USDA
United States Department of Agriculture

Commodity Credit Corporation's Financial Statements for Fiscal Years 2020 and 2019

Audit Report 06403-0003-11

November 2020

OFFICE OF INSPECTOR GENERAL

USDA **OFFICE OF INSPECTOR GENERAL**
United States Department of Agriculture

DATE: November 20, 2020

AUDIT NUMBER: 06403-0003-11

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

Gary Weishaar
Branch Chief for the External Audits
And Investigations Division
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 2020 and 2019

This report presents the results of the audits of Commodity Credit Corporation's (CCC) financial statements for the fiscal years ending September 30, 2020 and 2019. 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 13, 2020, 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, 2020 and 2019, 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
- accrued liabilities.

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 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 to us by members of your staff during our audit fieldwork and subsequent discussions. 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, 2020 and 2019, 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, 2020 and 2019, 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 Required Supplementary Information sections 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, 2020, we considered the CCC's internal control over financial reporting (internal control) as a basis for designing 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 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 the areas of Accounting for Budgetary Transactions and Accrued Liabilities, and described in Exhibit I, to be material weaknesses.

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, 2020 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

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 systems 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 described 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 13, 2020

During Fiscal Year (FY) 2020, the Commodity Credit Corporation (CCC) continued various audit remediation efforts to address prior year deficiencies. The material weaknesses communicated in this Exhibit highlight matters that require management attention and the further development of processes, procedures, and effective controls related to (1) accounting for budgetary transactions and (2) accrued liabilities.

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

Government Accountability Office (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.
>
> 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.

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 Antideficiency 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 Antideficiency 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. 5, *Accounting for Liabilities of the Federal Government*, states:

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

Accounting for Budgetary Transactions

During FY 2020, management continued to implement manual remediation procedures to address certain aspects of the material weakness identified in prior years. However, we continued to identify deficiencies in controls in the area of undelivered orders (UDO) and budgetary funds control, as described in further detail below, that collectively represent a material weakness, and require further action by CCC.

A. Undelivered Orders

CCC incurs obligations and outlays to carry out its programs and activities. CCC's broad range of activities include farm price and income support programs, disaster assistance programs, conservation programs, and international agriculture support programs. As of September 30, 2020, CCC's UDO balance was $21.45 billion, consisting of the Conservation Reserve Program (CRP), for $11.09 billion, the Agricultural Risk Coverage (ARC)/Price Loss Coverage (PLC) program, for $6.99 billion, and other programs for $3.37 billion.

CCC did not have effective processes, procedures, and controls in place to identify amounts improperly recorded as new obligations related to the year-end CRP UDO balance. Due to incomplete Standard Operating Procedures (SOP), CCC incorrectly recorded the value of the CRP – Annual Rental accrued liability as both a liquidation of the UDO balance and as an increase (new obligation) to the UDO balance. This error resulted in an overstatement of the CRP UDO balance by $1.79 billion, which management subsequently corrected.

Further, CCC did not have effective processes, procedures, and controls in place to accurately identify the status of ARC/PLC Crop Year 2020 contracts. Generally, as a result of reduced staffing and increased workload in the County offices, errors occurred in the recognition of accurate ARC/PLC contracts within the ARC/PLC system: (1) where certain contracts were designated as "approved" without supporting documentation and (2) where certain contracts were designated as "not approved" but were approved. The resulting impact in these incorrect contract status designations as of September 30, 2020 is a potential understatement to the ARC/PLC UDO balance by $163 million.

B. Funds Control

While CCC began in FY 2019 migrating its primary general ledger system from Core Accounting System (CORE) to Financial Management Modernization Initiative (FMMI), the planned completion of such migration is not scheduled until the end of FY 2021. During and throughout FY 2020, automated funds control system weaknesses continued in the legacy accounting system, CORE. Through extensive manual monitoring efforts related to the weakness in the automated funds control and as reported in the Annual Statement of Assurance, CCC identified confirmed Antideficiency Act violations that occurred in the prior years as well as other additional potential violations that require further research.

Recommendations:

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

1. Update its SOP and provide necessary training related to the review of obligations recorded at year-end.

2. Continue the design and implementation of effective processes, procedures, and controls to accurately identify those ARC/PLC contracts that are approved at fiscal year-end within CCC's financial systems in order to only obligate activities related to approved contracts.

3. Continue the design and implementation of effective automated budgetary funds controls within its accounting system(s) to ensure that funds control violations do not occur *(Repeat recommendation from Audit Report No. 06403-0002-11, November 2019).*

Accrued Liabilities

Accrued Liabilities in the amount of $7.9 billion is primarily comprised of liabilities related to the ARC/PLC ($6.0 billion) and CRP ($1.8 billion) programs. During FY 2020, management's review controls related to the year-end ARC/PLC accrued liability were not operating effectively to prevent, detect, and/or correct a material misstatement in the amount due and payable to producers at fiscal year-end. During our recalculation of the Crop Year 2019 ARC/PLC payments due and payable to producers at fiscal year-end, we identified instances whereby payments were due to producers, but CCC had not accrued for such amounts. This was a result of CCC not accurately linking and updating underlying farm detail in the ARC/PLC contract application, which prevented payments due to the producers from being properly calculated and accrued. Upon further research, CCC also identified an error in the year-end accrual calculation where the accrual was calculated on net payments due and payable instead of gross payments less applicable reductions, such as sequestration. CCC subsequently corrected for these errors and re-ran the year-end ARC/PLC payment calculation, resulting in a $1 billion increase to the year-end accrued liability.

Recommendations:

We provided detailed recommendations in separate findings to management. In summary, we recommend that CCC implement effective processes, procedures, and controls over the ARC/PLC year-end accrual to ensure the completeness and accuracy of the underlying data.

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 the accounting for budgetary transactions and accrued liabilities 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

1400 Independence Avenue, SW
Stop 0501
Washington, DC
20250-0501

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 Independent Auditors' Report dated November 13th, 2020. We are very pleased with the Auditors' unmodified opinion on CCC's Fiscal Year (FY) 2020 and 2019 consolidated financial statements.

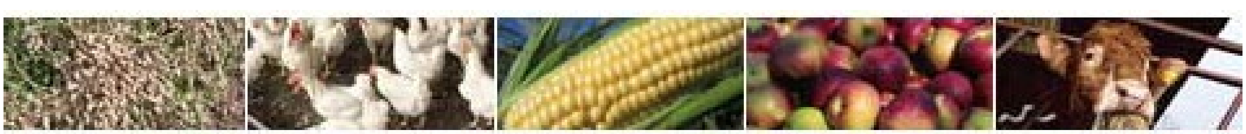
CCC agrees with the findings presented in the auditors' report. CCC is in the process of developing and implementing corrective actions to remediate the findings and will continue to work with the USDA Office of Inspector General to ensure effective remediation in FY 2021.

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

ANNUAL MANAGEMENT REPORT FISCAL YEAR 2020



U.S. Department of Agriculture
Commodity Credit Corporation

1400 Independence Avenue, S.W.
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Annual Management Report – Fiscal Year 2020

PREFACE

This Annual Management Report shows the results of the Commodity Credit Corporation's (CCC) operations for fiscal years (FYs) 2020 and 2019. 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 CCC; financial summaries, program summaries, and performance measures. This report also includes the auditors' report, performance information, financial statements and accompanying notes.

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Message from the Executive Vice President

I am pleased to present the Commodity Credit Corporation's (CCC) Fiscal Year (FY) 2020 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 to 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 2020 through commodity, conservation, disaster, specialty and organic crops, and trade programs. 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. The primary dairy safety net—the Dairy Margin Coverage (DMC) Program—was re-named in the 2018 Farm Bill and includes lower participant costs and additional benefit levels.

USDA also implemented ad hoc programs to assist producers facing grave financial difficulties due to disastrous situations in FY 2020. Using CCC Charter Act authority, two rounds of the Coronavirus Food Assistance Program (CFAP) were provided for producers of agricultural commodities who faced additional significant marketing costs due to the COVID-19 pandemic. These programs—CFAP 1 and CFAP 2—are providing nearly $30 billion in assistance. While producers of a wide variety of commodities are eligible for CFAP 1 and CFAP 2, other assistance is more targeted. The Seafood Trade Relief Program, announced in the summer of 2020, is part of a relief strategy to support fishermen and other producers while work continues on free, fair, and reciprocal trade deals to open more markets to help American farmers compete globally.

CCC's independent auditors issued an unmodified audit opinion on CCC's FY 2020 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 2021, 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

Digitally signed by ROBERT STEPHENSON
Date: 2020.11.10 08:54:07 -05'00'

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 (CCC) is a wholly owned 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, (15 U.S.C. 714, et seq.) (Charter Act) and has authorized capital stock of $100 million held by the United States Treasury. CCC funds are used to implement specific programs established by Congress as well as to carry out activities under the broad authorities of the Charter Act. The principal programs that are funded by CCC include:

- Domestic farm income, price support and conservation programs under various statutes including the Agriculture Improvement Act of 2018 (also known as the 2018 Farm Bill);
- Foreign market development and other international activities of the Department of Agriculture under several statutes including the Agricultural Trade Act of 1978;
- Activities of the United States Agency for International Development under Title II of the Food for Peace Act.

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, expanded the use of CCC funding to support conservation programs and made conservation one of CCC's core missions. CCC has authority to have outstanding borrowing of up to $30 billion at any one time to carry out its non-credit reform mission. Net losses from its operations are subsequently reimbursed, 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.

CCC 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.

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 CCC 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 has separate permanent indefinite budget authority for purposes of obligations and disbursements for credit reform financing as well as pre-credit reform liquidating programs.
- 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. Under the Charter Act, the Secretary 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. Currently, all members of the Board and CCC 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 along with the FSA, the Natural Resources Conservation Service (NRCS), Risk Management Agency (RMA), and the Farm Production and Conservation (FPAC) Business Center are organized under the FPAC mission area, which 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, 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 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.

Through its network of local offices generally co-located with FSA, 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 programs touch 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 Business Center
Secretary, Robert Ibarra, Deputy Chief Operating Officer, FPAC Business Center
Assistant Secretary, Monique B. Randolph, Staff Specialist, FPAC Business Center
Chief Financial Officer, Margo Erny, CFO, FPAC Business Center

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
Chief Economist, Rob Johansson, USDA
Deputy Chief Financial Officer, Lynn Moaney, USDA
White House Liaison, Thom Christianson, USDA
Budget Officer, Vacant, FPAC Business Center

* Deputy Secretary departed on 11/08/2020.
** Pending Senate confirmation.

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 U.S., 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) 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 was authorized to fund TMP through the initial program announcement in FY 2018 and continued to fund TMP in FY 2020. Even though funds for MFP, FPD and ATP were first authorized in FY 2018, the majority of activity began in FY 2019 and extended into FY 2020. During the first quarter of FY 2020, two additional tranches of MFP were approved. There was also an increase in FPD activity as many of FY 2019 purchases were not paid until FY 2020.

Seafood Trade Relief Program

The Seafood Trade Relief Program (STRP) began in FY 2020 and is intended to support the U.S. seafood industry and fishermen impacted by retaliatory tariffs from foreign governments. The program funding supports over fifteen different seafood types, including Lobster, Pacific Cod, and Turbot. Fishermen can sign up for relief through December 14, 2020.

Updates to Agriculture Improvement Act of 2018

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."

In FY 2020, producers were eligible to update Price Loss Coverage (PLC) yields. Producers could last update their yields in 2014. Yields are used to calculate future payments and, therefore, can result in higher payments to producers.

The U.S. Department of Agriculture's (USDA) Farm Service Agency announced changes in August of 2020 for emergency haying and grazing of acres enrolled in the Conservation Reserve Program (CRP). This includes changes outlined in the 2018 Farm Bill that streamline the authorization process for farmers and ranchers. Previously emergency haying and grazing requests originated with FSA at the county level and required state and national level approval. Now approval will be based on drought severity as determined by the U.S. Drought Monitor.

Coronavirus Aid & Assistance

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a law meant to address the economic fallout of the Coronavirus Disease of 2019 (COVID-19) pandemic in the United States. As part of the CARES Act:

- CCC received an early replenishment of $14 billion for its net realized losses, not previously reimbursed, reported as of June 30, 2020. This replenishment allowed USDA to develop new support programs and assist agricultural producers.

- The maturity dates for Marketing Assistance Loans (MAL) for most commodities were extended to 12 months rather than nine months for crop years 2018, 2019, and 2020.

- CCC was authorized to make an additional $100 million transfer to the Rural Utilities Service.

While not included in the CARES Act, additional flexibility was added to the Farm Storage Facility Loan (FSFL) program for borrowers experiencing financial hardship from the pandemic, and other challenges in production agriculture. CCC implemented a one-time annual installment payment deferral option. No fees or prepayment penalties apply for borrowers who choose this FSFL loan flexibility option.

In April 2020, CCC transferred $6.5 billion to the Office of the Secretary (OSEC) to provide additional funding for the Coronavirus Food Assistance Program, known as CFAP 1. In September 2020, a second Coronavirus Food Assistance Program, known as CFAP 2, was announced, for which CCC provided a $14 billion funding transfer to the OSEC. CFAP 2 payments will provide eligible producers with financial assistance that will enable them to absorb some of the increased marketing costs associated with the COVID-19 outbreak. CCC is not responsible for the management or accounting of the CFAP 1 or CFAP 2.

Due to the COVID-19 pandemic, the Debt Service Suspension Initiative (DSSI), authorized by the State Department, was offered to the poorest countries to mitigate social, health, and economic impacts stemming from the crisis. Obligors may apply for an extension on their debt payments, rates, and the conditions of interest payments to preserve the net present value of the original debts. This supported deferment of repayments for Export Credit Guarantee (GSM-102) program and P.L. 480 loans. More information about this program can be found in Note 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers.

