U.S. DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

2011 ANNUAL REPORT

U.S. Department of Agriculture
Commodity Credit Corporation

1400 Independence Avenue, SW
Washington, DC 20250

2011 Annual Report

PREFACE

This Annual Report shows the results of the Commodity Credit Corporation's (CCC) operations for fiscal year 2011. This report replaces the former Annual Report of the Commodity Credit Corporation and meets the requirements of the CCC Charter Act, as amended, and the Government Corporation Control Act, as amended.

CCC worked closely with Clifton Gunderson LLP and the Office of Inspector General (OIG) for the United States Department of Agriculture (USDA) in the development of this report.

The Management's Discussion and Analysis section of the report contains the purpose, authority, mission, and goals of the Corporation, financial, program summaries, and performance measures. This information is followed by the audit opinion letter, financial statements, and accompanying notes.

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Message from the Controller

The Commodity Credit Corporation (CCC) is committed to the principles and mandates of the President's government-wide management agenda that includes information technology, financial management, procurement and program performance management. In fiscal year (FY) 2011, CCC continued to move aggressively towards making improvements in the area of financial management while continuing to carry out its mission to provide high quality services to the Nation's agricultural community, and to proactively respond to worldwide agricultural needs.

Excellence in financial management is a key to the success of any organization. CCC has demonstrated this excellence by successfully earning an unqualified audit opinion on its financial statements for the ninth consecutive year. This indicates that CCC has been a successful steward of the resources entrusted to us and managed our people, business processes and financial systems, efficiently and effectively.

CCC's financial condition was significantly impacted by various programs as well as events in the global marketplace:

- **Improved Access to Capital—**During FY 2009–2011 FSA provided 103,000 loans to family farmers, totaling $14.6 billion in total credit. Over 50 percent of the loans went to beginning and socially disadvantaged farmers and ranchers (44,600 loans went beginning farmers and 17,300 went to socially disadvantaged farmers.)

- **Effective Food Aid Distribution**—FSA procurements for domestic and international food aid commodities for FY2011 totaled more than $1.38 billion for food insecure recipients in the U.S. and abroad.

  USDA initiated the Acreage Crop Reporting Streamlining Initiative (ACRSI), a system allowing producers to report their common acreage data once for sharing with various USDA programs; simplifying producer reporting requirements. USDA anticipates piloting this effort in four Kansas counties in the late fall of 2011 for the 2012 crop wheat plantings. The initiative was developed based on feedback during field hearings with producers concerned by the necessity of reporting separate acreage and production data to multiple USDA Agencies.
- For calendar year 2011, USDA is permitting farmers and ranchers in drought-stricken States who have been approved for emergency grazing to extend the emergency grazing period for an additional month to October 31, 2011, without any additional payment reduction. USDA is also allowing producers nationwide to utilize harvested hay from expiring Conservation Reserve Program (CRP) acres when these acres are being prepared for fall-seeded crops enabling livestock producers to feed the hay that is mechanically harvested to their own livestock, sell it, or donate it.

- USDA completed the consolidation of geo-spatial assets into a single centralized repository thereby eliminating dependency on outmoded servers in the USDA Service Center offices. This will allow the integration of geospatial data with Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) and other enterprise business operations.

In FY 2011, the GSM-102 Program provided credit guarantees which facilitated sales of $4.12 billion, a significant increase of 33 percent, from the previous year's sales of $3.09 billion. Increased demand for credit amidst a risky financial environment and rising commodity prices are among the factors causing the rise in the GSM-102 program usage in FY 2011. Program accomplishments for FY 2011 include:

- The GSM-102 Programs supported increased exports to South Korea, Mexico, Central America and the Caribbean.

- Through August 2011, the Program supported 17 percent of total U.S. agricultural exports to South Korea and 21 percent of total U.S. agricultural exports to Turkey.

- After declining to $195 million in FY 2010, program usage for U.S. agricultural exports to the South America Region rebounded by 200 percent in FY 2011 to $588 million. Total U.S. agricultural exports to these same countries were $4.0 billion for the period October 2010 - August 2011. As of August 2011, the GSM-102 Program had supported nearly 10 percent of U.S. agricultural exports to these countries. The commodities exported to South America under the Program in FY 2011 include wheat, corn, corn gluten meal, corn oil, distilled dry grain, soybeans, soybean meal, and soybean oil.

- Sales of corn, wheat, and cotton all showed dramatic increases in FY 2011.

During FY 2011, CCC continued to emphasize improvements in its financial management practices, program effectiveness and public accountability. Demonstrated improvements were reported with respect to the following Federal initiatives:

1. Office of Management and Budget (OMB) Circular A-123, “Management’s Responsibility for Internal Control,” Appendix A, “Internal Control over Financial Reporting,”. CCC annually evaluates its internal controls over financial reporting in accordance with the Federal Managers Financial Integrity Act (FMFIA), and OMB Circular A-127, “Financial Management Systems.”

   - There were three control deficiencies reported in FY 2010 and during FY 2011 two were upgraded to significant deficiencies, Funds Status Report and Farm Storage Facility Loans (FSFL) Reconciliations (the Price Support for FSFL’s obligations, disbursements, and repayments are not reconciled by Cohort to the general ledger), and one was upgraded to a material weakness - Unliquidated Obligation (ULO) Certifications (a system non-compliance that has a design issue).

2. Audit Report – CCC’s Financial Statements (also reported under FMFIA).

   - In FY 2010, management’s assessment of internal controls over financial reporting as of September 30, 2010, identified two material weaknesses (MW) in CCC’s audit report: Management’s analysis of obligations and liabilities for the Direct and Countercyclical Payment Programs (mitigated in FY 2009) and Funds Control Management (repeat). There were six significant deficiencies reported in the 2010 audit report under FMFIA: U.S. Agency for International Development (USAID) – Child Agency Financial Information (completion date revised to FY 2012 2nd quarter), Strengthen Internal Control over Intra-governmental Balances (mitigated in FY 2011), Strengthen Control over the FSFL (mitigated in FY 2011), Strengthen Internal Control over Accounts Receivable and Revenue (mitigated in FY 2011), Strengthen Internal Control over USAID Financial Reporting (completion dated FY 2012 2nd quarter), and Strengthen Information Security Controls (potential reduction to a control deficiency in FY 2011). Conclusively there is one significant deficiency and one material weakness remaining from prior years.

   - In FY 2011, CCC is reporting the one repeat material weakness for system non-conformances, one repeat significant deficiency for USAID, and one revised significant deficiency regarding antiquated systems that will also be reported under both FMFIA and the Federal Financial Management Improvement Act.

3. Federal Financial Management Improvement Act (FFMIA).

   - During FY 2011, CCC evaluated its financial management systems to assess substantial compliance with the Act and there are two system non-compliances – ULO certifications and Funds Control System Requirements. As of the completion of the annual report and according to the independent auditors, CCC has demonstrated substantial compliance with Sections 2 - applicable Federal accounting standards; and 4 - Information security policies, procedures, and practices meet the reporting requirements of the Federal Information Security Management Act. CCC is not substantially compliant with Section 1 – Federal financial management system requirements and Section 3 – the U.S. Standard General Ledger at the transaction level. As part of the financial systems strategy of the migration to the Financial Management Modernization Initiative solution, CCC continues to progress in its corrective actions to meet FFMIA objectives to be completed in FY 2012.

4. In FY 2011, as a result of the Improper Payment Elimination and Recovery Act, CCC took a proactive approach in measuring programs currently designated as High Risk by the OMB. In briefing both the USDA Office of the Chief Financial Officer and the OMB, significant changes were proposed and accepted regarding the Review Cycle Methodology. The methodology presented was based on program activity, past performance, and projected future levels of performance. Presented were the following:

   - Traditional (Based on Outlays and Fiscal Year): Marketing Assistance Loans and Noninsured Crop Disaster Assistance Program.
   - Proactive (Includes at least 85% of outlays, allows for earlier implementation of corrective actions and impacts county offices sooner): Conservation Reserve Program and Direct & Counter Cyclical Program
   - Program Focused (Focus is on the "Disaster Driver" in a review cycle period, includes at least 80% of outlays, provides for best opportunity for Return on Investment: Disaster Programs
   - Performance Based (Performance based, assessment from National Office, judgmental sample of transactions, allows for maximum utilization of County Office Reviewers): Loan Deficiency Program and Milk Income Loss Program.

CCC's financial statements, included herein, report the Corporation's FY 2011 financial position, results of operations, and status of budgetary resources as required by the Chief Financial Officers Act of 1990, as amended. These statements are in compliance with the format prescribed by OMB in the form and content of Federal financial statements and are in accordance with Generally Accepted Accounting Principles for Federal entities.

Financial management performance measures also accompany the financial results. These performance measures demonstrate areas of efficiency, accomplishments, and highlight areas for improvement within CCC's financial management. CCC will continue to identify meaningful performance measures for ensuring public accountability and the stewardship of the Government's assets. In the coming year, we look forward to working with CCC's constituent agencies and the USDA, Office of the Chief Financial Officer in the continued improvement of services and business operations, consistent with the objectives and requirements of the Government Performance and Results Act of 1993.

Controller

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

Mission Statement

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

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

History of the Commodity Credit Corporation

The Commodity Credit Corporation (hereinafter CCC, Agency, or Corporation) is a government-owned corporation within the United States Department of Agriculture (USDA). It was created by Congress in 1933 to stabilize, support, and protect farm income and prices, assist in the maintenance of balanced and adequate supplies of agricultural commodities, and facilitate the orderly distribution of those commodities. The Corporation is a primary financing arm of the Federal government for many domestic and international agricultural programs. CCC helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution.

The statutory authority for Corporation operations is found in the CCC Charter Act, 15 U.S.C. 714, and et seq. The Corporation is managed by a Board of Directors subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairperson of the Board. The members of the Board and the Corporation officers are officials of USDA. CCC has no employees or facilities. Its programs are administered through various agencies including the USDA Farm Service Agency (FSA), Agricultural Marketing Service (AMS), Natural Resources Conservation Service (NRCS), and Foreign Agricultural Service (FAS), as well as the United States Agency for International Development (USAID).

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

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

CCC has its own disbursing authority and utilizes the Federal Reserve Bank system and United States Treasury to make payments. This disbursing authority allows CCC to make payments quickly and to provide financial support to America's producers and farmers immediately. CCC has multiple funding mechanisms. Most of the domestic programs are operated out of a revolving fund, in which the CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11, Preparation, Submission, and Execution of the Budget. Borrowing authority permits the Corporation to incur obligations and authorizes it to borrow funds to liquidate the obligations. This fund also receives money from appropriated funding for costs incurred (i.e., realized losses), loan repayments, inventory sales, interest income, and fees. Additionally, CCC receives direct appropriations for specific programs such as its Credit Reform programs, foreign grant and donation programs, and disaster relief.

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*, and Statement of Federal Financial Accounting Concepts (SFFAC) No. 3, *Management's Discussion and Risk Analysis Concepts.* Such forward-looking information includes estimates and is subject to risks and uncertainties that could cause actual results to differ materially from this discussion.

Structure of the Commodity Credit Corporation

A Board of Directors manages CCC and is subject to the general supervision and direction of the Secretary of Agriculture who is an *ex officio* director and chairperson of the Board. The Board consists of seven members in addition to the Secretary. The President of the United States, with the advice and consent of the Senate, appoints the board members to office. The members of the Board and the Corporation's officers are officials of USDA. CCC officers, directly or through officials of designated USDA agencies, maintain liaison with numerous other governmental and private trade operations.

The CCC has no actual employees; it carries out the majority of its programs through the personnel and facilities of the Farm Service Agency (FSA), Agricultural Marketing Service (AMS), Natural Resources Conservation Service (NRCS), Foreign Agricultural Service (FAS), and the United States Agency for International Development (USAID). Most of the CCC's programs are delivered through an extensive nationwide network of FSA field offices, including approximately 2,400 USDA Service Centers and 51 state 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 programs, and international food procurement.

Though FSA provides the staff for CCC, several CCC funded programs fall under purview of the Foreign Agricultural Service (FAS) or Natural Resources Conservation Service (NRCS). FAS has the primary responsibility for USDA's international activities—market development, trade agreements and negotiations, and the collection and analysis of statistics and market information. It also administers the USDA's export credit guarantee and food aid programs and helps increase income and food availability in developing nations by mobilizing expertise for agriculturally led economic growth.

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

CCC Board of Directors

Chairperson, Thomas James Vilsack, Secretary of Agriculture
Vice Chairperson, Kathleen Ann Merrigan, Deputy Secretary of Agriculture
Member, Vacant, Under Secretary, Farm and Foreign Agricultural Services (FFAS)
Member, Dallas Paul Tonsager, Under Secretary, Rural Development (RD)
Member, Kevin W. Concannon, Under Secretary, Food, Nutrition, and Consumer Services (FNCS)
Member, Vacant, Chief Financial Officer and Chief Information Officer, USDA
Member, Edward M. Avalos, Under Secretary, Marketing and Regulatory Programs (MRP)
Member, Harris D. Sherman, Under Secretary, Natural Resources and Environment (NRE)

CCC Officers

President, Michael T. Scuse, Under Secretary, FFAS
Executive Vice President, Bruce Nelson, Administrator, Farm Service Agency (FSA)
Vice President, Carolyn Cooksie, Associate Administrator, Operations and Management, FSA
Vice President, Rayne Pegg, Administrator, Agricultural Marketing Service (AMS)
Vice President, Suzanne Heinen, Acting Administrator, Foreign Agricultural Service (FAS)
Vice President, Suzanne Heinen, General Sales Manager, FAS
Vice President, Audrey Rowe, Administrator, Food and Nutrition Service (FNS)
Vice President, David White, Chief, Natural Resources Conservation Service (NRCS)
Deputy Vice President, James W. Monahan, Deputy Administrator, Commodity Operations, FSA
Deputy Vice President, Philip G. Short, Deputy Administrator, Management, FSA
Deputy Vice President, Juan M. Garcia, Deputy Administrator, Farm Programs, FSA
Deputy Vice President, Michael Wooden, Deputy Administrator, Field Operations, FSA
Deputy Vice President, Joy Harwood, Director, Economic & Policy Analysis Staff, FSA
Deputy Vice President, Homer Wilkes, Acting Associate Chief, NRCS
Deputy Vice President, Anthony Kramer, Deputy Chief, Financial Assistance and Community Development, NRCS
Deputy Vice President, Diane Gelburd, Deputy Chief, Easement and Landscape Planning, NRCS
Deputy Vice President, Garry Lee, Acting Deputy Chief, Management, NRCS
Secretary, Steven N. Mikkelsen, Acting Executive Assistant to the Administrator, FSA
Deputy Secretary, Vacant, Farm Service Agency (FSA)
Assistant Secretary, Monique B. Randolph, Staff Assistant, FSA
Controller, Glen D. Pfeffer, Acting Director, Financial Management Division, FSA
Treasurer, Vacant, Deputy Director, Financial Management Division, FSA
Chief Accountant, Sherry A. Laws, Center Director, Policy, Accounting, Reporting, and Loan Center, Financial Management Division, FSA

Advisors

General Counsel, Ramona Emilia Romero, Office of the General Counsel
Associate General Counsel, Ralph A. Linden, International Affairs, Commodity Programs and Food Assistance Programs

CCC Program Areas

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

Income Support and Disaster Assistance – Income support and disaster assistance programs provide financial assistance to protect farmers and ranchers from fluctuations in market conditions and unexpected natural or man-made disasters. Assistance is provided through income support programs, disaster assistance programs, and the Noninsured Crop Disaster Assistance Program (NAP). FSA is responsible for administering income support and disaster assistance. The Agency is expanding the way it collaborates with farmers and producers in its traditional "safety net" programs by adding on-line options while maintaining more traditional approaches.

Conservation – Supported by the Food, Conservation, and Energy Act of 2008 (2008 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 the CCC conservation programs.

Commodity Operations and Food Aid – FSA personnel handle the procurement, acquisition, storage, disposition, and distribution of commodities, and the administration of the United States Warehouse Act (USWA). These programs help achieve domestic farm program price support objectives, produce a uniform regulatory system for storing agricultural products, and ensure the timely provision of food products for domestic and international food assistance programs and market development programs.

Foreign Market Development – Expanding markets for agricultural products is critical to the long-term health and prosperity of the U.S. agricultural sector. With 96 percent of the world's population living outside the United States, future growth in demand for food and agricultural products will occur primarily in overseas markets. The CCC funds used in the market development programs play a critical role in helping to open new markets and in facilitating U.S. competitiveness and by doing so, help 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 the CCC foreign market development programs.

Export Credit – The 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.

Future Effects of Demands, Events, and Conditions

Economic Fluctuation and Volatility

High commodity prices underlie record projected levels of U.S. agricultural exports and U.S. net farm income in 2011. Although grain, oilseed, cotton prices, export value, and farm income will retreat somewhat in the next several years, a return to steady domestic and international economic growth supports demand for U.S. agricultural products over the next decade. In addition, rising global demand for agricultural commodities for the production of bio-fuels continues. Thus, after the near-term declines, the value of U.S. agricultural exports and net-farm income should rise through the rest of the decade. U.S. retail food prices will increase faster than the overall rate of inflation in 2011 and 2012, reflecting higher food commodity prices and energy costs and improved demand as the economic recovery continues. Net farm income rises to record levels in 2011, largely reflecting the recent run-up in prices for many agricultural commodities. While income declines in 2012-14, it grows over the rest of the decade and remains well above the average of the previous decade (2001-10) throughout the projection period. A concern that farmers continue to face is the increase in expenses for key inputs, including feed, fertilizer, and fuel. Additionally, after a strong recovery in 2010, USDA projects a revenue decline for livestock farm businesses in 2011 and continued income and loan repayment concerns for dairy farmers. Higher feed costs are a primary factor. Sustained higher crop prices make the use of land for production more valuable, causing rental rates for land in the Conservation Reserve Program (CRP) to rise. CRP is expected to be fully enrolled at the statutory cap of 32 million acres from 2011 through 2019. Therefore, the increase in CRP payments from about $1.8 billion in 2010 to $2.3 billion in 2019 is solely due to rising rental rates.

Lower government payments and rising farm production expenses offset some of the anticipated gains in cash receipts and other sources of farm income. Government payments to farmers are projected to fall from a projected $12.4 billion in 2010 to an average of less than $10 billion annually in 2011 to 2019. Price-dependent program benefits account for a declining share of payments. Strengthening domestic and international demand holds prices for most crops above levels that would result in marketing loan benefits or counter-cyclical payments. For example, even with stochastic considerations (included here to capture potential variation in farm program benefits due to variability in production yields and the impacts on prices), payments for marketing loan benefits and counter-cyclical payments for feed grains are minimal, and likely to total less than $100 million from 2011 through 2019. While the outlays are high for upland cotton marketing loan disbursements, it is unlikely that there will be market gain benefits because of the prices above the levels for such benefits.

With high prices, Government payments have a smaller role in the agricultural sector's income. Government payments, which represented more than eight percent of gross cash income in 2005, fall to about two percent by the end of the projection period. Conversely, the sector relies on the market for more of its income.

Portions of the above came from: "USDA Agricultural Projections to 2019" OCE-2010-1, issued February 2010, and USDA Agricultural Projections to 2020"OCE-2011-1 issued February 2011 , Office of the Chief Economist, World Agricultural Outlook Board, Interagency Agricultural Projections Committee.

Administrative Resource Constraints and Challenges

Although most CCC program outlays are mandatory, the salaries and administrative expenses (S&E) for the agencies responsible for administering CCC programs are subject to a continuously constrained discretionary spending environment. The agencies are under significant pressure to modernize the service delivery environment in order to provide more flexibility in responding to fluctuations in program demand. A number of CCC programs authorized by the Food, Conservation and Energy Act of 2008 rely on price and yield data to determine program eligibility and payment rates. Some of these programs are scheduled to expire at the end of FY 2011. Spending reductions determined by the Congressional super committee in charge of deficit reduction most likely will impact CCC programs, the staffing needed to implement them, and the 2012 farm bill negotiations. As budgets are squeezed across the Department, statistical agencies are cutting back on their data collections and the resulting lack of data could jeopardize program intent.

Natural Disasters and Weather Conditions

Extreme climate and weather events often cause extensive flooding and sustained droughts that profoundly affect our society in general and agriculture in particular. Agriculture is vulnerable to variations and fluctuations in weather and climate because existing agricultural practices were developed for average weather and climate conditions. Furthermore, global climate change is acknowledged as a reality which will affect farming and ranching practices and conservation measures. Agencies are in the process of developing plans to review programs and operations to help mitigate global climate change while ensuring efficient and abundant agricultural production.

2011 Performance Highlights Summary

The Commodity Credit Corporation (CCC) was successful in meeting and exceeding its performance expectations for Fiscal Year (FY) 2011. CCC funds many programs that fall under multiple agencies within the USDA. Each Corporation funded program helps achieve parts of both the CCC mission and the strategic plan of the agency under which the program falls. The CCC mission and agency strategic goals are achieved through the successful implementation of the key programs.

The Direct Crop and Counter-Cyclical Programs (DCP) authorized under the Food, Conservation, and Energy Act of 2008, (Public Law 110-234), is a key program that mitigates market losses. CCC provides direct payments (cash) to eligible crop producers. The intent is to allow planting flexibility while providing a safety net for producers. The Average Crop Revenue Election (ACRE) Program, added under the 2008 Act, is a revenue-based farm safety net program offered as an alternative program to the price-based safety net provided by counter-cyclical payments under DCP for crop years 2009 through 2012. The FY 2011 performance target of 95 percent for the measurement of these programs, maintain the percent of eligible base acres participating in DCP and ACRE programs, was met achieving a participation rate of 95.30 percent.

Another significant CCC function is executed through the Warehouse Examination Program that performs examinations of licensed and contracted warehouse facilities that store or handle commodities for CCC. The more frequently warehouses are examined for compliance with CCC storage agreements and United States Warehouse Act (USWA) licensing agreements by FSA warehouse examiners, the sooner any potential pest infestation or quality deterioration of commodities in store will be discovered. The CCC FY 2011 performance target of 380 days between warehouse examinations was exceeded with an actual performance of 355 days between examinations. Although there was an increase in days between examinations from 345 days in FY 2010 to 355 days in FY 2011, this decrease in performance does indicate a need for more field-based examiners. Another contributor to decreasing performance was the increase in USWA licensed storage capacity. During the last fiscal year USWA licensed storage capacity has increased from 4.59 billion to 4.81 billion bushels.

The CCC conservation programs help agricultural producers enhance and restore production and conservation capabilities as well as enhance energy sustainability. The Conservation Reserve Program (CRP) acres annually reduce nitrogen, phosphorus, sediment, and soil leaving participating fields by over 85 percent before they reach surface waters. Additionally, CRP acres sequester over 44 million metric tons of carbon dioxide as compared to the pre-CRP condition. An important measure of conservation performance is the monitoring of agricultural land acreage enrolled as riparian and grass buffer zones under CRP. CRP met its FY 2011 performance target of 2.01 million acres of riparian and grass buffers enrolled by enrolling exactly 2.01 million acres. The program exceeded its FY 2011 performance target of 2.05 million acres of restored wetlands with an enrollment of 2.22 million acres. As of September 30, 2011, total enrollment in CRP was 31.1 million acres.

