USDA

United States Department of Agriculture

Commodity Credit Corporation's Balance Sheet for Fiscal Year 2016

Audit Report 06401-0006-11

November 2016

OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250

DATE: November 22, 2016

AUDIT NUMBER: 06401-0006-11

TO: Board of Directors
Commodity Credit Corporation

ATTN: Perry Thompson
Director
Operations Review and Analysis Staff

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Commodity Credit Corporation's Balance Sheet for Fiscal Year 2016

This report presents the results of the audit of Commodity Credit Corporation's (CCC) balance sheet for the fiscal year ending September 30, 2016. The report contains an unmodified opinion on the balance sheet, as well as an assessment of CCC's internal controls over financial reporting and compliance with laws and regulations.

KPMG LLP, an independent certified public accounting firm, conducted the audit. In connection with the contract, we reviewed KPMG LLP's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with government auditing standards (issued by the Comptroller General of the United States), was not intended to enable us to express, and we do not express, an opinion on CCC's balance sheet; internal control; whether CCC's financial management system substantially complied with the Federal Financial Management Improvement Act of 1996 (FFMIA); or conclusions on compliance with laws and regulations. KPMG LLP is responsible for the attached auditor's report, dated November 21, 2016, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with government auditing standards and the Office of Management and Budget 15-02, *Audit Requirements for Federal Financial Statements*, in the performance of its engagement.

It is the opinion of KPMG LLP, that the balance sheet presents fairly, in all material respects, CCC's financial position as of September 30, 2016, in accordance with accounting principals generally accepted in the United States of America.

The KPMG LLP's report on CCC's internal control over financial reporting identified three deficiencies. Specifically, KPMG LLP identified weaknesses in CCC's:

- accounting estimates,
- maintenance of accounting records, and
- general information technology controls

KPMG LLP considered the first two deficiencies to be material weaknesses and the last one to be a significant deficiency. The results of KPMG LLP's tests of compliance with laws and regulations disclosed instances of noncompliance with FFMIA.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than the Office of the Chief Financial Officer (OCFO), please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended during this engagement. This report contains publicly available information and will be posted in its entirety to our website http://www.usda.gov/oig in the near future.

KPMG LLP
Suite 12000
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Washington, DC 20006

Independent Auditors' Report

Board of Directors, Commodity Credit Corporation
Inspector General, United States Department of Agriculture:

Report on the Financial Statement

We have audited the accompanying consolidated balance sheet of the Commodity Credit Corporation (hereafter referred to as "CCC") as of September 30, 2016, and the related notes (the consolidated financial statement).

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this consolidated financial statement in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statement

In our opinion, the consolidated financial statement referred to above presents fairly, in all material respects, the financial position of the Commodity Credit Corporation as of September 30, 2016, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section be presented to supplement the basic consolidated financial statement. Such information, although not a part of the basic consolidated financial statement, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statement, and other knowledge we obtained during our audit of the basic consolidated financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statement as a whole. The Preface and Table of Contents, Message from the Executive Vice President, Performance Section, the Message from the Chief Financial Officer, Introduction to the Consolidated Balance Sheet, the Other Information section, and the Appendix: Glossary of Acronyms are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statement as of September 30, 2016, we considered the CCC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statement, but not for the purpose of expressing an opinion on the effectiveness of the CCC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CCC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibits I and II, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in the areas noted below, and described in Exhibit I, to be material weaknesses.

1. Accounting Estimates
2. Maintenance of Accounting Records

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in General Information Technology Controls described in Exhibit II to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CCC's consolidated financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed instances, described in Exhibit III where the CCC's financial management system did not substantially comply with applicable Federal accounting standards and the United States Government Standard General Ledger at the transaction level. The results of our tests of FFMIA disclosed no instances in which CCC's financial management system did not substantially comply with Federal financial management system requirements.

CCC's Responses to Findings

The CCC's response to the findings identified in our engagement is included in Exhibit IV. The CCC's response was not subjected to the auditing procedures applied in this engagement and, accordingly, we express no opinion on the response.

Our response to CCC's response is included in Exhibit V.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the CCC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington D.C.
November 21, 2016

During Fiscal Year (FY) 2016, the Commodity Credit Corporation (CCC) undertook various audit remediation efforts to address prior year material weaknesses and improve its internal controls and the accounting for significant balances in its financial statements. The scope of our FY 2016 audit was focused only on CCC's FY 2016 consolidated balance sheet, and, as a result, our consideration of internal controls was limited to those internal controls related to significant accounts reported on the consolidated balance sheet. While CCC's internal controls over financial reporting have improved from the prior year, we identified certain areas where improvements are still needed. The material weaknesses communicated in this Exhibit I, and the significant deficiency presented in Exhibit II, highlight areas that require management attention and the further development of processes, procedures, and effective controls.

Material weaknesses were identified in the following areas:

- Accounting Estimates
- Maintenance of Accounting Records

The following criteria were considered in the determination and evaluation of the material weaknesses identified herein.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, states:

> Internal controls and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.

The Office of Management and Budget (OMB), Circular No. A-123, *Managements Responsibility for Enterprise Risk Management and Internal Control,* states:

> Management is responsible to develop and maintain effective internal control […] This includes establishing and maintaining internal control to achieve specific objectives related to operations, reporting and compliance.

Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, states:

> A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date. The existence of a past event (which includes transactions) is essential for liability recognition.

FASAB SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*, states:

> Actual historical experience of the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document actual experience, a database should be maintained to provide historical information on actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

FASAB Technical Release (TR) No. 6, *Preparing Estimates for Direct Loans and Loan Guarantee Subsidies under the Federal Credit Reform Act*, states:

> Documentation must be provided to support the assumptions used by the agency in the subsidy calculations. This documentation will not only facilitate the agency's review of the assumptions, a key internal control, it will also facilitate the auditor's review.
>
> Documentation should be complete and stand on its own, i.e., a knowledgeable independent person could perform the same steps and replicate the same results with little or no outside explanation or assistance. If the documentation were from a source that would normally be destroyed, then copies should be maintained in the file for the purposes of reconstructing the estimates.
>
> The accounting office should maintain detailed subsidiary accounting records by program, cohort, risk category (if applicable) and case (individual direct loan or loan guarantee).

FASAB TR No. 12, *Accrual Estimate for Grant Programs,* states:

> Agencies should document and maintain support for the data and assumptions used to develop grant accrual estimates. The documentation will facilitate the agency's review of the assumptions, a key internal control, and will also facilitate the auditor's testing of the estimates. Documentation should be complete and stand on its own, i.e., a knowledgeable independent person could perform the same steps and replicate the same results. If the documentation were from a source that would normally be destroyed, then copies should be maintained in the file for the purpose of reconstructing the estimates.

FASAB SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, states:

> An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. The allowance for uncollectible amounts should be re-estimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct.
>
> Losses due to uncollectible amounts should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual accounts and a group of accounts as a whole.
>
> Accounts that represent significant amounts should be individually analyzed to determine the loss allowance. Loss estimation for individual accounts should be based on (a) the debtor's ability to pay, (b) the debtor's payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools.
>
> To determine the loss allowance on a group basis, receivables should be separated into groups of homogeneous accounts with similar risk characteristics.

Treasury's Financial Manual (TFM 2-5100), *Reconciling Fund Balance with Treasury Accounts*, states:

> Reconciling FBWT accounts is a key internal control process. It assures the reliability of the Government's receipt and disbursement data as reported by agencies. Therefore, agencies must perform timely reconciliations and implement effective and efficient reconciliation processes. Agencies must reconcile fund balance for each Treasury fund account symbol. Agencies should document their reconciliations and make them available to auditors and Treasury if requested. Agencies also should ensure that all adjustments are researched and traceable to supporting documents.

Accounting Estimates

CCC's consolidated balance sheet includes several significant estimates to account for Direct Loans and Loan Guarantees, Loan Guarantee Liability, Accrued Liabilities, Parent/Child Transactions, including Grants Payable and Advances to Others, Allowance for Uncollectible Accounts Receivable, and Environmental and Disposal Liabilities. In each of these accounting estimates, we identified weaknesses in CCC's processes, procedures, and controls, as discussed below.

<u>Direct Loans and Loan Guarantees</u>

CCC's Direct Loans and Loan Guarantees are primarily comprised of the following portfolios:

- P.L 480 Title I Pre-Credit and Credit Reform, with a balance of approximately $1.6 billion;
- Farm Storage Facility Loan (FSFL) Credit Reform, with a balance of approximately $735 million; and
- Export Credit Guarantee Program Pre-Credit and Credit Reform, with a balance of approximately $266 million.

In our FY 2015 independent auditors' report, we noted weaknesses in processes, procedures, and controls that prevented management from providing sufficient evidential matter to support financial transactions. As of September 30, 2016, we noted that CCC was able to substantively support its reported Direct Loan and Loan Guarantee balances. However, certain weaknesses continued to exist, that impacted accounting for these transactions in FY 2016. For example, as a result of our testing over the outstanding principle balance for the P.L 480 Title I and Export Credit Guarantee Program portfolios, we noted several loans that were delinquent and considered non-performing and/or did not have adequate supporting documentation, and while these loans were fully reserved, the loans should have been written-off from the gross receivable (including related interest receivable) and allowance for subsidy balances. As a result, management performed a review of these portfolios and determined that approximately $1.1 billion of non-performing loans (loans receivable, interest receivable, and related allowance) should be written-off. While management subsequently adjusted the portfolio balances, internal controls did not exist during the year to identify and properly account for these non-performing loans.

In addition, we noted that CCC did not maintain adequate supporting documentation, such as underlying loan agreements, amortization schedules, and other relevant information, on several Pre-Credit and Credit Reform loans, which required management to re-generate the underlying loan information. This resulted in the identification of approximately $49 million ($41 million loans receivable and $8 million related interest receivable) in P.L. 480 Title I Credit Reform loans that likely should have been written-off as of September 30, 2016.

Finally, as it relates to the FSFL portfolio, management did not perform reconciliation procedures to ensure that the loan level accounting information obtained from the Direct Loan System (DLS) is complete, accurate, and at the right level of detail necessary for use in the FSFL cash flow model. We further noted that management does not have a comprehensive control process in place to analyze and/or reconcile the net present value of remaining cash flows from the OMB Credit Subsidy Calculator 2 (CSC2) with the balances reported in the consolidated financial statements. Specifically, we noted that the net present value for FSFL was understated by $15 million, when compared to the calculation from the OMB CSC2 calculator, further evidencing weaknesses in management's review process related to accounting for CCC's Credit Reform portfolios.

<u>Loan Guarantee Liability</u>

CCC recognizes a Loan Guarantee Liability for those loans disbursed by financial institutions for which CCC provides a guarantee to the lender in case of default by the borrower. We noted weaknesses in the processes, procedures, and controls over management's reconciliation and reporting of the Guarantee Loan Outstanding Principle, as presented in Table 16 of Note 6 to the consolidated balance sheet. Specifically, during our testing, we noted that management incorrectly included undisbursed principle of approximately $216 million within the note disclosure that was subsequently corrected.

Accrued Liabilities

The Accrued Liabilities estimate is primarily driven by the Agriculture Risk Coverage Program/Price Loss Coverage Program (ARC/PLC) and Conservation Reserve Program (CRP). ARC/PLC and CRP accounted for approximately $7.9 billion and $1.7 billion, respectively of the total Accrued Liabilities balance at September 30, 2016. Similar to what we reported in our FY 2015 independent auditors' report, we continued to identify weaknesses in controls related to the accounting for the ARC/PLC Accrued Liabilities.

To address these weaknesses, management designed a new estimation methodology in FY 2016, which was not fully implemented until the 3rd quarter, with further revisions made during the 4th quarter of the fiscal year. We noted that management's estimation methodology did not include a review of the prior year accrual for reasonableness, until we requested it. In addition, we noted that management's initial estimation methodology only considered accruing for crops (10 crops in total) with final published prices, and did not consider the additional crops (12 crops in total) that had published forecasted prices. This exclusion in the initial methodology was not in accordance with the recognition requirements for a non-exchange liability, according to SFFAS No. 5. Subsequently, management revised its estimation methodology to include all 22 crops. We noted that the exclusion of crops with published forecasted prices would have understated the accrual at year-end by approximately $563 million. In addition, we noted that the year-end accrual included an erroneous $92 million related to Crop Year 2014, which was subsequently adjusted for, once we brought this matter to management's attention. In general, we concluded that, management did not have processes, procedures, and controls in place for the entire fiscal year, to adequately review the assumptions and calculations performed in support of the ARC/PLC Accrued Liabilities estimate.

Accounting for Parent/Child Transactions (Grants Payable and Advances to Others)

The parent/child accounting and reporting guidance provided by OMB Bulletin No. A-136, *Financial Reporting Requirements,* states, "The parent must report all budgetary and proprietary activity in its financial statements." Two of CCC's grant programs are administered through a parent/child agreement where CCC is the parent and another Federal agency is the child. CCC records transactions for the grant programs run by the child agency by first recording 100 percent of the grant disbursements as an expenditure, and subsequently allocating a portion of the expenditures to Advances at year-end. In prior years, the adjustment to Advances was based on an allocation methodology used by the child agency for that agency's grant portfolio. As a result of weaknesses identified in the prior year independent auditors' report, management recognized that it had not analyzed whether the allocation methodology used by the child agency for its entire grant portfolio was reasonable to apply to CCC-specific grants. Therefore, in FY 2016, CCC implemented a new grant accrual/advance allocation methodology specific to the CCC grants managed and executed by the child agency.

The new methodology was not implemented until the 3rd quarter of FY 2016. Therefore, the balances reported for the first six months of FY 2016 were not reflective of the new allocation methodology. In addition, CCC's new allocation methodology relied upon data from third parties, without developing, implementing, and executing procedures to determine the accuracy of that underlying data. CCC's corrective action plans indicate that validation procedures will not be implemented and executed until FY 2017. As a result, CCC did not have procedures, processes, and controls to validate the completeness, existence, accuracy of the underlying data used in its grant allocation methodology during FY 2016.

Allowance for Uncollectible Accounts Receivable

During FY 2016, CCC management did not have sufficient processes, procedures, and controls in place to ensure that the Allowance for Uncollectible Accounts Receivable was appropriately determined, based on the historical collectability trends related to the open accounts receivable balances. CCC's allowance methodologies did not consider the collection trends of each customer and/or group of similar customers. Further, the accounts receivable balance related to the Tobacco Transition Payment Program (TTPP), which accounted for $154 million of the $211 million gross balance, did not include an allowance for uncollectible balances, even though the program had ended and remaining balances primarily related to companies that were out of business and/or are bankrupt. As a result of this matter, CCC updated its allowance methodology at September 30, 2016, and recognized an allowance for uncollectible accounts receivable of $106 million, of which $98 million related to the TTPP.

Environmental and Disposal Liabilities

CCC did not have properly designed and implemented controls, at the appropriate level of precision, related to its Environmental and Disposal Liabilities. During FY 2016, CCC was able to develop a complete list of sites that were historically used by CCC for purposes of its environmental liability calculation. However, weaknesses continued to exist in the process used to arrive at the estimated liability. During FY 2016, management was not initially able to support the estimated cost ranges used in the estimation methodology, and did not initially complete a detailed retrospective analysis of prior year environmental liability accruals for reasonableness. As a result of our observations, management identified inaccuracies in the initial estimation methodology, which resulted in further revisions to the estimated cost ranges at September 30, 2016. Based upon revisions to the methodology and related estimated cost ranges, the liability at year-end was increased by approximately $9 million.

Recommendations related to Accounting Estimates:

We provided detailed recommendations in separate findings to management. In summary, we recommend that CCC:

1. Design and implement processes, procedures, and controls to ensure data used in its accounting estimates are complete and accurate.
2. Ensure that accounting estimates are prepared by qualified personnel with a full understanding of the underlying accounting requirements.
3. Ensure there is an adequate supervisory review and approval of the estimates, by appropriate levels of management, including review of the sources of relevant factors, development of assumptions, and reasonableness of assumptions and resulting estimates. These reviews should be at a sufficient level of precision, to detect errors in the estimates that would be material to the financial statements.

Maintenance of Accounting Records

Fund Balance with Treasury Reconciliation

As reported in CCC's *Fiscal Year 2016 Assurance Statement Certification*, due to the untimely resolution of differences between the general ledger and amounts reported by Treasury, internal controls over the reconciliation of Fund Balance with Treasury (FBWT) were not operating effectively. In addition, management did not have processes, procedures, and controls in place to review reconciliations performed on the FBWT balances provided by its child agency until September 30, 2016.

Account Reconciliations

As a result of weaknesses identified in the prior year, CCC developed corrective action plans to improve subledger to general ledger account reconciliations, to ensure that differences are detected and corrected. These improvements to account reconciliations were not completed until June 30, 2016, and, therefore unidentified and uncorrected differences existed for the first nine months of FY 2016. During our review of the account reconciliations for accounts receivable and accounts payable as of June 30, 2016, we noted differences (also recognized by CCC management) between the general ledger and related subsidiary ledgers that were attributed to the posting of activity in the subledger that was not captured in the general ledger at the end of the quarterly reporting period. In addition, based on our review of the account reconciliation for commodity loans receivable, we noted a $49 million difference that was the result of erroneous data in the subsidiary ledger. Management subsequently addressed this reconciliation error and made improvements in the other account reconciliations at year-end such that differences (including timing differences) were corrected in the general ledger prior to September 30, 2016.

Recommendations Related to Maintenance of Accounting Records:

We provided detailed recommendations in separate findings to management. In summary, we recommend that CCC:

1. Continue the implementation of processes, procedures, and controls to improve the accuracy and timeliness of the FBWT reconciliation, including reconciliations of related child agency FBWT accounts.

2. Ensure that month-end reconciliations of all accounts are performed timely, and reviewed at appropriate precision levels through the implementation of thresholds that are monitored by management. Reconciling differences identified should be timely corrected in the subsidiary or general ledgers.

General Information Technology Controls

CCC did not have adequate information technology controls to protect its financial management systems as required by OMB Circular No. A-130, *Management of Federal Information Resources*. These conditions could affect CCC's ability to control electronic access to sensitive information, which could subject financial accounts and reporting to unauthorized access and changes.

During our FY 2016 audit, we evaluated information systems managed by CCC, using the GAO's Federal Information Systems Controls Audit Manual (FISCAM) to guide our audit. We evaluated information technology general controls over relevant financial applications and related environments.

We identified access and segregation of duties control deficiencies in certain financial applications that were the result of delayed migration to new information technology environments. We recognize that the deficiencies were remediated during the 3rd quarter of FY 2016, however, such weaknesses existed for approximately nine months of FY 2016.

<u>Recommendations Related to General Information Technology Controls:</u>

The details of our findings and related recommendations were provided to CCC management in separate communications. In summary, we recommend that CCC continue to monitor and improve internal controls over its financial applications to ensure adequate security and protection of its financial information.

***Federal Financial Management Improvement Act of 1996* (FFMIA)**

The FFMIA, Section 803(a) requires that Federal financial management systems comply with (1) Federal system requirements, (2) Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. FFMIA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions to ensure ongoing accountability. FFMIA requirements apply to Chief Financial Officers Act of 1990 (CFO Act) agencies as well as Government Corporation Control Act Agencies that are components of a CFO Act agency.

During our audit, we identified instances where CCC's financial management systems did not substantially comply with applicable Federal accounting standards and the United States Government Standard General Ledger (USSGL) at the transaction level. For example:

- Federal accounting standards - We identified weaknesses in the accounting for Pre-Credit and Credit Reform receivables, accrued liabilities, parent-child transactions, allowance for uncollectible accounts receivables, and environmental and disposal liabilities.

- USSGL at the transaction level – As also noted in CCC's *Fiscal Year 2016 Assurance Statement Certification*, CCC's financial management systems did not record certain accounting events, at the transaction level, in accordance with the USSGL.

Further details of these matters are presented in Exhibit I, *Material Weaknesses*.

<u>Recommendation:</u>

We recommend that management implement the recommendations presented in Exhibit I, to resolve the instances of noncompliance with FFMIA.

USDA

United States Department of Agriculture

Farm and Foreign Agricultural Services

Commodity Credit Corporation

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TO: Melissa Rumsey
Director Office of Financial Audit Operations
USDA

KPMG LLP
1801 K-Street, NW, Suite 12000
Washington DC 20006

FROM: Radha Sekar
Chief Financial Officer
Commodity Credit Corporation

SUBJECT: Commodity Credit Corporation (CCC) Audit Report Response

We have reviewed the KPMG Draft Independent Auditors' Report dated November 21, 2016. We are very pleased with the Auditor's unmodified opinion on CCC's financial statement specifically the 2016 Consolidated Balance Sheet.

KPMG identified two material weaknesses with which CCC concurs. CCC is in the process of developing and implementing corrective actions to remediate these material weaknesses and will continue to work with the USDA Office of Inspector General to ensure effective remediation in Fiscal Year 2017.

On not substantially complying with the Federal Financial Managers Integrity Act (FFMIA) by KPMG, CCC does not concur with this determination specifically in regards to federal accounting standards compliance. CCC management asserts that the conditions noted do not rise to the level of classification of substantial non-compliance. CCC's financial management systems do facilitate the accomplishment of 1) reliable financial reporting, 2) effective and efficient operations and 3) compliance with applicable laws and regulations as required by FFMIA.

Please feel free to reach out to Mr. Joseph Spain at (202)772-6002 if you have any questions.

CCC’s response to our Independent Auditors’ Report is presented in Exhibit IV. CCC did not concur with our determination regarding substantial non-compliance with the Federal accounting standards requirement of the *Federal Financial Management Improvement Act of 1996* (FFMIA). CCC’s asserts in its response that the conditions noted do not rise to substantial non-compliance. As described in Exhibit I, we identified material weaknesses that we believe are high risk indicators of CCC’s financial management system not substantially complying with applicable Federal accounting standards. Further, due to these deficiencies in internal controls, CCC recorded post-closing entries to the direct loan and loan guarantee receivable and the related subsidy allowance (approximately $1.0 billion) and to accrued liabilities ($92 million). Such adjustments were identified as a result of our testing procedures and not CCC’s internal controls. Therefore, we continue to believe that CCC’s financial management systems did not substantially comply with applicable Federal accounting standards.

U.S. DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

COMMODITY CREDIT CORPORATION

A FEDERAL CORPORATE AGENCY BY ACT OF CONGRESS

1948

2016 ANNUAL MANAGEMENT REPORT

U.S. Department of Agriculture
Commodity Credit Corporation

1400 Independence Avenue, S.W.
Washington, DC 20250

2016 Annual Management Report

PREFACE

This Annual Management Report shows the results of the Commodity Credit Corporation's (CCC) operations for fiscal year 2016. This report meets the requirements of the *CCC Charter Act*, as amended, and the *Government Corporation Control Act*, as amended. The electronic version of this report can be found at http://www.usda.gov/oig.

The Management's Discussion and Analysis section of the report contains the purpose, authority, mission, and goals of the Corporation, financial, program summaries, and performance measures. This report also includes the auditors' report, performance information, audited consolidated balance sheet and related notes. Additionally, unaudited financial statements, related notes and other information is presented in the Other Information section.

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Message from the Executive Vice President

I am pleased to present the Commodity Credit Corporation's (CCC) Fiscal Year (FY) 2016 Annual Management Report. CCC is a wholly-owned Government corporation created in 1933 and its mission is to assist in stabilizing, supporting, and protecting farm income and prices, help maintain balanced and adequate supplies of agricultural commodities, help in the orderly distribution of these commodities, and assist in the conservation of soil and water resources.

To accomplish this mission, multiple U.S. Department of Agriculture (USDA) agencies have delivered CCC programs for more than 80 years. Today, CCC activities are carried out primarily by the personnel of the Farm Service Agency and its more than 2,100 county offices to support America's farmers and ranchers in sustaining our nation's vibrant agricultural economy. The Foreign Agricultural Service, the Natural Resources Conservation Service, and other USDA agencies and offices also carry out CCC activities.

In 2016, CCC supported commodity, dairy, livestock disaster, crop disaster, trade, conservation, energy, specialty and organic crops, and research which continued to meet the mission of supporting American agriculture and to proactively respond to global agricultural needs. Implementation of CCC programs authorized by the Agricultural Act of 2014 (2014 Farm Bill), including the Dairy Margin Protection program, Agriculture Risk Coverage (ARC) program, and Price Loss Coverage (PLC) program, continued in 2016. Notably, nearly 1.6 million farms were enrolled in ARC and PLC which are USDA's primary farm safety net programs. A more detailed discussion about CCC's operations and accomplishments is included in this report.

CCC's independent auditors issued an unmodified opinion on CCC's FY 2016 Consolidated Balance Sheet. As a result of its annual assessment, CCC can provide reasonable assurance that its system of internal controls, taken as a whole, complies with Federal internal control standards prescribed by the Government Accountability Office and the Federal Manager's Financial Integrity Act (FMFIA) of 1982.

Thank you for your interest in CCC.

Val Dolcini
Executive Vice President
Commodity Credit Corporation

Part I: Management's Discussion and Analysis (Unaudited)

Certain information contained in this discussion is considered "forward-looking information" as defined by the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 15, *Management's Discussion and Analysis.* Such forward-looking information includes estimates and is subject to risks and uncertainties that could cause actual results to differ materially from this discussion.

Mission Statement

The Commodity Credit Corporation is a Government-owned and operated entity dedicated to:

- Stabilizing, supporting, and protecting farm income and prices.
- Conserving soil, air, and water resources and protecting and improving wildlife habitats.
- Maintaining balanced and adequate supplies of agricultural commodities and aiding in their orderly distribution.
- Developing new domestic and foreign markets and marketing facilities for agricultural commodities.

History of the Commodity Credit Corporation

The Commodity Credit Corporation (hereinafter CCC or Corporation) is a wholly owned United States government corporation created in 1933 to "stabilize, support, and protect farm income and prices." It was federally chartered by the CCC Charter Act of 1948 (P.L. 80-806) and it statutory authority for operations is found there and in 62 Stat. 1070; 15 U.S.C. 714, and et seq. The CCC is authorized to buy, sell, lend, make payments and engage in other activities for the purpose of increasing production, stabilizing prices, assuring adequate supplies, and facilitating the efficient marketing of agricultural commodities.

The CCC is essentially a financing institution for USDA's farm price and income support commodity programs, commodity export credit guarantees, and agricultural export subsidies. The programs funded through CCC are administered primarily by employees of the Farm Service Agency and the Foreign Agricultural Service. The CCC has the authority to borrow up to $30 billion from the U.S. Treasury to carry out its obligations. Net losses from its operations subsequently are restored through the congressional appropriations process. CCC helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution. Further, the 1996 Farm Bill (P.L. 104-127) expanded the CCC mandate to include funding for several conservation programs, such as the Conservation Reserve Program (CRP), and made conservation one of the missions of the CCC.

CCC assists America's agricultural producers through commodity and farm storage facility loans, purchases, and income support payments. CCC also works to make available materials and facilities required in the production and marketing of agricultural commodities. In addition, CCC provides incentives and payments to landowners to establish conservation practices on their land.

