USDA United States Department of Agriculture

Commodity Credit Corporation's Financial Statements for Fiscal Years 2019 and 2018

Audit 06403-0002-11

November 2019

OFFICE OF INSPECTOR GENERAL

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

DATE: November 20, 2019

AUDIT NUMBER: 06403-0002-11

TO: Board of Directors
Commodity Credit Corporation

Margo Erny
Chief Financial Officer
Farm Production and Conservation Business Center

ATTN: Kenneth Hill
Performance, Accountability, and Risk Division Director
Farm Production and Conservation Business Center

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Commodity Credit Corporation's Financial Statements for Fiscal Years 2019 and 2018

This report presents the results of the audits of Commodity Credit Corporation's (CCC) financial statements for the fiscal years ending September 30, 2019 and 2018. The report contains an unmodified opinion on the financial statements, 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 of America (U.S.), was not intended to enable us to express, and we do not express, an opinion on CCC's financial statements; 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 19, 2019, 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 19-03, *Audit Requirements for Federal Financial Statements*, in the performance of its engagement.

It is the opinion of KPMG LLP that the financial statements present fairly, in all material respects, CCC's financial position as of September 30, 2019 and 2018, and its net costs, changes in net position, and budgetary resources and the related notes to the financial statements in accordance with accounting principles generally accepted in the U.S.

KPMG LLP's report identified two deficiencies. Specifically, KPMG LLP identified weaknesses in CCC's:

- accounting for budgetary transactions, and
- accounting estimates.

KPMG LLP considered these two deficiencies to be material weaknesses. The results of KPMG LLP's tests of compliance with laws and regulations disclosed instances of noncompliance related to the Anti-Deficiency Act and 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. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

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
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Department of Agriculture (USDA), Commodity Credit Corporation (CCC), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 statements 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 statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Agriculture, Commodity Credit Corporation as of September 30, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Annual Management Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and the Required Supplementary Information section be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, 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 statements 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 statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. 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 audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Preface; Table of Contents; Message from the Executive Vice President; Performance Section; Message from the Chief Financial Officer; Introduction to the Consolidated Financial Statements, Required Supplementary Information and Other Information; Other Information; and Appendix: Glossary of Acronyms are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, 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 statements as of and for the year ended September 30, 2019, 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 statements, 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 the accompanying Exhibit I, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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. 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 deficiencies in Accounting for Budgetary Transactions and Accounting Estimates, described in Exhibit I, to be material weaknesses.

CCC management did not report the material weakness related to Accounting Estimates in its Assurance Statement, included in the Management's Discussion and Analysis section of the accompanying Annual Management Report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CCC's consolidated financial statements as of and for the year ended September 30, 2019 are 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03, and is described in Exhibit II.

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 disclosed instances, described in Exhibit II, in which the CCC's financial management systems 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 disclosed no instances in which the CCC's financial management system did not substantially comply with Federal financial management systems requirements.

CCC's Response to Findings

The CCC's response to the findings identified in our audit is included in Exhibit III. The CCC's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 results 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 19, 2019

During Fiscal Year (FY) 2019, the Commodity Credit Corporation (CCC) undertook various audit remediation efforts to address prior year deficiencies. The material weaknesses communicated in this Exhibit that require management attention and the further development of processes, procedures, and effective controls relate to (1) accounting for budgetary transactions and (2) accounting estimates, to include period-end grant accruals and environmental liabilities.

The following criteria were considered in the determination and evaluation of the material weaknesses:

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

> 10.02: Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.
>
> 10.03: Accurate and timely recording of transactions. Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded
>
> 11.03: Management designs the entity's information system to obtain and process information to meet each operational process's information requirements and to respond to the entity's objectives and risks.
>
> 16.05: Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.
>
> OV4.08: Documentation is a necessary part of an effective internal control system. Documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system […] Management develops and maintains documentation of its internal control system […] Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.

The Office of Management and Budget (OMB), Circular No. A-123, *Management's 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.

OMB *Circular A-11, Preparation, Submission, and Execution of the Budget*, states:

> Obligation means a legally binding agreement that will result in outlays, immediately or in the future. When you place an order, sign a contract, award a grant, purchase a service, or take other

> actions that require the Government to make payments to the public or from one Government account to another, you incur an obligation. It is a violation of the Anti-deficiency Act (31 U.S.C. 1341(a)) to involve the Federal Government in a contract or obligation for payment of money before an appropriation is made, unless authorized by law. This means you cannot incur obligations in a vacuum; you incur an obligation against budget authority in a Treasury account that belongs to your agency. It is a violation of the Anti-deficiency Act to incur an obligation in an amount greater than the amount available in the Treasury account that is available. This means that the account must have budget authority sufficient to cover the total of such obligations at the time the obligation is incurred. In addition, the obligation you incur must conform to other applicable provisions of law, and you must be able to support the amounts reported by the documentary evidence required by 31 U.S.C. 1501.

Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Select Assets and Liabilities*, states, “A receivable should be recognized when a federal entity establishes a claim to cash or other assets.”

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

> Government-related events are non-transaction-based events that involve interaction between the federal government and its environment. The event may be beyond the control of the federal entity. In general, a liability is recognized in connection with government-related events on the same basis as those that arise in exchange transactions. Events, such as a federal entity accidentally causing damage to private property, would create a liability when the event occurred, to the extent that existing law and policy made it probable that the federal government would pay for the damages and to the extent that the amount of the payment could be estimated reliably.

FASAB Technical Release (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 TR No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, states:

> An agency is required to recognize a liability for environmental cleanup costs resulting from past transactions or events when a future outflow or other sacrifice of resources is probable and reasonably estimable. Concerns have been raised about when costs associated with environmental damage meets the probable and reasonably estimable criteria. Reasonably estimable relates to the ability to reliably quantify in monetary terms the outflow of resources that will be required.

Accounting for Budgetary Transactions

During FY 2019, management continued to implement corrective actions to address certain aspects of the material weakness identified in prior years. However, we continued to identify deficiencies related to the accounting and monitoring of undelivered orders (UDO) and delivered orders and budgetary funds control.

In addition, we identified in the current fiscal year a deficiency related to the reconciliation process of the SF-132, *Apportionment and Reapportionment Schedule*, as described in further detail below. These deficiencies collectively represent a material weakness, and require further actions by CCC.

A. Undelivered and Delivered Orders

As of September 30, 2019, CCC reported a UDO balance of approximately $13.7 billion. Through its continuation of remediation activities that began in FY 2018, CCC has designed controls to periodically monitor UDO balances at the program level to prevent or timely detect and correct misstatements related to inaccurate and invalid UDOs. Specifically, we noted that the Farm Production and Conservation (FPAC) Business Center continued partnering with the Program and Information Technology staff, to address system weaknesses and the elevated risks associated with manually executed and monitored programs. However, UDO monitoring controls are not yet fully implemented across all of CCC's diverse programs. The weaknesses in such controls present a risk of material misstatement to the UDO balance.

In addition, CCC did not have effective processes, procedures, and controls in place to accurately recognize UDOs related to the Program Year 2018 Market Facilitation Program (MFP). As of September 30, 2019, CCC recorded, in error, approximately $328.6 million in UDOs related to this program although these UDOs did not meet certain recognition criteria such as instances: (1) where the producer has already received the maximum benefit permitted (Initial Pay Limit); and/or (2) instances where the necessary documentation has not been received from the producer (Member not in Business File). Program Year 2018 MFP was a manually executed program that did not have sufficient monitoring procedures in place to prevent or detect and correct errors related to UDOs. Management subsequently corrected the $328.6 million error at fiscal year-end.

Further, CCC did not have effective processes, procedures, and controls in place to accurately and timely identify approved application/contract status at September 30, 2019, and recognize the appropriate delivered orders (and associated liabilities) related to the Program Year 2019 MFP. Subsequent to the September 30, 2019 financial reporting closing process, CCC identified significant October 2019 activities that should have been recognized as delivered orders and accrued liabilities as of September 30, 2019. Specifically, CCC identified and recorded $207 million of October liquidation activities (disbursements) that should have been recognized as delivered orders and accrued liabilities, of which:

- $140 million were reported as UDOs as of September 30, 2019, but should have been recognized as delivered orders; and
- $67 million were not obligated (undelivered or delivered orders) as of September 30, 2019.

However, during our testing of the $207 million accrual, we identified certain contract actions that were not yet approved as of September 30, 2019, and, therefore should not have been accrued. The resulting impact at September 30, 2019 is a potential overstatement in the delivered order and related accrual of $28 million.

Finally, as part of the Program Year 2019 MFP analysis, CCC identified overpayments to producers resulting in a recognition of $49 million in accounts receivable for amounts due back to CCC. However, CCC was not able to demonstrate that the receivables represented valid claims at September 30, 2019 instead of claims that should be recognized after year-end.

B. Funds Control

As recognized in CCC's Assurance Statement, system limitations continue to prevent systematic budgetary funds controls across all programs. The lack of sufficient budgetary funds controls continues to present risk of misstatements in the Combined Statement of Budgetary Resources and elevates the risk of noncompliance with the *Anti-Deficiency Act*. See Exhibit II – *Compliance and Other Matters*, for additional information related to non-compliance with the *Anti-Deficiency Act*.

In addition, ineffective budget formulation/apportionment processes exist, increasing the risk realized related to ineffective budgetary funds controls. See Exhibit II – *Compliance and Other Matters* for additional information related to the instances of noncompliance with the *Anti-Deficiency Act*.

C. SF-132 Apportionment Reconciliation Weaknesses

In addition to the deficiencies identified related to overall budgetary funds control and monitoring of the validity and accuracy of UDO balances, we also identified weaknesses related to CCC's reconciliation of the SF-132. The reconciliation is performed to compare and validate apportionments recorded in the general ledger to what was reported in the SF-132 and OMB-MAX (Office of Budget and Management's Information System). OMB-MAX is utilized to collect, validate, analyze, model, collaborate with agencies on, and publish information relating to its government-wide management and budgeting activities. CCC's reconciliation process incorrectly excluded certain credit reform general ledger account balances and as a result was not sufficiently designed to prevent, or timely detect and correct potential errors related to apportionments, which could result in material misstatements in the consolidated financial statements. We noted that CCC updated its reconciliation process at year-end to include all necessary account balances, to include those associated with credit reform programs.

<u>Recommendations related to Accounting for Budgetary Transactions:</u>

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

1. Complete the implementation of effective monitoring controls of UDOs at the program level, whereby the responsibility for assessing the accuracy and validity of open obligations resides at the program level, and the accounting execution, as a result of the programmatic monitoring, resides with the CCC accountants (FPAC Business Center) *(Repeat recommendation from Audit Report No. 06403-0001-11, November 2018).*
2. Implement effective processes, procedures, and controls to ensure undelivered and delivered orders, accrued liabilities, and accounts receivable are accurately recognized for newly enacted programs, such as the MFP. Further, when new programs are implemented, CCC should develop manual monitoring procedures to compensate for system weaknesses during the year of implementation, if such weaknesses exist.
3. Implement effective automated budgetary funds controls within its accounting systems to ensure that funds control violations do not occur. *(Repeat recommendation from Audit Report No. 06403-0001-11, November 2018).*
4. Implement additional controls to ensure that all relevant general ledger accounts are included in the SF-132 reconciliations to prevent, detect, or timely correct misstatements in the consolidated financial statements.

Accounting Estimates

CCC's Consolidated Balance Sheet includes several estimates to account for Direct Loans and Loan Guarantees, Net; Grants Payable, and Environmental Liabilities. CCC's Grants Payable includes grant programs administered by CCC and those administered by the United States Agency for International Development (USAID) through a parent-child allocation transfer. While improvements have been made by management in its controls related to accounting estimates, weaknesses in CCC's processes, procedures, and controls continue to exist related to the accounting for grants payable. In addition, we identified a deficiency in the current fiscal year related to the estimate of environmental liabilities. These deficiencies collectively represent a material weakness in controls related to accounting estimates.

A. Accounting for Grants Payable

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." The majority of CCC's grant programs are administered through a parent-child allocation transfer where CCC is the parent and another Federal agency is the child. While improvements have been made in the recording of grant data, we continued to identify areas needing improvement, similar to the prior year. We noted that management did not evaluate or perform a review, at the appropriate level of precision, over the underlying grant subsidiary data used in the estimation methodology. This data was not compared to other corroborating documentation, such as grant contracts, Treasury disbursements, and SF-425s (Federal Financial Reports) to validate the completeness and accuracy of the underlying data used in its grant accrual methodology, as evidenced by the errors we identified in our test-work over USAID UDOs, which directly impact the accrual methodology.

In addition to the significant grant program operated through the parent-child allocation transfer, CCC implemented a new grant program, Agricultural Trade Promotion (ATP) during FY 2019 under the Trade Mitigation Program, which provides cost-share assistance to eligible U.S. organizations for activities such as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and technical assistance. In addition, CCC accounts for and reports other grant programs, which are administered by the Farm Service Agency and Foreign Agricultural Service, such as the Market Access Program. As of September 30, 2019, CCC has obligated $563 million, of which approximately $300 million is related to ATP, but has not developed processes, procedures, and controls to determine an estimated grant accrual related to costs incurred but not yet billed from its grantees. The impact of the unrecorded grant accrual related to these programs could be as much as $165 million as of September 30, 2019.

B. Environmental Liabilities

CCC did not have properly designed and implemented controls, at the appropriate level of precision, related to its Environmental Liabilities. As of September 30, 2019, CCC did not perform an adequate review of the environmental remediation site analysis to determine if such sites met the recognition criteria of an environmental liability (accrual) and/or disclosure requirements in accordance with SFFAS 5 and SFFAS TR 2. Initially, CCC accrued an environmental liability of $30 million where CCC believes the risk of loss for future remediation actions is probable and disclosed $914 million (high-end of the range) where the risk of loss for future remediation actions is considered reasonably possible. We noted that the estimate of remediation liability in the reasonably possible category increased by $769 million when compared to FY 2018. The significant increase was primarily the result of additional remediation sites included in CCC's consolidated financial statements note disclosure that were not probable, reasonably possible, and measurable (i.e., remote), and therefore, should not have been included in its disclosure. Effective periodic coordination between CCC's financial reporting staff and the Environmental Activities Division was not in place during FY 2019, which prevented the identification of errors in the environmental remediation site listing prior to preparation of the draft note disclosure related to environmental liabilities.

As a result of our observations, management identified inaccuracies in its initial environmental liability note disclosure. Based upon these updates, management reduced the reasonably possible estimated high-end exposure by approximately $641 million.

Recommendations related to Accounting Estimates:

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

5. Strengthen the management review controls to validate the completeness and accuracy of the data being used in the period-end grant accrual estimation methodology. This process should be refined to include a more thorough review and analysis using other source documentation utilized by CCC's partner agency. *(Repeat recommendation from Audit Report No. 06403-0001-11, November 2018).*

6. Implement consistent monitoring procedures and enhance policies and controls related to the assessment of new sites or changes in current sites to determine if recognition and disclosure requirements are met.

Noncompliance with the Anti-Deficiency Act

Title 31 U.S. Code (U.S.C.) Section 1517 states that an officer or an employee of the United States Government may not make or authorize an expenditure or obligation exceeding an apportionment or an amount permitted by regulations as specified by Title 31 U.S.C. Section 1514.

During FY 2019, we identified an instance whereby CCC disbursed funds in April 2019 that exceeded the FY 2019 apportionment related to the Pima Agriculture Cotton Trust Fund program by $59,572. This matter was also reported by CCC in its Assurance Statement, included in the Management's Discussion and Analysis section of the *Annual Management Report*.

Recommendation:

We recommend that CCC implement sufficient and effective funds controls to ensure obligations and disbursements are valid, recorded for the appropriate amount, and do not exceed the amount apportioned. Also, CCC needs to implement policies and procedures to prevent future violations and when necessary, obtain additional apportionment prior to recognizing the obligation. See additional information regarding weaknesses in Accounting for Budgetary Transactions within Exhibit I – *Material Weaknesses in Internal Control over Financial Reporting*.

***Noncompliance with the 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 the 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 material weaknesses related to budgetary transactions and accounting estimates as reported in Exhibit I, which provide an indication that CCC's financial management systems were substantially non-compliant with Federal accounting standards.

- USSGL at the transaction level – As also identified by management in its Annual Statement of Assurance and reported within aspects of the material weaknesses communicated in Exhibit I, CCC's financial management systems did not record certain accounting events, at the transaction level, in accordance with the USSGL.

Recommendation:

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

United States

Department of

Agriculture

Farm Production and Conservation Business Center

Commodity Credit Corporation

TO: Gil H. Harden

Assistant Inspector General

USDA

KPMG LLP

1801 K-Street, NW, Suite 12000

Washington, DC 20006

FROM: Margo E. Erny

Chief Financial Officer

Farm Production and Conservation

SUBJECT: Commodity Credit Corporation (CCC) Audit Report Response

We have reviewed the KPMG Draft Independent Auditors' Report dated November 19, 2019. We are very pleased with the Auditors' unmodified opinion on CCC's Fiscal Year (FY) 2019 and 2018 consolidated financial statements.

CCC agrees with the findings presented in the auditors' report. CCC will begin the process of developing and implementing corrective actions to remediate the findings and will continue to work with the USDA Office of Inspector General to ensure effective remediation in FY 2020.

Please feel free to reach out to Kathleen Carroll at (816)926-6983 if you have any questions.

U.S. DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

2019 ANNUAL MANAGEMENT REPORT

U.S. Department of Agriculture
Commodity Credit Corporation

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

2019 Annual Management Report

PREFACE

This Annual Management Report shows the results of the Commodity Credit Corporation's (CCC) operations for fiscal years (FYs) 2019 and 2018. 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 summaries, program summaries, and performance measures. This report also includes the auditors' report, performance information, financial statements and accompanying notes.

Table of Contents

Table of Contents - Tables

Table of Contents – Charts

Message from the Executive Vice President

I am pleased to present the Commodity Credit Corporation's (CCC) Fiscal Year (FY) 2019 Annual Management Report. CCC is a wholly-owned Government corporation created in 1933 to assist in stabilizing, supporting, and protecting farm income and prices, help maintain balanced and adequate supplies of agricultural commodities, manage the orderly distribution of these commodities, and assist in the conservation of soil and water resources.

CCC's domestic agricultural price and income support programs are carried out primarily through the personnel and facilities of the Farm Service Agency (FSA). International programs are carried out by the Foreign Agricultural Service and the United States Agency for International Development. CCC conservation programs are implemented by FSA and the Natural Resources Conservation Service.

CCC continued its support of American agriculture in 2019 through commodity, conservation, disaster, specialty and organic crops, and trade programs. The Agriculture Improvement Act of 2018 (2018 Farm Bill) replaced the Margin Protection Program for Dairy with the Dairy Margin Coverage (DMC) Program. DMC improvements for dairy producers include lower participant costs and additional benefit levels.

The core characteristics of USDA's primary crop safety net programs, Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC), were retained in the 2018 Farm Bill and producers were afforded additional flexibilities including the opportunity to update participation elections and PLC yields beginning with the 2020 crop year. The 2018 Farm Bill also incrementally increased the acreage enrollment limit for the Conservation Reserve Program (CRP) from 24 million acres in 2019 to 27 million acres by 2023.

USDA implemented a Trade Mitigation Program (TMP) in 2019 to assist with the estimated impacts of unjustified retaliatory tariffs on U.S. agricultural goods and other trade disruptions. As part of TMP, the Agricultural Trade Promotion Program assists farmers in finding and accessing new markets for their products. The Market Facilitation Program component of TMP provides direct payments to farmers and ranchers who have been directly impacted by foreign retaliatory tariffs, resulting in the loss of traditional export markets. Finally, the Expanded Domestic Commodity Donation Program purchases commodities unfairly targeted by the retaliatory tariffs and then distributes the food through nutrition assistance programs.

CCC's independent auditors issued an unmodified audit opinion on CCC's FY 2019 Consolidated Financial Statements. Under the requirements of the Federal Managers' Financial Integrity Act of 1982, CCC's management conducted its annual assessment and provided a modified statement of assurance that internal controls are operating effectively over operations, except for material weaknesses identified, of which CCC has developed corrective action plans to address the recommendations. In FY 2020, our focus remains on continuing to improve processes and procedures to ensure internal controls provide the requisite assurance to achieving CCC's objectives. Further details can be found in the Management Discussion and Analysis section of CCC's annual report and the independent auditors' report.

Thank you for your interest in CCC,

Robert Stephenson

Robert Stephenson
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, 62 Stat. 1070, which is codified at 15 U.S.C. 714, et seq. 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. Under the Charter Act, CCC has capital stock in the amount of $100 million subscribed by the Department of the Treasury.

CCC provides the mechanism for financing USDA's farm price and income support commodity programs, commodity export credit guarantees, conservation programs, and agricultural export subsidies. The programs funded through CCC are administered primarily by the Farm Service Agency (FSA) and the Foreign Agricultural Service (FAS). CCC helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution. Further, the Federal Agriculture Improvement and Reform Act of 1996, P.L. 104-127, 110 Stat. 888 (1996 Farm Bill) expanded the use of CCC funding to support conservation programs and made conservation one of CCC's core missions. Conservation programs supported by CCC have continued under subsequent Farm Bills, including the Agriculture Improvement Act of 2018. CCC may hold debt of up to $30 billion from the Department of the Treasury to carry out its non-credit reform missions. Net losses from its operations subsequently are restored consistent with Congressional action.

America's agricultural producers are assisted by CCC through commodity and farm storage facility loans, commodity purchases, disaster assistance, and income support payments. In addition, CCC provides incentives and payments to landowners to establish conservation practices on their land.

The Corporation provides agricultural commodities to other federal agencies and foreign governments. It also may donate commodities to domestic and international relief agencies as well as foreign countries. CCC assists in the development of new domestic and foreign markets for American agricultural commodities. 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 (FRB) system and the Department of the Treasury to make payments. This disbursing authority allows CCC to make payments to America's producers and farmers timely.

CCC has multiple funding mechanisms:

- Under the 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 with outlays to be financed by borrowing from Treasury. 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, P.L. 93-344, 104 Stat. 1388, 2 USC 661 et seq. (FCRA), as amended, CCC also has separate permanent indefinite budget authority for purposes of obligations and 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. See the current organizational structure on page eight.