Financial Highlights

As part of its mission to stabilize, support, and protect farm income and prices, CCC is also responsible for providing accurate, timely, and useful financial management information to all Agency stakeholders. These statements have been prepared from the accounting records of the Agency as of September 30, 2011 and September 30, 2010 in accordance with generally accepted accounting principles for Federal entities and policies prescribed in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirement (Revised)*.

Assets: The Balance Sheet shows the Agency had total assets of $12.4 billion as of September 30, 2011, an increase of $587 million (5 percent) above the previous year's total assets of $11.8 billion. The increase is attributed to an increase in Fund Balance with Treasury offset by decreases in Accounts Receivable, Loans and Credit Receivables, Net.

The increase in Fund Balance with Treasury is attributed to increase in cash collections in Price Support (PS)/Loans Repaid (LRD) account. The increase represents the cash repayment for marketing assistance loans repaid by producers during FY 2011. CCC marketing assistance loan program is available to producers of commodities eligible for direct and counter-cyclical payments, and provides interim financing to the eligible producers.

The decrease in Accounts Receivable is attributed to reduction of the calculation of net present value of accruals for the future collection from FY 2010 to FY 2011 in Tobacco Transition Payment Program (TTPP). The decrease in Loan and Credit Receivables, Net is attributed to decrease in actual loan principal and interest collections during FY 2011.

Assets — Dollars in Millions

As of September 30	2011	2010	Variance	Variance %
Fund Balance with Treasury	$ 4,394	$ 1,797	$ 2,597	145%
Accounts Receivable, Loans and Credit Receivables, Net	7,782	9,834	(2,052)	-21%
Commodity Inventories, Net	51	46	5	11%
General Property and Equipment, Net	48	57	(9)	-16%
Other	127	81	46	57%
Total Assets	$ 12,402	$ 11,815	$ 587	5%

Liabilities: The Balance Sheet shows the Agency had total liabilities of $16.1 billion as of September 30, 2011. This represents a decrease of $2.4 billion (13 percent) below the previous year's total liabilities of $18.5 billion. The decrease is primarily due to a decrease in Other Liabilities.

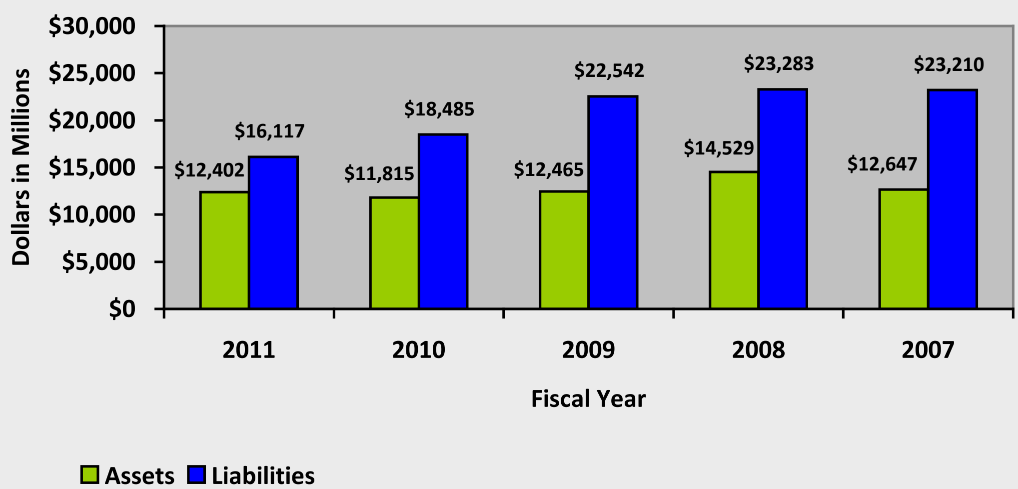
The decrease in Other Liabilities is attributed to the calculations of net present value of future accruals within TTPP. Prior year net present value reversal was more than current year net present value due to number of payments left to be paid in the program.

Liabilities

Dollars in Millions

Dollars in Millions	2011	2010	Variance	Variance %
Accounts Payable	$ 435	$ 386	$ 49	13%
Debt to the Treasury	2,865	3,274	(409)	-12%
Loan Guarantee Liabilities	114	184	(70)	-38%
Environmental and Disposal Liabilities	8	8	-	0%
Other	12,695	14,633	(1,938)	-13%
Total Liabilities	$ 16,117	$ 18,485	$ (2,368)	-13%

Assets and Liabilities



Ending Net Position: As of September 30, 2011 and September 30, 2010, the Agency's net position was $3.7 billion and $6.7 billion, respectively. Net Position is the sum of the Unexpended Appropriations, Cumulative Results of Operations, and Capital Stock.

Unexpended Appropriations and Cumulative Results of Operations

Unexpended Appropriations

Cumulative Results of Operations

Results of Operations: The Commodity Credit Corporation categorizes the net cost of operations based on the Agency's strategic goals. Net cost of operations was $11.3 billion and $11.1 billion for the fiscal years ended September 30, 2011 and September 30, 2010, respectively. Overall total net cost of operations increased 2 percent from the prior year. As shown in the table below, Supporting Productive Farms and Ranches expenses comprise a majority of the costs for the fiscal years ended September 30, 2011 and September 30, 2010. The activity that caused the fluctuation in the Statement of Net Cost for the fiscal year ended September 30, 2011 relates to the following strategic goals:

- **Supporting Productive Farms and Ranches –** For the fiscal year ended September 30, 2011, there was one main contributing factor to the increase from prior year. The variance is due to a reversal in FY 2011 of a $25 million contingent liability of a court-ordered payment, which then was apportioned to implementation costs associated with the settlement agreement.

- **Supporting Secure and Affordable Food and Fiber –** The increase in net cost is primarily due to increase in cost associated with the Local and Regional Procurement Pilot Program**.**

- **Conserving Natural Resources and Enhancing the Environment –** The decrease in net cost is primarily due to the increase in earned revenue with the Other Agency Conservation Program**.**

- **Supporting International Economic and Trade Capacity –** The increase in net cost is primarily due to the increase in cost associated with P.L. 480 Direct Loans.

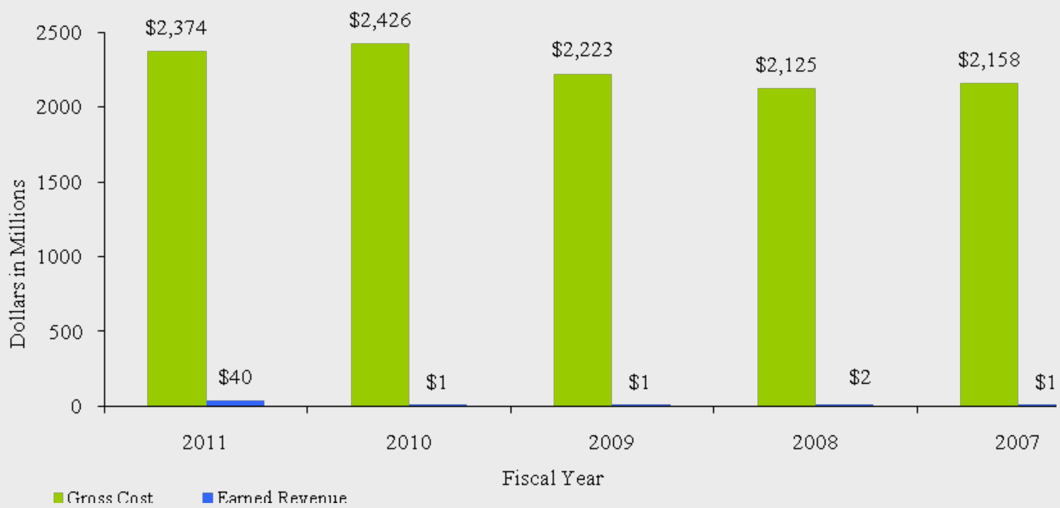
Summary of Net Cost of Operations by Strategic Goals Dollars in Millions

For the Fiscal Year Ended	2011	2010	Variance	Variance %
Supporting Productive Farms and Ranches	$ 6,144	$ 5,982	$ 162	3%
Supporting Secure and Affordable Food and Fiber	296	243	53	22%
Conserving Natural Resources and Enhancing the Environment	2,334	2,425	(91)	-4%
Supporting International Economic Development and Trade Capacity Building	2,536	2,401	135	6%
Total Net Cost of Operations	$ 11,310	$ 11,051	$ 259	2%

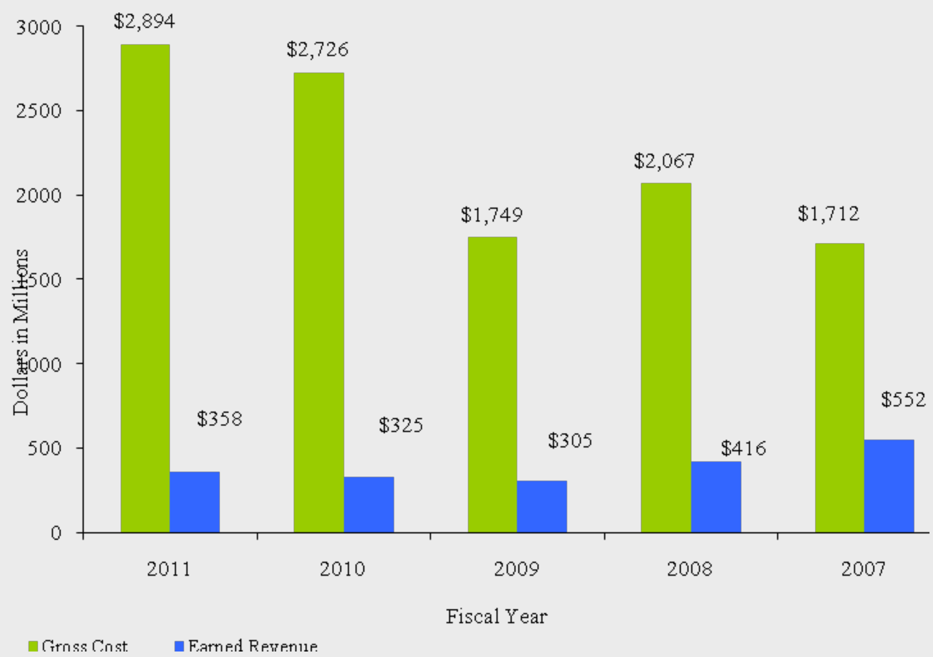
Supporting Productive Farms and Ranches

Supporting Secure and Affordable Food and Fiber

Conserving Natural Resources and Enhancing the Environment



Supporting International Economic Development and Trade Capacity Building



Obligations and Outlays: Between FY 2011 and FY 2010, Obligations Incurred decreased by $2.7 billion, and Net Outlays decreased by $1.1 billion. The decrease was primarily due to an accounting practice change with the Conservation Reserve Program (CRP) in FY2010. The change of practice was to record obligations of funds according to budgetary accounting principles and legal requirements. An accrual with both budgetary and proprietary impact was recorded in FY 2010 so the expense would be reflected in the year incurred. This accrual was then reversed at the beginning of FY 2011, thus resulted in a significant decrease in Reimbursable Obligations and Gross Outlays.

Summary of Obligations

Dollars in Millions

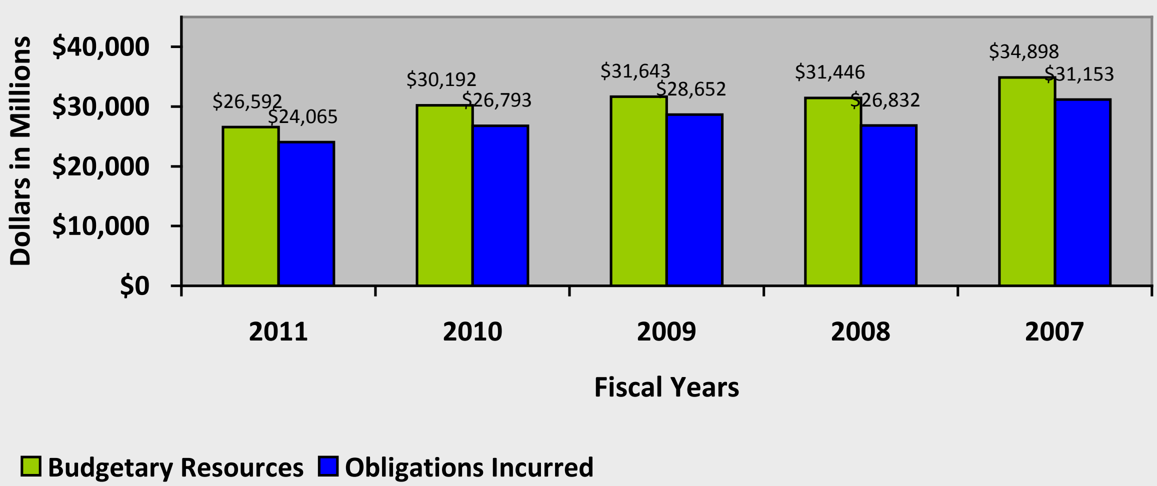
For the Fiscal Years Ended	2011	2010	Variance	Variance %
Obligations Incurred:				
Direct	$ 3,821	$ 4,355	$ (534)	-12%
Reimbursable	20,244	22,438	(2,194)	-10%
Total Obligations	$ 24,065	$ 26,793	$ (2,728)	-10%

Summary of Net Outlays

Dollars in Millions

For the Fiscal Years Ended	2011	2010	Variance	Variance %
Net Outlays:				
Gross Outlays	$ 23,196	$ 24,996	$ (1,800)	-7%
Offsetting Collections	(12,782)	(13,115)	333	-3%
Less: Distributed Offsetting Receipts	(225)	(576)	351	-61%
Net Outlays	$ 10,189	$ 11,305	$ (1,116)	-10%

Budgetary Resources



Management Controls, Systems, and Compliance with Laws and Regulations

FMFIA and FFMIA Assurance Statement

USDA

United States Department of Agriculture

Farm and Foreign Agricultural Services

Farm Service Agency

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

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

THROUGH: Michael T. Scuse SEP 26 2011
Acting Under Secretary, Farm and Foreign Agricultural Services

FROM: Bruce Nelson
Administrator, Farm Service Agency
Executive Vice President, Commodity Credit Corporation

Bruce Nelson SEP 26 2011

SUBJECT: Farm Service Agency's (FSA) and Commodity Credit Corporation's (CCC) Federal Managers' Financial Integrity Act (FMFIA), Federal Financial Management Improvement Act (FFMIA), and the Office of Management and Budget Circular A-123, Appendix A (A-123, Appendix A) Assurance Certification Statement

This memorandum provides FSA's and CCC's assertions of the annual assurances for FMFIA, A-123, FFMIA, and any Anti-Deficiency Act (ADA) violations as of September 30, 2011.

Federal Managers' Financial Integrity Act Assertions

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

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

3. Management has conducted its annual evaluations of internal control and financial systems pursuant to Section 2 and Section 4 of FMFIA, respectively, for the period ended September 30, 2011.

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4. Based on the results of the evaluations, FSA and CCC can provide reasonable assurance that internal controls are operating effectively.

5. One material weakness and one significant deficiency exist from prior years. Three significant deficiencies were mitigated. No new material weaknesses or significant deficiencies were identified during fiscal year (FY) 2011. These conditions are subject to revision based on the final FY 2011 CCC Financial Statement Audit report to be completed in November 2011. In the information technology area, all material weaknesses and significant deficiencies from prior years have been mitigated, including the six aggregated significant deficiencies reported in FY 2010.

Internal Control over Financial Reporting Assertions

1. FSA and CCC assessed the effectiveness of internal control over financial reporting as of June 30, 2011. The assessment follows the Department of Agriculture's guidance and is required by the OMB Circular A-123, Appendix A.

2. The assessment included an evaluation of entity level controls, risk assessments, process descriptions and flowcharts, documentation of key controls, and an assessment of the design of key controls, tests of operating effectiveness of properly designed controls, summary of deficiencies, and the development of corrective action plans for control deficiencies. For the FY 2011 assessment, management determined the business cycles to be tested based on the risk rating.

   FSA and CCC had a total of 21 cycles with 209 controls. Five cycles (75 control tests) that were considered moderate risk were rotated out. A total of 134 control tests were completed for the business cycle.

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

4. Management further certifies that there have been no changes in the operation of controls tested from the sample selection date through June 30, 2011.

5. Based on the results of the assessment, FSA and CCC can provide reasonable assurance that internal controls over financial reporting are operating effectively.

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6. One new significant deficiency was identified during FY 2011 A-123, Appendix A, assessment. No material weaknesses or significant deficiencies were corrected or re-determined as no longer material in FY 2011 that were reported in prior years' assessments.

7. At the beginning of FY 2011, FSA and CCC had one existing material weakness and two existing significant deficiencies.

8. Corrective action plans have been entered into the Office of the Chief Financial Officer's (OCFO) A-123 Document Tracking System.

Federal Financial Management Improvement Act Assertions

1. FSA management evaluated its financial management systems under FFMIA for the period ended September 30, 2011.

2. Based on the results of our evaluation, we are in substantial compliance with Section(s) 1. Federal Financial Management Systems Requirements, 2. Applicable Federal Accounting Standards; and 4. Information Security, Policies, Procedures, and Practices. CCC's financial management system is not in compliance with Section 3. Standard General Ledger at the Transaction Level.

3. Corrective action plans have been submitted into OCFO's A-123 Document Tracking System to remediate Section 3, which has an estimated completion date of FY 2012.

Non-compliance with Laws and Regulations

1. In FY 2011, FSA and CCC had no new ADA violations. However, CCC is in the process of submitting a letter to the President of the United States for ADA violations that occurred in FY 2010. The violations occurred between November 19, 2009, and February 3, 2010, in connection with the Biomass Crop Assistance Program.

   FSA incurred obligations at the time the agreements were signed. Although no deliveries were made after March 31, 2010, and those agreements subsequently were cancelled, FSA was contractually obligated to pay producers for deliveries after March 31 based on the signed agreements, which constitutes a violation of the ADA.

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Should you have any questions or require additional information please contact Elizabeth L. Russell, Audit Liaison, Office of Budget and Finance, at 202-772-6031.

Attachment

NOTE: The Management Assurance Statement (assurance statement) is due to the Department by August 30, 2011, which is almost three months before the final independent auditor's report is provided to CCC on November 7, 2011. Therefore, in order to prepare the assurance statement and send it through the chain of command for signatures, CCC must assess reportable internal control weaknesses and non-conformances based on available information. If the FY 2011 final audit report contains any new unexpected reportable conditions, a revised assurance statement will be submitted in January 2012.

On November 2, 2011, CCC was made aware of an inconsistency in the reporting of FFMIA in the assurance statement, the independent auditor's report, and the MD&A. The assurance statement on FFMIA stated that CCC is in substantial compliance with Section 1, Federal Financial Management System Requirements where the independent auditor's report and MD&A reported substantial non-compliance. The difference in reporting is due to CCC's assessment when preparing the assurance statement that the substantial non-compliance is corrected by the implementation of the Electronic Financial Management System (eFMS) in the last quarter of FY 2011.

Federal Managers' Financial Integrity Act (FMFIA)

Overview

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires Federal agencies to submit an annual report to the President and Congress reflecting the status of management controls for program, financial, and administrative operations. The Commodity Credit Corporation's (CCC) FMFIA Annual Report contains CCC's material weaknesses, significant deficiencies, and related corrective action plans including material deficiencies identified through the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, Appendix A, implementation and assessment process conducted during Fiscal Year (FY) 2011. The CCC Controller provides an annual statement of assurance to the Department of Agriculture's (USDA) Office of the Chief Financial Officer certifying that CCC is compliant with FMFIA and is fulfilling requirements to perform ongoing evaluations of internal control. The assurance statement also includes a certification from the Controller that:

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

Fiscal Year 2011 and 2010 Results

In compliance with the requirements of FMFIA, CCC evaluated, assessed, and tested its management controls for program, financial, and administrative operations through the OMB Circular A-123, Appendix A, assessment for FY 2011.

In FY 2010, management's assessment of internal controls over financial reporting as of September 30, 2010, identified two material weaknesses (MW) in CCC's audit report: "Management's analysis of obligations and liabilities for the Direct and Countercyclical Payment Programs (DCP)" reported under FMFIA Section 2, Material Weaknesses in Internal Controls and "Funds Control Management" reported in Section 4, Material Non-conformances in Financial Systems. There were six significant deficiencies reported in the 2010 audit report under FMFIA: U.S. Agency for International Development (USAID) – Child Agency Financial Information, Strengthen Internal Control over Intra-governmental Balances, Strengthen Control over the Farm Storage Facility Loans (FSFL), Strengthen Internal Control over Accounts Receivable and Revenue, Strengthen Internal Control over USAID Financial Reporting, and Strengthen Information Security Controls.

For the audit recommendations that gave CCC a material weakness in FYs 2008-2010 for "Management's Analysis of Obligations and Liabilities for DCP", CCC has mitigated this deficiency and closed the audit recommendation one month earlier than the estimated completion date.

Regarding the significant deficiencies for the lack of financial and monitoring controls over USAID, CCC has addressed this deficiency with the implementation of additional financial analytics, improved communication, and a revised Memorandum of Understanding (MOU) with USAID that was completed in FY 2011. CCC will collect two periods of reconciliations and oversight documentation in FY 2012 to submit and request closure.

The estimated completion date for the deficiency of internal controls over Intra-governmental balances and reconciliations was revised to be completed the second quarter of FY 2012. Two periods of documentation will be submitted to request closure although the MOU was completed in FY 2011 Q4.

CCC closed several audit recommendations during FY 2011 and 2010 reducing the significant deficiencies for Information Security Controls to a potential control deficiency in FY 2011 and completely eliminated the deficiency of internal controls over Accounts Receivable and Revenue.

CCC continues to report a material weakness for a system nonconformance based on the fact that the system cannot record an obligation at the time a contract is executed by the county offices. The Funds Control Management material weaknesses will be mitigated through the Financial Management Modernization Initiative (FMMI) which continues to be on track and fully implemented by FY 2012. CCC anticipates reducing this material weakness to a significant deficiency in FY 2012. Additional information is contained in the next section under the Federal Financial Management Improvement Act (FFMIA).

Under the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, Appendix A, there were six significant deficiencies reported for FY 2010 which were all resolved during the same year. There were three control deficiencies reported in FY 2010 and during FY 2011 two were upgraded to significant deficiencies, Funds Status Report and FSFL Reconciliations (the Price Support for FSFL's obligations, disbursements, and repayments are not reconciled by Cohort to the general ledger), and one was upgraded to a material weakness - Unliquidated Obligation (ULO) Certifications (a system non-compliance that has a design issue). CCC is taking the position that the ULO weakness is not material for CCC; however, the Department is reporting a material weakness for this item and has mandated all Agencies/Entities to report in their assurance certification a material weakness.

Federal Financial Management Improvement Act (FFMIA)

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 generally accepted accounting principles and standards. These systems must also comply substantially with the following 4 sections: (1) Federal financial management system requirements; (2) applicable Federal accounting standards; (3) the United States Standard General Ledger (USSGL) at the transaction level; and (4) Information security policies, procedures, and practices meet the reporting requirements of the Federal Information Security Management Act (FISMA).

During FY 2011, CCC evaluated its financial management systems to assess substantial compliance with the Act. As of the completion of the annual report and according to the independent auditors, CCC has demonstrated substantial compliance with Sections 2 and 4. CCC is not substantially compliant with Section 1 – Federal financial management system requirements and Section 3 – the USSGL at the transaction level. As part of the financial systems strategy, CCC continues to progress in its corrective actions to meet FFMIA objectives to be completed in FY 2012.