Expected Market Conditions and Government Payments[1]

Farm producers' net cash income[2] and net farm income[3] are both forecast to increase in 2020[4] relative to 2019 estimates in a year clouded by unprecedented uncertainty. Based on USDA's Economic Research Service (ERS) projections made in August 2020, net cash income in 2020 increased by $4.9 billion to $115.2 billion in 2020, with much of the difference in the two measures explained by changes in inventory value. Net farm income, another farm income measure, rose 23 percent to $102.7 billion – largely due to record government payments of $37 billion. Net farm income is considered a broader measure of profits than net cash income. If realized, both income measures would be above their historical average across 2000-2019 when adjusted for inflation, but 2020 net farm income will still be well below the record high of $123.7 billion of 2013.

The U.S. agricultural sector faces an extremely difficult situation in 2020 as the COVID-19 pandemic has led to great market disruption. Even before the pandemic, a global abundance of grain and intense foreign competition had pressured agricultural prices downward. China and the United States reached a Phase 1 deal in January 2020 to partly mitigate their trade war, but China's required purchases of U.S. products under the deal have been very uncertain. After a slow start, China's buying began to accelerate sharply in late summer and early fall, providing a boost to U.S. exports. The growing season for 2020 crops has generally been better than 2019, when harsh weather resulted in record prevented planting. Crop and livestock prices began to show signs of recovery in late summer on increased commodity purchases by China, reduced production expectations for corn and soybeans, and lower-than-expected crop inventories on September 1, 2020.

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[1] The data in this section was drawn from the "2020 Farm Sector Income Forecast" published in August 2020 (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.

The projected increase in 2020 farm income is larger than might be expected due to increased payments from the government. After soaring by 64 percent in 2019, government payments are set to increase by another 66 percent in 2020 to a new record high. Government payments are projected at $37.2 billion, surpassing the previous record set in 2005, also in nominal terms. The increase over 2019 is based on higher payments made under existing safety net programs and even larger ad hoc payments than in 2019 due to the CFAP 1, along with two tranches of MFP payments.

Further Gains in Cash Receipts and Net Farm Income Expected Since Last Projections were Released

Several developments occurring after preparation of the last official farm income projections at the beginning of September point to significant additional gains in 2020. These stem from:

- An additional ad hoc government aid package, CFAP 2 that was announced on September 18, 2020 and will provide up to $14 billion in financial assistance. Signup started on September 21, 2020 and will run through December 11, 2020.

- Increasing market prices for many farm commodities since August when the last projections were made, particularly for crops led by soybeans and corn, along with additional gains for livestock and dairy, especially for hogs. As a result, cash receipts are likely to increase from the previous projection.

A precise forecast of the net effect is not currently possible. However, total government payments to agriculture are expected to increase from the record previous projection of $37 billion to an approximate range of $45 - $50 billion, assuming not all CFAP 1 funding is spent. Likewise, it is impossible to forecast the full impact on cash receipts, but price gains will increase cash receipts considerably. For the two most important crops, corn and soybeans, the price forecast increased from September to October.

Thus, 2020 net farm income will rise well above the last forecast of $102.7 billion, possibly eclipsing 2011, the second highest year on record when net farm income reached $113.5 billion in nominal terms. It would appear less likely that final 2020 net farm income will threaten the record high of $123.7 billion achieved in 2013.

Uncertainty will continue to dominate the market in the next few months as markets evolve due to the threat of a possible re-emergence of COVID-19 with colder weather, as supply chain disruptions are resolved, whether China will continue substantial purchases of U.S.

farm goods, and if the economy continues to reopen and food service demand is re-established.

Total Cash Receipts Expected to Decrease in 2020

Farm cash receipts are forecast to decrease $12.3 billion in 2020, as a large decrease in animal and animal related receipts outweighs a modest gain in crop receipts. Crop cash receipts are forecast to increase on a rebound in planted and harvested acres after weather disruptions in 2019. This increase in production is nearly offset by lower prices given weak markets and pandemic disruption despite lower prices making U.S. crops more competitive in export markets. Cash receipts for fruits and nuts are expected to increase, while corn, wheat, cotton, and soybeans are expected to decrease. Total animal/animal product cash receipts are expected to fall $14.3 billion in 2020 driven by declines in receipts for hogs, broilers, cattle, and milk. Broilers and hogs are expected to see the largest declines in cash receipts in percentage terms, but growth in cash receipts is expected for turkeys and chicken eggs. Cattle receipts are expected to fall over 7 percent in 2020, and hog receipts are forecast almost 16 percent lower. Projected milk prices fell $0.90 cwt. to $17.75

Margins between live animal prices and wholesale meat prices widened sharply at the onset of the COVID-19 pandemic but began to return to more normal levels by late summer. While supply chain impacts have eased from the spring, food service disruption related to restaurant closures and operating restrictions, along with school closures and reduced demand from other institutions are likely to continue over the course of the year. Gains in exports of pork and other meats may offset some of the domestic challenges. There has been an increase in the demand for pork from the U.S. and other suppliers, reflecting the devastating impact of African Swine Fever on China's pork sector.

Farm Production Expenses Expected to Decline in 2020

For 2020, producers' production expenses are forecast at $344.2 billion, down from $348.7 billion in 2019, a decrease of $4.5 billion (1.3 percent) in nominal terms. 2020 production expenses are 19 percent below the record high of $427.1 billion in 2014 in inflation-adjusted terms and continue a six-year string of declining expenses. Even though overall production expenses are forecast to decrease, the changes to individual expenses vary, ranging from a 7.1 percent increase in property taxes to a 27.1 percent decline in interest expenses. Farm sector production expenses include expenses associated with operator dwellings.

While most expenses declined, there was a notable increase in fertilizer (up nearly 6 percent) reflecting more land in production and less prevented planting than in 2019, as most fertilizer prices were flat to lower. Labor expenses are also higher, projected to rise about 3 percent, with continued uncertainty on immigrant labor availability compounded by higher costs associated with COVID-19. Property taxes are projected to increase 7 percent, continuing a long-term uptrend. Property taxes have risen by an average of 4 percent per year over the past 20 years, and only declined in three of those years. Expenses for feed – the largest single expense category – are forecast up more than one percent as generally lower feed prices are counterbalanced by large animal inventories and, in some cases, longer times on feed because of disruptions to processing. Fuel expenses are down 14 percent year-to-year due to lower prices. The sharp drop in interest expenses (27 percent) reflects the effect of lower interest rates, as overall loan volumes are forecast to increase.

Farm Equity Expected to Increase

USDA's ERS expects farm sector equity in 2020 to increase by 0.7 percent to $2.68 trillion in nominal terms. Farm sector assets are forecast to increase 1.1 percent in 2020 to $3.11 trillion as farm real estate assets are forecast to increase 1.1 percent. Farm sector debt is forecast to rise 3.6 percent to $433.8 billion, with real estate debt forecast to rise 5.5 percent to $281.6 billion. When adjusted for inflation, farm sector equity is forecast to be relatively unchanged in 2020. Debt-to-asset levels for the sector are trending higher since 2012 and are forecast to rise again in 2020 to 13.95 percent. Working capital is forecast to decline 12.8 percent in 2020, after increasing 11.9 percent in 2019.

Government Payments Forecast at a Record High

Government payments from the USDA are increasing even more dramatically in 2020 as a result of the ad hoc CFAP 1 and CFAP 2 payments of $16 and $14 billion, respectively. Total government payments are forecast at $31.4 billion, up from 2019. Direct government farm program payments also include payments to farmers and ranchers from programs such as The Agriculture Risk Coverage (ARC), Price Loss Coverage (PLC), and the various Trade Mitigation Programs, most notably the MFP, but do not include Federal Crop Insurance Corporation insurance indemnity payments.

In the category of supplemental and ad hoc payments, CFAP provides direct relief to producers who face price declines and additional marketing costs due to COVID-19. MFP payments for 2020 are forecast at $3.8 billion and reflect payments authorized in 2019 with the final tranche paid in 2020.

The pattern for other program categories is mixed. PLC payments are projected to increase $2.8 billion in 2020 while those for ARC will be down $0.6 billion from 2019 levels. This mostly reflects a change in participation for corn and other crops to more PLC as prices fell. PLC is a price-based program while ARC is a revenue-based program. PLC payments in 2020 are projected at $4.7 billion due to declines in 2019 market-year prices for several commodities, raising payments made in 2020. ARC payments are projected to fall again to around $100 million from $710 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 participation in ARC and lower county revenue guarantees.

Conservation payments, reflecting the financial assistance programs of USDA's FPAC agencies, including CCC, are expected to rise $4 billion in 2020, up 5 percent from 2019. Marketing Loan Gains and Loan Deficiency Payments (LDP) are forecast to increase from near zero in 2019 to around $450 million each, mostly because of payments for upland cotton when world prices declined in 2020. These will be the highest in many years. The Dairy Margin Coverage Program, that replaced the Dairy Margin Protection Program in the 2018 Farm Bill, is forecast to make net payments of $200 million to dairy operators in 2020.

2020 Performance Highlights Summary

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

The 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. 2020 enrollment ended with 1.7 million contracts and approximately 24,000 producers enrolled.

In FY 2020, CRP enrolled 1.36 million acres in riparian and grass buffers, and enrolled or re-enrolled 2.35 million acres of wetlands for restoration. The COVID-19 pandemic caused numerous changes to how work was performed, including limiting outreach to virtual events, and made it difficult for offices to promote CRP as part of general office conversations with farmers and ranchers.

In FY 2020, the CCC Export Credit Guarantee Program supported $2.2 billion in exports of U.S. agricultural commodities. Program use is tied to risk perception in international financial markets, with program use increasing as the perception of risk increases. Due to the current COVID-19 pandemic, many developing countries are experiencing decreased liquidity. The GSM-102 program use expanded in response to these worsening economic conditions, providing benefits to U.S. exporters, importers, and banks to support U.S. exports and needed imports into developing markets. As a result, program use increased by 10 percent in FY 2020 compared to FY 2019. The economic return ratio for FY 2020 was $103 per dollar invested, exceeding the target of $100 per dollar invested. FY 2020 saw the program maintain its negative budget subsidy rate, meaning that income was projected to sufficiently 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 CCC as of September 30, 2020, in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP) promulgated by the FASAB. CCC has a parent-child relationship with USAID. The child fund activities are part of the CCC consolidated financial statements.

Assets

The Consolidated Balance Sheet reflected Total Assets of $5.91 billion as of September 30, 2020, a decrease of $205 million (3 percent) below the previous year's Total Assets of $6.12 billion. This is mainly attributed to a $225 million decrease in the Fund Balance with Treasury and a $164 million decrease in Direct Loans and Loan Guarantees, Net and is partially offset by a $339 million increase in Commodity Loans, Net.

Table 1: Summary of Assets

	In Millions			
As of September 30	2020	2019	Variance	Variance %
Fund Balance with Treasury	$ 2,882	$ 3,107	$ (225)	-7%
Accounts Receivable, Net	84	160	(76)	-48%
Commodity Loans, Net	909	570	339	59%
Direct Loans and Loan Guarantees, Net	1,864	2,028	(164)	-8%
Other	172	251	(79)	-31%
Total Assets	$ 5,911	$ 6,116	$ (205)	-3%

Liabilities

The Consolidated Balance Sheet reflected Total Liabilities of $38.09 billion as of September 30, 2020, an increase of $5.58 billion (17 percent) from the previous year's Total Liabilities of $32.51 billion. The variance is primarily due to increases of $2.85 billion and $3.24 billion in Debt to Treasury and Accrued Liabilities, respectively.

The increase in Debt to Treasury is primarily driven by transfers of funds to OSEC for CFAP 1 and CFAP 2. As of September 30, 2020, CCC approached but did not exceed its debt limit with an outstanding debt to Treasury in the amount of $29.22 billion. The increase in Accrued Liabilities is primarily driven by increased participation in the PLC program. In FY 2020, producers were eligible to update PLC yields. Producers could last update their yields in 2014.

Table 2: Summary of Liabilities

	In Millions			
As of September 30	2020	2019	Variance	Variance %
Debt to the Treasury	$ 29,217	$ 26,364	$ 2,853	11%
Resources Payable to Treasury	537	711	(174)	-24%
Accounts Payable	106	506	(400)	-79%
Grants Payable	188	182	6	3%
Accrued Liabilities	7,892	4,651	3,241	70%
Other	147	91	56	62%
Total Liabilities	$ 38,087	$ 32,505	$ 5,582	17%

Net Position

CCC's Net Position, as of September 30, 2020 and 2019, was ($32.18) billion and ($26.39) 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 $22.57 billion and $24.05 billion for the years ended September 30, 2020 and 2019, respectively. Total Net Cost of Operations decreased by $1.48 billion (6 percent) from the prior year.

Table 3: Summary of Net Cost of Operations by Strategic Goal

	In Millions			
For the Years Ended September 30	2020	2019	Variance	Variance %
Provide a Financial Safety Net for Farmers and Ranchers	$ 16,699	$ 18,855	$ (2,156)	-11%
Increase Stewardship of Natural Resources While Enhancing the Environment	2,261	2,262	(1)	0%
Ensure Commodities are Procured and Distributed Effectively and Efficiently	1,428	1,207	221	18%
Increase U.S. Food and Agricultural Exports	2,185	1,723	462	27%
Total Net Cost of Operations	$ 22,573	$ 24,047	$ (1,474)	-6%

- Provide a Financial Safety Net for Farmers and Ranchers
  The primary CCC programs that support this strategic goal are ARC, PLC, and MFP. The decrease in Total Net Cost of Operations is primarily driven by lower MFP activity in FY 2020. FY 2019 included substantively all of program year 2018 MFP costs along the first tranche of program year 2019 MFP costs. This is partially offset by an increase in activity in the PLC program. In FY 2020, producers were eligible to update PLC yields. Producers could last update their yields in 2014.