CCC, FSA, the Natural Resources Conservation Service (NRCS), and Risk Management Agency (RMA), and the Farm Production and Conservation (FPAC) Business Center are organized under the FPAC mission area. FPAC mission area is USDA's focal point for the nation's farmers and ranchers and other stewards of private agricultural lands and non-industrial private forest lands. FPAC agencies implement programs designed to mitigate the significant risks of farming through crop insurance services, conservation programs and technical assistance, and commodity purchase and distribution, credit lending, and disaster remediation programs.

CCC has no operating personnel. Its price support, storage, and reserve programs, and domestic acquisition and disposal activities are carried out primarily through the personnel and facilities of FSA. FAS is programmatically responsible for certain CCC activities outside the United States. Also involved with CCC activities are USDA's Agricultural Marketing Service (AMS), NRCS, and the United States Agency for International Development (USAID), through an allocation transfer.

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 majority of staff for CCC, several CCC-funded programs fall under purview of AMS, FAS, or NRCS. AMS administers programs that create domestic and international marketing opportunities for U.S. producers of food, fiber, and specialty crops. AMS also provides the agricultural industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country.

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 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.

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.

Through a parent/child relationship, CCC allocates funding that 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. USAID executes the programs and the results are passed back to CCC for financial reporting purposes.

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.

Organizational Structure

CCC Board of Directors

Chairperson, Sonny Perdue, Secretary of Agriculture
Vice Chairperson, Stephen Censky, Deputy Secretary of Agriculture
Member, William "Bill" Northey, Under Secretary, FPAC
Member, Ted McKinney, Under Secretary, Trade and Foreign Agricultural Affairs
Member, Gregory Ibach, Under Secretary, Marketing and Regulatory Programs
Member, Stephen Vaden, General Counsel, Office of the General Counsel (OGC)
Member, Gary Washington, Chief Information Officer, USDA
Member, Vacant*, Chief Financial Officer (CFO), USDA

CCC Officers

President, William "Bill" Northey, Under Secretary, FPAC
Executive Vice President, Robert Stephenson, Chief Operating Officer, FPAC
Acting Secretary, Joy Harwood, Director, Environmental Economic Policy and Analysis Division, FPAC
Assistant Secretary, Monique B. Randolph, Staff Specialist, FPAC
Chief Financial Officer, Margo Erny, CFO, FPAC

CCC Advisors

Associate General Counsel, Ralph A. Linden, OGC, International Affairs, Food Assistance, and Farm and Rural Programs
Assistant General Counsel, Peter Bonner, OGC, International Affairs, Food Assistance, and Farm and Rural Programs
White House Liaison, Ashton Saunders, USDA
Budget Officer, Jim Staiert, FPAC

* Pending Senate confirmation and/or appointment by the President.

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.

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 improving soil health, 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.

Food Assistance Programs – CCC funded programs purchase and deliver processed commodities under various domestic distribution programs, and commodities under Title II and Title III of the Agricultural Trade Development and Assistance Act of 1954, P.L. 53-480 (P.L. 480), the Food for Progress Program. 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.

Foreign Market Development (FMD) – CCC funds used in market development programs play a critical role in helping to open new markets and in facilitating U.S. competitiveness by providing technical assistance in the utilization of U.S. commodities and promoting the quality, availability, value and health characteristics of U.S. products. 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. Working in partnership with U.S. private industry associations, the programs provide support for the growth of mutually beneficial trade. FAS administers CCC FMD programs.

Export Credit Programs – CCC export credit guarantee programs, administered by FAS in conjunction with FSA, serve to increase and maintain exports of U.S. agricultural commodities by expanding access to trade finance which assists countries, particularly developing countries and emerging markets, in meeting their food and fiber needs. To expand exports of U.S. agricultural commodities, the export credit programs support financing of sales of agricultural commodities, and sales of goods and services to establish or improve facilities and infrastructure in emerging markets.

A description of CCC's major programs from each program area can be found in their respective location in the Part II: Performance Section of this report.

Trade Mitigation Programs

Trade Mitigation Programs (TMP), initially authorized in FY 2018 and extended in FY 2019, include the Market Facilitation Program (MFP), Food Purchase and Distribution Program (FPD), and Agricultural Trade Promotion Program (ATP). MFP assists farmers impacted by trade damages as a result of tariff action from foreign governments on U.S. agricultural goods. FPD purchases surplus commodities affected by trade retaliation for distribution by the Food and Nutrition Service to food banks, schools, and other outlets serving low-income individuals. ATP provides cost-share assistance to eligible U.S. organizations for activities such as consumer advertising, public relations, point-of-sale demonstrations, participation in trade fairs and exhibits, market research, and technical assistance.

CCC has been authorized to fund TMP through the initial program announcement in FY 2018 and the extension of the program in FY 2019. Even though funds for MFP, FPD and ATP were first authorized in FY 2018, the majority of activity occurred in FY 2019. Enrollment for FY 2019 MFP extends into FY 2020 through December 2019.

Table 1: Funding Authorized for TMP

	(In Millions)	
	2019	**2018**
Market Facilitation Program	$ 14,500	$ 10,600
Food Purchase and Distribution	1,400	1,200
Agricultural Trade Promotion	100	200
Total TMP	$ 16,000	$ 12,000

Agriculture Improvement Act of 2018

Summary - The Agriculture Improvement Act of 2018, P.L. 115-334, 132 Stat. 4490 (2018 Farm Bill), was signed by President Trump on December 20, 2018, and the U.S. Department of Agriculture (USDA) promptly began implementing key programs. Secretary of Agriculture Sonny Perdue stated "America's farmers, ranchers, foresters, and producers depend on the certainty and availability of USDA's programs and assistance. That is why we are working diligently to implement the 2018 Farm Bill with efficiency and accuracy. We have listened to our stakeholders and consulted with our customers. As we continue to implement the Farm Bill, USDA is committed to focusing on responsiveness and putting our customers first."

Overview - Dairy producers now have access to a new web-based decision tool, developed in a partnership with the University of Wisconsin, to evaluate various scenarios using different coverage levels available through the new Dairy Margin Coverage (DMC) program. Sign-up began in June 2019 with margin payments made to qualifying producers beginning in early July. The DMC program, authorized through December 2023, replaces the Dairy Margin Protection Program (MPP) which sunset in May 2019.

Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) elections for crop year 2019 opened in September 2019, however no contracts were approved prior to October 2019. Crop year 2020 elections opened in October 2019. To increase producer flexibility, the 2018 Farm Bill provides producers the option in crop years 2019 and 2020 of switching between ARC and PLC coverage, on a commodity-by-commodity basis. Beginning in crop year 2021, producers again have the option to switch between ARC and PLC but on an annual basis for each of crop years 2021, 2022, and 2023.

The Conservation Reserve Program (CRP) acreage cap gradually increases to 27 million acres by 2023 with at least 8.6 million acres devoted to continuous practices and 2 million acres devoted to grassland. The annual rental payment is limited to 85 percent of the estimated average county rental rate for general enrollment and 90 percent of the estimated county rental rate for continuous enrollment. Two pilot programs are authorized: Clean Lakes, Estuaries, and Rivers Initiative and the Soil Health and Income Protection Pilot Program.

Marketing Assistance Loans (MAL) had increases to loan rates for all commodities except minor oilseeds, wool, mohair, honey, peanuts, and upland cotton.

Expected Market Conditions and Government Payments[1]

Farm producers' net cash income[2] and net farm income[3] are both forecast to increase in 2019[4] relative to 2018 estimates. Cash receipts are forecast to decrease modestly as a decline in cash receipts for crops outweighs a small increase for animal and animal product cash receipts. However, the income forecasts are higher because of an increase in government payments. This year's outlook is more uncertain than normal due to unusual weather conditions and continuing trade tensions leading to ad hoc policy interventions. Flooding and excessive moisture delayed planting in many regions and made forecasting 2019 crop production and prices more difficult than normal. A late harvest and unpredictable outcome for trade talks could lead to further changes, either positive or negative, in the forecasts.

Based on USDA's Economic Research Service (ERS) projections made in August 2019, net cash income for 2019 was forecast at $112.6 billion, up 7.3 percent from 2018. Net farm income, a broader measure of profits, was forecast to increase 4.8 percent relative to 2018 to $88 billion. Net cash income is expected to rise despite the decline in cash receipts from the public and a small increase in farm production expenses due to higher government payments and other cash farm-related income such as custom work or machinery hire. The larger increase in net farm income reflects the accounting for noncash items, including changes in inventories, economic depreciation, and gross imputed rental income of operator dwellings.

The projected gain in 2019 net farm income follows an 8.1 percent increase in 2018. The 2019 projection of $88 billion is the highest since 2014 in nominal terms, but still well below the record high of $123.8 billion of 2013. In real terms (adjusted for inflation), 2019 net farm income would remain below the historical average across 2000-2018.

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[1] The data in this section was drawn from the "2019 Farm Sector Income Forecast" published in August 2019 (USDA, Economic Research Service).

[2] Net cash income is gross cash income less all cash expenses generated during the calendar year including for feed, seed, fertilizer, property taxes, interest on debt, wages to hired labor, contract labor and rent to non-operator landlords.

[3] Net farm income refers to the return (both monetary and non-monetary) to farm operators for their labor, management and capital, after all production expenses have been paid. Net cash income includes only cash receipts and expenses; net farm income is net cash income plus the value of home consumption, changes in inventory, capital replacement, and implicit rent and expenses related to the farm operator's dwelling that are not reflected in cash transactions during the year.

[4] All data in "Expected Market Conditions and Government Payments", unless otherwise noted, are on a calendar year basis.

Government program payments made directly by the U.S. Government to farmers and ranchers in 2019 were forecast to increase 42.5 percent relative to 2018 to approximately $19.5 billion. Payments include the new TMPs, primarily the MFP, in addition to existing programs such as ARC, PLC, and Conservation.

Impact of Additional Trade Mitigation Programs

The 2019 forecast for government payments is bolstered by large MFP payments to respond to the impact of retaliatory tariffs on U.S. agricultural goods. The first segment of MFP implemented in 2018 was authorized at $10.6 billion, but some of the payments extended into 2019. The second segment of MFP, authorized at $14.5 billion, began in August 2019.

This program is of critical importance to CCC as payments will come directly out of CCC funds. The total payments to be made under the MFP cover many commodities that were hurt by trade disruptions related to foreign retaliatory tariffs. Producers of non-specialty crops are being paid through county payment rates that reflect a single county rate multiplied by a farm's total plantings of MFP-eligible crops in 2019. In addition, MFP payments will be made to producers of many specialty crops, along with payments to dairy producers and hog producers. MFP payments under the 2019 authorization began in August, and the sign-up continues until early December 2019.

MFP payments are expected to be made in up to three tranches, with payments for the second and third tranches evaluated as market conditions and trade opportunities dictate, at the discretion of the Secretary. Subsequent to September 30, 2019 (November 2019), Secretary Perdue announced that market conditions dictate the execution of the second tranche. Payments related to the second tranche will begin by December 2019. If the market conditions dictate, the third tranche will be made in the first half of FY 2020. Thus, some payments could occur in the next calendar year and would not all be attributed to 2019 income. In addition, actual payments could also be adjusted in cases where a producer's average adjusted gross income for 2015, 2016, and 2017 exceeds the limit of $900,000 or where payments would exceed a $250,000 payment limit for non-specialty crops per person or legal entity, $250,000 for dairy and hog producers, and a combined $250,000 for specialty crop producers. No applicant can receive more than $500,000 for program year 2019 MFP.

In addition to the MFP, the FPD, administered by AMS, is extended during FY 2020 to purchase up to $1.4 billion in commodities unfairly targeted by unjustified retaliation. The commodities cover a wide range of fruit, vegetables, meats, dairy, and some processed foods. Purchases will be spread over several months, so they will likely have only a small impact on the 2019 calendar year forecast. The potential boost to farm income will be also less apparent as these purchases will have a more indirect benefit to producers than direct payments.

New Disaster Assistance Payments Also Authorized for 2019

In June 2019, Congress authorized $19.1 billion in disaster aid that allocates emergency funds to areas hit recently by wildfires, hurricanes, floods, and tornadoes. This includes $3 billion for Agriculture allocated to FSA and RMA. This money will help with expenses related to crop and product losses, prevented planting in 2019, and damage to trees, bushes, and vines from several natural disasters in 2018 and 2019. The funds are to remain available until December 31, 2020. It is likely that some of the funds will spill over into the next calendar year. Full details of how the money will be spent have not yet been released, but these payments will help to bolster farm income.

Cash Receipts Expected to Decrease in 2019

Farm cash receipts are forecast to decrease $2.4 billion in 2019, as a decline in crop receipts outweighs a gain in animal and animal-related receipts. Crop cash receipts are forecast to decrease $3.3 billion in 2019 with lower receipts for soybeans and cotton forecast to more than offset higher receipts for wheat and vegetables and melons. Both soybean and cotton prices have fallen due to the trade war with China. For soybeans, production will also be down sharply as planted area declined to the lowest in 6 years. For cotton, the effect of lower prices is greater than an increase in production, driving down revenue. Forecast receipts for corn, the largest single crop, will also be down, despite flat prices, on a reduction in production stemming from less favorable growing conditions. Total animal/animal product receipts are expected to rise $0.9 billion in 2019, driven by higher receipts for milk, hogs, and turkeys. Milk is forecast higher on both prices and quantities sold. Similarly, forecasted hog receipts are projected to increase in both prices and the volume sold. Cattle receipts are expected to be marginally higher while broiler receipts fell over 12 percent on lower prices.

Farm Production Expenses Expected to Rise Slightly

For 2019, producers' production expenses are forecast at $346.1 billion, up from $344.6 billion in 2018, an increase of 0.4 percent in nominal terms. The net increase reflects forecast higher expenses for some items and declines for others. Most farm input expenses are forecast to be lower, reflecting the reduction in planted area in 2019 because of adverse weather. These expenses include seed, pesticides, fertilizer, and fuel, although expenses for feed are forecast higher. Lower fuel expenses reflect a projected decline in fuel prices. Interest expenses are expected to decline for the first time in five years because of the effect of lower interest rates, as overall loan volumes are forecast to increase. On the other hand, taxes, fees, and labor costs are forecast to increase in 2019. Hired labor costs are projected to increase 6.2 percent to $29.5 billion, continuing an upward trend since 2015. Wage rate increases are expected to put upward pressure on hired labor costs because of tight labor markets and continued uncertainty on hiring immigrant labor. When adjusted for inflation, total production expenses are forecast to decline 1.3 percent.

Farm Equity Expected to Increase

USDA's ERS expects farm sector equity in 2019 to increase by 1.8 percent to $2.67 trillion in nominal terms. Farm sector assets are forecast to increase 2.0 percent in 2019 to $3.1 trillion as farm real estate assets are forecast to increase 1.9 percent. When adjusted for inflation, farm sector equity and assets are forecast to decline slightly. Liquidity measures are expected to weaken, with working capital levels forecast down almost 19 percent to $56.9 billion in nominal terms. Farm sector debt is forecast to rise 3.4 percent to $415.7 billion in nominal terms, with real estate debt forecast to rise 4.6 percent to $257.1 billion. Debt-to-asset levels for the sector are forecast to rise again in 2019, continuing an upward trend since 2012.

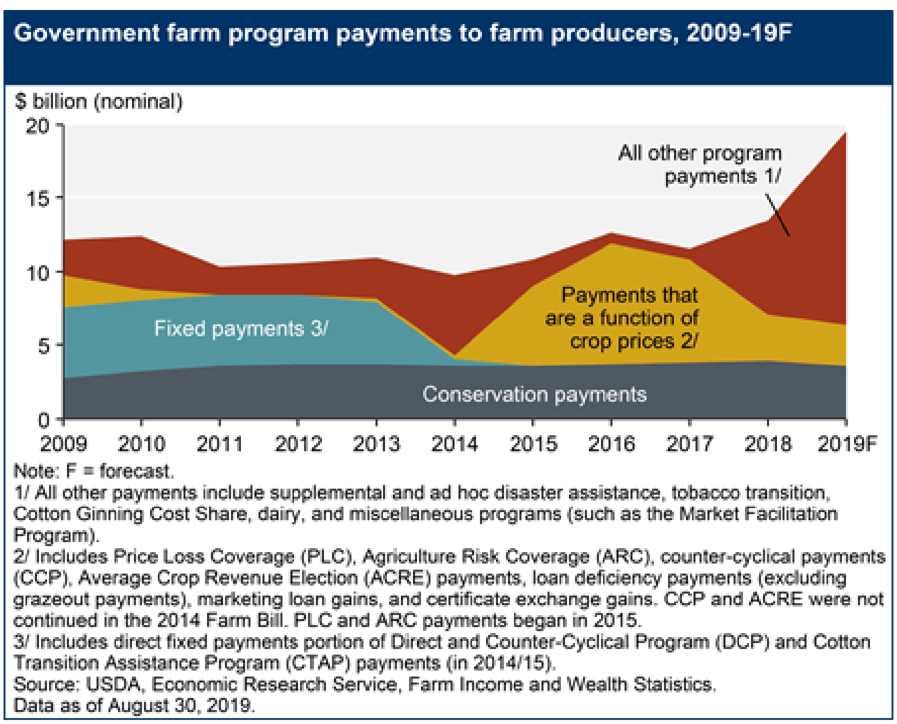
Government Payments Forecast Higher

Government payments are increasing dramatically in 2019 as a result of TMP payments. Direct government farm program payments include payments to farmers and ranchers from programs such as ARC, PLC, and the various TMPs, most notably the MFP, but do not include Federal Crop Insurance Corporation insurance indemnity payments. Direct government farm program payments in 2019 were forecast to increase 42.5 percent to $19.5 billion. The increase in total payments mainly reflects substantial MFP payments discussed in more detail above.

The pattern for other program categories is mixed. PLC payments will be up slightly in 2019 while those for ARC will be down sharply. PLC is a price-based program while ARC is a revenue-based program. PLC payments in 2019 are projected to increase to around $2.1 billion due to declines in 2018 market-year prices for several commodities (including long-grain rice and peanuts) raising payments made in 2019. ARC payments are projected to fall roughly 85 percent to under $200 million in 2019 (made on the 2018 crop year) and will be the lowest since the program started for the 2014 crop year. This reflects lower 2018 county revenue guarantees than for 2017. Prices have declined for the crops enrolled in ARC (e.g., corn), but yields have increased, so actual revenues have not fallen as much as prices.

Conservation payments, reflecting the financial assistance programs of USDA's FPAC agencies, including CCC, are expected to decline 8.4 percent to $3.7 billion. Marketing Loan Gains and Loan Deficiency Payments (LDP) are forecast to increase from virtually none in 2018 to $225 million because loan rates were raised for many commodities while prices mostly remain weak. The DMC, which replaced the MPP, is expected to increase payments to $600 million in 2019, up 140 percent from 2018 payments under MPP. This reflects adjustments in the program made under the 2018 Farm Bill.

Chart 1: Government Payments 2009-2019F



2019 Performance Highlights Summary

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

CCC met its FY 2019 goals for both riparian/grass buffers and restored wetland acres. Total CRP enrollment currently stands at 22.3 million acres. These acres help reduce nitrogen, phosphorus, and sediment pollution and runoff by more than 85 percent annually.

The ARC and PLC programs enable producers to make a one-time election to reallocate crop bases, update program payment yields and select the type of coverage (price protection, county revenue protection, and/or individual revenue protection). Election and enrollment of farms for the 2019 crop year did not begin until September 2019 and will continue through March 2020.

CCC financed the various TMP programs. The MFP has provided over $14 billion in funds to American farmers affected by unjust tariff retaliation. Over $750 million in food products have been purchased and donated through the FPD program administered by AMS. FAS has committed all $300 million of ATP funding to multiyear grants running through FY 2022.

In FY 2019, the CCC Export Credit Guarantee Program supported $2 billion in exports of U.S. commodities. Program use is tied to risk perception in the international financial markets, with program use increasing as the perception of risk increases. For FY 2019, program use was relatively flat compared to FY 2018. The economic return ratio for FY 2019 was $103 per dollar invested, exceeding the target of $102 per dollar invested. No claims or defaults were received in FY 2019. FY 2019 saw the program maintain its negative budget subsidy rate, meaning that income was projected to be sufficient to cover the program's operating costs and any losses.

Financial Highlights

CCC provides financial information to stakeholders to facilitate decision-making in execution of CCC's mission to stabilize, support, and protect farm income and prices. CCC's consolidated financial statements have been prepared from the accounting records of the Corporation as of September 30, 2019, 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 financial statements.

Assets: The Consolidated Balance Sheet reflected Total Assets of $6.12 billion as of September 30, 2019, an increase of $283 million (5 percent) above the previous year's Total Assets of $5.83 billion. This is mainly attributed to increases of $210 million in Fund Balance with Treasury (FBWT) and $234 million in the remaining asset categories that are partially offset by a $161 million decrease in Direct Loans and Loan Guarantees, Net.

Table 2: Summary of Assets

	In Millions			
As of September 30	2019	2018	Variance	Variance %
Fund Balance with Treasury	$ 3,107	$ 2,897	$ 210	7%
Accounts Receivable, Net	160	64	96	150%
Commodity Loans, Net	570	476	94	20%
Direct Loans and Loan Guarantees, Net	2,028	2,189	(161)	-7%
Other	251	207	44	21%
Total Assets	$ 6,116	$ 5,833	$ 283	5%

Liabilities:

The Consolidated Balance Sheet reflected Total Liabilities of $32.50 billion as of September 30, 2019, an increase of $15.78 billion (94 percent) above the previous year's Total Liabilities of $16.72 billion. The variance is primarily due to an increase of $15.72 billion in Debt to Treasury.

The increase in Debt to Treasury is primarily driven by the various Trade Mitigation Programs, whose primary activity occurred in FY 2019. As of September 30, 2019, CCC approached but did not exceed its debt limit with an outstanding debt to Treasury in the amount of $26.36 billion. In early October 2019, CCC received an appropriation for its net realized loss incurred through mid-September 2019, restoring its debt to lower levels, allowing payments to producers to continue during the first quarter of FY 2020.