CCC has completed the development of a fully integrated funds control system, eFMS, within the FSA/CCC core financial management system. This system is integrated with CCC's general ledger system at the transaction level. The eFMS system provides management with timely information to monitor and control the status of budgetary resources recorded in the general ledger. CCC continues to implement programs into eFMS for full funds control at a transaction level. CCC anticipates that when the material programs are implemented, the MWs for both system non-conformance, i.e. funds control and ULO reconciliations, will be downgraded in FY 2012.

CCC FY 2011 accomplishments include the following:

- Posting $9.3 billion out of a total of $18.2 billion in obligations at the transaction level through eFMS, which is a little over 50 percent of all the program activity for CCC. The $9.3 billion represented 22 programs of which 15 were new.

Those new programs included the following:

- Advances from AMS Section 32
- Biomass Crop Assistance Program
- Conservation Reserve Program (CRP)
- Food for Progress
- Food for Education

- Food Nutrition Service
- Vessel Loading Observation
- Public Law 480, Title II

In FY 2012, CCC will work on:

- Converting more programs into eFMS for transaction level obligations;
- Continue development of the FMMI project and make certain that the financial requirements needed to ensure compliance with FMFIA are captured in the software design;
- Transaction level obligations for CRP, Annual Rental Program as well as additional Farm Programs that were completed in August 2011;
- Web Based Supply Chain Management (WBSCM) programs that were incorporated into eFMS as those programs were moved from the Processed Commodities Inventory Management System to WBSCM in August 2011, PCIMS is presently being decommissioned; and
- Continue to develop the Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) project and we are making sure financial requirements are clearly captured in the design of this system.

NOTE: Marketing Assistance Loans (MALs) represent approximately $7 billion of the $8.9 billion in obligations posted in FY 2011 that is left to be converted to reporting obligations at the transaction level. MALs will be developed as part of MIDAS.

For FY 2013, CCC will perform complete software modifications to program applications to send obligation transactions as of September 2011; only a few low-volume programs remain and continue to select and implement software, while migrating to the Department's enterprise solution under FMMI.

Anti-deficiency Act (ADA)

In FY 2011, CCC had no new ADA violations; however CCC submitted a letter to the President of the United States for ADA violations that occurred in FY 2010. The violations occurred between November 19, 2009, and February 3, 2010, in connection with the Biomass Crop Assistance Program.

CCC incurred obligations at the time the agreements were signed. Although no deliveries were made after March 31, 2010, and those agreements subsequently were cancelled, CCC was contractually obligated to pay producers for deliveries after March 31 based on the signed agreements, which constitutes a violation of the ADA.

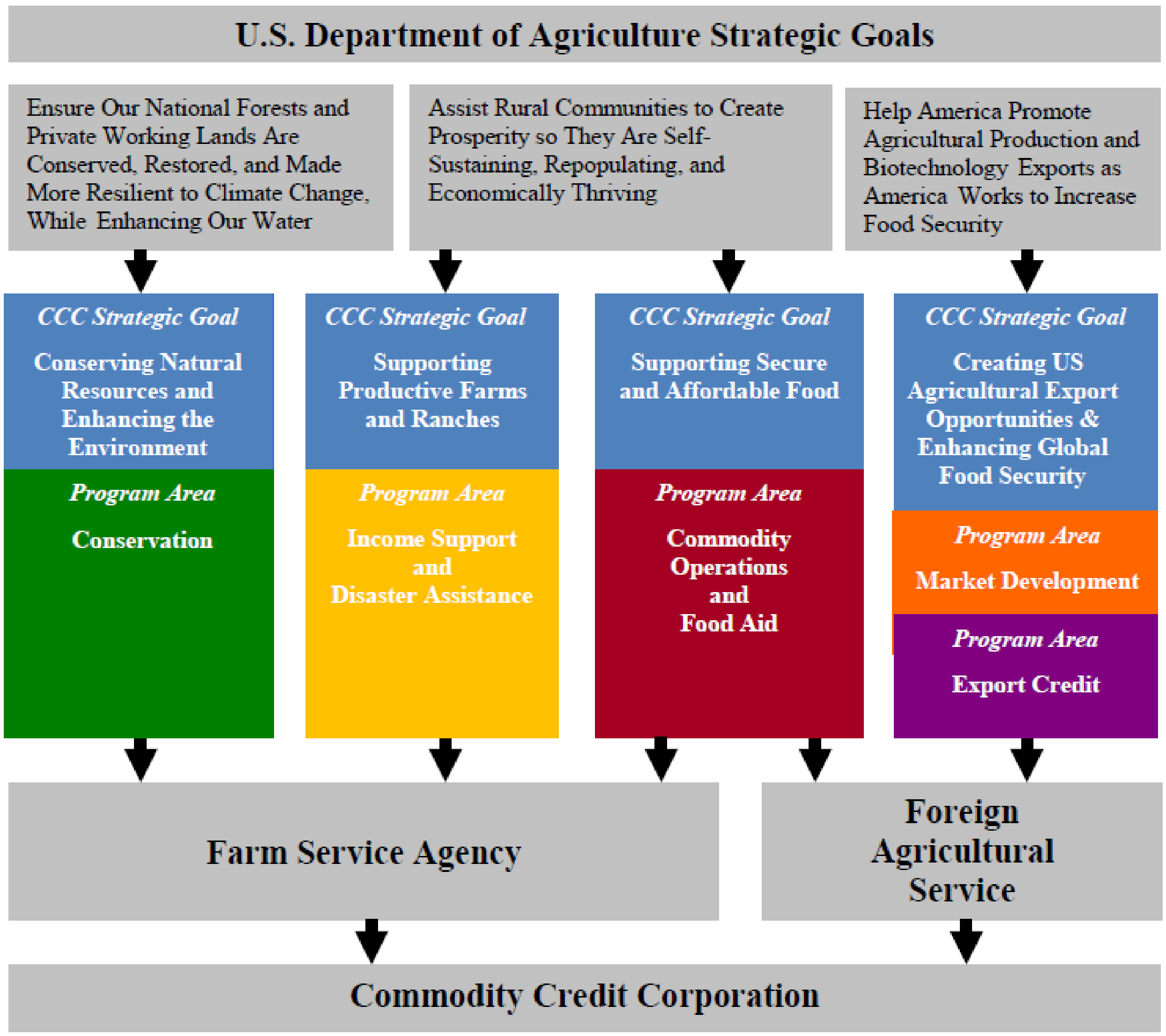
Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Part II: Performance Section (Unaudited)

Performance Section

Given that most of CCC services are carried out by the employees of USDA agencies, the mission of CCC aligns towards the strategic goals of the Department as well as to the strategic goals of the Farm Service Agency (FSA) and the Foreign Agricultural Service (FAS). Each of these strategic goals, in turn, has objectives that support the results that the Agencies want to achieve. The performance measures allow CCC to tangibly measure how well it is achieving these objectives without creating a duplicate reporting burden. The table below summarizes the relationship between the USDA strategic goals and the Agencies' strategic goals, and the CCC program areas.



Income Support and Disaster Assistance Program Area

MISSION ELEMENT

Stabilizing, supporting, and protecting farm income and prices.

Program Overview

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

The Direct Crop and Counter-Cyclical Program (DCP) is a key program in the CCC effort to mitigate market losses. The *Food, Conservation, and Energy Act of 2008*, (Public Law 110-234), authorized DCP for FY 2008 through FY 2012. FSA provides direct cash payments to eligible crop producers. The intent is to allow planting flexibility while providing a safety net for producers. For crop years 2008 through 2012, eligible crop producers will receive counter-cyclical payments if the effective price for the covered commodity is less than the target price for the covered commodity. Counter-cyclical payments vary as market prices change relative to statutory income support levels.

The electronic Direct and Counter-cyclical Payment Program (eDCP) service allows agricultural producers to enroll in DCP online. Producers can choose DCP payment options, assign crop shares, and sign, view, print, and submit their DCP contracts from any computer with internet access at any time. This service is available to all eligible producers for the 2008-2012 DCP program years and helps maintain participation rates for this program. While producers still have the option to sign up for the program in person at their local USDA Service Center, offering sign-up options through the Internet helps meet performance objectives, in accordance with the USDA mandate to expand E-Gov options for program participants.

The optional Average Crop Revenue Election Program (ACRE), added under the 2008 Act, is an alternative revenue-based safety net to the price-based safety net provided by counter-cyclical payments. For crop years 2009 through 2012, farms with covered commodity or peanut base acres may participate in ACRE. Under ACRE, producers may receive revenue-based payments as an alternative to receiving price-based counter-cyclical payments. ACRE provides producers an option to protect against declines in market revenue. ACRE involves State and farm revenue changes from guarantee revenue levels that are based on national prices, State planted yields, and farm planted yields. A decision to elect ACRE may be made in any of the crop years 2009-2012; however, the ACRE election is irrevocable and cannot be changed from the time of election through the 2012 crop year. Producers on farms that have elected ACRE must decide annually whether to enroll in ACRE. Failing to re-enroll the farm will render the farm ineligible for program year benefits even though the ACRE election is in effect. Producers may elect the ACRE alternative on a farm-by-farm basis. Producers who elect and enroll a farm in ACRE agree to: (1) forgo counter-cyclical payments, (2) a 20 percent reduction in their direct payments, and (3) a 30 percent reduction in the marketing assistance loan rates for all commodities produced on the farm.

ACRE payments are tied to current plantings on the farm as opposed to counter-cyclical payments, which are tied to the farm's base acres. ACRE payments are issued when two conditions are met for a commodity. The first condition is met when the Actual State Revenue falls below the State ACRE Guarantee. The second condition is met when the Actual Farm Revenue falls below the Farm ACRE Guarantee. Producers on participating ACRE Program farms can receive both direct and ACRE payments, but the direct payment will undergo a 20 percent reduction. Land used for non-agricultural purposes or land enrolled in the Conservation Reserve Program, Grassland Reserve Program and the Wetlands Reserve Program is not eligible for ACRE, counter-cyclical , or direct payments.

Direct payments are limited to $40,000 per person or entity minus the amount that direct payments are reduced under ACRE. Total counter-cyclical and ACRE payments are limited to $65,000 plus the amount that direct payments are reduced. The limitation is attributed to entities and individuals, including indirect amounts received through entities. Persons or legal entities whose average nonfarm Adjusted Gross Income **(**AGI) exceeds $500,000 are not eligible for direct, counter-cyclical or ACRE payments. Also, persons or legal entities whose average farm AGI exceeds $750,000 are not eligible for direct payments under the DCP and ACRE Programs.

Analysis of Results

CCC helps farmers manage financial and market risks primarily through income support and disaster assistance programs. These programs help farmers and ranchers address major fluctuations in market conditions and unexpected natural or man-made disasters. These programs provide a safety net to Farmers and Ranchers and supports productive farms and ranches, thriving agricultural communities, market-based agriculture and secure and affordable food and fiber.

Annual Performance Goals and Indicators	Fiscal Year 2011		
	2011 Target	2011 Estimate	Result
Maintain the percent of eligible base acres participating in Direct and Counter-cyclical Payment Program (DCP) and Average Crop Revenue Election (ACRE) program Threshold range: +-1.0 percent **Rationale for Met Range:** Management determination. Data source: Direct and Counter-cyclical Program Enrollment Report (DCP-01).	95.00%	95.30%	Met

CCC met its performance target for 2011 to maintain the percent of eligible base acres participating in the DCP and ACRE programs. Maintaining a high participation rate in the DCP and ACRE programs is important because the associated program payments provide incentives for good land stewardship and acreage reporting

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

- The Non-Insured Crop Disaster Assistance Program (NAP) provided a risk management tool for producers of non-insurable crops that are unable to obtain crop insurance through an insurance product. NAP enrollment has been up, in part, because of the passage of the 2008 Act which requires participation in NAP and/or purchase of crop insurance in order to gain eligibility for other disaster programs authorized under the 2008 Act. NAP benefits paid decreased from $82.2 million in FY 2010 to $68.8 million to date in FY 2011.

- Supplemental Agricultural Disaster Assistance authorized under the Food, Conservation and Energy Act of 2008 (2008 Act) provides five standing disaster programs for losses that occur on or before September 30, 2011. These programs provide assistance for crop, livestock, tree, and grazing losses that occur due to natural disasters and related conditions. Benefits received for 2008 crop year losses total $2.3 billion. Benefits paid for 2009 crop year losses total $862.9 million. Due to the lag in being able to implement the Supplemental Revenue Assistance Payments Program, final totals cannot be provided at this time for 2010 and 2011 crop year losses.

- Over 28,500 Farm Storage Facility Loans (FSFLs) were disbursed from FY 2000 through 2011. The *Food, Conservation and Energy Act of 2008* added hay and renewable biomass as eligible commodities. In August 2009, through the discretionary authority given to the Secretary of Agriculture, cold storage facilities for fruits and vegetables were also added to the program. The FSFL Program has provided financing for on-farm storage for over 810 million bushels of eligible FSFL commodities since FY 2000. As of September 30, 2011, FSFL applications have increased from 1,717 in FY 2005 to 2,925 in FY 2011, an increase of 1,208. Of the 2,925 FY 2011 FSFLs, a total of $290 million has been approved and obligated.

- The Marketing Assistance Loan Program (MAL) disburses non- recourse commodity loans during a crop year. Likewise, the Loan Deficiency Payment (LDP) program issues approximately 99 percent of crop year LDP benefits electronically, when LDPs are in effect. In crop year 2010, 25,544 LDPs were disbursed for a total of $110.5 million and 66,519 MALs were disbursed for a total of $7.4 billion. To date in crop year 2011, approximately 2,683 LDPs have been disbursed totaling $1.1 million and 1,319 MALs have been disbursed totaling $145.6 million.

- The Milk Income Loss Contract Program (MILC) program compensates dairy producers when domestic milk prices fall below a specified level, serving as a safety net to U.S. dairy producers. Approximately 97 percent of

MILC payments issued to eligible milk producers were in the form of electronic payments. FSA expects to again meet this 97 percent mark for FY 2012. As of September 2011, approximately $831 million has been disbursed for FY 2009 and $107 million has been issued for FY 2010 MILC payments using this software.

- The Reimbursement Transportation Cost Payment (RTCP) Program for Geographically Disadvantaged Farmers and Ranchers provides assistance to farmers and ranchers in Hawaii, Alaska, and insular areas that paid to transport either an agricultural commodity or an input used to produce an agricultural commodity. RTCP payments issued under the FY 2010 program as of September 2011, total $2.2 million to 1,277 eligible applicants. Participation under RTCP program for the FY 2011 program is expected to increase as more producers become aware of the opportunity.

- The Dairy Economic Loss Assistance Program (DELAP) payments began within 60 days of the President signing the FY 2010 Agricultural Appropriations Act on October 21, 2009, authorizing this program to assist U.S. dairy producers. As of September 2011, a total of $289.9 million has been disbursed for all DELAP phases.

- The Asparagus Loss Assistance Program (ALAP) provides up to $15 million in direct payments to compensate domestic asparagus producers for marketing losses resulting from imports during the 2004 through 2007 crop years. As of September 2011, a total of $7.4 million has been disbursed to 342 fresh-market asparagus producers and a total of $7.4 million has been disbursed to 236 processed-market asparagus producers.

- The *American Recovery and Reinvestment Act of 2009* reauthorized and modified the Trade Adjustment Assistance for Farmers (TAAF) Program. Under the program, USDA provides technical assistance and cash benefits to eligible producers of raw agricultural commodities and fishermen who have been hurt by import competition. There were 4,974 FY 2010 applications received for TAAF for producers of catfish, asparagus, and shrimp. FY 2010 payments disbursed as of September 2011 totaled $22.0 million. For FY 2011 the TAAF Program accepted one petition on behalf of blueberry producers, one on behalf of lobster producers, and one on behalf of shrimp producers. A total of 6,017 applications were received for FY 2011, with payments disbursed as of September 2011, totaling $2.5 million to 3,115 applicants.

Program Area Performance Summary

CCC hopes to expand protection opportunities for producers through the ACRE program through which producers may receive revenue-based payments as an alternative to price-based Counter-Cyclical payments.

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Target
Maintain the percent of eligible base acres participating in Direct and Counter-cyclical Payment Program (DCP) and Average Crop Revenue Election (ACRE) program.	96.91%	96.31%	95.99%	95.65%	95.30%	95.00%

Data source: Direct and Counter-cyclical and ACRE Program Enrollment Report (DCP-01) for the respective crop year.

Participation in the DCP and ACRE programs has declined gradually since 2007. Producer participation is voluntary and there are a variety of reasons as to why producers might choose to not participate in the programs. High market prices and strong market conditions for DCP and ACRE eligible commodities have caused program payments to be a smaller share of farm income, reducing the attractiveness of enrolling in the programs. Due to relatively high prices and strong market conditions for most of the eligible loan commodities, lower than average producer participation is also expected for the MAL and LDP programs. With the mid-point of the all-milk price forecast to average a record of $20.40 per hundred weight (Cwt), in calendar year 2011, no MILC payments are expected during the remainder of the FY 2011. The combination of record high feed costs and declining milk prices could push producer margins much lower by the fourth quarter of 2011. During the first seven months of 2011, producer margins relative to feed prices averaged slightly below the historical average of nearly $8 per Cwt. However, feed costs have moved even higher following the release of the USDA August crop report. If feed costs remain at current levels and milk prices decline, producer margins could average below $6 per Cwt during the fourth quarter of 2011 and under $5 by early 2012. The combination of high feed costs and declining milk prices could lead to MILC payments early in 2012. The Farm Storage Facility Loans (FSFLs) have been increasing in number each of the last four years and are expected to continue increasing.

Conservation Program Area

MISSION ELEMENT

Conservation of soil, air, and water resources and protection and improvement of wildlife habitats

Program Overview

Under the USDA Conservation Reserve Program (CRP), producers plant long-term, resource-conserving covers to improve the quality of water, control soil erosion and enhance wildlife habitat. In return, USDA provides participants with rental payments and cost-share assistance. Contract duration is between 10 and 15 years. The program is designed to restore and enhance wetland areas, increase sediment trapping efficiencies, improve water quality, prevent soil erosion and provide habitat for waterfowl and other wildlife.

The CRP includes several initiatives for wetland restoration and enhancement. CRP wetland initiatives include a 500,000 acre Flood-plain Restoration Initiative, a 250,000 acre Bottomland Hardwood Timber Initiative, a 250,000 acre Non-floodplain and Playa Wetland Restoration Initiative, and a 150,000 acre Prairie Pothole Duck Nesting Habitat Initiative.

Analysis of Results & 2011 Accomplishments

CCC met or exceeded its targets established for Fiscal Year (FY) 2011 and has made substantial progress in protecting watershed health and enhancing soil quality. Total enrollment in CRP on September 30, 2011, was 31.1 million acres. CRP acres annually reduce soil erosion, and reduce nitrogen, phosphorus, and sediment leaving participating fields by over 85 percent. Additionally, CRP acres sequester over 44 million metric tons of carbon dioxide as compared to the pre-CRP condition. On June 13th, 2011, the Secretary of Agriculture announced acceptance of 2.8 million acres in the 41st CRP signup held in March and April of 2011. These lands provide benefits for wildlife, soil, water, and air quality, and recreation. Of the accepted acres, producers offered to set aside 22,000 acres to be devoted to pollinator habitat.

Also, CRP contributes to increased wildlife populations, protects Sage Grouse populations in Eastern Washington, Lesser Prairie Chicken populations in the Great Plains, and increases waterfowl, ring-necked pheasant, and grassland bird populations.

Annual Performance Goals and Indicators	Fiscal Year 2011		
	2011 Target	2011 Actual	Result
Increase Conservation Reserve Program (CRP) acres of riparian and grass buffers (cumulative and in million acres). Thresholds range: +-.5 **Rationale for Met Range:** Management determination.	2.01	2.01	Met
CRP: restored wetland acreage (million acres) Thresholds range: +-.05 **Rationale for Met Range:** Management determination.	2.05	2.22	Exceeded

During FY 2011, CCC met the enrollment target for CRP acres consisting of riparian and grass buffers. To measure performance in achieving its strategy, FSA monitors acreage of agricultural lands enrolled as buffers in CRP. For FY 2011, producers set aside approximately 67,000 acres of buffers, for a cumulative total of 2.01 million buffer acres. In 2010, it is estimated that riparian and grass buffers intercepted 356 million pounds of nitrogen and 72 million pounds of phosphorus before they entered surface waters.

Restored wetlands in CRP reached 2.22 million acres, exceeding the target by 160,000 acres. These restored wetlands are the result of several initiatives, including the 250,000-acre Bottomland Hardwood Timber Initiative, a 250,000-acre Non-floodplain Wetland Restoration Initiative, and a 150,000-acre Prairie Pothole Duck Nesting Habitat Initiative. Incentives for certain wetland practices and the expansion of the Prairie Pothole Duck Nesting Habitat Initiative contributed to the increased wetland acres.

Program Area Performance Summary, Challenges for the Future

Wetlands and buffers have increased prime wildlife habitat and water storage capacity, and have contributed to a net increase in wetland acres on agriculture land. The CRP continues to be recognized for the environmental benefits it generates through long-term conservation contracts protecting air, soil, water, and wildlife resources. The chart below illustrates the long-term program performance of the CRP.

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Target
Increase Conservation Reserve Program (CRP) acres of riparian and grass buffers (cumulative and in million acres.) Threshold: +-.5	1.90	2.00	2.01	2.02	2.01	2.00
CRP: restored wetland acreage (million acres) Threshold: +-.05	2.08	1.98	2.04	2.05	2.22	2.23

Starting in FY 2010, enrollment authority for the CRP was decreased by the Food, Conservation and Energy Act of 2008 to no more than 32 million acres. FY 2011 enrollment was 31.1 million acres. The 6.5 million acres of CRP expiring in FY 2012, combined with relatively high commodity prices, will present a challenge in maintaining the conservation benefits currently generated by CRP.

USDA remains strongly committed to attaining its conservation and global change objectives. Special focus will be placed on targeting and monitoring acreage impacts in the President's High Priority Performance Goals (HPPG) priority areas. In order to advance this area, USDA will be seeking new wetland contracts for 50,000 acres in FY 2012 and seeking contracts covering 40,000 acres to fulfill riparian buffer and grass filter strip goals. These acres are offset somewhat by the loss of acres when expiring acres are not re-enrolled. To meet these goals, USDA will be continuing several initiatives including the 350,000-acre upland bird buffer, the 150,000-acre Duck Nesting Habitat Initiative, and the State Acres for Wildlife Enhancement initiative (an 850,000-acre initiative announced in FY 2007 to improve habitat for endangered, threatened, or high-priority fish and wildlife species).

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

FSA manages the acquisition, handling, storage, transportation, and disposition of agricultural commodities in order to carry out Commodity Credit Corporation (CCC) program commitments and to administer the United States Warehouse Act (USWA). Activities related to the USWA are carried out through the regulations and policies to maintain acceptable standards for the warehouse industry. Protection for depositors is provided through the licensing and examination activities of the USWA.