- Increase Stewardship of Natural Resources While Enhancing the Environment
  Total Net Cost of Operations is primarily driven by activity in CCC's various Conservation Reserve Programs, which remained stable in relation to the prior year.

- Ensure Commodities are Procured and Distributed Effectively and Efficiently
  The increase in Total Net Cost of Operations is primarily driven by a higher quantity of purchases in the FPD. Since this was a new program in FY 2019, there were fewer commodities delivered and expensed in FY 2019, and many of the FY 2019 obligations were not expensed until FY 2020.

- Increase U.S. Food and Agricultural Exports
  The increase in Total Net Cost of Operations is primarily driven by the P.L. 480 Title II program. Costs in FY 2020 increased due to purchases related to the conflicts in Bangladesh and Yemen.

New Obligations and Upward Adjustments

New Obligations and Upward Adjustments were $38.42 billion and $29.74 billion for the years ended September 30, 2020 and 2019, respectively. Total Obligations Incurred increased by $8.68 billion (29 percent) from the prior year. Traditionally, CCC's ARC and PLC programs obligate for one crop year per FY. As a result of the 2018 Farm Bill, obligations for crop year 2019 did not occur until FY 2020, so the increase in New Obligations and Upward Adjustments is primarily due to obligating two crop years instead of one during FY 2020. This is partially offset by significantly lower MFP activity, as described in the Net Cost of Operations highlights.

Agency Net Outlays

Net Outlays were $18.61 billion and $22.78 billion for the FYs ended September 30, 2020 and 2019, respectively. Total Agency Net Outlays decreased by $4.17 billion (18 percent) from the prior year. Most of this decrease in Net Outlays is related to the various Trade Mitigation Programs.

Table 4: Summary of Agency Net Outlays

	In Millions			
For the Years Ended September 30	2020	2019	Variance	Variance %
Net Outlays:				
Outlays, Net	$ 18,636	$ 22,827	$ (4,191)	-18%
Less: Distributed Offsetting Receipts	(22)	(49)	27	-55%
Total Agency Net Outlays	$ 18,614	$ 22,778	$ (4,164)	-18%

Management Controls, Systems, and Compliance with Laws and Regulations

FMFIA and FFMIA Assurance Statement:

USDA

United States Department of Agriculture

Commodity Credit Corporation

1400 Independence Avenue, SW
Washington, DC 20250-0581

TO: Scott Soles
Principal Deputy Chief Financial Officer

THROUGH: William Northey
Under Secretary
Farm Production and Conservation

WILLIAM NORTHEY Digitally signed by WILLIAM NORTHEY Date: 2020.09.17 13:40:40 -04'00'

FROM: Robert Stephenson
Executive Vice President
Commodity Credit Cooperation

ROBERT STEPHENSON Digitally signed by ROBERT STEPHENSON Date: 2020.09.15 16:02:37 -04'00'

Margo E. Erny
Chief Financial Officer
Farm Production and Conservation

MARGO ERNY Digitally signed by MARGO ERNY Date: 2020.09.15 14:20:31 -04'00'

SUBJECT: Commodity Credit Corporation's FY 2020 Agency Financial Report Certification Statement – as of June 30, 2020

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) 2020 Agency Financial Report*. The assertions included in this statement cover the CCC's assessment of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA):

- Effectiveness of Internal Control over Operations (FMFIA-Section 2);
- Effectiveness of Internal Control over Financial Reporting (FMFIA-Section 2);
- Compliance with Laws and Regulations (FMFIA – Section 2);
- Conformance with Federal Financial Management System Requirements (FMFIA-Section 4); and
- Compliance with Section 803(a) of the FFMIA.

CCC's operational effectiveness was assessed through multiple program level internal control and compliance review processes in FY 2020. Business processes and general computer controls related to financial reporting were evaluated through Office of Management and Budget (OMB) Circular A-123, Appendix A reviews and improper payment testing was performed for those programs designated as high risk. The Farm Service Agency (FSA) conducted a combined annual assessment of Entity Level Controls including CCC programs and 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, managers are reminded 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, the following assertions are made on behalf of CCC.

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 areas.
   c. Management has conducted its annual evaluations of internal control pursuant to Section 2, for the period ended June 30, 2020.
   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 2020.

II. Internal Control over Financial Reporting (FMFIA - Section 2) - Assertions in this section are specific to Internal Control over Financial Reporting for FY 2020.
   a. CCC assessed the effectiveness of internal control over external financial reporting as of June 30, 2020. The assessment followed USDA guidance, OMB 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 key controls, summary of findings, and the development of corrective action plans for control deficiencies. The following business processes were tested:
      1. Marketing Assistance Loans - Credit Extension, Loan Monitoring and Loan Receivables
      2. Farm Storage Facility Loans - Credit Extension, Loan Monitoring and Loan Receivables
      3. P.L. 480 Direct Loans - Loan Monitoring and Loan Receivables
      4. GSM Guaranteed Loans - Credit Extension, Loan Monitoring and Loan Receivables and Loss Claims
      5. Data Quality Compliance
      6. Payments – Farm Support Programs
      7. Food Aid Procurement – Commodity Inventory

8. Master File Maintenance
9. Disbursements (Outside FMMI)
10. Disbursements (Inside FMMI)
11. Revenue and Receivables -Collections
12. Debt with Treasury
13. Fund Balance with Treasury Reconciliation
14. Funds Control (Outside FMMI)
15. Budget Authority
16. Transfers
17. General Ledger Maintenance and Interfaces
18. Period End Reporting
19. Significant Management Estimates
20. Unliquidated Obligation Review

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, 2020.
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 two material weaknesses related to Accounting for Budgetary Transactions (Funds Control) and Accounting Estimates that were previously identified through audits of CCC's financial statements remain.
g. In addition to what was found through the Financial Statement audit, two additional 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 and are included in the Summary of Reportable Deficiencies chart.

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

a. Anti- Deficiency Act
   i. Two prior year anti-deficiencies are awaiting a decision from GAO. One prior anti-deficiency was closed in FY 2020.
   ii. The details are included in the Summary of Reportable Deficiencies chart.

b. Improper Payments Elimination and Recovery Act of 2010, as amended
   i. FSA tested several programs designated as high risk for improper payments. The non-compliant programs funded and administered by FSA are included in the FSA certification statement.
   ii. Management has reviewed all applicable programs and activities to identify any area that may be susceptible to significant improper payments.
   iii. Deficiencies and associated mitigation efforts for non-compliant programs administered by FSA but funded by CCC are described in the attached Summary of Reportable Deficiencies chart.

c. Additional Supplemental Appropriations for Disaster Relief Act of 2017 and 2019/Bipartisan Budget Act of 2018/Further Additional Supplemental Appropriations for Disaster Relief Requirements Act of 2018
   i. This is does not apply to CCC.

d. Families First Coronavirus Response Act (FFCR Act)/Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
   i. CCC does not administer any CARES Act programs but does provide funding to the Farm Service Agency (FSA). See details in FSA's certification statement.

e. Data Act Reporting for USAspending.gov
   i. CCC did not complete data quality compliance testing due to known deficiencies. CCC does not provide assurance that data integrity processes and controls for Files A, B, C, D1 and D2 align with OMB Circular A-123, are designed effectively, implemented, and operating effectively for all reported data with the exceptions below. This includes controls over agency financial systems, award management systems, and procurement data reported to the Federal Procurement Data System – Next Generation (FPDS-NG).
   ii. Based on OMB Circular A-123, Appendix A testing, a design deficiency was noted regarding the fact that processes are not in place to ensure that all required data is reported.
   iii. The associated corrective action plans to become compliant are described in the attached Summary of Reportable Deficiencies chart.

f. Government Charge Card Abuse Prevention Act
    i. This not applicable to CCC. CCC does not fund any expenses charged to government credit cards.

g. Payment Integrity Information Act of 2019 which replaced the Fraud Reduction and Data Analytics Act of 2015
    i. CCC has established financial and administrative controls to identify and assess fraud risk and has designed and implemented control activities to prevent, detect and respond to fraud, including improper payments. Various financial and administrative controls are in place to detect and prevent fraud including but limited to, controls surrounding system access, segregation of duties, eligibility and payments. Improper payment reviews are done annually to detect improper payment root causes, including fraud.
    ii. The Performance, Accountability and Risk (PAR) Division within the FPAC Business Center is partnering with FSA management (on behalf of CCC) to more fully implement the fraud risk principle in the Standards for Internal Control and Office of Management and Budget (OMB) Circular A-123 with respect to the leading practices for managing fraud risk. CCC annually reports fraud specific information to USDA/OIG as part of USDA's annual financial audit. FSA staff on behalf of CCC tracks fraud investigations, audit findings, internal control deficiencies, and pending litigation. This information is provided to the Department. CCC identifies potential fraud when preparing the quarterly high dollar improper payment report that is provided to the Department. Additionally, as discussed above, CCC has several financial and administrative controls in place to prevent and detect fraud. As discussed below, fraud and OMB Circular A-123 risk assessments have been conducted and an Enterprise Risk Management framework has been established. From an IT perspective, policies and procedures have been developed to identify fraud risks (i.e., program vulnerability reporting tool, data analytics, hotlines) and determine appropriate responses. All systems undergo an assessment of all applicable security controls, and vulnerability scans as a part of the initial Authority to Operate (ATO) process. All systems also go through the mandated IT Risk Management Framework process by 3rd party assessors every 36 months. CCC assesses one third of the security controls annually to maintain and renew existing ATO(s) and communicate assessment results to designated system owners, as applicable. In addition to the controls currently in place, PAR is working with all FPAC agencies to develop fraud related policies and procedures and enhance existing controls.

iii. PAR has identified risks and vulnerabilities to fraud with respect to grants and large contracts. Fraud specific risk assessments for purchase cards, travel cards, contracts, and human resources, as applicable, were conducted by PAR at the FPAC level in FY 2019. Additionally, annual OMB Circular A-123 risk assessments were conducted that incorporate 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. Furthermore, the FPAC Enterprise Risk and Strategy Assessment was launched in FY 2020 to interview FPAC leadership and subject matter experts to create an FPAC Risk Profile that lists the top risks to achieving FPAC's mission and how FPAC will respond to these risks. FPAC launched an Enterprise Risk and Strategy Dashboard in FY2020 to provide continuous monitoring of FPAC's top enterprise risks using agency enterprise risk registers and an integrated executive dashboard. Risk Champions have been assigned to each agency to serve as primary points of contact for the creation of enterprise risks. Training on the Enterprise Risk and Strategy Program will be available on demand to all FPAC staff members by the end of FY 2020. Fraud risks are considered as part of this process.

iv. In addition to the fraud related activities discussed above, in FY 2019, PAR began to establish an anti-fraud program that provides oversight and guidance to all FPAC agencies to help prevent and detect fraud, waste and abuse. In FY 2020, PAR continued their partnership with Treasury's Bureau of Fiscal Services Payment Integrity Center of Excellence to help identify potential fraud, anomalies and improper payments by analyzing payment data.

v. PAR will continue to enhance FPAC's anti-fraud program in FY 2021 and beyond. This includes finalizing a charter, policies and procedures, performing data analysis, conducting audits, reviews and investigations as required, and performing testing on fraud specific controls. PAR will also develop audit requirements to determine to what extent FPAC agencies have policies and procedures in place to prevent and detect fraud at the agency level.

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

a. CCC evaluated its financial management systems under FMFIA (-section 4) for the period ended June 30, 2020.

b. No new material system non-conformances were identified. However, a system conformance related to Accounting for Budgetary Transactions remains. This is reflected as a MW in the Internal Controls over Financial Reporting in the Summary of Reportable Deficiencies chart.

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, 2020.
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.

United States Department of Agriculture

Commodity Credit Corporation

1400 Independence Avenue, SW
Washington, DC 20250-0581

TO: Scott Soles
Principal Deputy Chief Financial Officer

THROUGH: William Northey
Under Secretary
Farm Production and Conservation

WILLIAM NORTHEY
Digitally signed by WILLIAM NORTHEY
Date: 2020.10.22 16:23:30 -04'00'

FROM: Robert Stephenson
Executive Vice President
Commodity Credit Cooperation

ROBERT IBARRA
Digitally signed by ROBERT IBARRA
Date: 2020.10.19 12:42:59 -04'00'

Margo E. Erny
Chief Financial Officer
Farm Production and Conservation

MARGO ERNY
Digitally signed by MARGO ERNY
Date: 2020.10.16 11:07:08 -04'00'

SUBJECT: Commodity Credit Corporation's FY 2020 Agency Financial Report Certification Statement – Bridge Memorandum as of September 30, 2020

The Commodity Credit Corporation (CCC) is providing the following updates to the Certification Statement dated September 17, 2020 reported to the Office of the Chief Financial Officer as of June 30, 2020.

A. Anti-Deficiency Act (ADA) updates are summarized here and detailed below.
   1. Three Anti-Deficiency Act (ADA) violations that were open in FY 2019 and closed in FY 2020 were not reported in the Certification Statement.
   2. The Pima Cotton issue that was reported in the previously submitted Certification Statement for CCC is now being reported on the Farm Service Agency (FSA) Bridge Memorandum to better align with program execution.
   3. One additional potential ADA has been identified.

Anti-Deficiency Act Updates

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. 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.

Contact Name and Phone No.	Corrective Action Milestones	Estimated Completion Date (ECD)	Actual Completion Date	Revised ECD	Status/Reason for Change
John Cunningham - 202-720-0169	Letter sent to Congress	N/A	12/5/2019	N/A	N/A

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.

