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USDA lowers CCC lending rates for January 2009

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The U.S. Department of Agriculture's Commodity Credit Corporation (CCC) lowered interest rates Friday for January 2009. The CCC borrowing rate-based charge is 0.625 percent, down from 1.250 in December 2008. For 1996 and subsequent crop year commodity and marketing assistance loans, the interest rate for loans disbursed during January 2009 is 1.625, down from 2.250 in December 2008.

The interest rate for farm storage facility loans approved for January 2009 is 2.125 percent, down from 3.000 in December 2008. The interest rate for sugar storage facility loans for January 2009 is 3.500, down from 4.500 in December 2008.

The maximum discount rate applicable for January 2009 for the Tobacco Transition Payment Program is 5 percent, down from 6 percent in December 2008. This is based on the 3.250 percent prime rate plus 2 percent, rounded to the nearest whole number.

Past monthly releases announcing interest rates charged by CCC on commodity and marketing assistance loans disbursed for that particular month reflect the interest rate the U.S. Treasury charged CCC for that month. This was the interest rate specified by CCC since Jan. 1, 1982, but the process of establishing the interest rate was changed by a provision of the Federal Agriculture Improvement and Reform Act of 1996 (the Act), enacted on April 4, 1996.

Section 163 of the Act requires that monthly interest rates applicable to commodity and marketing assistance loans are to be 100 basis points – or 1 percent – greater than the rate determined under the applicable interest rate formula in effect on Oct. 1, 1995. This formula resulted in a rate equivalent to the amount the U.S. Treasury charged CCC for borrowing for the month.