Table 3: Summary of Liabilities

	In Millions			
As of September 30	2019	2018	Variance	Variance %
Debt to the Treasury	$ 26,364	$ 10,647	$ 15,717	148%
Resources Payable to Treasury	711	827	(116)	-14%
Accounts Payable	506	121	385	318%
Grants Payable	182	208	(26)	-13%
Accrued Liabilities	4,651	4,829	(178)	-4%
Other	91	91	-	0%
Total Liabilities	$ 32,505	$ 16,723	$ 15,782	94%

Net Position:

CCC's Net Position, as of September 30, 2019 and 2018, was ($26.39) billion and ($10.89) billion, respectively. Net Position includes Capital Stock, Unexpended Appropriations, and Cumulative Results of Operations.

Net Cost of Operations:

Net Cost of Operations is categorized based on CCC's strategic goals. Net Cost of Operations was $24.05 billion and $9.61 billion for the years ended September 30, 2019 and 2018, respectively. Total Net Cost of Operations increased by $14.44 billion (150 percent) from the prior year.

Table 4: Summary of Net Cost of Operations by Strategic Goal

	In Millions			
As of September 30	2019	2018	Variance	Variance %
Provide a Financial Safety Net for Farmers and Ranchers	$ 18,855	$ 5,066	$ 13,789	272%
Increase Stewardship of Natural Resources While Enhancing the Environment	2,262	2,532	(270)	-11%
Ensure Commodities are Procured and Distributed Effectively and Efficiently	1,207	250	957	383%
Increase U.S. Food and Agricultural Exports	1,723	1,761	(38)	-2%
Total Net Cost of Operations	$ 24,047	$ 9,609	$ 14,438	150%

- Provide a Financial Safety Net for Farmers and Ranchers:
  The primary CCC programs that support this strategic goal are ARC, PLC, and MFP. The increase in Total Net Cost of Operations is primarily driven by over $14 billion of activities in the Market Facilitation Program, a new program for CCC that began in late FY 2018, partially offset by a $195 million decrease in ARC and PLC program costs.

- Increase Stewardship of Natural Resources While Enhancing the Environment:
  The decrease in Total Net Cost of Operations is primarily driven by the activities in the various Conservation Reserve programs. The enrollment window for CCC's main conservation program, conservation rental payments, was shorter in FY 2019 compared to FY 2018, resulting in lower participation in FY 2019.

- Ensure Commodities are Procured and Distributed Effectively and Efficiently:
  The increase in Total Net Cost of Operations is primarily driven by the activities in the Food Purchase and Distribution program, a new program for CCC in FY 2019.

- Increase U.S. Food and Agricultural Exports:
  The activities in Total Net Cost of Operations are primarily driven by the P.L. 480 Title II program.

New Obligations and Upward Adjustments:

New Obligations and Upward Adjustments were $29.74 billion and $14.73 billion for the years ended September 30, 2019 and 2018, respectively. Total Obligations Incurred increased by $15.01 billion (102 percent) from the prior year. Most of this increase in obligations is related to the various Trade Mitigation Programs.

Agency Net Outlays:

Net Outlays were $22.76 billion and $12.32 billion for the FYs ended September 30, 2019 and 2018, respectively. Total Agency Net Outlays increased by $10.44 billion (85 percent) from the prior year. Most of this increase in Net Outlays is related to the various Trade Mitigation Programs.

Table 5: Summary of Agency Net Outlays

	In Millions			
As of September 30	2019	2018	Variance	Variance %
Net Outlays:				
Outlays, Net	$ 22,808	$ 12,352	$ 10,456	85%
Less: Distributed Offsetting Receipts	(49)	(32)	(17)	53%
Total Agency Net Outlays	$ 22,759	$ 12,320	$ 10,439	85%

Management Controls, Systems, and Compliance with Laws and Regulations

FMFIA and FFMIA Assurance Statement:

USDA

United States Department of Agriculture

Farm Production and Conservation

Commodity Credit Corporation

1400 Independence Avenue, SW
Washington, DC
20250-0581

TO: Lynn Moaney
Deputy Chief Financial Officer
Office of the Chief Financial Officer

THROUGH: William Northey
Under Secretary
Farm Production and Conservation

Bill Northey 10/4/2019

FROM: Robert Stephenson
Executive Vice President, Commodity Credit Cooperation
Chief Operating Officer,
Farm Production and Conservation - Business Center

ROBERT STEPHENSON Digitally signed by ROBERT STEPHENSON Date: 2019.10.04 12:49:46 -04'00'

Margo E. Erny
Chief Financial Officer
Farm Production and Conservation

MARGO ERNY Digitally signed by MARGO ERNY Date: 2019.10.04 10:16:07 -04'00'

SUBJECT: Commodity Credit Corporation's FY2019 Agency Financial Report Certification Statement – as of June 30, 2019

This memorandum provides the Commodity Credit Corporation's (CCC) assertions to support the Secretary's annual assurances for the *United States Department of Agriculture Fiscal Year (FY) 2019 Agency Financial Report*. The assertions included in this statement cover the CCC's assessment of:

- Effectiveness of Internal Control over Operations (FMFIA-Section 2);
- Effectiveness of Internal Control over External Financial Reporting (FMFIA-Section 2);
- Compliance with Laws and Regulations;
- Conformance with Federal Financial Management System Requirements (FMFIA-Section 4);
- Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA); and
- Statutory requirements in 1705 of the 2018 Farm Bill to improve program accountability and integrity through targeted and coordinated activities, including utilizing data mining to identify and reduce errors, waste, fraud, and abuse.

CCC assessed the effectiveness of its operations through multiple program level internal control and compliance review processes in FY 2019. Business processes and general computer controls related to financial reporting were evaluated through OMB Circular A-123, Appendix A reviews and improper payment testing was performed for those programs designated as high risk. CCC and the Farm Service Agency (FSA) also conducted a combined annual assessment of Entity Level Controls based on each of the Green Book's Components and Principles of Internal Control. The assessment revealed deficiencies within certain principles, however, the overall system of internal control is designed, implemented and operating effectively. As part of its efforts to ensure an effective control environment, CCC reminds managers annually that they are responsible for developing and maintaining effective internal controls. Agency senior leadership also submits an annual certification identifying any internal control weaknesses or instances of non-compliance with laws and regulations. As a result of these activities, CCC is making the following assertions.

A. Federal Managers' Financial Integrity Act (FMFIA)

I. Internal Control over Operations (FMFIA-Section 2)
   a. Management is responsible for developing and maintaining internal control to ensure the effectiveness of operations, reliability of reporting, compliance with applicable laws and regulations, and the safeguarding of assets.
   b. Internal control encompasses accounting and administrative controls. Such controls include program, operational, and administrative controls.
   c. Management has conducted its annual evaluations of internal control pursuant to Section 2, for the period ended June 30, 2019.
   d. Based on the results of the evaluations, CCC provides an unmodified statement of assurance that internal controls are operating effectively over operations.
   e. No new material weaknesses, significant deficiencies, or control deficiencies were identified during FY 2019.

II. Internal Control over External Financial Reporting (FMFIA - Section 2). Assertions in this section are specific to Internal Control over External Financial Reporting for FY 2019.

   a. CCC assessed the effectiveness of internal control over external financial reporting as of June 30, 2019. The assessment followed USDA guidance, Office of Management and Budget Circular A-123, Appendix A (revised) and best practices established by the Department.
   b. The assessment included risk assessments, process descriptions and flowcharts, documentation of key controls, an assessment of the design of key controls, tests of operating effectiveness of properly designed controls, summary of findings, and the development of corrective action plans for control deficiencies. The following business processes were considered for testing:

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

Testing was performed on select key controls deemed to have the most material impact upon the internal controls over financial reporting. We elected not to test any controls related to Funds Control due to the known material weakness in that area.

c. Management recognizes its responsibility for monitoring and correcting control deficiencies assessed as outside of its risk tolerance.
d. Management further certifies that there have been no significant changes in the operation of controls tested from the sample selection date through June 30, 2019.
e. Based on the results of the evaluation, CCC provides a modified statement of assurance that internal controls over external financial reporting are operating effectively.
f. Based on the results of the evaluation, management confirmed one material weaknesses related to Accounting for Budgetary Transactions (Funds Control) and one significant deficiency related to Accounting Estimates that were previously identified through audits of CCC's financial statements still remain.
g. In addition to what was found through the Financial Statement audit and the evaluation, two significant deficiencies over Reconciling Fund Balance with Treasury and Monitoring General Ledgers remain.
h. Corrective action plans have been developed for A -123 and financial statement findings.

B. Compliance with Laws and Regulations (FMFIA-Section 2)

a. Anti-Deficiency Act
   i. ADA Violation Exists
      a. In FY 2016, expenditures for CCC interest to Treasury exceeded amounts initially apportioned by OMB. CCC expended approximately $46.1 million in interest to Treasury, more than the originally apportioned amount of $29.9 million.

      b. On November 10, 2016, OMB approved an Agriculture Risk Coverage - County (ARC-CO) apportionment for

$850,924,690 for crop year 2017 ARC funding. The ARC funding was divided between ARC-CO ($775,924,690) and Agriculture Risk Coverage Individual Option (ARC-IC). As part of the fiscal year-end close for FY 2017 (on October 5, 2017), FSA recorded an obligation of $2,319,369,741 for crop year 2017 ARC-CO. This exceeded the apportioned amount by $1,543,445,051. ARC-CO obligations are based in part upon the number of enrolled acres during a given crop year, which is not known until the end of the program sign-up period in August. This explains why the calendar year (CY) 2017 obligation of CCC funding (which is not limited by fiscal year) did not occur until a few days into FY 2018. The OMB on December 5, 2017 and again on March 1, 2018, issued two additional ARC-CO apportionments in an amount sufficient to cover the approximately $1.54 billion by which FSA had exceeded its November 2016 apportionment.

c. In FY 2018, the Agricultural Risk Coverage (ARC) program had Crop Year 17 enrollments approved in FY 2018 that exceeded the available funding. The ARC program does not check funds availability at the time of approval. It is checked at the time of payment. When the payment run occurred, the program area identified that there were not enough funds for all Crop Year 17 contracts approved in FY 2018 ($10,213,072 ARC-CO payments initially rejected, less the amount transferred from ARC-IC to ARC-CO of $8,415,775, resulting in a $1,797,297 funding deficit/potential violation).

d. Funding for NAP ceased in FY 2015, however, payments were discovered that were not paid and funding was established for discovered payment amounts in fiscal month eight of FY 2016 and fiscal month three of FY 2018. The discovered payments had to be paid out of Prior Year Payments (NPY) and reclassified in the CORE general ledger system. During a reclassification process it was discovered that FY 2018 payments, totaling $888, exceeded the authority (the SF-132 does not provide verbiage to support funding).

ii. Pending Determination

a. The Foreign Agricultural Service (FAS) paid Food for Progress admin invoices from freight funds. One was paid in May 2017 for $677,542.92 and another in September for $372,886.00. There was a zero balance in the admin funds for this agreement at this time; however, there were funds available as a result of downward adjustments.

b. Emergency Forestry Conservation Reserve Program (EFCRP) provides funds to help landowners and operators restore and enhance forestland damaged by 2005 hurricanes Dennis, Katrina, Ophelia, Rita and Wilma. In May 2018, funds were not obligated for the full lifecycle of the contract when the contract was signed (only for next payment). The amount of the potential ADA is $2,200,000. The Office of General Counsel (OGC) ruled on June 5, 2018 that there was no ADA violation but CCC was notified on September 6, 2018 that they disagreed with OGC. CCC will seek an opinion from GAO.

c. Prior to FY 2009, CRP funds were apportioned on an annual basis and payments based on that apportionment were made in the same year. From FY 2010 to FY 2016, FSA received an apportionment and recorded an obligation for CRP annual rental payments to be made in the following fiscal year.

d. Unrecorded DAP Tree Assistance Program (TAP) approved contracts from prior fiscal years. As a result of Program obligation financial statement audit testing, it was discovered that there are TAP contracts from FY 2014 through FY 2017 that were approved but not recorded into the Program application timely. An obligation is triggered when an application is approved via a producer's and FSA representative's signature. CCC received input from the Puerto Rico District Directors that indicates that there are 1,973 unrecorded TAP contracts representing 2014, 2015 and 2017. Management determined that the maximum understatement in open obligations to be $8.9 million and $17.5 million as of October 1, 2017 and September 30, 2018, respectively.

e. In FY 2018, it was determined that the Boll Weevil Eradication Program has an abnormal balance in the 4610 account of $15,733.43 stemming from the monthly interest accrual entry. The interest expense apportionment for fiscal year 2019 has not yet been recorded for Boll Weevil as the approved and signed SF-132 is not typically received until between March and June of each fiscal year. Price Support and CCC Loan Program Teams (PSCLP), General Ledger Integrity Section, must record the interest expense monthly. It is derived from the Federal Borrowings Page on the Department of Treasury's website. If it is not recorded, an email is received from the Fiscal Accounting Team at the Bureau of Fiscal Service requesting explanation and correction.

f. A manual process was in place to appropriate, apportion, and allocate the funding based on the current year SF-132 for the Pima Agriculture Cotton Trust Fund program. The SF-132 was approved on February 4, 2019 and included a sequestration rate of 6.2% making the amount available for FY 2019 $15,008,000. On March 15, 2019, an Inter/Intra-Agency Agreement (CCC19IRA0010075) for $124,500 administrative fees was initiated and funds were certified to start the interagency agreement process. On April 17, 2019, $14,943,071.01 was disbursed for payments to manufacturers/producers leaving only $64,927.99 left for FY 2019. When the interagency agreement for the $124,500 administrative fee was approved on May 20, 2019, it exceeded the funds available.

iii. Deficiencies are noted in the Summary of Reportable Conditions chart.

b. Improper Payments Elimination and Recovery Act of 2010, as amended

i. Management has reviewed all applicable programs and activities to identify any area that may be susceptible to significant improper payments.

ii. CCC is not compliant with the Improper Payments Elimination and Recovery Act of 2010, as amended. CCC's Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC), CCC's Livestock Forage Disaster Program, and CCC's Noninsured Assistance Program had improper payment rates of 16.11%, 17.87% and 23.13%, respectively. These programs are not compliant because the improper payment rate exceeded 10% and they did not meet their improper payment reduction targets.

iii. Deficiencies are noted in the Summary of Reportable Conditions.

c. Supplemental Appropriations for Disaster Relief Requirements, 2017/ Additional Supplemental Appropriations for Disaster Relief Act of 2017/Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018/2018 Bipartisan Budget Act

i. CCC has established appropriate policies and controls, and corrective actions have been taken to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to disaster-related activities for the following programs:

Livestock Indemnity Program (LIP)
Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish Program (ELAP)
Tree Assistance Program (TAP)
Livestock Forage Disaster Program (LFP)

   ii. Management has identified no additional significant deficiencies associated with management for disaster relief and other emergencies.

d. DATA Act Reporting for USAspending.gov
   i. The CCC provides assurance that data integrity processes and controls align with OMB Circular A-123 and are in place for all reported data with the exceptions noted below. This includes agency financial systems, award management systems, and procurement data reported to the Federal Procurement Data System – Next Generation (FPDS-NG).
   ii. Due to funding and system limitations, CCC Funded Export Credit Reform Loan Programs are not currently being reported. The file C data for Agricultural Risk Coverage, Price Loss Coverage, and Conservation Farm Programs is also not being reported.
   iii. CCC employs both automated and manual processes for gathering information required for DATA Act reporting. As a result, some obligations with FAIN or PIID errors may not be reported until the errors are corrected.
   iv. Due to CFDA numbers not being published prior to program disbursements, there is a large volume of unreported Market Facilitation financial assistance awards.

e. Government Charge Card Abuse Prevention Act
   i. This not applicable to CCC. CCC does not have any employees and therefore does not have any employees that have government charge cards.

f. Fraud Reduction and Data Analytics Act
   i. Agencies are responsible for establishing and implementing controls that will aid in the detection and prevention of fraud. The FPAC Business Center performed a review of FPAC financial and administrative controls as they relate to fraud. Management has and is currently implementing policies and procedures to help detect and prevent fraud.
   ii. Management has established financial and administrative controls to identify and assess fraud risks and have designed and implemented control activities to prevent, detect and respond to fraud, including improper payments.
   iii. Management has implemented the fraud risk principle in the Government Accountability Office (GAO), Standards for Internal Control in the Federal Government, dated September 2014, and Office of Management and Budget (OMB) Circular A-123 with respect to the leading practices for managing fraud risk.

iv. Management has processes in place to identify risks and vulnerabilities to fraud, including payroll, grants, contracts, and government charge cards, as applicable.

v. Management has established strategies, policies and procedures, and other controls to aid in detecting and preventing fraud as part of CCC's internal control activities.

C. Conformance with Federal Financial Management System Requirements (FMFIA - Section 4)

a. CCC management evaluated its financial management systems under FMFIA-section 4 and FFMIA for the period ended June 30, 2019.
b. No new material system non-conformances were identified. However, a system conformance related to Accounting for Budgetary Transactions remains.

D. Compliance with Section 803 (a) of the Federal Financial Management Improvement Act (FFMIA)

a. CCC management evaluated its financial management systems under FFMIA for the period ended June 30, 2019.
b. CCC is not in substantial compliance with FFMIA as it relates to Federal accounting standards and the United States Standard General Ledger at the Transaction Level. Both are repeat conditions.
c. Deficiencies are identified on the Summary of Reportable Deficiencies chart.

Addendum to Commodity Credit Corporation
FY 2019 Certification Statement

United States Department of Agriculture

Farm Production and Conservation

Commodity Credit Corporation

1400 Independence Avenue, SW
Washington, DC 20250-0581

TO: Lynn Moaney
Deputy Chief Financial Officer
Office of the Chief Financial Officer

THROUGH: William Northey
Under Secretary
Farm Production and Conservation

Bill Northey 10/30/19

FROM: Robert Stephenson
Executive Vice President, Commodity Credit Cooperation
Chief Operating Officer,
Farm Production and Conservation - Business Center

ROBERT STEPHENSON Digitally signed by ROBERT STEPHENSON Date: 2019.10.30 17:39:32 -04'00'

Margo E. Erny
Chief Financial Officer
Farm Production and Conservation

MARGO ERNY Digitally signed by MARGO ERNY Date: 2019.10.30 16:30:31 -04'00'

SUBJECT: FY 2019 Certification Statement – Bridge Memorandum (as of September 30, 2019)

The Commodity Credit Corporation (CCC) is providing the following updates to the certification statement dated October 4, 2019 reported to the Office of the Chief Financial Officer as of June 30, 2019.

A. Findings Updates/Clarifications:
   1. There were no material weaknesses, significant deficiencies or control deficiencies regarding Internal Controls over Operations.

B. Anti- Deficiency Act (ADA) Violation Updates/Clarifications:

   1. A manual process was in place to appropriate, apportion, and allocate the funding based on the current year SF-132 for the Pima Agriculture Cotton Trust Fund program. The SF-132 was approved on February 4, 2019 and included a sequestration rate of 6.2% making the amount available for FY 2019 $15,008,000. On March 15, 2019, an Inter/Intra-Agency Agreement (CCC19IRA0010075) for $124,500 administrative fees was initiated and

funds were certified to start the interagency agreement process. On April 17, 2019, $14,943,071.01 was disbursed for payments to manufacturers/producers leaving only $64,927.99 left for FY 2019. When the interagency agreement for the $124,500 administrative fee was approved on May 20, 2019, it exceeded the funds available. This is no longer pending. OGC determined on August 7, 2019 that this issue is in fact an ADA violation.

2. The Foreign Agricultural Service (FAS) paid Food for Progress admin invoices from freight funds. One was paid in May 2017 for $677,542.92 and another in September for $372,886.00. There was a zero balance in the admin funds for this agreement at this time; however, there were funds available as a result of downward adjustments. This is no longer pending. The Office of General Counsel determined there was no violation on August 20, 2019.

3. In FY 2018, it was determined that the Boll Weevil Eradication Program has an abnormal balance in the 4610 account of $15,733.43 stemming from the monthly interest accrual entry. The interest expense apportionment for fiscal year 2019 has not yet been recorded for Boll Weevil as the approved and signed SF-132 is not typically received until between March and June of each fiscal year. Price Support and CCC Loan Program Teams (PSCLP), General Ledger Integrity Section, must record the interest expense monthly. It is derived from the Federal Borrowings Page on the Department of Treasury's website. If it is not recorded, an email is received from the Fiscal Accounting Team at the Bureau of Fiscal Service requesting explanation and correction. This is no longer pending, OGC determined on August 9, 2019 that there is no violation.

4. Unrecorded DAP Tree Assistance Program (TAP) approved contracts from prior fiscal years. As a result of Program obligation financial statement audit testing, it was discovered that there are TAP contracts from FY 2014 through FY 2017 that were approved but not recorded into the Program application timely. An obligation is triggered when an application is approved via a producer's and FSA representative's signature. CCC received input from the Puerto Rico District Directors that indicates that there are 1,973 unrecorded TAP contracts representing 2014, 2015 and 2017. Management determined that the maximum understatement in open obligations to be $8.9 million and $17.5 million as of October 1, 2017 and September 30, 2018, respectively. OGC determined on October 15, 2019 that is issue this not an ADA violation.

5. Emergency Forestry Conservation Reserve Program (EFCRP) provides funds to help landowners and operators restore and enhance forestland damaged by 2005 hurricanes Dennis, Katrina, Ophelia, Rita and Wilma. In May 2018, funds were not obligated for the full lifecycle of the contract when the contract was signed (only for next payment). The amount of the potential ADA is $2,200,000. The Office of General Counsel (OGC) ruled on June 5, 2018 that there was no ADA violation but CCC was notified by OIG on

September 6, 2018 that they disagreed with OGC. OIG will seek an opinion from GAO, not CCC.

6. Prior to FY 2009, CRP funds were apportioned on an annual basis and payments based on that apportionment were made in the same year. From FY 2010 to FY 2016, FSA received an apportionment and recorded an obligation for CRP annual rental payments to be made in the following fiscal year. OGC advised that there was no violation. The Office of Inspector General (OIG) disagreed and is seeking an opinion from the Government Accountability Office (GAO). The dollar amount of the potential ADA involved is $9,921,859,680.

Federal Managers' Financial Integrity Act

Overview

The Federal Managers' Financial Integrity Act (FMFIA) requires ongoing evaluations of internal controls and financial management systems. These evaluations lead to an annual statement of assurance that:

- Obligations and costs comply with applicable laws and regulations;
- Federal assets are safeguarded against fraud, waste, abuse 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.