Contact Name and Phone No.	Corrective Action Milestones	Estimated Completion Date (ECD)	Actual Completion Date	Revised ECD	Status/Reason for Change
John Cunningham - 202-720-0169	Letter sent to Congress	N/A	1/29/2020	N/A	N/A

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).

Contact Name and Phone No.	Corrective Action Milestones	Estimated Completion Date (ECD)	Actual Completion Date	Revised ECD	Status/Reason for Change
John Cunningham - 202-720-0169	Letter sent to Congress	N/A	10/25/2019	N/A	N/A

CCC Export Credit Guarantees (GSM) is a mandatory program authorized under 7 USC 5622 (program authority overall) and 7 USC 5641(b) (funding level). GSM had an approved apportionment in FY 2017 with a sufficient amount of budgtary resources to cover obligations during FY 2017. The budgetary resources included both the unobligated balance carried forward and a new mandatory appropriation. However, the unobligated balance carried forward consisted of indefinite budget authority which can't be carried forward per the A-11. The current appropriation for that year was insufficient to cover the total obligations by $1,139,395.58. The issue has been referred to the Office of General Counsel (OGC).					
Contact Name and Phone No.	**Corrective Action Milestones**	**Estimated Completion Date (ECD)**	**Actual Completion Date**	**Revised ECD**	**Status/Reason for Change**
John Cunningham - 202-720-0169	Pending OGC opinion	12/31/2020	N/A	N/A	N/A

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. CCC and all managers conducting CCC business or acting on behalf of the CCC 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 2020 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 2020 with two open material weaknesses. The material weaknesses related to accounting for budgetary transactions and related to accounting estimates were confirmed to continue to exist.

The two significant deficiencies of reconciling FBWT; and maintaining, controlling and monitoring the general ledger were confirmed to still exist in FY 2020 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 2020, 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 2020 toward implementing complete funds control; however, the lack of the financial system functionality to record all obligations at the transaction level at the time the obligation occurs increases the risk that funds could be disbursed or obligations incurred with no or insufficient budget authority to fund the expense or obligation. Although CCC implemented manual controls in order to compensate for the system's inherent limitation, the controls may not be adequate to eliminate the risks of an Antideficiency Act (ADA) violation occurring and may not prevent or detect violations timely.

CCC 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 2022.

Antideficiency Act

During FY 2020, 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.

One new potential violation of the ADA was identified by CCC in FY 2020. Two potential violations of the ADA had no changes to their status during FY 2020. CCC continues to evaluate the facts and circumstances of the potential ADA, in consultation with FSA-OGC, OIG-OGC, and GAO. Three confirmed violations of the ADA have been closed by CCC during FY 2020.

Limitations of the Financial Statements

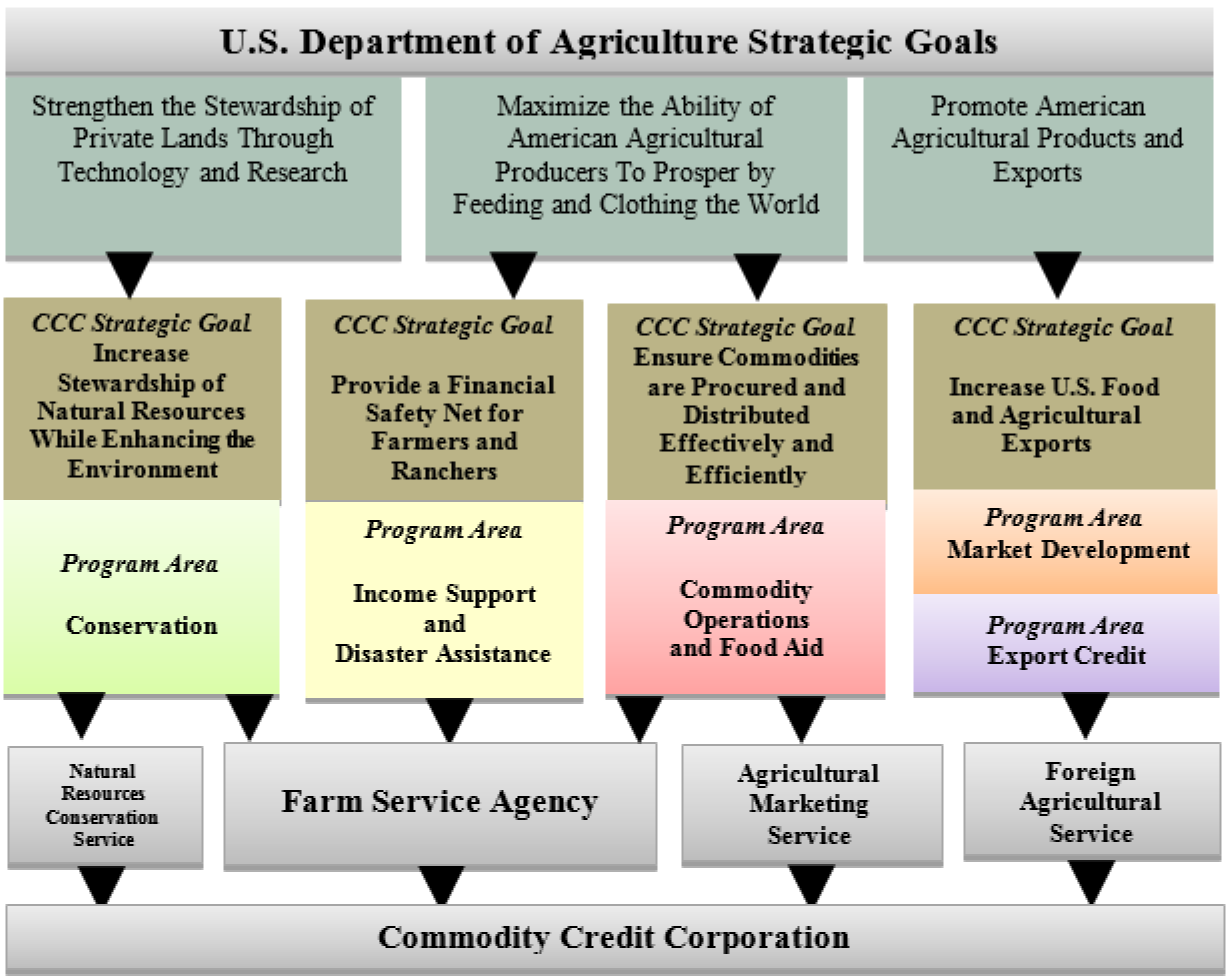
The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b), *Financial Statements of Agencies*. The statements have been prepared from the books and records of the entity in accordance 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 1: 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.

With CRP Grasslands, landowners and operators can protect grassland, including rangeland and pastureland, and certain other lands, while maintaining the areas as grazing lands. The program emphasizes support for grazing operations, plant and animal biodiversity and grassland and land containing shrubs and forbs under the greatest threat of conversion. Participants receive annual payments and cost-share assistance. Contract duration is either 10 or 15 years.

The 2018 Farm Bill added a new initiative, Clean Lakes Estuaries and Rivers (CLEAR), that names water quality continuous signup practices and added a new practice, prairie strips. The Farm Bill has a goal that 40 percent of continuous practices should be CLEAR practices. CLEAR enrollment includes agricultural land devoted to riparian buffer and wetland practices that are accepted on a continuous basis.

The Farm Bill also added a CLEAR30 Pilot which allows for enrollment of expiring Continuous CLEAR practices for the first time into a 30-year CRP contract. The FY 2020 pilot is available in the states that make up two major priority areas, The Chesapeake Bay Watershed and the Great Lakes Watershed.

In FY 2020, the CRP enrolled 1.36 million acres in riparian and grass buffers, and enrolled or re-enrolled 2.35 million acres of wetlands for restoration. 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.

COVID-19 requires telework and limits the number of staff in field offices, resulting in limited or prohibited in person appointments to process new and re-enrolled land. prohibited. CRP offers are completed remotely using email, mail, and cloud services to secure signatures. Because of these limitations it is difficult for offices to promote CRP as part of general office conversations with farmers and ranchers. All outreach has been limited to virtual events. Despite this, the year-end targets were met.

Table 5: Summary of Performance Measure for Riparian and Grass Buffers Acreage

Performance Measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020		
					Target	Actual	Result
CRP: acres of riparian and grass buffers (cumulative and in million acres)	1.70	1.60	1.53	1.43	1.41	1.36	Met
Threshold range: Exceeds: Surpasses target – Met: within 90% or equal of target – Needs Improvement: Less than 90% of target							
Data Assessment of Performance Measure							
Data source: The data source for this measure is the National CRP Contract Data Files. **Completeness of Data:** Data reported are based on data available as of third quarter FY 2020. 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 6: Summary of Performance Measure for Restored Wetland Acreage

Performance Measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020		
					Target	Actual	Result
CRP: restored wetland acreage (million acres)	2.09	2.16	2.29	2.33	2.41	2.35	Met
Threshold range: Exceeds: Surpasses target – Met: within 90% or equal of target – Needs Improvement: Less than 90% of target							
Data Assessment of Performance Measure							
Data source: The data source for this measure is the National CRP Contract Data Files. **Completeness of Data:** Data reported are based on data available as of third quarter FY 2020. 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. CCC also has been impacted by the COVID-19 pandemic. Offers must be completed remotely and outreach is limited to virtual events.

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.

The Agriculture Risk Coverage (ARC) and Price Loss Coverage (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.

County offices enrolled 749,255 contracts by March 18, 2020. Due to the COVID-19 pandemic, office operations were disrupted, which created a challenge in meeting the annual goal of one million contracts. In spite of the operational challenges, 2020 enrollment included 1.7 million contracts with approximately 24,000 producers enrolled. County staff and their customers did an exceptional job completing paperwork electronically or using drop-off services.

Table 7: Summary of Performance Measure for ARC/PLC Program

Performance Measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020		
					Target	Actual	Result
Number of Farms enrolled in ARC/PLC (in millions)	1.66	1.65	1.67	1.77[1]	1.77	1.76	Met
Threshold range: Exceeds: Surpasses target – Met: within 90% or equal of target – Needs Improvement: Less than 90% of target							
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 July 2020. **Reliability of Data:** USDA considers the data to be reliable. **Quality of Data:** Overall, the quality of the data is good.							

1 Enrollment for Crop Year 2019 did not begin until September 2019 and ended March 2020

Challenges for the Future

Safety net programs that began with the 2014 Farm Bill and continued with marginal changes under the 2018 Farm Bill, have substantial outlay potential. Potential outlays depend on the extent and duration of market swings, producer decisions on base reallocation and yield updates, and whether there is participation 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 food assistance purchases, including the FPD Program, that support domestic programs such as the National School Lunch Program, as well as international food aid through USAID and the United Nations' World Food Program. 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 $1.3 billion of goods in FY 2020 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.

A Notice of Funding Opportunity for FY 2020 had an application deadline of July 14, 2020. FY 2020 projects were awarded by the end of September 2020.

In FY 2020, Food for Progress implemented seven new projects, which were awarded in FY 2019. Food for Progress activities facilitated access to over $131 million in finance for farmers and cooperatives by facilitating access to private market credit with agribusiness-management support and by directly providing loan facilities through project activities. There are 38 active projects in 33 countries valued at approximately $900 million. These projects reach over 401,000 direct participants. As a result of these projects, 186,905 individuals improved their agricultural management practices or technologies to 240,036 hectares. Access to working capital and credit are other significant components in expanding inclusive participation in agricultural sectors in emerging markets. Greater access to financing contributes to increased production, expanded international trade, and ultimately increased incomes.

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.

As a result of the COVID-19 pandemic, some Food for Progress implementing partners found themselves incurring additional implementation costs not originally envisioned, principally related to safety measures and the protection of staff. In addition, the economic uncertainty in the markets brought on by the COVID-19 pandemic could impact monetization sales and project implementation. Implementing partners shared their organizations' contingency plans with FAS. In these times of greater need, especially in the developing world, the program has an opportunity to provide an even greater impact in FY 2021.

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 the Foreign Market Development program (FMD), Market Access Program (MAP), Technical Assistance for Specialty Crops Program, Quality Samples Program, and Emerging Markets Program (EMP). On September 4, 2018, Secretary Perdue established the Agricultural Trade Program (ATP) program, one of the 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. Despite the difficult world trade environment with retaliatory tariffs, the COVID-19 pandemic, and lockdowns, cooperators are continuing to conduct innovative, virtual, and other on-line activities. A few examples of their successes demonstrate the wide range of participants, activities, and target markets:

- During India's lockdown, Washington Apple Commission could no longer conduct in-store promotions and product sampling and shifted to highly successful ATP-funded e-commerce promotions, increasing apple exports in the first half of June 2020 by 40 percent compared to last year.

- U.S. Meat Export Federation used ATP to introduce virtual beef cutting demonstrations to train chefs, butchers, meat cutters and sales personnel in Mexico, helping to maintain the third largest U.S beef export market worth over $800 million in recent years.

- The Distilled Spirits Council launched an ATP-funded American Whiskey public relations campaign in Canada, featuring virtual tastings and virtual tours, supporting a 5 percent increase in U.S. whiskey export value in 2019, despite a 10 percent retaliatory tariff imposed for part of the year.

- Alaska Seafood Marketing Institute conducted a MAP-funded on-line promotion with China's second largest e-commerce platform from March-April 2020. Highlighting Alaska seafood's versatility, suitability for Chinese cuisine, and Alaska's strong fisheries management program, the promotion resulted in nearly $2.2 million in sales.

