in settlement of the recourse loan, the sales proceeds shall be applied to the amount owed CCC by the producer. The producer shall be responsible for any costs incurred by CCC in completing the sale and CCC will deduct the amount of these costs from the sales proceeds. When CCC sells any cotton obtained by forfeiture under a marketing assistance loan, CCC will, in all instances, retain all proceeds obtained from the sale of the cotton and will not

§ 1427.22

7 CFR Ch. XIV (1-1-08 Edition)

make any payment of any amount of such proceeds to any party, including the producer who had satisfied their obligation under the loan through forfeiture of the cotton to CCC.

[67 FR 64459, Oct. 18, 2002, as amended at 68 FR 49329, Aug. 18, 2003; 71 FR 32427, June 6, 2006]

§ 1427.22 Commodity certificate exchanges.

(a) For any outstanding marketing assistance loan, a producer may purchase a commodity certificate and exchange that commodity certificate for the marketing assistance loan collateral.

(b) The exchange rate is the lesser of:

(1) The loan rate and charges, plus interest applicable to the loan, or

(2) The adjusted world price for cotton as determined by CCC.

(c) Producers must request a commodity certificate exchange in person at the FSA county service center that disbursed the marketing assistance loan by:

(1) Completing a written request as CCC determines,

(2) Purchasing a commodity certificate for the exact amount required to exchange the marketing assistance loan collateral, and

(3) Immediately exchanging the purchased commodity certificate for the outstanding loan collateral.

§ 1427.23 Cotton loan deficiency payments.

(a) In order to be eligible to receive such loan deficiency payments, the producer of the upland cotton must:

(1) Comply with all of the upland cotton marketing assistance loan eligibility requirements under this subpart;

(2) Agree to forgo obtaining such loans unless denied a loan deficiency payment due to payment limitation;

(3) A producer must submit a completed request for a loan deficiency payment for a quantity of eligible cotton under §1427.5(a) on or before the date beneficial interest is lost in the commodity and before the final loan availability date for the commodity. Producers must, on a form prescribed by CCC, indicate their intentions to receive a loan deficiency payment and submit the prescribe form to the FSA

Service Center on or before beneficial interest is lost in such quantity. A producer may not file such a form after beneficial interest is lost.

(4) Provide warehouse receipts or, as determined by CCC, a list of gin bale numbers for such cotton showing, for each bale, the net weight established at the gin;

(5) For loan deficiency payments requested before ginning of the cotton based on a locked-in adjusted world price, provide identifying numbers for modules or other storage units that will correspond to the gin-assigned numbers of the bales produced from the unginning cotton; and

(6) Otherwise comply with all program requirements.

(b) The loan deficiency payment applicable to a crop of cotton shall be computed by multiplying the applicable loan deficiency payment rate, as determined under paragraph (c) of this section, by the quantity of the crop the producer is eligible to pledge as collateral for a loan, excluding any quantity for which the producer obtains a marketing assistance loan.

(c) The loan deficiency payment rate for a crop of upland cotton shall be the amount by which the loan rate determined for a bale of such crop exceeds the adjusted world price, as determined by CCC under §1427.25, in effect on the day the request is received by, the county office, loan servicing agent, or cotton commercial bank. In no case shall the loan deficiency payment rate for a bale exceed the value of the bale had it been pledged as collateral for a marketing assistance loan.

(d) The total amount of any loan deficiency payments that a person may receive is subject to part 1400 of this chapter.

(e) If the producer enters into an agreement with CCC on or before the date of ginning a quantity of eligible upland cotton, and the producer has the beneficial interest in such quantity as specified under §1427.5(c) on the date the cotton was ginned, and the producer meets all the other requirements in paragraph (a) of this section on or before the final date to apply for a loan deficiency payment under §1427.5, the loan deficiency payment rate applicable to such cotton will be: