USDA OFFICE OF INSPECTOR GENERAL
U. S. DEPARTMENT OF AGRICULTURE

# Commodity Credit Corporation's Financial Statements for Fiscal Years 2021 and 2020

Audit Report 06403-0004-11

November 2021

**DATE:** November 15, 2021

**AUDIT NUMBER:** 06403-0004-11

**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 2021 and 2020

This report presents the results of the audits of Commodity Credit Corporation's (CCC) financial statements for the fiscal years ending September 30, 2021 and 2020. 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 12, 2021, 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 21-04, *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, 2021 and 2020, 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 three deficiencies. Specifically, KPMG LLP identified weaknesses in CCC’s:

- accounting for budgetary transactions;
- accrued liabilities; and
- general information technology controls.

KPMG LLP considered the first deficiency to be a material weakness. 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, Commodity Credit Corporation (CCC), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, 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. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 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, 2021 and 2020, 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 is 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, 2021, we considered the CCC's internal control over financial reporting (internal control) as a basis for designing 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 Exhibits I and II, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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

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 described in Exhibit II to be significant deficiencies.

*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, 2021 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 consolidated 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. 21-04.

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 III, 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 IV. 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 12, 2021

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

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.
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> 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.

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.

### ***Accounting for Budgetary Transactions***

During fiscal year (FY) 2021, 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 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, 2021, CCC's UDO balance was $15.7 billion, consisting of the Conservation Reserve Program (CRP), for $12.2 billion, the Agricultural Risk Coverage (ARC)/Price Loss Coverage (PLC) program, for $0.5 billion, a parent-child grant program for $1.4 billion, and other programs for $1.6 billion.

CCC did not have effective processes, procedures and controls in place to review and validate the accuracy of certain CRP obligations approved near fiscal year-end and maintained outside of the subsidiary ledger. Due to the year-end cut-off process for new CRP contracts, CCC maintains a manual listing of September CRP contracts. As a result of an ineffective review process over the September CRP contracts, CCC did not identify $60.4 million of errors in the manual listing, resulting in an overstatement to the CRP UDO balance as of September 30, 2021.

In addition, CCC did not have effective processes, procedures, and controls in place to accurately identify the status of ARC/PLC Crop Year 2021 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. As a result of this deficiency, potential material misstatements in the ARC/PLC UDO balance could occur.

CCC also did not have effective processes, procedures, and controls in place to review and validate that the correct ARC/PLC producer enrollment report is used in the year-end UDO calculation. As a result of an ineffective review process, CCC incorrectly utilized an enrollment report which included unapproved producer acres, resulting in an overstatement of the year-end ARC/PLC UDO balance. CCC subsequently corrected the calculation with the correct enrollment report, reducing the year-end UDO balance by $39 million. These deficiencies increase the risk that material misstatements in the ARC/PLC UDO balance will not be prevented, or detected and corrected, on a timely basis, if the economic conditions of commodity pricing return to pre-FY 2021 levels.

Finally, CCC did not have effective processes, procedures, and controls in place to accurately and timely complete grant close-out processes related to a significant grant program executed through a parent-child relationship. During our testing of grant UDOs, we identified one grant project that was completed and documented for grant close-out during the first quarter of FY 2021, however due to a back-log of grant reviews, at year-end the remaining UDO balance had not yet been deobligated. This resulted in a projected overstatement to the UDO balance of $28 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 to be completed for several more fiscal years. During FY 2021, automated funds control system weaknesses continued to exist in the legacy accounting system, CORE. Although manual compensating monitoring efforts are in place to mitigate the weakness, the automated funds control still exists and is reported by management in its Annual Statement of Assurance.

<u>Recommendations:</u>

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

1. Design and implement effective processes, procedures, and controls to validate the amounts for CRP contracts approved at fiscal 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 *(Repeat recommendation from Audit Report No. 06403-0003-11, November 2020)*.

3. Design and implement effective processes, procedures, and controls to validate the ARC/PLC enrollment report (and the resulting approved acres) used in the year-end ARC/PLC UDO calculation.

4. Design and implement effective processes, procedures, and controls to ensure timely grant project close-out, including the deobligations of remaining funding that will not be utilized.

5. 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. 06403-0003-11, November 2020)*.

The following criteria were considered in the determination and evaluation of the significant deficiencies:

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.
>
> 11.14: Management designs control activities to limit user access to information technology through authorization control activities such as providing a unique user identification or token to authorized users. These control activities may restrict authorized users to the applications or functions commensurate with their assigned responsibilities, supporting an appropriate segregation of duties. Management designs other control activities to promptly update access rights when employees change job functions or leave the entity. Management also designs control activities for access rights when different information technology elements are connected to each other.

***Accrued Liabilities***

Accrued Liabilities in the amount of $4 billion is primarily comprised of liabilities related to the ARC/PLC ($2.1 billion) and CRP ($1.7 billion) programs.

CCC's ARC/PLC annual and quarterly retrospective review control was not operating effectively during FY 2021. During FY 2021, CCC identified $281 million of ARC/PLC disbursements related to Crop Year 2019 in excess of the FY 2020 accrual, but was unable to determine if such disbursements were the result of newly authorized (due and payable) producer activity or if such amount should have been accrued in the prior year. Due to staffing demands and implementation of new programs, CCC was unable to dedicate appropriate time to research, review, and determine the disposition of the $281 million in disbursements.

Further, CCC did not have effective processes, procedures, and controls in place to review the FY 2021 ARC/PLC year-end accrual for Crop Year 2020. As a result of an ineffective review process, CCC did not identify errors in the accrual related to the use of incorrect payment reports and the inappropriate exclusion of certain amounts due and payable to producers. In addition, certain amounts accrued for were calculated on net payments instead of gross payments less applicable reductions, such as sequestration.

<u>Recommendations:</u>

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 retrospective review and year-end accrual.

***General Information Technology Controls***

During FY 2021, we identified deficiencies in controls over the timely removal of user accounts that no longer need access to the system and reviews of security logs for certain financial system applications. These deficiencies occurred because of an extensive manual process to identify USDA personnel who no longer require system access and due to transitioning of responsible organizations in the control execution. As a result of the control deficiencies, there is an increased risk of unauthorized access and changes to financial applications, which could lead to a compromise in financial data integrity.

Recommendations Related to General Information Technology Controls:

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

***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 a material weakness related to the accounting for budgetary transactions as reported in Exhibit I, which provides 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 weakness 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
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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 12th, 2021. We are very pleased with the Auditors’ unmodified opinion on CCC’s Fiscal Year (FY) 2021 and 2020 consolidated financial statements.

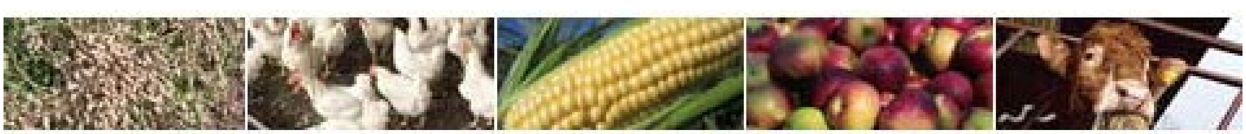
CCC agrees with the findings presented in the auditors’ report. CCC is in the process of developing and implementing corrective actions to remediate the findings and will continue to work with the USDA Office of Inspector General to ensure effective remediation in FY 2022.

Please feel free to reach out to Kathleen Carroll at (816)400-5654 if you have any questions.

# U.S. DEPARTMENT OF AGRICULTURE

# COMMODITY CREDIT CORPORATION

# ANNUAL MANAGEMENT REPORT FISCAL YEAR 2021



**U.S. Department of Agriculture**
**Commodity Credit Corporation**

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

Annual Management Report – Fiscal Year 2021

# PREFACE

This Annual Management Report shows the results of the Commodity Credit Corporation's (CCC) operations for fiscal years (FYs) 2021 and 2020. 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 https://www.usda.gov/oig/reports/audit-reports.

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) 2021 Annual Management Report. CCC is a wholly owned Government corporation created in 1933 to assist in stabilizing, supporting, and protecting farm income and prices, help maintain balanced and adequate supplies of agricultural commodities, manage the orderly distribution of these commodities, and assist in the conservation of soil and water resources.

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

CCC continued its support of American agriculture in 2021 through commodity, conservation, disaster, specialty and organic crops, and trade programs. USDA's primary crop safety net programs, Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC), continued to provide substantial support to producers, totaling $6.3 billion in disbursements for the fiscal year. The 2018 Farm Bill incrementally increased the acreage enrollment limit for the Conservation Reserve Program (CRP) to 27 million acres by FY 2023. More than 20.5 million acres were enrolled at the end of FY 2021. The primary dairy safety net—the Dairy Margin Coverage (DMC) Program—resulted in payments triggering for producers in ten months of FY2021, with disbursements totaling over $721 million.

Using CCC Charter Act authority, a second round of Coronavirus Food Assistance Program (CFAP 2) payments were provided by FSA for producers of agricultural commodities who faced additional significant marketing costs due to the COVID-19 pandemic. The CFAP 2 regulation was published on September 22, 2020, and the bulk of the associated CCC-funded payments—approximately $12 billion—were paid in FY 2021. A wide variety of commodities were eligible for CFAP 2, including many specialty and livestock commodities.

CCC's independent auditors issued an unmodified audit opinion on CCC's FY 2021 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 the material weakness identified, of which CCC has developed a corrective action plan to address the recommendations. In FY 2022, 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 IBARRA
Digitally signed by ROBERT IBARRA
Date: 2021.11.10 08:44:22 -05'00'

Robert Ibarra
Acting, 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 also 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, 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 support 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, Thomas J. Vilsack, Secretary of Agriculture
Vice Chairperson, Vacant, Deputy Secretary of Agriculture
Member, Vacant, Under Secretary, FPAC
Member, Vacant, Under Secretary, Trade and Foreign Agricultural Affairs
Member, Jennifer L. Moffitt, Under Secretary, Marketing and Regulatory Programs
Member, Janie Simms Hipp, 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, Vacant, Under Secretary, FPAC
Executive Vice President, Robert Ibarra, Acting, Chief Operating Officer, FPAC Business Center
Secretary, Telora Dean, 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, Brian Mizoguchi, 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, Seth Meyer, USDA
Deputy Chief Financial Officer, Lynn Moaney, USDA
White House Liaison, Justo Robles, USDA
Budget Officer, Ravoyne Payton, Acting, FPAC Business Center

# 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.

# 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 into law on December 20, 2018. By enacting this, Congress established the direction of farm and food policy for five years through 2023.

Beginning in 2021, producers now have the option to switch between Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) on an annual basis for each of 2021, 2022, and 2023.

# Coronavirus Aid & Debt 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, 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.

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.

The American Rescue Plan (ARP) Act Section 1005 includes provisions for USDA to pay up to 120 percent of loan balances, as of January 1, 2021, for FSFL to any Socially Disadvantaged producer who has a qualifying loan. The 120 percent payment represents the full cost of the loan to include 100 percent toward loan balances as of January 1, 2021, and the 20 percent portion is available for tax liabilities and other fees associated with payment of the debt. Any payments by borrowers made since January 1, 2021 will be reimbursed in full.

The ARP Act Section 1007 appropriates $800 million for CCC to acquire and make available commodities under section 406(b) of the FFP Act (7 U.S.C. 1736(b)) and for expenses under such section.

As a part of USDA's Comprehensive Investment Package, CCC provided $3 billion to other agencies to support drought resilience and response, animal disease prevention, market disruption relief, and purchase of food for school nutrition programs. Specifically, $500 million to support drought recovery and encourage the adoption of water-smart management practices, up to $500 million to prevent the spread of African Swine Fever, $500 million to provide relief from agricultural market disruption, and up to $1.5 billion to provide assistance to help schools respond to supply chain disruptions.

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 initiative 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, Net and Loan Guarantee Liabilities.

# Expected Market Conditions and Government Payments[1]

Farm producers' net cash income[2] and net farm income[3] are both forecast to rise in 2021[4] from 2020. Based on USDA's Economic Research Service (ERS) projections made in September 2021, net cash income in 2021 is projected to increase by 21.5 percent to $134.7 billion in 2021. Net farm income, another farm income measure, is projected to increase 19.5 percent to $113.0 billion as a large increase in cash receipts from the market offsets a sharp drop in government payments. The large increase in cash receipts, however, coincides with a marked increase in production expenses, reducing the net impact. 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 2000-2020 when adjusted for inflation, and 2021 net farm income will be the highest since the record high of $123.7 billion in 2013.

The U.S. agriculture economic outlook in 2021 has changed dramatically from 2020 when the COVID-19 pandemic led to great market disruption. While the pandemic is not over, the economy has largely recovered from its recent lows and has registered strong growth in 2021 as businesses reopen and employment increases. Agriculture has benefited greatly from a large increase in exports and improved domestic demand with more economic growth, reopening of much of the food sector, and a resurgence in automobile driving which resulted in an increased demand for ethanol made from corn. Prices have risen sharply for most commodities and are driving big gains in cash receipts. The volume of production will also increase for most major field crops and contribute to the gains in cash receipts.

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[1] The data in this section was drawn from the "2021 Farm Sector Income Forecast" published in September 2021 (USDA, Economic Research Service) and "Outlook for U.S. Agricultural Trade" published in August 2021.

[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.