- In response to Chinese pandemic-related domestic shortages and price spikes, the U.S. Soybean Export Council conducted a MAP-funded virtual seminar on U.S. non-GMO food grade soybean supply. Chinese soy food industry confidence in U.S. supply was further developed from additional USSEC virtual events such as the U.S. Soy Connection, Pan Asia Soy Food Summit and Trade Show, and Asia Trade Exchange. As a result, from April-June 2020, the Chinese food soybean importers purchased about 10,000 MT of U.S. non-GMO food grade soybeans, valued at an estimated $4.5 million, a significant increase over recent years.

- Pandemic-induced fear prompted Canadians to significantly increase purchases of fresh produce, including watermelon. The National Watermelon Promotion Board used MAP funding to expand promotion opportunities for their retailer partners across Canada. Nearly 80 percent increased their in-store displays and ad placements, resulting in January-April U.S. watermelon exports running 39 percent ahead of last year. U.S. watermelon exports to Canada reached about $70 million in 2019.

- USA Rice Federation used FMD to meet with Nicaraguan importers and address U.S. rice quality issues, providing samples and information about nine new "high quality" U.S. rice varieties. The Nicaraguan Association of Rice Processors chose three varieties to further evaluate. These activities and specific variety identify preserved shipments throughout 2019 and resulted in a more than 10-fold increase in U.S. rice exports, reaching 131,920 MT, valued at $44 million. This helped the U.S. to become the largest supplier of rice to Nicaragua once again, with a 92 percent market share.

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 SME's, which are major drivers of new job creation. In 2019 there were over 3,000 SMEs participating in SRTG's market development programs, reporting about $1.4 billion in sales. Trade show participation is a key component of SME program participation and cornerstone of cooperators' MAP and FMD investments.

Table 8: Summary of Performance Measure for Market Development

Performance Measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020		
					Target	Actual	Result
Value of agricultural exports resulting from participation in foreign food and agricultural trade shows (million $)	$1,260	$2,326	$2,041	$2,219	$2,200	$1,119	Not Met

Threshold range: +/-$150 million

Data Assessment of Performance Measure

Data source: Data 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 through September 30, 2020.

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

Quality of Data: Self-reported data is 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.

[4] FY 2020 targets will not be met due to the COVID-19 pandemic. All tradeshows after February were cancelled or postponed, including Seafood Expo Global. Postponements and anticipated participation will carryover into FY 2021.

Challenges for the Future

USDA/ERS' "Outlook for U.S. Agricultural Trade," (AES-113) dated August 26, 2020, stated that "the outbreak of the global COVID-19 pandemic is forecast to cause the world's real gross domestic product (GDP) to decline in 2020 for the first time since 2009. While some economists believe the worst of the economic and public health shock has already been observed, with the GDP of many advanced economies falling at annualized nominal rates of greater than 30 percent during the second quarter of this year, there remains significant uncertainty as to the length and speed of the recovery. Despite an anticipated recovery in the growth rate for most economies in 2021, real GDP is expected to remain below levels seen before the global pandemic. The economic recovery will depend on public and private efforts to mitigate and contain the pandemic and to efficiently adapt economies to changing conditions." Economic recovery is expected to vary widely by region. U.S. agricultural exports in FY 2020 are projected at $135 billion, down $1.5 billion from the May forecast, and $0.5 million below FY 2019. The decline is primarily due to reductions in the forecast for horticultural, beef and veal, and soybean exports. The next USDA/ERS release is scheduled for November 23, 2020.

Export Credit Program Area

MISSION ELEMENT

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

Program Overview

The primary objective of the 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 U.S. 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 2020, the CCC Export Credit Guarantee Program supported $2.2 billion in exports of U.S. agricultural commodities. Program use is tied to risk perception in international financial markets, with program use increasing as the perception of risk increases. Due to the current COVID-19 pandemic, many developing countries are experiencing decreased liquidity. GSM-102 program use is expanding in response to these worsening economic conditions, providing benefits to U.S. exporters, importers, and banks to support U.S. exports and needed imports into developing markets. As a result, program use increased by 10 percent in FY 2020 compared to FY 2019. The program exceeded its targeted economic return ratio of $100 per dollar invested.

The GSM-102 program continues to be critical in supporting sales of U.S. commodities to many markets.[5] Accomplishments for FY 2020 include:

[5] GSM-102 program sales as a percentage of overall U.S. exports during the government FY (October through September) are based on total U.S. export data through August 31, 2020. Data for September is not yet available.

- The GSM-102 program supported $890 million in U.S. yellow corn sales in FY 2020. U.S. yellow corn sales under the program to Columbia, Mexico, and South Korea accounted for 24, 14, and 7 percent, respectively, of all U.S. yellow corn exports to these countries in FY 2020. The GSM-102 program helps U.S. exports to compete with other major yellow corn suppliers, such as Argentina and Brazil, in these markets.

- Soybeans are the second largest commodity supported by the GSM-102 program, with $441 million in sales for FY 2020. For the first time in at least 20 years, the GSM-102 program supported $10.5 million worth of U.S. soybean exports to Algeria. These sales accounted for 47 percent of the total U.S. soybeans shipped to Algeria for FY 2020. The program is helping U.S. soybean exporters compete in the Algerian soybean market with major competitors, Ukraine and Canada. U.S. soybean sales under the program to other markets include Mexico and Egypt, which accounted for 15 and 3 percent, respectively, of all U.S. soybean exports to these countries in FY 2020.

- Soybean meal is the third largest commodity supported by the GSM-102 program, with $416 million in sales for FY 2020. U.S. soybean meal sales under the program to all six CAFTA-DR countries (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua) accounted for 23 percent of all U.S. soybean meal exports to these countries in FY 2020.

- The GSM-102 program supported $209 million in U.S. wheat sales for FY 2020. U.S. wheat sales under the program to South Korea, Colombia, and Mexico accounted for 30, 12, and 4 percent respectively, of all U.S. wheat exports to these countries in FY 2020. With the help of the GSM-102 program, the U.S. can compete in South Korea's wheat market against major suppliers, Australia and Canada.

- The GSM-102 program supported $343 million in U.S. rice sales for FY 2020. U.S. rice sales under the program to Columbia, El Salvador, and Guatemala accounted for 56, 12, and 12 percent respectively, of all U.S. rice exports to these countries in FY 2020.

- During FY 2020, the GSM-102 program supported $0.1 million in U.S. beer sales to South Korea, marking the first time in at least 20 years that the program supported exports of U.S. beer. Other processed products supported in FY 2020 include $93 million worth of U.S. soybean oil sales. U.S. soybean oil sales under the program to Dominican Republic, Guatemala, and Colombia accounted for 50, 37, and 22 percent, respectively, of all U.S. soybean oil exports to these countries in FY 2020.

During FY 2020, USDA conducted 61 outreach initiatives, reaching over 1,000 stakeholders, to increase program usage and ensure program benefits reach a broad array of U.S. agricultural producers. These included briefings to exporters of U.S. agricultural products, domestic banks, overseas buyers, and foreign financial institutions. As a result, USDA brought 20 new exporters into the program. More small and medium sized exporters of less traditional agricultural products, such as high value processed products, also used the program in 2020. As an example, for the first time, a small exporter used the program to support the sale of U.S. beer to South Korea. USDA also brought additional foreign banks into the program, some of which have supported sales to Africa and the Middle East region during FY 2020. New bank usage will spur additional sales by giving importers more choice in banking.

Table 9: Summary of Performance Measure for GSM-102 Program

Performance Measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020		
					Target	Actual	Result
Estimated trade value resulting from USDA GSM export credit guarantee program (dollars in billions)	$2.21	$1.62	$2.02	$2.02	$2.00	$2.22	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, 2020. **Reliability of Data:** USDA considers this data to be reliable. **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 10: Summary of Performance Measure for Economic Return Ratio

Performance Measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020		
					Target	Actual	Result
Economic Return Ratio	$(106/1)	$(101/1)	$(103/1)	$(103/1)	$(100/1)	$(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, 2020.							
Reliability of Data: USDA considers this data to be reliable.							
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 2021 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 developing markets (the primary focus of the GSM-102 program), and changes in local interest rates and bank liquidity will create program demand shifts as commercial financing availability changes. Increased program utilization during a global economic downturn, such as COVID-19 is typically accompanied by an increased risk of default. U.S. banks may reduce participation in the program as global financial risk increases, causing an overall reduction in program use.

USDA will continue to work to bring additional U.S. and foreign financial institutions into the program to expand options for U.S. exporters. One new U.S. bank and fourteen new foreign banks were added to the program during FY 2020. USDA will also continue to make additional U.S. exporters aware of GSM-102 program benefits.

Operations 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 2020, 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 2020 consolidated financial statements, related notes, and other information. CCC remains committed to improving its 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, retaliatory tariffs, and the coronavirus pandemic. CCC's programs, which are predominantly administered by the Farm Service Agency (FSA), aim to carry out CCC's mission to provide high quality services to the Nation's agricultural community and to proactively anticipate worldwide agricultural needs.

The year 2020 has been professionally challenging for CCC. Despite the conditions we all faced, whether it was the Market Facilitation Payments that were rapidly deployed to help farmers in recent years, or the transfers to support the COVID-19-related programs, CCC continues to demonstrate how rapidly we can respond to a major change to implement new programs. CCC responded expeditiously to implement COVID-19-related programs. In addition to fulfilling historical requirements and newly mandated programs, the organization continued to work on incremental change management initiatives.

CCC earned an unmodified audit opinion on fiscal year 2020 consolidated financial statements for the third consecutive year. 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 remediate outstanding deficiencies and matters of noncompliance associated with FFMIA as described in Exhibits of the Independent Auditors' 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 2021.

CCC's consolidated financial statements, included herein, report the financial position, results of operations, and status of budgetary resources for fiscal years 2020 and 2019. These statements comply, where relevant, with the requirements prescribed by OMB for 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 and 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 2020 and 2019 consist of the following:

The Consolidated Balance Sheets present those resources owned or managed by CCC as of September 30, 2020 and 2019 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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019. 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 2020 and 2019 consist of the following:

RSI contains a Combining Schedule of Budgetary Resources by Major Fund for FYs 2020 and 2019 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, Fraud Reduction Report, and Grant Program Summary, in accordance with OMB Circular A-136, *Financial Reporting Requirements*.

Commodity Credit Corporation
CONSOLIDATED BALANCE SHEETS
As of September 30, 2020 and 2019
(In Millions)

	2020	2019
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 2,882	$ 3,107
Accounts Receivable (Note 5)	4	5
Total Intragovernmental Assets	$ 2,886	$ 3,112
Cash and Other Monetary Assets (Note 4)	35	114
Accounts Receivable, Net (Note 5)	80	155
Commodity Loans, Net (Note 6)	909	570
Direct Loans and Loans Guarantees, Net (Note 7)	1,864	2,028
Commodity Inventory and Related Property (Note 8)	18	23
Advances to Others (Note 10)	119	114
Total Assets	$ 5,911	$ 6,116
General Property and Equipment (Note 9)		
Liabilities (Note 11):		
Intragovernmental:		
Accounts Payable	$ 1	$ 5
Debt to the Treasury (Note 12)	29,217	26,364
Resources Payable to Treasury (Note 14)	537	711
Excess Subsidy Payable to Treasury (Note 14)	63	23
Accrued Liabilities (Note 16)	-	1
Other Liabilities (Note 14)	3	2
Total Intragovernmental Liabilities	$ 29,821	$ 27,106
Accounts Payable	105	501
Grants Payable (Note 13)	188	182
Loan Guarantee Liability (Note 7)	7	2
Environmental and Disposal Liabilities (Note 15)	47	31
Accrued Liabilities (Note 16)	7,892	4,650
Other Liabilities (Note 14)	27	33
Total Liabilities	$ 38,087	$ 32,505
Commitments and Contingencies (Note 17)		
Net Position:		
Capital Stock	$ 100	$ 100
Unexpended Appropriations	1,673	1,901
Cumulative Results of Operations	(33,949)	(28,390)
Total Net Position	$ (32,176)	$ (26,389)
Total Liabilities and Net Position	$ 5,911	$ 6,116

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, 2020 and 2019
(In Millions)

Strategic Goals (Note 18):

	2020	2019
Provide a Financial Safety Net for Farmers and Ranchers		
Direct Program Gross Cost	$ 17,481	$ 18,433
Imputed Cost	722	753
Total Gross Cost	18,203	19,186
Less: Earned Revenue	1,504	331
Net Goal Cost	$ 16,699	$ 18,855
Increase Stewardship of Natural Resources While Enhancing the Environment		
Direct Program Gross Cost	$ 1,826	$ 1,873
Imputed Cost	443	399
Total Gross Cost	2,269	2,272
Less: Earned Revenue	8	10
Net Goal Cost	$ 2,261	$ 2,262
Ensure Commodities are Procured and Distributed Effectively and Efficiently		
Direct Program Gross Cost	$ 1,428	$ 1,194
Imputed Cost	32	39
Total Gross Cost	1,460	1,233
Less: Earned Revenue	32	26
Net Goal Cost	$ 1,428	$ 1,207
Increase U.S. Food and Agricultural Exports		
Direct Program Gross Cost	$ 2,237	$ 1,787
Imputed Cost	-	1
Total Gross Cost	2,237	1,788
Less: Earned Revenue	52	65
Net Goal Cost	$ 2,185	$ 1,723
Total Direct Program Gross Cost	$ 22,972	$ 23,287
Total Imputed Cost	1,197	1,192
Total Gross Cost	24,169	24,479
Less: Total Earned Revenue	1,596	432
Net Cost of Operations	$ 22,573	$ 24,047

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, 2020 and 2019
(In Millions)

	2020	2019
Capital Stock	$ 100	$ 100
Unexpended Appropriations:		
Beginning Balance	$ 1,901	$ 1,761
Budgetary Financing Sources:		
Appropriations Received	42,079	12,666
Other Adjustments	(2)	(2)
Appropriations Used	(42,305)	(12,524)
Total Budgetary Financing Sources	$ (228)	$ 140
Total Unexpended Appropriations	$ 1,673	$ 1,901
Cumulative Results of Operations:		
Beginning Balance	$ (28,390)	$ (12,751)
Budgetary Financing Sources:		
Appropriations Used	42,305	12,524
Non-exchange Revenue	2	7
Transfers in/out without Reimbursement, Net	(26,387)	(5,158)
Other Financing Sources (Non-Exchange):		
Imputed Financing	1,197	1,192
Other	(103)	(157)
Total Financing Sources	$ 17,014	$ 8,408
Net Cost of Operations	(22,573)	(24,047)
Net Change	$ (5,559)	$ (15,639)
Cumulative Results of Operations	$ (33,949)	$ (28,390)
Net Position	$ (32,176)	$ (26,389)

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, 2020 and 2019
(In Millions)

	2020		2019	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated balance from prior year budget authority, net (Note 19)	$ 1,176	$ 111	$ 1,035	$ 82
Appropriations (discretionary and mandatory)	1,769	-	1,777	-
Borrowing Authority (discretionary and mandatory)	35,525	432	27,128	334
Spending authority from offsetting collections (discretionary and mandatory)	18	117	29	86
Total Budgetary Resources	$ 38,488	$ 660	$ 29,969	$ 502
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 37,985	$ 436	$ 29,392	$ 351
Unobligated balance, end of year:				
Apportioned, unexpired accounts	50	41	215	38
Unapportioned, unexpired accounts	452	183	361	113
Unexpired unobligated balance, end of year	502	224	576	151
Expired unobligated balance, end of year	1	-	1	-
Total unobligated balance, end of year	503	224	577	151
Total Budgetary Resources	$ 38,488	$ 660	$ 29,969	$ 502
Outlays, Net and Disbursements, Net:				
Outlays, net (discretionary and mandatory)	$ 18,636		$ 22,827	
Distributed offsetting receipts	(22)		(49)	
Agency Outlays, net (discretionary and mandatory)	$ 18,614		$ 22,778	
Disbursements, net (total) (mandatory)		$ (58)		$ (19)

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 Statement of Federal Financial Accounting Standards (SFFAS) No. 47, *Reporting Entity*.

Basis of Presentation

CCC'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, 2020 and September 30, 2019 in accordance with U.S. GAAP promulgated by FASAB. These statements have been prepared for CCC, 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

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 3 – 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 4 – Cash and Other Monetary Assets.

Accounts Receivable

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

Accounts receivable are adjusted by a valuation allowance based on historical collection, write-off information, and other analysis which reduces the receivables to their estimated net realizable value. Refer to Note 5 – 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), in accordance with FASAB SFFAS 3: *Accounting for Inventory and Related Property*.

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

Note 1 - Significant Accounting Policies, Continued

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 6 – 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;
- Export Credit Guarantees extending credit to encourage financing of commercial exports of U.S. agricultural commodities.

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).

Note 1 - Significant Accounting Policies, Continued

- 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 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 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers for additional information.

Note 1 - Significant Accounting Policies, Continued

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 CCC 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 8 – 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 are depreciated on a straight-line basis. Computer equipment has a service life of five years. There is no salvage value associated with general property and equipment.

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

As of September 30, 2020 and 2019, CCC's property and equipment were fully depreciated and software costs were fully amortized. Refer to Note 9 – 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 and payable as of the reporting date.

Note 1 - Significant Accounting Policies, Continued

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 11 – 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. 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.

Changes in Financial Reporting

Certain prior year amounts have been reclassified for consistency with the current year presentation. The Statement of Budgetary Resources and Reconciliation of Net Cost to Net Outlays have been reclassified in accordance with OMB Circular A-136, revised August 27, 2020.

Note 1 - Significant Accounting Policies, Continued

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.

Parent-Child Reporting

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.

Note 2 – Non-entity Assets

Non-entity Assets (NEAs) are assets held by CCC, but not available to CCC. During the fourth quarter, CCC performs an analysis on its credit reform loan portfolios that can result in reestimates. Non-entity Assets related to pre-credit reform loans are adjusted monthly based on CCC's collection activity, and at FY-end based on an analysis of allowances for doubtful accounts. For consolidated financial statement presentation, CCC eliminates the payable to the non-entity fund and the non-entity Treasury general fund receivable from the financing funds; since both are included in CCC's reporting entity. Prior to the elimination entries, CCC's Non-entity Assets as of September 30, 2020 and 2019, were as follows:

Table 11: Non-entity Assets

	(In Millions) 2020	2019
Intragovernmental:		
Accounts Receivable	$ 599	$ 733
Total Intragovernmental	$ 599	$ 733
Total Non-entity Assets	$ 599	$ 733
Total Entity Assets	5,312	5,383
Total Assets	$ 5,911	$ 6,116

Note 3 – Fund Balance with Treasury

FBWT as of September 30, 2020 and 2019, were as follows:

Table 12: Fund Balance with Treasury

	(In Millions) 2020	2019
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	$ 91	$ 253
Unavailable	636	475
Obligated Balance not yet Disbursed	29,425	18,785
Subtotal	$ 30,152	$ 19,513
Less: Borrowing Authority not yet Converted to Fund Balance and Other	(27,270)	(16,406)
Total Fund Balance with Treasury	$ 2,882	$ 3,107

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, 2020 and 2019, 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 CCC to incur obligations and authorizes it to borrow funds to liquidate the obligations.

Note 4 – Cash and Other Monetary Assets

As of September 30, 2020 and 2019, CCC had $35 million and $114 million in undeposited collections, respectively.

Note 5 – Accounts Receivable, Net

Accounts Receivable as of September 30, 2020 and 2019, were as follows:

Table 13: Accounts Receivable, Net

	(In Millions) 2020	(In Millions) 2019
Total Intragovernmental Accounts Receivable	$ 4	$ 5
Public:		
MAL Receivable	$ 17	$ 47
NAP Receivable	17	10
Farm Storage Facility Loan Receivable	11	8
MFP Receivable	4	49
DMC/MPP Receivable	1	11
Other	39	42
Subtotal	$ 89	$ 167
Less: Allowance for Doubtful Accounts	(9)	(12)
Total Public Accounts Receivable, Net	$ 80	$ 155

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

Note 6 – Commodity Loans, Net

Commodity Loans Receivable, by commodity, net, as of September 30, 2020 and 2019, were as follows:

Table 14: Commodity Loans Receivable by Commodity, Net

	(In Millions)	
	2020	2019
Corn	$ 304	$ 131
Cotton	246	105
Wheat	125	119
Soybeans	116	82
Rice	45	16
Peanuts	37	84
Pulses	7	17
Other Commodities	20	13
Subtotal Commodity Loans	$ 900	$ 567
Inactive Commodity Loans in Collection	2	1
Accrued Interest Receivable	12	8
Loans Receivable - Unapplied Receipts	-	(2)
Total Commodity Loans, Gross	914	574
Less: Allowance for Losses	(5)	(4)
Total Commodity Loans, Net	$ 909	$ 570

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. The CARES Act has extended the duration of commodity loans to 12 months rather than nine months for Crop Years 2018, 2019, and 2020. This has contributed to the increase in the commodity loans receivable balance from FY 2019 to FY 2020.

Note 7 – 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.

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 GSM-102 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 program 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 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Under GSM-102 program, 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 recognizes a direct credit loan receivable (defaulted guarantee loans).

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 7 – 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. No modifications to the Debt Reduction Fund occurred in FY 2019 or FY 2020.

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.

Additional Information

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 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

Note 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

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.

Due to the severe consequences as a result of the COVID-19 pandemic, the Debt Service Suspension Initiative (DSSI) was offered to the poorest countries to mitigate social, health, and economic impacts of the crisis. Under the Memorandum of Understanding and bilateral agreements between beneficiary countries and participating creditors, obligors may apply to have debt payments due between May 1, 2020 and December 31, 2020 deferred until June of 2022 and repaid over a three-year period. The rates and conditions of interest on the rescheduled debt will preserve the net present value of the original debts. This supported deferment of repayments for GSM-102 program and P.L. 480 loans. To date, six obligors with debt owed to CCC have requested participation in DSSI. A total of $20.02 million in principal and interest payments due between May 1 and September 30, 2020 and not paid are expected to be included in the debt rescheduling as agreements are finalized.

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. There was an econometric update to the GSM-102 program cashflow model in FY 2020. P.L. 480 and FSFL models remain the same as those used in the previous reestimate.

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-102 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.

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 2020 and FY 2019 cohorts. These rates cannot be applied

Note 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

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.

Note 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

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
As of September 30, 2020				
Direct Loans:				
Obligated Pre-1992				
P.L. 480 Title 1	$ 451	$ 7	$ (72)	$ 386
Pre-1992 Total	$ 451	$ 7	$ (72)	$ 386
Obligated Post-1991				
P.L. 480 Title 1	$ 388	$ 7	$ (61)	$ 334
Debt Reduction Fund	92	2	(19)	75
Farm Storage Facility	841	7	(18)	830
Farm Storage Microloan	69	2	(3)	68
Other	5	-	-	5
Post-1991 Total	$ 1,395	$ 18	$ (101)	$ 1,312
Total Direct Loan Program Receivables	$ 1,846	$ 25	$ (173)	$ 1,698
Defaulted Guaranteed Loans:				
Post-1991				
Export Credit Guarantee Programs	$ 386	$ 18	$ (238)	$ 166
Total Defaulted Guaranteed Loans	$ 386	$ 18	$ (238)	$ 166
Total Direct Loans and Defaulted Guaranteed Loans, Net	$ 2,232	$ 43	$ (411)	$ 1,864
As of September 30, 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
Other	6	-	(1)	5
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
Total Defaulted Guaranteed Loans	$ 417	$ 12	$ (219)	$ 210
Total Direct Loans and Defaulted Guaranteed Loans, Net	$ 2,449	$ 41	$ (462)	$ 2,028

Note 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

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

As of September 30 (In Millions)	2020	2019
Direct Loan Programs		
Farm Storage Facility	$ 227	$ 194
Farm Storage Microloans	29	20
Total Direct Loans Disbursed	$ 256	$ 214

Table 17: Guaranteed Loans Disbursed

As of September 30 (In Millions)	2020		2019	
Loan Guarantee Programs	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Export Credit Guarantee Programs	$ 2,232	$ 2,184	$ 1,992	$ 1,951
Total Guaranteed Loans Disbursed	$ 2,232	$ 2,184	$ 1,992	$ 1,951

Table 18: Guaranteed Loans Outstanding

As of September 30 (In Millions)	2020		2019	
Loan Guarantee Programs	Outstanding Principal, Face Value	Outstanding Principal, Guaranteed	Outstanding Principal, Face Value	Outstanding Principal, Guaranteed
Export Credit Guarantee Programs	$ 2,182	$ 2,135	$ 1,901	$ 1,863
Total Guaranteed Loans Outstanding	$ 2,182	$ 2,135	$ 1,901	$ 1,863

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

As of September 30 (In Millions)	2020	2019
Loan Guarantee Programs	Loan Guarantee Liability, Present Value	Liabilities for Loan Guarantees , Present Value
Export Credit Guarantee Programs	$ 7	$ 2
Total Loan Guarantee Liability	$ 7	$ 2

Note 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

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

(In Millions)

Direct Loan Programs	Interest Differential	Fees and Other Collections	Subtotal Subsidy	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
As of September 30, 2020							
P.L. 480 Title 1	$ -	$ -	$ -	$ -	$ 2	$ 2	$ 2
Defaulted Export Credit Guarantee	-	-	-	-	8	8	8
Farm Storage Facility	-	(1)	(1)	(5)	(38)	(43)	(44)
Farm Storage Microloans	-	-	-	-	1	1	1
Total Direct Loan Subsidy Expense	$ -	$ (1)	$ (1)	$ (5)	$ (27)	$ (32)	$ (33)
As of September 30, 2019							
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

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

(In Millions)

Loan Guarantee Programs	Fees and Other Collections	Other	Subtotal	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
As of September 30, 2020							
Export Credit Guarantee Programs	$ 10	$ (6)	$ 4	$ (1)	$ 2	$ 1	$ 5
Total Loan Guarantees Subsidy Expense	$ 10	$ (6)	$ 4	$ (1)	$ 2	$ 1	$ 5
As of September 30, 2019							
Export Credit Guarantee Programs	$ 9	$ (5)	$ 4	$ -	$ (6)	$ (6)	$ (2)
Total Loan Guarantees Subsidy Expense	$ 9	$ (5)	$ 4	$ -	$ (6)	$ (6)	$ (2)

Note 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Table 22: Subsidy Rates for Direct Loans by Program and Component

As of September 30, 2020

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Storage Facility	0.06%	-	(0.27%)	(0.02%)	(0.23%)
Farm Storage Microloans	0.06%	-	(0.27%)	(0.02%)	(0.23%)

As of September 30, 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%)*

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

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

As of September 30, 2020

Guaranteed Loan Programs	Defaults	Fees and Other Collections	Total
GSM-102	0.28%	(0.49%)	(0.21%)
Export Credit Guarantee Programs - Facilities	1.94%	(4.11%)	(2.17%)

As of September 30, 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%)

Note 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Table 24: Subsidy Cost Allowance (Direct Loans)