CCC provides agricultural commodities to other Federal agencies and foreign governments. CCC also donates commodities to domestic and international relief agencies as well as foreign countries. CCC assists in the development of new domestic and foreign markets and marketing facilities for American agricultural commodities. CCC operates numerous domestic programs such as income support, disaster assistance, and conservation programs. It also extends direct credit and guarantees commodity sales to foreign countries throughout the world.

CCC has its own disbursing authority and utilizes the Federal Reserve Bank system and United States Treasury to make payments. This disbursing authority allows CCC to make payments quickly and to provide financial support to America's producers and farmers immediately.

CCC has multiple funding mechanisms:

- Under its Charter Act, CCC has a permanent indefinite borrowing authority, as defined by Office of Management and Budget (OMB) in Circular A-11, *Preparation, Submission, and Execution of the Budget,* to fund most of the programs operated out of the revolving fund. Borrowing authority permits the Corporation to incur obligations and authorizes it to borrow funds to liquidate the obligations.
- This fund also receives money from loan repayments, inventory sales, interest income, fees, and reimbursement for realized losses.
- Under the Federal Credit Reform Act of 1990 (FCRA), as amended, CCC also has a separate permanent indefinite borrowing authority to fund disbursements for Credit Reform financing as well as pre-Credit Reform liquidating programs.
- Lastly, CCC receives direct appropriations for specific programs, such as its Credit Reform programs, foreign grant and donation programs, and disaster relief.

Structure of the Commodity Credit Corporation

CCC is managed by a Board of Directors, subject to the general supervision and direction of the Secretary of Agriculture, who is an ex-officio director and chairperson of the Board. The Board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States. All members of the Board and Corporation officers are USDA officials. CCC officers, directly or through officials of designated USDA agencies, maintain liaison with numerous other governmental and private trade operations.

CCC has no operating personnel. Its price support, storage, and reserve programs, and its domestic acquisition and disposal activities are carried out primarily through the personnel and facilities of the Farm Service Agency (FSA). Also involved with CCC activities are the USDA Agricultural Marketing Service (AMS), USDA Natural Resources Conservation Service (NRCS), USDA Foreign Agricultural Service (FAS), and the United States Agency for International Development (USAID). Most CCC programs are delivered through an extensive nationwide network of FSA field offices, including approximately 2,100 USDA Service Centers and 51 State-level offices (including Puerto Rico). This network enables CCC to maintain a close relationship with customers, successfully addressing their needs and continually improving program delivery. FSA implements CCC-funded programs for income support, disaster assistance, conservation, and international food procurement.

Though FSA provides the staff for CCC, several CCC-funded programs fall under purview of FAS or NRCS. FAS has the primary responsibility for USDA international activities - market development, trade agreements and negotiations, and the collection and analysis of statistics and market information. It also administers the USDA export credit guarantee and certain food aid programs and helps increase income and food availability in developing nations by mobilizing expertise for agriculturally led economic growth. Further details on CCC programs can be found in the performance section of this report.

NRCS provides leadership in a partnership effort to help American private landowners and managers conserve their soil, water, and other natural resources. It also provides financial assistance for conservation activities. CCC reaches out to all segments of the agricultural community, including underserved and socially disadvantaged farmers and ranchers to ensure that CCC programs and services are accessible to everyone.

CCC supports various activities led by USAID, including the Food For Peace (FFP) program. The mission of FFP is to reduce hunger and malnutrition and ensure that all people at all times have access to sufficient food for a healthy and productive life. FFP provides emergency food assistance to those affected by conflict and natural disasters and provides development food assistance to address the underlying causes of hunger. CCC provides funding for the purchase of commodities and for transportation costs in support of FFP operations.

Organizational Structure

CCC Board of Directors

Chairperson, Thomas James Vilsack, Secretary of Agriculture
Vice Chairperson, Vacant, Deputy Secretary of Agriculture
Member, Michael T. Scuse, Under Secretary, Farm and Foreign Agricultural Services (FFAS)
Member, Lisa Afua Serwah Mensah, Under Secretary, Rural Development (RD)
Member, Kevin W. Concannon, Under Secretary, Food, Nutrition, and Consumer Services (FNCS)
Member, Jon M. Holladay, Chief Financial Officer, USDA
Member, Edward M. Avalos, Under Secretary, Marketing and Regulatory Programs (MRP)
Member, Robert F. Bonnie, Under Secretary, Natural Resources and Environment (NRE)

CCC Officers

President, Michael T. Scuse, Under Secretary, FFAS
Executive Vice President, Val Dolcini, Administrator, Farm Service Agency (FSA)
Vice President, Chris Beyerhelm, Associate Administrator, Operations and Management, FSA
Vice President, J. Michael Schmidt, Associate Administrator, Policy and Programs, FSA
Vice President, Elanor Starmer, Administrator, Agricultural Marketing Service (AMS)
Vice President, Philip C. Karsting, Administrator, Foreign Agricultural Service (FAS)
Vice President, Allison A. Thomas, Acting, General Sales Manager, FAS
Vice President, Audrey Rowe, Administrator, Food and Nutrition Service (FNS)
Vice President, Jason Weller, Chief, Natural Resources Conservation Service (NRCS)
Deputy Vice President, Sandra Wood, Acting Deputy Administrator, Commodity Operations, FSA
Deputy Vice President, Mark A. Rucker, Deputy Administrator, Management, FSA
Deputy Vice President, Bradley Pfaff, Acting Deputy Administrator, Farm Programs, FSA
Deputy Vice President, Gregory A. Diephouse, Deputy Administrator, Field Operations, FSA
Deputy Vice President, Joy Harwood, Director, Economic & Policy Analysis Staff, FSA
Deputy Vice President, Leonard Jordan, Associate Chief, Conservation, NRCS
Deputy Vice President, Anthony J. Kramer, Deputy Chief, Programs, NRCS
Deputy Vice President, Thomas W. Christensen, Acting Associate Chief, Operations, NRCS
Secretary, Robert Stephenson, Director, Office of Business and Program Integration
Deputy Secretary, Heidi G. Ware, Farm Service Agency
Assistant Secretary, Monique B. Randolph, Staff Assistant, FSA
Chief Financial Officer, Radha Sekar, Chief Financial Officer, FSA
Treasurer, Joseph A. Spain Jr., Director, Financial Management Division, FSA
Chief Accountant, Sherry A. Laws, Center Director, Policy, Accounting, Reporting, and Loan Center, Financial Management Division, FSA

Advisors

General Counsel, Jeffrey Prieto, Office of the General Counsel
Associate General Counsel, Ralph A. Linden, Natural Resources and Environment Division

CCC Program Areas

CCC funds many programs that fall under multiple agencies within the USDA. Each CCC-funded program helps achieve parts of both CCC's mission and the strategic plan of the agency under which the program falls. CCC's mission and strategic goals are achieved through the successful implementation of the following key program areas:

Income Support and Disaster Assistance – Income support and disaster assistance programs provide financial assistance to protect farmers and ranchers from fluctuations in market conditions and unexpected natural or man-made disasters. Assistance is provided through income support programs and disaster assistance programs. FSA administers CCC income support and disaster assistance programs.

Conservation – Conservation programs offer farmers and ranchers a variety of financial and economic incentives to conserve natural resources on the nation's privately owned farmlands. These programs focus on reducing erosion, protecting streams and rivers, restoring and establishing fish and wildlife habitats, and improving air quality through several conservation incentive payments, technical assistance, and cost-share programs. FSA and NRCS administer CCC conservation programs.

Commodity Operations and Food Aid – Commodity operations, funded by CCC, purchase and deliver processed commodities under various domestic distribution programs, as well as commodities under Title II and Title III of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480 or P.L. 480), the Food for Progress Program. FAS administers the Food for Progress Program, which provides food aid to countries that are emerging democracies and are committed to introducing and expanding free enterprise in the agricultural sector. Food aid addresses participating countries' hunger and helps to build longer term economic development that boosts trade opportunities for the United States and other countries. FSA oversees the procurement, acquisition, storage, disposition, and distribution of commodities, and the administration of the *United States Warehouse Act* (USWA). As stated earlier in this report, CCC provides funding for the purchase of commodities and the transportation of those commodities in support of various USAID activities, primarily USAID's Food For Peace program, across the globe. Together, these commodity operations and food aid programs help achieve domestic farm program price support objectives, produce a uniform regulatory system for storing agricultural products, and ensure the timely provision of food products for domestic and international food assistance programs and market development programs.

Foreign Market Development – Expanding markets for agricultural products are critical to the long-term health and prosperity of the U.S. agricultural sector. With 95 percent of the world's population living outside the United States, future growth in demand for food and agricultural products will occur primarily in overseas markets. CCC funds used in the market development programs play a critical role in helping to open new markets and in facilitating U.S. competitiveness, helping to secure a more prosperous future for American agriculture. Support for economic development and trade capacity building reinforces these efforts by helping developing countries to become economically stable and improve their prospects to participate in and benefit from expanding global trade in agricultural products. FAS administers CCC foreign market development programs.

Export Credit – CCC export credit guarantee and direct loan programs, administered by FAS in conjunction with FSA, provide credit guarantees to encourage financing of commercial exports of U.S. agricultural products. By reducing financial risk to lenders, credit guarantees encourage exports to buyers in countries — mainly developing countries — that have sufficient financial strength to have foreign exchange available for scheduled payments.

An Update on the Agricultural Act of 2014

Summary – The Agricultural Act of 2014 (2014 Farm Bill) was signed by President Obama on February 7, 2014. The 2014 Farm Bill, the first since 2008, eliminated some CCC programs, continued others, and introduced new programs.

In August, 2016, Agriculture Secretary Tom Vilsack stated, "although farm income for 2016 was forecast to decline relative to 2015, the 2014 Farm Bill has provided for a comprehensive farm safety net that will ensure financial stability for America's farming families." He further reported that Farm Bill payments, particularly related to ARC and PLC, were forecast to increase. He assured producers challenged by weather, crop disease and falling crop prices, that USDA would continue to ensure the availability of a strong safety net to keep them farming and ranching. Secretary Vilsack further stated, "Outside the United States, demand for American-grown food and agricultural products remains strong. Agricultural exports have surpassed $1 trillion since 2009, besting all previous records in terms of value and volume and acting as an engine for America's farm economy. USDA will continue to ensure American farming families have open markets and a level playing field by working to remove unfair barriers to trade and negotiating trade agreements, such as the Trans Pacific Partnership, that benefit all of agriculture."

The Conservation Reserve Program, USDA's largest conservation program, provided nearly $2 billion to land owners. Through CRP, the USDA helps farmers offset the costs of restoring, enhancing and protecting certain grasses, shrubs and trees that improve water quality, prevent soil erosion and strengthen wildlife habitat. Farmers' and ranchers' participation in CRP continues to provide numerous benefits to our nation, including helping reduce emissions of harmful greenhouse gases and providing resiliency to future weather changes. Secretary Vilsack reported in May, 2016, "Over the past 30 calendar years, CRP has created major environmental improvements throughout the countryside. The program has removed carbon dioxide from the atmosphere equal to removing nine million cars from the road annually, and prevented 600 million dump trucks of soil from erosion."

CCC and its partner agencies will continue to carry out the provisions of the 2014 Farm Bill over the next several fiscal years for the benefit of America's farmers and ranchers.

Expected Market Conditions and Government Payments[1]

High commodity prices led to record values for U.S. agricultural exports and U.S. net farm income in 2013. However, in the past three calendar years, the outlook has fundamentally changed. Since 2014, demand for crops has lagged well behind the supply, resulting in lower crop prices. The U.S. also experienced weak dairy, meat animal, and poultry/egg prices. This bearish outlook is likely to persist for the next few years, assuming normal weather, and then start to gradually improve, according to USDA baseline projections for 2016-2025.

Based on USDA/Economic Research Service projections made in August 2016, both net cash and net farm income are forecast to decline in nominal terms for the third consecutive year in 2016. Net cash income is expected to fall by 13.3 percent in 2016, while net farm income is expected to fall by 11.5 percent. Farm income and cash receipts are expected to increase later in the decade given domestic and international economic growth, which supports longer-term demand for U.S. agricultural products.

Government payments made in calendar year 2016 are expected to increase by nearly 25 percent over 2015, to nearly $13.5 billion, the highest level since 2006. The 2014 Farm Bill eliminated fixed direct payments, which were approximately $5 billion annually. Because commodity prices are forecast to be low in 2016, the new safety net programs, ARC and PLC, are now the largest payment programs to farmers. ARC and PLC payments depend on crop revenues and prices, respectively. Payments for 2015 crops under ARC and PLC are projected to account for nearly two-thirds of 2016 farm program payments.

Crop Receipts Are Expected to Decline in 2016

The August projections indicate that the annual value of U.S. agricultural sector production is expected to fall 5 percent to $406.7 billion in 2016. The falling value of crop production (to a forecast $181.4 billion in 2016) represents a third year of consecutive

[1] The data in this section are drawn from the "2016 Farm Sector Income Forecast" published on August 30, 2016 (USDA, Economic Research Service). Commodity supply, demand, and price projections are published monthly by USDA in the World Agricultural Supply and Demand Estimates (USDA, Office of the Chief Economist). In addition, USDA's 10-year supply, demand and price projections are issued annually in February (USDA, Office of the Chief Economist).

decline from 2013's record high of $233.7 billion, and the fourth straight year of declining crop cash receipts. The value of U.S. livestock production is forecast to decline by 10.8 percent in 2016 due mainly to a large decline in livestock prices. Crop cash receipts—the cash income from crop sales—are forecast to fall $7.1 billion (3.7 percent) in 2016, as prices continue to decline for many field crops. Lower corn prices are expected to offset production gains in 2016, causing a $2.9 billion (6 percent) drop in cash receipts relative to 2015 levels. Since hitting a record high in 2012, corn cash receipts are expected to fall 37.7 percent over the four years through 2016. Cash receipts for wheat are expected to decline by 15 percent from 2015 levels, while soybean receipts are expected to decline 0.4 percent. Cotton cash receipts are expected to increase in 2016, but are still more than 30 percent below their high in 2012.

Vegetable and melon cash receipts are expected to fall 7.5 percent ($1.5 billion) in 2016, largely due to a decline in shipment volume. Dry bean receipts are expected to decline 6.0 percent based on lower acreage. Cash receipts for fruits and nuts are expected to decline 6.5 percent in 2016. Relative to the same time last year, most major fruit prices were higher but the decline in orange prices was enough to drive down overall receipts. Amid near-to-record high production, grower prices for California almonds and walnuts fell sharply in 2015/16.

Animal and animal product cash receipts are expected to fall $18.7 billion (9.8 percent) in 2016. Prices are expected to fall for all major animal and animal product commodities, especially eggs. Highly pathogenic avian influenza (HPAI) or "bird flu" resulted in 50.4 million birds being destroyed in 2015, with turkeys and egg-laying chickens suffering the largest losses in numbers. Bird flu has been less of a factor in 2016, resulting in greater production and large price declines. As a result, poultry and egg cash receipts are expected to fall 15.7 percent in 2016.

After reaching a record high of $49.4 billion in 2014, milk receipts are expected to drop $1.3 billion (3.6 percent) in 2016. Cash receipts from cattle and calves are also expected to decline in 2016, falling $8.6 billion (11 percent) as cattle/calf prices decline. Hog production is expected to continue rising in 2016 as the industry recovers from the porcine epidemic diarrhea virus (PEDV) in 2014. Hog prices are expected to drop in 2016, leading to a 6.5 percentage point drop in 2016 hog cash receipts.

Farm Production Expenses Are Expected to Fall

After reaching record highs exceeding $390 billion in 2014, farm production expenses are forecast to dip for the second consecutive calendar year in 2016. The expected 2.8 percent drop is the second largest year-over-year reduction in expenditures since 2009, at $10.1 billion. Reduced input costs are expected to ease, but not eliminate, pressure from lower cash receipts.

The forecast decline in production expenses is driven by less spending on livestock and poultry purchases, fertilizer, feed, and fuel, which should more than offset increased outlays for hired labor and property taxes/fees. Livestock and poultry purchases are expected to decline the most of any expense in 2016—at nearly 20 percent--due primarily to lower feeder cattle prices. Spending on fuel and oil is expected to decrease 13 percent. Interest expenses and net rent expenses are both projected to decrease about 2 percent.

In contrast, labor costs are forecast to increase in 2016 by 3.7 percent, after declining in 2015. Wage rate increases are putting upward pressure on hired labor costs, although they are still projected below 2014 highs. Property taxes are also higher.

Farm Equity Expected to Fall

USDA's Economic Research Service (ERS) expects farm sector equity to drop 2.4 percent in 2016 to $2.49 trillion, the second consecutive year of declining equity after a record $2.60 trillion in 2014. The last two years' performance reverses the gains of 2009-2014, when crop and livestock prices were high, global demand for farm products was growing, biofuel demand was increasing, and credit market conditions were favorable. Commodity price declines beginning in 2014 reflect a significant reversal.

A recent Federal Reserve report indicated that at least 20 percent of farmers and ranchers were having at least minor loan repayment issues.[2] This suggests a modest increase in farm financial risk. Additionally, some indicators suggest significantly increased loan demand; for example, in 2016 the demand for both operating and farm ownership loans significantly exceeded prior records. Still, the farm sector continues to benefit from its strong overall balance sheet and continued positive (although reduced) cash flows.

[2] See the report "Ag Credit Conditions Deteriorate Further" from the Federal Reserve Bank of Kansas City, dated August 11, 2016.

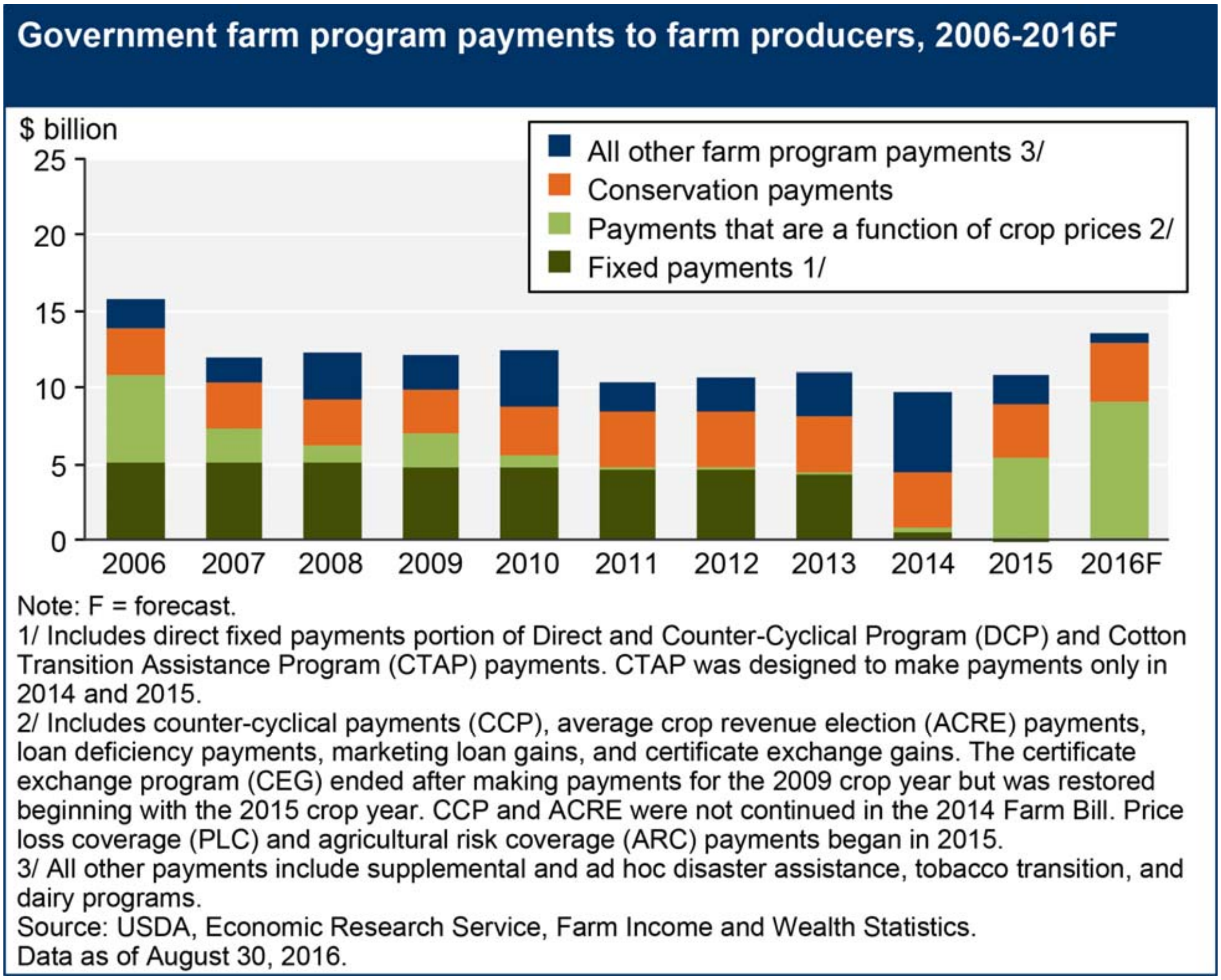
Government Payments Are Rising

Government payments to farmers are expected to increase nearly 25 percent to nearly $13.5 billion in 2016 (see Chart 1). Payments for 2014 crop losses under the new ARC and PLC programs were approximately $8 billion, accounting for 64 percent of projected total outlays. These 2015-crop payments began in October 2016, after season average price data were available for major program crops. Prior to the 2014 Farm Bill, direct payments of approximately $5 billion were in place that did not vary based on prices or other market conditions.

Almost all corn and soybean base acres, and almost 60 percent of wheat base acres, have elected the ARC-County program for 2014-2018 crops. Corn is expected to receive the most payments in 2016, reflecting reduced 2015 revenues relative to historical benchmarks and its large associated base acres. PLC was a popular choice for rice, peanuts, canola, barley, and grain sorghum, and, at least for 2015 crops, peanuts, long-grain rice, and wheat are expected to receive payments. Wheat and upland cotton are the only crops to have received marketing loan gains and/or loan deficiency payments in 2016.

In addition to introducing the new ARC and PLC programs, the 2014 Farm Bill reduced the scope of the CRP. The CRP enrollment ceiling for FY 2016 was 25 million acres, down from the 32 million acre ceiling in the 2008 Farm Bill, and is further reduced to 24 million acres for FY 2017. Even though acreage has declined, CRP payments do not vary greatly from year-to-year because land rents have increased (until recently) and more costly practices are being enrolled.

Chart 1: Government Payments 2006-2016F



2016 Performance Highlights Summary

The CCC mission and strategic goals are achieved through the successful implementation and execution of key programs.

CRP enrollment has declined from its peak in 2008 due to disruptions in the CRP authorization and varying crop prices. These factors have reduced the availability for enrollment, and have encouraged landowners to bring land back into crop production. Total CRP enrollment currently stands at 23.9 million acres. These acres help reduce nitrogen, phosphorus, and sediment pollution by more than 85 percent annually on lands enrolled and from buffers intercepting runoff from adjacent land in crop production.

The Income Support and Disaster Assistance Program area continues to adapt to substantial program changes as a result of the 2014 Farm Bill. Several programs were eliminated, including the Direct and Counter-cyclical Payment Program and the Average Crop Revenue Election Program (DCP/ACRE). The new crop safety net programs for 2014-2018 crops are ARC and PLC. CCC met its goal of enrolling 1.66 million farms into these programs.

CCC will meet its annual performance goal of conducting warehouse examinations, on average, at least annually. CCC has implemented a licensing requirement, including inspection and examination procedures for all port and trans-loading facilities receiving, storing, handling, and shipping export food assistance commodities for the USAID and CCC food assistance programs P.L. 480, Title II and III, Food for Progress, Section 416(b) and McGovern-Dole International Food for Education (FFE) and Child Nutrition programs. Commodities purchased by CCC are stored or handled only through International Food Aid Warehouses licensed under USWA.

CCC met its FY 2016 dollar value target for agricultural exports resulting from participation in foreign food and agricultural trade shows. International trade shows are a key component in the export strategies of most of the 70-plus organizations receiving CCC market development funding. These organizations use market development funds to facilitate their industry members' participation in key trade shows. Some provide cost-share funding directly to small to medium-sized enterprises (SME), enabling their participation. In particular, State Regional Trade Groups (SRTG), such as the Food Export USA Northeast, Food Export Association of the Midwest USA, Southern United States Trade Association and Western United States Trade Association, use considerable CCC funds to provide a wide array of services to help U.S. companies export for the first time and enter new markets. SRTG export readiness training, market intelligence, how-to-export seminars, as well as cost-share support at trade shows, are particularly valuable to SMEs. In addition, FAS provides the National Association of State Departments of Agriculture (NASDA) CCC market development funds to enhance the appearance and services offered at U.S. pavilions at 20-25 trade shows annually. Many participants' market development-funded trade missions are coordinated with key trade shows. Trade shows and trade missions are critical components of most market development programs. U.S. company sales resulting from trade show participation are a good indicator of the success of these investments.

In FY 2016, the value of export sales registered under the program was $2.2 billion, slightly higher than in FY 2015. Fee revenue declined in FY 2016 due to lower-than-expected guarantee value and an increase in program use at shorter (versus longer) repayment terms, which have lower fee rates. No claims or defaults were received in FY 2016, continuing the trend over the past five years.

Financial Highlights
(Related to the Consolidated Balance Sheet)

CCC provides accurate, timely and useful financial information to all stakeholders in order to facilitate decision-making in execution of CCC's mission to stabilize, support, and protect farm income and prices. The information that follows has been prepared from the accounting records of the Corporation as of September 30, 2016, in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP) promulgated by the FASAB. CCC has a parent/child relationship with the USAID. The child fund activities are part of the CCC Consolidated Balance Sheet.

Assets:

The Consolidated Balance Sheet shows CCC had Total Assets of $6.0 billion as of September 30, 2016. This is mainly attributed to $2.5 billion in Fund Balance with Treasury and $2.6 billion in Direct Loans and Loan Guarantees, Net.

Table 1: Summary of Assets

	Dollars In Millions
As of September 30	2016
Fund Balance with Treasury	$ 2,477
Accounts Receivable, Net	122
Commodity Loans, Net	564
Direct Loans and Loan Guarantees, Net	2,632
Other	184
Total Assets	$ 5,979

Liabilities:

The Consolidated Balance Sheet shows CCC had Total Liabilities of $27.6 billion as of September 30, 2016. This primarily consists of $16.5 billion in Debt to the Treasury and $9.6 billion in Accrued Liabilities.

Table 2: Summary of Liabilities

	Dollars In Millions
As of September 30	2016
Accounts Payable	$ 83
Grants Payable	163
Debt to the Treasury	16,457
Loan Guarantee Liabilities	6
Environmental and Disposal Liabilities	21
Accrued Liabilities	9,607
Other	1,266
Total Liabilities	$ 27,603

Ending Net Position:

CCC's Net Position, as of September 30, 2016, was ($21.6) billion. Net Position is the sum of the Unexpended Appropriations, Cumulative Results of Operations and Capital Stock. Refer to Note 1 - Significant Accounting Policies- Consolidated Balance Sheet, under Reporting Entity, for additional information on Capital Stock.

Management Controls, Systems, and Compliance with Laws and Regulations

FMFIA and FFMIA Assurance Statement:

USDA

United States Department of Agriculture

Farm and Foreign Agricultural Services

Commodity Credit Corporation

1400 Independence Avenue, SW
Stop 0581

Washington, DC
20250-0581

TO: Jon M. Holladay
Chief Financial Officer
Office of the Chief Financial Officer

THROUGH: Michael T. Scuse
President
Commodity Credit Corporation

SEP 8 2016

FROM: Val Dolcini
Executive Vice President
Commodity Credit Corporation

Radha C. Sekar
Chief Financial Officer
Commodity Credit Corporation

SUBJECT: Commodity Credit Corporation's Fiscal Year 2016 Assurance Statement Certification

This memorandum provides the Commodity Credit Corporation's (CCC) certification of assertions to support the Secretary's annual assurances for the *U.S. Department of Agriculture's (USDA) Fiscal Year (FY) 2016 Agency Financial Report*. The assurance statement's assertions include the following:

- Compliance with laws and regulations
- Federal Managers' Financial Integrity Act (FMFIA)
- OMB Circular A-123, "Management's Responsibility for Internal Control" Appendix A, "Internal Control over Financial Reporting"
- Federal Financial Management Improvement Act (FFMIA)

Based on CCC management's internal control reviews completed during FY 2016, CCC can provide reasonable assurance that internal controls are operating effectively.

FMFIA Assertions

1. Management is responsible for developing and maintaining internal control to ensure the effectiveness of operations, reliability of financial reporting, compliance with applicable laws and regulations, and the safeguarding of assets.

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2. Internal control encompasses accounting and administrative controls. Such controls include program, operational and administrative areas as well as accounting and financial management.

3. Management has conducted its annual evaluations of internal control and financial systems pursuant to Section 2 and Section 4 of FMFIA, respectively, for the period ended September 30, 2016.

4. Based on the results of the evaluations, except for the Material Weaknesses (MWs) and Significant Deficiency (SD) as described below, CCC can provide reasonable assurance that internal controls are operating effectively.

5. For Section 2 FMFIA, there was significant progress in working towards reducing the risk and materiality levels during the year. CCC continues to report a material weakness (MW) for Funds Control Management and resolved one significant deficiency (SD) for U.S. Agency for International Development (USAID) regarding oversight activities.

6. CCC did not identify any new MWs or SDs for FY 2016, however, 3 new MWs were reported in 2015:

    1. Financial Reporting
    2. Accounting for Parent-Child Transactions (USAID)
    3. Accounting for Budgetary Transactions

7. Attached are the corrective action plans and the "Summary of Reportable Deficiencies".

Improved Data Quality Reporting for USAspending.gov (All USDA agencies)

1. CCC is able to certify that the prime Federal award financial data reported to National Finance Center (NFC), based on the Bi-Weekly Certification, is complete, accurate, and cleared by the reporting agency.

2. The Office of the Chief Financial Officer (OCFO) notified the Agencies on May 18, 2016, that the Office of Management and Budget (OMB) no longer required Quarterly Statement of Budgetary Resources (SBR) reconciliation submissions.

3. CCC implemented a manual reconciliation process involving the Production Output Batch totals for both Detail and Aggregated records transmitted to NFC. The batch verification process ensures transmitted records to NFC are successfully uploaded to

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the USASpending.gov website.

4. The USASpending.gov batch record transmission reconciliation process will continue until the new Data Acting reporting requirements are in place per the May 2017 implementation date.

Internal Control over Financial Reporting Assertions

1. As required by OMB Circular A-123, Appendix A, CCC assessed the effectiveness of internal control over financial reporting as of June 30, 2016.

2. The assessment included an evaluation of entity level controls, risk assessments, process descriptions and flowcharts, documentation of key controls, and an assessment of the design of key controls, tests of operating effectiveness of properly designed controls, summary of deficiencies, and the development of corrective action plans for Control Deficiencies (CDs). For the FY 2016 assessment, management determined the business cycles and key controls to be tested based on the risk rating.

   Key controls in the following cycles/processes were tested:

   Credit Management, Marketing Assistance Loans
   Credit Management, Farm Storage Facility Loans
   Credit Management, P.L. 480 Direct Loans
   Credit Management, GSM Guaranteed Loans
   Farm Support Programs
   Food Aid
   Disbursements
   Revenue and Receivables (Collections)
   Funds Management
   Funds Control
   Financial Reporting

3. Management recognizes its responsibility for monitoring and correcting all deficiencies.

4. Management further certifies that there have been no significant changes in the operation of controls tested from the sample selection date through June 30, 2016.

5. At the beginning of FY 2016, CCC had one existing MW for FBWT and 1 existing SD with Maintaining, Controlling and Monitoring the CORE General Ledger.

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6. Conclusions from the final FY 2016 A-123 test work determined CCC has a new MW for its Accounting with the Commodity Certificate Exchanges.

7. Based on the results of the assessment, except for the processes related to our MW for FBWT, SD for Maintaining, Controlling and Monitoring the CORE General Ledger, and MW with Accounting for Commodity Certificate Exchanges, CCC can provide reasonable assurance that internal controls over financial reporting are operating effectively.

8. Corrective action plans and the "Summary of Reportable Deficiencies" chart are attached.

Federal Financial Management Improvement Act (FFMIA) Assertions

1. CCC management evaluated its financial management systems under FFMIA for the period ended September 30, 2016.

2. Based on the results of our evaluation, we are in substantial compliance with Section(s) 1. Federal Financial Management Systems Requirements, and 2. Applicable Federal Accounting Standards.

3. CCC's financial management systems are not in substantial compliance with Section 3. the Standard General Ledger at the Transaction Level.

4. Corrective action plans and the "Summary of Reportable Deficiencies" chart are attached.

Non-compliance with Laws and Regulations

In FY 2016, expenditures for CCC interest to treasury exceeded apportioned amounts. In February, CCC expended approximately $37 million in interest to treasury, more than the apportioned amount of $29.9 million. CCC cured this with a reapportionment on April 25. FSA is reviewing the legal authority of CCC with the Office of General Counsel and the Office of Management and Budget to confirm that it has authority to adjust automatically the funding for interest to treasury.

Except for being unable to report substantial compliance with FFMIA and the "potential" Anti-Deficiency Act violation above, CCC was compliant with laws and regulations for FY 2016.

Should you have any questions or require additional information, please contact

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Joseph A. Spain, Director, Financial Management Division, Office of Budget and Finance, at 202-772-6002.

Attachments

NOTE:
The Assurance Certification is due to the Department annually by the last Friday in August, which is almost three months before the final independent auditor's report is provided to CCC. Therefore, in order to prepare the assurance statement and send it through the chain of command for signatures, CCC must assess reportable internal control weaknesses and non-conformances based on available information. If the FY 2016 final audit report contains any new unexpected reportable conditions, the new information is reflected in the sections that follow (FMFIA, FFMIA and ADA) and a revised assurance statement will be submitted during the second quarter of FY 2017. Refer to Summary of Management Assurances in Part IV of this report.

Federal Managers' Financial Integrity Act

Overview

The *Federal Managers' Financial Integrity Act of 1982* (FMFIA) requires Federal agencies to submit an annual report to the President and Congress reflecting the status of management controls for program, financial, and administrative operations. The CCC Assurance Certification contains the FMFIA report that includes CCC's reportable conditions and related corrective action plans identified through the implementation and assessment process complying with the requirements of OMB Circular A-123, *Management's Responsibility for Risk Assessment and Internal Control*, including an assessment conducted in accordance with OMB Circular A-123, Appendix A, *Internal Control over Financial Reporting*. CCC provides the Assurance Certification to the Department of Agriculture (USDA) Office of the Chief Financial Officer (OCFO), certifying that CCC is compliant with FMFIA by:

- Fulfilling requirements to perform ongoing evaluations of internal control,
- Developing corrective action plans to mitigate the deficiencies, and
- Providing management oversight to ensure that progress is made and the conditions are properly reported.

The certification also includes assurances from CCC's Chief Financial Officer, Executive Vice President, and President that:

- Obligations and costs comply with applicable laws and regulations;
- Federal assets are safeguarded against fraud, waste, and mismanagement;
- Transactions are accounted for and properly recorded; and
- Financial management systems conform to standards, principles, and other requirements to ensure that Federal managers have timely, relevant, and consistent financial information for decision-making purposes.

Fiscal Year 2016 Results

In accordance with FMFIA and OMB Circular A-123, Appendix A, information to support CCC's Assurance Certification was derived from FMFIA certification statements submitted by CCC board members and other appropriate management, audits, management reviews, and insight gained from daily operations of programs and functions.

There was significant progress in working towards reducing the risk and materiality levels during the year. CCC continues to report a material weakness (MW) for Funds Control

Management and resolved one significant deficiency (SD) regarding the parent/child oversight activities with the USAID.

There were no new MWs or SDs for FY 2016, however, the three MWs previously reported in FY 2015 regarding financial reporting, accounting for parent/child transactions (with USAID), and accounting for budgetary transactions continue to exist in FY 2016.

Under OMB Circular A-123, Appendix A, there were two SDs reported for CCC in FY 2012 for "Maintaining, Controlling, and Monitoring the CORE general ledger," and "Reconciling Fund Balance with Treasury (FBWT)". "Reconciling the FBWT" was raised from a SD to a MW in FY 2014 due to reconciliation complications with system migrations. Progress continued through FY 2016 to mitigate these deficiencies. FY 2016 testwork determined CCC had a new MW for its accounting with Commodity Certificate Exchanges (CCE).

Federal Financial Management Improvement Act

The *Federal Financial Management Improvement Act* (FFMIA) is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs. FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with U.S. GAAP and standards. These systems must also comply substantially with the following three areas of FFMIA: (1) Federal financial management system requirements; (2) applicable Federal accounting standards; and (3) the United States Standard General Ledger (USSGL) at the transaction level.

During FY 2016, CCC evaluated its financial management systems to assess substantial compliance with FFMIA. CCC management has made the determination that CCC has demonstrated substantial compliance with Sections 1 and 2; however, CCC is not substantially compliant with Section 3, the USSGL at the transaction level.

CCC has completed the development of a fully integrated funds control system, electronic Funds Management System (eFMS) / Common Obligation Framework (COF), within the CORE financial management system. This system is integrated with CCC's general ledger system at the transaction level. The eFMS/COF provides management with timely information to monitor and control the status of budgetary resources recorded in the general ledger. CCC continues to implement programs into eFMS/COF for full funds control at the transaction level. CCC anticipates that when all material programs are fully implemented, CCC will be substantially compliant with Section 3 for FFMIA.

FSA/CCC management continued to make significant progress in FY 2016 toward implementing complete funds control; however, the lack of the financial system functionality to record all obligations at the transaction level at the time the obligation occurs increases the risk that funds could be disbursed or obligations incurred with no or insufficient budget authority to fund the expense or obligation. Although CCC implemented manual controls in order to compensate for the system's inherent limitation, the controls may not be adequate to eliminate the risks of an *Antideficiency Act* (ADA) violation occurring and may not prevent or detect violations timely. CCC has plans to be fully migrated to eFMS/COF by the third quarter of FY 2017.

CCC implemented several business process and system improvements to record, track, and report obligations at the detail transaction level, which is a major step towards mitigating CCC's material weakness. A phased implementation has been in progress to bring various FSA program and financial management applications into full compliance with the FFMIA of 1996. Complete implementation for full funds controls is targeted for completion in FY 2017.

Antideficiency Act

CCC did not have any confirmed violations of the Antideficiency Act during fiscal year 2016. In FY 2016, expenditures for CCC interest to Treasury exceeded apportioned amounts. In FY 2016, CCC expended approximately $37 million in interest to Treasury, more than the apportioned amount of $29.9 million. CCC cured this with a reapportionment in FY 2016. FSA is reviewing the legal authority of CCC with the Office of General Counsel and the Office of Management and Budget to confirm that it has authority to adjust automatically the funding for interest to Treasury.

Limitations of the Consolidated Balance Sheet

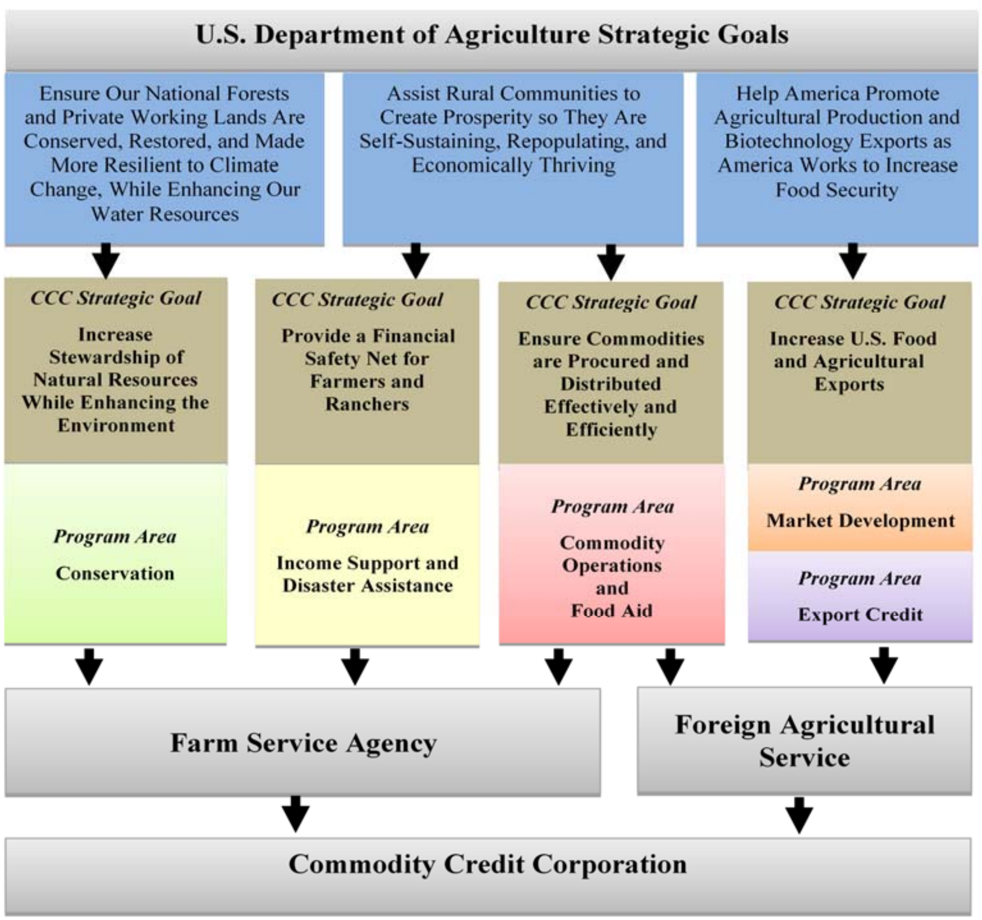
The Consolidated Balance Sheet has been prepared to report the financial position of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b), *Financial Statements of Agencies*. While the balance sheet has been prepared from the books and records of the entity in accordance with U.S. GAAP for Federal entities and the formats prescribed by OMB, the statement is in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statement should be read with the realization that it is for a component of the U.S. Government, a sovereign entity.

Part II: Performance Section (Unaudited)

CCC Strategic Goals

Given that most of CCC services are carried out by the employees of the Farm Service Agency (FSA), Agricultural Marketing Service (AMS), Natural Resources Conservation Service (NRCS), Foreign Agricultural Service (FAS), and the United States Agency for International Development (USAID), the mission of CCC aligns towards the strategic goals of the Department as well as to the strategic goals of FSA and FAS. Each of these strategic goals, in turn, has objectives that support the results that each agency wants to achieve. The performance measures allow CCC to tangibly measure how well it achieved these objectives without creating a duplicate reporting burden. The chart below summarizes the relationship between the USDA strategic goals and each agency's strategic goals, and the CCC program areas.

Chart 2: Summary of Strategic Goals



Conservation Program Area

MISSION ELEMENT

Conserving soil, air, and water resources and protecting and improving wildlife habitats

Program Overview

The CRP encourages producers to plant long-term, resource-conserving perennial vegetative covers to improve water and air quality, control soil erosion, and enhance wildlife habitat on land formerly used in agricultural production. In return, the program provides participants with annual rental and cost-share payments and technical assistance. Contract terms run between 10 and 15 years. CRP is designed to restore and enhance wetland and riparian areas to improve water quality and provide quality habitat for waterfowl and other wildlife.

The program includes several initiatives for wetland restoration and enhancement. CRP wetland initiatives now include the 482,000-acre Floodplain Wetland Restoration Initiative, the 250,000-acre Bottomland Hardwood Timber Initiative, the 568,000-acre Non-Floodplain and Playa Wetland Restoration Initiative, and the 600,000-acre Prairie Pothole Duck Nesting Habitat Initiative. In addition to accepting enrollment in these initiatives on a continuous basis, additional financial incentives are provided. CRP also includes a number of riparian practices that are accepted on a continuous basis. A new component of CRP, "Grasslands", is designed to enroll lands already in grass covers. These are primarily used for grazing, and the purpose of the program is to keep these lands from being converted to cropland or to development.

Analysis of Results

CRP buffer practice enrollment ended FY 2016 at 1.70 million acres. Wetland practice enrollment is at 2.09 million acres. Both performance measures have declined since FY 2014 due to the pressures outside CCC’s control, such as increased crop prices and increased demand for agricultural commodities. While some producers withdrew acreage as a result of increased price and demand, recent price decreases saw requests from producers to enroll, or re-enroll, acreage into the program. However, with the acreage restrictions contained in the 2014 Farm Bill, they were unable to do so.

Total CRP enrollment currently stands at 23.9 million acres. These acres help reduce nitrogen, phosphorus, and sediment pollution by more than 85 percent annually on lands enrolled and from buffers intercepting runoff adjacent land in crop production. CRP also helps increase carbon sequestered in enrolled soils and vegetation. Overall, CRP efforts contributed to increased wildlife populations, and have added more than two million ducks to the Prairie Pothole Region annually, protected Sage Grouse populations in Eastern Washington and Lesser Prairie Chicken populations in the southern Great Plains, and increased ring-necked pheasant and other grassland bird populations across the nation.

Table 3: Summary of Performance Measure for Riparian and Grass Buffers Acreage

Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016		
					Target	Actual	Result
CRP: acres of riparian and grass buffers (cumulative and in million acres)	1.98	1.88	1.82	1.77	1.7	1.7	Met

Threshold range: +/- 0.05 million acres

Rationale for Met Range: Management Determination

Data Assessment of Performance Measure

Data source: The data source for this measure is the National CRP Contract Data Files.

Completeness of Data: Data reported are estimated final results for the fiscal year based on data available as of September 20, 2016. The targets and actual data are cumulative (acres under contract at the end of a fiscal year). The measure reports national acres under contract with the following buffer practices: Grass Filter Strips, Riparian Buffers, Wildlife Habitat Buffers on Marginal Pasturelands, and Buffers established under the State Acres for Wildlife Enhancement. There are no known data limitations.

Reliability of Data: USDA considers the data to be reliable.

Quality of Data: Overall, the quality of the data is good.

Table 4: Summary of Performance Measure for Restored Wetland Acreage

Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016		
					Target	Actual	Result
CRP: restored wetland acreage (million acres)	2.29	2.09	2.00	1.93	1.90	2.09	Met

Threshold range: +/- 0.05 million acres

Rationale for Met Range: Management Determination

Data Assessment of Performance Measure

Data source: The data source for this measure is the National CRP Contract Data Files.

Completeness of Data: Data reported are estimated final results for the fiscal year based on data available as of September 20, 2016. The targets and actual data are cumulative (acres under contract at the end of a fiscal year). The measure reports national acres under contract with the following wetland practices: Wetland Restoration, Marginal Pastureland Buffers, Bottomland Trees, Shallow Water Areas for Wildlife, Duck Nesting Habitat, and Farmable Wetlands Programs. There are no known data limitations. Acres reported include associated upland buffers.

Reliability of Data: USDA considers the data to be reliable.

Quality of Data: Overall, the quality of the data is good.

Challenges for the Future

CRP enrollment has declined from its peak in 2008 due to disruptions in the CRP authorization, varying crop prices through 2014 and a legislative cap of 25 million acres for fiscal year 2016, further declining to 24 million acres in fiscal years 2017 and 2018. These factors have reduced the availability for enrollment, and have encouraged landowners to bring land back into crop production.

Income Support and Disaster Assistance Program Area

MISSION ELEMENT

Stabilizing, supporting, and protecting farm income and prices

Program Overview

CCC is the financial instrument for millions of dollars in income support and disaster assistance payments each year to agricultural commodity producers. These payments stabilize, support, and protect farm income. CCC payments for these programs are driven by commodity market prices, payment eligibility rules established in public policy, and natural or human-caused disasters. These program benefits are calculated on a commodity crop year basis which does not directly correspond to financial statement reporting year.

The 2014 Farm Bill made substantial changes to CCC programs. Several programs were eliminated, including the DCP and ACRE. The new crop safety net programs for 2014-18 crops are ARC and PLC programs.[3] ARC offers producers protection against revenue shortfalls. PLC offers protection to producers against price declines. ARC and PLC payments are determined, in most cases, using a farm's historical base acres.

Beginning in FY 2015, producers have to choose between ARC (either a county-based or individual-based program) and PLC options. The election decision made for the 2014 crop year will remain in effect through 2018. A producer can elect either county-coverage ARC or PLC on a crop-by-crop basis within the farm. If individual coverage ARC is chosen, then every covered commodity on the farm must participate in individual coverage ARC. Payments for 2014-2018 are issued after October 1 of the calendar year following the year in which the crop is normally harvested or after the national average marketing year price is announced, whichever is later.

[3] Crops eligible for ARC and PLC include: wheat, oats, barley, corn, grain sorghum, rice (including long grain rice, medium/short grain rice and temperate japonica rice), soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, dry peas, lentils, small chickpeas, large chickpeas and peanuts.

The total amount of payments received, directly and indirectly, by a person or legal entity (except joint ventures or general partnerships) for ARC, PLC, marketing loan gains, and loan deficiency payments (other than for peanuts), may not exceed $125,000 per crop year.

The Milk Income Loss Contract (MILC) program was also eliminated, and the dairy farm safety net is now the Dairy Margin Protection Program (MPP-Dairy). This program compensates dairy producers when actual dairy margins (the revenue from milk sales over the cost of feed to produce it) fall below producer-selected coverage levels during two-month periods specified in the 2014 Farm Bill. An estimated 60,000 dairy operations in the United States produce milk, and low margins have been a consistent producer concern, particularly in disastrous years such as 2009. Producers electing catastrophic level pay a $100 registration fee. Dairy operations may purchase higher coverage levels with additional premiums.

In addition, the three livestock disaster programs initially authorized by the 2008 Farm Bill Livestock Forage Program (LFP), the Livestock Indemnity Program (LIP), and the Emergency Assistance Program for Livestock, Honeybees, and Farm-Raised Fish (ELAP) were reinstated and made permanent via CCC funding, as was the Tree Assistance Program (TAP). These programs cover losses that occurred since the expiration of the 2008 Farm Bill disaster assistance programs on September 30, 2011, and are now permanent programs that do not depend on appropriations or reauthorization. Given several droughts in recent years, payments under LFP have been particularly large since the program has become permanent, exceeding $6 billion as of September 2016.

For the livestock disaster programs, a total $125,000 annual limitation applies for payments under LFP, LIP, and ELAP. A separate $125,000 annual limitation applies to payments under the Tree Assistance Program.

The 2014 Farm Bill also made changes to the Noninsured Crop Disaster Assistance Program (NAP). This program was authorized under the Federal Crop Insurance Reform Act of 1994, and provides coverage protecting against natural disaster yield losses in situations where Federal crop insurance is not available. NAP participants can now “buy up” to higher coverage levels. Producers may elect coverage for each individual crop between 50 and 65 percent, in five percent increments, at 100 percent of the average market price.

Analysis of Results

The Income Support and Disaster Assistance Program area is still adapting to substantial program changes as a result of the 2014 Farm Bill. Several programs were eliminated, including the Direct and Counter-cyclical Payment Program and the Average Crop Revenue Election Program (DCP/ACRE). The new crop safety net programs for 2014-2018 crops are Agriculture Risk Coverage and Price Loss Coverage. CCC met its goal of enrolling 1.66 million farms.

Selected CCC Income Support and Disaster Assistance accomplishments during the year include:

- The NAP provides a risk management tool for producers of non-insurable crops that are unable to obtain crop insurance through an insurance product. As of late September, 2016, $22.1 million in NAP payments were issued for 2016 crop losses to date.

- The Farm Storage Facility Loan (FSFL) Program provides financing for on-farm storage, covering approximately 1 billion bushels of eligible FSFL commodities since FY 2000. For FY 2016, 450 FSFLs, including 50 of the newly authorized microloans, were disbursed as of late September totaling approximately $26.6 million.

- The Marketing Assistance Loan (MAL) Program disburses both recourse and nonrecourse commodity loans during a crop year. The Loan Deficiency Payment (LDP) Program is applicable when market prices are low. As of late September 2016, for crop year 2016, there have been 5,011 MALs disbursed totaling over $455.5 million. Loan activity for the 2016 crop year will increase, as the harvest of most commodities is just beginning at the writing of this report. The loan availability period for most crop year 2016 commodities continues until the end of May 2017. For crop year 2016 to date, there have been 44,762 LDPs disbursed totaling over $70 million for hard red winter and hard white wheat. CCC utilized CCEs for the first time in FY 2016 for upland cotton and wheat. Further discussion on CCEs can be found in Note 6.

- The MPP provides dairy operations with risk management coverage that compensates dairy producers when the difference (the margin) between the national price of milk and average cost of feed for a specified consecutive two-month period falls below a producer selected level, ranging from $4 to $8. Payments have triggered for two periods and FY 2016: March/April and May/June. To date, FY 2016 payments to dairy producers have been issued in the amount of over $10.5 million.

Table 5: Summary of Performance Measure for ARC and PLC program

Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016		
					Target	Actual	Result
Number of Farms enrolled in ARC/PLC (in millions)	N/A	N/A	1.45	1.48	1.66	1.66	Met
Threshold range: +/- 10,000 Farms **Rationale for Met Range:** Management Determination							
Data Assessment of Performance Measure							
Data source: ARC/PLC contract signup application **Completeness of Data:** ** Data reported are based on data available as of September 2016. After addressing backlog and technical issues, CCC expects to meet the annual target. **Reliability of Data:** USDA considers the data to be reliable. **Quality of Data:** Overall, the quality of the data is good.							

Challenges for the Future

Government payments to farmers are expected to decline over the next decade, but the magnitude of the decline is somewhat uncertain. Under the 2014 Farm Bill, fixed direct payments were eliminated, saving upwards of $5 billion annually. New safety net programs under the 2014 Farm Bill have substantial outlay potential depending on the extent and duration of the market downturn, producer decisions on base reallocation and yield updates, and their choices to participate in the new ARC or PLC programs.

Commodity Operations and Food Aid Program Area

MISSION ELEMENT

Maintaining balanced and adequate supplies of agricultural commodities and aiding in their orderly distribution

Program Overview

These programs help achieve domestic farm program price support objectives, ensure the timely provision of various commodities for international food assistance, and administer a uniform regulatory system for storing agricultural products. CCC Commodity Operations manages the acquisition, handling, storage, transportation, and disposition of agricultural commodities. Food assistance purchases support international food aid through USAID, FAS and the United Nations' World Food Program. Commodity Operations performs licensing and examination activities in accordance with the USWA, to maintain acceptable standards for the protection of stored commodities.

CCC is also responsible for administering storage agreements with commercial warehouse operators. The agreements are for commodities owned by CCC or pledged as collateral for MALs. Warehouse operators issue negotiable warehouse receipts to producers under the provisions of the USWA. Producers who use the stored commodity as collateral for a MAL may deliver the warehouse receipts to CCC as security for the loan.

CCC also works with its Dairy Product Price Support Program partners to provide adequate, secure storage capacity to maintain quality and improve the purchase and delivery of food aid.

Analysis of Results

Potential compliance issues, pest infestation, or deterioration of quality for commodities in store are reduced the more frequently warehouses are examined. The 2016 CCC performance estimate of 365 days between warehouse examinations meets the 2016 target.

Table 6: Summary of Performance Measure for Commodity Operations Program

Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016		
					Target	Actual	Result
Average time between warehouse examinations (in days)	342	358	365	365	365	365	Met
Threshold range: +/- 25 days **Rationale for Met Range:** Management Determination							
Data Assessment of Performance Measure							
Data source: The data source for this measure is internal Deputy Administrator for Commodity Operations (DACO) files. **Completeness of Data:** Data reported are estimated final results for the fiscal year based on data available as of September 2016. The targets and actual data are annual. **Reliability of Data:** USDA considers the data to be reliable. **Quality of Data:** Overall, the quality of the data is good.							

Challenges for the Future

As staffing decreases, the challenge is to have examiner resources available to maintain the timeliness of examinations. The USWA-licensed warehouses represent more than half of all licensed grain, cotton, and peanut warehouse capacity in the United States. The USWA trend lines are for additional warehouses to be licensed as well as increased storage capacities of warehouses currently under license. CCC examination demands especially in sugar and cotton warehouses are on the increase. Marketing and transportation complexities in the commodity industry are also expanding. The implementation of non-traditional examination procedures and use of electronic mediums will provide efficiencies in the examination process. Management will need to be very proactive in balancing work force needs with budgetary constraints while meeting the demand of the commodity industry and CCC.

Market Development Program Area

MISSION ELEMENT

Developing new domestic and foreign markets and marketing facilities for agricultural commodities

Program Overview

One-third of all U.S. agricultural cash receipts come from export sales, making the economic well-being of rural America heavily dependent on international trade. U.S. farmers and ranchers are among the worlds' most productive and efficient. However, they face complex and unfair obstacles in the global marketplace where 95 percent of the world's consumers live. A cooperative effort with U.S. industry is needed to ensure U.S. producers have fair market access, a strong understanding of key market trends, and support in overcoming constraints such as tight credit in international markets.

CCC supports U.S. industry efforts to build, maintain, and expand overseas markets for U.S. agricultural, fish, and forest products. On behalf of CCC, the FAS manages several export development programs including the Foreign Market Development (Cooperator) Program (FMD), Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC) Program, Quality Samples Program (QSP), and Emerging Markets Program (EMP). These programs provide matching funds to U.S. non-profit organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. Working with the SRTGs and other industry organizations, CCC programs also provide funding to encourage SME to become active in international markets. FAS staff in over 100 countries around the world support industry efforts by providing market intelligence and introducing U.S. exporters to potential foreign customers. FAS trade services staff, FAS overseas offices and non-FAS co-operators all provide services that help U.S. companies successfully access potential buyers in a wide-range of international trade shows.

Analysis of Results

An "Economic Impact of MAP and FMD" study was conducted by Informa Economics in FY 2016. The study used an export demand model, a different methodology from previous studies, to ensure that results are not overly influenced by repeatedly using the same analytical approach. The recent study also incorporated recommendations from the Government Accountability Office (GAO) to include additional variables and provide greater sensitivity analysis on results. The Informa study concluded that regardless of whether an export demand or market share model is used, or what time period is studied, market development funding has a significant positive impact on exports, the farm economy and the overall U.S. economy.

The study reports overwhelming evidence that export promotion has a positive and statistically significant impact on increasing demand for U.S. exports, even though other demand factors such as price and exchange rates have a greater impact.

- Return on government and private industry investment (Benefit-Cost Ratio or BCR) is consistently high:
- Informa's export demand model determined that return on investment (ROI) from these programs between 1977 and 2014 was $28 for every dollar invested.
- The previous MAP and MD studies showed returns of $25 to $1 (2007 study) and $35 to $1 (2010 study).
- These results are all well above the average $11 to $1 BCR reported by 27 previous industry-specific export promotion studies
- Together, the two different approaches (export demand model and market share model) better approximate the range of credible outcomes.
- The Informa study reported that MAP and FMD programs continue to achieve what Congress intended. As a result of MAP and FMD funding:
- Programs contributed an average of $8.2 billion per year, a total of more than $309 billion, to farm export revenue between 1977 and 2014, accounting for 15 percent of all the revenue generated by exports for U.S. agriculture over that time.

- Average annual farm cash income was $2.1 billion higher, and annual average farm asset value was $1.1 billion higher over 2002 through 2014.
- Increased total average annual U.S. economic output by $39.3 billion, GDP by $16.9 billion and labor income by $9.8 billion over the same time.
- Economic lift created by these programs directly created 239,000 new jobs, including 90,000 farm sector jobs

There are over 70 non-profit associations that participate in CCC market development programs. They are promoting U.S. products around the world and have an economic impact on virtually every state in the union. A few examples of their successes demonstrate the wide range of participants, activities, and target markets:

- U.S. Dairy Export Council's MAP-funded trade mission to China in June 2015, and their subsequent technical seminars and consultations, introduced Milk Protein Concentrate (MPC) to the market with initial sales of $2 million in the first six months of 2016.

- The American Sweet Potato Marketing Institute's (ASPMI) EMP-funded market assessment in Mexico in 2016 resulted in establishing contact with Mexico's largest food retailer, who then began purchasing U.S. sweet potatoes. U.S. exports to Mexico were $111 million in 2014, and increased to $140 million in 2015. ASPMI forecasts exports growing 300 percent in the future.

- The American Sheep Industry Association (ASI) used MAP funds in June 2016 to include two new Indian wool mill buyers in a reverse trade mission, resulting in a 40 metric ton (MT) container purchase, valued at $330,000.

- The U.S. Grains Council (USGC) used MAP funds in June 2015 to bring a team of Peruvian ethanol buyers and producers to the International Fuel Ethanol Workshop in Minneapolis and they visited ethanol production facilities and trading companies in Iowa, Illinois and Texas. This activity resulted in the sale of 10 million gallons of U.S. ethanol worth more than $15 million.

- The APA – The Engineered Wood Association FMD-funded industry trade mission to Australia in May 2016 resulted in $5.4 million in reported product sales.

- The Pear Bureau Northwest MAP-funded in-store promotions and in-store sampling in Saudi Arabia helped U.S. pear exports reach a record $3.3 million in July-June 2015/16, in spite of record high export prices.

- The U.S. Potato Board used MAP and QSP in Japan to conduct seminars, one-on-one merchandising meetings with targeted companies, and provide samples to companies to conduct their own product testing, expanding the use of U.S. dehydrated potatoes in Japan's snack and confectionary sectors. U.S. exports of dehydrated potato products to Japan reached a record $43.4 million in 2015.

- Holstein Association USA, Inc. (HAUSA) used U.S. Livestock Genetics Export Inc.'s FMD funding to build international demand for Holstein live breeding cattle, embryos, and semen, including demonstrating to Chinese companies how U.S. genetics can help them to be successful and profitable. One Chinese company purchased 120 embryos, valued at $120,000 after their Chief Geneticist visited U.S. dairy farms. HAUSA's promotional efforts have resulted in $218.1 million worth of exports in 2015.

- The U.S. Meat Export Federation used MAP to expand retail pork promotions in Central America with longer promotion periods and additional participants. This campaign helped to increase U.S. pork exports to Central America in 2015, reaching 82,000 MT, valued at $198 million.

- The Alaska Seafood Marketing Institute used MAP in 2015 to partner with a large Italian retailer, and promote sales of fresh Alaskan salmon at 133 of its supermarkets throughout Italy. During the three-month promotion, the retailer sold nearly $600,000 of Alaskan salmon.

- The California Strawberry Commission (CSC) used two Technical Assistance for Specialty Crops grants over a 10-year period, to help reopen the China market to California strawberries. CSC brought Chinese officials to California for a first-hand look at the safety, quality, phytosanitary measures, and cooling facilities used by California strawberry farmers to ensure the high quality standards for strawberries destined to China. An export protocol was initialed by USDA and Chinese officials in the spring of 2016 and a final inspection tour of shipping facilities took place in June. CSC predicts U.S. strawberry exports to the China region will grow to $30 million or more in the next few years.

CCC market development programs support the U.S. National Export Initiative (NEI), broadening the base of U.S. exporters which facilitates economic recovery and American jobs. A central focus of NEI is to provide additional assistance to SMEs, which are major drivers of new job creation. In 2015 there were about 2,400 SMEs participating in SRTG's market development programs, reporting about $2.7 billion in sales. Trade show participation is a key component of SME program participation and cornerstone of cooperators' MAP and FMD investments.

Table 7: Summary of Performance Measure for Market Development

Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016		
					Target	Actual	Result
Value of agricultural exports resulting from participation in foreign food and agricultural trade shows (million $)	$1,460	$1,462	$1,500	$1,522	$1,200 [1]	$1,194	met within threshold
Threshold range: +/-$150 million							
Rationale for Met Range: Management Determination							
Data Assessment of Performance Measure							
Data source: Data are collected by surveying U.S. company participants at the end of each trade show. Voluntary survey responses represent about 60 to 90 percent of total company participants at a show. In large, multiproduct shows, about a third to a half of the respondents are companies that are participating with one of the market development organizations. In more product-specific shows, about two-thirds of the respondents are linked to market development funded participants. Data reported are 12-month projected sales.							
Completeness of Data: Data are through September 30, 2016.							
Reliability of Data: Data are considered reliable.							
Quality of Data: Data are self-reported but are considered a good indicator of aggregate company sales, based on independent testing of the data.							
[1] FY 2016 Target reduced due to considerably lower sales from the Brussels Seafood Show, due to the terrorist event that took place in Brussels about a month prior to the show that reduced show participation.							

Challenges for the Future

USDA's "Outlook for U.S. Agricultural Trade", AES-95, August 25, 2016, reported that "a challenging external environment, including slower world trade and a strong U.S. dollar, was reflected in weak U.S. GDP growth in the first half of 2016. The U.S. economy is expected to be stronger in the second half of the year as continued improvements in labor markets and rising wages support consumer spending. Per capita GDP growth is expected to be 1.3 percent in 2016, falling short of 1.7 percent growth in 2015, and is expected to rebound to 1.6 percent in 2017." In addition, "world per capita GDP is expected to grow at 1.2 percent in 2016, the same as 2015's growth, and is expected to pick up in 2017. Per capita income growth in key emerging markets of Brazil, Russia, India, Indonesia, and China is expected to be 3.5 percent in 2016 and increasing to 4.2 percent in 2017 as recessions in Brazil and Russia abate. This is still below the 6.3-percent average annual rate of income growth these countries achieved over the previous decade. Global trade volume is expected to grow at only 1.1 percent in 2016, but to more than double to 2.6 percent in 2017." The report projected U.S. FY 2017 agricultural exports to reach $133 billion, up $6 billion from the revised FY 2016 forecast of $127 billion, but below FY 2012-FY 2015 levels, reflecting the continued challenges of weak foreign demand and the continuing relative strength of the dollar.

Export Credit Program Area

MISSION ELEMENT

Creating U.S. agricultural export opportunities and enhancing global food security

Program Overview

The primary objective of the CCC Export Credit Guarantee Program (commonly referred to as GSM or GSM-102) is to increase sales of U.S. agricultural commodities to international markets by facilitating the extension of export credit to countries that have sufficient financial strength to have foreign exchange available for scheduled payments. This program encourages U.S. lenders and exporters to extend credit terms on sales of agricultural commodities and products to overseas customers. The CCC Export Credit Guarantee Program supports the involvement of foreign private sector banks and private sector importers in commercial trade transactions with the United States. The program statute allows for repayment terms up to two years but actual repayment terms are currently limited to 18 months or less.

Analysis of Results

In FY 2016, the value of export sales registered under the program was $2.2 billion. The economic return ratio for FY 2016, is $106 per dollar invested. The program fell short of its FY 2016 economic return ratio target of $109 per dollar invested due to reduced fee revenue. Fee revenue declined in FY 2016 due to lower-than-expected guarantee value and an increase in program use at shorter (versus longer) repayment terms, which have lower fee rates. No claims or defaults were received in FY 2016, continuing the trend over the past five years.

The Economic Return Ratio is calculated using gross default estimates and does not take into consideration expected recoveries on claims paid. Program accomplishments for FY 2016 include:

- The GSM-102 program continues to be a useful tool to facilitate sales of U.S. grains and oilseeds to the South America region, helping U.S. exporters to counter increased competition from Brazil and Argentina. This region is the largest GSM-

102 market for U.S. yellow corn, soybean meal, and soybean oil exports. As of August 31, 2016, (the latest available export data), GSM-102 yellow corn exports had increased 78 percent over the previous year and accounted for over 20 percent of all U.S. exports of yellow corn to this region. In addition, GSM exports to the region account for 22 percent of all U.S. exports of soybean meal, 30 percent of all U.S. exports of soybean oil, and 10 percent of all U.S. exports of wheat to this region. The GSM-102 program also supports exports of distillers dry grain, rice and sorghum to South America.

- Mexico is the second largest market for GSM exports as of August 31, 2016. It is the largest market for soybeans under the program, supporting over 17 percent of all U.S. exports of soybeans to the country. Yellow corn under GSM supporting over 8 percent of all U.S. corn exports to the country. In addition, GSM facilitates shipments of distiller's dry grain and wheat to Mexico.

- As of August 31, 2016, exports to the Central America Region under the GSM-102 program supporting over 23 percent of U.S. soybean exports to Costa Rica and Panama , 13 percent of U.S. rice exports to Guatemala, Costa Rica, El Salvador and Honduras, and 21 percent of U.S. soybean oil to Guatemala.

- In FY 2016, as of August 31, 2016, exports to South Korea, under the GSM-102 program supporting over 36 percent of all U.S. exports of wheat to this country. South Korea was also the top destination for cotton under GSM-102, supporting over 11 percent of all U.S. exports of cotton to this country.

- As of August 31, 2016, GSM-102 exports to the Africa Middle East Region had increased 64 percent compared to the same time period last fiscal year. Exports under GSM support over 23 percent of U.S. yellow corn exports to Egypt, Algeria and Saudi Arabia, 22 percent of U.S. soybeans to Egypt and Saudi Arabia, and 34 percent of soybean oil to Egypt. In addition, $18 million in corn gluten meal was exported to this region under the GSM-102 program in FY 2016.

- The GSM-102 program supports a wide variety of U.S. exports to Turkey, including cotton, soybeans and wood products. As of August 31, 2016, exports under the GSM program represent 26 percent of soybean meal exports to Turkey.

Table 8: Summary of Performance Measure for GSM

Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016		
					Target	Actual	Result
Estimated trade value resulting from USDA GSM export credit guarantee program (dollars in billions)	$4.21	$3.11	$2.01	$1.85	$2.50	$2.21	($0.29) [1]

Threshold range: +/- 0.25 billion

Rationale for Met Range: Management Determination

Data Assessment of Performance Measure

Data source: The data source for this measure is the GSM System. The GSM System records all export sales registered, guarantees issued and shipments and makes adjustments to these amounts due to reserves or shipments not completed. Figures have been updated to reflect actual export value (versus guaranteed value that was previously reported).

Completeness of Data: Data reported are based on results for the fiscal year based on data available as of September 16, 2016.

Reliability of Data: CCC considers this data to be reliable. The GSM System is updated every night. The GSM System is included in the annual A-123 review of the GSM-102 program and is also included in the annual audit by external auditors. The performance measure is simply the port value derived from the Commitment Reports that are generated from the GSM System.

Quality of Data: The GSM System is a system designed solely to support the GSM export credit guarantee programs. The GSM System is updated every night and all changes are tested before being incorporated into the system. Data is reviewed on a daily basis.

[1] Actual fell short due to ample liquidity and low interest rates in certain developing markets; the GSM is a counter-cyclical program.

Table 9: Summary of Performance Measure for Economic Return Ratio

Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016		
					Target	Actual	Result
Economic Return Ratio	$(115/1)	$(130/1)	$(124/1)	$(109/1)	$(109/1)	$(106/1)	Within threshold

Threshold range: +/- 5.00

Rationale for Met Range: Management Determination

Data Assessment of Performance Measure

Data source: The data source for this measure is the GSM System. The GSM System records all export sales registered, guarantees issued and shipments and makes adjustments to these amounts due to reserves or shipments not completed.

Completeness of Data: Data reported based on final results for the fiscal year based as of September 16, 2016.

Reliability of Data: CCC considers this data to be reliable. The GSM System is updated every night. The GSM System is included in the annual A-123 review of the GSM-102 program and is also included in the annual audit by external auditors.

Quality of Data: The GSM System is a system designed solely to support the GSM export credit guarantee programs. The GSM System is updated every night and all changes are tested before they are incorporated into the system. Data is reviewed on a daily basis.

Challenges for the Future

FY 2017 presents both challenges and opportunities for the GSM-102 Program. Uncertainties in the global economic environment, especially relating to emerging markets (the primary focus of the GSM program), low interest rates, and strong bank liquidity may create demand shifts based on commercial financing availability as the size of this program typically runs countercyclical to global financial stability. In September 2016, USDA announced it was accepting applications for projects funded under the Facility Guarantee Program (FGP). The FGP is designed to boost sales of U.S. agricultural products by providing credit guarantees to improve or establish agriculture-related facilities in emerging markets where demand may be limited due to inadequate storage, processing, handling, or distribution capabilities. Examples of projects that could be funded under the FGP include improvements to cold storage facilities for imported perishable products, purchases of equipment to upgrade processing facilities for imported grains and oilseeds, or procurement of vehicles to transport imported goods from ports to distribution facilities. The FGP is a subset of the GSM-102 program and draws on the $5.5 billion yearly authorization for the Export Credit Guarantee Programs.

Part III: Financial Section

Message from the Chief Financial Officer

I am pleased to present the Commodity Credit Corporation's (CCC) Fiscal Year (FY) 2016 Consolidated Balance Sheet, related notes, and other information. The CCC remains committed to the principles as established by executive and legislative mandates that include information technology, financial management, procurement, and program performance management. During FY 2016, the CCC continued to move aggressively to carry out its mission to provide high quality services to the Nation's agricultural community and to proactively respond to worldwide agricultural needs.

CCC's financial condition was significantly impacted by various programs due to events in the global marketplace, extreme weather conditions, natural disasters, evolving conservation practices, and continued implementation of The Agricultural Act of 2014 (2014 Farm Bill). To help keep American agriculture profitable and keep farmers on the farm, CCC's programs, which are predominantly administered by the Farm Service Agency (FSA), helped provide a financial safety net for farmers and ranchers, increased stewardship of natural resources, ensured commodities were procured and distributed effectively and efficiently, and increased US food and agricultural exports.

CCC also remains committed to accountability and transparency in everything we do.

Our independent auditor issued a disclaimer of opinion on CCC's FY 2015 financial statements. CCC worked diligently throughout the year to address, correct or mitigate the issues raised by the auditor. The auditor's opinion for FY 2016 is that CCC's Consolidated Balance Sheet presents fairly, in all material respects, the financial position of the Commodity Credit Corporation as of September 30, 2016, in accordance with U.S. generally accepted accounting principles

Under the requirements of the Federal Managers' Financial Integrity Act of 1982, the CCC's management conducted its annual assessment and concluded that the system of internal controls, taken as a whole, complies with internal control standards prescribed by the Government Accountability Office and provides reasonable assurance that the related objectives are being met. In FY 2016, our focus was on maintaining and improving strong financial management internal controls. For FY 2017, we will continue to improve our procedures and processes in order to ensure that our internal controls provide the requisite assurance to achieving CCC's objectives.

The CCC’s consolidated balance sheet, related notes, and other information, included herein, report the Corporation’s FY 2016 financial position, results of operations, and status of budgetary resources. The independent auditors have issued an opinion only on CCC’s financial position as reflected in the balance sheet and related footnotes as of September 30, 2016. The other statements presenting CCC’s results of operations and status of budgetary resources are unaudited and can be found in the “Other Information” section of this report. Financial management performance measures also accompany the financial results. These performance measures demonstrate areas of efficiency, accomplishments, and highlight areas for improvement.

I want to thank the financial management professionals who support the CCC for their continued dedication and hard work this past year. It is through their effective and efficient efforts that the CCC delivered the most accurate, transparent and useful information possible as we continue to work together in our quest for excellence in financial management.

Sincerely,

Radha Sekar
Chief Financial Officer
Commodity Credit Corporation

Introduction to the Consolidated Balance Sheet

The independent auditors disclaimed an opinion on CCC's consolidated financial statements for FY 2015. After consulting with various USDA officials, including CCC officials, the USDA Office of Inspector General (OIG) engaged an independent auditor to perform an audit limited to CCC’s Consolidated Balance Sheet and related Notes as of September 30, 2016. The audited Consolidated Balance Sheet and related Notes are found in this section. All other financial statements and related Notes are found in the Other Information section of this report and are not audited.

The Consolidated Balance Sheet has been prepared to report the financial position of the Commodity Credit Corporation. The Consolidated Balance Sheet has been prepared from the books and records of CCC in accordance with U.S. GAAP as promulgated by FASAB. The Consolidated Balance Sheet is produced, in addition to other financial reports prepared by CCC, in accordance with OMB and U.S. Department of the Treasury directives. CCC has, and reports, a parent/child relationship with the USAID for two Treasury Account Symbols.

The Consolidated Balance Sheet presents those resources owned or managed by CCC that are available to provide future economic benefits (assets); amounts owed by CCC that will require payments from those resources or future resources (liabilities); and residual amounts retained by CCC, comprising the difference between future economic benefits and future payments (net position).

The Notes to the Consolidated Balance Sheet are an integral part of the Consolidated Balance Sheet. They provide explanatory information or additional detail to help readers understand, interpret, and use the data presented.

Commodity Credit Corporation
CONSOLIDATED BALANCE SHEET
As of September 30, 2016
(In Millions)

		2016
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$	2,477
Accounts Receivable, Net (Note 4)		17
Total Intragovernmental Assets	$	2,494
Cash and Other Monetary Assets (Note 3)		49
Accounts Receivable, Net (Note 4)		105
Commodity Loans, Net (Note 5)		564
Direct Loans and Loans Guarantees, Net (Note 6)		2,632
Commodity Inventories and Related Property, Net (Note 7)		24
Advances to Others (Note 9)		111
Total Assets	$	5,979
Liabilities (Note 10):		
Intragovernmental:		
Debt to the Treasury (Note 11)	$	16,457
Other:		
Resources Payable to Treasury (Note 13)		1,112
Excess Subsidy Payable to Treasury (Note 13)		57
Other (Note 13)		52
Subtotal	$	1,221
Total Intragovernmental Liabilities	$	17,678
Accounts Payable		83
Grants Payable		163
Loan Guarantee Liability (Note 6)		6
Environmental and Disposal Liabilities (Note 14)		21
Other Liabilities:		
Accrued Liabilities (Note 15)		9,607
Deposit and Trust Liabilities (Note 12)		25
Other (Note 13)		20
Subtotal	$	9,652
Total Liabilities	$	27,603
Commitments and Contingencies (Note 16)		
Net Position:		
Capital Stock	$	100
Unexpended Appropriations		1,259
Cumulative Results of Operations		(22,983)
Total Net Position	$	(21,624)
Total Liabilities and Net Position	$	5,979

The accompanying notes are an integral part of the balance sheet.

Notes to the Consolidated Balance Sheet

Note 1 - Significant Accounting Policies- Consolidated Balance Sheet

Reporting Entity

CCC is a Federal corporation operating within and through USDA. CCC was established to stabilize, support, and protect farm income and prices; assist in the maintenance of balanced and adequate supplies of agricultural commodities; and facilitate the orderly distribution of those commodities.

CCC's statutory authority for its operations is found in the *Commodity Credit Corporation Charter Act*, 15 U.S.C. 714, and et seq. The Corporation is managed by a Board of Directors subject to the general supervision and direction of the Secretary of Agriculture, who is an *ex-officio* director and chairperson of the Board. The members of the Board and the Corporation's officers are officials of USDA.

CCC has capital stock in the amount of $100 million subscribed by Treasury in accordance with the Commodity Credit Corporation Charter Act of 1948.

CCC operations are financed through appropriated funds as well as permanent indefinite authority to borrow from the Treasury. Receipts flowing through CCC's related revolving fund include proceeds from the sale of CCC commodities, marketing assistance loan repayments, interest income, and various program fees CCC receives direct appropriations for foreign assistance programs and special activities. Permanent indefinite borrowing authority exists separately for programs subject to the FCRA, as amended.

CCC has no operating personnel. As stated earlier in this report, its programs are administered through various agencies including FSA, AMS, NRCS, FAS, and USAID.

Basis of Presentation

The Corporation's consolidated balance sheet reports the financial position of CCC. This statement has been prepared from the accounting records of CCC as of September 30, 2016 in accordance with generally accepted accounting principles promulgated by FASAB. This statement has been prepared for the Corporation which is a component of the U.S. Government, a sovereign entity. All dollar amounts in this section are presented in millions unless otherwise noted.

Note 1 - Significant Accounting Policies- Consolidated Balance Sheet, Continued

Basis of Accounting

CCC prepares its Consolidated Balance Sheet using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. The Consolidated Balance Sheet includes all Treasury funds of CCC, which encompass its domestic and foreign activities, including its child account Treasury symbols. In consolidation, intraagency activities and balances have been eliminated.

Use of Estimates

The nature of an accrual basis balance sheet requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the balance sheet. For example, under U.S. GAAP, Accrued Liabilities must be estimated and recorded if the event creating the liability has occurred, even if an invoice or payment request has not been received and the precise amount is unknown, as long as the amount can reasonably be estimated. Actual results will likely differ from those estimates.

Allocation Transfers and Shared Appropriations

CCC is a party to allocation transfers with another Federal agency as a transferring (parent) entity. Allocation transfers are legal delegations of one department's (parent entity) authority to obligate budget authority and outlay funds to another department (child entity). A separate fund account (allocation account) is created in Treasury as a subset of the parent fund account for tracking and reporting purposes.

All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

CCC, as the parent, allocates funds to USAID to fund P.L. 480 Title II and Bill Emerson Humanitarian Trust (BEHT) transportation and other administrative costs in connection with foreign donations. In accordance with U.S. GAAP, CCC reports USAID's financial activity for which it is the parent.

Note 1 - Significant Accounting Policies- Consolidated Balance Sheet, Continued

Direct Loans and Loan Guarantees – Credit Reform

The FCRA applies to direct loans and loan guarantees made on or after October 1, 1991 (Post-1991).

CCC has several credit loan programs subject to Credit Reform requirements. Credit program receivables consist of:

- Direct loans extended under P.L. 480;
- Receivables in the Debt Reduction Fund (this fund is specifically setup to restructure loans);
- Receivables for the Export Credit Guarantee program in the form of rescheduled agreements;
- Loans, including microloans, made to producers to build or upgrade farm, sugar storage and handling facilities, and for other purposes;
- Loans made to apple producers who incurred losses due to low market prices; and
- Loans made to the Texas Boll Weevil Eradication Foundation.

Definitions:

- Direct loans are a disbursement of funds by the Government to non-Federal borrowers under contracts that require the repayment of such funds within a certain time with or without interest. It includes the purchase of, or participation in, a loan made by another lender and financing arrangements that defer payment for more than 90 days.

- Loan guarantees represent assurance that the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender will be received by the non-Federal lender. A defaulted loan guarantee occurs if the borrower fails to make a payment pursuant to the terms of the obligation. The FCRA established credit program and financing accounts for loan guarantees and direct loans obligated after September 30, 1991 (Post-1991). It also established liquidating accounts for activity relating to any loan guarantees committed or direct loans obligated before October 1, 1991 (Pre-1992).

- The credit program account is the budget account into which an appropriation to cover the cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account.

Note 1 - Significant Accounting Policies- Consolidated Balance Sheet, Continued

- The financing account is the non-budget account or accounts associated with each credit program account that holds balances, receives payment from the credit program account, and also includes all other cash flows to and from CCC resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991.
- The liquidating account is the budget account that includes all cash flows to and from CCC resulting from direct loan obligations or loan guarantee commitments made prior to October 1, 1991. The liquidating accounts are shown in the Federal budget on a cash basis.

Accounting:

Based on the *FCRA* and SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*, all credit reform loans initiated after September 30, 1991 are presented on a present value basis. CCC recognizes the credit reform loan receivables (including related interest) as assets at the present value of their estimated net cash inflows. The loan guarantees are accounted for on a net present value basis at the time the guaranteed loan is disbursed. The difference between the outstanding principal of these receivables and the present value of their net cash inflows is recognized as an allowance.

For loans initiated before October 1, 1991 (Pre-1992), restatement of loan value on a present value basis is permitted but not required. CCC elected to restate the Pre-1992 loan receivables from nominal value to net present value starting in 2001, the accounting treatment, including revenue recognition and allowance calculation, has been applied consistently to Pre-1992 and Post-1991 Direct Loan and Loan Guarantee programs. For Pre-1992 and Post-1991 loan interest receivable, the portion related to non-performing loans is deferred and presented net of the loan receivable line item in the Balance Sheet.

The net present value of Direct Loans and Loan Guarantees, Net, as shown in the Balance Sheet, is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

Rescheduling agreements allow CCC to add uncollected interest to the principal balance of foreign credit and other foreign receivables (capitalized interest). In such circumstances, CCC records an allowance to reduce the receivable, including the capitalized interest, to the present value of future cash flows. Interest income is

Note 1 - Significant Accounting Policies- Consolidated Balance Sheet, Continued

recognized only when, in management's judgment, debtors have demonstrated the ability to repay the debt in the normal course of business.

Refer to Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers for additional information.

Fund Balance with Treasury

CCC disbursements are made by checks or electronic funds transfers that are deducted from CCC’s account at Treasury.

Treasury requires that the Fund Balance with Treasury amounts reported via Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) be reconciled to Treasury’s records. To comply with these requirements, cash timing differences due to deposits in-transit or outstanding checks are reported as “in-transit”. The cash balance includes such timing differences as a result of varying processing times and cut-off dates between CCC, Treasury, and other USDA entities. Refer to Note 2 – Fund Balance with Treasury for additional information.

Cash and Other Monetary Assets

CCC does not maintain cash in commercial bank accounts or at any FSA location. Cash received but not yet reflected in Treasury balances is considered as undeposited collections. Refer to Note 3 – Cash and Other Monetary Assets.

Accounts Receivable

Accounts receivable arise from claims to cash or other assets against other entities, either based on legal provisions, such as program overpayments, or for goods or services provided.

Accounts receivable are adjusted by a valuation allowance based on historical collection, write-off information, and other analysis which reduces the receivables to their estimated net realizable value. Refer to Note 4 – Accounts Receivable, Net for additional information.

Note 1 - Significant Accounting Policies- Consolidated Balance Sheet, Continued

Tobacco Transition Payment Program (TTPP)

The *American Jobs Creation Act* of 2004, which included *The Fair and Equitable Tobacco Reform Act* (the Law), effectively ended the tobacco loan program for CCC, which provided recourse loans to tobacco producers or quota holders. The Law provided that CCC would collect funds from the tobacco manufacturers and importers and make payments over a 10-year period to tobacco producers or quota holders. CCC levies assessments to the manufacturers and importers quarterly. All collections from the tobacco industry are deposited into the Tobacco Trust Fund managed by CCC.

The Law allows CCC's revolving fund to make payments to the quota holders and producers, and provides for reimbursement from the Tobacco Trust Fund. The assessments collected from the tobacco industry are subsequently transferred to CCC's revolving fund, reimbursing that fund for the payments made to quota holders and producers based on approved contracts.

In FY 2005, CCC recognized a public receivable for the present value of the expected future collections from the manufacturers and importers over the 10-year period. In addition, CCC recognized an accrued liability for the present value of the remaining pay-out amount to the quota holders and producers. The present value recorded by CCC is adjusted annually to reflect the present value of the future collections and payments.

The TTPP concluded at the end of calendar year 2014 (Quarter 1, FY 2015). The final assessments were sent to the manufacturers and importers in the 4th quarter of FY 2014, with a final true-up assessment mailed to manufacturers and importers in the 4th quarter of FY 2015. The final payment to the quota holders and producers was made in the 2nd quarter of FY 2015.

Approximately $154 million remains uncollected for TTPP, and it is one component of accounts receivable. These outstanding receivables represent companies still making payments on promissory notes and settlement agreements, companies where a judgment was filed by the Department of Justice, companies where a judgment is being sought by the Department of Justice, and bankruptcies. It also includes all assessments, notes, interest and penalties associated with the program. Receivables associated with companies no longer in business, have been written off. As of the end of FY 2016, an evaluation of the remaining open receivables has been made regarding CCC's ability to

Note 1 - Significant Accounting Policies- Consolidated Balance Sheet, Continued

collect and an allowance has been recorded based on that evaluation. Now that the program is completed, an ongoing evaluation of the ability to collect will occur periodically or as circumstances dictate.

Commodity Loans

CCC makes both recourse and nonrecourse loans to producers of designated agricultural commodities. Commodity loans are statutorily exempt from the accounting and reporting requirements of the FCRA.

Interest is accrued on the unpaid principal balance of commodity loans and is included in the reported net commodity loans receivable balances.

Commodity loans are reported net of an allowance for doubtful accounts, which reduces the loans to their estimated net realizable value. The allowance is based on the estimated loss on ultimate disposition when it is more likely than not that the loans will not be fully collected. When CCC disposes of forfeited commodities, depending on the type of disposition, any loss on the disposition is realized as either a cost of sales or a donation. Refer to Note 5 – Commodity Loans, Net for additional information.

Commodity Inventories

Commodity inventories, referred to as goods held under price support and stabilization programs in the SFFAS No. 3, *Accounting for Inventory and Related Property*, issued by the FASAB, represent commodities acquired by the Corporation for donation or price support purposes. They are eventually sold or otherwise disposed of to help satisfy economic goals. Acquisition is generally made through commodity loan forfeitures, use of Commodity Certificate Exchanges, or by purchase of commodities on the open market.

Commodity inventories are initially recorded at the cost or forfeiture value, and the commodity is revalued in the balance sheet at year-end at the lower of cost or the net realizable value in accordance with SFFAS No. 3. Refer to Note 7 – Commodity Inventories and Related Property, Net.

Note 1 - Significant Accounting Policies- Consolidated Balance Sheet, Continued

General Property and Equipment

General property and equipment purchases are recorded at the acquisition cost plus expenditures related to placing the asset into service such as freight, installation, and testing. Purchases of property valued at $25,000 or more and a useful life of two years or greater are capitalized. Property and equipment is depreciated on a straight-line basis. Computer equipment has a service life of five years. There is no salvage value associated with general property and equipment.

In accordance with SFFAS No. 10, *Accounting for Internal Use Software*, capitalized software development costs include contractor developed software, purchased software, and internally developed software. Capitalized internal use software costs are amortized over a period of five years beginning with the first year the software is fully operational. Once the software is put into operation, amortization begins. Internal use software valued at $100,000 or more and a useful life of two years or greater is capitalized. Internal use software development costs are accumulated and capitalized upon completion.

As of September 30, 2016, CCC's property and equipment was fully depreciated and software costs were fully amortized.

Refer to Note 8 – General Property and Equipment, Net for additional information.

Liabilities

Depending on the type of transaction, CCC recognizes a liability in one of two ways. If an exchange transaction occurs (i.e., receipt of goods or services in return for a promise to provide money or other resources in the future), a liability is recognized in the period in which the exchange occurred. If a non-exchange transaction occurs (i.e., government programs where there is a one-way flow of resources or promises), a liability is recognized for any unpaid amounts due as of the reporting date. Liabilities not covered by budgetary resources, disclosed in Note 10 – Liabilities Not Covered by Budgetary Resources, result from the accrual of unpaid amounts due to various CCC programs. Budgetary resources for the programs will not be made available until a future fiscal year, when Congressional action or OMB apportionment is completed.

Tax Status

CCC, as a Federal entity, is not subject to Federal, State, or local income taxes, and accordingly, no provision for income tax is necessary.

Note 2 – Fund Balance with Treasury

Fund Balance with Treasury, by fund type, as of September 30, 2016, was as follows:

Table 10: Fund Balance with Treasury by Fund Type

	(In Millions) 2016
Fund Balance with Treasury, by type of fund:	
Trust Funds	$ 18
Revolving Funds	945
General Funds	1,508
Other Fund Types	6
Total Fund Balance with Treasury	$ 2,477

CCC deposits most funds into a suspense fund with Treasury. The suspense account is monitored daily and transferred to the appropriate Treasury Account Symbol immediately upon verification. The balance in the suspense account is reflected in the table above in Other Fund Types.

Note 3 – Cash and Other Monetary Assets

As of September 30, 2016, CCC had $49 million in undeposited collections.

Note 4 – Accounts Receivable, Net

Accounts Receivable as of September 30, 2016, were as follows:

Table 11: Accounts Receivable

	(In Millions) 2016
Intragovernmental:	
Due from the Department of Treasury	$ 13
Due from Other Federal Agencies	4
Total Intragovernmental Accounts Receivable, Net	$ 17
Public:	
Notes Receivable	$ 5
Interest Receivable	3
TTPP Receivable	154
Other	49
Subtotal	$ 211
Allowance for Doubtful Accounts	(106)
Total Public Accounts Receivable, Net	$ 105

As of September 30, 2016, Public Accounts Receivable for the TTPP was $154 million, composed of $110 million in Short-Term Receivables, $15 million in Notes Receivables, and $29 million in Interest and Penalty Receivable. TTPP had an allowance of $98 million which was reflected in $106 million allowance above. Refer to Note 1 - Significant Accounting Policies- Consolidated Balance Sheet, under TTPP, for general information on the program.

Other Public Receivables consist of amounts due as a result of program overpayments or dishonored checks.

Note 5 – Commodity Loans, Net

Commodity Loans Receivable, by commodity, as of September 30, 2016, were as follows:

Table 12: Commodity Loans Receivable by Commodity

	(In Millions)
	2016
Cotton	$ 72
Dry Whole Peas	4
Feed Grains:	
Barley	7
Corn	117
Grain Sorghum	1
Oats	1
Honey	2
Oilseeds	5
Peanuts	38
Rice	31
Soybeans	13
Wheat	280
Subtotal Commodity Loans	$ 571
Commodity Loans in Collection	6
Accrued Interest Receivable	2
Total Commodity Loans, Gross	579
Less: Allowance for Losses	(15)
Total Commodity Loans, Net	$ 564

As of September 30, 2016, net commodity loans was $564 million. Significantly more MALs were made in FY 2016 due largely to falling market prices, making MALs an attractive financing option for producers with the potential for market gains and forfeitures.

Commodity Loans in Collection consist primarily of defaulted loans which have been turned over to the Receivables Management Office for collection action, including offset against future program payments.

MALs are of two types, recourse or non-recourse. For recourse loans, producers only have the option to repay the loan by the maturity date. Recourse loans must be repaid at principal plus interest. The recourse loan commodity cannot be delivered or forfeited in satisfaction of the outstanding loan. For nonrecourse loans, producers have the option to:

Note 5 – Commodity Loans, Net, Continued

(a) repay the principal plus interest; (b) repay the loan (for certain designated commodities) at the market rate if the market rate is less than the loan rate; (c) repay the loan (for certain designated commodities) with a Commodity Certificate Exchange if the market rate is less than the loan rate; or (d) forfeit the commodity in satisfaction of the loan at maturity.

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers,

Direct credit and loan obligations and credit guarantee commitments made after FY 1991 and the resulting direct credits and loans or credit guarantees are governed by the FCRA, as amended. The CCC balance sheet reflects the estimate of the long-term cost of the direct and guaranteed loans in accordance with FCRA. CCC has a portfolio which includes both direct loans and loan guarantees.

Loans and interest receivable are valued at their gross amounts less an allowance for the present value of amounts not expected to be recovered and thus having to be subsidized—called an "allowance for subsidy." The difference between the gross amount and the allowance for subsidy is the present value of the cash flows to, and from, the Corporation that are expected from receivables over their projected lives. Similarly, liabilities for loan guarantees are valued at the present value of the cash outflows from CCC, less the present value of related inflows. The estimated present value of net long-term cash outflows of the Corporation for subsidized costs is net of recoveries, interest supplements, and offsetting fees.

When post-1991 direct loans are written off, the unpaid principal and interest of the loans is removed from the gross amount of loans receivable. Concurrently, the same amount is removed from the allowance for subsidy costs.

The Corporation values all pre-1992 (pre-credit reform) loans, loan guarantees, and direct loans at their net present values. Based on Management analysis and judgment, certain pre-credit reform loans with significant periods of non-performance are written off for financial statement purposes only since CCC must follow the requirements of the Section 411 of the Food for Peace Act (7 USC 1736e).

The FCRA requires agencies to estimate for the President's Budget the cost of direct credits and loans and credit guarantees at the present value of future cash flows. Additionally, the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct credits and loans and credit guarantees are recognized as a cost in the year the direct credit and loan or credit guarantee is disbursed. The net present value of loans or defaulted guaranteed loans receivable at any point in time is the amount of the gross loan or defaulted guaranteed loans receivable less the present value of the subsidy at that time.

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Credit Program Discussion and Descriptions

Credit Guarantee Programs – Export

CCC Export Credit Guarantee Program, Guaranteed Loans, provides guarantees to buyers in countries where credit is necessary to maintain or increase U.S. sales of agricultural products. The financing to buyers may not be otherwise available without the U.S. credit guarantees. CCC underwrites credit extended by the private banking sector under the GSM and FGP. CCC records a liability and an allowance expense to the extent that CCC will be unable to recover claim payments under the Credit Reform Export Credit Guarantee programs. The allowance is based on management's estimate, including consideration of increased lending to non-sovereign entities. The likelihood of either rescheduling non-sovereign debt or directly recovering on non-sovereign defaults is lower than the earlier experience in this program with rescheduled sovereign debt. Foreign Agriculture Service now uses detail not only at the country level but at the bank level to make these estimates.

Under the GSM-102, CCC underwrites credit extended by the private banking sector in the U.S. (or, less commonly, by the exporter) for terms of up to twenty-four months. CCC does not provide financing, but guarantees payments due from foreign banks and obligors. Typically, 98 percent of principal and a portion of interest at an adjustable rate are covered. All guarantees under this program are in U.S. dollar denominations. In the event that CCC pays a claim under the guarantee programs, CCC assumes the debt and treats it as a direct credit loan receivable for accounting and collection purposes.

The FGP provides payment guarantees to finance commercial exports of U.S. manufactured goods and services that will be used to improve agriculture-related facilities. Payment terms may range from 1 to 10 years, with semi-annual installments on principal and interest. An initial payment representing at least 15 percent of the value of the sales transaction must be provided by the importer to the exporter. The rate of coverage is currently 95 percent and will apply to the value of the transaction, excluding the minimum 15 percent initial payment. One facility guarantee has been made since program inception.

Collections resulting from direct loans obligated or loan guarantees committed prior to October 1, 1991, are credited to the liquidating accounts. The amounts credited are available to the same extent that they were available to liquidate obligations arising from

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

such direct loans obligated or loan guarantees committed prior to October 1, 1991, including repayment of any obligations held by the Department of the Treasury. The unobligated cash balances of such accounts that are in excess of current needs must be transferred at least annually to the general fund of the Treasury. Refer to Note 13 – Other Liabilities for additional information on Resources Payable to Treasury.

Direct Credit Programs – Export

Under the CCC Export Credit Guarantees program, several cohorts have had defaults that resulted in rescheduled loans which are now direct loans owed to CCC. The programmatic purpose does not differ from the original guaranteed loans.

Direct Credit Programs – Food Aid

Under the P.L. 480 Title I Program, CCC finances the sales of U.S. agricultural commodities to countries in need of food assistance on favorable credit terms (at low rates of interest for up to 30 years with grace periods of up to 7 years). P.L. 480 Title I provides for government-to-government (and some government-to-private entity) sales of U.S. agricultural commodities to developing countries on credit terms or for local currencies. Priority is given to countries with the greatest need for food that are undertaking economic development to improve food security and agricultural development, alleviate poverty, and promote broad based, equitable and sustainable development. All credits under this program are in U.S. dollar denominations. The aid provided under this program is in the form of agricultural commodities instead of actual loans; hence the term direct credit rather than direct loans. Although legislative authority for the P.L. 480 Title I Program still exists, there have been no new loans extended under the program since FY 2006.

Direct Credit Programs – Domestic

The FSFL Program was implemented to provide low cost financing for producers to build or upgrade on-farm commodity storage and handling facilities. The loans have a term of 7, 10, or 12 years with a requirement of annual repayment installments. Interest on these loans is accrued monthly from the date of disbursement. The borrower's rate is established to be equivalent to the rate of interest charged on the Treasury securities of comparable maturity.

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

The FSA developed the Farm Storage Microloan program designed to help producers, including new, small and mid-sized producers, grow their businesses and markets. Loans are now available for portable handling and storage equipment in addition to more traditional on-farm storage methods. The program will offer more flexible access to credit and will serve as an attractive loan alternative for smaller farming operations like specialty crop producers and operators of community supported agriculture (CSA). These smaller farms, including non-traditional farm operations, often face limited financing options. The loans have a term of 3, 5 or 7 years with a requirement of annual repayment installments.

Sugar Storage Facility Loans (SSFL) were authorized by the 2008 Farm Bill specifically for processors of domestically produced sugarcane and sugar beets for the construction or upgrading of storage and handling facilities for raw sugars and refined sugars. The loan term is 15 years, and the maximum principal amount is 85 percent of the net cost of the storage or handling equipment. Only one Sugar Storage Facility Loan has been approved for $3.9 million in the 2013 cohort. The loan was disbursed during FY 2014.

The Boll Weevil Program was made available to the Texas Boll Weevil Eradication Foundation in FY 2001, as an interest-free $10 million loan to be repaid over 10 years. The loans had not been repaid at the end of the 10 year timeframe, and new promissory notes were signed in May 2011, extending the repayment period to October 2020.

In FY 2001, the Apple Loan Program provided loans to apple producers who suffered hardships due to low prices following the 1998-1999 growing season when apple prices fell to their lowest levels in nearly 10 years. Eligible applicants obtained loans up to $300 per acre of apple trees in production in 1999 or 2000, up to a maximum indebtedness of $500,000. The original loan term was established as three years, but CCC is still receiving repayments.

Accounting and Presentation

The Credit Reform loan receivables (including interest) are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of these receivables and the present value of their net cash inflows is recognized as an allowance. CCC uses the Credit Subsidy Calculator 2 (CSC2) for computing the subsidy re-estimates for its Credit Reform programs. The CSC2 is an OMB tool for performing credit calculations, incorporating both financing account interest and cash flow

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

amounts. CCC also uses the Treasury Credit Reform Certificate Program guidelines, SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*, SFFAS No. 18, *Amendments to Accounting for Direct Loans and Loan Guarantees*, and SFFAS No. 19, *Technical Amendments to Accounting for Direct Loans and Loan Guarantees* for the accounting and reporting of its loan subsidy cost re-estimation and amortization.

The cost of loan guarantees is accounted for on a net present value basis at the time the guaranteed loan is disbursed. The cost includes the estimated cash flows of payments by CCC to cover defaults and delinquencies, interest subsidies, payments to CCC including origination and other fees, penalties, and recoveries, including the effects of any expected actions by CCC, and the exercise of any options included in the loan guarantee contract.

In estimating net present values, the discount rate is the average interest rate on marketable Treasury securities of similar maturity cash flows of the direct loan or loan guarantee for which the estimate is being made. When funds are obligated for a direct loan or loan guarantee, the estimated cost is based on the current economic assumptions and the terms of the loan contract for the program.

Interest is accrued monthly on both performing and non-performing direct loans and loan guarantee receivables as it is earned using simple interest calculations based upon a 365-day year. A non-performing direct loan or loan guarantee receivable is defined as a repayment scheduled under a credit agreement with an installment payment in arrears more than 90 days. For those non-performing receivables, accrued interest is not recognized as income; rather, it is deferred until the interest is received or the receivable is returned to performing status. When direct and guaranteed loan financing funds collect more subsidy than necessary to fund future net cash outflows, the applicable financing account transfers the excess subsidy, with interest, to a Treasury General Fund Receipt (GFR) Account. Refer to Note 13 – Other Liabilities for additional information on Excess Subsidy Payable to Treasury.

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Obligated Loans

P.L. 480 Title I direct credits outstanding that were obligated prior to October 1, 1991 (Pre-1992), and P.L. 480 direct credits, and direct loans for FSFL, Boll Weevil, and Apple loans that were obligated on or after October 1, 1991 (Post-1991), and related interest receivable outstanding as of September 30, 2016, are shown in Table 13. Defaulted credit guarantees and related interest receivable are also presented in Table 13.

Table 13: Direct Loans and Defaulted Guaranteed Loans, Net

(In Millions)

	Loans Receivable, Gross	Interest Receivable	Present Value Allowance	Value Of Assets Related to Loans
Direct Loans:				
Obligated Pre-1992				
P.L. 480 Title 1	$ 1,815	$ 480	$ (1,202)	$ 1,093
Pre-1992 Total	$ 1,815	$ 480	$ (1,202)	$ 1,093
Obligated Post-1991				
P.L. 480 Title 1	$ 725	$ 47	$ (219)	$ 553
Debt Reduction Fund (See Note below)	121	1	(146)	(24)
Farm Storage Facility	729	10	(4)	735
Farm Storage Microloans	2	-	-	2
Boll Weevil Program	5	-	(1)	4
Sugar Storage Facility	3	-	-	3
Post-1991 Total	$ 1,585	$ 58	$ (370)	$ 1,273
Total Direct Loan Program Receivables	$ 3,400	$ 538	$ (1,572)	$ 2,366
Defaulted Guaranteed Loans:				
Pre-1992				
Export Credit Guarantee Programs	$ 10	$ -	$ -	$ 10
Pre-1992 Total	$ 10	$ -	$ -	$ 10
Post-1991				
Export Credit Guarantee Programs	$ 586	$ 38	$ (368)	$ 256
Post-1991 Total	$ 586	$ 38	$ (368)	$ 256
Total Defaulted Guaranteed Loans	$ 596	$ 38	$ (368)	$ 266
Total Direct Loans and Defaulted Guaranteed Loans, Net	$ 3,996	$ 576	$ (1,940)	$ 2,632

(Note: The annual increase in the NPV Allowance is the result of CCC not performing, per OMB instruction, an annual reestimate on the Debt Reduction Fund because of the cross agency nature of this fund. CCC is in communication with OMB and Treasury for guidance to return the excess subsidy resulting from loan repayments.)

Disbursements

Table 14 shows new direct loans disbursed by CCC for the fiscal year ended September 30, 2016:

Table 14: Total Amount of Direct Loans Disbursed (Post-1991)

	(In Millions)
	2016
Direct Loan Programs	
Farm Storage Facility	$ 153
Farm Storage Microloans	2
Total Direct Loans Disbursed	$ 155

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Table 15: Guaranteed Loans Disbursed shows new guaranteed loans disbursed by the lender at face value. Guaranteed Loans which have not defaulted are not included in the amounts for Direct Loans and Loans Guarantees, Net, on the Consolidated Balance Sheet.

For the fiscal year ended September 30, 2016, credit guaranteed disbursements were as follows:

Table 15: Guaranteed Loans Disbursed

	(In Millions)	
	2016	
Loan Guarantee Programs	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Export Credit Guarantee Programs	$ 2,028	$ 1,986
Total Guaranteed Loans Disbursed	$ 2,028	$ 1,986

Guaranteed Loans Outstanding

Table 16 contains the outstanding principal guaranteed as of September 30, 2016. This represents a contingent liability for amounts owed by foreign banks to exporters or assignee U.S. financial institutions participating in the program.

Table 16: Guaranteed Loans Outstanding

	(In Millions)	
Loan Guarantee Programs	Outstanding Principal, Face Value	Outstanding Principal, Guaranteed
Export Credit Guarantee Program	$ 2,126	$ 2,084
Total Guaranteed Loans Outstanding	$ 2,126	$ 2,084

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Liability for Loan Guarantees

During the fiscal year, the value of the guaranteed loans is adjusted by the value of the loan guarantee liability held against those loans. FY 2016 subsidy expense and reestimates contributed to the change of the loan guarantee liability. The loan guarantee liability represents CCC's liability for guarantees in the GSM program.