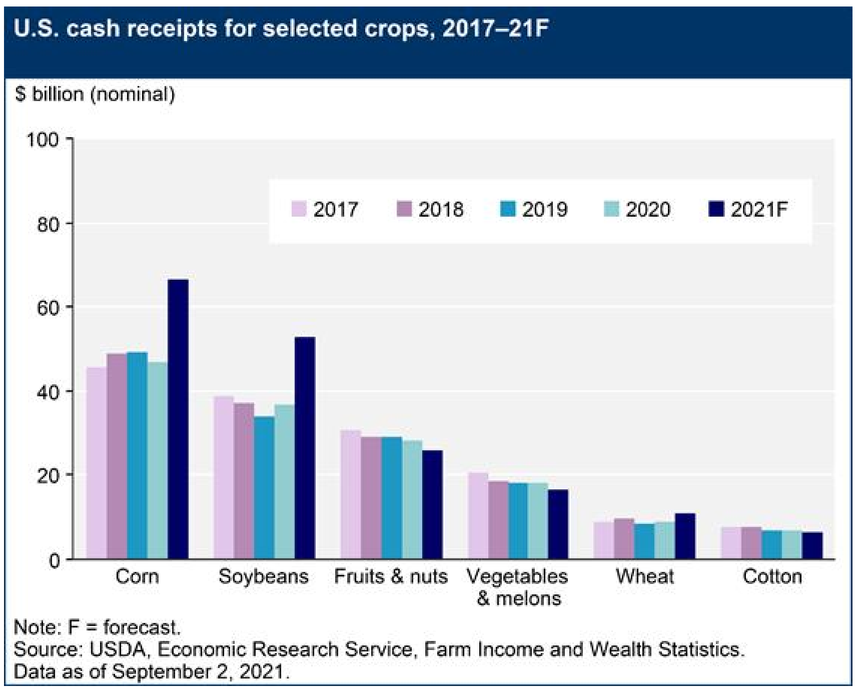
[3] Net farm income refers to the return (both monetary and non-monetary) to farm operators for their labor, management and capital, after all production expenses have been paid. Net cash income includes only cash receipts and expenses; net farm income is net cash income plus the value of home consumption, 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.

## Farm Cash Receipts Expected to Increase in 2021

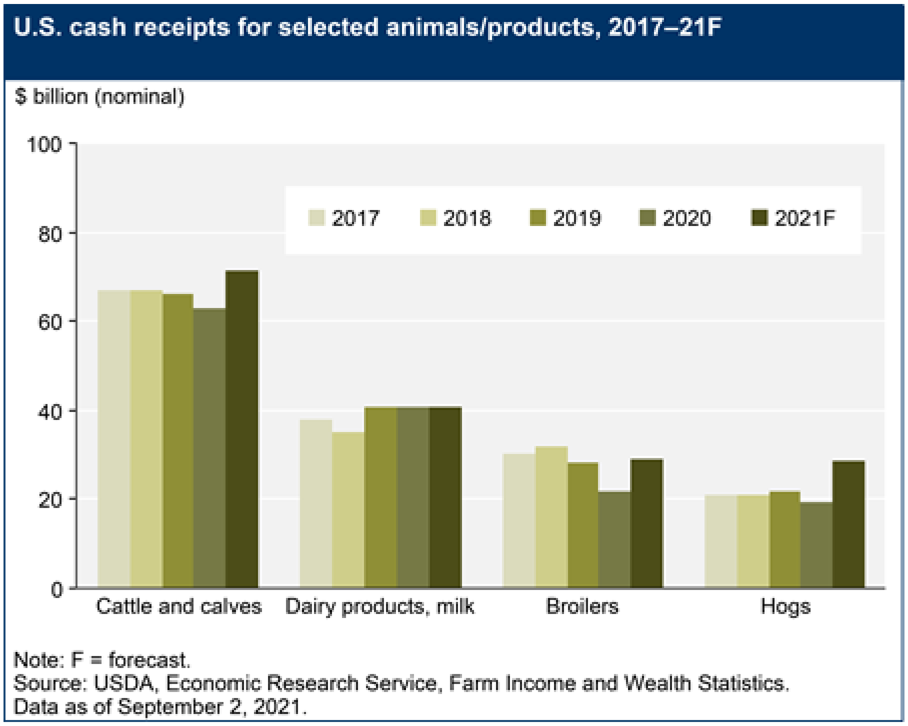
Farm cash receipts are forecast to increase by $64.3 billion to $421.5 billion in 2021. Total crop cash receipts are forecast to increase by $37.9 billion to $230.1 billion in 2021. Corn and soybeans receipts are forecast to increase by $36.3 billion (43.6 percent) in 2021 because of higher expected prices and quantities.

**Chart 1: Crop Cash Receipts**




Total animal/animal product cash receipts are expected to increase by $26.5 billion to $191.5 billion in 2021. Growth in receipts is forecast for all major animal/animal products, with the largest increases expected for hogs ($9.4 billion), cattle and calves ($8.3 billion), and broilers ($7.3 billion) because of higher prices and quantities sold.

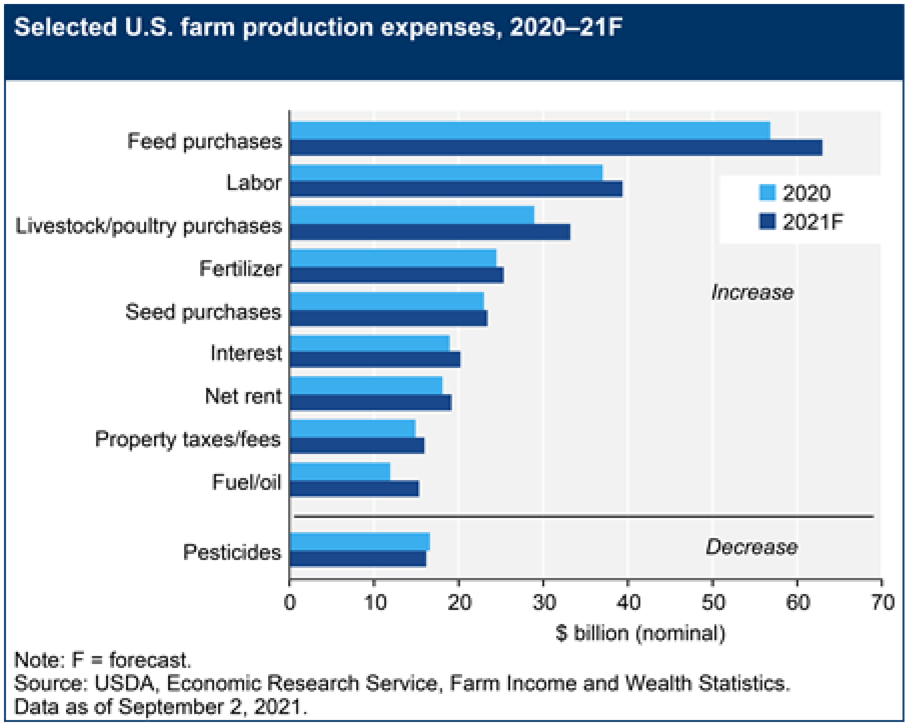
**Chart 2: Animal/Animal Products Cash Receipts**




## Farm Sector Production Expenses Expected to Increase in 2021

Total farm sector production expenses, including expenses associated with operator dwellings, are forecast to increase $26.1 billion in 2021 to $383.5 billion in 2021. Nearly all categories of expenses are forecast to be higher in 2021, with the largest dollar increases expected in feed ($6.2 billion), and livestock and poultry purchases ($4.1 billion). The largest single category, feed, reflects higher feed grain and protein meal costs stemming from the rise in crop prices.

**Chart 3: Animal/Animal Products Cash Receipts**




## Farm Equity Expected to Increase in 2021

USDA's ERS expects farm sector equity to increase by 2.9 percent to $2.81 trillion, a decline of 0.7 percent after adjusting for inflation. Farm sector assets are forecast to increase 2.5 percent in 2021 to $3.25 trillion following increases in the value of farm real estate assets. When adjusted for inflation, both total assets and farm real estate assets are forecast to fall by 1.2 percent and 1.7 percent, respectively. Farm sector debt is forecast to be relatively unchanged in 2021 at $443.9 billion but fall by 3.8 percent when adjusted for inflation. Real estate debt is forecast to rise but non-real estate debt is forecast to fall. Debt-to-asset levels for the sector are forecast to fall from 14.02 percent in 2020 to 13.64 percent in 2021, the first decline since 2012. Working capital is forecast to increase by 13.8 percent in 2021, after a decline of 6.0 percent in 2020.

## Government Payments Forecast to Decrease in 2021

After reaching a record high of $45.7 billion in 2020, direct Government farm program payments are forecast to decrease by 38.6 percent to $28 billion in 2021. This overall decrease reflects lower anticipated payments from supplemental and ad hoc disaster assistance, mainly direct payments for COVID-19-related assistance. Direct Government farm program payments are made by the Federal Government to farmers and ranchers with no intermediaries. Typically, most direct payments to farmers and ranchers are administered by USDA under Farm Bill legislation. Government payment amounts do not include Federal Crop Insurance Corporation indemnity payments (listed as a separate component of farm income) or USDA loans (listed as a liability in the farm sector's balance sheet).

Supplemental and ad hoc disaster assistance payments in 2021 are forecast at $21 billion, a decrease of $10.6 billion from 2020. The decrease is primarily related to lower total payments for COVID-19-related aid. The Coronavirus Food Assistance Program (CFAP) provides relief to producers whose operations are directly affected by COVID-19. Payments in 2021 from these USDA programs are forecast at $9.3 billion compared to $23.5 billion 2020.

Farm bill commodity payments in calendar year 2021 under the ARC program are expected to be $6.7 million, a decrease of $1.3 billion from 2020 levels. This will be the lowest outlay--by far-- since the ARC program was authorized by the 2014 Farm Bill, reflecting higher revenue tied to higher prices and yields, along with lower participation rates. Prior to 2021, ARC payments averaged $2.9 billion over FY 2015-2020. PLC payments in 2021 are expected to be $2.2 billion, a decrease of $2.7 billion from 2020 levels because of higher prices for corn, soybeans, and wheat compared with 2019. Note that 2021 ARC and PLC payments, if triggered, are for crop year 2020.

Another decline in government payments stems from the winding down of the Market Facilitation Program (MFP). The MFP started in 2018 to provide assistance to producers who had been directly impacted by retaliatory tariffs. Minimal residual payments of $42.1 million are forecast in calendar year 2021 to cover errors, omissions, and appeals, down $3.8 billion from payments in calendar year 2020.

Conservation payments from the financial assistance programs of USDA's Farm Service Agency and Natural Resources Conservation Service are expected to be $4.0 billion in 2021, up 4 percent from 2020, the first increase in 3 years. These payments, primarily funded by CCC, have been relatively steady from year to year. Over the last decade, conservation spending has increased just 7 percent. The Dairy Margin Coverage Program payments are forecast to make net payments of $0.8 billion to dairy operators in 2021 compared with $0.2 billion in 2020, reflecting much higher feed costs that have reduced dairy margins.

## Total Exports Expected to Increase in 2021

In 2021, U.S. agricultural exports to all destinations are projected at a record $173.5 billion, up 24 percent from 2020. U.S. agricultural exports have reached record levels, with much of the increase driven by higher sales to China. U.S. grain and feed exports are forecast at a record $42.9 billion while oilseed and product exports are forecast at a record $43.5 billion.

This large increase in export value in 2021 is a major factor in fueling higher commodity prices and improved cash receipts. In 2020, U.S. agricultural exports were essentially flat, reflecting a level depressed by the trade war with China that had caused a steep drop in exports in 2019. Weak exports related to the contraction in sales to China and strong export competition from other suppliers for many commodities had helped to keep U.S. commodity prices relatively low during recent years.

# 2021 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. 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, 2021 enrollment ended with over 1.8 million contracts. County staff and their customers did an exceptional job completing paperwork electronically or using drop-off services.

In FY 2021, the Conservation Reserve Program (CRP) enrolled 1.42 million acres in riparian and grass buffers, and enrolled or re-enrolled 2.36 million acres of wetlands for restoration. CRP continues to be impacted by COVID-19 complications by required reduced staffing and appointment availability. Because of these limitations it is difficult for offices to promote CRP as part of general office conversations with farmers and ranchers. All outreach is limited to virtual events. Despite this, the year-end targets expect to be met.

In FY 2021, the CCC Export Credit Guarantee Program supported $2.0 billion in exports of U.S. agricultural commodities. The GSM-102 program has returned to more normal levels in FY 2021 following an increase in activity in FY 2020 due to the pandemic and associated disruption in international financial markets. The economic return ratio for FY 2021 is estimated at $101 per dollar invested, which exceeds the target of $100 per dollar invested. FY 2021 saw the program maintain its negative budget subsidy rate, meaning that income was projected to be sufficient to cover the program's operating costs and any losses.

For FY 2021, the Food for Progress Program awarded a new project to the Government of Sudan. With the inclusion of the new Sudan project, there are 41 active Food for Progress projects in 38 countries valued at approximately $1.1 billion.

# 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, 2021, 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 $6.14 billion as of September 30, 2021, an increase of $231 million (4 percent) above the previous year's Total Assets of $5.91 billion. This is mainly attributed to an $852 million increase in the Fund Balance with Treasury due to appropriations from the ARP Act. This is partially offset by a $516 million decrease in Commodity Loans, Net primarily due to rising commodity prices disincentivizing the use of CCC's MAL program.

**Table 1: Summary of Assets**

| | In Millions | | | |
|---|---|---|---|---|
| As of September 30 | 2021 | 2020 | Variance | Variance % |
| Fund Balance with Treasury | $ 3,734 | $ 2,882 | $ 852 | 30% |
| Accounts Receivable, Net | 74 | 84 | (10) | -12% |
| Commodity Loans, Net | 393 | 909 | (516) | -57% |
| Direct Loans and Loan Guarantees, Net | 1,780 | 1,864 | (84) | -5% |
| Other | 161 | 172 | (11) | -6% |
| Total Assets | $ 6,142 | $ 5,911 | $ 231 | 4% |

## Liabilities

The Consolidated Balance Sheet reflected Total Liabilities of $20.40 billion as of September 30, 2021, a decrease of $17.69 billion (46 percent) from the previous year's Total Liabilities of $38.09 billion. The variance is primarily due to decreases of $13.85 billion and $3.89 billion in Debt to the Treasury and Accrued Liabilities, respectively.

The decrease in Debt to the Treasury was primarily driven by reduced non-expenditure transfers out of CCC in FY 2021 compared to FY 2020 when CCC made significant non-expenditure transfers to Office of the Secretary of Agriculture in support of CFAP 1 and CFAP 2.

The decrease in Accrued Liabilities is primarily driven by adverse weather conditions in Crop Year 2019 followed by favorable weather conditions in Crop Year 2020. In Crop Year 2019, flooding caused excessive moisture and many producers were unable to grow crops such as corn, wheat, and soybeans. In Crop Year 2020, these conditions did not exist. In addition, nationwide consumption of many crops such as cotton, oilseeds and total grains has increased. This has driven prices up and has reduced the accrual for future ARC and PLC payments.

**Table 2: Summary of Liabilities**

| | In Millions | | | |
|---|---|---|---|---|
| As of September 30 | 2021 | 2020 | Variance | Variance % |
| Debt to the Treasury | $ 15,371 | $ 29,217 | $ (13,846) | -47% |
| Resources Payable to Treasury | 428 | 537 | (109) | -20% |
| Accounts Payable | 286 | 106 | 180 | 170% |
| Grants Payable | 195 | 188 | 7 | 4% |
| Accrued Liabilities | 4,001 | 7,892 | (3,891) | -49% |
| Other | 121 | 147 | (26) | -18% |
| Total Liabilities | $ 20,402 | $ 38,087 | $ (17,685) | -46% |

## Net Position

CCC's Net Position, as of September 30, 2021 and 2020, was ($14.26) billion and ($32.18) 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 $10.38 billion and $22.57 billion for the years ended September 30, 2021 and 2020, respectively. Total Net Cost of Operations decreased by $12.19 billion (54 percent) from the prior year.

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

| | In Millions | | | |
|---|---|---|---|---|
| For the Years Ended September 30 | 2021 | 2020 | Variance | Variance % |
| Provide a Financial Safety Net for Farmers and Ranchers | $ 5,199 | $ 16,699 | $ (11,500) | -69% |
| Increase Stewardship of Natural Resources While Enhancing the Environment | 2,172 | 2,261 | (89) | -4% |
| Ensure Commodities are Procured and Distributed Effectively and Efficiently | 702 | 1,428 | (726) | -51% |
| Increase U.S. Food and Agricultural Exports | 2,311 | 2,185 | 126 | 6% |
| Total Net Cost of Operations | $ 10,384 | $ 22,573 | $ (12,189) | -54% |

- 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 and PLC activity in FY 2021. MFP was not authorized in FY 2021 except to resolve adjustments or appeals. PLC net cost decreased for the same reasons outlined within the earlier explanation for Accrued Liabilities.

- 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 decrease in Total Net Cost of Operations is primarily driven by a lower quantity of purchases in the Food Purchase and Distribution program (FPD). This program was not authorized for FY 2021 except to resolve adjustments or appeals.

- Increase U.S. Food and Agricultural Exports
  Total Net Cost of Operations is primarily driven by the P.L. 480 Title II program, which remained stable in relation to the prior year.

## New Obligations and Upward Adjustments

New Obligations and Upward Adjustments were $16.49 billion and $38.42 billion for the years ended September 30, 2021 and 2020, respectively. Total Obligations Incurred decreased by $21.93 billion (57 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 decrease in New Obligations and Upward Adjustments is partially due to obligating two crop years instead of one during FY 2020. The ARC and PLC programs also had fewer new obligations in FY 2021 due to the favorable weather conditions during planting season. This is further decreased by significantly lower MFP activity, as described in the Net Cost of Operations highlights.

## Agency Net Outlays

Net Outlays were $12.40 billion and $18.61 billion for the years ended September 30, 2021 and 2020, respectively. Total Agency Net Outlays decreased by $6.21 billion (33 percent) from the prior year. Most of this decrease in Net Outlays is related to PLC and the various Trade Mitigation Programs, as described in the Net Cost of Operations highlights.

**Table 4: Summary of Agency Net Outlays**

| | In Millions | | | |
|---|---|---|---|---|
| For the Years Ended September 30 | 2021 | 2020 | Variance | Variance % |
| Net Outlays: | | | | |
| Outlays, Net | $ 12,464 | $ 18,636 | $ (6,172) | -33% |
| Distributed Offsetting Receipts | (64) | (22) | (42) | 191% |
| Total Agency Net Outlays | $ 12,400 | $ 18,614 | $ (6,214) | -33% |

# Analysis of Systems, Controls, and Legal Compliance

## FMFIA and FFMIA Assurance Statement:

USDA

United States Department of Agriculture

Commodity Credit Corporation

1400 Independence Avenue, SW
Washington, DC 20250-0581

**TO:** Lynn Moaney
Deputy Chief Financial Officer

**THROUGH:** Gloria Montaño Greene
Deputy Under Secretary
Farm Production and Conservation

GLORIA MONTANO GREENE
Digitally signed by GLORIA MONTANO GREENE
Date: 2021.08.20 08:46:11 -07'00'

**FROM:** Robert Ibarra
Acting Executive Vice President
Commodity Credit Cooperation

ROBERT IBARRA
Digitally signed by ROBERT IBARRA
Date: 2021.08.13 13:20:34 -04'00'

Margo E. Erny
Chief Financial Officer
Farm Production and Conservation

MARGO ERNY
Digitally signed by MARGO ERNY
Date: 2021.08.13 11:00:39 -04'00'

**SUBJECT:** Commodity Credit Corporation's FY 2021 Agency Financial Report Certification Statement – as of June 30, 2021

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) 2021 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 Federal Financial Management System Requirements, Federal Accounting Standards, and the Standard General Ledger at the Transaction Level (FFMIA -Section 803(a)).

CCC's operational effectiveness was assessed through multiple program level internal control and compliance review processes in FY 2021. 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. Additionally, Process and Compliance Reviews of programmatic and administrative operations were conducted. Programmatic improvements were also noted for the Conservation Reserve Program (CRP) and the Noninsured Crop Disaster Assistance Program (NAP). The Farm Service Agency (FSA) conducted a combined annual assessment of Entity Level Controls including CCC programs 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, 2021.
   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 2021.

II. Internal Control over Reporting (FMFIA - Section 2)
   a. CCC assessed the effectiveness of internal control over reporting as of June 30, 2021. 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 considered for testing:
      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

Testing was performed on select key controls deemed to have the most material impact upon the internal controls over financial reporting.

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, 2021.
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, one additional significant deficiency over Reconciling Fund Balance with Treasury remains. The prior year significant deficiency regarding Maintaining, Controlling and Monitoring the General Ledgers has been downgraded to a control deficiency.
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. One prior year anti-deficiency was closed in FY 2021.
   ii. One prior year anti-deficiency has been confirmed. The letter to the President and Congress is in process.
   iii. Two prior year potential anti-deficiencies are awaiting decisions from Government Accountability Office (GAO).
   iv. The details are included in the Summary of Reportable Deficiencies chart.

b. Payment Integrity Information Act (formerly Improper Payments Elimination and Recovery Act of 2010, as amended)
   i. Management has reviewed all applicable programs and activities to identify any area that be susceptible to significant improper payments.
   ii. CCC is not compliant with the Payment Integrity Information Integrity Act of 2019.
   iii. 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. The non-compliant programs administered by FSA and funded by the Commodity Credit Corporation (CCC) are included the Summary of Reportable Conditions chart.

c. Additional Supplemental Appropriations related to but not limited to the 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)/American Rescue Plan Act (ARPA) of 2021
   i. CCC does not administer any CARES or ARPA 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.

## 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, 2021.

b. No new material system non-conformances were identified. However, a system non-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, 2021.

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:** Lynn Moaney
Deputy Chief Financial Officer

**THROUGH:** Gloria Montaño Greene
Deputy Under Secretary
Farm Production and Conservation

GLORIA MONTANO GREENE
Digitally signed by GLORIA MONTANO GREENE
Date: 2021.10.19 19:52:19 -07'00'

**FROM:** Robert Ibarra
Acting Executive Vice President
Commodity Credit Cooperation

ROBERT IBARRA
Digitally signed by ROBERT IBARRA
Date: 2021.10.19 14:30:50 -04'00'

Margo E. Erny
Chief Financial Officer
Farm Production and Conservation

MARGO ERNY
Digitally signed by MARGO ERNY
Date: 2021.10.19 11:54:21 -04'00'

**SUBJECT:** Commodity Credit Corporation's FY 2021 Agency Financial Report Certification Statement – Bridge Memorandum as of September 30, 2021

The Commodity Credit Corporation (CCC) is providing the following updates to the certification statement dated August 20, 2021 reported to the Office of the Chief Financial Officer as of June 30, 2021.

A. The Pima Cotton Anti-Deficiency that was reported on the previously submitted certification statement for CCC is now being reported on the Farm Service Agency Bridge Memorandum.

B. One material weakness on the previously submitted certification statement was named Accounting Estimates. That material weakness should be named Accounting Estimates/Accrued Liabilities to reflect the fact that both issues have been consolidated into one finding based on the A-123, Appendix A review and the external financial audit.

Subsequent to the publication of CCC's bridge memo, and prior to the publication of CCC's FY 2021 Annual Management Report, the material weakness related to Accounting Estimates/Accrued Liabilities was reassessed, and downgraded to a significant deficiency.

# 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 2021 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 weakness and significant deficiencies discussed in this section, resulting from its financial statement audits and annual A-123, Appendix A assessments.

CCC ended FY 2021 with one open material weakness related to accounting for budgetary transactions. The prior material weakness related to accrued liabilities was reassessed to be a significant deficiency during FY 2021.

One significant deficiency of reconciling Fund Balance with Treasury (FBWT); was confirmed to still exist in FY 2021 and one significant deficiency of maintaining, controlling and monitoring the general ledger was reassessed and downgraded to a control deficiency in FY 2021 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 2021, 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 progress in FY 2021 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.

## Antideficiency Act

During FY 2021, 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 violation of the ADA was identified, confirmed, and closed by CCC in FY 2021. Two potential violations of the ADA had no changes to their status during FY 2021. CCC continues to evaluate the facts and circumstances of the potential ADA, in consultation with FSA-OGC, OIG-Office of Counsel, and GAO.

# Limitations of the Financial Statements

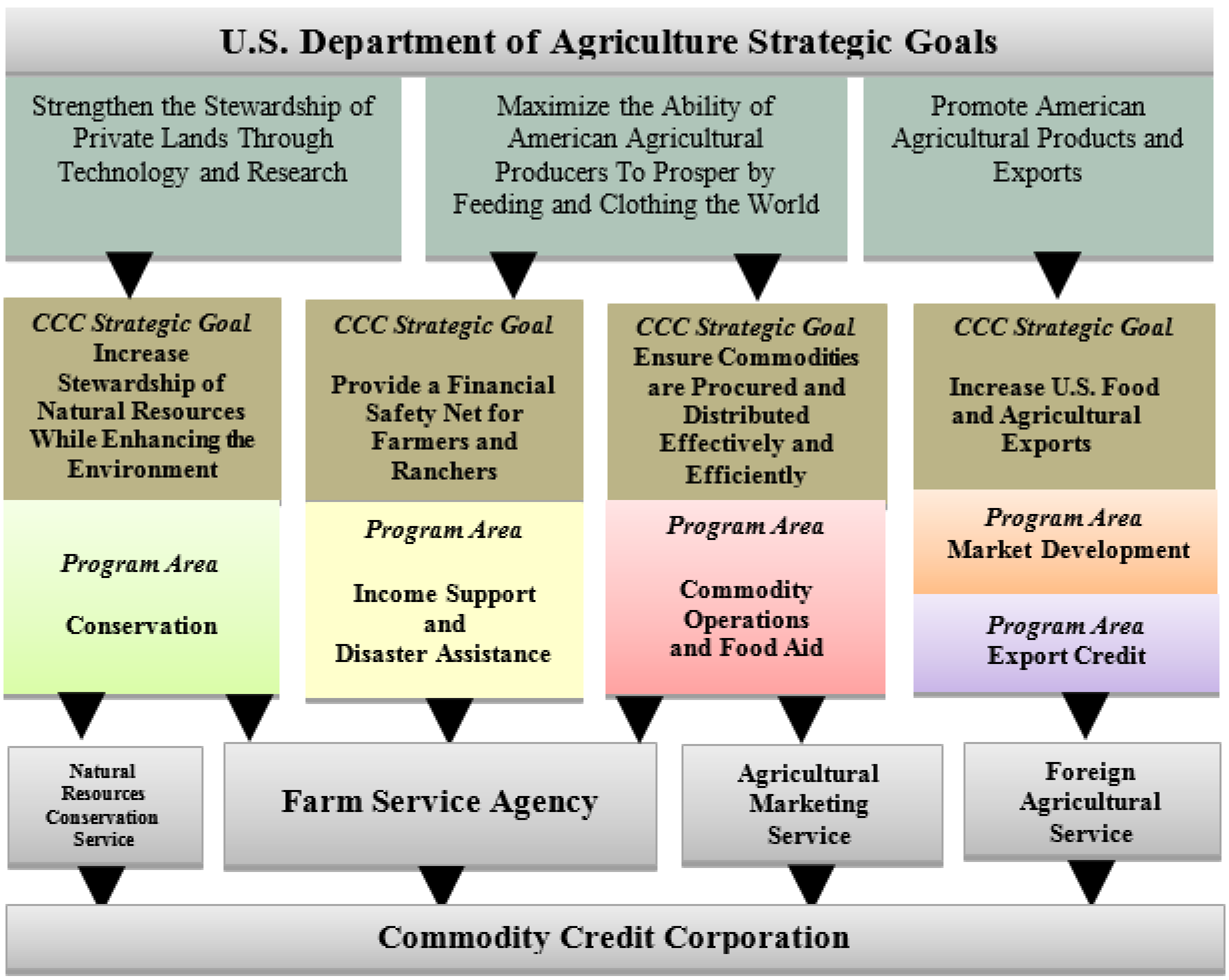
The principal financial statements have been prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. 3515 (b), *Financial Statements of Agencies*. The statements are prepared from records of the entity in accordance with Federal GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

# 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 4: 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 an 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.

In FY 2021, the CRP enrolled 1.42 million acres in riparian and grass buffers, and enrolled or re-enrolled 2.36 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.

CRP continues to be impacted by COVID-19 complications by required reduced staffing and appointment availability. 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 expect to be met.

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

| Performance Measure | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| CRP: acres of riparian and grass buffers (cumulative and in million acres) | 1.60 | 1.53 | 1.43 | 1.36 | 1.46 | 1.42 | 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.<br>**Completeness of Data:** Data reported are based on data available as of third quarter FY 2021. 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.<br>**Reliability of Data:** USDA considers the data to be reliable.<br>**Quality of Data:** Overall, the quality of the data is good. | | | | | | | |

**Table 6: Summary of Performance Measure for Restored Wetland Acreage**

| Performance Measure | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| CRP: restored wetland acreage (million acres) | 2.16 | 2.29 | 2.33 | 2.35 | 2.34 | 2.36 | Exceeds |
| **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.<br><br>**Completeness of Data:** Data reported are based on data available as of third quarter FY 2021. 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.<br><br>**Reliability of Data:** USDA considers the data to be reliable.<br><br>**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. Acreage enrollment in buffer and wetland restoration practices may be affected due to large numbers of expiring acres, statutory changes in the 2018 Farm Bill regarding the maximum acreage enrollment, eligibility standards, and payments. Another challenge is fluctuating crop prices, which have an inverse relationship with enrollment and acreage withdrawal from the program before contract expiration. Market fluctuations have the potential to affect whether CCC meets its buffer and wetland restoration targets. CRP continues to be impacted by COVID-19 complications by required reduced staffing and appointment availability. Offers must be completed remotely and outreach is limited to virtual events. The general signup was extended in February 2021 to allow time for program evaluation and changes. This extension resulted in producers not signing up until changes were known and no offers were approved between April and June 2021. This shortened signup period had an impact on enrollment in FY 2021.

# 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 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, PLC or ARC, in 2019, 2021, 2022, and 2023 and update program payment yields one time in 2020 for crop years 2020-2023.

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, 2021 enrollment included around 1.8 million contracts. 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 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Number of Farms enrolled in ARC/PLC (in millions) | 1.65 | 1.67 | 1.77[1] | 1.76 | 1.76 | 1.77 | Exceeds |
| **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<br>**Completeness of Data:** Data reported are based on data available as of September 30, 2021.<br>**Reliability of Data:** USDA considers the data to be reliable.<br>**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. The ability to change the election yearly will impact the payment estimation for the next year.

# 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 Food and Nutrition Service's 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 $270 million of goods in FY 2021 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.

Food for Progress has 41 active projects in 38 countries valued at more than $1.1 billion. In FY 2021 all new funding for new projects was granted to the Government of Sudan. Four Merit and nine Standing Supplemental awards were made to existing projects, with the merit awards given to a project each in Sri Lanka, and Dominican Republic, and two projects in Guatemala. These awards include additional commodity, freight and administrative funds. Together these projects are estimated to reach a total of over 215,000 direct beneficiaries.

## 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. In these times of greater need, especially in the developing world, the program has an opportunity to provide an even greater impact in FY 2022.

# Market Development Program Area

**MISSION ELEMENT**

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

## Program Overview

CCC supports U.S. industry efforts to build, maintain, and expand overseas markets for U.S. agricultural, fish, and forest products. On behalf of CCC, FAS manages several export development programs including FMD, Market Access Program (MAP), Technical Assistance for Specialty Crops Program, Quality Samples Program, and Emerging Markets Program. In 2018, the Agricultural Trade Promotion (ATP) program was established as one of three programs to help U.S. agricultural, fish, and forest product producers and exporters mitigate the adverse effects of other countries' tariff and non-tariff barriers and develop new markets.

These programs provide matching funds to U.S. non-profit organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. Working with the State Regional Trade Groups 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.

CCC market development programs are used to broaden the base of U.S. exporters, which facilitates economic growth and job creation. A central focus of this effort is to provide additional assistance to SMEs, which are major drivers of new job creation. Trade show participation is a key component of SME program participation and a cornerstone of cooperators' MAP and FMD investments.

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. Despite the difficult world trade environment, 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:

- MAP and ATP enabled the California Prune Board to pivot from an in-person program to digital activities to reach audiences in key markets with health, nutrition, and shelf stability messaging. Recipes demonstrated the versatility of California Prunes and products in savory and sweet dishes, as well snacks, appealing to home cooks suddenly having to provide three meals a day to lockdown families. These efforts resulted in a 16 percent rise in total shipments in the Aug-Jul 2019/20 crop year; exports reached 31,392 metric tons, valued at $124 million.

- The California Walnut Commission's MAP-supported online consumer campaign in Germany presented walnuts as the ideal ingredient in home bread-making, taking advantage of this rising trend, especially during the COVID-19 lockdown. Online advertorials in food magazines highlighted the quality and nutritional benefits of home-baked bread with California walnuts. Germany is the California Walnut Commission's top export market and Sep-Aug 2019/20 exports increased by 46 percent, valued at nearly $224 million.

- The Meat Export Federation used ATP to conduct many first-time U.S. beef restaurant promotions across China and expanded promotion on ecommerce platforms. The U.S.-China Phase One Economic and Trade Agreement took effect in March 2020, opening the opportunity for beef from a larger percentage of U.S. cattle to be eligible for export to China. Foodservice and meat industry professionals were trained on the marketing and merchandising of U.S. beef, to familiarize their customers with the premium qualities of U.S. grain-fed beef. As a result, U.S. beef exports to China were nearly $1 billion in 2020 and are expected to reach a record of nearly $1.7 billion in 2021.

- The U.S. Grains Council used MAP and ATP funds to increase Korean inclusion rates of distiller's dry grains with solubles in animal feeds, resulting in seven consecutive years of record exports, despite pandemic slowdowns. In-person technical seminars and buyer-supplier meetings were replaced with virtual seminars, and buyers and end-users attending the Virtual Grain Exchange 2020; U.S. distiller's dry grains with solubles exports to Korea reached nearly $250 million in 2020, a 100 percent increase over the seven-year period.

### Table 8: Summary of Performance Measure for Market Development

| Performance Measure | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Value of agricultural exports resulting from participation in foreign food and agricultural trade shows (million $) | $2,326 [1] | $2,041 [2] | $2,219 | $1,119 [3] | $1,750 | $93[4] | Not Met |
| **Threshold range:** +/-$150 million | | | | | | | |
| Data Assessment of Performance Measure | | | | | | | |

**Data source:** Data are collected by surveying U.S. company participants at the end of each trade show. Voluntary survey responses represent about 60 to 90 percent of total company participants at a show. In large, multiproduct shows, about a third to a half of the respondents are companies that are participating with one of the market development organizations. In more product-specific shows, about two-thirds of the respondents are linked to market development funded participants. Data reported are 12-month projected sales.

**Completeness of Data:** Data are through August 1, 2021.

**Reliability of Data:** Data are considered reliable.

**Quality of Data:** Data are self-reported but are considered a good indicator of aggregate company sales, based on independent testing of the data.

[1] FY 2017 results were expected to return to prior year levels but far exceeded expectations. The Seafood Expo Global 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.

[2] FY 2018 remained higher than expected due to the continued strength of the Seafood expo Global Show.

[3] FY 2020 targets will not be met due to the COVID-19 pandemic. All tradeshows after February 2020 were canceled or postponed, including Seafood Expo Global.

[4] FY 2021 targets will not be met due to the COVID-19 pandemic. Most tradeshows were canceled or postponed to 2022.

## Challenges for the Future

USDA/ERS “Outlook for U.S. Agricultural Trade” (AES-117) dated August 26, 2021 stated that “The global COVID-19 pandemic remains the primary factor affecting economic activity across the globe. The prevalence of the Delta variant has renewed concerns over pandemic-induced pressure on public health infrastructures, softening consumer spending, and global supply chain recovery. Despite these economic challenges, employment statistics and consumer confidence have remained strong, pointing to a continued economic recovery through the end of 2021.”

# Export Credit Program Area

**MISSION ELEMENT**

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

## Program Overview

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

In FY 2021, the CCC Export Credit Guarantee Program supported $2.0 billion in exports of U.S. agricultural commodities. Program activity has returned to more normal levels in FY 2021 following an uptick in FY 2020 caused by global financial stress associated with the pandemic. The economic return ratio for FY 2021 is estimated at $101 per dollar invested, which exceeds its targeted economic return ratio of $100 per dollar invested.[5]

The GSM-102 Program continues to be critical in supporting sales of U.S. commodities to many markets.[6] Accomplishments for FY 2021 include:

- The GSM-102 program supported $862 million in U.S. yellow corn sales in FY 2021. U.S. yellow corn sales under the program to Costa Rica, Algeria, and Saudi Arabia accounted for 53, 22, and 8 percent, respectively, of all U.S. yellow corn exports to these countries in FY 2021 (as of August 31). The GSM-102 program helps U.S. exports to compete with other major yellow corn suppliers, such as Argentina, Brazil, and Ukraine in these markets.

[5] The Economic Return Ratio is calculated using gross default estimates and does not take into consideration expected recoveries on claims paid.
[6] Overall GSM sales are based on FY 2021 data through September 30, 2021. Country-specific GSM-102 sales data as a percentage of overall U.S. exports during FY 2021 are based on data from October 1, 2020 through August 30, 2021.

- Soybeans are the second largest commodity supported by the GSM-102 program, with $397 million in sales for FY 2021. U.S. soybean sales under the program to Panama, Bangladesh, and Egypt accounted for 15, 6, and 2 percent, respectively, of all U.S. soybean exports to these countries in FY 2021 (as of August 31).

- Soybean meal is the third largest commodity supported by the GSM-102 program with $395 million of U.S. soybean meal sales in FY 2021. U.S. soybean meal sales under the program to Honduras, Dominican Republic, and Jamaica accounted for 35, 33, and 29 percent of all U.S. soybean meal exports to these countries in FY 2021 (as of August 31).

- The GSM-102 program supported $257 million in U.S. wheat sales for FY. U.S. wheat sales under the program to South Korea, Peru, and Nigeria accounted for 18, 17, and 4 percent respectively, of all U.S. wheat exports to these countries in FY 2021 (as of August 31). With the help of the GSM-102 program, the United States can compete in South Korea's wheat market against major suppliers, Australia and Canada.

- During FY 2021, the GSM-102 program supported $1.4 million in U.S. rapeseed oil sales to Dominican Republic, marking the first time ever that the program supported exports of U.S. rapeseed oil.

- During FY 2021, USDA conducted forty-nine 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 twenty-seven new exporters into the program. USDA also added one new U.S. financial institution and four foreign financial institutions (two in Bangladesh) to the program, which should provide more options to U.S. exporters who need to reduce their risk of non-payment when shipping U.S. agricultural commodities to emerging markets.

### Table 9: Summary of Performance Measure for GSM

| Performance Measure | FY 2017 | FY 2018 | FY 2019 | FY2020 | FY 2021 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Estimated trade value resulting from USDA GSM export credit guarantee program (dollars in billions) | $1.62 | $2.02 | $2.02 | $2.22 | $2.00 | $2.13 | Met |

**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, 2021.

**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 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Economic Return Ratio | $(101/1) | $(103/1) | $(103/1) | $(103/1) | $(100/1) | $(101/1) | Met |

**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, 2021.

**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 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 may be 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. Three new U.S. banks and three new foreign banks were added to the GSM-102 program during FY 2021. USDA will also continue to make additional U.S. exporters aware of GSM-102 program benefits.

# 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 2021 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, 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 2021 has continued to be professionally challenging for CCC. CCC continues to demonstrate how we can respond and adapt to major changes and continue to support programs amid a Global Pandemic. In addition to fulfilling historical requirements and newly mandated programs, the organization continued to make incremental improvements in financial management.

CCC earned an unmodified audit opinion on fiscal year 2021 consolidated financial statements for the fourth 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, a material weakness, and matters of noncompliance associated with FFMIA as described in Exhibits of the Independent Auditors' Report. We will continue to devote a considerable number of resources to resolving these issues and are looking forward to improved processes during fiscal year 2022.

CCC's consolidated financial statements, included herein, report the financial position, results of operations, and status of budgetary resources for fiscal years 2021 and 2020. 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 efficiencies, 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 2021 and 2020 consist of the following:

The Consolidated Balance Sheets present those resources owned or managed by CCC as of September 30, 2021 and 2020 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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020. 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 2021 and 2020 consist of the following:

RSI contains a Combining Schedule of Budgetary Resources by Major Fund for FYs 2021 and 2020 that provides additional information on amounts presented in the Combined Statements of Budgetary Resources.

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

Commodity Credit Corporation
**CONSOLIDATED BALANCE SHEETS**
As of September 30, 2021 and 2020
(In Millions)

| | 2021 | 2020 |
|---|---|---|
| **Assets (Note 2):** | | |
| Intragovernmental: | | |
| Fund Balance with Treasury (Note 3) | $ 3,734 | $ 2,882 |
| Accounts Receivable, Net (Note 5) | 3 | 4 |
| Total Intragovernmental | 3,737 | 2,886 |
| | | |
| Other than Intragovernmental: | | |
| Cash and Other Monetary Assets (Note 4) | 29 | 35 |
| Accounts Receivable, Net (Note 5) | 71 | 80 |
| Loans Receivable, Net | | |
| *Commodity Loans, Net (Note 6)* | 393 | 909 |
| *Direct Loans and Loan Guarantees, Net (Note 7)* | 1,780 | 1,864 |
| *Subtotal* | 2,173 | 2,773 |
| Inventory and Related Property, Net (Note 8) | 23 | 18 |
| Advances and Prepayments (Note 10) | 109 | 119 |
| Total Other than Intragovernmental | 2,405 | 3,025 |
| **Total Assets** | $ 6,142 | $ 5,911 |
| | | |
| General Property and Equipment, Net (Note 9) | | |
| | | |
| **Liabilities (Note 11):** | | |
| Intragovernmental: | | |
| Accounts Payable | $ 5 | $ 1 |
| Debt (Note 12) | 15,371 | 29,217 |
| Other Liabilities (Note 13): | | |
| *Resources Payable to Treasury* | 428 | 537 |
| *Excess Subsidy Payable to Treasury* | 37 | 63 |
| *Other Liabilities* | 3 | 3 |
| *Subtotal* | 468 | 603 |
| Total Intragovernmental | 15,844 | 29,821 |
| | | |
| Other than Intragovernmental: | | |
| Accounts Payable | 281 | 105 |
| Environmental and Disposal Liabilities (Note 14) | 48 | 47 |
| Loan Guarantee Liabilities (Note 7) | 3 | 7 |
| Advances from Others and Deferred Revenue | 16 | 16 |
| Other Liabilities (Note 13): | | |
| *Grants Payable* | 195 | 188 |
| *Accrued Liabilities* | 4,001 | 7,892 |
| *Other Liabilities* | 14 | 11 |
| *Subtotal* | 4,210 | 8,091 |
| Total Other than Intragovernmental | 4,558 | 8,266 |
| **Total Liabilities** | $ 20,402 | $ 38,087 |
| | | |
| Commitments and Contingencies (Note 15) | | |
| | | |
| **Net Position:** | | |
| Capital Stock | $ 100 | $ 100 |
| Unexpended Appropriations - Funds from Other than Dedicated Collections | 2,118 | 1,673 |
| Cumulative Results of Operations - Funds from Other than Dedicated Collections | (16,478) | (33,949) |
| **Total Net Position** | $ (14,260) | $ (32,176) |
| **Total Liabilities and Net Position** | $ 6,142 | $ 5,911 |

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, 2021 and 2020
(In Millions)

**Strategic Goals (Note 16):**

| | 2021 | 2020 |
|---|---|---|
| **Provide a Financial Safety Net for Farmers and Ranchers** | | |
| Direct Program Gross Cost | $ 4,909 | $ 17,481 |
| Imputed Cost | 536 | 722 |
| Total Gross Cost | 5,445 | 18,203 |
| Less: Earned Revenue | 246 | 1,504 |
| Net Goal Cost | $ 5,199 | $ 16,699 |
| **Increase Stewardship of Natural Resources While Enhancing the Environment** | | |
| Direct Program Gross Cost | $ 1,761 | $ 1,826 |
| Imputed Cost | 419 | 443 |
| Total Gross Cost | 2,180 | 2,269 |
| Less: Earned Revenue | 8 | 8 |
| Net Goal Cost | $ 2,172 | $ 2,261 |
| **Ensure Commodities are Procured and Distributed Effectively and Efficiently** | | |
| Direct Program Gross Cost | $ 689 | $ 1,428 |
| Imputed Cost | 40 | 32 |
| Total Gross Cost | 729 | 1,460 |
| Less: Earned Revenue | 27 | 32 |
| Net Goal Cost | $ 702 | $ 1,428 |
| **Increase U.S. Food and Agricultural Exports** | | |
| Direct Program Gross Cost | $ 2,356 | $ 2,237 |
| Imputed Cost | - | - |
| Total Gross Cost | 2,356 | 2,237 |
| Less: Earned Revenue | 45 | 52 |
| Net Goal Cost | $ 2,311 | $ 2,185 |
| **Total Direct Program Gross Cost** | $ 9,715 | $ 22,972 |
| **Total Imputed Cost** | 995 | 1,197 |
| **Total Gross Cost** | 10,710 | 24,169 |
| **Less: Total Earned Revenue** | 326 | 1,596 |
| **Net Cost of Operations** | $ 10,384 | $ 22,573 |

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, 2021 and 2020

(In Millions)

| | 2021 | 2020 |
|---|---|---|
| **Capital Stock** | $ 100 | $ 100 |
| **Unexpended Appropriations:** | | |
| Beginning Balance | $ 1,673 | $ 1,901 |
| Appropriations Received | 34,919 | 42,079 |
| Other Adjustments | (404) | (2) |
| Appropriations Used | (34,070) | (42,305) |
| Change in Unexpended Appropriations | $ 445 | $ (228) |
| **Total Unexpended Appropriations** | $ 2,118 | $ 1,673 |
| **Cumulative Results of Operations:** | | |
| Beginning Balances | $ (33,949) | $ (28,390) |
| Appropriations Used | 34,070 | 42,305 |
| Non-exchange Revenue | 5 | 2 |
| Transfers in/out without Reimbursement | (7,150) | (26,387) |
| Imputed Financing | 995 | 1,197 |
| Other | (65) | (103) |
| Net Cost of Operations | (10,384) | (22,573) |
| Net Change in Cumulative Results of Operations | $ 17,471 | $ (5,559) |
| **Cumulative Results of Operations: Ending** | $ (16,478) | $ (33,949) |
| **Net Position** | $ (14,260) | $ (32,176) |

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, 2021 and 2020

(In Millions)

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Budgetary | Non-Budgetary Credit Reform Financing Accounts | Budgetary | Non-Budgetary Credit Reform Financing Accounts |
| **Budgetary Resources:** | | | | |
| Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 17) | $ 792 | $ 118 | $ 1,176 | $ 111 |
| Appropriations (discretionary and mandatory) | 2,686 | - | 1,769 | - |
| Borrowing Authority (discretionary and mandatory) | 13,207 | 537 | 35,525 | 432 |
| Spending authority from offsetting collections (discretionary and mandatory) | 77 | 116 | 18 | 117 |
| **Total Budgetary Resources** | $ 16,762 | $ 771 | $ 38,488 | $ 660 |
| **Status of Budgetary Resources:** | | | | |
| New obligations and upward adjustments (total) | $ 15,912 | $ 581 | $ 37,985 | $ 436 |
| Unobligated balance, end of year: | | | | |
| Apportioned, unexpired accounts | 447 | 19 | 50 | 41 |
| Unapportioned, unexpired accounts | 402 | 171 | 452 | 183 |
| Unexpired unobligated balance, end of year | 849 | 190 | 502 | 224 |
| Expired unobligated balance, end of year | 1 | - | 1 | - |
| Unobligated balance, end of year (total) | 850 | 190 | 503 | 224 |
| **Total Budgetary Resources** | $ 16,762 | $ 771 | $ 38,488 | $ 660 |
| **Outlays, Net and Disbursements, Net:** | | | | |
| Outlays, net (total) (discretionary and mandatory) | $ 12,464 | | $ 18,636 | |
| Distributed offsetting receipts (-) | (64) | | (22) | |
| **Agency Outlays, net (discretionary and mandatory)** | $ 12,400 | | $ 18,614 | |
| **Disbursements, net (total) (mandatory)** | | $ 93 | | $ (58) |

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

# Notes to the Consolidated Financial Statements

## Note 1 – Summary of Significant Accounting Policies

### Reporting Entity

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

### Basis of Presentation

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, 2021 and September 30, 2020 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, *Financial Reporting Requirements*.

# Note 1 – Summary of 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 No. 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 - Summary of 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 - Summary of 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, Net and Loan Guarantee Liabilities for additional information.

# Note 1 - Summary of Significant Accounting Policies, Continued

## Inventory and Related Property

CCC's Inventory and Related Property consists entirely of commodities. 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 – 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, 2021 and 2020, 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 - Summary of 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.

### Non-Exchange Revenue

CCC's Non-exchange revenue arises primarily from exercising the Government's power to demand payments from the public (e.g., fines and penalties).

### 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 Balance Sheet, Other Liabilities and Reconciliation of Net Cost to Net Outlays have been reclassified in accordance with OMB Circular A-136, *Financial Reporting Requirements*.

## Note 1 - Summary of 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 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. Prior to the elimination entries, CCC's Non-entity Assets as of September 30, 2021 and 2020, were as follows:

**Table 11: Non-entity Assets**

| | (In Millions) | |
|---|---|---|
| | 2021 | 2020 |
| Intragovernmental: | | |
| Accounts Receivable | $ 465 | $ 599 |
| Total Intragovernmental | $ 465 | $ 599 |
| Total Non-entity Assets | $ 465 | $ 599 |
| Total Entity Assets | 5,677 | 5,312 |
| Total Assets | $ 6,142 | $ 5,911 |

## Note 3 – Fund Balance with Treasury

FBWT as of September 30, 2021 and 2020, were as follows:

**Table 12: Fund Balance with Treasury**

| | (In Millions) 2021 | (In Millions) 2020 |
|---|---|---|
| Status of Fund Balance with Treasury: | | |
| Unobligated Balance: | | |
| Available | $ 466 | $ 91 |
| Unavailable | 574 | 636 |
| Obligated Balance not yet Disbursed | 20,021 | 29,425 |
| Subtotal | $ 21,061 | $ 30,152 |
| Less: Borrowing Authority not yet Converted to Fund Balance and Other | (17,328) | (27,270) |
| Non-Budgetary Fund Balance with Treasury Suspense Fund under FBWT | 1 | - |
| Total Fund Balance with Treasury | $ 3,734 | $ 2,882 |

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, 2021 and 2020, 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, 2021 and 2020, CCC had $29 million and $35 million in undeposited collections, respectively.

## Note 5 – Accounts Receivable, Net

Accounts Receivable as of September 30, 2021 and 2020, were as follows:

**Table 13: Accounts Receivable, Net**

| | (In Millions) | |
|---|---|---|
| | 2021 | 2020 |
| Total Intragovernmental Accounts Receivable | $ 3 | $ 4 |
| Other than Intragovernmental Accounts Receivable, Gross | $ 76 | $ 89 |
| Less: Allowance for Doubtful Accounts | (5) | (9) |
| Total Other than Intragovernmental Accounts Receivable, Net | $ 71 | $ 80 |

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

## Note 6 – Commodity Loans, Net

Commodity Loans, Net, by commodity, as of September 30, 2021 and 2020, were as follows:

**Table 14: Commodity Loans, Net by Commodity**

| | (In Millions) | |
|---|---|---|
| | 2021 | 2020 |
| Corn | $ 102 | $ 304 |
| Cotton | 86 | 246 |
| Rice | 67 | 45 |
| Peanuts | 44 | 37 |
| Soybeans | 42 | 116 |
| Wheat | 35 | 125 |
| Other Commodities | 11 | 27 |
| Subtotal Commodity Loans | $ 387 | $ 900 |
| Inactive Commodity Loans in Collection | 1 | 2 |
| Accrued Interest Receivable | 2 | 12 |
| Loans Receivable - Unapplied Receipts | 3 | - |
| Total Commodity Loans, Gross | 393 | 914 |
| Less: Allowance for Losses | - | (5) |
| Total Commodity Loans, Net | $ 393 | $ 909 |

Commodity loans, also known as 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.

# Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities

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

For pre-credit reform programs (Obligated pre-1992), an allowance for loan loss is determined by CCC's liquidating allowance model which incorporates market conditions, interest rates, and credit ratings.

For credit reform programs (Obligated post-1991), 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.

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

### Direct Credit Programs – Food Aid (Obligated pre-1992 and post-1991)

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

## Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, Continued

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.

### Direct Credit Programs – Debt Reduction (Obligated post-1991)

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

### Direct Credit Programs – Domestic (Obligated post-1991)

The Farm Storage Facility Loan (FSFL) Program was implemented to provide low cost financing for producers to build or upgrade on-farm commodity storage and handling facilities. The loans have a term of 3, 5, 7, 10, or 12 years with a requirement of annual repayment installments. Interest on these loans is accrued monthly from the date of disbursement. The borrower's rate is established to be equivalent to the rate of interest charged on the Department of the Treasury securities of comparable maturity.

Included within the FSFL program is the Farm Storage Microloan program, which is designed to help producers, including new, small, and mid-sized producers, grow their businesses and markets. Such loans are smaller in amount and are available for portable handling and storage equipment in addition to traditional on-farm storage facilities. The program offers more flexible access to credit and serves as an attractive loan alternative for smaller farming operations. The loans have a term of 3, 5 or 7 years with a requirement of annual repayment installments.

Sugar Storage Facility Loans (SSFL) were authorized by the 2008 Farm Bill specifically for processors of domestically produced sugarcane and sugar beets for the construction or upgrading of storage and handling facilities for raw and refined sugars. The loan term for SSFLs is 15 years.

### Direct Credit Programs – Export (Obligated post-1991)

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.

# Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, Continued

### Credit Guarantee Programs – Export (Obligated post-1991)

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 Facility Guarantee Program (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.

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.

## 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.

## Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, Continued

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

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. In FY 2021, USDA/CCC has concluded agreements with Pakistan and Angola to reschedule $41.5M of PL-480 and GSM-102 debt. USDA/CCC has pending agreements with Cote d'Ivoire and Maldives to reschedule $0.3M in PL-480 debt.

Given the continuing nature of the pandemic, the DSSI debt relief was extended into 2021. Payments due between January 1, 2021 and December 31, 2021 will be covered under terms that are still in development. USDA/CCC anticipates rescheduling approximately $20.1M of PL-480 and GSM-102 payments due through September 30, 2021 from the same obligors who participated in the DSSI in 2020.

During FY 2021, the U.S. government came to agreement with El Salvador on a debt reduction agreement under the Tropical Forest and Coral Reef Conservation Act (TFCCA). TFCCA enables eligible developing countries to redirect certain debt payments owed to the United States government to a local conservation fund. From a U.S. budget perspective, this is a debt reduction, and, therefore, incurs a budget cost. This agreement resulted in the reduction of scheduled principal and interest payments ($14.6 million for pre-credit reform debt and $6.0 million for the credit reform debt). Treasury will provide CCC with the difference in the net present value between the pre- and post-modified loans ($15 million).

# Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, Continued

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

There are no measurable events or pending legislation at this time that may affect subsidy rates and reestimates in the future. 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 18: Subsidy Rates for Direct Loans by Program and Component and Table 24: Subsidy Rates for Loan Guarantees by Program and Component pertain only to the current year's cohorts. These rates cannot be applied to the direct loans and guarantee of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans and new loan guarantees reported in the current year could result from disbursements of loans from both the current year and prior years cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

## Subsidy Reestimates

The only significant reestimate for CCC was in the Farm Storage Facility loan program, which had a technical downward reestimate of $21.9 million. This downward reestimate was spread over a number of cohorts and is basically due to the fact that borrowers repaid more than anticipated during FY 2021. In addition, the FY 2020 cohort had a significant downward change in the single effective rate.

# Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, 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, Net |
|---|---|---|---|---|
| **As of September 30, 2021** | | | | |
| **Direct Loans:** | | | | |
| **Obligated Pre-1992** | | | | |
| P.L. 480 Title 1 | $ 254 | $ 5 | $ (53) | $ 206 |
| Pre-1992 Total | $ 254 | $ 5 | $ (53) | $ 206 |
| **Obligated Post-1991** | | | | |
| P.L. 480 Title 1 | $ 328 | $ 6 | $ (54) | $ 280 |
| Debt Reduction Fund | 92 | 2 | (20) | 74 |
| Farm Storage Facility | 955 | 10 | (6) | 959 |
| Farm Storage Microloan | 90 | 1 | - | 91 |
| Sugar Storage Facility | 2 | - | - | 2 |
| Post-1991 Total | $ 1,467 | $ 19 | $ (80) | $ 1,406 |
| Total Direct Loan Program Receivables | $ 1,721 | $ 24 | $ (133) | $ 1,612 |
| **Defaulted Guaranteed Loans:** | | | | |
| **Post-1991** | | | | |
| Export Credit Guarantee Programs | $ 396 | $ 18 | $ (246) | $ 168 |
| Total Defaulted Guaranteed Loans | $ 396 | $ 18 | $ (246) | $ 168 |
| Total Direct Loans and Defaulted Guaranteed Loans, Net | $ 2,117 | $ 42 | $ (379) | $ 1,780 |
| **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 Microloans | 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 |

# Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, Continued

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

| As of September 30 | 2021 (In Millions) | 2020 (In Millions) |
|---|---|---|
| Direct Loan Programs | | |
| Farm Storage Facility | $ 305 | $ 227 |
| Farm Storage Microloans | 38 | 29 |
| Total Direct Loans Disbursed | $ 343 | $ 256 |

## Table 17: Subsidy Expense for Direct Loans Programs by Component

**As of September 30, 2021** (In Millions)

| Direct Loan Programs | Fees and Other Collections | Subtotal Subsidy | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|
| P.L. 480 Title 1 | $ - | $ - | $ - | $ 9 | $ 9 | $ 9 |
| Farm Storage Facility | (1) | $ (1) | (36) | 16 | (20) | (21) |
| Farm Storage Microloans | - | - | (4) | 3 | (1) | (1) |
| Defaulted Export Credit Guarantee | - | - | - | (6) | (6) | (6) |
| Total Direct Loan Subsidy Expense | $ (1) | $ (1) | $ (40) | $ 22 | $ (18) | $ (19) |

**As of September 30, 2020** (In Millions)

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

## Table 18: Subsidy Rates for Direct Loans by Program and Component

**As of September 30, 2021**

| Direct Loan Programs | Interest Differential | Fees and Other Collections | Other | Total |
|---|---|---|---|---|
| Farm Storage Facility | -0.54% | -0.27% | -0.04% | -0.85% |
| Farm Storage Microloans | -0.54% | -0.27% | -0.04% | -0.85% |
| Sugar Storage Facility | -2.06% | - | 0.01% | -2.05% |

# Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, Continued

## Table 19: Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

| As of September 30 | 2021 (In Millions) | 2020 (In Millions) |
|---|---|---|
| Beginning Balance of the Subsidy Cost Allowance | $ 339 | $ 372 |
| Add subtotal subsidy for direct loans disbursed during the year as shown in Table 17 | (1) | (1) |
| Adjustments: | | |
| Fees Received | 1 | - |
| Loans Written Off | (5) | 1 |
| Subsidy Allowance Amortization | 11 | (13) |
| Other | (1) | 12 |
| Total Subsidy Cost Allowance before Reestimates | 344 | 371 |
| Add or Subtract Total Reestimates as shown in Table 17 | (18) | (32) |
| Ending Balance of the Subsidy Cost Allowance | $ 326 | $ 339 |

## Table 20: Guaranteed Loans Outstanding

(In Millions)

| As of September 30 | 2021 | | 2020 | |
|---|---|---|---|---|
| Loan Guarantee Programs | Outstanding Principal, Face Value | Outstanding Principal, Guaranteed | Outstanding Principal, Face Value | Outstanding Principal, Guaranteed |
| Export Credit Guarantee Programs | $ 1,981 | $ 1,938 | $ 2,182 | $ 2,135 |
| Total Guaranteed Loans Outstanding | $ 1,981 | $ 1,938 | $ 2,182 | $ 2,135 |

## Table 21: New Guaranteed Loans Disbursed

(In Millions)

| As of September 30 | 2021 | | 2020 | |
|---|---|---|---|---|
| Loan Guarantee Programs | Principal, Face Value Disbursed | Principal, Guaranteed Disbursed | Principal, Face Value Disbursed | Principal, Guaranteed Disbursed |
| Export Credit Guarantee Programs | $ 2,004 | $ 1,960 | $ 2,232 | $ 2,184 |
| Total Guaranteed Loans Disbursed | $ 2,004 | $ 1,960 | $ 2,232 | $ 2,184 |

# Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, Continued

### Table 22: Liability for Loan Guarantees (Present Value Method for Post-1991 Guarantees)

| As of September 30 | (In Millions) 2021 | 2020 |
|---|---|---|
| Loan Guarantee Programs | Loan Guarantee Liabilities, Present Value | Loan Guarantee Liabilities, Present Value |
| Export Credit Guarantee Programs | $ 3 | $ 7 |
| Total Loan Guarantee Liabilities | $ 3 | $ 7 |

### Table 23: Subsidy Expense for Loan Guarantees by Program and Component

**As of September 30, 2021** (In Millions)

| Loan Guarantee Programs | Fees and Other Collections | Other | Subtotal | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|
| Export Credit Guarantee Programs | $ 9 | $ (5) | $ 4 | $ - | $ (3) | $ (3) | $ 1 |
| Total Loan Guarantees Subsidy Expense | $ 9 | $ (5) | $ 4 | $ - | $ (3) | $ (3) | $ 1 |

**As of September 30, 2020** (In Millions)

| Loan Guarantee Programs | Fees and Other Collections | Other | Subtotal | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|
| Export Credit Guarantee Programs | $ 10 | $ (6) | $ 4 | $ (1) | $ 2 | $ 1 | $ 5 |
| Total Loan Guarantees Subsidy Expense | $ 10 | $ (6) | $ 4 | $ (1) | $ 2 | $ 1 | $ 5 |

### Table 24: Subsidy Rates for Loan Guarantees by Program and Component

**As of September 30, 2021**

| Guaranteed Loan Programs | Defaults | Fees and Other Collections | Total |
|---|---|---|---|
| GSM-102 | 0.24% | -0.48% | -0.24% |
| Export Credit Guarantee Programs - Facilities | 1.45% | -3.43% | -1.98% |

# Note 7 – Direct Loans and Loan Guarantees, Net and Loan Guarantee Liabilities, Continued

### Table 25: Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees)

| As of September 30 | 2021 (In Millions) | 2020 (In Millions) |
|---|---|---|
| Beginning balance of the loan guarantee liabilities | $ 7 | $ 2 |
| Less claim payments to lenders | - | 4 |
| Add subsidy expense | 10 | 11 |
| Less negative subsidy payments | 6 | 7 |
| Less downward reestimates | 4 | - |
| Other | (4) | 5 |
| Ending balance of the loan guarantee liabilities | $ 3 | $ 7 |

### Table 26: Administrative Expenses

| As of September 30 | 2021 (In Millions) | 2020 (In Millions) |
|---|---|---|
| Guaranteed Loan Programs | $ 6 | $ 6 |
| Total Administrative Expenses | $ 6 | $ 6 |

# Note 8 – Inventory and Related Property, Net

CCC's Inventory and Related Property consists entirely of commodities. Inventory and related property, Net as of September 30, 2021 and 2020 (Values in Thousands) were as follows:

**Table 27: Inventory and Related Property as of September 30, 2021**

| | | **Beginning Inventory** October 1, 2020 | | Acquisitions | | Collateral Acquired | | Other Disposition, Addition, & Deduction | | Donations | | **Ending Inventory** September 30, 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Unit of Measure | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Dry Edible Beans | Cwt. | - | $ - | 20 | $ 1,388 | - | $ - | - | $ - | (20) | $ (1,388) | - | $ - |
| Corn Soya Blend | Pounds | - | $ - | 107,999 | $ 65,735 | - | $ - | - | $ 27 | (104,049) | $ (61,966) | 3,950 | $ 3,796 |
| Miscellaneous | Various | XXX | $ 1,521 | XXX | $ 26,442 | XXX | $ - | XXX | $ 8,269 | XXX | $ (34,902) | XXX | $ 1,330 |
| Dairy Products | Pounds | - | $ - | 24,293 | $ 27,030 | - | $ - | - | $ - | (24,293) | $ (27,030) | - | $ - |
| Cotton | Bales | (1) | 15 | - | - | 525 | 133,288 | (524) | (133,303) | - | - | - | - |
| Dry Whole Peas | Cwt. | 71 | $ 1,000 | 3,405 | $ 85,271 | - | $ - | - | $ (35) | (3,313) | $ (80,596) | 163 | $ 5,640 |
| Lentils Dry | Cwt. | - | - | 289 | 8,664 | - | - | - | - | (234) | (5,953) | 55 | 2,711 |
| Corn Meal | Pounds | - | $ - | 38,551 | $ 8,942 | - | $ - | - | $ - | (38,551) | $ (8,942) | - | $ - |
| Grain Sorghum | Bushels | 144 | 1,299 | 9,890 | 76,707 | - | - | - | (430) | (10,034) | (77,576) | - | - |
| Fruit and Nut Products | Pounds | - | $ - | 130,364 | $ 108,444 | - | $ - | - | $ - | (130,364) | $ (108,444) | - | $ - |
| Peanuts | Pounds | - | $ - | - | $ - | 135 | $ 24 | (135) | $ (24) | - | $ - | - | $ - |
| Meats | Pounds | - | $ - | 75,383 | $ 116,819 | - | $ - | - | $ - | (75,383) | $ (116,819) | - | $ - |
| Milled Head Rice | Cwt. | 33 | $ 863 | 3,545 | $ 90,801 | - | $ - | - | $ - | (3,508) | $ (90,036) | 70 | $ 1,628 |
| Soybean Meal | Pounds | - | $ - | 213,678 | $ 65,239 | 2 | $ 9 | (2) | $ (9) | (213,678) | $ (65,239) | - | $ - |
| Vegetable Oil | Pounds | 22,919 | $ 13,460 | 234,490 | $ 153,598 | - | $ - | - | $ (250) | (249,937) | $ (158,568) | 7,472 | $ 8,240 |
| Wheat | Bushels | - | $ - | 34,215 | $ 428,495 | - | $ - | - | $ - | (34,215) | $ (428,495) | - | - |
| **Total Commodities** | | **XXX** | **$ 18,158** | **XXX** | **$ 1,263,575** | **XXX** | **$ 133,321** | **XXX** | **$ (125,755)** | **XXX** | **$ (1,265,954)** | **XXX** | **$ 23,345** |
| **Commodity Inventories and Related Property** | | | | | | | | | | | | | **$ 23,345** |

# Note 8 – Inventory and Related Property, Net, Continued

## Table 28: 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) | - | $ - |
| Cotton | Bales | 19 | $ 4,517 | - | $ - | 6,170 | $ 1,550,002 | (6,190) | $ (1,554,504) | - | $ - | (1) | $ 15 |
| 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 – Inventory and Related Property, Net, 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, 2021 and 2020, were as follows:

**Table 29: General Property and Equipment, Net**

| | (In Millions) | | |
|---|---|---|---|
| **2021** | Acquisition Value | Accumulated Depreciation | Net Book Value |
| Equipment | $ 1 | $ (1) | $ - |
| Capitalized Software Costs | 92 | (92) | - |
| Total General Property and Equipment | $ 93 | $ (93) | $ - |

| | (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) | $ - |

CCC disposed of $2 million and $2 million of fully depreciated equipment and capitalized software during FYs 2021 and 2020, respectively. As of September 30, 2021 and 2020, CCC's property and equipment was fully depreciated and software costs were fully amortized.

## Note 10 – Advances and Prepayments

Advances and Prepayments as of September 30, 2021 and 2020, were as follows:

**Table 30: Advances and Prepayments**

| | (In Millions) 2021 | 2020 |
|---|---|---|
| Other than Intragovernmental: | | |
| The Peanut DMA Advance | $ 93 | $ 103 |
| Other | 16 | 16 |
| Total Advances and Prepayments | $ 109 | $ 119 |

### 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 Loan Deficiency Payments. 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, 2021 and 2020, were as follows:

**Table 31: Total Liabilities**

| | (In Millions) 2021 | 2020 |
|---|---|---|
| Other than Intragovernmental: | | |
| Environmental and Disposal Liabilities (Note 14) | $ 45 | $ 45 |
| Total Liabilities not covered by budgetary resources | $ 45 | $ 45 |
| Total Liabilities covered by budgetary resources | 20,325 | 38,012 |
| Total Liabilities not requiring budgetary resources | 32 | 30 |
| Total Liabilities | $ 20,402 | $ 38,087 |

### 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, 2021, the majority of the open liability for CCC was $15.4 billion in payables for principal due to the Bureau of Fiscal Service, $4.5 billion in program liabilities, and $428 million in resources payable to Treasury. 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.

## 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 deferred revenue.

# Note 12 – Debt

Debt to the Treasury, categorized as interest bearing as of September 30, 2021 and 2020, were as follows:

**Table 32: Debt to the Treasury, Categorized as Interest Bearing**

(In Millions)

| **2021** | Non-Credit Reform | Credit Reform | Total |
|---|---|---|---|
| Debt, beginning of Fiscal Year | | | |
| Principal: Interest Bearing | $ 27,431 | $ 1,786 | $ 29,217 |
| Accrued Interest Payable | - | - | - |
| Total Debt Outstanding, Beginning of Fiscal Year | $ 27,431 | $ 1,786 | $ 29,217 |
| New Debt | | | |
| Principal: Interest Bearing | $ 2,973,206 | $ 663 | $ 2,973,869 |
| Accrued Interest Payable | 13 | 60 | 73 |
| Total New Debt | $ 2,973,219 | $ 723 | $ 2,973,942 |
| Repayments | | | |
| Principal: Interest Bearing | $ (2,987,212) | $ (503) | $ (2,987,715) |
| Accrued Interest Payable | (13) | (60) | (73) |
| Total Repayments | $ (2,987,225) | $ (563) | $ (2,987,788) |
| Debt, as of September 30, 2021 | | | |
| Principal | $ 13,425 | $ 1,946 | $ 15,371 |
| Accrued Interest Payable | - | - | - |
| Total Debt Outstanding as of September 30, 2021 | $ 13,425 | $ 1,946 | $ 15,371 |

| **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 |

## Note 12 – Debt, 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 held constant at 0.125 percent during FY 2021 and fluctuated between 0.125 percent and 1.75 percent during FY 2020.

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 2021 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 2021 and 2020, which is separate from the interest expense on the Department of the Treasury borrowings.

## Note 13 – Other Liabilities

Other Liabilities (Current) as of September 30, 2021 and 2020, were as follows:

**Table 33: Other Liabilities**

| | (In Millions) 2021 | 2020 |
|---|---|---|
| Intragovernmental: | | |
| Resources Payable to Treasury | $ 428 | $ 537 |
| Excess Subsidy Payable to Treasury | 37 | 63 |
| Other | 3 | 3 |
| Total Intragovernmental Other Liabilities | $ 468 | $ 603 |
| Other than Intragovernmental: | | |
| Grants Payable | $ 195 | $ 188 |
| Accrued Liabilities | | |
| Price Loss Coverage Program | 2,025 | 4,884 |
| Conservation Reserve Program | 1,713 | 1,796 |
| Dairy Margin Coverage Program | 105 | 29 |
| Agriculture Risk Coverage Program | 90 | 1,118 |
| Other Programs | 68 | 65 |
| Subtotal | 4,001 | 7,892 |
| Deposit and Trust Liabilities | 14 | 11 |
| Total Other than Intragovernmental Other Liabilities | $ 4,210 | $ 8,091 |

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.

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, 2021 and 2020, and an unreported grant expenditure estimate (accrual) based on historical spending patterns of the grantees.

## Note 13 – Other Liabilities, Continued

The accrued liabilities for ARC and PLC consist of crop year 2020 program payments which began in October 2021 and continue throughout FY 2022, 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 2022.

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 14 – 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 $48.0 million in FY 2021, of which $44.9 million was not covered by budgetary resources and recorded a total environmental liability of $47.0 million in FY 2020, of which $45.2 million was not covered by budgetary resources. CCC estimates the range of potential future losses due to response actions to be between $48.0 million and $458.4 million for FY 2021, and between $46.9 million and $379.9 million for FY 2020.

## Note 15 – 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, 2021 and 2020, CCC had one pending litigation that was determined to be reasonably possible. In the opinion of management, the ultimate resolution of these actions will not have a material adverse effect on CCC's financial position or the results of its operations.

## Note 16 – 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 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.

## Note 16 – Disclosures Related to the Statement of Net Cost, Continued

### 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.

### 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.

## Note 16 – Disclosures Related to the Statement of Net Cost, Continued

### 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 16 – Disclosures Related to the Statement of Net Cost, Continued

**Table 34: Costs and Earned Revenue by Strategic Goal and Program for the year ended September 30, 2021 (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 | $ 5,386 | $ - | $ 59 | $ - | $ 5,445 |
| Total Earned Revenue | 246 | - | - | - | 246 |
| **Increase Stewardship of Natural Resources While Enhancing the Environment** | | | | | |
| Total Cost | - | 2,180 | - | - | 2,180 |
| Total Earned Revenue | - | 8 | - | - | 8 |
| **Ensure Commodities are Procured and Distributed Effectively and Efficiently** | | | | | |
| Total Cost | 31 | - | 310 | 388 | 729 |
| Total Earned Revenue | 27 | - | - | - | 27 |
| **Increase U.S. Food and Agricultural Exports** | | | | | |
| Total Cost | - | - | - | 2,356 | 2,356 |
| Total Earned Revenue | - | - | - | 45 | 45 |
| **Total Gross Cost** | **$ 5,417** | **$ 2,180** | **$ 369** | **$ 2,744** | **$ 10,710** |
| **Less: Total Earned Revenue** | **273** | **8** | **-** | **45** | **326** |
| **Net Cost of Operations** | **$ 5,144** | **$ 2,172** | **$ 369** | **$ 2,699** | **$ 10,384** |

# Note 16 – Disclosures Related to the Statement of Net Cost, Continued

## Table 35: Costs and Earned Revenue by Strategic Goal and Program for the year ended September 30, 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 17 – 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's Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year unpaid obligations and other such as cancelled authority. Unobligated Balance Brought Forward, October 1 as of September 30, 2021 and 2020, were as follows:

**Table 36: Net Adjustments to Unobligated Balance, Brought Forward October 1**

(In Millions)

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Budgetary | Non-Budgetary Credit reform Financing Accounts | Budgetary | Non-Budgetary Credit reform Financing Accounts |
| Unobligated Balance Brought Forward, October 1 | $ 503 | $ 224 | $ 578 | $ 151 |
| Recoveries of Prior Year Unpaid Obligations | 5,592 | 18 | 436 | 13 |
| Other Changes in Unobligated Balance | (5,303) | (124) | 162 | (53) |
| Unobligated Balance from Prior Year Budget Authority, Net | $ 792 | $ 118 | $ 1,176 | $ 111 |

## 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 for additional information related to CCC's terms of borrowing and repayment.

## Available Borrowing Authority, End of Period

As of September 30, 2021 and 2020, CCC had available borrowing authority of $17.3 billion and $27.3 billion, respectively.

# Note 17 – Disclosures Related to the SBR, Continued

## 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, 2021 and 2020 ending UDO balances were as follows:

**Table 37: Undelivered Orders at the End of the Period**

| 2021 | (In Millions) | | |
|---|---|---|---|
| | Intragovernmental | Other than Intragovernmental | Total Undelivered Orders |
| Paid | $ - | $ 109 | $ 109 |
| Unpaid | 112 | 15,512 | 15,624 |
| Total Undelivered Orders | $ 112 | $ 15,621 | $ 15,733 |

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

## 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. CCC also has permanent indefinite appropriations, as part of the ARP Act, for USDA to pay up to 120 percent of loan balances, as of January 1, 2021, for FSFL to any Socially Disadvantaged producer who has a qualifying loan.

## 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 38: Reconciliation to Appropriations Received on the Consolidated SCNP**

| | (In Millions) | |
|---|---|---|
| **As of September 30** | **2021** | **2020** |
| Total appropriations on the Combined SBR | $ 2,686 | $ 1,769 |
| Adustments to SBR appropriations: | | |
| Transfers of CY authority | - | 26,362 |
| Actual repayment of debt, CY authority | 31,831 | 13,948 |
| Adjustments to Indefinite No-Year Authority | 402 | - |
| Appropriations received on the Consolidated SCNP | $ 34,919 | $ 42,079 |

# Note 17 – Disclosures Related to the SBR, Continued

## 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 2021 was issued, the reconciliation between the President's Budget and the SBR for FY 2021 could not be performed. The FY 2021 SBR will be reconciled to the FY 2021 actuals on the P&F Schedules reported in the *Budget of the United States Government, Fiscal Year 2023*, once released. The *Budget of the United States Government, Fiscal Year 2023*, is expected to be published in February 2022 and will be available on the website of the OMB at that time.

The summarized table below shows the reconciliation of the FY 2020 SBR to the FY 2020 actuals on the P&F Schedules presented in the *Budget of the United States Government, Fiscal Year 2022*.

**Table 39: P&F Reconciliation**

(in Millions)

| | Budgetary Resources | New Obligations & Upward Adjustments (Total) | Distributed Offsetting Receipts | Outlays/ Disbursements, Net |
|---|---|---|---|---|
| **Combined Statement of Budgetary Resources** | $ 39,148 | $ 38,421 | $ (22) | $ 18,578 |
| Reconciling Items: | | | | |
| USAID Reporting Difference[a] | - | 9 | - | - |
| Excluded from P&F[b] | (2) | (2) | - | - |
| Rounding | (1) | - | (1) | - |
| **Budget of the United States Government** | $ 39,145 | $ 38,428 | $ (23) | $ 18,578 |

**Note:**

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

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

## Note 18 – 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, 2021 and 2020, were immaterial.

## Note 19 – Reconciliation of Net Cost to Net Outlays

SFFAS No. 53, *Budget and Accrual Reconciliation*, amends requirements for a reconciliation between budgetary and financial accounting information established by SFFAS No. 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:

- Commodity prices have rebounded in FY 2021 compared to FY 2020. This has contributed to the decrease in the commodity loans receivable balance from FY 2020 to FY 2021. See Note 6 – Commodity Loans, Net for more details.
- The reduction of Accrued Liabilities is primarily driven by the ARC and PLC programs, and the adverse weather conditions in Crop Year 2019 followed by favorable weather conditions in Crop Year 2020. In addition, nationwide consumption of many crops such as cotton, oilseeds and total grains has increased. This has driven prices up and has reduced the need for future ARC and PLC payments. See Note 13 – Other Liabilities for more details.
- Imputed costs consist of the costs of labor and facilities usage incurred by other USDA agencies for work on CCC programs. See Note 16 – Disclosures Related to the Statement of Net Cost for further details.

# Note 19 – Reconciliation of Net Cost to Net Outlays, Continued

## Table 40: Reconciliation of Net Cost to Net Outlays for the year ended September 30, 2021

| | (In Millions) | | |
|---|---|---|---|
| | Intragovernmental | Other than Intragovernmental | Total |
| **NET OPERATING COST (SNC)** | $ 1,122 | $ 9,262 | $ 10,384 |
| **Components of Net Cost That Are Not Part of Net Outlays:** | | | |
| Cost of goods sold | $ - | $ (133) | $ (133) |
| Year end credit reform subsidy reestimates | 37 | - | 37 |
| Exchange Revenue not part of the SBR Outlays | - | 2 | 2 |
| **Increase/(decrease) in assets:** | | | |
| Accounts receivable | (1) | (5) | (6) |
| Loans receivable, net (Non-FCRA | - | (697) | (697) |
| Other assets | - | (17) | (17) |
| **(Increase)/decrease in liabilities:** | | | |
| Accounts payable | 12 | (174) | (162) |
| Environmental and disposal liabilities | - | (1) | (1) |
| Accrued liabilities | - | 3,861 | 3,861 |
| Other liabilities | - | 21 | 21 |
| **Financing sources:** | | | |
| Imputed cost | (995) | - | (995) |
| **Total Components of Net Operating Cost That Are Not Part of Budgetary Outlays** | $ (947) | $ 2,857 | $ 1,910 |
| **Components of the Budget Outlays That Are Not Part of Net Operating Cost:** | | | |
| Acquisition of inventory | $ - | $ 138 | $ 138 |
| Transfers out (in) without reimbursement | 25 | - | 25 |
| **Total Components of the Budget Outlays that are not part of Net Operating Cost** | $ 25 | $ 138 | $ 163 |
| **Miscellaneous Items** | | | |
| **Custodial/Non-Exchange revenue** | $ - | $ (5) | $ (5) |
| **Non-Entity Activity** | (63) | - | (63) |
| | - | 11 | 11 |
| **Total Other Reconciling Items** | $ (63) | $ 6 | $ (57) |
| **TOTAL NET OUTLAYS** | **$ 137** | **$ 12,263** | **$ 12,400** |