As of September 30	2020 (In Millions)	2019 (In Millions)
Beginning Balance of the Subsidy Cost Allowance	$ 372	$ 363
Add subtotal subsidy for direct loans disbursed during the year as shown in Table 20	(1)	(3)
Adjustments:		
Loans Written Off	1	1
Subsidy Allowance Amortization	(13)	(2)
Other	12	(17)
Total Subsidy Cost Allowance before Reestimates	371	342
Add or Subtract Total Reestimates as shown in Table 20	(32)	30
Ending Balance of the Subsidy Cost Allowance	$ 339	$ 372

Table 25: Schedule for Reconciling Loan Guarantee Liability

As of September 30	2020 (In Millions)	2019 (In Millions)
Beginning balance of the loan guarantee liability	$ 2	$ 4
Add subtotal subsidy expense for guaranteed loans disbursed during the year as shown in Table 21	4	4
Ending balance of the Loan Guarantee Liability before reestimates	6	8
Add or Subtract total subsidy reestimates as shown in Table 21	1	(6)
Ending balance of the loan guarantee liability	$ 7	$ 2

Table 26: Administrative Expenses

As of September 30	2020 (In Millions)	2019 (In Millions)
Guaranteed Loan Programs	$ 6	$ 6
Total Administrative Expenses	$ 6	$ 6

Note 7 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Table 27: Loans Receivable

As of September 30	(In Millions) 2020
Direct Loans Receivable, Gross, Start of Year	$ 2,032
Plus: Loans Disbursed	256
Less: Principal Payments Received	443
Less: Loans Written Off/(Up), Net	(1)
Direct Loans Receivable, Gross, End of Year	$ 1,846
Defaulted Guaranteed Loans Receivable, Start of Year	$ 417
Plus: Guarantee Payments	4
Less: Principal Payments Received	36
Less: Loans Written Off/(Up), Net	(1)
Defaulted Guaranteed Loans Receivable, End of Year	$ 386

Note 8 – Commodity Inventory and Related Property

Commodity inventory and related property as of September 30, 2020 and 2019 (Values in Thousands) were as follows:

Table 28: Commodity Inventory and Related Property as of September 30, 2020

	Unit of Measure	**Beginning Inventory** October 1, 2019		Acquisitions		Collateral Acquired		Other Disposition, Addition, & Deduction		Donations		**Ending Inventory** September 30, 2020	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Dry Edible Beans	Cwt.	34	$ 1,441	312	$ 22,089	-	$ -	-	$ -	(346)	$ (23,530)	-	$ -
Corn Soya Blend	Pounds	13,508	$ 4,487	104,570	$ 62,816	-	$ -	-	$ (1,343)	(118,078)	$ (65,960)	-	$ -
Miscellaneous	Various	XXX	$ 934	XXX	$ 87,280	XXX	$ -	XXX	$ 26,578	XXX	$ (113,271)	XXX	$ 1,521
Dairy Products	Pounds	-	$ -	5,207	$ 100,281	-	$ -	-	$ -	(5,207)	$ (100,281)	-	$ -
Upland Cotton	Pounds	15	$ 3,649	-	$ -	770	$ 193,888	(739)	$ (186,286)	-	$ -	46	$ 11,251
Upland Cotton	Bales	4	868	-	-	5,400	1,356,114	(5,451)	(1,368,218)	-	-	(47)	(11,236)
Dry Whole Peas	Cwt.	98	$ 2,148	3,334	$ 64,992	-	$ -	-	$ (707)	(3,361)	$ (65,433)	71	$ 1,000
Lentils Dry	Cwt.	-	-	757	24,633	-	-	-	-	(757)	(24,633)	-	-
Corn Meal	Pounds	527	$ 106	102,912	$ 22,140	-	$ -	-	$ -	(103,439)	$ (22,246)	-	$ -
Grain Sorghum	Bushels	-	-	22,315	117,389	-	-	-	430	(22,171)	(116,520)	144	1,299
Fruit and Nut Products	Pounds	-	$ -	13,174	$ 377,596	-	$ -	-	$ -	(13,174)	$ (377,596)	-	$ -
Peanuts	Pounds	26,146	$ 4,713	-	$ -	97,644	$ 17,332	(123,790)	$ (22,045)	-	$ -	-	$ -
Pork Meats	Pounds	-	$ -	10,530	$ 731,171	-	$ -	-	$ -	(10,530)	$ (731,171)	-	$ -
Milled Head Rice	Cwt.	154	$ 3,214	1,325	$ 33,469	-	$ -	-	$ -	(1,446)	$ (35,820)	33	$ 863
Other Rice Products	Cwt.	-	-	887	14,747	-	-	-	-	(887)	(14,747)	-	-
Soybean Meal	Pounds	-	$ -	136,554	$ 22,406	-	$ -	-	$ -	(136,554)	$ (22,406)	-	$ -
Vegetable Oil	Pounds	3,547	$ 2,240	395,526	$ 185,962	-	$ -	-	$ 665	(376,154)	$ (175,407)	22,919	$ 13,460
Wheat	Bushels	-	$ -	25,217	$ 213,543	-	$ -	-	$ -	(25,217)	$ (213,543)	-	-
Total Commodities		**XXX**	**$ 23,800**	**XXX**	**$ 2,080,514**	**XXX**	**$ 1,567,334**	**XXX**	**$ (1,550,926)**	**XXX**	**$ (2,102,564)**	**XXX**	**$ 18,158**
Commodity Inventories and Related Property													**$ 18,158**

Note 8 – Commodity Inventory and Related Property, Continued

Table 29: Commodity Inventory and Related Property as of September 30, 2019

	Unit of Measure	**Beginning Inventory** October 1, 2018		Acquisitions		Collateral Acquired		Other Disposition, Addition, & Deduction		Donations		**Ending Inventory** September 30, 2019	
		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 8 – 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 9 – General Property and Equipment, Net

General Property and Equipment as of September 30, 2020 and 2019, were as follows:

Table 30: General Property and Equipment, Net

	(In Millions)		
2020	Acquisition Value	Accumulated Depreciation	Net Book Value
Equipment	$ 1	$ (1)	$ -
Capitalized Software Costs	94	(94)	-
Total General Property and Equipment	$ 95	$ (95)	$ -

	(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)	$ -

CCC disposed of $2 million and $9 million of fully depreciated equipment and capitalized software during FYs 2020 and 2019, respectively. As of September 30, 2020 and 2019, CCC's property and equipment was fully depreciated and software costs were fully amortized.

Note 10 – Advances to Others

Advances to Others as of September 30, 2020 and 2019, were as follows:

Table 31: Advances to Others

(In Millions)	2020	2019
Public:		
The Peanut DMA Advance	$ 103	$ 103
Other	16	11
Total Advances to Others	$ 119	$ 114

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 11 – Liabilities Not Covered by Budgetary Resources

Liabilities not Covered by Budgetary Resources (Current) as of September 30, 2020 and 2019, were as follows:

Table 32: Total Liabilities

(In Millions)	2020	2019
Public:		
Environmental and Disposal Liabilities (Note 15)	$ 45	$ 29
Total Liabilities not covered by budgetary resources	$ 45	$ 29
Total Liabilities covered by budgetary resources	38,012	32,441
Total Liabilities not requiring budgetary resources	30	35
Total Liabilities	$ 38,087	$ 32,505

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.

Note 11 – Liabilities Not Covered by Budgetary Resources, Continued

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, 2020, the majority of the open liability for CCC was $29.2 billion in payables for principal due to the Bureau of Fiscal Service, $8.2 billion in program liabilities, and $537 million in resources payable to Treasury. 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.

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 12 – Debt to the Treasury

Debt to the Treasury, categorized as interest bearing as of September 30, 2020 and 2019, were as follows:

Table 33: Debt to the Treasury, Categorized as Interest Bearing

(In Millions)

2020	Non-Credit Reform	Credit Reform	Total
Debt, beginning of Fiscal Year			
Principal: Interest Bearing	$ 24,662	$ 1,702	$ 26,364
Accrued Interest Payable	-	-	-
Total Debt Outstanding, Beginning of Fiscal Year	$ 24,662	$ 1,702	$ 26,364
New Debt			
Principal: Interest Bearing	$ 4,848,654	$ 498	$ 4,849,152
Accrued Interest Payable	131	68	199
Total New Debt	$ 4,848,785	$ 566	$ 4,849,351
Repayments			
Principal: Interest Bearing	$ (4,845,885)	$ (414)	$ (4,846,299)
Accrued Interest Payable	(131)	(68)	(199)
Total Repayments	$ (4,846,016)	$ (482)	$ (4,846,498)
Debt, as of September 30, 2020			
Principal	$ 27,431	$ 1,786	$ 29,217
Accrued Interest Payable	-	-	-
Total Debt Outstanding as of September 30, 2020	$ 27,431	$ 1,786	$ 29,217

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

Note 12 – 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 0.125 percent and 1.75 percent during FY 2020 and fluctuated between 1.875 percent and 2.75 percent during FY 2019.

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 2020 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 2020 and 2019, which is separate from the interest expense on the Department of the Treasury borrowings.

Note 13 – 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, 2020 and 2019, and an unreported grant expenditure estimate (accrual) based on historical spending patterns of the grantees. As of September 30, 2020 and 2019, CCC had $188 million and $182 million in grants payable, respectively.

Note 14 – Other Liabilities

Other Liabilities (Current) as of September 30, 2020 and 2019, were as follows:

Table 34: Other Liabilities

	(In Millions) 2020	2019
Intragovernmental:		
Resources Payable to Treasury	$ 537	$ 711
Excess Subsidy Payable to Treasury	63	23
Other	3	2
Total Intragovernmental Other Liabilities	$ 603	$ 736
Public:		
Deposit and Trust Liabilities	$ 11	$ 16
Other	16	17
Total Public Other Liabilities	$ 27	$ 33

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 14 – 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 and other miscellaneous collections that are temporarily held in suspense until appropriately identified and applied.

Note 15 – Environmental and Disposal Liabilities

From the late 1930's until the mid-1970's, CCC 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 grain production was high and access to commercial storage facilities was limited. Grain was stored for extended periods of time, making it periodically necessary to fumigate the grain in order to control destructive insects. The commonly used fumigant mixture contained carbon tetrachloride, which was a pesticide for stored grain until it was banned by the Environmental Protection Agency (EPA) in 1985 as a probable 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. CCC has been engaged, in coordination with the EPA Region 7 and the respective states, in an active program to identify affected sites and respond with appropriate action to safeguard public health and protect the environment. The U.S. EPA or respective State agency identified CCC as a potentially responsible party for the contamination at sites in Missouri, Kansas, Iowa, and Nebraska.

CCC recorded a total liability for investigation and/or remediation of affected sites of $47.0 million in FY 2020, of which $45.2 million was not covered by budgetary resources and recorded a total environmental liability of $30.9 million in FY 2019, of which $29.5 million was not covered by budgetary resources. CCC estimates the range of potential future losses due to response actions to be between $46.9 million and $379.9 million for FY 2020, and between $30.9 million and $272.2 million for FY 2019.

Note 16 – Accrued Liabilities

Accrued Liabilities as of September 30, 2020 and 2019, were as follows:

Table 35: Accrued Liabilities

	(In Millions) 2020	(In Millions) 2019
Intragovernmental Liabilities	$ -	$ 1
Public:		
Price Loss Coverage Program	$ 4,884	$ 1,868
Conservation Reserve Program	1,796	1,821
Agriculture Risk Coverage Program	1,118	677
Market Facilitation Program	-	207
Other Programs	94	77
Total Public Liabilities	$ 7,892	$ 4,650
Total Accrued Liabilities	$ 7,892	$ 4,651

The ARC and PLC accruals consist of crop year 2019 program payments which began in October 2020 and continue throughout FY 2021, 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 2021.

Note 17 – Commitments and Contingencies

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

Legal Disputes and Claims

In the normal course of business, CCC becomes involved in various legal disputes and claims. CCC vigorously defends its position in such actions through USDA OGC and Department of Justice. As of September 30, 2020, CCC had one pending litigation that was determined to be reasonably possible. At this time, an estimated range of loss cannot be determined. As of September 30, 2019, no pending legal matters existed that were considered probable or reasonably possible, which require recognition (accrual) in the consolidated financial statements or require further disclosure.

Note 18 – 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 18 – 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 U.S., 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 financing sources in the Statement of Changes in Net Position. Such imputed costs and financing sources 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 18 – 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, 2020 (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	$ 18,034	$ -	$ 169	$ -	$ 18,203
Total Earned Revenue	1,504	-	-	-	1,504
Increase Stewardship of Natural Resources While Enhancing the Environment					
Total Cost	-	2,269	-	-	2,269
Total Earned Revenue	-	8	-	-	8
Ensure Commodities are Procured and Distributed Effectively and Efficiently					
Total Cost	(11)	-	1,352	119	1,460
Total Earned Revenue	32	-	-	-	32
Increase U.S. Food and Agricultural Exports					
Total Cost	-	-	-	2,237	2,237
Total Earned Revenue	-	-	-	52	52
Total Gross Cost	**$ 18,023**	**$ 2,269**	**$ 1,521**	**$ 2,356**	**$ 24,169**
Less: Total Earned Revenue	**1,536**	**8**	**-**	**52**	**1,596**
Net Cost of Operations	**$ 16,487**	**$ 2,261**	**$ 1,521**	**$ 2,304**	**$ 22,573**

Note 18 – Disclosures Related to the Statement of Net Cost, Continued

Table 37: 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 19 – Disclosures Related to the Statement of Budgetary Resources (SBR)

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 $449 million of recoveries of prior year unpaid obligations and $109 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, CCC'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 12: Debt to the Treasury for additional information related to CCC's terms of borrowing and repayment.

Available Borrowing Authority, End of Period

As of September 30, 2020 and 2019, CCC had available borrowing authority of $26.3 billion and $16.4 billion, respectively.