As of September 30, 2016, Liability for Loan Guarantees (Present Value Method) was as follows:

Table 17: Liability for Loan Guarantees (Present Value Method for Post-1991 Guarantees)

	(In Millions)
	2016
Loan Guarantee Programs	Liabilities for Loan Guarantees, Present Value
Export Credit Guarantee Programs	$ 6
Total Liability for Loan Guarantees	$ 6

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Subsidy Expense

Total direct loan subsidy expense is a combination of subsidy expense for new direct loans disbursed in the current fiscal year, modifications to existing loans, and technical and interest rate reestimates to existing loans. Subsidy reestimates are calculated on cumulative disbursements for all budget fiscal years and the respective cohorts (direct loan origination year) that comprise them. There were no additional direct food aid credit agreements made after FY 2006. Subsidy expenses related to direct loans, net of fees and other collections, and subsidy reestimates for the fiscal year ended September 30, 2016, are shown below.

Table 18: Subsidy Expense for Direct Loans by Program and Component

(In Millions)

Direct Loan Programs	Interest Differential	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Defaulted Export Credit Guarantee	$ -	$ -	$ -	$ -	$ -	$ -	$ 4	$ 4	$ 4
Farm Storage Facility	(3)	-	-	(3)	-	(5)	8	3	-
Total Direct Loan Subsidy Expense	$ (3)	$ -	$ -	$ (3)	$ -	$ (5)	$ 12	$ 7	$ 4

Subsidy expenses related to credit guarantees, net of fees and other collections, and subsidy reestimates for the fiscal year ended September 30, 2016, are shown in Table 19: Subsidy Expense for Loan Guarantees by Program and Component below. Subsidy reestimates are calculated on cumulative disbursements for each cohort.

Table 19: Subsidy Expense for Loan Guarantees by Program and Component

(In Millions)

Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Export Credit Guarantee Programs	$ -	$ -	$ 11	$ (9)	$ 2	$ -	$ -	$ (6)	$ (6)	$ (4)
Total Loan Guarantees Subsidy Expense	$ -	$ -	$ 11	$ (9)	$ 2	$ -	$ -	$ (6)	$ (6)	$ (4)

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Subsidy Rates

Subsidy rates are used to compute each year's subsidy expenses as disclosed below. The subsidy rates disclosed in Table 20: Subsidy Rates for Direct Loans by Program and Component and Table 21: Subsidy Rates for Loan Guarantees by Program and Component pertain only to FY 2016. These rates cannot be applied to the direct credits and loans and guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in FY 2016 could result from disbursements of loans from both the current year and prior-year cohorts. The subsidy expense reported in FY 2016 also includes reestimates. For the fiscal year ended September 30, 2016, there were no new loans for P.L. 480, and thus, no subsidy rate was provided. The Apple and Boll Weevil Loan Programs were one year programs, both in cohort 2001. Both of these loan programs continue to receive repayments.

Subsidy rates (percentage) for direct loans were as follows:

Table 20: Subsidy Rates for Direct Loans by Program and Component

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Storage Facility	(1.25%)	0.01%	(0.27%)	(0.13%)	(1.64%)
Farm Storage Microloans	(1.25%)	0.01%	(0.27%)	(0.13%)	(1.64%)
Sugar Storage Facility	(1.43%)	0.02%	-	(0.18%)	(1.59%)

Subsidy rates (percentage) for credit guarantee programs were as follows:

Table 21: Subsidy Rates for Loan Guarantees by Program and Component

Guaranteed Loan Programs	Defaults	Fees and Other Collections	Total
Export Credit Guarantee Programs	0.26%	(0.72%)	(0.46%)

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Subsidy Allowance in Table 22: Subsidy Cost Allowance Balances Direct Loans includes subsidy for both direct loans and loans receivable derived from those defaulted guaranteed loans as of September 30, 2016.

Table 22: Subsidy Cost Allowance Balances Direct Loans

	(In Millions) 2016
Direct Loan Programs	
P.L. 480 Title I	$ 219
Defaulted Export Credit Guarantee	368
Debt Reduction Fund	146
Farm Storage Facility	4
Boll Weevil	1
Subsidy Cost Allowance	$ 738

The credit loan guarantee liability as of September 30, 2016, was as follows:

Table 23: Loan Guarantee Liability

	(In Millions) 2016
Loan Guarantee Programs	
Export Credit Guarantee Programs	$ 6
Total Loan Guarantee Liability	$ 6

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Administrative Expenses

Consistent with FCRA, subsidy cash flows exclude direct Federal administrative expenses. Administrative expenses on direct credit and loan programs are as noted in Table 24 below.

Table 24: Administrative Expenses

	(In Millions) 2016
Direct Loan Programs	$ 2
Guaranteed Loan Programs	7
Total Administrative Expenses	$ 9

Loan Modifications and Rescheduling

A modification is any Government action different from the baseline assumptions that affects the subsidy cost such as a change in the terms of the loan contract. The cost of a modification is the difference between the present value of the cash flows before and after the modification.

The Debt Reduction Fund is used to account for CCC's modified debt. Debt is considered to be modified if the original debt has been reduced or the interest rate of the agreement changed. In contrast, when debt is "rescheduled," only the date of payment is changed. Rescheduled debt is carried in the original fund until paid. All outstanding CCC modified debt is carried in the Debt Reduction Fund and is governed by the FCRA.

Events and Changes Having a Significant and Measurable Effect upon Subsidy Rates, Subsidy Expense, and Reestimates

During FY 2016 there was an update to the cashflow model for the Farm and Sugar Storage Facility loan programs to include the effect of new loan terms and to enable CCC to monitor the performance of microloans as compared to regular farm storage loans. The GSM and P.L. 480 models were not updated.

During FY 2016, FAS modified fees for the GSM-102 and FGPs. These fee changes served to increase the 2016 cohort subsidy rate for GSM 102 to a slightly less negative rate. Whereas the program level budget formulation rate for GSM 102 was -0.75% for

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

FY 2016, the revised rate for budget execution was -0.46%. The positive subsidy rates did not change significantly, but the negative subsidy rates were less negative for five of the six grades in that category. Positive subsidy for the two positive risk grades was apportioned during FY 2016. FAS continues to evaluate fees and incorporate changes as deemed necessary.

Other than as stated above, CCC is unaware of any measurable events or pending legislation at this time that may affect subsidy rates and reestimates in the future.

Reestimate Trend Analysis

Agencies are required to reestimate the subsidy cost throughout the life of each cohort of direct loans or loan guarantees to account for differences between the original assumptions of cash flow and actual cash flow or revised assumptions about future cash flow. These reestimates represent additional costs or savings to the Government and are recorded in the budget. Reestimates which indicate an increase in the subsidy cost are financed by permanent indefinite authority.

P.L. 480 Title I Direct Credit

The P.L. 480 program had a total reestimate of $0.3 million; $14.1 million upward and $13.8 million downward. Interest on the reestimate and the financing account interest adjustment continue to have the largest impact on the reestimate. The single largest total reestimate was $3.9 million in the 1992 cohort, $3.2 million of which was interest on the reestimate. As a percentage of disbursement, the reestimates for all cohorts are insignificant. Changes to the reestimate are mainly due to changes between actual data for FY 2016 as compared to what was projected at the end of FY 2015. Refer to Table 19: Subsidy Expense for Direct Loans by Program and Component for a summary on the direct loan reestimates.

Farm Storage Facility Loans

The FSFL program had a total reestimate of $2.7 million, $11.4 million upward and $8.7 million downward. There were upward adjustments of $1.0 million to $1.5 million in four cohorts (2009, 2011, 2013 and 2016), and downward adjustments of $1.0 million and $1.1 million in two cohorts (2010 and 2014). These six cohorts account for 92 percent of the total reestimate. Reestimates for the other cohorts were insignificant. For the 2009,

Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

2011 and 2013 cohorts, the upward reestimates were the result of lower than forecasted inflows, offset slightly by lower default projections due to a rise in the President's Economic Assumptions (PEA) projection of the real farm income growth rate. For the 2016 cohort, total scheduled interest decreased relative to disbursements due to lower borrower interest rates than what was projected for budget formulation. That also had an impact on projected prepayments, which were significantly decreased from the estimate at budget formulation. For the 2010 and 2014 cohorts, most of the difference is due to higher than projected inflows at the end of FY 2015.

Export Credit Guarantees

The GSM-102 program had a total reestimate of $1.0 million, consisting of $11.9 million upward and $12.9 million downward. The upward reestimates are concentrated in cohorts 2008, 2010 and 2016. For these three cohorts, the total reestimate was $7.1 million upward. The upward reestimate for the 2008 and 2010 cohorts are primarily caused by decreases in FY 2016 actual recoveries (-$3.7 million) and associated decreases in projected recoveries (-$1.5 million).

For the 2016 cohort, the upward reestimate of $1.8 million is largely due to a decrease in the actual upfront fees received. Fees dropped as a percentage of disbursements due to changes between the assumed and actual distribution of commitments across countries.

About $8.8 million of the total downward reestimates are concentrated in the 2013 to 2015 cohorts, none of which have experienced any defaults to date. Overall, reestimates are less than 0.25% of disbursements across all cohorts.

The total reestimate for Supplier Credit is a net downward of $1.1 million, consisting of $2.4 million upward and $3.5 million downward. The single largest contributor was the 2004 cohort, with a downward reestimate of $1.1 million, mainly due to increased recoveries during FY 2016 of $963 thousand. Refer to Table 19: Subsidy Expense for Direct Loans by Program and Component and Table 20: Subsidy Expense for Loan Guarantees by Program and Component for a summary on the loan guarantee reestimates for defaulted and active guarantee loans, respectively.

Note 7 – Commodity Inventories and Related Property, Net

Commodity inventory and related property as of September 30, 2016 (Values in Thousands) was as follows:

Table 25: Inventory and Related Property

	Ending Inventory			
	Unit of Measure	Quantity		Value
Dry Edible Beans	Cwt.	70	$	2,448
Beans Total		**XXX**	**$**	**2,448**
Corn Soya Blend	Pounds	27,192	$	9,488
Blended Foods Total		**XXX**	**$**	**9,488**
Dry Whole Peas	Cwt.	222	$	5,226
Lentils Dry	Cwt.	5		274
Dry Whole Peas Total		**XXX**	**$**	**5,500**
Corn Meal	Pounds	6,371		762
Grain Sorghum	Bushels	31		257
Feed Grains Total		**XXX**	**$**	**1,019**
Milled Head Rice	Cwt.	32	$	811
Rice Total		**XXX**	**$**	**811**
Vegetable Oil	Pounds	10,139	$	5,717
Vegetable Oil Products Total		**XXX**	**$**	**5,717**
Total Commodities		**XXX**	**$**	**24,983**
Allowance for Losses			$	(563)
Barter Delivery Obligations				27
Commodity Inventories and Related Property, Net			**$**	**24,447**

Note: Due to distinct units of measure, Quantity totals are not tabulated, and are denoted as xxx.

Inventories are initially recorded at acquisition cost, including transportation, plus processing and packaging costs incurred after acquisition. Acquisition cost is the amount of the loan settlement, excluding interest, or the amount of the purchase settlement price. Since loan rates and income support levels are established by statute, inventory acquisitions are usually recorded at a cost higher than market value.

Note 7 – Commodity Inventories and Related Property, Net, Continued

Generally, disposition costs are based on the average cost of the commodity in inventory at the end of the previous month. In other cases, the cost is computed on the basis of actual (historical) cost of the commodity. Actual cost is used with: (a) simultaneous acquisition and disposition for commodity export programs; and (b) dispositions of commodities previously pledged as price support loan collateral, which are acquired and simultaneously disposed of by CCC during the exchange of commodity certificates. Commodity certificates are issued by CCC and must be immediately exchanged for a commodity owned by the Corporation.

CCC purchases commodities for USAID in order to meet humanitarian food needs in foreign countries. This prepositioned inventory is procured and made readily available as needed for foreign countries in need. This is done in advance because the process from procurement to delivery can be lengthy and by having the inventory available, these food needs can be met more timely. Both domestic and foreign prepositioned inventory are recorded on CCC's balance sheet.

Commodity inventories are not held in reserve for future sale. All commodity inventory on hand at year-end is anticipated to be donated or transferred during the next fiscal year. CCC has no excess, obsolete or unserviceable inventory.

Allowance for losses as of September 30, 2016 was $0.6 million.

Barter Delivery Obligations (BDOs) are received by CCC in exchange for CCC-owned commodities. The BDOs may only be exchanged for food products to be utilized in domestic and export food programs.

Note 8 – General Property and Equipment, Net

General Property and Equipment as of September 30, 2016, were as follows:

Table 26: General Property and Equipment

	(In Millions)		
	Acquisition Value	Accumulated Depreciation	Net Book Value
Equipment	$ 24	$ (24)	$ -
Capitalized Software Costs	128	(128)	-
Total General Property and Equipment	$ 152	$ (152)	$ -

As of September 30, 2016, CCC's property and equipment was fully depreciated and software costs were fully amortized.

Note 9 – Advances to Others

Advances to Others as of September 30, 2016, were as follows:

Table 27: Advances to Others

	(In Millions) 2016
Public:	
Voluntary Public Access-Habitat Incentive Program	$ 1
Designated Marketing Association (DMA) Advance	68
Biofuels Infrastructure	30
USAID	12
Total Advances to Others	$ 111

The programs contributing to the majority of the Advances to Others (Public) include:

Voluntary Public Access-Habitat Incentive Program (VPA)

VPA was authorized as a CCC program under Section 2606 of the 2008 Farm Bill. Starting in FY 2010, State and tribal governments applied for grants to encourage owners and operators of privately-held farm, ranch, and forest land to voluntarily make that land accessible to the public for wildlife-dependent recreation, including hunting and fishing under programs administered by the States and tribal governments.

Note 9 – Advances to Others, continued

Designated Marketing Association Advance

CCC advanced funds to the Peanut Designated Marketing Associations (DMA) for the 2015 marketing season for the purpose of providing peanut Marketing Assistance Loans and Loan Deficiency Payments. During the marketing season, as the need for drawdown funds diminish, excess funds will be reimbursed to CCC. At the end of the marketing season, the DMA will reimburse CCC for any remaining fund advances.

Biofuels Infrastructure

To create new markets for U.S. farmers and ranchers, help Americans save money on their energy bills, support America's clean energy economy, cut carbon pollution, and reduce dependence on foreign oil and costly fossil fuels, the USDA continues to aggressively pursue investments in American-grown renewable energy. As part of that commitment, USDA partnered with 21 states by providing one-to-one matching funds, through the Biofuel Infrastructure Partnership, to install nearly 5,000 pumps offering higher blends of ethanol nationwide. Through the Biofuel Infrastructure Partnership, USDA is testing innovative ways to distribute higher blends of renewable fuel. As of September 30, 2016, CCC's advance related to the Biofuels Infrastructure program was $30 million.

USAID

The USAID program covers transportation related costs in accordance with P.L. 480 under the authority of the Secretary of Agriculture. Food for Peace Title II program carries out emergency and non-emergency food assistance to other countries. Advances occur when funds are disbursed to a grantee providing transportation services for commodities being delivered prior to the submittal of the expenses. CCC uses an estimation methodology to calculate and report the advance posted periodically to its accounting system of record. As of September 30, 2016, CCC's advance related to the Food for Peace Title II program was $12 million.

Note 10 – Liabilities Not Covered by Budgetary Resources

Liabilities not Covered by Budgetary Resources as of September 30, 2016 were as follows:

Table 28: Total Liabilities

	(In Millions) 2016
Public:	
Environmental and Disposal Liabilities (Note 14)	$ 16
Undeposited/Unapplied Collections	27
Total Liabilities not covered by budgetary resources	$ 43
Total Liabilities covered by budgetary resources	$ 27,560
Total Liabilities	$ 27,603

Liabilities not Covered by Budgetary Resources

Unfunded liabilities are not covered by budgetary resources or offsetting collections. An OMB apportionment and/or collection of cash is needed to provide budgetary resources and allow payment of the liability in a future period.

Liabilities Covered by Budgetary Resources

Funded liabilities are payables and accruals for which CCC has not yet paid as of the end of the fiscal year. As of September 30, 2016, the majority of the open liability for CCC was $16.5 billion in payables for principal due to the Bureau of Fiscal Service, $9.6 billion in program liabilities, and $1.1 billion in Pre-Credit reform liabilities payable to Treasury.

Note 11 – Debt to the Treasury

Debt to the Treasury, categorized as interest bearing as of September 30, 2016 was as follows:

Table 29: Debt to Treasury, Categorized as Interest Bearing

	(In Millions)		
	2016		
	Non-Credit Reform	Credit Reform	Total
Debt, as of September 30			
Principal	$ 14,674	$ 1,783	$ 16,457
Accrued Interest Payable	-	-	-
Total Debt Outstanding, as of September 30, 2016	$ 14,674	$ 1,783	$ 16,457

Non-Credit Reform

CCC has permanent indefinite borrowing authority up to $30 billion that is used by a revolving fund to finance most of its programs. CCC borrows and repays on a daily basis, and may borrow, interest-free, up to the amount of the revolving fund unreimbursed realized losses. Monthly interest rates on borrowing authority fluctuated between 0.25% and 0.625% during FY 2016.

Credit Reform

CCC also has permanent indefinite borrowing authority that is used by Credit Reform programs to finance disbursements on Post-1991 Credit Reform direct credit and loan obligations and credit guarantees. CCC borrows from Treasury for the entire fiscal year based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower. The effective date for borrowings is October 1. CCC may repay the loan agreement, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest up to the date of repayment. Interest is paid annually on these borrowings based on weighted average interest rates for the cohort to which the borrowings are associated.

The FY 2016 interest rates on long-term borrowings under the permanent indefinite borrowing authority for CCC's Credit Reform programs are calculated using the OMB Credit Subsidy Calculator 2 (CSC2). For 2001 and subsequent cohorts, the single effective interest rate produced from the calculator, along with budget assumptions, is used to calculate interest expenses for CCC's Credit Reform programs.

Note 11 – Debt to the Treasury, Continued

Interest on borrowings from Treasury is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the U.S. government as of the preceding month.

Note 12 – Deposit and Trust Liabilities

Deposit and Trust Liabilities are amounts advanced to or deposited with CCC on behalf of other entities. The balance of $25 million, all categorized as public, as of September 30, 2016, consists of unapplied collections for warehouse user fees, claims for disaster programs, and other miscellaneous collections that are temporarily held in suspense until appropriately identified and applied.

Note 13 – Other Liabilities

Other Liabilities (Current) as of September 30, 2016, were as follows:

Table 30: Other Liabilities

	(In Millions) 2016
Intra-governmental:	
Resources Payable to Treasury:	
P.L.480 Direct Credit Liquidating Fund	$ 1,103
Export Credit Guarantee Direct Loans Liquidating Fund	9
Total Resources Payable to Treasury	$ 1,112
Excess Subsidy Payable to Treasury	57
Other Intragovernmental Liabilities:	
Accrued Conservation Reserve Program Technical Assistance	$ 5
Custodial Liability	43
Other	4
Total Intra-governmental Other Liabilities	$ 109
Public:	
Unapplied Collections	$ 8
Other	12
Total Public Other Liabilities	$ 20

Note 13 –Other Liabilities, Continued

Resources Payable to Treasury represents CCC's liquidating fund assets (cash and loans receivable, net of an allowance) less any liabilities that may be held as working capital. Loans made in 1991 and before (Pre-Credit Reform direct loans and assigned loan guarantees) are accounted for in liquidating funds. These funds collect loan payments and pay any related expenses or default claims. At the end of each fiscal year, any unobligated cash balance is transferred to Treasury.

The Conservation Reserve Program Technical Assistance is administered by NRCS and provides land users with proven conservation technology and the delivery system needed to achieve the benefits of a healthy and productive landscape.

The Excess Subsidy Payable to Treasury is the downward reestimate owed to Treasury from the financing fund.

Custodial Collections

As a normal part of its business practices, CCC collects FSA farm loans and forwards them to FSA. In addition, penalties, fines, fees, and other funds are collected and forwarded to Treasury.

Note 14 – Environmental and Disposal Liabilities

From the late 1930's until the mid-1970's, the Corporation operated approximately 4,500 grain storage facilities in the U.S. as part of USDA's price support program for American farmers. The facilities were privately owned and leased by CCC primarily in Midwestern States where the majority of the grain production was high and access to commercial storage facilities was limited. Because much of the grain was stored for extended periods of time, it was periodically necessary to fumigate the grain in order to control destructive insects. The fumigant mixture most commonly used contained the chlorinated solvent carbon tetrachloride. The fumigant was the accepted industry standard at that time for stored grain. Carbon tetrachloride was used as a pesticide for the stored grain until it was banned by the Environmental Protection Agency (EPA) in 1985 as a potential human carcinogen.

In 1988 the first discovery of ground water contaminated with carbon tetrachloride in the vicinity of a CCC grain storage facility was made. Since then, CCC, in coordination with the EPA and the respective states, have been engaged in an active program to identify

Note 14 – Environmental and Disposal Liabilities, Continued

affected sites and respond with appropriate action to safeguard public health and protect the environment. In addition to addressing the contaminated sites initially identified, CCC funded and conducted a private well-sampling program at more than 600 former CCC grain storage facilities in Missouri, Kansas, and Nebraska. This sampling program identified numerous sites where some level of carbon tetrachloride contamination was present. The total number of CCC sites where some level of contamination was present is 83 known locations, of which 28 have been either remediated or no further action is required.

Addressing these former grain storage facility sites, most of which are located on private property, has been the focus of CCC's hazardous waste cleanup program to date. Many of these former CCC sites have ground water contamination above the Federal drinking water standard. The EPA and state regulators continue to conduct soil and water sampling to identify any additional contaminated CCC sites that may pose a potential threat to public health or have contaminant levels that exceed natural resource degradation standards. Based on the due diligence procedures performed to date, in partnership with the EPA and State Agencies, CCC determined that there are few, if any, sites which are not reported by CCC as of September 30, 2016.

As part of the process, site investigations are conducted to determine CCC's level of liability related to the contamination. Site investigation programs involve the review of existing documentation, development and implementation of sampling plans, installation of monitoring wells and sample points, contaminant distribution modeling, dynamic risk assessment, and remedial alternatives analysis. Additional costs are often incurred during negotiations with regulatory agencies regarding a selected remedy. Remedial activities can range from the design and implementation of a monitoring system to the engineering design, construction, and operation and maintenance of a groundwater extraction and treatment system. CCC makes every effort to develop rational and defensible remedial options and alternatives that are cost effective while protecting public health and the environment.

Funding requests and expected liabilities tied to these activities are based on anticipated site investigation and/or potential remedial action including construction of treatment systems. A portion of the requested funding is also required to support ongoing operations and maintenance activity at existing sites where remedial actions are ongoing and any

Note 14 – Environmental and Disposal Liabilities, Continued

additional sites identified where remedial activity is in the planning stages. CCC uses operations and maintenance funding, to support groundwater monitoring programs already in place or being developed in support of anticipated remedial actions. The funding is used for an intergovernmental agreement with the Department of Energy to establish reimbursable agreements to do analysis, implementation and operations and maintenance of existing systems. There are currently several sites where CCC is conducting active monitoring programs where investigations have been completed or remedial action is ongoing or likely. These monitoring programs are being conducted as directed by State regulatory agencies or the U.S. EPA.

Liability estimates are derived using a system that categorizes the existing suite of sites. The funding requests and expected associated liabilities are based on the specific categories described below, with site counts as of September 30, 2016:

• Category I represents 8 CCC sites where there is least uncertainty regarding the pending action and associated costs. The upper bound estimates reflect the highest estimated cost that could be incurred to remediate the site to acceptable standards.

• Category II are 22 sites where CCC has conducted at least a limited site investigation and the liability associated with these sites has been evaluated assuming remedial action will be required. A range of values has been determined and is used to reflect a range of potential costs. Cost figures are based on program experience and typical treatment system designs. The costs identified as “low” are assumed to employ a natural migration/monitoring design. The costs identified as “high” represent a treatment system designed to actively remove or attenuate the contaminant.

• Category III represents 25 sites where contamination levels above the maximum allowable levels have been found. CCC has not conducted a site characterization at these sites. There may have been limited data evaluation. The costs are estimated using a range of values. The "low" value represents the cost of a limited data evaluation. The “high” values represent a thorough site characterization to include a feasibility study and some degree of remedial action.

Note 14 – Environmental and Disposal Liabilities, Continued

In addition to the categories above, sites can be in a status where they are awaiting additional work or a site can receive a regulatory determination of no further action. CCC recorded a total liability for remediation of affected sites of $21.0 million in FY 2016, of which $16.3 million was unfunded. CCC estimates the range of potential future losses due to remedial actions to be between $21.0 million and $159.7 million.

Note 15 – Accrued Liabilities

Accrued Liabilities as of September 30, 2016, were as follows:

Table 31: Accrued Liabilities

	(In Millions)
	2016
Conservation Reserve Program	$ 1,682
Income Support Programs:	
Agricultural Risk Coverage Program	6,043
Price Loss Coverage Programs	1,873
Other	2
Other	7
Total Accrued Liabilities	$ 9,607

The CRP accrued liability consists of annual rental payments estimated on approved contracts, expected to be paid in FY 2017. The ARC and PLC accruals consist of crop year 2015 program payments which began in October 2016 and continue throughout FY 2017, as price and yield data are finalized.

Note 16 – Commitments and Contingencies

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A loss contingency is a liability when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

Legal Disputes and Claims

In the normal course of business, CCC becomes involved in various legal disputes and claims. CCC vigorously defends its position in such actions through the Office of the General Counsel (OGC) and the U.S. Department of Justice.

As of September 30, 2016, no pending legal matters exist that were considered probable or reasonably possible, which require recognition (accrual) in the Consolidated Balance Sheet or require further disclosure.

Note 17 – Transactions with Related Parties

There are reimbursable agreements without advance with various USDA agencies, including NRCS, FSA, FNS and FAS. Amounts due from related parties are presented as intra-governmental accounts receivable on the Consolidated Balance Sheet.

Part IV: Other Information (Unaudited)

Introduction to Other Information

The information contained in this section is unaudited.

CCC's Other Information for FY 2016 consists of financial statements, notes, and other information other than that related to the Consolidated Balance Sheet. These financial statements have been prepared to report results of operations of CCC. Except for being presented as other information, the unaudited Consolidated Statement of Net Cost, unaudited Consolidated Statement of Changes in Net Position and unaudited Combined Statement of Budgetary Resources have been prepared from the books and records of CCC in accordance with U.S. GAAP, as promulgated by FASAB.

The unaudited Consolidated Statement of Net Cost presents the net cost of CCC operations, which are comprised of the gross costs incurred by CCC less any exchange revenue earned from CCC activities.

The unaudited Consolidated Statement of Changes in Net Position presents the change in CCC's net position resulting from the net cost of CCC operations, budgetary financing sources other than exchange revenues, and other financing sources for the fiscal year ended September 30, 2016. The components are separately displayed in two sections, namely Cumulative Results of Operations and Unexpended Appropriations.