## Note 19 – 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 | Other than Intragovernmental | Total |
| **NET OPERATING COST (SNC)** | $ 1,397 | $ 21,176 | $ 22,573 |
| **Components of Net Cost That Are Not Part of Net Outlays:** | | | |
| Cost of goods sold | $ - | $ (1,574) | $ (1,574) |
| Year end credit reform subsidy reestimates | 64 | - | 64 |
| **Increase/(decrease) in assets:** | | | |
| Accounts receivable | (1) | (78) | (79) |
| Loans receivable, net (Non-FCRA | - | 167 | 167 |
| Other assets | - | (73) | (73) |
| **(Increase)/decrease in liabilities:** | | | |
| Accounts payable | 19 | 399 | 418 |
| Environmental and disposal liabilities | - | (16) | (16) |
| Accrued liabilities | - | (3,242) | (3,242) |
| **Financing sources:** | | | |
| Imputed cost | (1,197) | - | (1,197) |
| **Total Components of Net Operating Cost That Are Not Part of Budgetary Outlays** | $ (1,115) | $ (4,417) | $ (5,532) |
| **Components of the Budget Outlays That Are Not Part of Net Operating Cost:** | | | |
| Acquisition of inventory | $ - | $ 1,569 | $ 1,569 |
| Transfers out (in) without reimbursement | 25 | - | 25 |
| **Total Components of the Budget Outlays that are not part of Net Operating Cost** | $ 25 | $ 1,569 | $ 1,594 |
| **Miscellaneous Items** | | | |
| **Custodial/Non-Exchange revenue** | $ - | $ (3) | $ (3) |
| **Non-Entity Activity** | (23) | - | (23) |
| **Other Temporary Timing Differences** | - | 5 | 5 |
| **Total Other Reconciling Items** | $ (23) | $ 2 | $ (21) |
| **TOTAL NET OUTLAYS** | **$ 284** | **$ 18,330** | **$ 18,614** |

## Note 20 – Coronavirus (COVID-19) Activity

In FY 2021, CCC received funding from the ARP Act to help mitigate the effects of COVID-19 for the United States and alleviate food-insecurity around the world. The impacts to CCC's consolidated financial statements as of September 30, 2021 can be found in Table 42: Budgetary Status of COVID-19 Activity, and Table 43: Proprietary Status of COVID-19 Activity. These programs were implemented in FY 2021 and therefore had no impact on CCC's consolidated financial statements as of September 30, 2020.

# Note 20 – Coronavirus (COVID-19) Activity, Continued

## Table 42: Budgetary Status of COVID-19 Activity

(In Millions)

| Account Name | Treasury Account Symbol | Purpose | Unobligated Balances from Prior Year | Total Supplemental Current Year | Total Obligations | Amounts Remaining to be Obligated | Total Outlays |
|---|---|---|---|---|---|---|---|
| Food for Peace Title II Grants | 121/22278 & (72)121/22278 | ARP Act | $ - | $ 800 | $ 648 | $ 152 | $ 209 |
| Assistance for Socially Disadvantaged Farmers and Ranchers (FSFL) | 12X0172 | ARP Act | $ - | $ 25 | $ 25 | $ - | $ - |

**Food for Peace Title II Grants:** New funding was provided by the American Rescue Plan (P.L. 117-2) which appropriated $800 million for international food aid due to a 20 percent increase in the number of food-insecure people internationally cause by the COVID-19 pandemic.

**Assistance for Socially Disadvantaged Farmers and Ranchers (FSFL):** Section 1005 includes provisions for USDA to pay up to 120% of loan balances, as of January 1, 2021, for FSFL to any Socially Disadvantaged producer who has a qualifying loan.

## Table 43: Proprietary Status of COVID-19 Activity

| Account Name | Food for Peace Title II Grants | Assistance for Socially Disadvantaged Farmers and Ranchers (FSFL) | Total |
|---|---|---|---|
| Treasury Account Symbol | 121/22278 & (72)121/22278 | 12X0172 | |
| Purpose | ARP Act | ARP Act | |
| | | (In Millions) | |
| **Assets:** | | | |
| Fund Balance with Treasury | $ 591 | $ 25 | $ 616 |
| Inventory and Related Property, Net | 14 | - | 14 |
| **Total Assets** | $ 605 | $ 25 | $ 630 |
| | | | |
| **Liabilities:** | | | |
| Accounts Payable | $ 50 | $ - | $ 50 |
| Other Liabilities | 58 | 25 | 83 |
| **Total Liabilities** | $ 108 | $ 25 | $ 133 |
| | | | |
| Unexpended Appropriations | $ 483 | $ - | $ 483 |
| Cumulative Results of Operations | 14 | - | 14 |
| **Total Liabilities and Net Position** | $ 605 | $ 25 | $ 630 |
| | | | |
| Gross Program Costs | $ 303 | $ 25 | $ 328 |
| Less: Earned Revenues | - | - | - |
| **Net Cost of Operations** | $ 303 | $ 25 | $ 328 |
| | | | |
| **Unexpended Appropriations:** | | | |
| Appropriations Received | $ 800 | $ 50 | $ 850 |
| Other Adjustments | - | (25) | (25) |
| Appropriations Used | (317) | (25) | (342) |
| **Total Unexpended Appropriations Ending Balance** | $ 483 | $ - | $ 483 |
| **Cumulative Results of Operations:** | | | |
| Appropriations Used | $ 317 | $ 25 | $ 342 |
| Net Cost of Operations | (303) | (25) | (328) |
| **Cumulative Results of Operations - Ending Balance** | $ 14 | $ - | $ 14 |
| | | | |
| **Net Position End of Period** | $ 497 | $ - | $ 497 |

## Note 20 – Coronavirus (COVID-19) Activity, Continued

During FY 2020, in accordance with the Coronavirus Aid, Relief, and Economic Security 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 in FY 2020 to the Office of the Secretary of Agriculture 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 2021 Annual Management Report.

## Note 21 – 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, 2021
# (In Millions)

| Budgetary Resources: | Line # | CCC Fund (12X4336) | P.L. 480 Title II Grants (12X2278) | USAID - P.L. 480 Title II Grants ((72)12X2278) | P.L. 480 Grant Fund (121/22278) | P.L. 480 Direct Credit Liquidating Fund (12X2274) | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Unobligated balance from prior year budget authority, net (Note 17) | 1071 | $ 578 | $ 123 | $ 85 | $ - | $ - | $ 6 | $ 792 |
| Appropriations (discretionary and mandatory) | 1290 | - | 391 | 1,349 | 525 | - | 421 | 2,686 |
| Borrowing Authority (discretionary and mandatory) | 1490 | 13,207 | - | - | - | - | - | 13,207 |
| Spending authority from offsetting collections (discretionary and mandatory) | 1890 | - | - | - | - | 77 | - | 77 |
| **Total Budgetary Resources** | 1910 | $ 13,785 | $ 514 | $ 1,434 | $ 525 | $ 77 | $ 427 | $ 16,762 |
| **Status of Budgetary Resources:** | | | | | | | | |
| New obligations and upward adjustments (total) | 2190 | $ 13,435 | $ 392 | $ 1,293 | $ 375 | $ - | $ 417 | $ 15,912 |
| Unobligated balance, end of year: | | | | | | | | |
| Apportioned, unexpired account | 2204 | 9 | 120 | 101 | 150 | 63 | 4 | 447 |
| Unapportioned, unexpired accounts | 2404 | 341 | 2 | 40 | - | 14 | 5 | 402 |
| Unexpired unobligated balance, end of year | 2412 | 350 | 122 | 141 | 150 | 77 | 9 | 849 |
| Expired unobligated balance, end of year | 2413 | - | - | - | - | - | 1 | 1 |
| Total Unobligated balance, end of year | 2490 | 350 | 122 | 141 | 150 | 77 | 10 | 850 |
| **Total Budgetary Resources** | 2500 | $ 13,785 | $ 514 | $ 1,434 | $ 525 | $ 77 | $ 427 | $ 16,762 |
| **Outlays, Net:** | | | | | | | | |
| Outlays, net (total) (discretionary and mandatory) | 4190 | $ 10,518 | $ 545 | $ 1,265 | $ 124 | $ (196) | $ 208 | $ 12,464 |
| Distributed offsetting receipts | 4200 | - | - | - | - | - | (64) | (64) |
| **Agency Outlays, net (discretionary and mandatory)** | 4210 | $ 10,518 | $ 545 | $ 1,265 | $ 124 | $ (196) | $ (52) | $ 12,400 |

# Combining Statement of Budgetary Resources by Major Fund: Non-Budgetary Credit Program Financing Accounts (Unaudited) For the Fiscal Year Ended September 30, 2021 (In Millions)

| | 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 17) | 1071 | $ 1 | $ 72 | $ 10 | $ 35 | $ - | $ 118 |
| Borrowing Authority (discretionary and mandatory) | 1490 | 15 | - | 4 | 518 | - | 537 |
| Spending authority from offsetting collections (discretionary and mandatory) | 1890 | 33 | 12 | 30 | 41 | - | 116 |
| **Total Budgetary Resources** | 1910 | $ 49 | $ 84 | $ 44 | $ 594 | $ - | $ 771 |
| **Status of Budgetary Resources:** | | | | | | | |
| New obligations and upward adjustments (total) | 2190 | $ 23 | $ - | $ 26 | $ 532 | $ - | $ 581 |
| Unobligated balance, end of year: | | | | | | | |
| Apportioned, unexpired account | 2204 | 4 | 11 | 4 | - | - | 19 |
| Unapportioned, unexpired accounts | 2404 | 22 | 73 | 14 | 62 | - | 171 |
| Unexpired unobligated balance, end of year | 2412 | $ 26 | $ 84 | $ 18 | $ 62 | $ - | $ 190 |
| Total Unobligated balance, end of year | 2490 | 26 | 84 | 18 | 62 | - | 190 |
| **Total Budgetary Resources** | 2500 | $ 49 | $ 84 | $ 44 | $ 594 | $ - | $ 771 |
| **Disbursements, net (total) (mandatory)** | 4220 | $ (68) | $ (12) | $ (14) | $ 166 | $ 21 | $ 93 |

# 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 17) | 1071 | $ 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)

| | 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 17) | 1071 | $ 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) |

# Part V: Other Information (Unaudited)

# Summary of Financial Statement Audit

Below is a summary of the results of the FY 2021 independent audit of CCC's Financial Statements.

| **Audit Opinion** | Unmodified | | | | |
|---|---|---|---|---|---|
| **Restatement** | No | | | | |
| Material Weakness | Beginning Balance | New | Resolved | Consolidated | Ending |
| Budgetary Transactions | 1 | 0 | 0 | 0 | 1 |
| Accrued Liabilities | 1 | 0 | 1 | 0 | 0 |
| *Total Material Weaknesses* | 2 | 0 | 1 | 0 | 1 |

# Summary of Management Assurances

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.

| Effectiveness of Internal Control over Financial Reporting (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 |
| Accrued Liabilities | 1 | | | | 1 | 0 |
| *Total Material Weaknesses* | 2 | 0 | 0 | 0 | 1 | 1 |

| 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 |

| Conformance 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 |

| 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, as amended by the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Payment Integrity Information Act of 2019, 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 2021 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 2021 operational guidance for all improper payment initiatives is anticipated to be received in the first quarter of FY 2022.

**Table 44: Summary of Improper Payment Results**

| Programs | Total Outlays (Millions) | | Improper Payments (Millions) | | Improper Payments (Percentage) | | Overpayments (Millions) | Underpayments (Millions) |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2021 | 2021 |
| **ARC/PLC** | $ 1,091.90 | $ 2,635.34 | $ 1,040.39 | $ 62.94 | 4.72% | 2.39% | $ 62.94 | $ - |
| **LFP** | $ 279.64 | $ 158.97 | $ 249.66 | $ 12.72 | 10.72% | 8.00% | $ 12.72 | $ - |
| **MFP[1]** | $ 8,560.90 | $ 47.66 | $ 477.59 | $ 7.40 | 5.58% | 15.53% | $ 7.29 | $ 0.11 |
| **NAP** | $ 155.10 | $ 79.34 | $ 134.40 | $ 134.40 | 13.35% | 12.30% | $ 9.18 | $ 0.58 |
| **TMP[2]** | $ 5,403.10 | $ 735.23 | $ 308.01 | $ 84.07 | 5.70% | 11.43% | $ 84.07 | $ - |

[1] - Consists of program year 2018 Market Facilitation Program

[2] - Consists of program year 2019 Market Facilitation Program

# 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 | 7 | 2 | 17 |
| Number of Grants/Cooperative Agreements with Undisbursed Balances | 29 | 7 | 8 |
| Total Amount of Undisbursed Balances | $1,429,635.75 | $5,877,050.47 | $1,043,879.75 |

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 |
| ARP | American Rescue Plan |
| ATP | Agricultural Trade Promotion |
| 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 |
| CLEAR | Clean Lakes Estuaries and Rivers |
| COVID-19 | Coronavirus Disease of 2019 |
| CRP | Conservation Reserve Program |
| CSC | Credit Subsidy Calculator |
| DMA | Designated Marketing Association |
| DSSI | Debt Service Suspension Initiative |
| EPA | Environmental Protection Agency |
| 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 |
| GSM-102 | Export Credit Guarantee |
| MAL | Marketing Assistance Loan Program |
| MAP | Market Access Program |

Glossary of Acronyms (Unaudited)

| ACRONYM | TITLE |
|---|---|
| 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 |
| RSI | Required Supplementary Information |

| ACRONYM | TITLE |
|---|---|
| SBR | Statement of Budgetary Resources |
| SFFAS | Statement of Federal Financial Accounting Standards |
| SME | Small to Medium-Sized Enterprise |
| SSFL | Sugar Storage Facility Loans |
| TFCCA | Tropical Forest and Coral Reef Conservation Act |
| 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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