CCC evaluated its internal controls in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

CCC operates a comprehensive internal control program. This program ensures compliance with the requirements of FMFIA and other laws, and OMB Circular A-123, Appendix A. The Corporation and all managers conducting Corporation business or acting on behalf of the Corporation must ensure that their programs operate efficiently and effectively and comply with relevant laws. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements. In conjunction with the USDA's Office of the Inspector General (OIG) and the Government Accountability Office (GAO), CCC's management works decisively to determine the root causes of its material weaknesses so that it can direct resources to focus on their remediation.

CCC remains committed to reducing and eliminating the risks associated with its deficiencies. It also strives to efficiently and effectively operate its programs in compliance with FMFIA and other applicable laws and regulations.

Fiscal Year 2019 Results

Based on the results of the evaluations, CCC can provide reasonable assurance that internal controls over financial reporting are in place and operating effectively, except for the material weaknesses and significant deficiencies discussed in this section, resulting from its financial statement audits and annual A-123, Appendix A assessments.

CCC ended FY 2019 with two open material weaknesses. The material weakness related to accounting for budgetary transactions was confirmed to continue to exist, and the FY 2018 significant deficiency related to accounting estimates was elevated to a material weakness in FY 2019.

The two significant deficiencies of reconciling FBWT; and maintaining, controlling and monitoring the general ledger were confirmed to still exist in FY 2019 resulting from the OMB Circular A-123, Appendix A assessment.

The Chief Financial Officer's Statement of Assurance provides reasonable assurance that CCC's system of internal control complies with FMFIA objectives.

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 2019, CCC evaluated its financial management systems to assess substantial compliance with FFMIA. CCC management made the determination that CCC demonstrated substantial compliance with Section 1; however, CCC is not substantially compliant with Section 2, applicable accounting standards, or 3, the USSGL at the transaction level, with respect to funds control.

CCC plans to correct the funds control material weakness through full migration to the Department's enterprise solution under the Financial Management Modernization Initiative (FMMI). The FMMI system will be CCC's integrated general ledger system at the transaction level, providing management with timely information to monitor and control the status of budgetary resources recorded in the general ledger. CCC continues to implement programs into FMMI 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.

CCC management continued to make significant progress in FY 2019 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 ADA violation occurring and may not prevent or detect violations timely.

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 CCC program and financial management applications into full compliance with FFMIA. Complete implementation for full funds controls is targeted for completion by FY 2021.

Anti-Deficiency Act

During FY 2019, CCC management continued to analyze and investigate in coordination with the USDA OGC, USDA Office of the Chief Financial Officer, and OMB various potential instances of non-compliance with the ADA. Such instances either (1) occurred and were identified in prior years; (2) occurred in a prior year but were identified in the current year; or (3) occurred and were identified in the current year. The following summarizes those potential violations.

In FY 2019, CCC confirmed three violations of the ADA:

Non-Insured Assistance Program (NAP) Frost Freeze (FFN): CCC identified NAP payments exceeding apportionment by $888. Completion of a report to the President and Congress, detailing relevant facts and a statement of actions taken, is planned for FY 2020.

Agriculture Risk Coverage – County (ARC-CO): In FY 2018, CCC identified crop year 2017 enrollments approved in FY 2018 for the ARC-CO program that exceeded available funding at the time of enrollment approval. Completion of a report to the President and Congress, detailing relevant facts and a statement of actions taken, is planned for FY 2020.

Pima Cotton: In FY 2019, the Pima Cotton program had $15 million of authorized funds. On March 15, 2019, an Inter/Intra-Agency Agreement (IAA) for $124,500 administrative fees was initiated and funds were certified to start the IAA process. On April 17, 2019, $14.9 million was disbursed for payments to manufacturers/producers leaving less than $100,000 left for FY 2019. When the IAA for the $124,500 administrative fee was approved on May 20, 2019, it exceeded the funds available. Completion of a report to the President and Congress, detailing relevant facts and a statement of actions taken, is planned for FY 2020.

No changes to the status of the following confirmed violation of the ADA:

ARC-CO: On November 10, 2016, OMB approved an ARC-CO apportionment providing a total of $851 million for crop year 2017 ARC funding. This funding was divided between ARC-CO ($776 million) and ARC – Individual ($75 million). As part of FY-end close for FY 2017, CCC recorded an obligation of $2.3 billion for crop year 2017 ARC-CO. This exceeded the apportioned amount by $1.5 billion. Completion of a report to the President and Congress, detailing relevant facts and a statement of actions taken, is planned for FY 2020.

No changes to the status of the following two potential violations of the ADA:

CRP annual rental: During FY 2017, management identified that it had not obligated the full value of multi-year (10-15 years) contracts at the time of contract execution. As a result, CCC recorded a retrospective adjustment of $10 billion to increase undelivered orders (UDO) beginning balance in FY 2017. As of September 30, 2019, CCC continues to evaluate the facts and circumstances of the potential ADA, in consultation with FSA-OGC, OIG-OGC, and GAO.

Emergency Forestry CRP: CCC failed to record the obligation for the full value of the long-term contract when the contract was signed. As a result, CCC obligated a total of $2.2 million for long-term contracts. Because the facts and circumstances are similar, the status of this potential ADA violation is linked to the continuing research on the CRP annual rental potential ADA violation.

In FY 2019, CCC closed the following confirmed violation of the ADA:

In FY 2016, CCC expended approximately $46.1 million in interest to the Department of the Treasury, $16.2 million more than the apportioned amount of $29.9 million. After further review of the legal authority of CCC with respect to the apportionment requirements, CCC was informed by OMB and OGC that it was a violation. CCC subsequently received a new apportionment in April 2016 that cured the violation.

In FY 2019, CCC determined the following were not violations of the ADA:

Tree Assistance Program (TAP): During FY 2018, CCC identified TAP contracts for program years 2014, 2015, and 2017 that were approved but not entered into the program application, and therefore no related obligations were recorded.

USAID grants: Pursuant to the Grants Oversight and New Efficiency (GONE) Act, CCC is required to report quarterly, the number of federal grant and cooperative agreement awards and balances of USAID for which closeout has not yet occurred but for which the period of performance has elapsed more than two years with zero and undisbursed balances. At the end of the third quarter of FY 2018, USAID reported to CCC grants that had not been closed out in the greater than 5-years category. As part of the grant closeout in FY 2018, CCC identified certain grants that required additional funds to perform the grant closeout.

Biomass Crop Assistance Program: During the FY 2017 quarterly unliquidated obligations (ULO) certification process, CCC identified 12 contracts that were invalid and required deobligation. After further analysis in FY 2018, CCC determined that such contracts should be reestablished. However, no funding was available in FY 2018 to reestablish the related obligations.

Food for Progress: In FY 2017, CCC paid Food for Progress administrative invoices from freight funds totaling over $1 million, when there was no funding remaining obligated for this agreement.

USWA: During FY 2018 FSA used FSA Salaries and Expense funds to augment CCC funds to pay for FSA personnel who performed warehouse activities. This was confirmed as an ADA violation for FSA and does not impact CCC.

Limitations of the Financial Statements

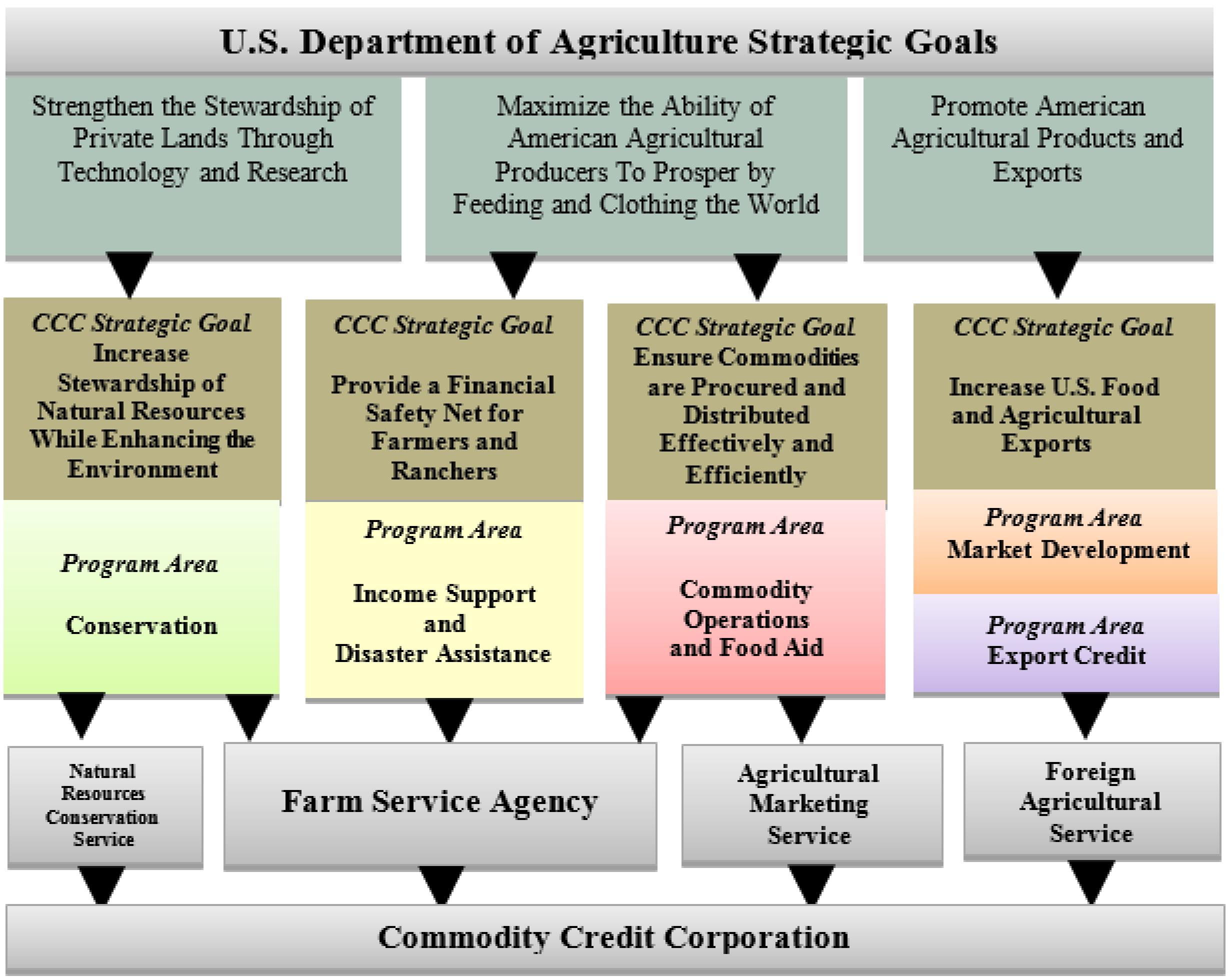
The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b), *Financial Statements of Agencies*. The statements have been prepared from the books and records of the entity in accordance with U.S. GAAP for federal entities and the formats prescribed by OMB. Reports used to monitor, and control budgetary resources are prepared from the same books and records. The statements should be read with the realization that they are 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 FSA, AMS, NRCS, FAS, FPAC Business Center, and USAID, the mission of CCC aligns towards the strategic goals of the Department as well as to the strategic goals of FSA, AMS, NRCS 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 current USDA strategic goals and each agency's strategic goals, and 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

CRP encourages producers to plant long-term resource-conserving perennial vegetative covers to improve water and air quality, control soil erosion, sequester carbon, and enhance wildlife habitat on land formerly used for agricultural production. In return, the program provides participants with annual rental payments, cost-sharing implementation costs, and technical assistance. Contract terms run between 10 and 15 years. Acreage enrollment caps are established by the 2018 Farm Bill. CRP is designed to assist landowners, agricultural producers, and ranchers restore and enhance wetland and riparian areas.

The program includes several initiatives for wetland restoration and enhancement. CRP wetland initiatives include the 582,000-acre Floodplain Wetland Restoration Initiative, the 250,000-acre Bottomland Hardwood Timber Initiative, the 768,000-acre Non-Floodplain and Playa Wetland Restoration Initiative, and the 600,000-acre Prairie Pothole Duck Nesting Habitat Initiative. CRP enrollment includes agricultural land devoted to riparian buffer practices that are accepted on a continuous basis.

CRP buffer practices enrollment ended FY 2019 at 1.43 million enrolled acres. CRP wetland practices enrollment ended the year at 2.33 million enrolled acres.

Total CRP enrollment currently stands at 22.3 million acres, with 800,000 acres expired at the end of FY 2019. CRP acres help reduce nitrogen, phosphorus, and sediment pollution by more than 85 percent annually on enrolled lands. Buffers intercept runoff from adjacent land during crop production. CRP also helps increase carbon sequestered in enrolled soils and vegetation. Overall, CRP efforts contribute to increased wildlife populations, and have added more than two million ducks to the Prairie Pothole Region annually, protecting Sage Grouse populations in Eastern Washington and Lesser Prairie Chicken populations in the southern Great Plains, and increasing ring-necked pheasant and other grassland bird populations across the nation.

Table 6: Summary of Performance Measure for Riparian and Grass Buffers Acreage

Performance Measure	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019		
					Target	Actual	Result
CRP: acres of riparian and grass buffers (cumulative and in million acres)	1.77	1.70	1.60	1.53	1.43	1.43	Met
Threshold range: +/- 0.5 million acres							
Data Assessment of Performance Measure							

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

Completeness of Data: The targets and actual data are cumulative (acres under contract at the end of a FY). 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 7: Summary of Performance Measure for Restored Wetland Acreage

Performance Measure	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019		
					Target	Actual	Result
CRP: restored wetland acreage (million acres)	1.93	2.09	2.16	2.29	2.34	2.33	Met
Threshold range: +/- 0.5 million acres							
Data Assessment of Performance Measure							

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

Completeness of Data: The targets and actual data are cumulative (acres under contract at the end of a FY). 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

The biggest challenges in both the near and long-term are factors largely outside the control of CCC. Large numbers of expiring acres coupled with statutory changes in the 2018 Farm Bill regarding the maximum acreage enrollment, eligibility standards, and payments may affect how many acres are enrolled in buffer and wetland restoration practices. Another challenge is fluctuating crop prices; an increase in prices typically results in lower enrollment and acreage withdrawal from the program before contract expiration, whereas a decrease in prices often leads to increased enrollment. These market fluctuations have the potential to affect whether CCC meets its buffer and wetland restoration targets.

Income Support and Disaster Assistance Program Area

MISSION ELEMENT

Stabilizing, supporting, and protecting farm income and prices

Program Overview

CCC provides billions of dollars in income support and disaster assistance payments each year to agricultural commodity producers. These payments provide income support to producers on farms with base acres. CCC payments for these programs are driven by commodity market prices, payment eligibility rules established in public policy, and natural disasters. CCC payments are best explained in the context of a commodity crop year which does not directly correspond to the federal FY and financial statement reporting.

ARC and PLC programs offer income support to agricultural producers when there is a substantial drop in revenue or prices for covered commodities. Producers may make an election to select the type of coverage (price loss coverage or agricultural risk coverage) in 2019, 2021, 2022, and 2023 and update program payment yields for crop years 2019-2023. Enrollment in the elected coverage must be done on an annual basis; however, a multi-year enrollment may be made in 2019, with the option to change enrollment in subsequent years.

Election and enrollment of farms for the 2019 crop year did not begin until September 2019 and will continue through March 2020. The change in enrollment dates is required because some RMA programs are statutorily prohibited from participation on a farm when certain FSA programs are elected or enrolled, thus the enrollment dates for FSA and RMA must align. County offices will be required to enroll farms in a shorter amount of time than in years past.

Table 8: Summary of Performance Measure for ARC/PLC program

Performance Measure	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
					Target	Actual
Number of Farms enrolled in ARC/PLC (in millions)	1.48	1.66	1.65	1.67	1.67	N/A[1]
Threshold range: +/- 10,000 Farms						
Data Assessment of Performance Measure						
Data source: ARC/PLC contract sign-up application **Completeness of Data:** Data reported are based on data available as of September 2019. **Reliability of Data:** USDA considers the data to be reliable. **Quality of Data:** Overall, the quality of the data is good.						

1 Enrollment for 2019 did not begin until September 2019 and will end in March 2020.

MFP authorizes payments to producers with commodities that have been significantly affected by tariff actions of foreign governments resulting in the loss of traditional exports. Eligible producers or owners of the following designated commodities are eligible for MFP for the 2018 crop or marketing year: corn, cotton, sorghum, soybeans, wheat, dairy, hogs, fresh sweet cherries and shelled almonds. MFP was reauthorized for crop year 2019 for a variety of specialty crops, non-specialty crops, dairy and hogs with the first round of payments occurring in mid-August 2019. Total signed MFP payments as of September 30, 2019, were over $14 billion.

CCC offers additional programs and services to help communities, farmers, ranchers and businesses mitigate and recover from natural disaster events. Significant programs include, but are not limited to:

- NAP, reauthorized by the 2018 Farm Bill and administered by the CCC, provides financial assistance to producers of non-insurable crops to protect against natural disasters that result in lower yields or crop losses, or prevents crop planting. As of September 30, 2019, over $147 million in NAP was disbursed.

- Livestock Forage Disaster Program (LFP) provides compensation to eligible livestock producers that have suffered grazing losses due to drought or fire on land that is native or improved pastureland with permanent vegetative cover or that is planted specifically for grazing. Over $287 million in LFP payments were disbursed as of September 30, 2019.

The DMC for Dairy Producers is a voluntary program that provides dairy operations with risk management coverage that will pay producers when the difference (the margin) between the national price of milk and the average cost of feed falls below a certain level selected by the program participants. Over $319 million in DMC payments to dairy producers have been issued as of September 30, 2019.

MAL provides producers interim financing at harvest time to meet cash flow needs without having to sell their commodities when market prices are too low. Market loan repayment provisions specify, under certain circumstances, that producers may repay loans at less than principal plus accrued interest and other charges. Alternatively, LDP provisions specify that, in lieu of securing a loan, producers may be eligible for a LDP. MALs can be redeemed by repayment, by commodity certificate exchange, or by delivering the pledged collateral to CCC as full payment for the MAL at maturity.

Challenges for the Future

Government payments to farmers are expected to be significant over the next decade, averaging around $6.5 billion per year (not including MFP). Annual payment amounts are uncertain because of significant price and yield risks. Safety net programs that were new under the 2014 Farm Bill and continued with marginal changes under the 2018 Farm Bill have substantial outlay potential depending on the extent and duration of market swings, producer decisions on base reallocation and yield updates, and their choices to participate in the 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

AMS manages the FPD Program, one of three Trade Mitigation Programs aimed at assisting farmers suffering from damage due to unjustified trade retaliation by foreign nations. Under FPD, CCC buys food products produced on American farms by American farmers through approved vendors who have proven they can supply U.S.-produced products. Amounts to be purchased are based on an economic analysis of the damage caused by tariffs illegally imposed on these crops by some U.S. trade partners.

CCC purchased and distributed over $796 million of goods in FY 2019 as part of the FPD program.

FAS administers the Food for Progress Program, which helps developing countries and emerging democracies modernize and strengthen their agricultural sectors. U.S. agricultural commodities donated to recipient countries are sold on the local market and the proceeds are used to support agricultural, economic or infrastructure development programs. Past Food for Progress projects have trained farmers in animal and plant health; improved farming methods; developed road and utility systems; established producer cooperatives; provided microcredit; and developed agricultural value chains.

Challenges for the Future

CCC involvement for all commodities is increasing due to trade issues. These issues are also affecting the movement of commodities and market prices, resulting in higher levels of commodity forfeitures to CCC. Transportation complexities in the commodity industry are also continuing to increase. Management will need to be 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 world's 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, FAS manages several export development programs including FMD, Market Access Program (MAP), Technical Assistance for Specialty Crops Program, Quality Samples Program, and Emerging Markets Program. On September 4, 2018, Secretary Perdue established the ATP program, one of three programs to help U.S. agricultural, fish, and forest product producers and exporters mitigate the adverse effects of other countries' tariff and non-tariff barriers and develop new markets.

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 State Regional Trade Groups (SRTG) and other industry organizations, CCC programs also provide funding to encourage Small to Medium-Sized Enterprises (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 U.S. industry non-profit associations all provide services that help U.S. companies successfully access potential buyers in a wide-range of international trade shows.

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

- Alaska Seafood Marketing Institute used ATP funding to launch a Southeast Asia marketing program, including a regional representative. This initiative has helped the U.S. industry diversify markets with an estimated $4 million in new sales to Vietnam and Thailand expected in 2019.

- Non-beverage ethanol has been the fastest growing U.S. agricultural export over the past five years, largely due to U.S. Grains Council's (USGC) MAP and FMD funded import-facilitating policy development around the world. In 2018, U.S. ethanol exports totaled more than 6.1 billion liters (609 million bushels in corn equivalent), valued at $2.7 billion. Volume of exports have increased by 18 percent annually over the past five years. Over the past two years, USGC invested approximately $6 million of FMD and MAP funds to generate $330 million of growth in ethanol exports.

- Cotton Council International's MAP-funded technical seminars, held in April 2019, resulted in Vietnam and Indonesia spinning mills reporting their intention to purchase more than 2.2 million bales of U.S. cotton, valued at about $750,000. In 2018, U.S. cotton exports to Vietnam and Indonesia reached $1.3 billion and $600,000 million respectively, about 19 percent above 2017.

- Over the past 10 years the U.S. Soybean Export Council (USSEC) has used FMD to conduct technical assistance and trade education activities, building demand for U.S. soy in the Asia Sub-Continent — Bangladesh, Nepal, Pakistan and Sri Lanka. What started as an export opportunity to substitute for dwindling supplies from India, grew into multifaceted market development effort that collectively helped the region to become an important market for the U.S. soy industry, reaching 3 MMT, valued at $1.1 billion in 2018, compared to 4,769 MT in 2008. In addition, $900,000 worth of U.S. soybeans were exported to India in 2018, growing to $5 million from January-June 2019.