The unaudited Combined Statement of Budgetary Resources presents budgetary resources available to CCC, the use or status of these resources at year-end, the change in obligated balance, and outlays of budgetary resources for the year ended September 30, 2016. Subject to Appropriation Law, the CCC has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires the use of CCC's borrowing authority or enactment of an appropriation. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

The unaudited Combining Statement of Budgetary Resources by Major Fund for FY 2016 provides additional information on amounts presented in the Combined Statement of Budgetary Resources.

The unaudited Combined Schedule of Spending illustrates the application of available funding during FY 2016. It has as its basis the same data that is used to populate the unaudited Combined Statement of Budgetary Resources, but provides additional insight into the program and/or individual recipients of budgetary resources.

CCC has an indefinite permanent borrowing authority which operates out of a revolving fund to enable it to meet mission requirements quickly. CCC incurs obligations and is authorized to borrow funds from the Department of the Treasury to meet its spending requirements.

Commodity Credit Corporation

CONSOLIDATED STATEMENT OF NET COST (Unaudited)

For the Year Ended September 30, 2016
(In Millions)

		2016
Strategic Goals (Note 5-Unaudited):		
Provide a Financial Safety Net for Farmers and Ranchers		
Gross Cost	$	12,600
Less: Earned Revenue		1,365
Net Goal Cost	$	11,235
Increase Stewardship of Natural Resources While Enhancing the Environment		
Gross Cost	$	2,442
Less: Earned Revenue		16
Net Goal Cost	$	2,426
Ensure Commodities are Procured and Distributed Effectively and Efficiently		
Gross Cost	$	87
Less: Earned Revenue		22
Net Goal Cost	$	65
Increase U.S. Food and Agricultural Exports		
Gross Cost	$	2,041
Less: Earned Revenue		120
Net Goal Cost	$	1,921
Total Gross Cost	$	17,170
Less: Total Earned Revenue		1,523
Net Cost of Operations	$	15,647

The accompanying notes are an integral part of the statements presented in the "Other Information" section

Commodity Credit Corporation

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION (Unaudited)

For the Year Ended September 30, 2016
(In Millions)

		2016
Capital Stock	$	100
Cumulative Results of Operations:		
Beginning Balance	$	(13,270)
Budgetary Financing Sources:		
Appropriations Used		8,809
Non-exchange Revenue		22
Transfers in/out without Reimbursement, Net		(4,145)
Other Financing Sources (Non-Exchange):		
Imputed Financing		1,516
Other		(268)
Total Financing Sources	$	5,934
Net Cost of Operations		(15,647)
Net Change	$	(9,713)
Cumulative Results of Operations	$	(22,983)
Unexpended Appropriations:		
Beginning Balance	$	1,398
Budgetary Financing Sources:		
Appropriations Received		8,670
Appropriations Used		(8,809)
Total Budgetary Financing Sources	$	(139)
Total Unexpended Appropriations	$	1,259
Net Position	$	(21,624)

The accompanying notes are an integral part of the statements presented in the "Other Information" section

Commodity Credit Corporation

COMBINED STATEMENT OF BUDGETARY RESOURCES (Unaudited)

For the Year Ended September 30, 2016

(In Millions)

	2016 Budgetary	2016 Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:		
Unobligated balance brought forward, October 1	$ 598	$ 179
Recoveries of prior year unpaid obligations	341	10
Other changes in unobligated balance	88	(74)
Unobligated balance from prior year budget authority, net	1,027	115
Appropriations (discretionary and mandatory)	1,823	-
Borrowing Authority (discretionary and mandatory)	34,655	171
Spending authority from offsetting collections (discretionary and mandatory)	100	147
Total Budgetary Resources	$ 37,605	$ 433
Status of Budgetary Resources:		
Obligations Incurred (Note 6-Unaudited)	$ 37,054	$ 290
Unobligated balance, end of year:		
Apportioned, unexpired account	88	35
Exempt from apportionment, unexpired accounts	86	3
Unapportioned, unexpired accounts	376	105
Unexpired unobligated balance, end of year	550	143
Expired unobligated balance, end of year	1	-
Total unobligated balance, end of year	551	143
Total Budgetary Resources	$ 37,605	$ 433
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, Oct 1	$ 5,289	$ 132
Obligations incurred	37,054	290
Outlays (gross)	(18,132)	(288)
Recoveries of prior year unpaid obligations	(341)	(10)
Unpaid obligations, end of year	23,870	124
Uncollected payments:		
Uncollected payments, Federal sources, brought forward, Oct 1	(1)	-
Change in uncollected payments, Federal sources	(136)	(14)
Uncollected payments, Federal sources, end of year	(137)	(14)
Memorandum (non-add) entries:		
Obligated balance, start of year	$ 5,288	$ 132
Obligated balance, end of year	$ 23,733	$ 110
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory)	$ 36,578	$ 318
Actual offsetting collections (discretionary and mandatory)	(7,085)	(391)
Change in Uncollected Payments, Federal Sources (discretionary and mandatory)	(136)	(14)
Recoveries of prior year paid obligations (discretionary and mandatory)	119	2
Budget authority, net (discretionary and mandatory)	$ 29,476	$ (85)
Outlays, gross (discretionary and mandatory)	$ 18,132	$ 288
Actual offsetting collections (discretionary and mandatory)	(7,085)	(391)
Outlays, net (discretionary and mandatory)	11,047	(103)
Distributed offsetting receipts	(4)	(58)
Agency Outlays, net (discretionary and mandatory)	$ 11,043	$ (161)

The accompanying notes are an integral part of the statements presented in the "Other Information" section

Note 1 - Accounting Policies- Financial Statements other than Consolidated Balance Sheet (Unaudited)

Note 1 of the unaudited Other Information, incorporates, by reference, the Accounting Policies previously presented in the audited section of this report. Any additional information related specifically to the unaudited portions of the report is addressed in this Note.

Basis of Presentation

Except for being presented as other information, the Corporation's financial statements in this section have been prepared from the accounting records of CCC as of September 30, 2016, in accordance with generally accepted accounting principles promulgated by FASAB. This statement has been prepared for the Corporation which is a component of the U.S. Government, a sovereign entity

The statements are in addition to the external financial reports used to monitor and control budgetary resources, which are also prepared from CCC's general ledger.

Basis of Accounting

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds. The financial statements include all Treasury funds of CCC, which encompass its domestic and foreign activities. CCC consolidates all costs related to its child activities for the allocated funds transfers and shared appropriations. Refer to the Allocation Transfers and Shared Appropriations section of this note for parent/child information. In consolidation, intraagency activities and balances have been eliminated except for the Statement of Budgetary Resources, which is presented on a combined basis.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. For example, under U.S.

Note 1 - Accounting Policies- Financial Statements other than Consolidated Balance Sheet (Unaudited)

GAAP, Accrued Liabilities must be estimated and recorded if the event creating the liability has occurred, even if an invoice or payment request has not been received and the precise amount is unknown, as long as the amount can reasonably be estimated. Actual results will likely differ from those estimates.

Allocation Transfers and Shared Appropriations

CCC is a party to allocation transfers with another Federal agency as a transferring (parent) entity. Allocation transfers are legal delegations of one department's (parent entity) authority to obligate budget authority and outlay funds to another department (child entity). A separate fund account (allocation account) is created in Treasury as a subset of the parent fund account for tracking and reporting purposes.

All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

CCC, as the parent, allocates funds to USAID to fund P.L. 480 Title II and Bill Emerson Humanitarian Trust (BEHT) transportation and other administrative costs in connection with foreign donations. CCC reports USAID's budgetary and proprietary transactions for which it is the parent.

Imputed Financing (also known as Imputed Costs)

Imputed financing represent costs incurred by other USDA agencies for the benefit of CCC. In accordance with SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal* Government, CCC's full cost incorporates the full cost of goods and services that it receives from other entities. As previously stated, CCC has no employees or facilities. Thus, CCC executes its various programs using the manpower and facilities of other agencies, primarily FSA. The imputed financing consists of the costs of hired labor, opportunity costs of unpaid labor, capital recovery of machinery and equipment, opportunity costs of land, general overhead, payroll taxes, and insurance expended by FSA for work on CCC programs.

Note 2 – Direct Loans Subsidy Cost Allowance and Loan Guarantee Liability - (Unaudited)

Schedule for Reconciliation

The table below reflects the Subsidy Cost Allowance for both direct loans and loans receivable derived from those defaulted guaranteed loans.

Table 32: Schedule for Reconciling Subsidy Cost Allowance Balances Direct Loans (Unaudited)

	(In Millions)
	2016
Beginning Balance of the Subsidy Cost Allowance	$ 737
Add: Subsidy expense for direct loans disbursed during the year by component	
Interest Rate Differential Costs	(3)
Total Subsidy Expense prior to Adjustments and Reestimates	(3)
Adjustments:	
Subsidy Allowance Amortization	(5)
Accruals - Default Reestimates	1
Other	1
Total Subsidy Cost Allowance before Reestimates	$ 731
Add or Subtract Reestimates by Component:	
Interest Rate Reestimate	$ (5)
Technical/Default Reestimate	12
Total Reestimates	7
Ending Balance of the Subsidy Cost Allowance	$ 738

Note 2 – Direct Loans Subsidy Cost Allowance and Loan Guarantee Liability (Unaudited), Continued

The change in the liability for credit guarantees as of September 30, 2016, was as follows:

Table 33: Schedule for Reconciling Loan Guarantee Liability (Unaudited)

	(In Millions) 2016
Beginning balance of the loan guarantee liability	$ 11
Add: Subsidy expense for guaranteed loans disbursed during the year by component	
Fees and other collections	11
Other subsidy costs	(9)
Total of the above subsidy expense components	$ 2
Adjustments:	
Other	(1)
Ending balance of the Loan Guarantee Liability before reestimates	$ 12
Add or Subtract reestimates by component:	
Technical/default reestimate	(6)
Total of the above reestimate components	$ (6)
Ending balance of the loan guarantee liability	$ 6

Note 3 – Commodity Inventories and Related Property, Net (Unaudited)

Commodity inventory and related property as of September 30, 2016 (Values in Thousands) was as follows:

Table 34: Inventory and Related Property (Unaudited)

		Beginning Inventory 10/1/2015 (Unaudited)		Acquisitions (Unaudited)		Collateral Acquired (Unaudited)		Other Disposition, Addition, & Deduction (Unaudited)		Donations (Unaudited)		**Ending Inventory** September 30, 2016	
	Unit of Measure	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Dry Edible Beans	Cwt.	-	$ -	292	$ 10,373	-	$ -	-	$ -	(222)	$ (7,925)	70	$ 2,448
Beans Total		**XXX**	**$ -**	**XXX**	**$ 10,373**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (7,925)**	**XXX**	**$ 2,448**
Corn Soya Blend	Pounds	13,424	$ 2,669	116,368	$ 31,485	-	$ 260	-	$ 2,120	(102,600)	$ (27,046)	27,192	$ 9,488
Wheat Soy Blend	Pounds	-	-	2,814	853	-	-	-	-	(2,814)	(853)	-	-
Blended Foods Total		**XXX**	**$ 2,669**	**XXX**	**$ 32,338**	**XXX**	**$ 260**	**XXX**	**$ 2,120**	**XXX**	**$ (27,899)**	**XXX**	**$ 9,488**
Emergency Food Ration Bars	Pounds	2,110	$ 2,839	920	$ 1,259	-	$ -	-	$ -	(3,030)	$ (4,098)	-	$ -
Tallow	Pounds	-	-	-	-	-	-	4,761	1,532	(4,761)	(1,532)	-	-
Miscellaneous	Cwt	-	-	-	10,821	-	-	-	-	-	(10,821)	-	-
CCC Total		**XXX**	**$ 2,839**	**XXX**	**$ 12,080**	**XXX**	**$ -**	**XXX**	**$ 1,532**	**XXX**	**$ (16,451)**	**XXX**	**$ -**
Upland Cotton	Pounds	-	$ -	-	$ -	51,365	$ 26,233	(51,365)	$ (26,233)	-	$ -	-	$ -
Upland Cotton	Bales	-	-	-	-	5,721	1,437,895	(5,721)	(1,437,895)	-	-	-	-
Cotton Total		**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$1,464,128**	**XXX**	**$ (1,464,128)**	**XXX**	**$ -**	**XXX**	**$ -**
Dry Whole Peas	Cwt.	112	$ 2,165	3,328	$ 97,528	-	$ -	-	$ 1,395	(3,218)	$ (95,862)	222	$ 5,226
Lentils Dry	Cwt.	56	1,916	398	21,082	-	-	-	-	(449)	(22,724)	5	274
Dry Whole Peas Total		**XXX**	**$ 4,081**	**XXX**	**$ 118,610**	**XXX**	**$ -**	**XXX**	**$ 1,395**	**XXX**	**$ (118,586)**	**XXX**	**$ 5,500**
Corn	Bushels	-	$ -	156	$ 7,635	-	$ -	-	$ -	(156)	$ (7,635)	-	$ -
Corn Meal	Pounds	-	-	67,500	10,292	-	133	-	-	(61,129)	(9,663)	6,371	762
Grain Sorghum	Bushels	-	-	19,523	91,631	-	-	-	115	(19,492)	(91,489)	31	257
Feed Grains Total		**XXX**	**$ -**	**XXX**	**$ 109,558**	**XXX**	**$ 133**	**XXX**	**$ 115**	**XXX**	**$ (108,787)**	**XXX**	**$ 1,019**
Peanut Butter	Pounds	-	$ -	-	$ -	-	$ -	4,471	$ 8,102	(4,471)	$ (8,102)	-	$ -
Peanuts	Pounds	48,139	29,726	-	-	-	-	(48,139)	(29,726)	-	-	-	-
Roasted Peanuts	Pounds	-	-	-	-	-	-	1,102	1,433	(1,102)	(1,433)	-	-
Peanut Total		**XXX**	**$ 29,726**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (20,191)**	**XXX**	**$ (9,535)**	**XXX**	**$ -**
Potatoes Dehydrated	Pounds	-	$ -	1,102	$ 2,149	-	$ -	-	$ -	(1,102)	$ (2,149)	-	$ -
Potato Dehydrated Total		**XXX**	**$ -**	**XXX**	**$ 2,149**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (2,149)**	**XXX**	**$ -**
Milled Head Rice	Cwt.	-	$ -	1,432	$ 29,507	-	$ 96	-	$ 136	(1,400)	$ (28,928)	32	$ 811
Rice Total		**XXX**	**$ -**	**XXX**	**$ 29,507**	**XXX**	**$ 96**	**XXX**	**$ 136**	**XXX**	**$ (28,928)**	**XXX**	**$ 811**
Soybean Meal	Pounds	-	$ -	47,113	$ 13,679	-	$ -	-	$ -	(47,113)	$ (13,679)	-	$ -
Soybean Total		**XXX**	**$ -**	**XXX**	**$ 13,679**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (13,679)**	**XXX**	**$ -**
Vegetable Oil	Pounds	22,862	$ 12,125	209,259	$ 106,704	-	$ 93	-	$ 230	(221,982)	$ (113,435)	10,139	$ 5,717
Vegetable Oil Products Total		**XXX**	**$ 12,125**	**XXX**	**$ 106,704**	**XXX**	**$ 93**	**XXX**	**$ 230**	**XXX**	**$ (113,435)**	**XXX**	**$ 5,717**
Bulgur	Pounds	1,893	$ 241	5,965	$ 888	-	$ -	-	$ -	(7,858)	$ (1,129)	-	$ -
Flour	Pounds	-	-	26,280	5,396	-	-	-	-	(26,280)	(5,396)	-	-
Wheat	Bushels	-	-	31,874	183,591	18,748	55,601	(18,748)	(55,601)	(31,874)	(183,591)	-	-
Wheat Total		**XXX**	**$ 241**	**XXX**	**$ 189,875**	**XXX**	**$ 55,601**	**XXX**	**$ (55,601)**	**XXX**	**$ (190,116)**	**XXX**	**$ -**
Total Commodities		**XXX**	**$ 51,681**	**XXX**	**$ 624,873**	**XXX**	**$1,520,311**	**XXX**	**$ (1,534,392)**	**XXX**	**$ (637,490)**	**XXX**	**$ 24,983**
Allowance for Losses													$ (563)
Barter Delivery Obligations													27
Commodity Inventories and Related Property, Net													**$ 24,447**

Note: Due to distinct units of measure, Quantity totals are not tabulated, and are denoted as xxx.

Note 3 – Commodity Inventories and Related Property, Net (Unaudited), Continued

As of September 30, 2016, commodity loan forfeitures, recognized as Collateral Acquired, was $14 million. In FY 2016, peanuts were forfeited due to higher acreage and higher yields causing issues in storage capacity and processing. The peanut forfeiture represents peanut collateral acquired during FY 2016.

The amount and volume of commodities that were received as a result of surrender of collateral related to nonrecourse loans outstanding is shown in the chart above as "Collateral Acquired."

Commodity inventories are not held in reserve for future sale. All commodity inventory on hand at year-end is anticipated to be donated or transferred during the next fiscal year. CCC has no excess, obsolete or unserviceable inventory.

Note 4 – Debt to the Treasury (Unaudited)

Debt to the Treasury, categorized as interest bearing as of September 30, 2016, was as follows:

Table 35: Debt to Treasury, Categorized as Interest Bearing (Unaudited)

	(In Millions)		
	2016		
	Non-Credit Reform	Credit Reform	Total
Debt, beginning of Fiscal Year			
Principal	$ 7,620	$ 1,949	$ 9,569
Accrued Interest Payable	7	-	7
Total Debt Outstanding, Beginning of Fiscal Year	$ 7,627	$ 1,949	$ 9,576
New Debt			
Principal	$ 3,874,884	$ 271	$ 3,875,155
Accrued Interest Payable	82	74	156
Total New Debt	$ 3,874,966	$ 345	$ 3,875,311
Repayments			
Principal	$ (3,867,830)	$ (437)	$ (3,868,267)
Accrued Interest Payable	(89)	(74)	(163)
Total Repayments	$ (3,867,919)	$ (511)	$ (3,868,430)
Debt, as of September 30			
Principal	$ 14,674	$ 1,783	$ 16,457
Accrued Interest Payable	-	-	-
Total Debt Outstanding as of September 30	$ 14,674	$ 1,783	$ 16,457

CCC began using a new daily financing process on October 1, 2015. Daily financing is the process of borrowing from and repaying to Treasury for funds drawn against CCC's $30 billion borrowing authority on a daily basis. Under the new process, CCC borrows and repays all of its outstanding debt to Treasury each business day. The amount CCC borrows and repays each day is increased or decreased based on net cash activity for receipts and disbursements occurring since the previous business day.

CCC incurred $2 million in interest expense on capital stock for FY 2016, which is separate from the interest expense on Treasury borrowings.

Note 5 – Disclosures Related to the Statement of Net Cost (Unaudited)

Earned Revenue

Revenue and expense are recognized based on SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*. CCC follows SFFAS No. 7 for classifying, recognizing, and measuring inflows of resources. Earned revenues are exchange revenues, which arise when a Federal entity provides goods and services to the public or to another government entity for a price.

Earned Revenue for the fiscal year ended September 30, 2016, was as follows:

Table 36: Earned Revenue (Unaudited)

	(In Millions) 2016
Intragovernmental Earned Revenue:	
Earned Revenue	$ 31
Interest Income	13
Other	20
Less: Intra-Agency Eliminations	(20)
Total Intragovernmental Earned Revenue	$ 44
Earned Revenue from the Public:	
Commodity Inventory Sales	$ 1,418
Interest Income	61
Total Earned Revenue from the Public	$ 1,479
Total Earned Revenue	$ 1,523

Note 5 – Disclosures Related to the Statement of Net Cost (Unaudited), Continued

The Statement of Net Cost presents costs and associated earned revenues in alignment with CCC's strategic goals, stated below:

Provide a Financial Safety Net for Farmers and Ranchers

Under this strategic goal, program areas include Income support and disaster assistance. CCC provides financial assistance to protect farmers and ranchers from fluctuations in market conditions and unexpected natural or man-made disasters. Assistance is provided through income support programs, disaster assistance programs, and the NAP. FSA administers CCC income support and disaster assistance programs, the largest of which are ARC and PLC, with nearly 1.7 million farms enrolled, and are USDA's primary farm safety net programs.

Increase Stewardship of Natural Resources While Enhancing the Environment

The program under this strategic goal is Conservation. Supported by the *Food, Conservation, and Energy Act of 2008* (2008 Farm Bill), and extended by the 2014 Farm Bill, conservation programs offer farmers and ranchers a variety of financial and economic incentives to conserve natural resources on the nation's privately owned farmlands. These programs focus on reducing erosion, protecting streams and rivers, restoring and establishing fish and wildlife habitats, and improving air quality through several conservation incentive payments, technical assistance, and cost-share programs. FSA and NRCS administer CCC conservation programs.

Ensure Commodities are Procured and Distributed Effectively and Efficiently

Under this strategic goal, program areas include Commodity Operations and Food Aid. FSA oversees the procurement, acquisition, storage, disposition, and distribution of commodities, and the administration of USWA. These programs help achieve domestic farm program price support objectives, produce a uniform regulatory system for storing agricultural products, and ensure the timely provision of food products for domestic and international food assistance programs and market development programs. FAS administers the Food for Progress Program, which provides food aid to countries that are emerging democracies and are committed to introducing and expanding free enterprise in the agricultural sector. Food aid addresses participating countries' hunger and helps to build longer term economic development that boosts trade opportunities for the United States and other countries.

Note 5 – Disclosures Related to the Statement of Net Cost (Unaudited), Continued

Increase U.S. Food and Agricultural Exports

Under this strategic goal, program areas include Market Development and Export Credit.

Expanding markets for agricultural products are critical to the long-term health and prosperity of the U.S. agricultural sector. With 95 percent of the world's population living outside the United States, future growth in demand for food and agricultural products will occur primarily in overseas markets. CCC funds used in the market development programs play a critical role in helping to open new markets and in facilitating U.S. competitiveness, helping to secure a more prosperous future for American agriculture. Support for economic development and trade capacity building reinforces these efforts by helping developing countries to become economically stable and improve their prospects to participate in and benefit from expanding global trade in agricultural products. FAS administers CCC foreign market development programs.

CCC export credit guarantee and direct loan programs, administered by FAS in conjunction with FSA, provide payment guarantees for third-party commercial financing and direct financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC credit facilities.

Note 5 – Disclosures Related to the Statement of Net Cost (Unaudited), Continued

Table 37: Costs and Earned Revenue by Strategic Goal and Program (Unaudited)

(Values in Millions)	Income Support and Disaster Assistance	Conservation Programs	Commodity Operations and Food Aid	Market Development and Export Credit	Intra-Agency Eliminations	Total
Provide a Financial Safety Net for Farmers and Ranchers						
Intragovernment Cost	$ 1,062	$ -	$ 118	$ -	$ -	$ 1,180
Public Cost	11,408	-	12	-	-	11,420
Total Cost	$ 12,470	$ -	$ 130	$ -	$ -	$ 12,600
Intragovernment Earned Revenue	$ 1	$ -	$ -	$ -	$ -	$ 1
Public Earned Revenue	1,363	-	1	-	-	1,364
Total Earned Revenue	$ 1,364	$ -	$ 1	$ -	$ -	$ 1,365
Increase Stewardship of Natural Resources While Enhancing the Environment						
Intragovernment Cost	$ -	$ 433	$ -	$ -	$ -	$ 433
Public Cost	-	2,009	-	-	-	2,009
Total Cost	$ -	$ 2,442	$ -	$ -	$ -	$ 2,442
Intragovernment Earned Revenue	$ -	$ 15	$ -	$ -	$ -	$ 15
Public Earned Revenue	-	1	-	-	-	1
Total Earned Revenue	$ -	$ 16	$ -	$ -	$ -	$ 16
Ensure Commodities are Procured and Distributed Effectively and Efficiently						
Intragovernment Cost	$ 18	$ -	$ 70	$ -	$ -	$ 88
Public Cost	(1)	-	-	-	-	(1)
Total Cost	$ 17	$ -	$ 70	$ -	$ -	$ 87
Intragovernment Earned Revenue	$ 7	$ -	$ 20	$ -	$ (20)	$ 7
Public Earned Revenue	12	-	3	-	-	15
Total Earned Revenue	$ 19	$ -	$ 23	$ -	$ (20)	$ 22
Increase U.S. Food and Agricultural Exports						
Intragovernment Cost	$ -	$ -	$ -	$ 99	$ (20)	$ 79
Public Cost	-	-	-	1,962	-	1,962
Total Cost	$ -	$ -	$ -	$ 2,061	$ (20)	$ 2,041
Intragovernment Earned Revenue	$ -	$ -	$ -	$ 21	$ -	$ 21
Public Earned Revenue	-	-	-	99	-	99
Total Earned Revenue	$ -	$ -	$ -	$ 120	$ -	$ 120
Total Gross Cost	**$ 12,487**	**$ 2,442**	**$ 200**	**$ 2,061**	**$ (20)**	**$ 17,170**
Less: Total Earned Revenue	**1,383**	**16**	**24**	**120**	**(20)**	**1,523**
Net Cost of Operations	**$ 11,104**	**2,426**	**$ 176**	**$ 1,941**	**$ -**	**$ 15,647**

Note 6 – Disclosures Related to the Statement of Budgetary Resources (Unaudited)

The unaudited Statement of Budgetary Resources (SBR) is a combined statement that provides information about how budgetary resources were made available, as well as their status at the end of the year.

Terms of Budget Authority Used

Unobligated budget authority is the difference between the obligated balance and the total unexpended balance. It represents that portion of the unexpended balance unencumbered by recorded obligations. The main sources of budget authority are borrowing authority and appropriations. Each appropriation is provided on an annual, multi-year, or no-year basis. An appropriation expires on the last day of its period of availability and is no longer available for new obligations. An unobligated balance retains fiscal-year identity in an expired account for an additional five fiscal years. The unobligated balance remains available to make legitimate obligation adjustments, i.e., to record previously unrecorded obligations and to make upward adjustments in previously underestimated obligations for five years. At the end of the fifth year, the authority is canceled. Thereafter, the authority is not available for any purpose.

Table 38: Status of Fund Balance with Treasury (Unaudited)

	(In Millions)
	2016
Status of Fund Balance with Treasury:	
Unobligated Balance:	
Available	$ 212
Unavailable	482
Obligated Balance not yet Disbursed	23,843
Subtotal	$ 24,537
Borrowing Authority not yet Converted to Fund Balance	(22,066)
Non-Budgetary Fund Balance with Treasury	6
Total Fund Balance with Treasury	$ 2,477

The Unavailable balance represents unobligated resources not yet apportioned by OMB and unobligated appropriations from prior years that are no longer available for new obligations.

Note 6 – Disclosures Related to the Statement of Budgetary Resources (Unaudited), Continued

Borrowing Authority not yet Converted to Fund Balance represents unobligated and obligated amounts recorded as of September 30, 2016, which will be funded by future borrowings.