Undelivered Orders (UDO), End of Period

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, 2020 and 2019 ending UDO balances were as follows:

Table 38: Undelivered Orders at the End of the Period

2020	(In Millions)		
	Intragovernmental	Public	Total Undelivered Orders
Paid	$ -	$ 119	$ 119
Unpaid	124	21,207	21,331
Total Undelivered Orders	$ 124	$ 21,326	$ 21,450

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

Note 19 – Disclosures Related to the SBR, 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.

Reconciliation to Appropriations Received on the Consolidated SCNP

CCC has significant activity on the Appropriations line of the SBR that is not included in the Appropriations Received line of the SCNP.

Table 39: Reconciliation to Appropriations Received on the Consolidated SCNP

	(In Millions)	
As of September 30	**2020**	**2019**
Total appropriations on the Combined SBR	$ 1,769	$ 1,777
Adustments to SBR appropriations:		
Transfers of CY authority	26,362	5,133
Actual repayment of debt, CY authority	13,948	5,756
Appropriations received on the Consolidated SCNP	$ 42,079	$ 12,676

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 2022*, were not available at the time CCC's Annual Management Report for FY 2020 was issued, the reconciliation between the President's Budget and the SBR for FY 2020 could not be performed. The FY 2020 SBR will be reconciled to the FY 2020 actuals on the P&F Schedules reported in the *Budget of the United States Government, Fiscal Year 2022*, once released. The *Budget of the United States Government, Fiscal Year 2022*, is expected to be published in February 2021 and will be available on the website of the OMB at that time.

Note 19 – Disclosures Related to the SBR, Continued

The summarized table below shows the reconciliation of the FY 2019 SBR to the FY 2019 actuals on the P&F Schedules presented in the *Budget of the United States Government, Fiscal Year 2021*.

Table 40: P&F Reconciliation

(in Millions)

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Outlays/ Disbursements, Net
Combined Statement of Budgetary Resources	$ 30,471	$ 29,743	$ (49)	$ 22,808
Reconciling Items:				
Excluded from P&F[a]	1	-	-	-
Rounding	1	-	-	2
Budget of the United States Government	$ 30,473	$ 29,743	$ (49)	$ 22,810

Note:

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

Note 20 – 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. CCC's Incidental Custodial Collections for the FYs ended September 30, 2020 and 2019, were immaterial.

Note 21 – 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.

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

- The CARES Act has extended the duration of most commodity loans from to 12 months rather than nine months for crop years 2018, 2019, and 2020. This has contributed to the increase in the commodity loans receivable balance from FY 2019 to FY 2020. See Note 6 – Commodity Loans for more details.

- The activity in Accrued Liabilities is primarily attributed to the PLC program. PLC experienced an increase in participation, as for the first time in over six years producers were eligible to update their yields and market conditions resulted in PLC being a more favorable option. See Note 16 – Accrued Liabilities for more details.

- Imputed financing consists of the costs of labor and facilities usage incurred by other USDA agencies for work on CCC programs. See Note 18 – Disclosures Related to the Statement of Net Cost for further details.

Note 21 – Reconciliation of Net Cost to Net Outlays, Continued

Table 41: Reconciliation of Net Cost to Net Outlays for the year ended September 30, 2020

	(In Millions)		
	Intragovernmental	With the public	Total
NET COST	$ 1,397	$ 21,176	$ 22,573
Components of Net Cost That Are Not Part of Net Outlays:			
Year end credit reform subsidy reestimates	64	-	64
Other	-	5	5
Increase/(decrease) in assets:			
Accounts receivable	40	(78)	(38)
Commodity loans and direct loans and loan guarantees	-	167	167
Other assets	-	(73)	(73)
(Increase)/decrease in liabilities:			
Accounts payable	18	399	417
Environmental and disposal liabilities	-	(16)	(16)
Accrued liabilities	1	(3,242)	(3,241)
Other financing sources:			
Imputed financing	(1,197)	-	(1,197)
Total Components of Net Cost That Are Not Part of Net Outlays	$ (1,074)	$ (2,838)	$ (3,912)
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of inventory	$ -	$ (5)	$ (5)
Transfers out (in) without reimbursement	(39)	-	(39)
Other	-	(3)	(3)
Total Components of Net Outlays That Are Not Part of Net Cost	$ (39)	$ (8)	$ (47)
NET OUTLAYS	**$ 284**	**$ 18,330**	**$ 18,614**

Note 21 – Reconciliation of Net Cost to Net Outlays, Continued

Table 42: Reconciliation of Net Cost to Net Outlays for the year ended September 30, 2019

(In Millions)

	Intragovernmental	With the public	Total
NET COST	$ 1,607	$ 22,440	$ 24,047
Components of Net Cost That Are Not Part of Net Outlays:			
Year end credit reform subsidy reestimates	41	-	41
Other	-	4	4
Increase/(decrease) in assets:			
Accounts receivable	(7)	92	85
Commodity loans and direct loans and loan guarantees	-	(24)	(24)
Other assets	-	67	67
(Increase)/decrease in liabilities:			
Accounts payable	(16)	(385)	(401)
Environmental and disposal liabilities	-	(10)	(10)
Accrued liabilities	(1)	179	178
Grants Payable and 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	$ (1,173)	$ (52)	$ (1,225)
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of inventory	$ -	$ (23)	$ (23)
Transfers out (in) without reimbursement	(14)	-	(14)
Other	-	(7)	(7)
Total Components of Net Outlays That Are Not Part of Net Cost	$ (14)	$ (30)	$ (44)
NET OUTLAYS	**$ 420**	**$ 22,358**	**$ 22,778**

Note 22 – Coronavirus (COVID-19) Activity

In accordance with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, CCC received an appropriation for its Realized Loss Reimbursement based on financial results as of June 30, 2020, to reimburse FY 2020 losses up to $14 billion. The reimbursement was meant to ensure that CCC had adequate funding to support producers affected by the COVID-19 pandemic. CCC typically receives the appropriation for reimbursement of realized losses in the first quarter of the following FY. In addition, CCC transferred $6.5 billion and $14 billion to the OSEC to provide additional funding for CFAP 1 and CFAP 2, respectively.

Any other effects COVID-19 may have had on CCC's operations, financial statements and related footnotes have been described in their respective sections of CCC's FY 2020 Annual Management Report.

Note 23 – Subsequent Events

CCC does not have any significant events or transactions that occurred after the date of the Balance Sheet but before the issuance of CCC's audited financial statements that have a material effect on the financial statements and, therefore, require adjustments to or disclosure in the statements.

Part IV: Required Supplementary Information (Unaudited)

Combining Statement of Budgetary Resources by Major Fund: Budgetary Accounts (Unaudited)
For the Fiscal Year Ended September 30, 2020
(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	$ 886	$ 184	$ 85	$ -	$ 21	$ 1,176
Appropriations (discretionary and mandatory)	1290	-	390	1,335	-	44	1,769
Borrowing Authority (discretionary and mandatory)	1490	35,525	-	-	-	-	35,525
Spending authority from offsetting collections (discretionary and mandatory)	1890	-	-	-	17	1	18
Total Budgetary Resources	1910	$ 36,411	$ 574	$ 1,420	$ 17	$ 66	$ 38,488
Status of Budgetary Resources:							
New obligations and upward adjustments (total)	2190	$ 36,061	$ 552	$ 1,311	$ -	$ 61	$ 37,985
Unobligated balance, end of year:							
Apportioned, unexpired account	2204	15	21	-	14	-	50
Unapportioned, unexpired accounts	2404	335	1	109	3	4	452
Unexpired unobligated balance, end of year	2412	350	22	109	17	4	502
Expired unobligated balance, end of year	2413	-	-	-	-	1	1
Total Unobligated balance, end of year	2490	350	22	109	17	5	503
Total Budgetary Resources	2500	$ 36,411	$ 574	$ 1,420	$ 17	$ 66	$ 38,488
Outlays, Net:							
Outlays, net (total) (discretionary and mandatory)	4190	$ 16,871	$ 649	$ 1,265	$ (206)	$ 57	$ 18,636
Distributed offsetting receipts	4200	-	-	-	-	(22)	(22)
Agency Outlays, net (discretionary and mandatory)	4210	$ 16,871	$ 649	$ 1,265	$ (206)	$ 35	$ 18,614

Combining Statement of Budgetary Resources by Major Fund: Non-Budgetary Credit Program Financing Accounts (Unaudited) For the Fiscal Year Ended September 30, 2020 (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)	Other	Total
Budgetary Resources:							
Unobligated balance from prior year budget authority, net (Note 18)	1051	$ 1	$ 62	$ 11	$ 36	$ 1	$ 111
Borrowing Authority (discretionary and mandatory)	1490	22	-	11	399	-	432
Spending authority from offsetting collections (discretionary and mandatory)	1890	31	10	29	47	-	117
Total Budgetary Resources	1910	$ 54	$ 72	$ 51	$ 482	$ 1	$ 660
Status of Budgetary Resources:							
New obligations and upward adjustments (total)	2190	$ 27	$ -	$ 37	$ 372	$ -	$ 436
Unobligated balance, end of year:							
Apportioned, unexpired account	2204	27	9	5	-	-	41
Unapportioned, unexpired accounts	2404	-	63	9	110	1	183
Unexpired unobligated balance, end of year	2412	$ 27	$ 72	$ 14	$ 110	$ 1	$ 224
Total Unobligated balance, end of year	2490	27	72	14	110	1	224
Total Budgetary Resources	2500	$ 54	$ 72	$ 51	$ 482	$ 1	$ 660
Disbursements, net (total) (mandatory)	4220	$ (71)	$ (10)	$ (22)	$ 47	$ (2)	$ (58)

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	-	-	-	-	(49)	(49)
Agency Outlays, net (discretionary and mandatory)	4210	$ 21,376	$ 398	$ 1,222	$ (227)	$ 9	$ 22,778

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
Disbursements, net (total) (mandatory)	4220	$ (22)	$ (13)	$ (14)	$ 30	$ (19)

Part V: Other Information (Unaudited)

Summary of Financial Statement Audit

The table below is a summary of the results of the FY 2020 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	1	0	1	0	0
Accrued Liabilities	0	1	0	0	1
Total Material Weaknesses	2	1	1	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	2	0	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 conform, except for instances of non-conformance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0					0
Total non-compliances	0	0	0	0	0	0
In FY 2019, a system non-conformance related to Accounting for Budgetary Transactions was included in this section. To avoid duplication, it is only reported in the Internal Controls over Reporting Section.						

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 2020 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 2020 operational guidance for all improper payment initiatives is anticipated to be received in late October or early November.

Table 43: Summary of Improper Payment Results

Programs	Total Outlays (Millions)		Improper Payments (Millions)		Improper Payments (Percentage)		Overpayments (Millions)	Underpayments (Millions)
	2019	2020	2019	2020	2019	2020	2020	2020
ARC/PLC	$ 3,798.50	$ 1,091.90	$ 612.00	$ 1,040.39	16.11%	4.72%	$ 51.51	$ -
LFP	$ 190.00	$ 279.64	$ 87.54	$ 249.66	17.87%	10.72%	$ 29.45	$ 0.53
NAP	$ 183.63	$ 155.10	$ 42.48	$ 134.40	23.13%	13.35%	$ 20.47	$ 0.23

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 44: 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.

Grant Programs

Pursuant to OMB Circular A-136, *Financial Reporting Requirements*, the table below is a summary of CCC's total number of federal grant and cooperative agreement awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed more than two years with zero balances and undisbursed balances.

Table 45: Grants Summary

CATEGORY	2-3 Years	3-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	16	5	35
Number of Grants/Cooperative Agreements with Undisbursed Balances	34	10	10
Total Amount of Undisbursed Balances	$3,285,273.19	$7,047,044.50	$1,178,150.83

The majority of the grants reflected in the table above are related to USAID's administration of P.L. 480, Title II, funds provided by CCC under the parent/child relationship with USAID. USAID reports that they are taking aggressive action to finalize, de-obligate and close-out these old grants. Challenges faced by USAID in the closeout of these old grants are related to receipt of final vouchers from recipients, administrative challenges related to finalizing rates, budget line item adjustment, and pending audits for the period of the award.

Appendix: Glossary of Acronyms (Unaudited)

Glossary of Acronyms (Unaudited)

ACRONYM	TITLE
ADA	Antideficiency Act
AMS	Agricultural Marketing Service
ARC	Agriculture Risk Coverage
BAR	Budget and Accrual Reconciliation
CARES	Coronavirus Aid, Relief, and Economic Security
CCC	Commodity Credit Corporation
CCE	Commodity Certificate Exchange
CFAP 1	Coronavirus Food Assistance Program 1
CFAP 2	Coronavirus Food Assistance Program 2
CFO	Chief Financial Officer
COVID-19	Coronavirus Disease of 2019
CRP	Conservation Reserve Program
CSC	Credit Subsidy Calculator
DMA	Designated Marketing Association
DSSI	Debt Service Suspension Initiative
ELC	Entity Level Control
EPA	Environmental Protection Agency
ERM	Enterprise Risk Management
FAS	Foreign Agricultural Service

ACRONYM	TITLE
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act of 1990
FFMIA	Federal Financial Management Improvement Act
FFP	Food for Peace
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
GDP	Gross Domestic Product
GSM-102	Export Credit Guarantee
IPIA	Improper Payments Information Act of 2002

Glossary of Acronyms (Unaudited)

ACRONYM	TITLE
LDP	Loan Deficiency Payment
MAL	Marketing Assistance Loan Program
MAP	Market Access Program
MFP	Market Facilitation 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

ACRONYM	TITLE
RMA	Risk Management Agency
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
TMP	Trade Mitigation Program
UDO	Undelivered Order
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USSGL	United States Standard General Ledger

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