- The American Peanut Council brought 20 senior Japanese executives representing major peanut importers, manufacturers, and transportation/logistics suppliers on a MAP-funded reverse trade mission and crop tour of North Carolina to learn about U.S. peanut production first hand. The trip was a major success in relationship building and helped U.S. peanut exports reach $32 million in 2018, about 7 percent above the previous year, and the U.S. market share of imported peanuts reaching 38 percent, the highest percentage in many years. This growth is expected to continue in 2019 with additional trade missions to Japan and added ATP promotional support.

- The USA Dry Pea & Lentil Council used ATP funding to organize their first outbound trade mission to Pakistan in April 2019. The team met with over 120 Pakistani traders, visited processing facilities and supermarkets, and gained a better understanding of the Pakistan pulse market. As a direct result of this trade mission, Pakistani buyers contracted over $500,000 in on-site sales and projected $10 million in sales over the next 12 months.

CCC market development programs are used to broaden the base of U.S. exporters, which facilitates economic growth and job creation. A central focus of this effort is to provide additional assistance to SMEs, which are major drivers of new job creation. In 2018 there were about 2,730 SMEs participating in SRTG's market development programs, reporting about $1.9 billion in sales. Trade show participation is a key component of SME program participation and cornerstone of cooperators' MAP and FMD investments.

Table 9: Summary of Performance Measure for Market Development

Performance Measure	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019		
					Target	Actual	Result
Value of agricultural exports resulting from participation in foreign food and agricultural trade shows (million $)	$1,522	$1,260 [1]	$2,326 [2]	$2,041 [3]	$2,200	$2,219	Met

Threshold range: +/-$150 million

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, 2019.

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 Actual Results fell well below past performance 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.

[2] FY 2017 results were expected to return to prior year levels but far exceeded expectations. The Brussels Seafood Show rebounded significantly from the previous year's event, increasing sales by over $500 million, largely due to the limited participation in FY 2016. The Gulfood Dubai Show also exceeded expectations with increases of nearly $300 million.

[3] FY 2018 remained higher than expected due to the continued strength of the Brussels Seafood Show.

Challenges for the Future

USDA's "Outlook for U.S. Agricultural Trade", August 29, 2019, projects U.S. agricultural trade at $134.5 billion for FY 2019, $8.9 billion below FY 2018. This decrease is primarily due to lower exports of corn, soybeans, and other oilseeds, largely due to trade tensions with China and reduced demand due to African Swine Fever. U.S. agricultural exports to China are expected to decline by nearly $8 billion, compared to FY 2018. On the other hand, U.S. agricultural exports to the Western Hemisphere and Europe are projected to increase by $900 million each, and to Africa by $200 million. USDA's ERS reported that per capita world GDP growth is expected to decrease from 2.1 percent in 2018 to 1.5 percent in 2019. Slower economic growth and continued trade tensions increase current uncertainty in markets. However, FY 2020 U.S. agricultural exports are forecast at $137.0 billion, primarily driven by anticipated higher exports of pork, beef, soybeans, and horticultural products. The next USDA/ERS release is November 28, 2019.

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 (GSM-102) Program is to increase sales of U.S. agricultural commodities to international markets by facilitating the extension of export credits to countries, mainly developing 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 GSM-102 Program supports the involvement of foreign public and private sector banks and 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.

In FY 2019, GSM-102 program supported $2 billion in agricultural commodity exports. The program exceeded its targeted economic return ratio of $102 per dollar invested. The Economic Return Ratio is calculated using gross default estimates and does not take into consideration expected recoveries on claims paid.

The GSM-102 Program continues to be critical in supporting sales of U.S. commodities to many markets. [5]Accomplishments for FY 2019 include:

- The GSM-102 program supported $746 million in U.S. yellow corn sales in FY 2019. U.S. yellow corn sales under the program to Jamaica, Costa Rica, and Colombia accounted for 38, 27, and 17 percent, respectively, of all U.S. yellow corn exports to these countries in FY 2019. The GSM-102 program also supported virtually all U.S. yellow corn sales ($5 million) to Ecuador. The GSM-102 program helps U.S. exports to compete with other major yellow corn suppliers, such as Argentina, in these markets.

[5] GSM-102 sales as a percentage of overall U.S. exports during the government fiscal year (October through September) are based on total U.S. export data through August 31, 2019. Data for September is not yet available.

- Soybeans are the second largest commodity supported by the GSM-102 program, with $478 million in sales for FY 2019. U.S. soybean sales under the program to Panama, Mexico, and Tunisia accounted for 22, 16, and 13 percent, respectively, of all U.S. soybean exports to these countries in FY 2019. With the help of the GSM-102 program, the United States was able to compete in Tunisia's soybean market against competitors Brazil and Ukraine.

- The GSM-102 program supported $322 million of U.S. soybean meal sales in FY 2019. U.S. soybean meal sales under the program to Dominican Republic, Ecuador, and Honduras accounted for 35, 27, and 20 percent, respectively, of all U.S. soybean meal exports to these countries in FY 2019. With the help of the GSM-102 program, the United States gained market share in Ecuador in FY 2019 and captured a larger piece of an expanding market.

- The GSM-102 program supported $316 million in U.S. wheat sales for FY 2019. U.S. wheat sales under the program to Algeria, Kenya, and South Korea accounted for 34, 24, and 23 percent respectively, of all U.S. wheat exports to these countries in FY 2019. With the help of the GSM-102 program, the United States was also able to ship $2.3 million of wheat to Uganda in FY 2019, re-entering the Ugandan wheat market for the first time since FY 2012, and accounting for 92 percent of all U.S. wheat sales to Uganda.

During FY 2019, USDA conducted 18 outreach initiatives (reaching over 800 stakeholders) to increase program usage and ensure program benefits reached a broad array of U.S. agricultural producers. This included briefings to exporters of U.S. agricultural products, domestic banks, overseas buyers, and foreign financial institutions. As a result, USDA brought two new exporters into the program that diversified the portfolio of commodities shipped under GSM-102. Those new-to-program exporters registered the only sales of live dairy cattle and wine under the GSM-102 program for FY 2019. USDA also added two new U.S. financial institutions to the program, which should increase program usage rates and spur additional sales by giving exporters more choice in banking.

Table 10: Summary of Performance Measure for GSM

Performance Measure	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019		
					Target	Actual	Result
Estimated trade value resulting from USDA GSM export credit guarantee program (dollars in billions)	$1.87	$2.21	$1.62	$2.02	$1.90	$2.02	Exceeded
Threshold range: +/- 0.25 billion							
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 represent results for the fiscal year based on data available as of September 30, 2019.

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 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.

Table 11: Summary of Performance Measure for Economic Return Ratio

Performance Measure	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019		
					Target	Actual	Result
Economic Return Ratio	$(109/1)	$(106/1)	$(101/1)	$(103/1)	$(102/1)	$(103/1)	Exceeded
Threshold range: +/- $5.00/1							
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 results for the fiscal year as of September 30, 2019.							
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 2020 presents both challenges and opportunities for the GSM-102 Program. Program usage typically runs countercyclical to global financial stability. Uncertainties in the global economic environment, especially relating to emerging markets (the primary focus of the GSM program), and changes in local interest rates and bank liquidity will create program demand shifts as commercial financing availability changes.

USDA will continue to work to bring additional U.S. and foreign financial institutions into the program to expand options for U.S. exporters. Two new U.S. banks were added to the program in FY 2019. Work will also continue to make U.S. exporters aware of GSM-102 program benefits. Two new-to-program exporters registered the only sales of live dairy cattle and wine under the GSM-102 program for FY 2019.

Operation for the revised Facility Guarantee Program (FGP) began in FY 2017. 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. 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. No guarantees were issued under this program in FY 2019, but USDA continues outreach efforts to increase industry's awareness of the program.

Part III: Financial Section

Message from the Chief Financial Officer

As Chief Financial Officer of the Commodity Credit Corporation (CCC), I am pleased to present CCC's fiscal year 2019 and 2018 consolidated financial statements, related notes, and other information. CCC remains committed to improvement of financial management processes, transparency, and accountability.

CCC's financial condition is linked to the global marketplace and is subject to the volatility caused by extreme weather conditions, natural disasters, evolving conservation practices, and retaliatory tariffs. CCC's programs, which are predominantly administered by the Farm Service Agency (FSA), aim to carry out its mission to provide high quality services to the Nation's agricultural community and to proactively respond to worldwide agricultural needs.

This year, CCC earned an unmodified audit opinion on fiscal year 2019 consolidated financial statements. CCC's financial statements include comparative information from fiscal years 2019 and 2018, giving CCC its first comparative annual report since 2014. CCC has worked diligently throughout the year to address, correct, and mitigate issues raised by its auditor. CCC remains committed to accountability and transparency; and recognizes there is still work required as we eliminate outstanding deficiencies, material weaknesses, and matters of noncompliance associated with ADA and FFMIA as described in Exhibits of the audit report. We will continue to devote a considerable amount of resources to resolving these issues and are looking forward to improved processes during Fiscal Year 2020.

CCC's consolidated financial statements, included herein, report the financial position, results of operations, and status of budgetary resources for fiscal years 2019 and 2018. These statements comply, where relevant, with the format prescribed by OMB in the form and content of Federal financial statements (Circular A-136) and are in accordance with generally accepted accounting principles for Federal entities. 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 CCC for their continued dedication and hard work this past year. It is through their effective and efficient efforts that 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,

Margo E Erny

Margo E Erny
Chief Financial Officer
Commodity Credit Corporation

Introduction to the Consolidated Financial Statements, Required Supplementary Information, and Other Information

The Consolidated Financial Statements have been prepared to report the financial position and results of CCC operations. The statements have been prepared from the books and records of CCC in accordance with U.S. GAAP as promulgated by FASAB. In addition, the consolidated financial statements are in accordance with OMB and Department of the Treasury directives to monitor and control the status and use of budgetary resources.

CCC's consolidated financial statements and related Notes for FYs 2019 and 2018 consist of the following:

The Consolidated Balance Sheets present those resources owned or managed by CCC as of September 30, 2019 and 2018 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 net position consists of $100 million of Capital Stock, Unexpended Appropriations, and Cumulative Results of Operations.

The Consolidated Statements of Net Cost present the net cost of CCC operations, which are comprised of the gross costs incurred by CCC less any exchange revenue earned from CCC activities for the FYs ended September 30, 2019 and 2018.

The Consolidated Statements of Changes in Net Position present the change in CCC's net position resulting from the net cost of CCC operations, budgetary financing sources other than exchange revenues, capital stock, and other financing sources for the FYs ended September 30, 2019 and 2018.

The Combined Statements of Budgetary Resources present budgetary resources available to CCC, the use or status of these resources at year-end, and net outlays of budgetary resources for the years ended September 30, 2019 and 2018. Subject to Appropriation Law, 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 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 Notes to the Consolidated Financial Statements are an integral part of the financial statements. They provide explanatory information or additional detail to help readers understand, interpret, and use the data presented.

CCC's Required Supplementary Information (RSI), and Other Information (OI) for FYs 2019 and 2018 consist of the following:

RSI contains a Combining Schedule of Budgetary Resources by Major Fund for FYs 2019 and 2018 that provides additional information on amounts presented in the Combined Statements of Budgetary Resources.

OI contains the Summary of Financial Statement Audit and Management Assurances, Payment Integrity, and Fraud Reduction Report, in accordance with OMB Circular A-136, *Financial Reporting Requirements*.

Commodity Credit Corporation

CONSOLIDATED BALANCE SHEETS

As of September 30, 2019 and 2018

(In Millions)

	2019	2018
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 3,107	$ 2,897
Accounts Receivable (Note 4)	5	3
Total Intragovernmental Assets	$ 3,112	$ 2,900
Cash and Other Monetary Assets (Note 3)	114	71
Accounts Receivable, Net (Note 4)	155	61
Commodity Loans, Net (Note 5)	570	476
Direct Loans and Loans Guarantees, Net (Note 6)	2,028	2,189
Commodity Inventory and Related Property (Note 7)	23	46
Advances to Others (Note 9)	114	90
Total Assets	$ 6,116	$ 5,833
General Property and Equipment (Note 8)		
Liabilities (Note 10):		
Intragovernmental:		
Accounts Payable	$ 5	$ 3
Debt to the Treasury (Note 11)	26,364	10,647
Resources Payable to Treasury (Note 13)	711	827
Excess Subsidy Payable to Treasury (Note 13)	23	30
Accrued Liabilities (Note 15)	1	-
Other Liabilities (Note 13)	2	4
Total Intragovernmental Liabilities	$ 27,106	$ 11,511
Accounts Payable	501	118
Grants Payable (Note 12)	182	208
Loan Guarantee Liability (Note 6)	2	4
Environmental and Disposal Liabilities (Note 14)	31	21
Accrued Liabilities (Note 15)	4,650	4,829
Other Liabilities (Note 13)	33	32
Total Liabilities	$ 32,505	$ 16,723
Commitments and Contingencies (Note 16)		
Net Position:		
Capital Stock	$ 100	$ 100
Unexpended Appropriations	1,901	1,761
Cumulative Results of Operations	(28,390)	(12,751)
Total Net Position	$ (26,389)	$ (10,890)
Total Liabilities and Net Position	$ 6,116	$ 5,833

The accompanying notes are an integral part of the financial statements.

Commodity Credit Corporation

CONSOLIDATED STATEMENTS OF NET COST

For the Years Ended September 30, 2019 and 2018
(In Millions)

Strategic Goals (Note 17):	2019	2018
Provide a Financial Safety Net for Farmers and Ranchers		
Direct Program Gross Cost	$ 18,433	$ 4,497
Imputed Cost	753	693
Total Gross Cost	19,186	5,190
Less: Earned Revenue	331	124
Net Goal Cost	$ 18,855	$ 5,066
Increase Stewardship of Natural Resources While Enhancing the Environment		
Direct Program Gross Cost	$ 1,873	$ 2,043
Imputed Cost	399	499
Total Gross Cost	2,272	2,542
Less: Earned Revenue	10	10
Net Goal Cost	$ 2,262	$ 2,532
Ensure Commodities are Procured and Distributed Effectively and Efficiently		
Direct Program Gross Cost	$ 1,194	$ 183
Imputed Cost	39	93
Total Gross Cost	1,233	276
Less: Earned Revenue	26	26
Net Goal Cost	$ 1,207	$ 250
Increase U.S. Food and Agricultural Exports		
Direct Program Gross Cost	$ 1,787	$ 1,830
Imputed Cost	1	6
Total Gross Cost	1,788	1,836
Less: Earned Revenue	65	75
Net Goal Cost	$ 1,723	$ 1,761
Total Direct Program Gross Cost	$ 23,287	$ 8,553
Total Imputed Cost	1,192	1,291
Total Gross Cost	24,479	9,844
Less: Total Earned Revenue	432	235
Net Cost of Operations	$ 24,047	$ 9,609

The accompanying notes are an integral part of the financial statements.

Commodity Credit Corporation
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2019 and 2018
(In Millions)

	2019	2018
Capital Stock	$ 100	$ 100
Unexpended Appropriations:		
Beginning Balance	$ 1,761	$ 1,756
Budgetary Financing Sources:		
Appropriations Received	12,666	16,097
Other Adjustments	(2)	(1)
Appropriations Used	(12,524)	(16,091)
Total Budgetary Financing Sources	$ 140	$ 5
Total Unexpended Appropriations	$ 1,901	$ 1,761
Cumulative Results of Operations:		
Beginning Balance	$ (12,751)	$ (16,130)
Budgetary Financing Sources:		
Appropriations Used	12,524	16,091
Non-exchange Revenue	7	5
Transfers in/out without Reimbursement, Net	(5,158)	(4,164)
Other Financing Sources (Non-Exchange):		
Imputed Revenue	1,192	1,291
Other	(157)	(235)
Total Financing Sources	$ 8,408	$ 12,988
Net Cost of Operations	(24,047)	(9,609)
Net Change	$ (15,639)	$ 3,379
Cumulative Results of Operations	$ (28,390)	$ (12,751)
Net Position	$ (26,389)	$ (10,890)

The accompanying notes are an integral part of the financial statements.

Commodity Credit Corporation
COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2019 and 2018
(In Millions)

	2019 Budgetary	2019 Non-Budgetary Credit Reform Financing Accounts	2018 Budgetary	2018 Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated balance from prior year budget authority, net (Note 18)	$ 1,035	$ 82	$ 3,277	$ 75
Appropriations (discretionary and mandatory)	1,777	-	1,815	-
Borrowing Authority (discretionary and mandatory)	27,128	334	9,888	340
Spending authority from offsetting collections (discretionary and mandatory)	29	86	46	87
Total Budgetary Resources	$ 29,969	$ 502	$ 15,026	$ 502
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 29,392	$ 351	$ 14,385	$ 345
Unobligated balance, end of year:				
Apportioned, unexpired accounts	215	38	341	74
Unapportioned, unexpired accounts	361	113	299	83
Unexpired unobligated balance, end of year	576	151	640	157
Expired unobligated balance, end of year	1	-	1	-
Total unobligated balance, end of year	577	151	641	157
Total Budgetary Resources	$ 29,969	$ 502	$ 15,026	$ 502
Outlays, Net:				
Outlays, net (discretionary and mandatory)	$ 22,827	$ (19)	$ 12,442	$ (90)
Distributed offsetting receipts	(1)	(48)	(2)	(30)
Agency Outlays, net (discretionary and mandatory)	$ 22,826	$ (67)	$ 12,440	$ (120)

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Reporting Entity

Commodity Credit Corporation (CCC) is a federal corporation operating within and through USDA. CCC's statutory authority for its operations is found in the CCC Charter Act, 15 U.S.C. 714, and et seq. Included within the consolidated financial statements are all funds/programs for which CCC has control and/or administrative assignment in accordance with SFFAS No. 47, *Reporting Entity*.

Basis of Presentation

The Corporation's consolidated financial statements report the financial position and results of operations of CCC. These statements have been prepared from the accounting records of CCC as of September 30, 2019 and September 30, 2018, in accordance with U.S. GAAP promulgated by Financial Accounting Standards Advisory Board (FASAB). These statements have 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. All dollar amounts are presented using U.S. currency and in millions unless otherwise noted.

Basis of Accounting

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. 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 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.

All material intra-agency activity has been eliminated for presentation on a consolidated basis, except for the Statements of Budgetary Resources, which are presented on a combined basis in accordance with OMB Circular A-136, as revised, *Financial Reporting Requirements*.

Note 1 - Significant Accounting Policies, Continued

Allocation Transfers

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 by the Department of the Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers are credited to this account, and subsequent obligation and outlay activity 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 transportation and other administrative costs in connection with foreign donations of commodities. In accordance with U.S. GAAP, CCC reports USAID's financial activity for which it is the parent.

Fund Balance with Treasury

CCC disbursements are made by checks or electronic funds transfers that are deducted from CCC's account at the Department of the Treasury.

The Department of the Treasury requires that the FBWT amounts reported via Governmentwide Treasury Account Symbol Adjusted Trial Balance System be reconciled to the Department of the 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, Department of the 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 the Department of the 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.

Note 1 - Significant Accounting Policies, Continued

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.

Commodity Loans

Commodity loans include both recourse and nonrecourse loans to producers of designated agricultural commodities. Such loans are statutorily exempt from the accounting and reporting requirements of the Federal Credit Reform Act of 1990 (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.

Direct Loans and Loan Guarantees

FCRA applies to direct loans and loan guarantees made on or after October 1, 1991 (Post-1991). CCC programs subject to credit reform requirements consist of:

- Direct loans extended under P.L. 480 Title I, Economic Assistance and Food Security;
- Restructured direct loans within the Debt Reduction Fund;
- Direct loans in the Export Credit Guarantee program in the form of rescheduled agreements;
- Direct loans, including microloans, made to producers to build or upgrade farm, sugar storage and handling facilities, and for other purposes;
- Direct loans made to apple producers who incurred losses due to low market prices;
- Direct loans made to the Texas Boll Weevil Eradication Foundation; and
- Export Credit Guarantees extending credit to encourage financing of commercial exports of U.S. agricultural commodities.

Note 1 - Significant Accounting Policies, Continued

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.
- 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.
- The financing account is the non-budget account or accounts associated with each credit program account that holds balances, receives the subsidy cost 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 and Presentation

CCC records and reports direct loans and loan guarantees initiated after September 30, 1991 on a present value basis in accordance with FCRA and 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.* The difference between the outstanding principal of these receivables and the present value of their net cash inflows is recognized as a subsidy cost allowance; the present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees. CCC has

Note 1 - Significant Accounting Policies, Continued

elected to value its loans initiated before October 1, 1991 (Pre-1992) using the present value method. The net present value of Direct Loans and Loan Guarantees, Net, as shown in the Balance Sheets, is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

In estimating net present values, the discount rate is the average interest rate on marketable Department of the 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 direct loans and loan guarantee receivables as it is earned using simple interest calculations based upon a 365-day year. A repayment scheduled under a credit agreement with an installment payment in arrears more than 90 days is classified as non-performing. Refer to Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers for additional information.

Commodity Inventory

Commodity inventory, referred to as goods held under price support and stabilization programs in 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. Commodities are eventually sold or otherwise disposed of to help satisfy economic goals. Acquisition is generally made through commodity loan forfeitures, use of Commodity Certificate Exchange (CCE), or by purchase of commodities on the open market.

Commodity inventory is 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 Inventory and Related Property, Net.

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.

Note 1 - Significant Accounting Policies, Continued

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, 2019 and 2018, CCC's property and equipment were 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 include liabilities incurred for which revenues or other sources of funds necessary to pay the liabilities have not been made available through congressional appropriations, apportionments or current earnings of CCC. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources. Refer to Note 10 – Liabilities Not Covered by Budgetary Resources for additional information.

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.

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 liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, and budgetary accounts during the reporting period. For example,

Note 1 - Significant Accounting Policies, Continued

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. In addition, certain programs require management to make estimates and assumptions that affect the reported amounts of UDOs at the date of the financial statements, and the reported amounts of budgetary accounts during the reporting period. Actual results could differ from those estimates.

Borrowing Authority Sequestration

Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of Budget*, provides an exception for budgetary resources sequestered in revolving accounts to remain as an unavailable balance in the original funding account rather than being returned to the General Fund of the Treasury. In accordance with this guidance, CCC retains the temporary reductions for programs, unavailable for obligations, within CCC's permanent indefinite borrowing authority. Amounts temporarily sequestered are then made available in the subsequent year if specifically authorized through an apportionment.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These changes in classification do not affect previously reported amounts on the consolidated financial statements.

Note 2 – Fund Balance with Treasury

FBWT as of September 30, 2019 and 2018, were as follows:

Table 12: Fund Balance with Treasury

	(In Millions) 2019	2018
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	$ 253	$ 415
Unavailable	475	383
Obligated Balance not yet Disbursed	18,785	20,448
Subtotal	$ 19,513	$ 21,246
Less: Borrowing Authority not yet Converted to Fund Balance and Other	(16,406)	(18,349)
Total Fund Balance with Treasury	$ 3,107	$ 2,897

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. Borrowing Authority not yet Converted to Fund Balance represents unobligated and obligated amounts recorded as of September 30, 2019 and 2018, which will be funded by future borrowings.

CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11. Borrowing authority permits the Corporation to incur obligations and authorizes it to borrow funds to liquidate the obligations.

Note 3 – Cash and Other Monetary Assets

As of September 30, 2019, and 2018, CCC had $114 million and $71 million in undeposited collections, respectively.

Note 4 – Accounts Receivable, Net

Accounts Receivable as of September 30, 2019 and 2018, were as follows:

Table 13: Accounts Receivable, Net

	(In Millions) 2019	2018
Total Intragovernmental Accounts Receivable	$ 5	$ 3
Public:		
MFP Receivable	$ 49	$ -
MAL Receivable	47	6
DMC/MPP Receivable	11	6
NAP Receivable	10	5
Farm Storage Facility Loan Receivable	8	10
Other	42	43
Subtotal	$ 167	$ 70
Less: Allowance for Doubtful Accounts	(12)	(9)
Total Public Accounts Receivable, Net	$ 155	$ 61

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

Note 5 – Commodity Loans, Net

Commodity Loans Receivable, by commodity, net, as of September 30, 2019 and 2018, were as follows:

Table 14: Commodity Loans Receivable by Commodity, Net

	(In Millions) 2019		(In Millions) 2018	
Corn	$	131	$	153
Wheat		119		86
Cotton		105		70
Peanuts		84		96
Soybeans		82		36
Pulses		17		5
Rice		16		13
Other Commodities		13		13
Subtotal Commodity Loans	$	567	$	472
Inactive Commodity Loans in Collection		1		1
Accrued Interest Receivable		8		5
Loans Receivable - Unapplied Receipts		(2)		(1)
Total Commodity Loans, Gross		574		477
Less: Allowance for Losses		(4)		(1)
Total Commodity Loans, Net	$	570	$	476

Commodity loans (MALs) include both recourse and non-recourse loans. Recourse loans must be repaid at principal plus interest by the maturity date. The recourse loan commodity cannot be delivered or forfeited in satisfaction of the outstanding loan. For nonrecourse loans, producers have the option to: (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 CCE if the market rate is less than the loan rate; or (d) forfeit the commodity in satisfaction of the loan at maturity.

Commodity Loans in Collection consist primarily of defaulted loans which have been turned over to the Billings and Collections Operations Section for collection action, including offset against future program payments.

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

CCC values both pre and post credit reform loans and loan guarantees on a net present value basis.

For credit reform programs, 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. CCC utilizes the Credit Subsidy Calculator (CSC) to compute the subsidy reestimates annually. The CSC is an OMB tool for performing credit calculations, incorporating both financing account interest and cash flow amounts.

For pre-credit reform programs, an allowance for loan loss is determined by CCC's liquidating allowance model which incorporates market conditions, interest rates, and credit ratings while determining allowance on loans.

Based on management analysis and judgment, certain loans with significant periods of non-performance are written off for financial statement purposes. Statutorily, forgiveness (write-off) of loans is governed by the requirements of 22 U.S.C. 2430c for any actual write-offs. 22 U.S.C. 2430c states that only the President of the United States has the authority to approve the write-off of foreign loans. When loans are written off for financial statement purposes, the unpaid principal and interest of the loans, along with the associated amount for the allowance, are removed from the general ledger but remain in the subsidiary loan system for monitoring.

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 GSM-102 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.

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

Under 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 guaranteed. In the event 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. CCC may offer coverage of up to 100 percent of the net contract value, less the initial payment.

Direct Credit Programs – Export

Under the CCC Export Credit Guarantees program, several cohorts have had defaults and claims 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. 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.

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

Direct Credit Programs – Debt Reduction

The Debt Reduction Fund is used to account for modified foreign debt. Debt is considered to have been modified if the original debt has been reduced or the interest rate of the agreement is changed. The Debt Reduction Fund is the financing fund for modification of defaulted foreign loans, both direct and guaranteed. Modifications moved to this fund must be approved by OMB and State Department.

Direct Credit Programs – Domestic

The Farm Storage Facility Loan (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 3, 5, 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 Department of the Treasury securities of comparable maturity.

Included within the FSFL program is the Farm Storage Microloan program, which is designed to help producers, including new, small and mid-sized producers, grow their businesses and markets. Such loans are smaller in amount and are available for portable handling and storage equipment in addition to traditional on-farm storage facilities. The program offers more flexible access to credit and serves as an attractive loan alternative for smaller farming operations. 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. Only one loan has been approved and disbursed for $3.9 million in the 2013 cohort.

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.

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

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.

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 SSFL loans that were obligated on or after October 1, 1991 (Post-1991), and related interest receivable outstanding as of September 30, 2019 and 2018 are shown in Table 15. Defaulted credit guarantees, and related interest receivable are also presented in Table 15.

Table 15: Direct Loans and Defaulted Guaranteed Loans, Net

(In Millions)

	Loans Receivable, Gross	Interest Receivable	Present Value Allowance	Value Of Assets Related to Loans
2019				
Direct Loans:				
Obligated Pre-1992				
P.L. 480 Title 1	$ 640	$ 9	$ (90)	$ 559
Pre-1992 Total	$ 640	$ 9	$ (90)	$ 559
Obligated Post-1991				
P.L. 480 Title 1	$ 448	$ 7	$ (72)	$ 383
Debt Reduction Fund	97	1	(18)	80
Farm Storage Facility	789	11	(61)	739
Farm Storage Microloans	52	1	(1)	52
Boll Weevil Program	3	-	(1)	2
Sugar Storage Facility	3	-	-	3
Post-1991 Total	$ 1,392	$ 20	$ (153)	$ 1,259
Total Direct Loan Program Receivables	$ 2,032	$ 29	$ (243)	$ 1,818
Defaulted Guaranteed Loans:				
Post-1991				
Export Credit Guarantee Programs	$ 417	$ 12	$ (219)	$ 210
Post-1991 Total	$ 417	$ 12	$ (219)	$ 210
Total Defaulted Guaranteed Loans	$ 417	$ 12	$ (219)	$ 210
Total Direct Loans and Defaulted Guaranteed Loans, Net	$ 2,449	$ 41	$ (462)	$ 2,028
2018				
Direct Loans:				
Obligated Pre-1992				
P.L. 480 Title 1	$ 843	$ 11	$ (178)	$ 676
Pre-1992 Total	$ 843	$ 11	$ (178)	$ 676
Obligated Post-1991				
P.L. 480 Title 1	$ 508	$ 8	$ (84)	$ 432
Debt Reduction Fund	104	1	(18)	87
Farm Storage Facility	749	10	(41)	718
Farm Storage Microloans	40	-	-	40
Boll Weevil Program	4	-	(1)	3
Sugar Storage Facility	3	-	-	3
Post-1991 Total	$ 1,408	$ 19	$ (144)	$ 1,283
Total Direct Loan Program Receivables	$ 2,251	$ 30	$ (322)	$ 1,959
Defaulted Guaranteed Loans:				
Post-1991				
Export Credit Guarantee Programs	$ 439	$ 10	$ (219)	$ 230
Post-1991 Total	$ 439	$ 10	$ (219)	$ 230
Total Defaulted Guaranteed Loans	$ 439	$ 10	$ (219)	$ 230
Total Direct Loans and Defaulted Guaranteed Loans, Net	$ 2,690	$ 40	$ (541)	$ 2,189

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

Disbursements

Table 16 shows new direct loans disbursed by CCC for the FYs ended September 30, 2019 and 2018:

Table 16: Total Amount of Direct Loans Disbursed (Post-1991)

	(In Millions) 2019	2018
Direct Loan Programs		
Farm Storage Facility	$ 194	$ 178
Farm Storage Microloans	20	24
Total Direct Loans Disbursed	$ 214	$ 202

Table 17: 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 Sheets.

For the FYs ended September 30, 2019 and 2018, credit guaranteed disbursements were as follows:

Table 17: Guaranteed Loans Disbursed

	(In Millions) 2019		2018	
Loan Guarantee Programs	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Export Credit Guarantee Programs	$ 1,992	$ 1,951	$ 1,961	$ 1,918
Total Guaranteed Loans Disbursed	$ 1,992	$ 1,951	$ 1,961	$ 1,918

Guaranteed Loans Outstanding

Table 18 contains the outstanding principal guaranteed as of September 30, 2019 and 2018. This represents the outstanding principal, at face value and guaranteed amounts owed by foreign financial institutions to exporters or assignee U.S. financial institutions participating in the program.

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

Table 18: Guaranteed Loans Outstanding

(In Millions)

Loan Guarantee Programs	2019 Outstanding Principal, Face Value	2019 Outstanding Principal, Guaranteed	2018 Outstanding Principal, Face Value	2018 Outstanding Principal, Guaranteed
Export Credit Guarantee Programs	$ 1,901	$ 1,863	$ 1,877	$ 1,840
Total Guaranteed Loans Outstanding	$ 1,901	$ 1,863	$ 1,877	$ 1,840

Loan Guarantee Liability

The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees in the GSM program which 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.

As of September 30, 2019 and 2018, Loan Guarantee Liability (Present Value Method) was as follows:

Table 19: Loan Guarantee Liability (Present Value Method for Post-1991 Guarantees)

(In Millions)

Loan Guarantee Programs	2019 Loan Guarantee Liability, Present Value	2018 Liabilities for Loan Guarantees , Present Value
Export Credit Guarantee Programs	$ 2	$ 4
Total Loan Guarantee Liability	$ 2	$ 4

Subsidy Expense

Total direct loan subsidy expense is a combination of subsidy expense for new direct loans disbursed in the current FY, modifications to existing loans, and technical and interest rate reestimates to existing loans. Subsidy reestimates are calculated on cumulative disbursements for all budget FYs 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 FYs ended September 30, 2019 and 2018, are shown below.

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

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

2019 (In Millions)

Direct Loan Programs	Interest Differential	Fees and Other Collections	Subtotal Subsidy	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
P.L. 480 Title 1	$ -	$ -	$ -	$ -	$ 22	$ 22	$ 22
Defaulted Export Credit Guarantee	-	-	-	-	(12)	(12)	(12)
Farm Storage Facility	(1)	(2)	(3)	2	17	19	16
Farm Storage Microloans	-	-	-	-	1	1	1
Total Direct Loan Subsidy Expense	$ (1)	$ (2)	$ (3)	$ 2	$ 28	$ 30	$ 27

2018 (In Millions)

Direct Loan Programs	Interest Differential	Fees and Other Collections	Subtotal Subsidy	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
P.L. 480 Title 1	$ -	$ -	$ -	$ -	$ (2)	$ (2)	$ (2)
Defaulted Export Credit Guarantee	-	-	-	-	(17)	(17)	(17)
Farm Storage Facility	(2)	-	(2)	2	23	25	23
Boll Weevil Program	-	-	-	1	-	1	1
Total Direct Loan Subsidy Expense	$ (2)	$ -	$ (2)	$ 3	$ 4	$ 7	$ 5

Subsidy expenses related to credit guarantees, net of fees and other collections, and subsidy reestimates for the FYs ended September 30, 2019 and 2018, are shown in Table 21: Subsidy Expense for Loan Guarantees by Program and Component below. Subsidy reestimates are calculated on cumulative disbursements for each cohort.

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

2019 (In Millions)

Loan Guarantee Programs	Fees and Other Collections	Other	Subtotal	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Export Credit Guarantee Programs	$ 9	$ (5)	$ 4	$ (6)	$ (6)	$ (2)
Total Loan Guarantees Subsidy Expense	$ 9	$ (5)	$ 4	$ (6)	$ (6)	$ (2)

2018 (In Millions)

Loan Guarantee Programs	Fees and Other Collections	Other	Subtotal	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Export Credit Guarantee Programs	$ 10	$ (3)	$ 7	$ (7)	$ (7)	$ -
Total Loan Guarantees Subsidy Expense	$ 10	$ (3)	$ 7	$ (7)	$ (7)	$ -

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 22: Subsidy Rates for Direct Loans by Program and Component and Table 23: Subsidy Rates for Loan Guarantees by Program and Component pertain only to FY 2019 and FY 2018 cohorts. 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 the current year could result from disbursements of loans from both the current year and prior year cohorts. The subsidy expense reported in the current year also includes reestimates. For the FYs ended September 30, 2019 and 2018, 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 22: Subsidy Rates for Direct Loans by Program and Component

2019

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Storage Facility	(0.24%)	0.02%	(0.27%)	(0.02%)	(0.52%)*
Farm Storage Microloans	(0.24%)	0.02%	(0.27%)	(0.02%)	(0.52%)*
Sugar Storage Facility	(1.00%)	0.03%	-	0.02%	(0.96%)*
Boll Weevil	(0.16%)	-	-	(0.05%)	(0.21%)

2018

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Storage Facility	(0.97%)	0.02%	(0.27%)	(0.05%)	(1.27%)
Farm Storage Microloans	(0.97%)	0.02%	(0.27%)	(0.05%)	(1.27%)
Sugar Storage Facility	(2.37%)	0.03%	-	-	(2.35%)*
Boll Weevil	(0.54%)	-	-	(0.15%)	(0.69%)

* - Totals are derived from White House data. Component percentages may be rounded.

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

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

Table 23: Subsidy Rates for Loan Guarantees by Program and Component

2019

Guaranteed Loan Programs	Defaults	Fees and Other Collections	Total
GSM-102	0.27%	(0.49%)	(0.22%)
Export Credit Guarantee Programs - Facilities	1.09%	(3.61%)	(2.52%)

2018

Guaranteed Loan Programs	Defaults	Fees and Other Collections	Total
GSM-102	0.32%	(0.51%)	(0.19%)
Export Credit Guarantee Programs - Facilities	0.71%	(3.57%)	(2.86%)

Schedule for Reconciliation

Subsidy Allowance in Table 24: Subsidy Cost Allowance (Direct Loans) includes subsidy for both direct loans and loans receivable derived from those defaulted guaranteed loans as of September 30, 2019 and 2018.

Table 24: Subsidy Cost Allowance (Direct Loans)

	(In Millions) 2019	2018
Beginning Balance of the Subsidy Cost Allowance	$ 363	$ 383
Add: Subsidy expense for direct loans disbursed during the year by component		
Interest Rate Differential Costs	(1)	(2)
Fees and Other Collections	(2)	-
Total Subsidy Expense prior to Adjustments and Reestimates	(3)	(2)
Adjustments:		
Loans Written Off	$ 1	$ (2)
Subsidy Allowance Amortization	(2)	(14)
Accruals - Default Reestimates	1	(12)
Other	(18)	3
Total Subsidy Cost Allowance before Reestimates	$ 342	$ 356
Add or Subtract Reestimates by Component:		
Interest Rate Reestimate	$ 2	$ 3
Technical/Default Reestimate	28	4
Total Reestimates	$ 30	$ 7
Ending Balance of the Subsidy Cost Allowance	$ 372	$ 363

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

The change in the liability for credit guarantees as of September 30, 2019 and 2018 were as follows:

Table 25: Schedule for Reconciling Loan Guarantee Liability

	(In Millions) 2019	2018
Beginning balance of the loan guarantee liability	$ 4	$ 13
Add: Subsidy expense for guaranteed loans disbursed during the year by component		
Fees and other collections	9	10
Other subsidy costs	(5)	(3)
Total of the above subsidy expense components	$ 4	$ 7
Adjustments:		
Other	$ -	$ (9)
Ending balance of the Loan Guarantee Liability before reestimates	$ 8	$ 11
Add or Subtract reestimates by component:		
Technical/default reestimate	$ (6)	$ (7)
Total of the above reestimate components	$ (6)	$ (7)
Ending balance of the loan guarantee liability	$ 2	$ 4

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 foreign 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. Rescheduling agreements, whereby loan terms are changed, allow CCC to add uncollected interest to the principal balance of foreign credit and other receivables (capitalized interest). CCC records an allowance to reduce the receivable, including the capitalized interest, to the present value of future cash flows. Interest income is recognized only when, in management's judgment, debtors have demonstrated the ability to repay the debt in the normal course of business.

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

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

There are no measurable events or pending legislation at this time that may affect subsidy rates and reestimates in the future. The Farm Storage, GSM, and P.L. 480 models were not updated in FY 2019 and remain the same as those used in the previous reestimate.

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. Upward reestimates which indicate an increase in the subsidy cost are financed by permanent indefinite authority.

P.L. 480 Title I Direct Credit

The total reestimate for P.L. 480 program is a net upward of $22.4 million, consisting of $24.6 million upward and $2.2 million downward. The interest reestimate was comprised of $18.7 million of the upward reestimate and $1.7 million of the downward reestimate. The inclusion of payment-specific write-down assumptions, which were not included in the executed 2020 President's Budget estimates, resulted in higher forecasted defaults net of recoveries and was the primary driver of the net upward reestimate for the program. Refer to Table 20: Subsidy Expense for Direct Loans by Program and Component for a summary on the direct loan reestimates.

Farm Storage Facility Loans

The total reestimate for FSFL program is a net upward of $19.1 million, consisting of $19.2 million upward and $0.1 million downward. There were upward reestimates of $2.1 million to $3.4 million in cohorts 2010 and 2013 through 2017, which is responsible for 83 percent of the upward reestimate amount. Refer to Table 20: Subsidy Expense for Direct Loans by Program and Component for a summary on the direct loan reestimates.

FY 2019, when compared to previous FYs, had a notably high rate of prepayments. For cohorts 2010 and 2013 – 2016, differences between actual principal prepayments and prepayments projected in the previous reestimate was the primary driver of the upward reestimate. For these cohorts, prepayments accounted for 28 percent of the total

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

principal payments in FY 2019, compared to a historical average of 19 percent over the previous three FYs. For cohort 2017, forecasted prepayments increased by $7.4 million due to changes in forecasted macroeconomic factors – specifically decreases in 3-year Treasury Bill rates and increases in forecasted GDP growth rates – which was the primary driver of the upward reestimate. In addition, actual prepayments in FY 2019 for cohort 2017 exceeded projections from the previous reestimate by $2.5 million, which also contributed to the upward reestimate for this cohort.

Export Credit Guarantees

The total reestimate for GSM-102 program is a net downward of $9.1 million, consisting of $1.5 million upward and $10.6 million downward. New rescheduled loan agreements, differences between actual and projected FY 2019 default claims and recoveries, and differences between the assumed and actual portfolio composition for cohort 2019 were all factors that affected the net downward reestimate. Cohorts 2008, 2009, 2018, and 2019 accounted for 96 percent of the downward reestimate and cohort 2010 accounted for 76 percent of the upward reestimate. The remaining cohorts had total reestimates of less than $350 thousand.

Refer to Table 20: Subsidy Expense for Direct Loans by Program and Component and Table 21: Subsidy Expense for Loan Guarantees by Program and Component for a summary on the loan guarantee reestimates for defaulted and active guarantee loans, respectively.

The upward reestimate for cohort 2010 is due to $1.1 million fewer ordinary recovery receipts in FY 2019 than previously forecasted. Downward reestimates for cohorts 2008 and 2009 were due to Kazakhstan loans in FY 2019, which increased forecasted recoveries by $3.3 million and $1.5 million respectively. For cohort 2018, there were no FY 2019 default claims or recoveries, and as a result, actual default claims paid net of recoveries in FY 2019 were $3.6 million lower than previously forecasted. For cohort 2019, differences between the actual portfolio composition and the portfolio composition assumed in the budget formulation estimate resulted in fewer defaults claim payments net of recoveries. Specifically, as a percentage of disbursements, forecasted defaults net of recoveries decreased from 0.21 percent to 0.12 percent, which was the main driver of the downward reestimate.

Note 7 – Commodity Inventory and Related Property

Commodity inventory and related property as of September 30, 2019 and 2018 (Values in Thousands) were as follows:

Table 26: Commodity Inventory and Related Property as of September 30, 2019

		Beginning Inventory October 1, 2018		Acquisitions		Collateral Acquired		Other Disposition, Addition, & Deduction		Donations		**Ending Inventory** September 30, 2019	
	Unit of Measure	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Dry Edible Beans	Cwt.	-	$ -	449	$ 36,638	-	$ -	-	$ -	(415)	$ (35,197)	34	$ 1,441
Corn Soya Blend	Pounds	12,119	$ 4,166	95,498	$ 42,613	-	$ -	11	$ 681	(94,120)	$ (42,973)	13,508	$ 4,487
Miscellaneous	Various	XXX	$ 471	XXX	$ 28,093	XXX	$ -	XXX	$ 3,304	XXX	$ (30,934)	XXX	$ 934
Dairy Products	Pounds	-	$ -	3,020	$ 54,806	-	$ -	-	$ -	(3,020)	$ (54,806)	-	$ -
Upland Cotton	CLPS Lbs	-	$ -	-	$ -	42,079	$ 24,517	(42,064)	$ (20,868)	-	$ -	15	$ 3,649
Upland Cotton	Bales	-	-	-	-	402	97,549	(398)	(96,681)	-	-	4	868
Dry Whole Peas	Cwt.	248	$ 5,476	1,712	$ 39,089	-	$ -	-	$ (636)	(1,862)	$ (41,781)	98	$ 2,148
Lentils Dry	Cwt.	-	-	377	9,277	-	-	-	-	(377)	(9,277)	-	-
Corn Meal	Pounds	2,172	$ 542	63,114	$ 12,049	-	$ -	2	$ (121)	(64,761)	$ (12,364)	527	$ 106
Grain Sorghum	Bushels	396	2,877	9,797	50,405	-	-	-	(899)	(10,193)	(52,383)	-	-
Fruit and Nut Products	Pounds	-	$ -	9,509	$ 286,308	-	$ -	-	$ -	(9,509)	$ (286,308)	-	$ -
Peanuts	Pounds	132,952	$ 24,038	-	$ -	194,167	$ 34,560	(300,973)	$ (53,885)	-	$ -	26,146	$ 4,713
Pork Meats	Pounds	-	$ -	38,946	$ 323,862	-	$ -	-	$ -	(38,946)	$ (323,862)	-	$ -
Milled Head Rice	Cwt.	-	$ -	1,679	$ 37,191	-	$ -	-	$ -	(1,525)	$ (33,977)	154	$ 3,214
Other Rice Products	Cwt.	-	-	1,496	32,429	-	-	-	-	(1,496)	(32,429)	-	-
Soybean Meal	Pounds	-	$ -	88,183	$ 15,625	-	$ -	-	$ -	(88,183)	$ (15,625)	-	$ -
Vegetable Oil	Pounds	14,828	$ 8,463	335,234	$ 142,054	-	$ -	-	$ (425)	(346,515)	$ (147,852)	3,547	$ 2,240
Wheat	Bushels	5	$ 14	13,315	$ 137,160	-	$ -	(5)	$ (14)	(13,315)	$ (137,160)	-	-
Total Commodities		**XXX**	**$ 46,047**	**XXX**	**$ 1,247,599**	**XXX**	**$ 156,626**	**XXX**	**$ (169,544)**	**XXX**	**$ (1,256,928)**	**XXX**	**$ 23,800**
Allowance for Losses													$ (404)
Commodity Inventories and Related Property													**$ 23,396**

Note 7 – Commodity Inventory and Related Property, Continued

Table 27: Commodity Inventory and Related Property as of September 30, 2018

	Unit of Measure	Beginning Inventory October 1, 2017		Acquisitions		Collateral Acquired		Other Disposition, Addition, & Deduction		Donations		Ending Inventory September 30, 2018	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Dry Edible Beans	Cwt.	-	$ -	32	$ 897	-	$ -	-	$ -	(32)	$ (897)	-	$ -
Beans Total		**XXX**	**$ -**	**XXX**	**$ 897**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (897)**	**XXX**	**$ -**
Corn Soya Blend	Pounds	4,444	$ 1,736	114,216	$ 38,656	-	$ -	28	$ 263	(106,569)	$ (36,489)	12,119	$ 4,166
Blended Foods Total		**XXX**	**$ 1,736**	**XXX**	**$ 38,656**	**XXX**	**$ -**	**XXX**	**$ 263**	**XXX**	**$ (36,489)**	**XXX**	**$ 4,166**
Miscellaneous	Cwt	-	$ -	-	$ 4,463	-	$ -	-	$ -	-	$ (3,992)	-	$ 471
CCC Total		**XXX**	**$ -**	**XXX**	**$ 4,463**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (3,992)**	**XXX**	**$ 471**
Dry Whole Peas	Cwt.	241	$ 6,748	2,918	$ 64,335	-	$ -	-	$ (182)	(2,911)	$ (65,425)	248	$ 5,476
Lentils Dry	Cwt.	11	356	395	10,415	-	-	-	(54)	(406)	(10,717)	-	-
Dry Whole Peas Total		**XXX**	**$ 7,104**	**XXX**	**$ 74,750**	**XXX**	**$ -**	**XXX**	**$ (236)**	**XXX**	**$ (76,142)**	**XXX**	**$ 5,476**
Corn Meal	Pounds	2,998	$ 871	32,706	$ 6,872	-	$ -	5	$ (288)	(33,537)	$ (6,913)	2,172	$ 542
Grain Sorghum	Bushels	221	2,015	12,014	60,934	-	-	-	3	(11,839)	(60,075)	396	2,877
Feed Grains Total		**XXX**	**$ 2,886**	**XXX**	**$ 67,806**	**XXX**	**$ -**	**XXX**	**$ (285)**	**XXX**	**$ (66,988)**	**XXX**	**$ 3,419**
Peanut Butter	Pounds	-	$ -	-	$ -	-	$ -	12,150	$ 12,985	(12,150)	$ (12,985)	-	$ -
Peanuts	Pounds	55,593	9,678	-	-	155,852	27,970	(78,493)	(13,610)	-	-	132,952	24,038
Peanut Total		**XXX**	**$ 9,678**	**XXX**	**$ -**	**XXX**	**$ 27,970**	**XXX**	**$ (625)**	**XXX**	**$ (12,985)**	**XXX**	**$ 24,038**
Milled Head Rice	Cwt.	11	$ 248	448	$ 9,934	-	$ -	-	$ (42)	(459)	$ (10,140)	-	$ -
Rice Total		**XXX**	**$ 248**	**XXX**	**$ 9,934**	**XXX**	**$ -**	**XXX**	**$ (42)**	**XXX**	**$ (10,140)**	**XXX**	**$ -**
Soybean Meal	Pounds	-	$ -	67,682	$ 14,464	-	$ -	-	$ -	(67,682)	$ (14,464)	-	$ -
Soybeans	Bushels	-	-	132	2,322	-	-	-	-	(132)	(2,322)	-	-
Soybean Total		**XXX**	**$ -**	**XXX**	**$ 16,786**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (16,786)**	**XXX**	**$ -**
Vegetable Oil	Pounds	20,683	$ 13,152	259,162	$ 126,721	-	$ -	-	$ (980)	(265,017)	$ (130,430)	14,828	$ 8,463
Vegetable Oil Products Total		**XXX**	**$ 13,152**	**XXX**	**$ 126,721**	**XXX**	**$ -**	**XXX**	**$ (980)**	**XXX**	**$ (130,430)**	**XXX**	**$ 8,463**
Flour	Pounds	-	$ -	13,291	$ 3,020	-	$ -	2	$ -	(13,293)	$ (3,020)	-	$ -
Wheat	Bushels	17	50	22,264	172,150	28	70	(40)	(106)	(22,264)	(172,150)	5	14
Wheat Total		**XXX**	**$ 50**	**XXX**	**$ 175,170**	**XXX**	**$ 70**	**XXX**	**$ (106)**	**XXX**	**$ (175,170)**	**XXX**	**$ 14**
Total Commodities		**XXX**	**$ 34,854**	**XXX**	**$ 515,183**	**XXX**	**$ 28,040**	**XXX**	**$ (2,011)**	**XXX**	**$ (530,019)**	**XXX**	**$ 46,047**
Commodity Inventory and Related Property													**$ 46,047**

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

Note 7 – Commodity Inventory and Related Property, Continued

Inventory purchases are initially recorded at acquisition cost, including transportation, plus processing and packaging costs incurred after acquisition. Acquisition cost for loan forfeitures is the amount of the loan settlement, excluding interest. 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.

Commodity inventory is 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 FY. CCC has no excess, obsolete or unserviceable inventory.

Note 8 – General Property and Equipment, Net

General Property and Equipment as of September 30, 2019 and 2018, were as follows:

Table 28: General Property and Equipment

	(In Millions)		
2019	Acquisition Value	Accumulated Depreciation	Net Book Value
Equipment	$ 2	$ (2)	$ -
Capitalized Software Costs	95	(95)	-
Total General Property and Equipment	$ 97	$ (97)	$ -

	(In Millions)		
2018	Acquisition Value	Accumulated Depreciation	Net Book Value
Equipment	$ 9	$ (9)	$ -
Capitalized Software Costs	97	(97)	-
Total General Property and Equipment	$ 106	$ (106)	$ -

CCC disposed of $9 million and $46 million of fully depreciated equipment and capitalized software during FYs 2019 and 2018, respectively. As of September 30, 2019 and 2018, 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, 2019 and 2018, were as follows:

Table 29: Advances to Others

(In Millions)	2019	2018
Public:		
The Peanut DMA Advance	$ 103	$ 68
Other	11	22
Total Advances to Others	$ 114	$ 90

The Peanut Designated Marketing Association (DMA) Advances

CCC advances funds to the DMA for each peanut marketing season for the purpose of providing peanut MALs and LDPs. During the marketing season, as the need for drawdown funds diminish, excess funds are reimbursed to CCC. At the end of the marketing season, the DMA reimburses CCC for any remaining fund advances.

Note 10 – Liabilities Not Covered by Budgetary Resources

Liabilities not Covered by Budgetary Resources (Current) as of September 30, 2019 and 2018 were as follows:

Table 30: Total Liabilities

(In Millions)	2019	2018
Public:		
Environmental and Disposal Liabilities (Note 14)	$ 29	$ 21
Total Liabilities not covered by budgetary resources	$ 29	$ 21
Total Liabilities covered by budgetary resources	32,441	16,665
Total Liabilities not requiring budgetary resources	35	37
Total Liabilities	$ 32,505	$ 16,723

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 FY. As of September 30, 2019, the majority of the open liability for CCC was $26.4 billion in payables for principal due to the Bureau of Fiscal Service, $5.3 billion in program liabilities, and $711 million in resources payable to Treasury. As of September 30, 2018, the majority of the open liability for CCC was $10.7 billion in payables for principal due to the Bureau of Fiscal Service, $5.0 billion in program liabilities, and $827 million in resources payable to Treasury.

Liabilities not Requiring Budgetary Resources

Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources. This includes: liabilities for clearing accounts, non-fiduciary deposit funds, custodial collections, and unearned revenue.

Note 11 – Debt to the Treasury

Debt to the Treasury, categorized as interest bearing as of September 30, 2019 and 2018 were as follows:

Table 31: Debt to the Treasury, Categorized as Interest Bearing

(In Millions)

2019	Non-Credit Reform	Credit Reform	Total
Debt, beginning of Fiscal Year			
Principal: Interest Bearing	$ 8,927	$ 1,719	$ 10,646
Accrued Interest Payable	1	-	1
Total Debt Outstanding, Beginning of Fiscal Year	$ 8,928	$ 1,719	$ 10,647
New Debt			
Principal: Interest Bearing	$ 4,068,770	$ 372	$ 4,069,142
Accrued Interest Payable	357	67	424
Total New Debt	$ 4,069,127	$ 439	$ 4,069,566
Repayments			
Principal : Interest Bearing	$ (4,053,035)	$ (389)	$ (4,053,424)
Accrued Interest Payable	(358)	(67)	(425)
Total Repayments	$ (4,053,393)	$ (456)	$ (4,053,849)
Debt, as of September 30, 2019			
Principal	$ 24,662	$ 1,702	$ 26,364
Accrued Interest Payable	-	-	-
Total Debt Outstanding as of September 30, 2019	$ 24,662	$ 1,702	$ 26,364

2018	Non-Credit Reform	Credit Reform	Total
Debt, beginning of Fiscal Year			
Principal	$ 8,150	$ 1,800	$ 9,950
Accrued Interest Payable	-	-	-
Total Debt Outstanding, Beginning of Fiscal Year	$ 8,150	$ 1,800	$ 9,950
New Debt			
Principal	$ 2,882,164	$ 372	$ 2,882,536
Accrued Interest Payable	164	70	234
Total New Debt	$ 2,882,328	$ 442	$ 2,882,770
Repayments			
Principal	$ (2,881,387)	$ (453)	$ (2,881,840)
Accrued Interest Payable	(163)	(70)	(233)
Total Repayments	$ (2,881,550)	$ (523)	$ (2,882,073)
Debt, as of September 30, 2018			
Principal	$ 8,927	$ 1,719	$ 10,646
Accrued Interest Payable	1	-	1
Total Debt Outstanding as of September 30, 2018	$ 8,928	$ 1,719	$ 10,647

Note 11 – Debt to the Treasury, continued

Non-Credit Reform

CCC borrows and repays on a daily basis, and may borrow, interest-free, up to the amount of the prior year unreimbursed realized losses until reimbursed. CCC may not hold debt of more than $30 billion at any time for its non-Credit Reform programs. Monthly interest rates on debt to the Treasury fluctuated between 1.875 percent and 2.75 percent during FY 2019 and fluctuated between 1.250 percent and 2.375 percent during FY 2018.

Non-credit reform borrowing is tied to the one-year Department of the Treasury borrowing rate which is in effect on the date that a borrowing occurs. The Department of the Treasury's one-year rate, which is subject to change from month to month, is certified monthly by the Department of the Treasury in their notification to CCC. The Department of the Treasury's one-year loan rate is based upon the average market yields of the preceding 30 days at the time the Department of the Treasury issues certification of the subsequent monthly rate.

Credit Reform

CCC borrows from the Department of the Treasury for the entire FY 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 using a mid-year convention. 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 2019 interest rates on long-term borrowings under the permanent indefinite borrowing authority for CCC's credit reform programs are calculated using the OMB CSC. 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.

Interest on borrowings from the Department of the 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.

CCC incurred approximately $2 million in interest expense on capital stock for both FY 2019 and 2018, which is separate from the interest expense on the Department of the Treasury borrowings.

Note 12 – Grants Payable

The majority of CCC grants are funded through the parent/child relationship with USAID. In most instances, grantees incur expenditures before drawing down funds on a reimbursement basis. An accrued grant liability occurs when the grant expenses exceed outstanding payments to grantees.

At year-end, CCC reports both actual payments made through September 30, 2019 and 2018, and an unreported grant expenditure estimate (accrual) based on historical spending patterns of the grantees. As of September 30, 2019 and 2018, CCC had $182 million and $208 million in grants payable, respectively.

Note 13 – Other Liabilities

Other Liabilities (Current) as of September 30, 2019 and 2018, were as follows:

Table 32: Other Liabilities

	(In Millions) 2019	2018
Intragovernmental:		
Resources Payable to Treasury	$ 711	$ 827
Excess Subsidy Payable to Treasury	23	30
Other	2	4
Total Intragovernmental Other Liabilities	$ 736	$ 861
Public:		
Deposit and Trust Liabilities	$ 16	$ 14
Other	17	18
Total Public Other Liabilities	$ 33	$ 32

Resources Payable to the Department of the Treasury represents CCC's liquidating fund and debt reduction fund assets (cash and loans receivable, net of an allowance) less any liabilities that may be held as working capital. At the end of each FY, any unobligated cash balance is transferred to the Department of the Treasury.

The Excess Subsidy Payable to the Department of the Treasury is the downward reestimate owed to the Department of the Treasury from the financing fund. 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 Department of the Treasury General Fund Receipt Account.

Note 13 – Other Liabilities, continued

Deposit and Trust Liabilities are amounts advanced to or deposited with CCC on behalf of other entities. The balance, all categorized as public, 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 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 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 sites where some level of carbon tetrachloride contamination was present.

Liability estimates are derived using a system that categorizes the existing sites into like categories considering stages of investigation or contamination remediation. In FY 2019, based on communications with the state of Nebraska, CCC determined an additional category was required to classify new potential liabilities. State regulators' concerns related to human exposure from vapor intrusion resulted in the identification of additional sites in FY 2019 (Category IV).

Note 14 – Environmental and Disposal Liabilities, Continued

The funding requests and expected associated liabilities are based on the specific categories described below, with site counts as of September 30, 2019 and 2018 respectively:

Table 33: Environmental Liability Site Count by Category

Category Classification	**2019 Site Count**	**2018 Site Count**
Category I	8	8
Category II	25	23
Category III	42	25
Category IV	22	
Total Site Count	**97**	**56**

- Category I represents 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 represents sites where CCC has conducted at least a limited site investigation and the liability associated with these sites has been evaluated based on the level of remedial action anticipated. 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 sites where contamination levels above the maximum allowable levels have been found. The costs are estimated using a range of values with the low end representing the cost for limited data evaluation and the “high” values represent a thorough site characterization to include a feasibility study and remediation activities.

Note 14 – Environmental and Disposal Liabilities, Continued

- Category IV represents CCC sites where a state environmental agency has requested CCC to conduct vapor intrusion sampling. The costs are estimated using a range of values. The "low" value represents the cost for vapor intrusion sampling. The "high" values represent a thorough site characterization to include a feasibility study and some degree of remedial action.

CCC recorded a total liability for remediation of affected sites of $30.9 million in FY 2019, of which $29.5 million was not covered by budgetary resources and recorded a total liability for remediation of affected sites of $20.9 million in FY 2018, of which $20.7 million was not covered by budgetary resources. CCC estimates the range of potential future losses due to remedial actions to be between $30.9 million and $272.2 million for FY 2019, and between $20.9 million and $144.8 million for FY 2018.

Note 15 – Accrued Liabilities

Accrued Liabilities as of September 30, 2019 and 2018, were as follows:

Table 34: Accrued Liabilities

	(In Millions)	
	2019	2018
Intragovernmental Liabilities	$ 1	$ -
Public:		
Price Loss Coverage Program	$ 1,868	$ 1,893
Conservation Reserve Program	1,821	1,845
Agriculture Risk Coverage Program	677	1,063
Market Facilitation Program	207	-
Other Programs	77	28
Total Public Liabilities	$ 4,650	$ 4,829
Total Accrued Liabilities	$ 4,651	$ 4,829

The ARC and PLC accruals consist of crop year 2018 program payments which began in October 2019 and continue throughout FY 2020, as price and yield data are finalized. The CRP accrued liability consists of annual rental payments estimated on approved contracts, expected to be paid in FY 2020.

Note 16 – Commitments and Contingencies

CCC is committed and has incurred obligations and expenditures related to the first tranche of MFP payments to eligible producers. The payment for the first tranche is comprised of either 50 percent of the producer's calculated payment or $15 per acre whichever is higher.

Subsequent to September 30, 2019, Secretary Perdue announced that market conditions dictate the execution of the second tranche of MFP payments to eligible producers. The obligations and expenditures for the second tranche will be up to 75 percent of the total calculated payment less the amount received in the first payment and will begin in FY 2020. At the Secretary's discretion, CCC may be committed to make the third tranche of MFP payments to eligible producers.

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 USDA OGC and Department of Justice.

As of September 30, 2019 and 2018, no pending legal matters exist that were considered probable or reasonably possible, which require recognition (accrual) in the consolidated financial statements or require further disclosure.

Note 17 – Disclosures Related to the Statement of Net Cost

The Consolidated Statements 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 and Commodity Operations and Food Aid. 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 and disaster assistance programs. FSA administers these CCC programs, the largest of which are MFP, ARC and PLC.

Increase Stewardship of Natural Resources While Enhancing the Environment

Conservation programs are included within this strategic goal. Supported by the *Food, Conservation, and Energy Act of 2008* (2008 Farm Bill), and extended by the 2018 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 primarily include Commodity Operations and Food Aid. AMS oversees the procurement, acquisition, storage, disposition, and distribution of commodities for Food Purchase and Distribution Program. This program helps 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 17 – Disclosures Related to the Statement of Net Cost, 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 FMD 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.

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.

Inter-Entity Cost

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost in the Statement of Net Cost, and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenue relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund in accordance with SFFAS No. 55, *Amending Inter-Entity Cost Provisions*. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Note 17 – Disclosures Related to the Statement of Net Cost, Continued

Table 35: Costs and Earned Revenue by Strategic Goal and Program for the year ended September 30, 2019 (In Millions)

	Income Support and Disaster Assistance	Conservation Programs	Commodity Operations and Food Aid	Market Development and Export Credit	Total
Provide a Financial Safety Net for Farmers and Ranchers					
Total Cost	$ 18,781	$ -	$ 405	$ -	$ 19,186
Total Earned Revenue	331	-	-	-	331
Increase Stewardship of Natural Resources While Enhancing the Environment					
Total Cost	-	2,272	-	-	2,272
Total Earned Revenue	-	10	-	-	10
Ensure Commodities are Procured and Distributed Effectively and Efficiently					
Total Cost	42	-	1,020	171	1,233
Total Earned Revenue	26	-	-	-	26
Increase U.S. Food and Agricultural Exports					
Total Cost	-	-	-	1,788	1,788
Total Earned Revenue	-	-	-	65	65
Total Gross Cost	**$ 18,823**	**$ 2,272**	**$ 1,425**	**$ 1,959**	**$ 24,479**
Less: Total Earned Revenue	**357**	**10**	**-**	**65**	**432**
Net Cost of Operations	**$ 18,466**	**$ 2,262**	**$ 1,425**	**$ 1,894**	**$ 24,047**

Note 17 – Disclosures Related to the Statement of Net Cost, Continued

Table 36: Costs and Earned Revenue by Strategic Goal and Program for the year ended September 30, 2018 (In Millions)

(Values in Millions)	Income Support and Disaster Assistance	Conservation Programs	Commodity Operations and Food Aid	Market Development and Export Credit	Total
Provide a Financial Safety Net for Farmers and Ranchers					
Total Cost	$ 4,989	$ -	$ 201	$ -	$ 5,190
Total Earned Revenue	124	-	-	-	124
Increase Stewardship of Natural Resources While Enhancing the Environment					
Total Cost	-	2,542	-	-	2,542
Total Earned Revenue	-	10	-	-	10
Ensure Commodities are Procured and Distributed Effectively and Efficiently					
Total Cost	46	-	95	135	276
Total Earned Revenue	23	-	3	-	26
Increase U.S. Food and Agricultural Exports					
Total Cost	-	-	-	1,836	1,836
Total Earned Revenue	-	-	-	75	75
Total Gross Cost	**$ 5,035**	**$ 2,542**	**$ 296**	**$ 1,971**	**$ 9,844**
Less: Total Earned Revenue	**147**	**10**	**3**	**75**	**235**
Net Cost of Operations	**$ 4,888**	**$ 2,532**	**$ 293**	**$ 1,896**	**$ 9,609**

Note 18 – Disclosures Related to the Statement of Budgetary Resources

The 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.

Net Adjustments to Unobligated Balance, Brought Forward, October 1:

CCC recorded $288 million of recoveries of prior year unpaid obligations and $106 million of other changes to its Unobligated Balance, Brought Forward, October 1 for CCC's Budgetary accounts.

Terms of Borrowing Authority Used

Per the CCC 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 FRB, their branches, Department of the 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. Refer to Note 11: Debt to the Treasury for additional information related to CCC's terms of borrowing and repayment.

Available Borrowing Authority

As of September 30, 2019 and 2018, CCC had available borrowing authority of $16.4 billion and $18.3 billion, respectively.