FSA is also responsible for administering storage agreements that commercial warehouse operators enter into with CCC. The agreements are for CCC-interest commodities including commodities owned by CCC or pledged as collateral for Marketing Assistance Loans (MAL). These programs help achieve domestic farm program price support objectives, ensure the timely provision of various commodities for domestic and international food assistance, and administer a uniform regulatory system for storing agricultural products. Warehouse operators issue negotiable warehouse receipts to producers under the provisions of the USWA. Producers who use the stored commodity as collateral for a MAL may deliver the warehouse receipts to FSA as security for a nine-month loan. FSA also works with its many partners to provide adequate, secure storage capacity to maintain quality and improve the purchase and delivery of food aid. Food assistance purchases support domestic programs such as the National School Lunch Program and The Emergency Food Assistance Program, as well as international food aid through the U.S. Agency for International Development and the United Nations World Food Program.

Analysis of Results

The performance measure "Reduce the average number of days between warehouse examinations" is on track to achieve its target to reduce the average time between warehouse examinations. The FY 2011 target was set at 380 days between examinations. In FY 2011, the examinations were performed at an average of 355 days between examinations. The more frequently warehouses are examined for compliance by FSA warehouse examiners, the sooner any potential compliance issues, pest infestation, or deterioration of quality for commodities in store will be discovered. From FY 2010 through FY 2011, staffing for the examination program has decreased due to retirements and attrition. During the same time period, licensed capacities have increased. Since September 30, 2010, grain capacities under USWA license have increased from 4,590,000,000 bushels to 4,809,000,000 bushels. The USWA licensed warehouses represent more than half of all licensed grain warehouse capacity in the United States.

Annual Performance Goals and Indicators	Fiscal Year 2011		
	2011 Target	2011 Actual	Result
Reduce average time between warehouse examinations (in days) **Threshold range:** >102 percent **Rationale for Met Range:** Management determination.	380	355	Exceeded

While some new examiners were hired, on the job training may account for the additional days between exams between FY 2010 and FY 2011, refer to actual performance data below. As the new examiners become independent, improvements in the performance measure should be visible. Factors that will affect the examination program in the future include new federal regulations proposed by Occupational Safety and Health Agency (OSHA) that may limit examination processes over concerns with combustible dust, walking surfaces, and fall protection. The warehouse industry is developing safer, more efficient measurement technology in response to the increased regulation, but the technology will need to be tested and vetted for accuracy and dependability. Other factors affecting the time between examinations of these warehouses include: 1) funding for the examination program; 2) CCC policy and regulations regarding storage and oversight; 3) the length of time CCC-owned commodities are in storage; and 4) staffing and staff losses during FY 2011. Examination staffing has declined from 91 in January 2006 to 70 in July 2011. There are only 46 warehouse examiners currently in the field throughout the United States, based in strategic locations to perform timely examinations. Examiners have to travel farther to conduct examinations. Some examinations that require teams pose logistic problems because of the additional travel required to bring the teams together. Until additional staff can be hired, management anticipates the number of days between examinations to increase in the next fiscal year.

Program Area Performance Summary, Challenges for the Future

As overall staffing has decreased, management has implemented procedures to conduct warehouse examinations at multiple locations in a non-traditional manner designed to cut travel expenses while maintaining the integrity of the examination. This process and continued use of electronic documents has helped the efficiency of the program. FSA will continue to facilitate and encourage electronic commerce to reduce costs and delays associated with marketing and delivering commodities. As additional new examiners are trained, the days between examinations should decrease.

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Target
Reduce average time between warehouse examinations (in days) Threshold range: >102%: Rationale for Met Range: Management determination.	381	387	363	345	355	375

CCC will continue to provide food assistance purchases support to domestic and international programs. While there is currently no CCC inventory of dairy products, FSA is currently projecting FY 2012 Dairy Product Price Support Program purchases of 15 million pounds of non-fat dry milk, one million pounds of cheese, and .5 million pounds of butter.

Market Development Program Area

MISSION ELEMENT

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

Program Overview

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

CCC supports U.S. industry efforts to build, maintain, and expand overseas markets for U.S. agricultural, fish and forest products. The Foreign Agricultural Services (FAS) manages several export development programs including the Foreign Market Development (Cooperator) Program (FMD), Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC) Program, Quality Samples Program (QSP), and Emerging Markets Program (EMP). These programs provide matching funds to U.S. non-profit organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. Working with the State Regional Trade Groups (SRTGs) and other industry organizations, CCC programs also provide funding to encourage small to medium-sized enterprises (SMEs) to become active in international markets. FAS foreign offices, in 75 countries around the world, support industry efforts by providing market intelligence and helping introduce U.S. exporters to potential foreign customers. In addition, FAS facilitates U.S. industry partner participation in a wide-range of international trade shows.

Analysis of Results & 2011 Accomplishments

An external cost-benefit analysis of Market Development Programs found that U.S. food and agricultural exports increased by $35 for every dollar expended by government and industry, up from $25 in 2007. The study used multivariate econometric models for bulk commodities and high value products that isolated the unique long-run trade impacts of foreign market development. The report also showed that agricultural exports in 2009 were $6.1 billion higher than they would have been without increased investment in market development. Export gains associated with these programs increased the average annual level of U.S. farm cash receipts by $4.4 billion.

There are over 70 non-profit associations that participate in CCC Market Development Programs. They are promoting U.S. products around the world and have an economic impact on virtually every state in the union. Below are a few examples of their success demonstrating the wide range of participants, activities, and target markets:

- The U.S. Hide, Skin and Leather Association reported that EMP was instrumental in supporting a reverse trade mission sponsoring Chinese industry representatives' visit to large and small hide processing plants and tanneries in Minnesota, Texas, and California. One week after the trip, a $70,000-trial order was placed by team members and future sales are projected at $1.5 million.

- The National Renderers Association used MAP and FMD to bring Egyptian government delegations to the United States, as well as host in country seminars to address Egypt's long-standing ban on imported processed poultry proteins due to concerns over avian influenza (AI). In 2011, Egypt re-opened the market for sales of U.S. feather meal and poultry, which were estimated at $10 million and $45 million, respectively.

- The Hawaii Papaya Industry Association used TASC to address the Japanese government's protracted concerns regarding genetically modified fruit, a longstanding barrier to imports of U.S. papaya. In 2011, the Japanese Government approved the import of commercial GMO papaya estimated at $1 million dollars annually.

- U.S. Wheat Associates used FMD funds to conduct baking seminars in Peru that demonstrated excellent bread can be produced more economically by blending U.S. wheat varieties. U.S. wheat exports to Peru in 2011 reached 1 MMT, valued at $274 million, about double the previous marketing year.

- The Alaska Seafood Marketing Institute (ASMI) used MAP to partner with one of Germany's top salmon smokers. MAP funds supported retail promotions and sales staff education, and ASMI has helped create a "revival" of smoked wild Alaska salmon across Europe. Today, the smoker imports about $25 million or about six times it initially imported in 1995.

- The Almond Board of California, which represents 6,000 growers and 100 processors, used MAP funds to carry out consumer promotions and media outreach resulting in record exports to India. California almond exports to India exceeded 106 million pounds in 2011, making India the second country outside Europe to break through the 100 million pound export shipment threshold.

- The Kansas State Department of Agriculture received MAP funding through U.S. Livestock Genetics Export, Inc. to conduct two trade missions to Russia to market beef cattle genetics, which resulted in a sale of 12 Red Angus bulls valued at approximately $30,000.

CCC Market Development Programs support the National Export Initiative (NEI). NEI is an acknowledgment of the growing importance of exports to the economic well-being of the United States. NEI also identifies the need to focus government resources to help exporters succeed, particularly small to medium-sized enterprises that have the largest potential to expand internationally. SMEs benefit substantially from the FAS market development programs and can access MAP funding, on a cost-shared basis, from SRTGs and other industry organizations. SMEs primarily use these funds to facilitate trade show participation and participate in trade teams. FAS tracks total SME sales that result from participating in the branded programs of SRTGs and other non-profit industry program participants.

Annual Performance Goals and Indicators	Fiscal Year 2011		
	2011 Target	2011 Estimate	Results
Actual sales for small companies (million $) participating in branded programs	2,600	2,600	Met

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Target
Actual sales for small companies (million $) participating in branded programs	1,005	1,400	2,122	2,580	2,600	2,700

Export Program Area

MISSION ELEMENT

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

Program Overview

The primary objective of the CCC Export Credit Guarantee Programs is to increase sales of U.S. agricultural commodities to international markets by facilitating the extension of export credits to countries that may not have access to adequate commercial credit. These CCC Programs encourage U.S. lenders and exporters to extend credit terms on sales of agricultural commodities and products to overseas customers. The CCC Export Credit Guarantee Programs support the involvement of foreign private sector banks and private sector importers in commercial trade transactions with the United States. The Export Credit Guarantee (GSM-102) Program provides guarantees for export sales with repayment terms up to 2.5 years.

Analysis of Results & 2011 Accomplishments

In FY 2011, the GSM-102 Program provided credit guarantees which facilitated sales of $4.12 billion, a significant increase of 33 percent, from the previous year's sales of $3.09 billion. Increased demand for credit amidst a risky financial environment and rising commodity prices are among the factors causing the rise in the GSM-102 program usage in FY 2011. Program accomplishments for FY 2011 include:

- The GSM-102 Programs supported increased exports to South Korea, Mexico, Central America and the Caribbean.

- Through August 2011[1], the Program supported 17 percent of total U.S. agricultural exports to South Korea and 21 percent of total U.S. agricultural exports to Turkey.

- After declining to $195 million in FY 2010, program usage for U.S. agricultural exports to the South America Region rebounded by 200 percent in FY 2011 to $588 million. Total U.S. agricultural exports to these same countries were $4.0 billion for the period October 2010 - August 2011. As of August 2011, the GSM-102 Program had supported nearly 10 percent of U.S. agricultural exports to these countries. The commodities exported to South America under the Program in FY 2011 include wheat, corn, corn gluten meal, corn oil, distilled dry grain, soybeans, soybean meal, and soybean oil.

- Sales of corn, wheat, and cotton all showed dramatic increases in FY 2011.

  - Program use for corn exports increased by 70 percent to $1.2 billion, including sales to South Korea, Indonesia, Saudi Arabia, and Central America.

  - Program use for wheat exports increased by 93 percent to $1.0 billion, including sales to South Korea, Thailand, South America, and Egypt.

  - Program use for cotton exports increased by 126 percent to $389 million, primarily to Turkey.

[1] Full FY 2011 trade data is not yet available.

- In FY 2011, the program facilitated sales of many non-bulk commodities including oranges and walnuts to South Korea and leather, cattle hides, linerboard, wood pulp, and wood chips to Turkey.

Annual Performance Goals and Indicators	Fiscal Year 2011		
	2011 Target	2011 Actual	Results
Estimated trade value resulting from USDA GSM export credit guarantee programs (dollars in billions)	3.5	4.12	Exceeded
Economic Return Ratio (New Measure) (Trade plus Trade multiplier ($1.31 of additional economic activity per dollar of trade) divided by program costs)	$100/$1.00	$107.56/$1.00	Met

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Target
Estimated trade value resulting from USDA GSM export credit guarantee programs (dollars in billions)	1.45	3.11	5.32	3.09	4.12	3.5
Economic Return Ratio (New Measure) (Trade plus Trade multiplier ($1.31 of additional economic activity per dollar of trade) divided by program costs)	N/A	N/A	N/A	N/A	$107.56 /$1.00	$100/ $1.00

Part III: Financial Section

Commodity Credit Corporation
CONSOLIDATED BALANCE SHEETS
As of September 30, 2011 and 2010
(Dollars in Millions)

	2011		2010	
Assets:				
Intragovernmental:				
Fund Balance with Treasury (Note 2)	$	4,394	$	1,797
Accounts Receivable, Net (Note 4)		55		116
Other		-		1
Total Intragovernmental Assets	$	4,449	$	1,914
Cash and Other Monetary Assets (Note 3)		-		-
Accounts Receivable, Net (Note 4)		3,341		4,247
Direct Loans and Loans Guarantees, Net:				
Commodity Loans, Net (Note 5)		338		673
Credit Program Receivables, Net (Note 6)		4,048		4,798
Subtotal	$	4,386	$	5,471
Commodity Inventories and Related Property, Net (Note 7)		51		46
General Property and Equipment, Net (Note 8)		48		57
Other		127		80
Total Assets	$	12,402	$	11,815
Stewardship Land (Note 1)				
Liabilities:				
Intragovernmental:				
Debt to the Treasury (Note 10)	$	2,865	$	3,274
Other:				
Resources Payable to Treasury(Note 12)		1,988		2,447
Deposit and Trust Liabilities (Note 11)		1,269		1,356
Other (Note 12)		86		203
Subtotal	$	3,343	$	4,006
Total Intragovernmental Liabilities	$	6,208	$	7,280
Accounts Payable		435		386
Loan Guarantee Liability (Note 6)		114		184
Environmental and Disposal Liabilities (Note 13)		8		8
Other Liabilities:				
Accrued Liabilities (Note 14)		9,109		10,227
Deposit and Trust Liabilities (Note 11)		7		7
Other (Note 12)		236		393
Subtotal	$	9,352	$	10,627
Total Liabilities (Note 9)	$	16,117	$	18,485
Commitments and Contingencies (Note 15)				
Net Position:				
Unexpended Appropriations	$	1,167	$	1,853
Capital Stock		100		100
Cumulative Results of Operations		(4,982)		(8,623)
Total Net Position	$	(3,715)	$	(6,670)
Total Liabilities and Net Position	$	12,402	$	11,815

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation

CONSOLIDATED STATEMENTS OF NET COST

For the Fiscal Years Ended September 30, 2011 and 2010

(Dollars in Millions)

	2011	2010
Strategic Goals:		
Supporting Productive Farms and Ranches:		
Gross Cost	$ 6,249	$ 6,141
Less: Earned Revenue	105	159
Net Goal Cost	$ 6,144	$ 5,982
Supporting Secure and Affordable Food and Fiber:		
Gross Cost	$ 326	$ 279
Less: Earned Revenue	30	36
Net Goal Cost	$ 296	$ 243
Conserving Natural Resources and Enhancing the Environment:		
Gross Cost	$ 2,374	$ 2,426
Less: Earned Revenue	40	1
Net Goal Cost	$ 2,334	$ 2,425
Supporting International Economic Development and Trade Capacity Building:		
Gross Cost	$ 2,894	$ 2,726
Less: Earned Revenue	358	325
Net Goal Cost	$ 2,536	$ 2,401
Total Gross Cost	$ 11,843	$ 11,572
Less: Total Earned Revenue	533	521
Net Cost of Operations	$ 11,310	$ 11,051

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the Fiscal Years Ended September 30, 2011 and 2010
(Dollars in Millions)

	2011	2010
Capital Stock	$ 100	$ 100
Cumulative Results of Operations:		
Beginning Balance	$ (8,623)	$ (12,205)
Budgetary Financing Sources:		
Appropriations Used	17,124	17,252
Non-exchange Revenue	19	3
Transfers in/out without Reimbursement, Net	(3,497)	(3,756)
Other Financing Sources (Non-Exchange):		
Transfers in/out without Reimbursement, Net	(3)	18
Imputed Financing	1,417	1,378
Other	(109)	(262)
Total Financing Sources	$ 14,951	$ 14,633
Net Cost of Operations	(11,310)	(11,051)
Net Change	$ 3,641	$ 3,582
Cumulative Results of Operations	$ (4,982)	$ (8,623)
Unexpended Appropriations:		
Beginning Balance	$ 1,852	$ 2,028
Budgetary Financing Sources:		
Appropriations Received	16,801	17,077
Appropriations Transferred in/out	(28)	-
Other Adjustments	(334)	-
Appropriations Used	(17,124)	(17,252)
Total Budgetary Financing Sources	$ (685)	$ (175)
Total Unexpended Appropriations	$ 1,167	$ 1,853
Net Position	$ (3,715)	$ (6,670)

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the Fiscal Years Ended September 30, 2011 and 2010
(Dollars in Millions)

	2011		2010	
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:				
Unobligated balance, brought forward, October 1:	$ 2,288	$ 1,111	$ 2,019	$ 972
Recoveries of prior year unpaid obligations	828	38	1,332	34
Budget authority:				
Appropriation	17,733	-	18,014	-
Borrowing authority (Note 17)	30,969	743	39,064	1,199
Spending authority from offsetting collections:				
Earned:				
Collected	11,323	569	11,295	501
Change in receivables from Federal sources	(193)	-	13	-
Change in unfilled customer orders:				
Advance received	(42)	-	382	-
Without advance from Federal sources	-	-	-	(19)
Expenditure transfers from trust funds	932	-	937	-
Subtotal	$ 60,722	$ 1,312	$ 69,705	$ 1,681
Nonexpenditure transfers, net, actual	(3,588)	-	(3,617)	-
Permanently not available	(35,149)	(970)	(41,586)	(348)
Total Budgetary Resources	$ 25,101	$ 1,491	$ 27,853	$ 2,339
Status of Budgetary Resources:				
Obligations incurred:				
Direct	$ 2,987	$ 834	$ 3,127	$ 1,228
Reimbursable	20,244	-	22,438	-
Subtotal	$ 23,231	$ 834	$ 25,565	$ 1,228
Unobligated balance:				
Apportioned	$ 526	$ 537	$ 305	$ 861
Exempt from apportionment	1,136	9	1,188	5
Subtotal	$ 1,662	$ 546	$ 1,493	$ 866
Unobligated balance not available	208	111	795	245
Total Status of Budgetary Resources	$ 25,101	$ 1,491	$ 27,853	$ 2,339
Change in Obligated Balance:				
Obligated balance, net				
Unpaid obligations, brought forward, October 1	$ 9,894	$ 238	$ 9,542	$ 159
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(246)	(158)	(233)	(177)
Total unpaid obligated balance, net	$ 9,648	$ 80	$ 9,309	$ (18)
Obligations incurred, net	23,231	834	25,565	1,228
Less: Gross outlays	(22,373)	(823)	(23,881)	(1,115)
Less: Recoveries of prior year unpaid obligations, actual	(828)	(38)	(1,332)	(34)
Change in uncollected customer payments from Federal sources	193	-	(13)	19
Total Change in Obligated Balance, net	$ 9,871	$ 53	$ 9,648	$ 80
Obligated balance, net, end of period:				
Unpaid obligations	$ 9,924	$ 210	$ 9,894	$ 238
Less: Uncollected customer payments from Federal sources	(53)	(157)	(246)	(158)
Total, unpaid obligated balance, net, end of period	$ 9,871	$ 53	$ 9,648	$ 80
Net Outlays:				
Gross outlays	$ 22,373	$ 823	$ 23,881	$ 1,115
Offsetting collections	(12,213)	(569)	(12,614)	(501)
Less: Distributed Offsetting receipts	-	(225)	-	(576)
Total Net Outlays	$ 10,160	$ 29	$ 11,267	$ 38

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1 - Significant Accounting Policies

Reporting Entity

The Commodity Credit Corporation (CCC or the Corporation) is a Federal corporation operating within and through the United States Department of Agriculture (USDA). It was established to stabilize, support, and protect farm income and prices; assist in the maintenance of balanced and adequate supplies of agricultural commodities; and facilitate the orderly distribution of those commodities.

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

CCC operations are financed through appropriated funds as well as an authority to borrow from the U.S. Treasury (Treasury). The Treasury also holds capital stock in the amount of $100 million with no obligation to repay, on which the Corporation pays interest. CCC receives direct appropriations for several of its foreign assistance programs and special activities, such as disaster aid. Permanent indefinite borrowing authority exists for programs subject to the Federal Credit Reform Act of 1990, as amended (Credit Reform). Receipts flowing through CCC's related revolving fund include proceeds from the sale of CCC commodities, loan repayments, interest income, and various program fees.

CCC has no employees or facilities. Its programs are administered through various agencies including USDA's Farm Service Agency (FSA), Agricultural Marketing Service (AMS), Natural Resources Conservation Service (NRCS), Foreign Agricultural Service (FAS), and the United States Agency for International Development (USAID). The accompanying financial statements include an allocation, as appropriate, of salaries and expenses (e.g., facility costs) incurred by these agencies. In other instances, CCC reimburses the other agencies for their administrative costs.

Basis of Presentation

The Corporation's financial statements report the financial position and results of operations of CCC pursuant to the requirements of 31 U.S.C. 3515 (b). These statements have been prepared from the accounting records of the Agency as of September 30, 2011 and September 30, 2010 in accordance with generally accepted accounting principles for Federal entities and policies prescribed in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. OMB financial reporting guidelines require the presentation of comparative financial statements for all principal financial statements. 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. These financial statements have been prepared for the Corporation which is a component of the U.S. Government, a sovereign entity.

Basis of Accounting

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

In FY 2011, CCC implemented the Treasury General Funds Receipt (GFR) Account Guide, Scenario 6, which illustrates the accounting and reporting requirements for the Non-Custodial collections and liability related to the downward reestimate for credit reform programs. The GFR accounts are reported as Non-Entity in the CCC's

Note 1 - Significant Accounting Policies, continued

Financial Statements. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Fund Balance with Treasury

CCC disbursements are made by checks or electronic funds transfers that are deducted from CCC's account at Treasury. Generally, receipts and disbursements for CCC are processed by the Federal Reserve Banking system.

Cash

Treasury requires that the Fund Balance with Treasury amounts reported via Federal Agencies' Centralized Trial-Balance System II (FACTS II) be in agreement with 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 consists of these timing differences as a result of varying processing times and cut-off dates between CCC, Treasury, and other USDA entities.

CCC does not maintain cash in commercial bank accounts.

Accounts Receivable

Accounts receivable arise from claims to cash or other assets against other entities, either based on legal provisions, such as payment due date or 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.

Commodity Loans

CCC makes both recourse and nonrecourse loans to producers of designated agricultural commodities. In the case of nonrecourse loans, producers have the option to: (a) repay the principal plus interest; (b) for certain designated commodities repay the loan at the market rate; or (c) at maturity, forfeit the commodity in satisfaction of the loan. These loans are not subject to the accounting and reporting requirements of Credit Reform (Note 6) because these loans are less than 12 months in duration.

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

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

Tobacco Transition Payment Program (TTPP)

The American Jobs Creation Act of 2004, which included the Fair and Equitable Tobacco Reform Act (the Law), effectively ended the tobacco loan program for CCC, which provided recourse loans to tobacco producers or quota holders. The quota holders are the landowners of the farm where a tobacco quota was assigned. Quota was the quantity of tobacco required to meet the national domestic needs during the year. That national amount was allocated among all the prior year quota holders to establish the quantity of tobacco that each individual quota holder could market during the program year.

The Law required CCC to dispose of its outstanding tobacco loan portfolio and establish contracts with and make payments to tobacco producers and quota holders to transition from the previous price support program to a free market. This transition period encompasses ten years and began in fiscal year (FY) 2005. The Law authorized a

Note 1 - Significant Accounting Policies, continued

total maximum of $10.14 billion over the period to cover the realized losses of $292 million related to the disposition of the tobacco loan collateral in FY 2005, making payments to producers and quota holders, and other eligible expenses. CCC estimates that payments made over the 10-year period will be approximately $6.7 billion to quota holders and $2.9 billion to tobacco producers. The total source of revenue or other financing for the program is intended to be derived from assessments levied upon manufacturers and importers of tobacco products and collected quarterly. Manufacturers and importers are expected to pass these costs on to consumers of tobacco products through increased sales prices. All collections from the tobacco industry are deposited into the Tobacco Trust Fund.

Generally, payments are made to quota holders and producers in January, which is prior to the quarterly collection of assessments from the tobacco manufacturers and importers. Because of the difference in timing of the collections and assessments, collections will not match disbursements on an annual basis. The Law allows CCC's revolving fund to make payments to the quota holders and producers, and allows for reimbursement from the Tobacco Trust Fund. The assessments collected from the tobacco industry are subsequently transferred to CCC's revolving fund, reimbursing that fund for the payments made to quota holders and producers based on approved contracts.

In FY 2005, CCC recognized a public receivable for the present value of the expected future collections from the manufacturers and importers over the 10-year period ending in 2014. In addition, CCC recognized an accrued liability for the present value of the remaining pay-out amount to the quota holders and producers. Because the trust fund collections from the tobacco manufacturers and importers are intended to fund the payments to quota holders and producers, the present value of the public receivable and the liability were reported in equal amounts on the balance sheet in FY 2005. As actual activity occurs each fiscal year, the receivable and accrued liability estimates are adjusted to reflect the expected cash flows for the remaining period of the contracts, as well as the historical collection and disbursement activity.

Credit Reform Accounting

Purposes of The Federal Credit Reform Act of 1990 (FCRA) include measuring more accurately the costs of Federal credit programs and placing the cost of credit programs on a budgetary basis equivalent to other Federal spending. The FCRA applies to direct loans and loan guarantees made on or after October 1, 1991.

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 insurance that the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender will be received by the non-Federal lender. A defaulted loan guarantee occurs if the borrower fails to make a payment pursuant to the terms of the obligation.

The cost of direct loans is accounted for on a net present value basis at the time when the direct loan is disbursed. It includes the cash flows of loan disbursements; repayments of principal; payments of interest; recoveries or proceeds of asset sales; and other payments by or to the Government over the life of the loan. The present value computation also contains effects for estimated defaults, prepayments, fees, penalties, and any expected actions, such as the exercise by the borrower of an option included in the loan contract.

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

Note 1 - Significant Accounting Policies, continued

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

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 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. These accounts are shown in the Federal budget on a cash basis.

Collections resulting from direct loans obligated or loan guarantees committed prior to October 1, 1991, are credited to the liquidating accounts. The amounts credited are available to the same extent that they were available to liquidate obligations arising from such direct loans obligated or loan guarantees committed prior to October 1, 1991, including repayment of any obligations held by the Department of Treasury. The unobligated cash balances of such accounts that are in excess of current needs must be transferred at least annually to the general fund of the Treasury.

Credit Program Receivables

CCC has several credit programs subject to Credit Reform requirements (Refer to Note 6). Credit program receivables consist of:

- direct loans extended under Public Law 83-480 (P.L. 480) programs;
- receivables in the Debt Reduction Fund;
- receivables for the General Sales Manager program in the form of reschedule agreements;
- loans made to producers to build or upgrade farm storage and handling facilities;
- loans made to apple producers who incurred losses due to low market prices; and
- loans made to the Texas Boll Weevil Eradication Foundation.

These receivables (including related interest), for post-Credit Reform, are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of these receivables and the present value of their net cash inflows is recognized as an allowance. CCC uses the Credit Subsidy Calculator 2 (CSC2) for computing the subsidy re-estimates for its Credit Reform programs. The CSC2 is an OMB tool for performing credit calculations, incorporating both financing account interest and dollar re-estimates functionality. CCC also uses the Treasury Credit Reform Certificate Program guidelines, Statement of Federal Financial Accounting Standards (SFFAS) No. 2, *Accounting for Direct Loans and Loan Guarantees*, SFFAS No. 18, *Amendments to Accounting for Direct Loans and Loan Guarantees*, and SFFAS No. 19, *Technical Amendments to Accounting for Direct Loans and Loan Guarantees* for the accounting and reporting of its loan subsidy cost re-estimation and amortization.

Capitalized Interest

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

Note 1 - Significant Accounting Policies, continued

Commodity Inventories

Commodity inventories, referred to as goods held under price support and stabilization programs in the SFFAS No. 3, *Accounting for Inventory and Related Property*, issued by the Federal Accounting Standards Advisory Board, represent commodities acquired by the Corporation for donation or price support purposes. They are eventually sold or otherwise disposed of to help satisfy economic goals.

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

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

In accordance with SFFAS No. 3, the cost of commodity inventories sold to other Federal entities is classified as an expense with the public since the commodities being sold are originally purchased or otherwise acquired from a public source.

Commodity inventories are valued at net realizable value in accordance with SFFAS No. 3. Ending inventory balances are examined at period end to determine each commodity's market value. A valuation allowance is recorded if the book value of a commodity exceeds its market value.

In FY 2008, CCC entered into an agreement with The Seam, a private company, to facilitate the exchange of CCC-owned commodities for food products to be utilized in domestic and export food programs. CCC receives Barter Delivery Obligations (BDOs) in exchange for CCC-owned commodities. The BDOs represent the net sales proceeds (gross proceeds minus a sales commission percentage) from The Seam's sale of the CCC-owned commodities and; The Seam uses the BDOs to acquire food products on behalf of CCC.

For financial statement purposes, the BDOs are valued at the net sales proceeds and are presented as part of CCC's Commodity Inventories and Related Property. CCC recognizes gain or loss on each exchange transaction determined by the difference between CCC's book value of the commodity and the BDO value received in the exchange.

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 2 years or greater are capitalized. Property and equipment is depreciated on a straight-line basis. Automated Data Processing (ADP) computer equipment has a service life of 5 years. There is no salvage value associated with general property and equipment.

In addition, internal use software valued at $100,000 or more and a useful life of 2 years or greater is capitalized. Internal use software development costs are accumulated and capitalized upon completion. 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 5 years beginning with the first year the software is fully operational. Also included are costs incurred by FSA which are transferred to CCC without reimbursement and are reflected as software-in-development on CCC's financial statements until such time as the software is completed and put into operation. Once the software is put into operation, amortization begins.

Note 1 - Significant Accounting Policies, continued

Producer Assistance Advances

Public Law 107-25 (commonly referred to as the Agricultural Economic Assistance Act) authorized three grant programs whereby the Corporation disbursed funds to State governments for various purposes, such as promoting agriculture and supporting activities for specialty crops. The three grant programs are Specialty Crops - Base State Grant, Specialty Crops - Grants for Value of Production, and Commodity Assistance Program. Disbursements are accounted for as advances on the Other Assets line of the Balance Sheet and are recognized as expenses based on the States' reporting of their use of the funds.

Non-Entity Assets

Non-entity assets are assets held by CCC that are not available for use in its operations.

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 nonexchange transaction occurs (i.e., government programs where there is a one-way flow of resources or promises), a liability is recognized for any unpaid amounts due as of the reporting date. Liabilities not covered by budgetary resources, disclosed in Note 9, result from the accrual of unpaid amounts due for various CCC programs. Budgetary resources for the programs will not be made available until the subsequent fiscal year until congressional action is completed.

Resources Payable to Treasury

Liquidating Funds: Resources payable to Treasury represent the Pre-credit reform funds' assets that are in excess of the funds' liabilities. After liquidating all the liabilities of these Pre-credit reform funds, unobligated funds are then returned to Treasury annually.

Financing Funds: Downward reestimates/subsidies are paid to Treasury in the year of funding. The downward reestimate is recorded as an unfunded payable.

Custodial Collections: As a normal part of its business practices CCC collects penalties, fines, fees and other funds which are forwarded to Treasury. These are not part of CCC budget authority.

Downward Reestimates Payable to Treasury General Fund

During FY 2011, CCC implemented the Treasury General Funds Receipt (GFR) Account Guide, Scenario 6, which illustrates the accounting and reporting requirements for the Non-Custodial collections and liability related to the downward reestimate for credit reform programs. 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 GFR Account. The GFR account is shown in the trial balance and financial statements as non-entity. As a result of implementing this guide in FY 2011, the downward reestimate costs are shown on different lines of the Statement of Changes in Net Position.

Loan Guarantee Liabilities

CCC's Export Credit Guarantee program provides guarantees to buyers in countries where credit is necessary to maintain or increase U.S. sales of agricultural products. CCC underwrites credit extended by the private banking sector under the Export Credit Guarantee Program (GSM-102) and Facilities Guarantee Program (FGP). Credit guarantee liabilities represent the estimated net cash outflows of the guarantees on a present value basis. CCC records a liability and an allowance expense to the extent that CCC will be unable to recover claim payments under the Credit Reform Export Credit Guarantee programs. The allowance is based on management's estimate.

Imputed Costs

Imputed costs represent costs incurred from other USDA agencies for the benefit of CCC. The majority of CCC's programs and related expenses are delivered through the personnel and facilities of FSA. The imputed costs consist

Note 1 - Significant Accounting Policies, continued

of the costs of hired labor, opportunity costs of unpaid labor, capital recovery of machinery and equipment, opportunity costs of land, general farm overhead, payroll taxes, and insurance.

Tax Status

CCC, as a Federal agency, 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results will invariably differ from those estimates.

Allocation Transfers and Shared Appropriations

CCC is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

CCC allocates funds, as the parent, to United States Agency for International Development (USAID) to fund P.L. 480 Title II transportation and other administrative costs in connection with foreign donations. CCC receives allocation transfers, as the child, from FSA. CCC reports USAID's budgetary and proprietary transactions for which it is the parent and excludes FSA's budgetary and proprietary transactions, for which it is the child.

SFFAS No. 29 – Heritage Assets and Stewardship Land

Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standard (SFFAS) No. 29, Heritage Assets and Stewardship Land, was issued on July 7, 2005. The primary purpose of the standard was to reclassify heritage asset and stewardship land information from the Required Supplementary Stewardship Information (RSSI) to basic financial statement information with the exception of condition reporting, which is considered Required Supplementary Information (RSI). SFFAS No. 29 requires this reclassification through a phased-in approach beginning in reporting periods after September 30, 2005 with full implementation for reporting periods beginning after September 30, 2008.

Easements purchased for the Wetlands Reserve Program (WRP) are considered stewardship land. The WRP provides technical and financial assistance to eligible landowners to restore, enhance, and protect wetlands. This voluntary program offers landowners an opportunity to establish, at minimal cost, long-term conservation and wildlife habitat enhancement practices and protection.

Although the funding source for the purchase of easements has changed over the life of the program, the authority for administering and managing the program has resided with NRCS since the 1994 USDA Reorganization Act. NRCS holds the accountability for the management, monitoring, and enforcement for all easements purchased under the WRP.

Based on agreements, NRCS remains responsible to disclose required information for all WRP easements as stewardship land in FY 2011 and future years as long as NRCS maintains the administration, management responsibilities, and accountability for the WRP easements.

Note 2 – Fund Balance with Treasury

Fund balances with Treasury, by type of fund, as of September 30 are as follows:

	(In Millions)	
	2011	2010
Revolving Funds	$ 2,598	$ (389)
General Funds	1,793	2,186
Other Fund Types	3	-
Total Fund Balance with Treasury	$ 4,394	$ 1,797

The status of fund balances with Treasury as of September 30 is as follows:

	(In Millions)	
	2011	2010
Unobligated Balance		
Available	$ 2,208	$ 2,359
Unavailable	319	1,039
Obligated Balance not yet Disbursed	9,924	9,727
Subtotal	$ 12,451	$ 13,125
Less: Borrowing Authority not yet Converted to Fund Balance	(8,060)	(11,328)
Non-Budgetary Fund Balance with Treasury	3	-
Total Fund Balance with Treasury	$ 4,394	$ 1,797

Unobligated Balance, Unavailable 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 at September 30, 2011 and 2010, which will be funded by future borrowings.

CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11, Preparation, Submission, and Execution of the Budget. Borrowing authority permits the Corporation to incur obligations and authorizes it to borrow funds to liquidate the obligations. See Note 17.

Note 3 – Cash and Other Monetary Assets

As of September 30, 2011 and 2010, CCC did not have balances classified as Cash and Other Monetary Assets.

Note 4 – Accounts Receivable, Net

Accounts receivable as of September 30 are as follows:

	(In Millions) 2011	2010
Intragovernmental:		
Due from the Department of Treasury	$ 3	$ 8
Due from the Department of Transportation	32	80
Due from Other Federal Agencies	20	28
Total Intragovernmental Accounts Receivable, Net	$ 55	$ 116
Public:		
Notes Receivable	20	18
Interest Receivable	35	6
TTPP Receivable	3,218	4,125
Other	79	108
Subtotal	$ 3,352	$ 4,257
Less: Allowances for Doubtful Accounts	(11)	(10)
Total Public Accounts Receivable, Net	$ 3,341	$ 4,247

CCC records a receivable due from the Department of Treasury. The receivable is related to the collection of credit subsidy for the Debt Reduction Fund. Since this program is pre-credit reform, it does not have a program fund account, and CCC records a separate receivable to capture the transaction with Treasury.

The Cargo Preference provisions of the Food Security Act of 1985 mandated a gradual increase in the share of particular exports, mostly food aid that must be carried on U.S. flagged vessels. The Food Security Act and Section 901d (b) of the Merchant Marine Act, 1938 (the Act), provide for the reimbursement of certain transportation costs the Corporation incurs. In accordance with these Acts, CCC establishes a receivable from the Department of Transportation for freight costs paid to U.S. flagged vessels exceeding 20 percent of the total cost related to the donated commodities and freight costs if CCC were to use a commercial vessel.

Other public receivables consist of amounts due as a result of program overpayments or dishonored checks. Examples of CCC programs include Crop Disaster Assistance and Conservation Reserve Program.

As of September 30, 2011, the Accounts Receivable, Net: Public balance for the Tobacco Transition Payment Program (TTPP) is $3,218 million and includes $352 million as a short-term receivable. TTPP comprises $13 million of the Notes Receivable balance; and, $8 million in Interest Receivable balance.

As of September 30, 2010, the Accounts Receivable, Net: Public balance for the Tobacco Transition Payment Program (TTPP) was $4,125 million and included $345 million as a short-term receivable, and comprising $11 million of the Notes Receivable balance; and, $6 million in Interest Receivable balance. Refer to Note 1, under Tobacco Transition Payment Program, for additional information.

Note 5 – Commodity Loans, Net

Commodity loans receivable, by commodity, as of September 30 are as follows:

	(In Millions)	
	2011	2010
Cotton	$ 89	$ 126
Dry Whole Peas	2	3
Feed Grains:		
Barley	1	8
Corn	45	175
Grain Sorghum	-	1
Oats	-	1
Honey	2	2
Oilseeds	1	2
Peanuts	20	46
Rice	107	143
Soybeans	12	21
Sugar	-	-
Wheat	56	143
Total Commodity Loans	$ 335	$ 671
Accrued Interest Receivable	1	2
Penalties, Fines, and Administrative Fees	2	-
Total Commodity Loans, Net	$ 338	$ 673

As of September 30, 2011, total commodity loans decreased by $335 million and is attributed to repayments of outstanding loans. Thus a higher amount of repayments as well as earlier repayments contributed to this change. Major commodities following this pattern consist of corn, wheat, upland cotton, rough rice, peanuts, and soybeans.

Note 6 – Credit Program Receivables, Net

Direct credit and loan obligations and credit guarantee commitments made after FY 1991 and the resulting direct credits and loans or credit guarantees are governed by the Federal Credit Reform Act of 1990, as amended. The Credit Reform Act requires agencies to estimate for the President's Budget the cost of direct credits and loans and credit guarantees at the present value of future cash flows. Additionally, the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct credits and loans and credit guarantees are recognized as a cost in the year the direct credit and loan or credit guarantee is disbursed. The net present value of loans or defaulted guaranteed loans receivable at any point in time is the amount of the gross loan or defaulted guaranteed loans receivable less the present value of the subsidy at that time.

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

Credit Program Discussion and Descriptions

Guaranteed Loans, Credit Guarantee Programs – Export

CCC's Export Credit Guarantee (GSM) programs encourage exports of U.S. agricultural products to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without such credit guarantees. The Corporation underwrites credit extended by the private banking sector in the U.S. (or, less commonly, by the exporter) under the GSM-102 program for terms of 3 years or less. CCC does not provide financing, but guarantees payments due from foreign banks and obligors. Typically, 98 percent of principal and a portion of interest at an adjustable rate are covered. All guarantees under these programs are denominated in U.S. dollars. In the event that CCC pays a claim under the guarantee programs, CCC assumes the debt and treats it as a credit receivable for accounting and collection purposes.

Under Section 3101 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), authority for the GSM 103 and Supplier Credit programs was specifically repealed. Remaining liability under these programs is still subject to annual reestimate.

Guaranteed loans outstanding at the end of FY 2011 were $6,115 million in outstanding principal, of which $5,992 million is outstanding guaranteed principal. Guaranteed loans outstanding at the end of FY 2010 were $6,645 million in outstanding principal, of which $6,513 million was outstanding guaranteed principal. (See table 5.)

During the fiscal year, the value of the guaranteed loans is adjusted by the value of the loan guarantee liability held against those loans. Current year subsidy expense and reestimates contributed to the change of the loan guarantee liability through the year. The loan guarantee liability represents CCC's liability for guarantees in the GSM program. Table 6 shows that total loan guarantee liability moved from $184 million to $114 million during FY 2011, a decrease of $70 million.

Total guaranteed loan subsidy expense in FY 2011 was $63 million compared to ($57) million in FY 2010. Table 8 illustrates the breakdown of total subsidy expense for FY 2011 and FY 2010. Guaranteed loan volume increased to $3,497 million in FY 2011, compared to $2,891 million in FY 2010. (See table 9.)

Note 6 – Credit Program Receivables, Net, Continued

Direct Loans

Total direct loan subsidy expense is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. The total direct loan subsidy expense for FY 2011 was ($2) million compared to ($60) million in FY 2010. For P.L. 480, subsidy expense in FY 2011 was $13 million compared to $74 million in FY 2010. For FSFL, total direct loan subsidy expense for FY 2011 was ($10) million compared to ($14) million in FY 2010. For Boll Weevil loans, subsidy expense for FY 2011 was ($5) million, compared to $0 million in FY 2010. Table 3 illustrates the breakdown of total subsidy expense for FY 2011 and FY 2010. There was no additional direct food aid loans disbursed in either 2010 or 2011. Disbursements for FSFL loans increased from $228 million in FY 2010 to $247 million in FY 2011 as shown in Table 4.

Direct Credit Programs – Food Aid

Under the P.L. 480 Title I Program, CCC finances the sales of U.S. agricultural commodities to countries in need of food assistance on favorable credit terms (at low rates of interest for up to 30 years with grace periods of up to 7 years). P.L. 480 Title I provides for government-to-government (and some government-to-private entity) sales of U.S. agricultural commodities to developing countries on credit terms or for local currencies. Priority is given to countries with the greatest need for food that are undertaking economic development to improve food security and agricultural development, alleviate poverty, and promote broad based, equitable and sustainable development. All credits under this program are denominated in U.S. dollars. 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 – Export

Under the GSM program, several cohorts have had defaults that resulted in rescheduled loans which are now direct loans owed to CCC. Other than the fact that these are now direct loans, the programmatic purpose does not differ from the original guaranteed loans under GSM.

Direct Credit Programs – Domestic

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

The Boll Weevil Program made available to the Texas Boll Weevil Eradication Foundation in FY 2001 an interest-free $10 million loan to be repaid over 10 years.

The Apple Loan Program in FY 2001 provided loans to apple producers who suffered hardships due to low prices following the 1998 - 1999 growing season when apple prices fell to their lowest levels in nearly 10 years. Eligible applicants obtained loans up to $300 per acre of apple trees in production in 1999 or 2000, up to a maximum indebtedness of $500,000.

Administrative Expenses

Consistent with the Federal Credit Reform Act of 1990 as amended, subsidy cash flows exclude direct Federal administrative expenses. Administrative expenses on direct credit and loan programs were $3 million for each of the fiscal years ended September 30, 2011 and 2010. Administrative expenses for the credit guarantee programs were $7 million for each of the fiscal years ended September 30, 2011 and 2010.

Note 6 – Credit Program Receivables, Net, Continued

Subsidy Rates

Subsidy rates are used to compute each year's subsidy expenses as disclosed above. The subsidy rates disclosed in Tables 11 and 12 pertain only to the FY 2011 and FY 2010 cohorts. These rates cannot be applied to the direct and guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior-year cohorts. The subsidy expense reported in the current year also includes reestimates.

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

During FY 2011, Foreign Agriculture Service's Credit Program Division performed an analysis of the expected recoveries on rescheduled debt for Kazakhstan and Ukraine. The analysis was based on a number of factors, including CCC's position with respect to seniority or subordination of the notes, assessment of the banks, and market price ranges for each note. This resulted in a substantial decrease in the projected recovery percentage for these particular rescheduled agreements.

For the Boll Weevil loan program, new promissory notes with a revised payment schedule through FY 2012 were signed in May 2011. The associations that received these loans had repaid only nominal amounts through the first ten years of the loans. We anticipate that they will begin repaying in accordance with the revised notes, as was evidenced by the first repayment at the end of FY 2011.

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

Loan Modifications and Reschedulings

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

The Debt Reduction Fund is used to account for CCC's modified debt. Debt is considered to be modified if the original debt has been reduced or the interest rate of the agreement changed. In contrast, when debt is "rescheduled," only the date of payment is changed. Rescheduled debt is carried in the original fund until paid. With one exception, all outstanding CCC modified debt is carried in the Debt Reduction Fund and is governed by the Federal Credit Reform Act of 1990 as amended. There were no new debt reduction agreements in FY 2011.

Interest Credit

Interest is accrued monthly on both performing and non-performing direct credits and credit guarantee receivables as it is earned using simple interest calculations based upon a 365-day year. A non-performing direct credit or credit guarantee receivable is defined as a repayment scheduled under a credit agreement, with an installment payment in arrears more than 90 days. For those non-performing receivables, interest is not recognized as income; rather, it is deferred until the interest is received or the receivable is returned to performing status.

Based on the Federal Credit Reform Act of 1990 and SFFAS No. 2, Accounting for Direct Loans and Loan Guarantees, all credit reform loans initiated after September 30, 1991 need to be presented on a present value basis. For loans initiated before FY 1992 (Pre-1992), restatement of loan value on a present value basis is permitted but not required. Since CCC elected to restate the Pre-1992 loan receivables from nominal value to net present value starting in 2001, the accounting treatment, including revenue recognition and allowance calculation, has been applied consistently to Pre-1992 and Post-1991 Direct Loan and Loan Guarantee programs. For Pre-1992 and Post-1991 loan interest receivable, the portion related to non-performing loans is deferred and presented net of the loan receivable line item in the balance sheet.

Note 6 – Credit Program Receivables, Net, Continued

P.L. 480 Title I Direct Credit Reestimate Trend Analysis

The P.L. 480 program had a net reestimate for FY 2011 of $13 million, of which $5 million was the technical reestimate and $8 million was interest on the reestimate. The upward reestimate totals $29.2 million, of which $12.4 million was technical and $16.8 million was interest on the reestimate. The downward reestimate totals $16.6 million, of which $7.4 million is technical and $9.2 million is interest on the reestimate. The reestimate for PL 480 program is not significant in light of the amount disbursed in these cohorts.

