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SECOND DISTRICT, GEORGIA

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October 15, 2013

The Honorable Tom Vilsack
U.S. Department of Agriculture
1400 Independence Ave., SW
Washington, DC 20250

Dear Secretary Vilsack,

I am writing to express my concern regarding the USDA announcement on Monday, September 30, that effective Oct. 1, the proceeds of marketing assistance loans (MAL's) would be reduced by 5.1% and loan processing will be suspended for two weeks or more while computer software is updated - - both of which are exacerbated by the government shutdown.

As you know, commodity loans were not subject to sequestration in fiscal 2013. Given that cotton and peanut harvests in my district are currently underway, this decision could result in a severe reduction of cash flow, disruption of orderly marketing, and an unrecoverable loss of income for producers who have marketed their cotton and peanuts under option-to-purchase contracts. Peanut producers in particular could face a de facto reduction in the loan rate, resulting in per ton price reduction by up to $18.11, while cotton producers could lose $13.00 per bale.

While I understand there is a requirement to reduce outlays through sequestration, applying sequestration to market assistance loans is unlikely to achieve any significant savings since loans are repaid with principal and interest. The impact of these actions will have a severe effect on the peanut and cotton industries in my district and nationwide, with a negligible contribution to budget savings.

The USDA's announcement did not specify whether loan redemptions would also be impacted by sequestration. This will have a direct impact on how growers, marketing cooperatives, private merchandizing firms, and agribusinesses adjust their current and future marketing strategy. Further, local banks, farm credit, and other lending institutions are extremely concerned because loans are maturing during this harvest period. Without MAL's, producers will not be able to repay or extend their operating loans leading to additional interest and overdue charges and potential financial default.

In light of these concerns, I respectfully urge you to use whatever discretionary authority you may have to mitigate any potential financial harm to our peanut, cotton and other farmers utilizing MAL's and not impose the 5.1 percent reduction to the program resulting from sequestration.

With warmest personal regards, I remain

Sincerely,

Sanford D. Bishop, Jr.
Member of Congress

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