Available Borrowing Authority

Per the *Commodity Credit Corporation Charter Act*, *15 U.S.C. 714*, the Corporation's borrowing authority is made up of both interest- and non-interest-bearing notes. These notes are drawn upon on a daily basis when disbursements exceed deposits, as reported by the Federal Reserve Banks (FRB), their branches, Treasury, and CCC's financing office. CCC is authorized to issue, and have outstanding at any one time, bonds, notes, debentures, and other similar financing instruments in an aggregate amount not to exceed $30 billion. CCC's indefinite borrowing authority has a term of one year. As previously described in this section's Note 4, Debt to Treasury, each day, CCC refinances its outstanding borrowings, including accrued interest, at the current monthly borrowing rate. CCC receives an annual appropriation to fund its net realized losses.

In addition, CCC has permanent indefinite authority to finance disbursements made under the liquidating accounts related to the Pre-Credit Reform program activities, which are not covered by available working capital.

Apportionment Categories of Obligations Incurred

Obligations can either be categorized as direct or reimbursable. Direct obligations are not financed from reimbursements while reimbursable obligations are financed by offsetting collections that are payments to the performing account for goods and services provided to the ordering entity. For the fiscal year ended September 30, 2016, there were no obligations incurred under apportionment category A, which is funded on a quarterly basis. Obligations incurred under apportionment category B, which is funded annually, were as follows:

Note 6 – Disclosures Related to the Statement of Budgetary Resources (Unaudited), Continued

Table 39: Direct and Reimbursable Obligations (Unaudited)

Obligations	Dollars in Millions	
For the Fiscal Year Ended September 30	2016	
Direct	$	2,256
Reimbursable		35,088
Total Obligations	$	37,344

Undelivered Orders

Undelivered orders, either unpaid or prepaid, are purchase orders or contracts awarded for which goods or services have not yet been received. The amount for undelivered orders was $14.2 billion as of September 30, 2016.

Permanent Indefinite Appropriations

CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11. A permanent indefinite borrowing authority becomes available pursuant to standing provisions of law without further actions by Congress after the transmittal of the budget for the year involved. CCC's authority is established annually to record the obligations of CCC; apportionment documents received for some of CCC's specific programs provide spending limitations within the borrowing authority and are subject to the *Antideficiency Act*. The borrowing authority provides that all obligations are reported, even though subsequent appropriations or offsetting collections will ultimately be used to liquidate the obligations of the Corporation. OMB Circular A-11 permits the Corporation to incur obligations which can exceed its $30 billion borrowing authority ceiling and to borrow funds to liquidate the obligations. CCC borrowing cannot exceed the lesser of the amount required to liquidate the obligations incurred or $30 billion.

Legal Arrangements Affecting the Use of Unobligated Balances

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act.

Note 6 – Disclosures Related to the Statement of Budgetary Resources (Unaudited), Continued

President's Budget Reconciliation

The SF-133 (Report on Budget Execution and Budgetary Resources) which is used by CCC to report and certify obligation balances is also used to populate some portions of the Program and Financing Schedules (P&F Schedules) within the Budget of the United States Government.

Since the P&F Schedules within the *Budget of the United States Government, Fiscal Year 2016* were not available at the time CCC's Annual Management Report for FY 2016 was issued, the reconciliation between the President's Budget and the SBR for FY 2016 could not be performed. The FY 2016 SBR will be reconciled to the FY 2016 actuals on the P&F Schedules reported in the *Budget of the United States Government, Fiscal Year 2018*, once released. The *Budget of the United States Government, Fiscal Year 2018* is expected to be published in February 2017 and will be available on the website of the Office of Management and Budget (http://www.whitehouse.gov) at that time.

Custodial Activity

CCC's custodial activities involve the collection and transfer of funds received from the public on behalf of Treasury, FSA, and other USDA agencies. These collections include amounts related to FSA's Farm Loan Program, as well as other interest, fees, and penalties due to Treasury and other USDA agencies. These are not part of CCC budget authority.

Note 7 – Disclosures Not Related to a Specific Statement, (Unaudited),

Custodial Activities for the fiscal year ended September 30, 2016, were as follows:

Table 40: Custodial Activities (Unaudited)

	(In Millions)
	2016
Revenue Activity:	
Sources of Cash Collections:	
Administrative and Other Service Fees	$ 14
Total Cash Collections	$ 14
Total Custodial Revenue	$ 14
Disposition of Collections:	
Transfers to Others:	
USDA Farm Service Agency	$ 1
Department of Treasury	28
Total Disposition of Collections	$ 29
(Increase)/Decrease in Amounts Yet to be Transferred (+/-)	$ 15
Net Custodial Activity	$ -

Note 8 – Reconciliation of Net Cost of Operations to Budget, (Unaudited)

Budgetary and proprietary accounting information are inherently different because of the types of information and the timing of their recognition. The Reconciliation of Net Cost of Operations to Budget provides a link between budgetary and proprietary accounting information in a way that helps users relate the two. It serves not only to explain how information on net obligations relates to the net cost of operations but also to demonstrate integrity between budgetary and proprietary accounting data. It further satisfies users' needs to understand how information on the use of budgetary resources relates to information on the cost of program operations.

Net obligations and the net cost of operations are different because (1) the net cost of operations may be financed by non-budgetary resources (e.g., imputed financing); (2) the budgetary and non-budgetary resources used may finance activities which are not components of the net cost of operations; and (3) the net cost of operations may contain components which do not use or generate resources in the current period.

Note 8 – Reconciliation of Net Cost of Operations to Budget, (Unaudited), Continued

The Reconciliation of Net Cost of Operations to Budget (Unaudited) for the fiscal year ended September 30, 2016 was as follows:

Table 41: Reconciliation of Net Cost of Operations to Budget (Unaudited)

	(In Millions)
	2016
Resources Used to Finance Activities:	
Budgetary Resources Obligated:	
Obligations Incurred	$ 37,344
Less:Offsetting Collections, Recoveries, and Change in Uncollected Payments	7,976
Obligations Net of Offsetting Collections and Recoveries	$ 29,368
Less: Offsetting Receipts	62
Net Obligations	$ 29,306
Other Resources:	
Imputed Financing from Costs Absorbed by Others	1,516
Other	(267)
Net Other Resources Used to Finance Activities	$ 1,249
Total Resources Used to Finance Activities	**$ 30,555**
Resources Used to Finance Items not Part of the Net Cost of Operations:	
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided	$ (10,505)
Resources that Fund Expenses Recognized in Prior Periods	(4,866)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:	
Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	(5)
Change in Unfilled Customer Orders	(35)
Decrease in Exchange Receivables from the Public	5,201
Other	186
Resources that Finance the Acquisition of Assets	(5,201)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(2,877)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**$ (18,102)**
Total Resources Used to Finance the Net Cost of Operations	**$ 12,453**
Components of the Net Cost of Operations that will not Require or Generate Resources in the current period:	
Components Requiring or Generating Resources in Future Periods:	
Upward/(Downward) Reestimates of Credit Subsidy Expense	$ 43
(Increase) in Exchange Revenue Receivable from the Public	(21)
Other	(64)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	$ (42)
Components not Requiring or Generating Resources:	
Depreciation and Amortization	$ (2)
Revaluation of Assets or Liabilities	3
Other Components not Requiring or Generating Resources:	
Bad Debt Expense	(123)
Cost of Goods Sold	1,586
Other	1,772
Total Components of Net Cost of Operations that will not Require or Generate Resources	$ 3,236
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	**$ 3,194**
Net Cost of Operations	**$ 15,647**

Combining Statement of Budgetary Resources by Major Fund: Budgetary Accounts (Unaudited)
For the Fiscal Year Ended September 30, 2016
(Dollars in Millions)

		CCC Fund (12X4336)	P.L. 480 Title II Grants (12X2278)	Tobacco Trust Fund (12X8161)	USAID - P.L. 480 Title II Grants ((72)12X2278)	Export Loans Program (12X1336)	Other	Total
Budgetary Resources:								
Unobligated balance brought forward, October 1	1000	$ 432	$ 34	$ -	$ 95	$ 1	$ 36	$ 598
Recoveries of prior year unpaid obligations	1021	205	6	-	130	-	-	341
Other changes in unobligated balance	1043	119	129	-	(128)	-	(32)	88
Unobligated balance from prior year budget authority, net	1051	756	169	-	97	1	4	1,027
Appropriations (discretionary and mandatory)	1290	-	430	24	1,286	34	49	1,823
Borrowing Authority (discretionary and mandatory)	1490	34,655	-	-	-	-	-	34,655
Spending authority from offsetting collections (discretionary and mandatory)	1890	70	-	-	-	-	30	100
Total Budgetary Resources	1910	$ 35,481	$ 599	$ 24	$ 1,383	$ 35	$ 83	$ 37,605
Status of Budgetary Resources:							-	
Obligations Incurred (Note 6- Unaudited)	2190	$ 35,088	$ 550	$ 7	$ 1,328	$ 30	$ 51	$ 37,054
Unobligated balance, end of year:							-	
Apportioned, unexpired account	2204	26	49	17	(8)	4	-	88
Exempt from apportionment, unexpired accounts	2304	86	-	-	-	-	-	86
Unapportioned, unexpired accounts	2404	281	-	-	63	1	31	376
Unexpired unobligated balance, end of year	2412	393	49	17	55	5	31	550
Expired unobligated balance, end of year	2413	-	-	-	-	-	1	1
Total Unobligated balance, end of year	2490	393	49	17	55	5	32	551
Total Budgetary Resources	2500	$ 35,481	$ 599	$ 24	$ 1,383	$ 35	$ 83	$ 37,605

Combining Statement of Budgetary Resources by Major Fund: Budgetary Accounts (Unaudited)
For the Fiscal Year Ended September 30, 2016
(Dollars in Millions)

Page 2		CCC Fund (12X4336)	P.L. 480 Title II Grants (12X2278)	Tobacco Trust Fund (12X8161)	USAID - P.L. 480 Title II Grants ((72)12X2278)	Export Loans Program (12X1336)	Other	Total
Change in Obligated Balance:								
Unpaid obligations:								
Unpaid obligations, brought forward, Oct 1	3000	$ 3,910	$ 103	$ 1	$ 1,212	$ -	$ 63	$ 5,289
Obligations incurred	3012	35,088	550	7	1,328	30	51	37,054
Outlays (gross)	3020	(16,306)	(566)	(7)	(1,125)	(30)	(98)	(18,132)
Recoveries of prior year unpaid obligations	3042	(205)	(6)	-	(130)	-	-	(341)
Unpaid obligations, end of year	3050	$ 22,487	$ 81	$ 1	$ 1,285	$ -	16	23,870
Uncollected payments:								
Uncollected payments, Federal sources, brought forward, Oct 1	3060	(1)	-	-	-	-	-	(1)
Change in uncollected payments, Federal sources	3072	(136)	-	-	-	-	-	(136)
Uncollected payments, Federal sources, end of year	3090	$ (137)	$ -	$ -	$ -	$ -	$ -	$ (137)
Memorandum (non-add) entries:								
Obligated balance, start of year		3,909	103	1	1,212	-	63	5,288
Obligated balance, end of year		$ 22,350	$ 81	$ 1	$ 1,285	$ -	$ 16	$ 23,733
Budget Authority and Outlays, Net:								
Budget authority, gross (discretionary and mandatory)	4175	$ 34,725	$ 430	$ 24	$ 1,286	$ 34	$ 79	$ 36,578
Actual offsetting collections (discretionary and mandatory)	4176	(6,787)	-	-	-	-	(298)	(7,085)
Actual offsetting collections (discretionary and mandatory)	4177	(136)	-	-	-	-	-	(136)
Change in uncollected customer payments from Federal sources (discretionary and mandatory)	4178	119	-	-	-	-	-	119
Budget authority, net (discretionary and mandatory)	4180	$ 27,921	$ 430	$ 24	$ 1,286	$ 34	$ (219)	$ 29,476
Outlays, gross (discretionary and mandatory)	4185	$ 16,306	$ 566	$ 7	$ 1,125	$ 30	$ 98	$ 18,132
Actual offsetting collections (discretionary and mandatory)	4187	(6,787)	-	-	-	-	(298)	(7,085)
Outlays, net (discretionary and mandatory)	4190	$ 9,519	$ 566	$ 7	$ 1,125	$ 30	$ (200)	$ 11,047
Distributed offsetting receipts	4200	-	-	-	-	-	(4)	(4)
Agency Outlays, net (discretionary and mandatory)	4210	$ 9,519	$ 566	$ 7	$ 1,125	$ 30	$ (204)	$ 11,043

Combining Statement of Budgetary Resources by Major Fund: Non-Budgetary Credit Program Financing Accounts (Unaudited) For the Fiscal Year Ended September 30, 2016
(Dollars in Millions)

Page 1	Line #	P.L. 480 Direct Loans (12X4049)	CCC Export Guarantees (12X4337)	Farm Storage Facility Direct Loan (12X4158)	Other	Total
Budgetary Resources:						
Unobligated balance brought forward, October 1	1000	$ 15	$ 30	$ 49	$ 85	$ 179
Unobligated balance brought forward, October 1, as adjusted	1020.5	$ 15	$ 30	$ 49	$ 85	$ 179
Recoveries of prior year unpaid obligations	1021	-	-	10	-	10
Other changes in unobligated balance	1043	(15)	(4)	(53)	(2)	(74)
Unobligated balance from prior year budget authority, net	1051	$ -	$ 26	$ 6	$ 83	$ 115
Borrowing Authority (discretionary and mandatory)	1490	-	-	168	3	171
Spending authority from offsetting collections (discretionary and mandatory)	1890	66	44	27	10	147
Total Budgetary Resources	1910	$ 66	$ 70	$ 201	$ 96	$ 433
Status of Budgetary Resources:						
Obligations Incurred (Note 6- Unaudited)	2190	$ 50	$ 52	$ 184	$ 4	$ 290
Unobligated balance, end of year:						
Apportioned, unexpired account	2204	16	-	8	11	35
Exempt from apportionment, unexpired accounts	2304	-	3	-	-	3
Unapportioned, unexpired accounts	2404	-	15	9	81	105
Unexpired unobligated balance, end of year	2412	$ 16	$ 18	$ 17	$ 92	$ 143
Total Unobligated balance, end of year	2490	16	18	17	92	143
Total Budgetary Resources	2500	$ 66	$ 70	$ 201	$ 96	$ 433

Combining Statement of Budgetary Resources by Major Fund: Non-Budgetary Credit Program Financing Accounts (Unaudited) For the Fiscal Year Ended September 30, 2016
(Dollars in Millions)

Page 2

		P.L. 480 Direct Loans (12X4049)	CCC Export Guarantees (12X4337)	Farm Storage Facility Direct Loan (12X4158)	Other	Total
Change in Obligated Balance:						
Unpaid obligations:						
Unpaid obligations, brought forward, Oct 1	3000	$ -	$ 2	$ 131	$ (1)	$ 132
Obligations incurred	3012	50	52	184	4	290
Outlays (gross)	3020	(49)	(52)	(183)	(4)	(288)
Recoveries of prior year unpaid obligations	3042	-	-	(10)	-	(10)
Unpaid obligations, end of year	3050	$ 1	$ 2	$ 122	$ (1)	$ 124
Uncollected payments:						
Change in uncollected payments, Federal sources	3072	(2)	(1)	(7)	(4)	(14)
Uncollected payments, Federal sources, end of year	3090	$ (2)	$ (1)	$ (7)	$ (4)	$ (14)
Memorandum (non-add) entries:						
Obligated balance, start of year		-	2	131	(1)	132
Obligated balance, end of year		$ (1)	$ 1	$ 115	$ (5)	$ 110
Budget Authority and Outlays, Net:						
Budget authority, gross (discretionary and mandatory)	4175	$ 66	$ 44	$ 195	$ 13	$ 318
Actual offsetting collections (discretionary and mandatory)	4176	(98)	(71)	(211)	(11)	(391)
Change in uncollected customer payments from Federal sources (discretionary and mandatory)	4177	(2)	(1)	(7)	(4)	(14)
Recoveries of prior year paid obligations (discretionary and mandatory)	4178	-	-	2	-	2
Budget authority, net (discretionary and mandatory)	4180	$ (34)	$ (28)	$ (21)	$ (2)	$ (85)
Outlays, gross (discretionary and mandatory)	4185	$ 49	$ 52	$ 183	$ 4	$ 288
Actual offsetting collections (discretionary and mandatory)	4187	(98)	(71)	(211)	(11)	(391)
Outlays, net (discretionary and mandatory)	4190	$ (49)	$ (19)	$ (28)	$ (7)	$ (103)
Distributed offsetting receipts	4200	(13)	(36)	(9)	-	(58)
Agency Outlays, net (discretionary and mandatory)	4210	$ (62)	$ (55)	$ (37)	$ (7)	$ (161)

The unaudited Combined Schedule of Spending (SOS) presents an overview of what funds are available to spend, how the obligations and expenditures of funds align with the major goals of USDA and whether the funds were spent on Federal or Non-Federal entities.

The other financial report which documents the use of CCC resources is the SBR. The SOS and SBR serve different reporting requirements.

The SBR is a quarterly statement prepared by CCC to demonstrate the budgetary authority and resources (funds) made available to CCC in order to conduct business. The report demonstrates the use of the funds through obligations and the amount actually paid to others.

Similarities between the two reports include:

- The financial data used to report the use of funds is the same for both reports.
- The SOS and SBR Obligations Incurred report obligations using the same general ledger accounts.
- The SOS and SBR reports obligations at a summarized level.

Differences between the two reports include:

- The SOS reports spending at a Budget Object Class (BOC)[4] level, and the SBR does not.
- The SBR reports budgetary resources and the status of those resources, while the SOS reports spending by USDA Strategic Goal.

[4] Budget Object Classification Codes (BOCs) are classification titles, established by OMB, are used to record and track various categories of Federal financial transactions and.

Combined Schedule of Spending (Unaudited)
For the Fiscal Year Ended September 30, 2016
(Dollars in Millions)

The following schedule presents an overview of how and where CCC is spending its money in alignment to the USDA Performance and Accountability Report goals. Refer to the Management Discussion and Analysis, Performance Section, for additional information on the alignment of CCC's and USDA's strategic goals.

	2016	
	Budgetary	Non-Budgetary Credit Reform Financing
What Money is Available to Spend?		
Total Resources	$ 37,605	$ 433
Less Amount Available but Not Agreed to be Spent	174	38
Less Amount Not Available to be Spent	377	105
Total Amounts Agreed to be Spent	$ 37,054	$ 290
How was the Money Spent/Issued?		
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:		
24, 25 - Other contractual services	$ 144	$ -
33 - Investments and loans	6,967	179
41 - Grants, subsidies, and contributions	25,216	6
43, 44 - Interest, dividends, and refunds	68	-
Total	32,395	$ 185
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:		
24, 25 - Other contractual services	2	-
41 - Grants, subsidies, and contributions	2,249	-
Total	2,251	-
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:		
11, 12, 13 - Personnel Compensation and Benefits		
21, 22 - Travel and transportation		
23 - Rent, communications, and utilities		
24, 25 - Other contractual services	7	-
33 - Investments and loans	48	105
41 - Grants, subsidies, and contributions	2,353	-
43, 44 - Interest, dividends, and refunds	-	-
Total	2,408	105
Total Amounts Agreed to be Spent	$ 37,054	$ 290
Who did the Money go to?		
Federal	$ 271	$ 132
Non-Federal	36,783	158
Total Amounts Agreed to be Spent	$ 37,054	$ 290

Summary of Consolidated Balance Sheet Audit[5]

The table below is a summary of the results of the FY 2016 independent audit of CCC's Consolidated Balance Sheet.

Audit Opinion	Unmodified

Material Weaknesses	New	Ending	CCC's Position
Accounting Estimates	1	1	Concur
Maintenance of Accounting Records	1	1	Concur
Total Material Weakness	2	2	

[5] The Summary of Consolidated Balance Sheet Audit is as of completion of the Annual Management Report.

Summary of Management Assurances[6]

The table below is a summary of management assurances related to the effectiveness of internal control over CCC's financial reporting and operations, and its conformance with financial management system requirements under Sections 2 and 4 of the FMFIA. The last portion of the table is a summary of CCC's compliance with the FFMIA.

Effectiveness of Internal Control over Operations and Financial Reporting (FMFIA § 2)						
Statement of Assurance	Qualified statement of assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Funds Control Management	1	0	0	0	0	1
Financial Reporting	1	0	0	0	0	1
Accounting for Parent/Child Transactions	1	0	0	0	0	1
Accounting for Budgetary Transactions	1	0	0	0	0	1
Reconciling Fund Balance with Treasury	1	0	0	0	0	1
Accounting for Commodity Certificate Exchanges	0	1	0	0	0	1
Total Material Weakness	5	1	0	0	0	6

Systems Non-conformance (FMFIA § 4)						
Statement of Assurance	Qualified statement of assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Funds Control Management	1	0	0	0	0	1
Total Material Weakness	1	0	0	0	0	1

Conformance with Financial Management Systems Requirements (FFMIA)						
Statement of Assurance	Systems do not conform to financial management system requirements					
Material weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Not in Substantial Compliance with FFMIA Funds Control Management	1	0	0	0	0	1
Total Non-conformances	1	0	0	0	0	1

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. System Requirements	YES	YES
2. Accounting Standards	YES	NO
3. USSGL at Transaction Level	NO	NO

[6] The Summary of Management Assurances is as of completion of the Annual Management Report.

Improper Payments Information Act of 2002
Improper Payments Elimination and Recovery Act of 2012
Improper Payments Elimination and Recovery Improvement Act of 2012

The *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), requires agencies to review programs susceptible to significant improper payments, report estimated improper payments and establish corrective actions to reduce improper payments. OMB provides guidance on measuring, reducing, recovering, and reporting improper payments through OMB Circular No. A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments* and OMB Circular A-136, *Financial Reporting Requirements*.

Fiscal Year 2016 Results

In addition to the table showing the FY 2016 results, performance highlights include:

- Hurricane Sandy-Emergency Conservation Program and Hurricane Sandy-Emergency Forest Restoration Program reported an actual improper disbursement rate of 0.18 percent and 1.44 percent, respectively. These payments are limited to Hurricane Sandy, therefore all payments issued were reviewed.
- Noninsured Crop Disaster Assistance and Noninsured Crop Disaster Frost Freeze Program reported an improper disbursement rate of 5.47 percent, less than the FY 2016 reduction target rate of 7.25 percent.
- Training for the Noninsured Crop Disaster Assistance Payment Program was provided to State Offices in FY 2016.
- FSA issued several Agency-wide and targeted payment and County office review notices which highlight and emphasize the importance and ramifications of preventing improper payments.

Additional information can be found in Section III of the USDA FY 2015 Agency Financial Report.

FY 2017 operational guidance for all improper payment initiatives is anticipated to be received in late October or early November.

Table 42: Summary of Improper Payment Results

Programs	Total Outlays ($Millions)		Improper Payments ($Millions)		Incorrect Disbursements (Percentage)		Overpayments ($Millions)	Underpayments ($Millions)
	2015	2016	2015	2016	2015	2016	2016	2016
ECP[1]	$0.4	$0.4	$0.002	$0.000	0.61%	0.18%	$0.000	$0
EFRP[1]	$0.3	$1	$0.005	$0.010	1.84%	1.44%	$0.010	$0
LDP[2]	N/A	$124	N/A	$4	N/A	3.21%	$4	$0
LFP	$3,357	$2,581	$104	$107	1.58%	4.74%	$118	$5
LIP	$63	$54	$4	$6	2.17%	12.87%	$7	$0
NAP	$174	$129	$13	$7	4.15%	5.47%	$7	$0
SURE	$34	$5	$3	$0.50	7.35%	11.53%	$0.52	$0

[1] ECP and EFRP-Hurricane Sandy payments are payments limited to Hurricane Sandy. All of the payments issued were reviewed under this years IPIA cycle and therefore the rate is the actual error rate.

[2] LDP was not measured in Fiscal Year 2015 IPIA review cycle due to no outlays.

Appendix: Glossary of Acronyms

Glossary of Acronyms

ACRONYM	TITLE
ACRE	Average Crop Revenue Election Program
ADA	Antideficiency Act
ADP	Automatic Data Processing
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARC	Agricultural Risk Coverage
BEHT	Bill Emerson Humanitarian Trust
BDO	Barter Delivery Obligations
BOC	Budget Object Class
CBO	Congressional Budget Office
CCC	Commodity Credit Corporation
CFDA	Catalog of Federal Domestic Assistance
CFO	Chief Financial Officer
CRP	Conservation Reserve Program
CSC2	Credit Subsidy Calculator 2
DAFP	Deputy Administrator Farm Programs
DAP	Disaster Assistance Programs
DCP	Direct and Counter-cyclical Payment Program
eFMS	Electronic Funds Management System
ELAP	Emergency Loss Assistance Program
EMP	Emerging Markets Program
EPA	Environmental Protection Agency
EQIP	Environmental Quality Incentive Program

Glossary of Acronyms

ACRONYM	TITLE
FASAB	Federal Accounting Standards Advisory Board
FAS	Foreign Agricultural Service
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act of 1990
FFAS	Farm and Foreign Agricultural Services
FFE	Food for Education
FFMIA	Federal Financial Management Improvement Act
FGP	Facilities Guarantee Program
FMD	Foreign Market Development Program
FMFIA	Federal Managers' Financial Integrity Act
FNCS	Food, Nutrition, and Consumer Services
FNS	Food and Nutrition Service
FRB	Federal Reserve Bank
FRPP	Farm and Ranch Lands Protection Program
FSA	Farm Service Agency
FSFL	Farm Storage Facility Loan Program
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GFR	General Fund Receipt
GL	General Ledger
GSM	General Sales Manager
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act

Glossary of Acronyms

ACRONYM	TITLE
IPIA	Improper Payments Information Act of 2002
LDP	Loan Deficiency Payment Program
LFP	Livestock Forage Program
LIP	Livestock Indemnity Program
MAL	Marketing Assistance Loan Program
MAP	Market Access Program
MILC	Milk Income Loss Contract Program
MPP	Margin Protection Program
MRP	Marketing and Regulatory Programs
NAP	Noninsured Crop Disaster Assistance Program
NEI	National Export Initiative
NASDA	National Association of State Departments of Agriculture
NRE	Natural Resources and Environment
NRCS	National Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OMB	Office of Management and Budget
P&F Schedule	Program and Financing Schedule
P.L.480	Agricultural Trade Development and Assistance Act of 1954
PLC	Price Loss Coverage
QSP	Quality Samples Program
RD	Rural Development
RMA	Risk Management Agency

ACRONYM	TITLE
ROI	Return on Investment
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SME	Small to Medium-Sized Enterprise
SOS	Schedule of Spending
SRTG	State Regional Trade Groups
TAP	Tree Assistance Program
TASC	Technical Assistance for Specialty Crops
TTPP	Tobacco Transition Payment Program
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USSGL	United States Standard General Ledger
USWA	United States Warehouse Act

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