Farm Storage Facility Loans Reestimate Trend Analysis

The FSFL program had a total reestimate of $8 million. The upward reestimate was $7.3 million, of which $4.1 million was the technical reestimate and $3.2 million was interest on the reestimate. The downward reestimate was $15.2 million, of which $11.1 million was the technical reestimate and $4.1 million was the interest on the reestimate. Almost half of the downward technical reestimate was in the 2010 cohort, due mainly to the fact that borrower repayments during FY 2011 were higher than had been estimated at the end of FY 2010. Reestimates for other cohorts were not significant.

Export Credit Guarantees (GSM) Reestimate Trend Analysis

The GSM-102 program had a total reestimate of $63 million for FY 2011. The upward reestimate total is $64 million, of which $48 million is the technical portion and $14 million is interest on the reestimate. The upward reestimate is largely attributable to four cohorts, 1996, 1997, 2008 and 2009. The reestimate for the 2008 and 2009 cohorts reflects a downward revision to the projected recoveries on the Kazakhstan and Ukraine defaulted debt that was rescheduled in FY 2010. Recoveries for these rescheduled agreements were assigned a rate between 0% and 85% of the scheduled amount, with an un-weighted average recovery rate of 42%. This is more conservative than would normally be estimated based on the extrapolation of historical programmatic experience (99%). Also contributing to the upward reestimate were the 1996 and 1997 cohorts. Both of these cohorts had large downward reestimates at the end of FY 2010 based on NPV of future cashflows (which is not the norm for loan guarantee programs). We had to borrow to pay those downward reestimates as well as to pay substantial financing account interest. Because we had to borrow, this resulted in a larger negative net debt and cash position with Treasury compared to the NPV of future cashflows. Borrower repayments during FY 2011 were almost exactly expected. The downward reestimate was not significant. The GSM 103 and Supplier Credit reestimates were not significant. GSM 103 will be entirely closed out effective with the FY 2012 apportionment of the current reestimate.

P.L. 480, Title I direct credits outstanding that were obligated prior to FY 1992 and P.L. 480 direct credits and direct loans for FSFL, Boll Weevil, and Apple loans that were obligated after FY 1991 and related interest receivable outstanding are as follows. Defaults on credit guarantees made prior to FY 1992 and related interest receivable are also listed below. This information is current as of September 30, 2011 and 2010.

Note 6 – Credit Program Receivables, Net, Continued

Table 1. Direct Loan and Loan Guarantees, Net

2011	In Millions			
Direct Loans				
Obligated Pre-1992	Loans Receivable, Gross	Interest Receivable	Present Value Allowance	Value Of Assets Related to Loans
PL 480 Title 1	$ 3,820	$ 10	$ (2,026)	$ 1,804
Pre-1992 Total	$ 3,820	$ 10	$ (2,026)	$ 1,804
Obligated Post-1991				
PL 480 Title 1	$ 1,140	$ 1	$ (252)	$ 889
Debt Reduction Fund	247	-	(226)	21
Farm Storage Facility	671	49	(30)	690
Boll Weevil Program	9	-	(6)	3
Total Direct Loan Program Receivables	$ 5,887	$ 60	$ (2,540)	$ 3,407
Defaulted Guarantee Loans				
Pre-1992				
Export Credit Guarantee Programs	$ 124	$ 1	$ (75)	$ 50
Pre-1992 Total	$ 124	$ 1	$ (75)	$ 50
Post-1991				
Export Credit Guarantee Programs	$ 870	$ 7	$ (286)	$ 591
Post-1991 Total	$ 870	$ 7	$ (286)	$ 591
Total Defaulted Guarantee Loans	$ 994	$ 8	$ (361)	$ 641
Total Direct Loan and Loan Guarantees, Net	$ 6,881	$ 68	$ (2,901)	$ 4,048

Note 6 – Credit Program Receivables, Net, Continued

Table 1. Direct Loan and Loan Guarantees, Net

2010	(In Millions)			
Direct Loans				
Obligated Pre-1992	Loans Receivable, Gross	Interest Receivable	Present Value Allowance	Value Of Assets Related to Loans
P.L. 480 Title I	$ 4,149	$ 43	$ (1,517)	$ 2,675
Pre-1992 Total	$ 4,149	$ 43	$ (1,517)	$ 2,675
Obligated Post-1991				
P.L. 480 Title I	$ 1,215	$ 17	$ (285)	$ 947
Debt Reduction Fund	258	1	(226)	33
Farm Storage Facility	548	41	(26)	563
Boll Weevil Program	10	-	(10)	-
Post-1991 Total	2,031	59	(547)	1,543
Total Direct Loan Program Receivables	$ 6,180	$ 102	$ (2,064)	$ 4,218
Defaulted Guarantee Loans				
Pre-1992				
Export Credit Guarantee Programs	$ 134	$ 1	$ (70)	$ 65
Pre-1992 Total	$ 134	$ 1	$ (70)	$ 65
Post-1991				
Export Credit Guarantee Programs	$ 731	$ 10	$ (226)	$ 515
Post-1991 Total	731	10	(226)	515
Total Defaulted Guarantee Loans	$ 865	$ 11	$ (296)	$ 580
Total Direct Loan and Loan Guarantees, Net	$ 7,045	$ 113	$ (2,360)	$ 4,798

Note 6 – Credit Program Receivables, Net, Continued

Table 2. Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991)
Direct Loans

	In Millions FY 2011	FY 2010
Beginning Balance of the Subsidy Cost Allowance	$ 773	$ 763
Add: Subsidy expense for direct loans disbursed during the year by component		
Interest Rate Differential Costs	(3)	(2)
Default Costs (net of recoveries)	-	8
Total Subsidy Expense prior to Adjustements and Reestimates	(3)	$ 6
Adjustments		
Loan Modifications	$ -	$ 34
Fees Received	4	2
Loans written off	(78)	(214)
Subsidy allowance amortization	(33)	(6)
Other	136	168
Total Subisidy Cost allowance before reestimates	$ 799	$ 753
Add or Subtract Subsidy Reestimates by Component		
Interest rate reestimate	$ 5	$ 23
Technical/Default Reestimate	(4)	(3)
Total Reestimates	1	20
Ending Balance of the Subsidy Cost Allowance	$ 800	$ 773

Subsidy Allowance – Data in Table 2 includes subsidy for both direct loans and loans receivable derived from those defaulted guaranteed loans which CCC rescheduled as direct loans.

Note 6 – Credit Program Receivables, Net, Continued

Table 3. Subsidy Expense for Direct Loans by Program and Component

FY 2011 — **In Millions**

Direct Loan Programs	Interest Differential	Defaults	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
P.L 480 Title 1	$ -	$ -	$ -	$ -	$ 8	$ 5	$ 13	$ 13
Farm Storage Facility	(3)	-	(3)	-	-	(7)	(7)	(10)
Boll Weevil	-	-	-	-	(3)	(2)	(5)	(5)
Total Direct Loan Subsidy Expense	$ (3)	$ -	$ (3)	$ -	$ 5	$ (4)	$ 1	$ (2)

FY 2010 — **In Millions**

Direct Loan Programs	Interest Differential	Defaults	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
P.L 480 Title 1	$ -	$ -	$ -	$ 34	$ 23	$ 17	$ 40	$ 74
Farm Storage Facility	(2)	8	6	-	-	(20)	(20)	(14)
Total Direct Loan Subsidy Expense	$ (2)	$ 8	$ 6	$ 34	$ 23	$ (3)	$ 20	$ 60

*Subsidy reestimates are calculated on cumulative disbursements for all budget fiscal years and the respective cohorts (direct loan/guarantee origination year) that comprise them.

Note 6 – Credit Program Receivables, Net, Continued

For the fiscal years ended September 30, 2011 and 2010, current and prior year disbursements of post-1991 direct credits and loans are as follows:

Table 4. Total Amount of Direct Loans Disbursed (Post -1991)

	(In Millions) 2011	2010
Direct Loan Programs		
Farm Storage Facility	$ 247	$ 228
Total	$ 247	$ 228

As of September 30, 2011 and 2010, post-1991 credit guarantees outstanding are as follows:

Table 5. Guaranteed Loans Outstanding

FY 2011 — **In Millions**

Loan Guarantee Programs	Post - 1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Post - 1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Export Credit Guarantee Program	$ 6,115	$ 6,115	$ 5,992	$ 5,992
Tota Guarantees Disbursed	$ 6,115	$ 6,115	$ 5,992	$ 5,992

FY 2010 — **In Millions**

Loan Guarantee Programs	Post - 1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Post - 1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Export Credit Guarantee Program	$ 6,645	$ 6,645	$ 6,513	$ 6,513
Tota Guarantees Disbursed	$ 6,645	$ 6,645	$ 6,513	$ 6,513

* Outstanding principal and interest guaranteed represents a contingent liability for amounts owed by foreign banks to exporters or assignee U.S. financial institutions participating in the program.

Note 6 – Credit Program Receivables, Net, Continued

As of September 30, 2011 and 2010, Post - 1991 Liability for Loan Guarantees (Present Value Method) are as follows:

Table 6. Liability for Loan Guarantees (Present Value Method for Post-1991 Guarantees)

FY 2011 — **In Millions**

Loan Guarantee Programs	Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Export Credit Guarantee Program	$ 114	$ 114
Total Liability for Loan Guarantees	$ 114	$ 114

FY 2010 — **In Millions**

Loan Guarantee Programs	Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Export Credit Guarantee Program	$ 184	$ 184
Total Liability for Loan Guarantees	$ 184	$ 184

Note 6 – Credit Program Receivables, Net, Continued

The change in the liability for Post - 1991 credit guarantees as of September 30, 2011 and 2010 is as follows:

Table 7. Schedule for Reconciling Loan Guarantee Liability

	(In Millions)	
	2011	2010
Beginning balance of the loan guarantee liability	$ 184	$ 221
Add: Subsidy expense for guaranteed loans disbursed during the year by component		
Default costs (net of recoveries)	-	10
Fees and other collections	1	(4)
Total of the above subsidy expense components	$ 1	$ 6
Adjustments		
Fees received	31	$ 19
Claim payments to lenders	(175)	(161)
Other	11	162
Ending balance of the subsidy cost allowance before reestimates	$ 52	$ 247
Add or Subtract subsidy reestimates by component:		
Interest rate reestimate	$ 14	$ (41)
Technical/default reestimate	48	(22)
Total of the above reestimate components	$ 62	$ (63)
Ending balance of the loan guarantee liability	$ 114	$ 184

Note 6 – Credit Program Receivables, Net, Continued

Subsidy expenses, net of fees and other collections, for current year disbursements related to credit guarantees made after FY 1991, and subsidy reestimates for the fiscal years ended September 30, 2011 and 2010 are as follows:

Table 8. Subsidy Expense for Loan Guarantees by Program and Component

FY 2011 In Millions

Loan Guarantee Programs	Defaults	Fees and Other Collections	Subtotal	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Export Credit Guarantee Programs	$ -	$ 1	$ 1	$ 14	$ 48	$ 62	$ 63
Total Loan Guarantee Programs	$ -	$ 1	$ 1	$ 14	$ 48	$ 62	$ 63

FY 2010 In Millions

Loan Guarantee Programs	Defaults	Fees and Other Collections	Subtotal	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Export Credit Guarantee Programs	$ 10	$ (4)	$ 6	$ (41)	$ (22)	$ (63)	$ (57)
Total Loan Guarantee Programs	$ 10	$ (4)	$ 6	$ (41)	$ (22)	$ (63)	$ (57)

*Subsidy reestimates are calculated on cumulative disbursements for all cohorts.

Note 6 – Credit Program Receivables, Net, Continued

For the fiscal years ended September 30, 2011 and 2010, current and prior year credit guarantee disbursements are as follows:

Table 9. Guaranteed Loans Disbursed

	In Millions			
	FY 2011		FY 2010	
Loan Guarantee Programs	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Export Credit Guarantee Programs	$ 3,497	$ 3,427	$ 2,891	$ 2,835
Total Guaranteed Loans Disbursed	$ 3,497	$ 3,427	$ 2,891	$ 2,835

Table 10. Administrative Expenses

	(In Millions)	
	2011	2010
Direct Loan Programs	$ 3	$ 3
Guaranteed Loan Programs	7	7
Total Administative Expenses	$ 10	$ 10

Note 6 – Credit Program Receivables, Net, Continued

FY 2011 and 2010 subsidy rates (percentage) for direct credits and loans are as follows:

Table 11. Subsidy Rates for Direct Loans (percentage)

FY 2011

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Storage Facility	(1.66)	0.03	(0.27)	(0.11)	(2.01)
Sugar Storage Storage Facility	(0.22)	0.83	-	-	0.61

FY 2010

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Storage Facility	(0.88)	0.02	(0.14)	(0.01)	(1.01)

For the fiscal years ended 2011 and 2010, there were no new loans for P.L. 480, and thus, no subsidy rate was provided. The Apple Loan Program is a one year program, cohort 2001.

FY 2011 and 2010 subsidy rates (percentage) for credit guarantee programs are as follows:

Table 12. Subsidy Rates for Loan Guarantees (percentage)

FY 2011

Guaranteed Loan Programs	Defaults	Fees and Other Collections	Other	Total
Export Guarantee Programs	(0.27)	(0.59)	-	(0.86)

FY 2010

Guaranteed Loan Programs	Defaults	Fees and Other Collections	Other	Total
Export Guarantee Programs	(0.58)	(0.63)	-	(1.21)

Subsidy rates are used to compute each year's subsidy expenses as disclosed above. The subsidy rates disclosed pertain only to the current year's cohort. These rates cannot be applied to the direct credits and loans and credit guarantees disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new direct credits and loans and credit guarantees reported in the current year could result from disbursements from both current year and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

Note 7 – Commodity Inventories and Related Property, Net

Inventory and related property activity as of September 30 are as follows:

	(In Millions)	
	2011	2010
Commodity Inventories - Beginning of Fiscal Year	$ 22	$ 202
Acquisitions	742	946
Cost of Sales	-	(47)
Donations	(742)	(1,058)
Other Dispositions, Additions and Deductions	28	(21)
Commodity Inventories - End of Fiscal Year	$ 50	$ 22
Less: Allowance for losses	(2)	(2)
Barter Delivery Obligations (BDO)	3	26
Commodity Inventories and Related Property, Net	$ 51	$ 46

Commodity loan forfeitures included in the Acquisitions line item were $23,801 and $2.7 million for the fiscal years ended September 30, 2011 and 2010, respectively.

BDOs were received by CCC in exchange for CCC-owned commodities. The BDOs may only be exchanged for food products to be utilized in domestic and export food programs. Refer to Note 1 for additional information.

Prepositioned inventory is commodities purchased by USDA, with CCC funds, to meet humanitarian food needs in foreign countries. USAID administers this program. The inventory is procured and made readily available as needed for foreign countries in need. This is done in advance because the process from procurement to delivery can be lengthy and by having the inventory available these food needs can be met more timely. CCC is currently recording prepositioned inventory on CCCs financial statements. Prior to March 2011, CCC was only recording domestic prepositioned inventory (located in the US, prior to being shipped overseas). With the conversion to the Web Based Supply Chain Management System (WBSCM), CCC is now recording both domestic and foreign.

Restrictions on Commodity Inventory

In accordance with the Bill Emerson Humanitarian Trust (BEHT) Act of 1998, CCC maintains a reserve of commodities and funds for use when domestic supplies are so limited that quantities cannot meet the availability criteria under P.L. 480. BEHT stocks can be exchanged for other U.S. agricultural commodities of equal value or for an equivalent amount of funds from the market to meet emergency food needs. The 2008 Farm Bill extended the authorization to replenish the trust through fiscal year 2012.

Note 8 – General Property and Equipment, Net

General property and equipment as of September 30 is as follows:

2011:	Acquisition Value (In Millions)	Accumulated Depreciation (In Millions)	Net Book Value (In Millions)
Equipment	$ 37	$ (37)	$ -
Capitalized Software Costs	128	(80)	48
Total General Property and Equipment	$ 165	$ (117)	$ 48

2010:	Acquisition Value (In Millions)	Accumulated Depreciation (In Millions)	Net Book Value (In Millions)
Equipment	$ 37	$ (37)	$ -
Capitalized Software Costs	134	(77)	57
Total General Property and Equipment	$ 171	$ (114)	$ 57

Note 9 – Liabilities Not Covered by Budgetary Resources

	2011 (In Millions)	2010 (In Millions)
Accrued Liabilities (Note 14)		
Tobacco Transition Payment Program	$ 2,857	$ 3,797
Environmental and Disposal Liabilities (Note 13)	8	8
Total Liabilities Not Covered by Budgetary Resources	$ 2,865	$ 3,805
Total Liabilities Covered by Budgetary Resources	$ 13,252	$ 14,680
Total Liabilities	$ 16,117	$ 18,485

Liabilities not covered by budgetary resources are liabilities for which Congressional action or OMB apportionment is needed before budgetary resources can be provided.

Note 10 – Debt to the Treasury

Debt to the Treasury, categorized as interest bearing and non-interest bearing notes, as of September 30 is as follows:

	(In Millions)	
	2011	2010
Debt - Beginning of Fiscal Year		
Principal: Interest Bearing	$ 3,274	$ 4,874
Accrued Interest Payable	-	3
Total Debt Outstanding - Beginning of Fiscal Year	$ 3,274	$ 4,877
New Debt		
Principal: Interest Bearing	$ 25,604	$ 32,793
Accrued Interest Payable	6	6
Total New Debt	$ 25,610	$ 32,799
Repayments		
Principal: Interest Bearing	$ (26,014)	$ (34,394)
Accrued Interest Payable	(6)	(8)
Total Repayments	$ (26,020)	$ (34,402)
Debt - End of Fiscal Year		
Principal: Interest Bearing	$ 2,865	$ 3,274
Total Debt Outstanding - End of Fiscal Year	$ 2,865	$ 3,274

CCC may borrow interest-free up to the amount of its unreimbursed realized losses. Monthly interest rates ranged from 0.125 percent to 0.250 percent during FY 2011 and from 0.250 percent to 4.375 percent during FY 2010.

There was no debt principal and interest refinanced for the period ended September 30, 2011. There was no outstanding principal rolled over for the periods ended September 30, 2011 and 2010. There was no accrued interest rolled into notes payable for the fiscal years ended September 30, 2011 and 2010. Interest expense incurred on Treasury borrowings was $137 million and $126 million for the fiscal years ended September 30, 2011 and 2010, respectively.

The FY 2011 and 2010 interest rates on long-term borrowings under the permanent indefinite borrowing authority for the Credit Reform programs are calculated using the OMB Credit Subsidy Calculator 2. For FY 2001 and future cohorts, the single effective interest rate produced from the calculator, along with budget assumptions, is used to calculate interest expense.

Note 10 – Debt to the Treasury, Continued

The repayment terms for borrowings made for the Export Credit Guarantee programs range from under 3 years up to 10 years. Currently, maximum loan terms do not exceed 7 years, while the repayment term for P.L. 480 direct credits program borrowing is 30 years. The repayment term is 7 years for direct loans under the Farm Storage Facility Loans program, 3 years for direct loans under the Apple Loan Program, and 10 years for the direct loans made under the Boll Weevil program. For all Credit Reform programs, principal repayments are required only at maturity but are permitted at any time during the term of the loan.

CCC has a separate permanent indefinite borrowing authority for the Credit Reform programs to finance disbursements on post-1991 Credit Reform direct credit and loan obligations and credit guarantees. On October 1, CCC borrows from Treasury for the entire fiscal year based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower. 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 on these borrowings based on weighted average interest rates for the cohort to which the borrowings are associated. Interest expense incurred on borrowings associated with the Credit Reform programs was $133 million and $123 million for the fiscal years ended September 30, 2011 and 2010, respectively.

CCC has an authorized capital stock of $100 million held by the Treasury and has permanent indefinite appropriation authority to finance disbursements made under the liquidating accounts related to the pre-Credit Reform program activities, which are not covered by available working capital. Interest on borrowings from the Treasury (and on capital stock) 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 $2 million and $3 million in interest expense on capital stock for fiscal years ended September 30, 2011 and 2010.

Note 10 – Debt to the Treasury, Continued

Total debt outstanding, by program and maturity date, as of September 30, 2011, is as follows:

Program	Debt (In Millions)	Maturity Date
Export Credit Guarantees	$ -	September 30, 2012
	1	September 30, 2013
	59	September 30, 2015
	45	September 30, 2018
	2	September 30, 2019
	109	September 30, 2020
	200	September 30, 2021
	129	September 30, 2022
	31	September 30, 2023
	120	September 30, 2024
	9	September 30, 2025
P.L. 480 Direct Credits	162	September 30, 2018
	111	September 30, 2019
	87	September 30, 2020
	65	September 30, 2021
	85	September 30, 2022
	68	September 30, 2023
	90	September 30, 2024
	91	September 30, 2025
	56	September 30, 2026
	59	September 30, 2027
	58	September 30, 2031
	36	September 30, 2032
	30	September 30, 2033
	26	September 30, 2034
	19	September 30, 2035
Debt Reduction	10	September 30, 2012
	4	September 30, 2013
	6	September 30, 2018
	1	September 30, 2020
	9	September 30, 2021
	40	September 30, 2022
	12	September 30, 2023
	21	September 30, 2024
	14	September 30, 2026
	3	September 30, 2028
Farm Storarge Facility Loans	4	September 30, 2012
	12	September 30, 2013
	30	September 30, 2014
	62	September 30, 2015
	87	September 30, 2016
	146	September 30, 2017
	350	September 30, 2018
	306	September 30, 2019
Total Debt Outstanding	$ 2,865	

Note 11 – Deposit and Trust Liabilities

Deposit and trust liabilities are amounts advanced to or deposited with CCC, on behalf of other entities. Refer to Note 18 – Disclosures Not Related to a Specific Statement for additional information. The balances, categorized as intragovernmental and public, as of September 30 are as follows:

	(In Millions)	
	2011	2010
Intragovernmental (Note 18):		
Agricultural Marketing Service	$ 290	$ 486
Food and Nutrition Service	403	485
Foreign Agricultural Service	360	193
Natural Resources Conservation Service	216	192
Total Intragovernmental Deposit and Trust Liabilities	$ 1,269	$ 1,356
Public	$ 7	$ 7
Total Public Deposit and Trust Liabilities	$ 7	$ 7

Within USDA, Agricultural Marketing Service (AMS) and Food and Nutrition Service (FNS) coordinate with FSA/CCC to purchase certain commodities for domestic feeding programs. AMS funds the purchase of commodities for the purpose of facilitating additional sales in world markets at competitive prices. FNS funds the purchase of commodities for the National School Lunch and many other domestic feeding programs administrated by voluntary organizations which help to fight hunger worldwide. The commodities purchased are meats, poultry, fish, fruit, vegetables, egg products, dry beans, and tree nuts. FNS coordinates the purchase through competitive bids or negotiated contracts to assure the quantity, quality, and variety of commodities purchased meet the needs of schools and institutions participating in the domestic nutrition programs. These purchases also assist farmers, commodity producers, and processors by helping to maintain stable commodity prices.

The public liability was $7 million as of September 30, 2011 and 2010, respectively. The public liability consists of unapplied collections for warehouse user fees, claims for disaster programs, and other miscellaneous collections that are temporarily held in suspense until appropriately identified and applied.