Undelivered Orders

UDOs, either unpaid or paid, are purchase orders or contracts awarded for which goods or services have not yet been received. For the FYs ended September 30, 2019 and 2018 ending UDO balances were as follows:

Table 37: Undelivered Orders at the End of the Period

2019	(In Millions)		
	Intragovernmental	Public	Total Undelivered Orders
Paid	$ -	$ 113	$ 113
Unpaid	120	13,429	13,549
Total Undelivered Orders	$ 120	$ 13,542	$ 13,662

2018	(In Millions)		
	Intragovernmental	Public	Total Undelivered Orders
Paid	$ -	$ 90	$ 90
Unpaid	91	15,311	15,402
Total Undelivered Orders	$ 91	$ 15,401	$ 15,492

Note 18 – Disclosures Related to the Statement of Budgetary Resources, Continued

Permanent Indefinite Appropriations

CCC has permanent indefinite appropriations to cover upward reestimates in the credit reform program accounts, and fund any shortages in the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further actions by Congress after the transmittal of the budget for the year involved.

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 FY in the appropriation language or in the alternative provisions section at the end of the appropriations act.

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 2021*, were not available at the time CCC's Annual Management Report for FY 2019 was issued, the reconciliation between the President's Budget and the SBR for FY 2019 could not be performed. The FY 2019 SBR will be reconciled to the FY 2019 actuals on the P&F Schedules reported in the *Budget of the United States Government, Fiscal Year 2021*, once released. The *Budget of the United States Government, Fiscal Year 2021*, is expected to be published in February 2020 and will be available on the website of the OMB at that time.

Note 18 – Disclosures Related to the Statement of Budgetary Resources, Continued

The summarized table below shows the reconciliation of the FY 2018 SBR to the FY 2018 actuals on the P&F Schedules presented in the *Budget of the United States Government, Fiscal Year 2020*.

Table 38: P&F Reconciliation

(in Millions)

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Outlays, Net
Combined Statement of Budgetary Resources	$ 15,528	$ 14,730	$ (32)	$ 12,352
Reconciling Items:				
USAID Reporting Difference[a]	(51)	(51)	-	-
Excluded from P&F[b]	(3)	(2)	-	-
Rounding	1	-	-	(1)
Budget of the United States Government	$ 15,475	$ 14,677	$ (32)	$ 12,351

Note:

a- The balances reflect a reporting difference between the SF-133 and SBR for the deobligation amount which was not reflected by USAID in their SF-133.

b- Expired budgetary authority is excluded from the *President's Budget of the United States*.

Note 19 – Incidental Custodial Collections

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

Incidental Custodial Collections for the FYs ended September 30, 2019 and 2018, were as follows:

Table 39: Incidental Custodial Collections

	(In Millions)	
	2019	2018
Revenue Activity:		
Sources: Administrative and Other Service Fees	$ 1	$ 2
Total Custodial Revenue	$ 1	$ 2
Disposition of Collections:		
Transfers to Department of Treasury	(2)	(4)
Total Disposition of Collections	$ (2)	$ (4)
(Increase)/Decrease in Amounts Yet to be Transferred (+/-)	$ 1	$ 2
Net Custodial Activity	$ -	$ -

Note 20 – Reconciliation of Net Cost to Net Outlays

SFFAS 53, *Budget and Accrual Reconciliation* (BAR), amends requirements for a reconciliation between budgetary and financial accounting information established by SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. The Reconciliation of Net Cost to Net Outlays explains the relationship between the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period.

Budgetary and financial accounting information are complementary, but both the types of information and the timing of their recognition are different. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities.

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays:

- The activity in accrued liabilities is primarily attributed to the ARC program. ARC experienced a decrease in participation due to higher crop yields resulting from favorable weather conditions. See Note 15: Accrued Liabilities for more details.

- The increase in accounts payable is primarily attributed to the various TMP programs. MFP was in operation for a limited amount of time in FY 2018, while the majority of operations of all TMP programs occurred in FY 2019.

- Imputed financing consists of the costs of labor and facilities usage incurred by other USDA agencies for work on CCC programs. See Note 17: Disclosures Related to the Statement of Net Cost for further details.

Note 20 – Reconciliation of Net Cost to Net Outlays, Continued

Table 40: Reconciliation of Net Cost to Net Outlays for the year ended September 30, 2019

	(In Millions)		
	Intragovernmental	With the public	Total
NET COST	$ 1,656	$ 22,391	$ 24,047
Components of Net Cost That Are Not Part of Net Outlays:			
Increase/(decrease) in assets:			
Accounts receivable	2	94	96
Commodity loans and direct loans and loan guarantees	-	(67)	(67)
Other assets	-	67	67
(Increase)/decrease in liabilities:			
Accounts payable	(2)	(383)	(385)
Loan guarantee liabilities	-	2	2
Environmental and disposal liabilities	-	(10)	(10)
Accrued liabilities	(1)	179	178
Other liabilities	2	25	27
Other financing sources:			
Imputed financing	(1,192)	-	(1,192)
Total Components of Net Cost That Are Not Part of Net Outlays	$ (1,191)	$ (93)	$ (1,284)
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of inventory	$ -	$ (23)	$ (23)
Transfers out (in) without reimbursement	26	-	26
Other	-	(7)	(7)
Total Components of Net Outlays That Are Not Part of Net Cost	$ 26	$ (30)	$ (4)
NET OUTLAYS	**$ 491**	**$ 22,268**	**$ 22,759**

Note 20 – Reconciliation of Net Cost to Net Outlays, Continued

Table 41: Reconciliation of Net Cost to Net Outlays for the year ended September 30, 2018

	(In Millions)		
	Intragovernmental	With the public	Total
NET COST	$ 1,588	$ 8,021	$ 9,609
Components of Net Cost That Are Not Part of Net Outlays:			
Year end credit reform subsidy reestimates	$ 159	$ -	$ 159
Increase/(decrease) in assets:			
Accounts receivable	(31)	(30)	(61)
Commodity loans and direct loans and loan guarantees	-	(146)	(146)
Other assets	-	13	13
(Increase)/decrease in liabilities:			
Accounts payable	(3)	(47)	(50)
Loan guarantee liabilities	-	9	9
Accrued liabilities	3	4,062	4,065
Other liabilities	-	11	11
Other financing sources:			
Imputed financing	(1,291)	-	(1,291)
Total Components of Net Cost That Are Not Part of Net Outlays	$ (1,163)	$ 3,872	$ 2,709
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of inventory	$ -	$ 11	$ 11
Transfers out (in) without reimbursement	(9)	-	(9)
Total Components of Net Outlays That Are Not Part of Net Cost	$ (9)	$ 11	$ 2
NET OUTLAYS	**$ 416**	**$ 11,904**	**$ 12,320**

Part IV: Required Supplementary Information (Unaudited)

Combining Statement of Budgetary Resources by Major Fund: Budgetary Accounts (Unaudited)
For the Fiscal Year Ended September 30, 2019
(In Millions)

	Line #	CCC Fund (12X4336)	P.L. 480 Title II Grants (12X2278)	USAID - P.L. 480 Title II Grants ((72)12X2278)	P.L. 480 Direct Credit Liquidating Fund (12X2274)	Other	Total
Budgetary Resources:							
Unobligated balance from prior year budget authority, net (Note 18)	1051	$ 676	$ 305	$ 19	$ -	$ 35	$ 1,035
Appropriations (discretionary and mandatory)	1290	9	316	1,400	-	52	1,777
Borrowing Authority (discretionary and mandatory)	1490	27,128	-	-	-	-	27,128
Spending authority from offsetting collections (discretionary and mandatory)	1890	-	-	-	26	3	29
Total Budgetary Resources	1910	$ 27,813	$ 621	$ 1,419	$ 26	$ 90	$ 29,969
Status of Budgetary Resources:							
New obligations and upward adjustments (total)	2190	$ 27,464	$ 558	$ 1,299	$ 1	$ 70	$ 29,392
Unobligated balance, end of year:							
Apportioned, unexpired account	2204	15	60	118	13	9	215
Unapportioned, unexpired accounts	2404	334	3	2	12	10	361
Unexpired unobligated balance, end of year	2412	349	63	120	25	19	576
Expired unobligated balance, end of year	2413	-	-	-	-	1	1
Total Unobligated balance, end of year	2490	349	63	120	25	20	577
Total Budgetary Resources	2500	$ 27,813	$ 621	$ 1,419	$ 26	$ 90	$ 29,969
Outlays, net:							
Outlays, net (discretionary and mandatory)	4190	$ 21,376	$ 398	$ 1,222	$ (227)	$ 58	$ 22,827
Distributed offsetting receipts	4200	-	-	-	-	(1)	(1)
Agency Outlays, net (discretionary and mandatory)	4210	$ 21,376	$ 398	$ 1,222	$ (227)	$ 57	$ 22,826

Combining Statement of Budgetary Resources by Major Fund: Non-Budgetary Credit Program Financing Accounts (Unaudited) For the Fiscal Year Ended September 30, 2019
(In Millions)

Page 2	Line #	P.L. 480 Direct Loans (12X4049)	EAI Financing Fund (12X4143)	CCC Export Guarantees (12X4337)	Farm Storage Facility Direct Loan (12X4158)	Total
Budgetary Resources:						
Unobligated balance from prior year budget authority, net (Note 18)	1051	$ 7	$ 49	$ 17	$ 9	$ 82
Borrowing Authority (discretionary and mandatory)	1490	70	-	5	259	334
Spending authority from offsetting collections (discretionary and mandatory)	1890	-	13	27	46	86
Total Budgetary Resources	1910	$ 77	$ 62	$ 49	$ 314	$ 502
Status of Budgetary Resources:						
New obligations and upward adjustments (total)	2190	$ 52	$ -	$ 36	$ 263	$ 351
Unobligated balance, end of year:						
Apportioned, unexpired account	2204	-	9	7	22	38
Unapportioned, unexpired accounts	2404	25	53	6	29	113
Unexpired unobligated balance, end of year	2412	$ 25	$ 62	$ 13	$ 51	$ 151
Total Unobligated balance, end of year	2490	25	62	13	51	151
Total Budgetary Resources	2500	$ 77	$ 62	$ 49	$ 314	$ 502
Outlays, Net:						
Outlays, net (discretionary and mandatory)	4190	$ (22)	$ (13)	$ (14)	$ 30	$ (19)
Distributed offsetting receipts	4200	(22)	-	(22)	(4)	(48)
Agency Outlays, net (discretionary and mandatory)	4210	$ (44)	$ (13)	$ (36)	$ 26	$ (67)

Combining Statement of Budgetary Resources by Major Fund: Budgetary Accounts (Unaudited)
For the Fiscal Year Ended September 30, 2018
(In Millions)

	Line #	CCC Fund (12X4336)	P.L. 480 Title II Grants (12X2278)	USAID - P.L. 480 Title II Grants ((72)12X2278)	P.L. 480 Direct Credit Liquidating Fund (12X2274)	Other	Total
Budgetary Resources:							
Unobligated balance from prior year budget authority, net (Note 18)	1051	$ 2,827	$ 326	$ 87	$ -	$ 37	$ 3,277
Appropriations (discretionary and mandatory)	1290	15	266	1,450	-	84	1,815
Borrowing Authority (discretionary and mandatory)	1490	9,888	-	-	-	-	9,888
Spending authority from offsetting collections (discretionary and mandatory)	1890	15	-	-	31	-	46
Total Budgetary Resources	1910	$ 12,745	$ 592	$ 1,537	$ 31	$ 121	$ 15,026
Status of Budgetary Resources:							
New obligations and upward adjustments (total)	2190	$ 12,403	$ 446	$ 1,448	$ 1	$ 87	$ 14,385
Unobligated balance, end of year:							
Apportioned, unexpired account	2204	61	144	89	23	24	341
Unapportioned, unexpired accounts	2404	281	2	-	7	9	299
Unexpired unobligated balance, end of year	2412	342	146	89	30	33	640
Expired unobligated balance, end of year	2413	-	-	-	-	1	1
Total Unobligated balance, end of year	2490	342	146	89	30	34	641
Total Budgetary Resources	2500	$ 12,745	$ 592	$ 1,537	$ 31	$ 121	$ 15,026
Outlays, net:							
Outlays, net (discretionary and mandatory)	4190	$ 10,853	$ 451	$ 1,289	$ (233)	$ 82	$ 12,442
Distributed offsetting receipts	4200	-	-	-	-	(2)	(2)
Agency Outlays, net (discretionary and mandatory)	4210	$ 10,853	$ 451	$ 1,289	$ (233)	$ 80	$ 12,440

Combining Statement of Budgetary Resources by Major Fund: Non-Budgetary Credit Program Financing Accounts (Unaudited) For the Fiscal Year Ended September 30, 2018 (In Millions)

Page 2	Line #	P.L. 480 Direct Loans (12X4049)	EAI Financing Fund (12X4143)	CCC Export Guarantees (12X4337)	Farm Storage Facility Direct Loan (12X4158)	Total
Budgetary Resources:						
Unobligated balance from prior year budget authority, net (Note 18)	1051	$ 2	$ 51	$ 10	$ 12	$ 75
Borrowing Authority (discretionary and mandatory)	1490	59	-	-	281	340
Spending authority from offsetting collections (discretionary and mandatory)	1890	11	-	33	43	87
Total Budgetary Resources	1910	$ 72	$ 51	$ 43	$ 336	$ 502
Status of Budgetary Resources:						
New obligations and upward adjustments (total)	2190	$ 48	$ 2	$ 22	$ 273	$ 345
Unobligated balance, end of year:						
Apportioned, unexpired account	2204	21	10	10	33	74
Unapportioned, unexpired accounts	2404	3	39	11	30	83
Unexpired unobligated balance, end of year	2412	$ 24	$ 49	$ 21	$ 63	$ 157
Total Unobligated balance, end of year	2490	24	49	21	63	157
Total Budgetary Resources	2500	$ 72	$ 51	$ 43	$ 336	$ 502
Outlays, Net:						
Outlays, net (discretionary and mandatory)	4190	$ (75)	$ (13)	$ (36)	$ 34	$ (90)
Distributed offsetting receipts	4200	(16)	-	(8)	(5)	(30)
Agency Outlays, net (discretionary and mandatory)	4210	$ (91)	$ (13)	$ (44)	$ 29	$ (120)

Part V: Other Information (Unaudited)

Summary of Financial Statement Audit

The table below is a summary of the results of the FY 2019 independent audit of CCC's Financial Statements.

Audit Opinion					
Unmodified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending
Budgetary Transactions	1	0	0	0	1
Accounting Estimates	0	1	0	0	1
Total Material Weaknesses	1	1	0	0	2

Summary of Management Assurances

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 FMFIA. The last portion of the table is a summary of CCC's compliance with FFMIA.

Federal Managers' Financial Integrity Act (FMFIA § 2)						
Statement of Assurance	Reasonable Assurance, except for Material Weaknesses noted below					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Accounting for Budgetary Transactions	1					1
Accounting Estimates		1				1
Total Material Weaknesses	1	1	0	0	0	2

Effectiveness of Internal Control over Operations (FMFIA §2)						
Statement of Assurance	Reasonable Assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0					0
Total Material Weaknesses	0	0	0	0	0	0

Compliance with Federal Financial Management System Requirements (FMFIA §4)						
Statement of Assurance	Federal Systems comply, except for instances of non-compliance, to financial management system requirements					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
System Non-compliance Funds Control Management	1					1
Total non-compliances	1	0	0	0	0	1

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	Lack of compliance noted	Lack of compliance noted
3. USSGL at Transaction level	Lack of compliance noted	Lack of compliance noted

Payment Integrity

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012, 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 A-123, Appendix C, *Requirements for Payment Integrity Improvement* and OMB Circular A-136.

Additional information can be found in Section III of the USDA FY 2019 Agency Financial Report. The following link contains more detailed information on improper payments and other information regarding improper payments not included in this report: https://paymentaccuracy.gov/.

FY 2019 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)		Improper Payments (Percentage)		Overpayments (Millions)	Underpayments (Millions)
	2018	2019	2018	2019	2018	2019	2019	2019
ARC/PLC	$ 7,944.96	$ 3,798.50	$ 214.46	$ 612.00	2.73%	16.11%	$ 611.34	$ 0.66
LFP	$ 353.35	$ 190.00	$ 42.11	$ 87.54	11.92%	17.87%	$ 86.06	$ 1.48
NAP	$ 162.98	$ 183.63	$ 26.64	$ 42.48	16.35%	23.13%	$ 42.43	$ 0.05

Fraud Reduction Report

Overview

As required by OMB Circular A-123, USDA is in the process of implementing a Departmental-Level Enterprise Risk Management (ERM) program that effectively identifies risks; assesses, analyzes, and prioritizes those risks; and formulates and documents the risks. As a component agency of USDA, CCC is participating in that effort. The implementation of ERM has helped agencies to better identify risk and vulnerabilities and take appropriate action to reduce and prevent fraud. As the Department and CCC continue to implement the requirements of OMB Circular A-123, CCC will use agency best practices to identify and minimize risks and vulnerabilities to prevent fraud. Outlined below are specific actions CCC is taking to integrate fraud risk prevention and monitoring into the management of internal controls.

Risk Assessment

The OMB Circular A-123, Appendix A, *Management Reporting and Data Integrity Risk*, annual risk assessment incorporates specific internal and external fraud risk questions in the “Inherent Risk Considerations” section. The questions allow the respondent to rate the risk of the agency’s process as either highly susceptible, susceptible, or not susceptible to fraud. The overall risk rating is dependent on the agency’s responses, tallied along with other risk responses to determine the level and frequency of testing.

Additionally, as a requirement of the Statement on Auditing Standards No. 122, *Clarification and Recodification*, specifically Audit Section 240, Consideration of Fraud in a Financial Statement Audit, CCC reports responses to a fraud questionnaire to the Department.

Entity Level Controls

CCC completes an annual Entity Level Control (ELC) assessment. The ELC assessment was recently updated to comply with the most current GAO — *Standards for Internal Control in the Federal Government* (“Green Book”).

The assessment includes GAO Principle 8, which assesses fraud risk. Attributes include: types of fraud, fraud risk factors, and responses to fraud risks. Objectives include: identifying fraud risks based on fraud risk factors; assessing Identified fraud risks for significance; and properly responding to identified fraud risks.

Fraud Reduction Report, Continued

Access Controls

Access controls are configured such that conflicting accounting roles are prohibited, unless there is an immediate need that is fully documented, mitigated, and supported by compensating controls. There is a standard process for the review and approval of mitigating controls to ensure that control strategies are properly documented and carried out by the requesting agency.

Segregation of Duties (SOD)

Various CCC financial systems are configured such that conflicting roles are prohibited, which ensures proper SOD. Those who initiate a transaction in the financial systems are not allowed to also approve that same transaction. There are also financially significant, agency specific SOD controls that are documented and tested annually during the OMB Circular A-123, Appendix A assessment. The strict prohibition of conflicting roles reduces the risk of fraud.

Table 43: Agency Transactional Control Objectives to Reduce Fraud:

Process	Objective	Risk
Collections	Cash receipts are protected before they are deposited.	Cash receipts are not protected before they are deposited, which may result in fraudulent activity.
Credit Extension	Direct loan obligations recorded in the general ledger are valid, pertain to the purpose of the appropriation, and are supported by documentation.	Direct loan obligations recorded in the general ledger are not valid, do not pertain to the purpose of the appropriation, and are not supported by documentation.
Disbursements	Disbursements are valid and supported by sufficient and relevant documentation.	Disbursements are not valid and are not supported by sufficient and relevant documentation.
Grant Awards and Modifications	Grants are awarded to eligible recipients (includes Do Not Pay verification).	Grants are awarded to ineligible recipients (includes Do Not Pay verification).
Loss Claims	Loss Claims are for valid policy reinsurance year.	Unauthorized or incomplete Loss Claims may be paid.

Process	Objective	Risk
Payments — Farm Support	Recorded obligations and payments for CCC farm support programs are valid (made to only eligible farms/producers) and are approved/authorized by management.	Recorded obligations and payments for CCC farm support programs are not valid (made to ineligible farms/producers) and/or are not approved/authorized by management.

Appendix: Glossary of Acronyms (Unaudited)

Glossary of Acronyms

ACRONYM	TITLE
ADA	Anti-Deficiency Act
AMS	Agricultural Marketing Service
ARC	Agriculture Risk Coverage
ARC-CO	Agriculture Risk Coverage - County
BAR	Budget and Accrual Reconciliation
CCC	Commodity Credit Corporation
CCE	Commodity Certificate Exchange
CFO	Chief Financial Officer
CRP	Conservation Reserve Program
CSC	Credit Subsidy Calculator
DMA	Designated Marketing Association
DMC	Dairy Margin Coverage
ELC	Entity Level Control
EPA	Environmental Protection Agency
ERM	Enterprise Risk Management
ERS	Economic Research Service
FASAB	Federal Accounting Standards Advisory Board
FAS	Foreign Agricultural Service
FBWT	Fund Balance with Treasury

ACRONYM	TITLE
FCIC	Federal Crop Insurance Corporation
FCRA	Federal Credit Reform Act of 1990
FFP	Food for Peace
FFMIA	Federal Financial Management Improvement Act
FGP	Facility Guarantee Program
FMD	Foreign Market Development Program
FMFIA	Federal Managers’ Financial Integrity Act
FMMI	Financial Management Modernization Initiative
FPD	Food Purchase and Distribution Program
FRB	Federal Reserve Bank
FSA	Farm Service Agency
FSFL	Farm Storage Facility Loan Program
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GONE	Grants Oversight and New Efficiency Act
GSM	General Sales Manager
IAA	Inter/Intra-Agency Agreement
IPIA	Improper Payments Information Act of 2002

Glossary of Acronyms

ACRONYM	TITLE
LDP	Loan Deficiency Payment
LFP	Livestock Forage Disaster Program
MAL	Marketing Assistance Loan Program
MAP	Market Access Program
MPP	Margin Protection Program
MFP	Market Facilitation Program
NAP	Non-insured Crop Disaster Assistance Program
NRCS	Natural Resources Conservation Service
OGC	Office of the General Counsel
OI	Other Information
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
RMA	Risk Management Agency

ACRONYM	TITLE
RSI	Required Supplementary Information
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SME	Small to Medium-Sized Enterprise
SOD	Segregation of Duties
SRTG	State Regional Trade Groups
SSFL	Sugar Storage Facility Loan
TAP	Tree Assistance Program
TMP	Trade Mitigation Program
UDO	Undelivered Order
ULO	Unliquidated Obligations
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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TDD (Call Collect) 202-690-1202

Bribery / Assault
202-720-7257 (24 hours)

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