Note 12 – Other Liabilities

Other liabilities as of September 30 are as follows:

	(In Millions)	
	2011	2010
Intragovernmental:		
Resources Payable to Treasury:		
P.L.480 Direct Credit Liquidating Fund	$ 1,948	$ 2,402
Export Credit Guarantee Direct Loans Liquidating Fund	40	45
Resources Payable to Treasury	$ 1,988	$ 2,447
Accrued Reimbursements to CCC from Tobacco Trust Fund	1	-
Excess Subsidy Payable to Treasury	10	179
Accrued Conservation Reserve Program Technical Assistance	49	6
Other	26	18
Total Intragovernmental Other Liabilities	$ 86	$ 203
Public	$ 236	$ 393
Total Public Other Liabilities	$ 236	$ 393

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

As of September 30, 2011, the Public Liability included $139 million related to Brazilian Cotton Industry and $25 million related to Pigford II claim litigation. The $25 million is a funded liability which reduced the contingent liability account from $100 million to $75 million in FY 2011 for Pigford II.

Note 13 – Environmental and Disposal Liabilities

The Corporation formerly operated approximately 4,500 grain storage facilities in the U.S. To date, at approximately 120 of these facilities, Carbon Tetrachloride (a fumigant commonly used at grain storage facilities) was discovered in groundwater. CCC recorded an estimate of the total liability for investigation and remediation of affected sites of $8 million for both fiscal years ended September 30, 2011 and 2010 based on actual cleanup costs at similar sites. This liability is not covered by budgetary resources.

Hazardous Waste Program

Since the first discovery of contaminated groundwater, CCC has been engaged in an active program to identify affected sites, perform site investigations and risk assessments, and conduct cleanup actions when necessary or otherwise directed by a regulatory authority. As of September 30, 2011 and 2010, payments for these activities totaled $4.8 million and $4 million, respectively. At September 30, 2011, CCC estimated the range of potential future losses to be between $8 million and $55 million.

Note 14 – Accrued Liabilities

Accrued liabilities as of September 30 are as follows:

	(In Millions)	
	2011	2010
Conservation Reserve Program	$ 1,717	$ 1,659
Export Programs	15	74
Income Support Programs:		
Direct and Counter-Cyclical Payments	4,349	4,684
Milk Income Loss Contract		1
Other	44	9
Tobacco Transition Payment Program	2,857	3,797
Other	127	3
Total Accrued Liabilities	$ 9,109	$ 10,227

The liabilities for Conservation Reserve Programs were considered current as of September 30, 2011 and 2010. The liability of $2,857 million and $3,797 million, respectively, under the Tobacco Transition Payment Program (TTPP) included a current liability of $955 as of September 30, 2011 and 2010. The remaining balance was a long term liability as of September 30, 2011 and 2010. Refer to Note 1, under Liabilities, for additional information.

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.

In addition to loss contingencies, CCC also discloses (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment and (2) amounts for contractual arrangements that may require future financial obligations.

Commitments

Market Access Program (MAP)

The MAP was authorized by the Agriculture Trade Act of 1978, as amended, to encourage the development, maintenance, and expansion of commercial export markets for agricultural commodities through cost-share assistance to eligible trade organizations that implement a foreign market development program. CCC makes funds available to reimburse program participants for authorized promotional expenses. Program expenses for the fiscal years ended September 30, 2011 and 2010 were $210 million and $197 million, respectively. At September 30, 2011 and 2010, CCC's undelivered orders on current contracts were $209 million and $219 million, respectively.

Noninsured Crop Disaster Assistance Program (NAP)

The NAP was authorized as a CCC program under the 1996 Act. The NAP provides financial assistance to producers of non-insurable crops when a low yield crop, loss of inventory, or prevented planting occurs due to natural disasters. The crops must be non-insurable commodities for which the catastrophic risk protection level of crop insurance is not available. Program expenses for the fiscal years ended September 30, 2011 and 2010 were $71 million and $96 million, respectively. At September 30, 2011 and 2010, CCC had no undelivered orders on current contracts.

Commodity Acquisition

Commitments to acquire commodities represent the contract value of commodities not yet delivered under CCC purchase contracts. Such commitments amounted to $262 million and $71 million for International Title II and $156 million and $257 million for Food for Progress at September 30, 2011 and 2010, respectively.

Commitments for the Food for Education amounted to $318 million and $173 million as of September 30, 2011 and 2010, respectively. The Price Support processing program had commitments of $0 million and $3 million as of September 30, 2011 and 2010, respectively. As of September 30, 2011, there were no commitments for the Food Security Reserve program.

Note 15 – Commitments and Contingencies, Continued

Conservation Reserve Program (CRP)

Through CRP, eligible participant's sign 10 to 15 year contracts to remove land from production in exchange for an annual rental payment. The participants also receive cost-share assistance for establishing conservation practices on the reserve acreage and additional incentive payments for adopting high-priority conservation measures. CCC estimates that the future liability for CRP rental payments through FY 2017 will average $1.8 billion annually. This estimate is based on current program levels with the assumption that expiring lands are re-enrolled and new lands are enrolled such that enrollment ranges between 30 and 32 million acres between FY 2011 and FY 2017. At September 30, 2010 and 2011, accrued liabilities for CRP totaled approximately $1.7 billion each year.

Leases

As of September 30, 2011, future minimum rental payments required under FSA operating leases for State office space, for which CCC is directly liable, consisted of the following:

Year	(In Millions) Rent Expense
2012	$ 3
2013	3
2014	3
2015	1
2016	1
Total	$ 11

Contingencies

Legal Disputes and Claims

In the normal course of business, CCC becomes involved in various legal disputes and claims. CCC vigorously defends its position in such actions through the Office of the General Counsel (OGC) and the U.S. Department of Justice. CCC's financial statements as of September 30, 2011 included an unfunded contingent liability of $75 million and a funded contingent liability of $25 million for Pigford II claim litigation, a legal case for which a payment has been deemed probable.

A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. CCC has one ongoing case, Prime Time International Company v. Vilsack. A payment for this case has been deemed reasonably possible, and an estimated amount of potential loss is approximately $12 million.

No amounts have been accrued in the financial statements for claims where the amount is uncertain or where the probability of judgment against USDA is remote.

Note 16 – Disclosures Related to the Statement of Net Cost

Earned Revenue

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

Earned revenue for the fiscal years ended September 30 is as follows:

	(In Millions)	
	2011	2010
Intragovernmental Earned Revenue:		
Commodity Inventory Sales	$ 488	$ 788
Interest Income	33	26
Other	211	132
Less: Intra-Agency Eliminations	(488)	(788)
Total Intragovernmental Earned Revenue	$ 244	$ 158
Earned Revenue from the Public		
Commodity Inventory Sales	$ -	$ 43
Interest Income	252	273
Other	37	47
Total Earned Revenue from the Public	$ 289	$ 363
Total Earned Revenue	$ 533	$ 521

Intragovernmental commodity inventory sales decreased to $488 in FY 2011 from $788 million in FY 2010. This decrease is primarily due to export purchases. Beginning in April 2011, purchases made through Web Based Supply Management System was paid directly out of the export fund. Therefore, the balance did not include a full year of activity.

CCC's strategic goals are as follows:

- Supporting productive farms and ranches
- Supporting secure and affordable food and fiber
- Conserving natural resources and enhancing the environment
- Supporting international economic development and trade capacity building

Under supporting productive farms and ranches, program areas include Income Support and Disaster Assistance. CCC provides financial assistance in the form of flexible payments and short term financing to stabilize, to support, and to protect farm income and prices due to the fluctuation of commodity market prices or income support due to damage caused by natural disaster. Commodity Loans, Tobacco Transition Payment Program, Disaster Assistance,

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

Milk Income Loss Payments, Price Support, and Direct and Counter-Cyclical programs comprise major program activity.

Under supporting secure and affordable food and fiber, program areas include Commodity Operations, Dairy Price Support, and Food Security Reserve. Of these, CCC's Dairy Price Support and Food Security Reserve programs protect the nation's agriculture and food supply through a uniform regulatory system for the storage of agricultural products and ensure the timely provision of food products procured for domestic and international food assistance programs and market development programs.

Under conserving natural resources and enhancing the environment, the Conservation Reserve Program safeguards natural resources by paying farmers to take environmentally sensitive crop land out of production and plant long-term resource-conserving covers (such as grasses and trees). These covers improve the quality of water and air, control soil erosion, and enhance wildlife habitat.

Under supporting international economic development and trade capacity building, program areas include Export Credit, Market Expansion, and Trade Building. FAS and CCC form cooperative agreements with other nonprofit agricultural trade commodity groups to encourage development, maintenance and expansion of commercial export markets for agricultural commodities. Major programs include Food Aid, Foreign Market Development and Export Credit Guarantee.

Refer to the Management Discussion and Analysis, Performance Section for additional information on the CCC's alignment of its strategic goals to the USDA Performance and Accountability Report Goals.

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

Net cost of operations for the fiscal year ended September 30, 2011 (In Millions) is as follows:

	Commodity Operations	Income Support and Disaster Programs	Conservation Programs	Foreign Programs	Intra-entity Eliminations	Total
Supporting Productive Farms and Ranches						
Intragovernment Cost	$ 62	$ 926	$ -	$ -	$ -	$ 988
Public Cost	17	5,244	-	-	-	5,261
Total Cost	$ 79	$ 6,170	$ -	$ -	$ -	$ 6,249
Intragovernment Earned Revenue	$ -	$ -	$ -	$ -	$ -	$ -
Public Earned Revenue	-	105	-	-	-	105
Total Earned Revenue	$ -	$ 105	$ -	$ -	$ -	$ 105
Supporting Secure and Affordable Food and Fiber						
Intragovernment Cost	$ 271	$ 30	$ -	$ -	$ -	$ 301
Public Cost	36	(11)	-	-	-	25
Total Cost	$ 307	$ 19	$ -	$ -	$ -	$ 326
Intragovernment Earned Revenue	$ -	$ 14	$ -	$ -	$ -	$ 14
Public Earned Revenue	-	16	-	-	-	16
Total Earned Revenue	$ -	$ 30	$ -	$ -	$ -	$ 30
Conserving Natural Resources and Enhancing the Environment						
Intragovernment Cost	$ -	$ -	$ 467	$ -	$ -	$ 467
Public Cost	-	-	1,907	-	-	1,907
Total Cost	$ -	$ -	$ 2,374	$ -	$ -	$ 2,374
Intragovernment Earned Revenue	$ -	$ -	$ 40	$ -	$ -	$ 40
Public Earned Revenue	-	-	-	-	-	-
Total Earned Revenue	$ -	$ -	$ 40	$ -	$ -	$ 40
Support International Economic Development and Trade Capacity Buildings						
Intragovernment Cost	$ -	$ -	$ -	$ 1,111	$ (17)	$ 1,094
Public Cost	-	-	$ -	1,800	-	1,800
Total Cost	$ -	$ -	$ -	$ 2,911	$ (17)	$ 2,894
Intragovernment Earned Revenue	$ -	$ -	-	$ 679	$ (488)	$ 191
Public Earned Revenue	-	-	$ -	167	-	167
Total Earned Revenue	$ -	$ -	- -	$ 846	$ (488)	$ 358
Total Gross Cost	**$ 386**	**$ 6,189**	**$ 2,374**	**$ 2,911**	**$ (17)**	**$ 11,843**
Less: Total Earned Revenue	**-**	**135**	**40**	**846**	**(488)**	**533**
Net Cost of Operations	**$ 386**	**$ 6,054**	**$ 2,334**	**$ 2,065**	**$ 471**	**$ 11,310**

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

Net cost of operations for the fiscal year ended September 30, 2010 (In Millions) is as follows:

	Commodity Operations	Income Support and Disaster Programs	Conservation Programs	Foreign Programs	Intra-entity Eliminations	Total
Supporting Productive Farms and Ranches						
Intragovernment Cost	$ 49	$ 909	$ -	$ -	$ -	$ 958
Public Cost	(1,138)	6,321	-	-	-	5,183
Total Cost	$ (1,089)	$ 7,230	$ -	$ -	$ -	$ 6,141
Intragovernment Earned Revenue	$ -	$ (1)	$ -	$ -	$ -	$ (1)
Public Earned Revenue		160	-	-	-	160
Total Earned Revenue	$ -	$ 159	$ -	$ -	$ -	$ 159
Supporting Secure and Affordable Food and Fiber						
Intragovernment Cost	$ 91	$ 28	$ -	$ -	$ -	$ 119
Public Cost	173	(13)	-	-	-	160
Total Cost	$ 264	$ 15	$ -	$ -	$ -	$ 279
Intragovernment Earned Revenue	$ 8	$ 13	$ -	$ -	$ -	$ 21
Public Earned Revenue	-	15	-	-	-	15
Total Earned Revenue	$ 8	$ 28	$ -	$ -	$ -	$ 36
Conserving Natural Resources and Enhancing the Environment						
Intragovernment Cost	$ -	$ -	$ 415	$ -	$ -	$ 415
Public Cost	-	-	2,011	-	-	2,011
Total Cost	$ -	$ -	$ 2,426	$ -	$ -	$ 2,426
Intragovernment Earned Revenue	$ -	$ -	$ -	$ -	$ -	$ -
Public Earned Revenue	-	-	1	-	-	1
Total Earned Revenue	$ -	$ -	$ 1	$ -	$ -	$ 1
Support International Economic Development and Trade Capacity Buildings						
Intragovernment Cost	$ -	$ -	$ -	$ 948	$ (788)	$ 160
Public Cost	-	-	$ -	2,566	-	2,566
Total Cost	$ -	$ -	$ -	$ 3,514	$ (788)	$ 2,726
Intragovernment Earned Revenue	$ -	$ -	-	$ 925	$ (788)	$ 137
Public Earned Revenue	-	-	$ -	188	-	188
Total Earned Revenue	$ -	$ -	- -	$ 1,113	$ (788)	$ 325
Total Gross Cost	**$ (825)**	**$ 7,245**	**$ 2,426**	**$ 3,514**	**$ (788)**	**$ 11,572**
Less: Total Earned Revenue	**$ 8**	**$ 187**	**$ 1**	**$ 1,113**	**$ (788)**	**521**
Net Cost of Operations	**$ (833)**	**$ 7,058**	**$ 2,425**	**$ 2,401**	**$ -**	**$ 11,051**

Note 17 – Disclosures Related to the Statement of Budgetary Resources

The SBR is a combined statement, and as such, intra-agency transactions have not been eliminated.

For the fiscal year ended September 30, 2011, there were no obligations incurred under apportionment category A, which is funded on a quarterly basis, while obligations incurred under apportionment category B, which are funded annually, consist of $3.8 billion direct obligations and $20.2 billion reimbursable obligations.

For the fiscal year ended September 30, 2010, there were no obligations incurred under apportionment category A, which is funded on a quarterly basis, while obligations incurred under apportionment category B, which are funded annually, consist of $4.4 billion direct obligations and $22.4 billion reimbursable obligations.

The majority of the amounts reported as permanently not available represent redemption of debt or the amount of principal repayments paid to the Treasury on CCC's outstanding borrowings. The remaining balance represents rescissions of budgetary authority. The amounts were $36.1 billion and $42.0 billion for the fiscal years ended September 30, 2011 and 2010, respectively.

CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11, Preparation, Submission, and Execution of the Budget. An indefinite permanent borrowing authority becomes available pursuant to standing provisions of law without further appropriations actions by Congress after the transmittal of the budget for the year involved. CCC's authority is established annually to record the obligations of CCC; apportionment documents received for some of CCC's specific programs provide spending limitations within the borrowing authority and are subject to the Anti-Deficiency Act. The borrowing authority provides that all obligations are reported, even though subsequent appropriations or offsetting collections will ultimately be used to liquidate the obligations of the corporation. The Circular A-11 permits the Corporation to incur obligations which can exceed the $30 billion ceiling and authorizes CCC to borrow funds to liquidate the obligations. An indefinite borrowing authority ceiling limits the amount of moneys derived from borrowing from Treasury to liquidate the obligations incurred.

Per the CCC Charter Act, 15 U.S.C. 714, the Corporation’s borrowing authority is made up of both interest and non-interest bearing notes. These notes are drawn upon on a daily basis when disbursements exceed deposits, as reported by the Federal Reserve Banks (FRBs), their branches, 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 obligations in an aggregate amount not to exceed $30 billion. CCC’s notes payable under its permanent indefinite borrowing authority have a term of one year. On January 1 of each year, CCC refinances its outstanding borrowings, including accrued interest, at the January borrowing rate. Refer to Note 10, Debt to the Treasury, for additional information. The amount of available borrowing authority for the fiscal year ended September 30, 2011 is $8.1 billion.
CCC receives an annual appropriation to fund subsidy costs incurred. In addition, CCC has permanent indefinite appropriation authority to finance disbursements made under the liquidating accounts related to the pre-Credit Reform program activities, which are not covered by available working capital.

Undelivered orders, either unpaid or prepaid, are obligations, purchase orders, or contracts awarded for which goods or services have not yet been received. The amounts for undelivered orders are $3.6 billion and $3.2 billion for the fiscal years ended September 30, 2011 and 2010, respectively.

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

No contributed capital was received during the reporting periods.

Note 17 – Disclosures Related to the Statement of Budgetary Resources, Continued

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act. CCC does not have obligations from canceled appropriations.

The SF-133, Report on Budget Execution, 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 2013* are not available for FY 2011, the reconciliation between the President's Budget and the SBR for FY 2011 cannot be performed. The *Budget of the United States Government, Fiscal Year 2013* is expected to be published in February 2012 and will be available on the website of the Office of Management and Budget (www.whitehouse.gov/omb) at that time. The SF-133 and the SBR for FY 2011 will be reconciled to the FY 2011 actuals on the P&F Schedules reported in the *Budget of the United States Government, Fiscal Year 2013*, once released.

The SF-133 and the SBR for FY 2010 have been reconciled to the FY 2010 actuals on the P&F Schedules presented in the *Budget of the United States Government, Fiscal Year 2012*. While Net Outlays reconcile between the P&F Schedules and the SF-133, Gross Outlays and Offsetting Collections show variances due to reporting differences related to advances from the Agricultural Marketing Service (AMS) and Food and Nutrition Service (FNS) by Treasury. Currently, both AMS and FNS have agreed to change their reporting practices in order to reconcile at Gross Outlays and Offsetting Collections.

A table presenting this comparison appears on the following page.

Note 17 – Disclosures Related to the Statement of Budgetary Resources, Continued

The comparison of selected line items of the FY 2010 SBR to the actual on the FY 2010 P&F Schedules presented in the *Budget of the United States Government, Fiscal Year 2012 is* as follows.

SBR Line Ref	P&F Line No.	SBR Line Description	SBR Amount (Ref. Tab B)	P&F Amount (Ref. Tab A, pg 2/2)	Difference	Portion of Difference Resulting from Reporting Requirements	Note
1	1000	Unobligated Balance - Beginning of Year	2,991	2,990	1		
2	1021	Recoveries of Prior Year Obligations	1,366	1,474	(108)		b
3A	1100/1160/1200/1202	Appropriations Received	18,014	18,019	(5)		d
3B	1400	Authority to Borrow	40,263	31,102	9,161	7,107	a, c
3D1a/3D2a/3D5	1700/1800	Offsetting Collections - Collected	13,115	13,112	3		
3D1b/3D2b	1801	Offsetting Collections - Receivable	(6)	(5)	(1)		
4	1200/1201/1236	Budgetary Resources/Unobligated Balance - Net Transfers	(3,617)	(3,618)	1		
6	1023/1236/1421/1825	Permanently not Available	(41,934)	(34,827)	(7,107)	(7,107)	a
7 or 11	1930	Total Budgetary Resources/Status of Budgetary Resources	30,192	28,247	1,945		b, c, d
8	3030	Total New Obligations	(26,793)	(24,850)	(1,943)		b, c
9/10	1941	Unobligated Balance - End of Year	(3,399)	(3,392)	(7)		
12	3000	Obligated Balance - Beginning of Year	(9,291)	(9,273)	(18)		b, d
13	3030	Obligations Incurred	(26,793)	(24,845)	(1,948)		b, c, d
14	3040	Gross Outlays	(24,996)	(24,992)	(4)		
16	3080	Recoveries of Prior Year Obligations	1,366	1,473	(107)		b
17	3050	Change in Uncollected Customer Payments from Federal Sources	(6)	(5)	(1)		
18	3090/3091/3100	Obligated Balance - End of Year	(9,728)	(9,707)	(21)		b, d
19A/19B	4190	Outlays	(11,881)	(11,877)	(4)		d

NOTES:

General Any difference that is not otherwise specified is a result of rounding.

a. The variance in the Revolving Fund, fund 12X4336, and the Farm Storage Facility and Sugar Storage Facility Loans Financing Fund, fund 12X4158, on Line 3B, Budget Authority: Borrowing Authority, is due to the differences between the Program and Finance (P&F) and Statement of Budgetary Resources (SBR) crosswalks. The P&F crosswalk records standard general ledger (SGL) account 4143, Decreases to Indefinite Borrowing Authority, in Line 3B Borrowing Authority. However, the SBR crosswalk reports SGL account 4143 to Line 6, Permanently not Available. The variance is offset in SBR Line 6.

b. CCC is the Parent and USAID is the Child for Treasury symbols (72)12X2278, P.L. 480 Title II Grants, and (72)12X4336, Bill Emerson Humanitarian Trust. CCC closes its books in the first week of the following month while USAID continues processing activity until the third week of the following month. As a result, the reconciling amounts reflect timing differences related to activity posted by USAID after CCC has closed its books for the reporting period.

c. The variance reflects prior period corrective entries identified by CCC and OMB for Tobacco Transition Payment Program and Conservation Reserve Program of the Revolving Fund, 12X4336.

d. The variance reflects activity for the Hazardous Waste Fund, fund 12X0500, that is reported by CCC on the Statement of Budgetary Resources. This fund is reported at the Department level, in the Budget of the U.S. Government and therefore is not presented by the Agency.

Note 18 – Disclosures Not Related to a Specific Statement

Transactions with Related Organizations

CCC maintains deposit and trust liabilities for Agricultural Marketing Service (AMS), Foreign Agricultural Service (FAS), Food and Nutrition Service (FNS), and the National Resources Conservation Service (NRCS). Refer to Note 11, Deposit and Trust Liabilities, for additional information. In addition, CCC has the following transactions with USDA agencies:

For the fiscal years ended September 30, 2011 and 2010, outlays under reimbursable agreements with other USDA agencies amounted to $40 million and $29 million, respectively.

For the fiscal years ended September 30, 2011 and 2010, CCC received $0 and $19 million, respectively, from FSA for the allocation of internal software development costs, which are capitalized. Currently, CCC reimburses FSA for the costs incurred in the development of software used to administer agriculture programs. Refer to Note 1, under General Property and Equipment, for additional information.

CCC donates commodities for use under domestic feeding programs administered by FNS. The value of commodities donated for these domestic purposes, including related transportation and storage costs for the fiscal years ended September 30, 2011 and 2010 were $31 million and $159 million, respectively.

For each fiscal year ended September 30, 2011 and 2010, CCC transferred $21 million, respectively, to FNS for the Senior's Farmers Market Nutrition Program. CCC transferred $227 million in FY 2011 to the Animal and Plant Health Inspection Service for bovine tuberculosis, light brown apple moth outbreak, and potato cyst nematode eradication programs. In addition, CCC transferred $1 million to the Office of the CFO for bio-diesel fuel education and bio-based products, and $67 million to AMS for commodity assistance program and marketing service. Also in FY 2011, CCC transferred $119 million to Cooperative State Research, Education, and Extension Service (CSREES) for the national agricultural higher education, research, and extension system which are designed to address national problems and needs related to agriculture, the environment, human health and well being, and communities.

For the fiscal years ended September 30, 2011 and 2010, CCC disbursed a total of $3.1 billion and $2.9 billion, respectively, on behalf of NRCS for various conservation programs and technical assistance. In addition, for the fiscal year ended September 30, 2011, CCC disbursed $99 million to NRCS for CRP technical assistance. These programs included Wetland Reserve Program, Environmental Quality Incentive Program (EQIP), Farm and Ranch Lands Protection Program (FRPP), Wildlife Habitat Incentives Program, Ground and Surface Water Conservation Program, Grassland Reserve Program (GRP), and the Conservation Security Program. NRCS is responsible for the administration of these programs. For GRP, NRCS has entered into a memorandum of understanding with CCC to disburse funds using the services and facilities of CCC. It should be noted that although NRCS has been receiving funding for the EQIP since FY 2003, CCC continues to receive separate funding for the FY 2002 and earlier program years. Also in FY 2011, CCC transferred $26 million to other USDA agencies including Farm Service Agency (FSA) and Risk Management Agency.

CCC also transferred funds to USAID to fund P.L. 480 Title II transportation and other administrative costs in connection with foreign donations. Refer to Note 1 under Allocation Transfers and Shared Appropriations for further information.

Note 18 – Disclosures Not Related to a Specific Statement, Continued

Custodial Activity

CCC's custodial activities involve the collection and transfer of funds received from the public on behalf of U.S. Treasury, FSA, and other USDA agencies. These collections include amounts related to FSA's Farm Loan Program, as well as other interest, fees, and penalties due to Treasury and other USDA agencies.

Custodial activities for the Fiscal Year ended September 30 are as follows:

	(In Millions)	
	2011	2010
Revenue Activity:		
Sources of Cash Collections:		
Repayment of Farm Credit Loans	$ 1,639	$ 1,360
Administrative and Other Service Fees	187	61
Total Cash Collections	$ 1,826	$ 1,421
Total Custodial Revenue	$ 1,826	$ 1,421
Disposition of Collections:		
Transfers to Others:		
USDA Farm Service Agency	$ 1,648	$ 1,387
Other USDA Agencies	146	32
Department of Treasury	25	2
Total Disposition of Collections	$ 1,819	$ 1,421
Increase/Decrease in Amounts Yet to be Transferred (+/-)	(7)	-
Net Custodial Activity	$ -	$ -

Note 19 – Reconciliation of Net Cost of Operations to Budget

Budgetary and proprietary accounting information are inherently different because of the types of information and the timing of their recognition. The Reconciliation of Net Cost of Operations to Budget provides a link between budgetary and proprietary accounting information. It serves not only to explain how information on net obligations relates to the net cost of operations but also to assure integrity between budgetary and proprietary accounting.

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

Note 19 – Reconciliation of Net Cost of Operations to Budget, Continued

The Reconciliation of Net Cost of Operations to Budget for the fiscal year ended September 30, 2011 is as follows:

	(In Millions) 2011	(In Millions) 2010
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 24,065	$ 26,793
Less: Spending Authority from Offsetting Collections and Recoveries	13,455	14,475
Obligations Net of Offsetting Collections and Recoveries	$ 10,610	$ 12,318
Less: Offsetting Receipts	225	576
Net Obligations	$ 10,385	$ 11,742
Other Resources:		
Transfers In/Out without Reimbursement, Net	$ (3)	$ 18
Imputed Financing from Costs Absorbed by Others	1,417	1,378
Other	(109)	(262)
Net Other Resources Used to Finance Activities	$ 1,305	$ 1,134
Total Resources Used to Finance Activities	**$ 11,690**	**$ 12,876**
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided	$ (483)	$ 950
Resources that Fund Expenses Recognized in Prior Periods	(1,263)	(2,434)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowances for Subsidy	776	723
Change in Unfilled Customer Orders	1,583	318
Decrease in Exchange Receivables from the Public	7,367	6,708
Other	175	117
Resources that Finance the Acquisition of Assets	(5,635)	(8,288)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(3,584)	862
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**$ (1,064)**	**$ (1,044)**
Total Resources Used to Finance the Net Cost of Operations	**$ 10,626**	**$ 11,832**
Total Resources Used to Fund Items Not Part of the Net Cost of Operations		
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Upward/(Downward) Reestimates of Credit Subsidy Expense	$ 106	$ 173
(Increase) in Exchange Revenue Receivable from the Public	(37)	(68)
Other	(896)	(1,174)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	$ (827)	$ (1,069)
Components not Requiring or Generating Resources:		
Depreciation and Amortization	(30)	1
Revaluation of Assets or Liabilities	4	18
Other Components not Requiring or Generating Resources:		
Bad Debt Expense	533	137
Cost of Goods Sold	488	835
Other	516	(703)
Total Components of Net Cost of Operations that will not Require or Generate Resources	$ 1,511	$ 288
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	**$ 684**	**$ (781)**
Net Cost of Operations	**$ 11,310**	**$ 11,051**

Required Supplementary Information (Unaudited)

Schedule 1
Required Supplementary Information (Unaudited)

Supporting Schedule to the Combined Statements of Budgetary Resources - Budgetary Accounts

For the Fiscal Year Ended September 30, 2011 (in Millions)

	12X4336	12X2278	12X8161	(72)12X2278	12X1336	Other	Total Budgetary
BUDGETARY RESOURCES:							
Unobligated balance, brought forward, October 1:	$ 1,623	$ 260	$ -	$ 1	$ 332	$ 72	$ 2,288
Recoveries of prior year unpaid obligations	561	-	-	222	-	45	828
Budget authority:							
Appropriation	-	1,500	932	-	144	15,157	17,733
Borrowing authority (Note 17)	30,969	-	-	-	-	-	30,969
Spending authority from offsetting collections:							
Earned:							
Collected	10,831	94	-	-	-	398	11,323
Change in receivables from Federal sources	(138)	(55)	-	-	-	-	(193)
Change in unfilled customer orders:							
Advance received	(42)	-	-	-	-	-	(42)
Without advance from Federal sources	-	-	-	-	-	-	-
Previously unavailable							
Expenditure transfers from trust funds	932	-	-	-	-	-	932
Subtotal	$ 42,552	$ 1,539	$ 932	$ -	$ 144	$ 15,555	$ 60,722
Nonexpenditure transfers, net, actual	11,528	(889)	-	889	-	(15,116)	(3,588)
Permanently not available	(34,420)	(3)	-	-	(331)	(395)	(35,149)
Total Budgetary Resources	**$ 21,844**	**$ 907**	**$ 932**	**$ 1,112**	**$ 145**	**$ 161**	**$ 25,101**
STATUS OF BUDGETARY RESOURCES:							
Obligations incurred:							
Direct	$ -	$ 780	$ 932	$ 1,046	$ 125	$ 104	$ 2,987
Reimbursable	20,244	-	-	-	-	-	20,244
Subtotal	$ 20,244	$ 780	$ 932	$ 1,046	$ 125	$ 104	$ 23,231
Unobligated balance:							
Apportioned	$ -	$ 107	$ -	$ 66	$ 19	$ 334	$ 526
Exempt from apportionment	1,132	-	-	-	-	4	1,136
Subtotal	$ 1,132	$ 107	$ -	$ 66	$ 19	$ 338	$ 1,662
Unobligated balance not available	468	20	-	-	1	(281)	208
Total Status of Budgetary Resources	**$ 21,844**	**$ 907**	**$ 932**	**$ 1,112**	**$ 145**	**$ 161**	**$ 25,101**

Schedule 1
Supporting Schedule to the Combined Statements of Budgetary Resources - Budgetary Accounts

For the Fiscal Year Ended September 30, 2011 (in Millions)

	12X4336	12X2278	12X8161	(72)12X2278	12X1336	Other	Total Budgetary
CHANGE IN OBLIGATED BALANCE:							
Obligated balance, net							
Unpaid obligations, brought forward, October 1	$ 8,052	$ 153	$ -	$ 1,220	$ -	$ 469	$ 9,894
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(171)	(75)	-	-	-	-	(246)
Total unpaid obligated balance, net	$ 7,881	$ 78	$ -	$ 1,220	$ -	$ 469	$ 9,648
Obligations incurred, net	20,244	780	932	1,046	125	104	23,231
Less: Gross outlays	(19,365)	(660)	(932)	(797)	(125)	(494)	(22,373)
Obligated balance transferred, net							
Actual transfers, unpaid obligations	-	-	-	-	-	-	-
Actual transfers, uncollected customer payments from Federal sources	-	-	-	-	-	-	-
Total unpaid obligated balance transferred, net	-	-	-	-	-	-	-
Less: Recoveries of prior year unpaid obligations, actual	(561)	-	-	(222)	-	(45)	(828)
Change in uncollected customer payments from Federal sources	138	55	-	-	-	-	193
Total Change in Obligated Balance, net	**$ 8,337**	**$ 253**	**$ -**	**$ 1,247**	**$ -**	**$ 34**	**$ 9,871**
Obligated balance, net, end of period:							
Unpaid obligations	$ 8,369	$ 273	$ -	$ 1,247	$ -	$ 35	$ 9,924
Less: Uncollected customer payments from Federal sources	(32)	(20)	-	-	-	(1)	(53)
Total, unpaid obligated balance, net, end of period	**$ 8,337**	**$ 253**	**$ -**	**$ 1,247**	**$ -**	**$ 34**	**$ 9,871**
NET OUTLAYS:							
Gross outlays	$ 19,366	$ 659	$ 932	$ 797	$ 125	$ 494	$ 22,373
Offsetting collections	(11,721)	(94)	-	-	-	(398)	(12,213)
Less: Distributed Offsetting receipts	-	-	-	-	-	-	-
Net Outlays	**$ 7,645**	**$ 565**	**$ 932**	**$ 797**	**$ 125**	**$ 96**	**$ 10,160**

The accompanying notes are an integral part of these statements.

Schedule 1
Required Supplementary Information (Unaudited)

Supporting Schedule to the Combined Statements of Budgetary Resources - Non-Budgetary Credit Program Financing Accounts

For the Fiscal Year Ended September 30, 2011 (in Millions)

	12X4049	12X4337	12X4158	Other	Total Non-Budgetary
BUDGETARY RESOURCES:					
Unobligated balance, brought forward, October 1:	$ 634	$ 292	$ 86	$ 99	$ 1,111
Recoveries of prior year unpaid obligations	-	1	37	-	38
Budget authority:					
Appropriation	-	-	-	-	-
Borrowing authority (Note 17)	1	371	369	2	743
Spending authority from offsetting collections:					
Earned:					
Collected	161	221	168	19	569
Change in receivables from Federal sources	-	-	-	-	-
Change in unfilled customer orders:					
Advance received	-	-	-	-	-
Without advance from Federal sources	-	-	-	-	-
Previously unavailable					
Expenditure transfers from trust funds	-	-	-	-	-
Subtotal	$ 162	$ 592	$ 537	$ 21	$ 1,312
Nonexpenditure transfers, net, actual	-	-	-	-	-
Temporarily not available pursuant to Public Law					
Permanently not available	(555)	(171)	(225)	(19)	(970)
Total Budgetary Resources	**$ 241**	**$ 714**	**$ 435**	**$ 101**	**$ 1,491**
STATUS OF BUDGETARY RESOURCES:					
Obligations incurred:					
Direct	$ 76	$ 439	$ 312	$ 7	$ 834
Reimbursable	-	-	-	-	-
Subtotal	$ 76	$ 439	$ 312	$ 7	$ 834
Unobligated balance:					
Apportioned	$ 153	$ 323	$ 34	$ 27	$ 537
Exempt from apportionment	-	9	-	-	9
Subtotal	$ 153	$ 332	$ 34	$ 27	$ 546
Unobligated balance not available	12	(57)	89	67	111
Total Status of Budgetary Resources	**$ 241**	**$ 714**	**$ 435**	**$ 101**	**$ 1,491**

Schedule 1

Supporting Schedule to the Combined Statements of Budgetary Resources - Non-Budgetary Credit Program Financing Accounts

For the Fiscal Year Ended September 30, 2011 (in Millions)

	12X4049	12X4337	12X4158	Other	Total Non-Budgetary
CHANGE IN OBLIGATED BALANCE:					
Obligated balance, net					
Unpaid obligations, brought forward, October 1	$ -	$ 12	$ 226	$ -	$ 238
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(43)	(115)	(1)	1	(158)
Total unpaid obligated balance, net	$ (43)	$ (103)	$ 225	$ 1	$ 80
Obligations incurred, net	76	439	312	7	834
Less: Gross outlays	(76)	(433)	(307)	(7)	(823)
Obligated balance transferred, net					
Actual transfers, unpaid obligations	-	-	-	-	-
Actual transfers, uncollected customer payments from Federal sources	-	-	-	-	-
Total unpaid obligated balance transferred, net	-	-	-	-	-
Less: Recoveries of prior year unpaid obligations, actual	1	(2)	(37)	-	(38)
Change in uncollected customer payments from Federal sources	-	-	-	-	-
Total Change in Obligated Balance, net	**$ (42)**	**$ (99)**	**$ 193**	**$ 1**	**$ 53**
Obligated balance, net, end of period:					
Unpaid obligations	$ -	$ 18	$ 192	$ -	$ 210
Less: Uncollected customer payments from Federal sources	(42)	(117)	1	1	(157)
Total, unpaid obligated balance, net, end of period	**$ (42)**	**$ (99)**	**$ 193**	**$ 1**	**$ 53**
NET OUTLAYS:					
Gross outlays	$ 76	$ 433	$ 307	$ 7	$ 823
Offsetting collections	(161)	(221)	(168)	(19)	(569)
Less: Distributed Offsetting receipts	(11)	(187)	(27)	-	(225)
Net Outlays	**$ (96)**	**$ 25**	**$ 112**	**$ (12)**	**$ 29**

The accompanying notes are an integral part of these statements.

Part IV: Other Accompanying Information (Unaudited)

Schedule 2
Other Accompanying Information (Unaudited)
Change in Inventory by Commodity
For the Fiscal Year Ended September 30, 2011
(Dollars in Thousands)

		Beginning Inventory 10/1/2010		Acquisitions		Cost of Sales a/		Donations		Other Additions, Net c/		Other Dispositions b/		Deductions, Net c/		Ending Inventory September 30, 2011	
	Unit of Measure	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Feed Grains:																	
Barley	Bushels	-	-	19	10	(19)	(10)	-	-	-	-	-	-	-	-	-	-
Corn	Bushels	-	-	1,631	11,193	(1,247)	(8,659)	(384)	(2,535)	-	-	-	-	-	-	-	-
Corn Meal	Pounds	2,165	355	141,812	28,444	(129,633)	(25,780)	(14,343)	(3,018)	-	-	-	-	-	-	-	-
Oats	Bushels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grain Sorghum	Bushels	-	-	9,913	64,511	(7,301)	(45,113)	(1,985)	(14,672)	-	-	-	-	-	-	627	4,725
Sorghum Grits	Pounds	-	-	-	-	-	-	-	-			-	-	-	-	-	-
Total Feed Grains		XXX	355	XXX	104,158	XXX	(79,562)	XXX	(20,225)	XXX	-	XXX	-	XXX	-	XXX	4,725
Wheat	Bushels	-	-	19,301	180,592	(9,494)	(87,413)	(9,804)	(93,167)	(3)	(12)	-	-	-	-	-	-
Wheat Flour	Pounds	33	6	185,797	43,214	(164,465)	(38,486)	(21,364)	(4,734)	-	-	-	-	-	-	-	-
Wheat Products, Other	Pounds	11,879	2,040	82,620	15,766	(79,828)	(14,871)	(27,458)	(5,622)	12,787	2,687	-	-	-	-	-	-
Total Wheat		XXX	2,046	XXX	239,572	XXX	(140,770)	XXX	(103,523)	XXX	2,675	XXX	-	XXX	-	XXX	-
Rice Products:																	
Rice Products	Cwt.	172	4,391	2,210	51,796	(2,059)	(46,061)	(374)	(11,504)	58	1,525	-	-	-	-	7	148
Rice, Rough	Cwt.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rice, Brown	Pounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Rice Products		XXX	4,391	XXX	51,796	XXX	(46,061)	XXX	(11,504)	XXX	1,525	XXX	-	XXX	-	XXX	148
Cotton, Upland	Bales	-	-	-	1	-	-	-	-	-	(1)	-	-	-	-	-	-
Total Cotton		-	-	-	1	-	-	-	-	-	(1)	-	-	-	-	-	-
Dairy Products																	
Butter	Pounds																
Nonfat Dry Milk	Pounds	6,558	6,081	-	12	-	-	(6,295)	(9,469)	(914)	2,235	651	1,141	-	-	-	-
Cheese Mozzarella	Pounds	-	-	2,186	4,613	-	-	(2,186)	(4,613)	-	-	-	-	-	-	-	-
Cheese Regular Price Support	Pounds	-	-	-	-	-	-	(133,200)	(1,117)	133,200	1,117	-	-	-	-	-	-
Cheese Variety	Pounds	-	-	4,192	9,499	-	-	(4,192)	(9,499)	-	-	-	-	-	-	-	-
Infant Formula	Pounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ultra High Temperature Milk	Pounds	-	-	-	-	-	-	(98,676)	(9,540)	98,676	9,540	-	-	-	-	-	-
Total Dairy Products		XXX	6,081	XXX	14,124	XXX	-	XXX	(34,238)	XXX	12,892	XXX	1,141	XXX	-	XXX	-

Schedule 2
Other Accompanying Information (Unaudited)
Change in Inventory by Commodity, Continued
For the Fiscal Year Ended September 30, 2011
(Dollars in Thousands)

	Unit of Measure	Beginning Inventory 10/1/2010		Acquisitions		Cost of Sales a/		Donations		Other Additions, Net c/		Other Dispositions b/		Deductions, Net c/		Ending Inventory September 30, 2011	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Soybean Products	Bushels	-	-	18	315	-	-	(18)	(315)	-	-	-	-	-	-	-	-
Soybean Products	Pounds	-	-	32,149	6,242	(19,849)	(3,903)	(12,300)	(2,339)	-	-	-	-	-	-	-	-
Dry Edible Beans	Cwt.	49	1,834	323	10,767	(273)	(8,736)	(51)	(2,168)	-	-	-	839	-	-	57	2,537
Blended Foods	Pounds	15,609	3,707	99,503	28,813	(59,859)	(16,121)	(39,998)	(11,409)	728	220	-	-	-	-	15,983	5,209
Honey	Pounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Meat	Pounds	-	-	34,127	77,648	-	-	(34,055)	(77,493)	-	-	-	-	-	-	72	155
Pork Bellies	Pounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dry Whole Peas	Cwt.	3	71	2,978	74,406	(1,919)	(46,174)	(815)	(19,908)	4	91	-	-	-	-	250	8,486
Lentils Dry	Cwt.	-	-	174	5,240	(150)	(4,397)	(28)	(989)	4	145	-	-	-	-	-	-
Soybean Salad Oil	Pounds	-	-	55,375	30,887	(6,172)	(2,241)	(49,203)	(28,646)	-	-	-	-	-	-	-	-
Vegetable Oil	Pounds	5,345	3,086	333,103	237,138	(195,865)	(139,667)	(113,008)	(78,986)	3,527	2,858	-	-	-	-	33,102	24,429
Eggs Whole Frozen	Pounds	-	-	5,704	3,384	-	-	(5,704)	(3,384)	-	-	-	-	-	-	-	-
Poultry Cnd Chicken	Pounds	-	-	263	572	-	-	(263)	(572)	-	-	-	-	-	-	-	-
Poultry Frzn Chicken	Pounds	-	-	119,832	78,175	-	-	(119,834)	(78,175)	-	-	2	-	-	-	-	-
Poultry Frzn Turkey	Pounds	-	-	9,476	17,128	-	-	(9,476)	(17,128)	-	-	-	-	-	-	-	-
Veg Cnd Veg Soup	Pounds	-	-	-	-	-	-	(279,000)	(2,534)	279,000	2,534	-	-	-	-	-	-
Veg Cnd Tomatoes-Soup	Pounds	-	-	-	-	-	-	(468,000)	(4,256)	468,000	4,256	-	-	-	-	-	-
Miscellaneous	Cwt.	-	-	-	1,489	-	-	-	(1,361)	-	-	-	-	-	-	-	128
Subtotal		XXX	8,698	XXX	572,204	XXX	(221,239)	XXX	(329,663)	XXX	10,104	XXX	839	XXX	-	XXX	40,944
Total Inventory Operations		XXX	21,570	XXX	981,854	XXX	(487,632)	XXX	(494,714)	XXX	27,194	XXX	1,979	XXX	-	XXX	50,256

Note: Inventories of commodities as shown in this report include commodities committed to sale or otherwise obligated. Due to distinct units of measure, Quantity totals are not tabulated, and are denoted as xxx.
a/ Includes commodities subsequently exported and financed under P.L. 480.
b/ Includes inventory quantity gains under the Export Program, and the losses incurred for conversion, incurred casualties and transit, and shrinkage and spoilage of commodities.
c/ Includes the net of over-deliveries, premiums, under-deliveries and discounts resulting from warehouse operations; the net change in value and quantity of inventory exchanged or in process of exchange; and processing end packaging costs and related quantitative gains and losses in processing operations and items which are footnoted individually.

Summary of Management Assurances[2]

Conformance with Financial Management Systems Requirements (FMFIA § 4)						
Statement of Assurance	Systems do not conform to financial management system requirements					
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial System Functionality	1					1
Unliquidated Obligation (ULO) Certification					1	1
Total Non-conformances	1				1	2

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	No	No
1. System Requirements	No	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	No	
4. Information Security Policies and Procedures	Yes	

[2] This Summary of Management Assurances is as of completion of the Annual Report.

Improper Payment Information Act (IPIA) 2002 Compliance

The Fiscal Year 2011 Improper Payment Information Act (2002) (IPIA) saw several new requirements implemented to enhance the Government's efforts to prevent, detect, and recover improper payments. These requirements are contained in the following:

- IPERA, PL 111-204 dated July 22, 2010
- Presidential Memorandum on Finding and Recapturing Improper Payments dated March 10, 2010
- Office of Management and Budget Memorandum M-11-04 on Increasing Efforts to Recapture Improper Payments by Intensifying and Expanding Payment Recapture Audits dated November 16, 2010

As part of IPIA, the Farm Service Agency (FSA) participated with other Department agencies on a limited basis under the Recovery Auditing Initiative which focused on the identification and collection of procurement contract overpayments. This initiative annually reviewed procurement payments to comply with the requirements of the Recovery Auditing Act.

The new requirements call for the Department to intensify and expand recovery auditing to include all programs and activities with annual outlays greater than $1 million. To meet these requirements, the Secretary has made Payment Recapture/Recovery Auditing a priority initiative for the Department.

As part of the Fiscal Year 2011 IPIA Review Cycle, FSA completed risk assessments on six of the seven programs identified as high risk. The seven high risk programs were Marketing Assistance Loan Program, Loan Deficiency Payments, Milk Income Loss Contract Program, Conservation Reserve Program, Direct and Counter-Cyclical Payments, Noninsured Assistance Program, and Disaster Programs. As a result of continued improved performance, the Marketing Assistance Loan Program was not assessed. Historical Performance Charts are shown below for each of the six programs assessed.

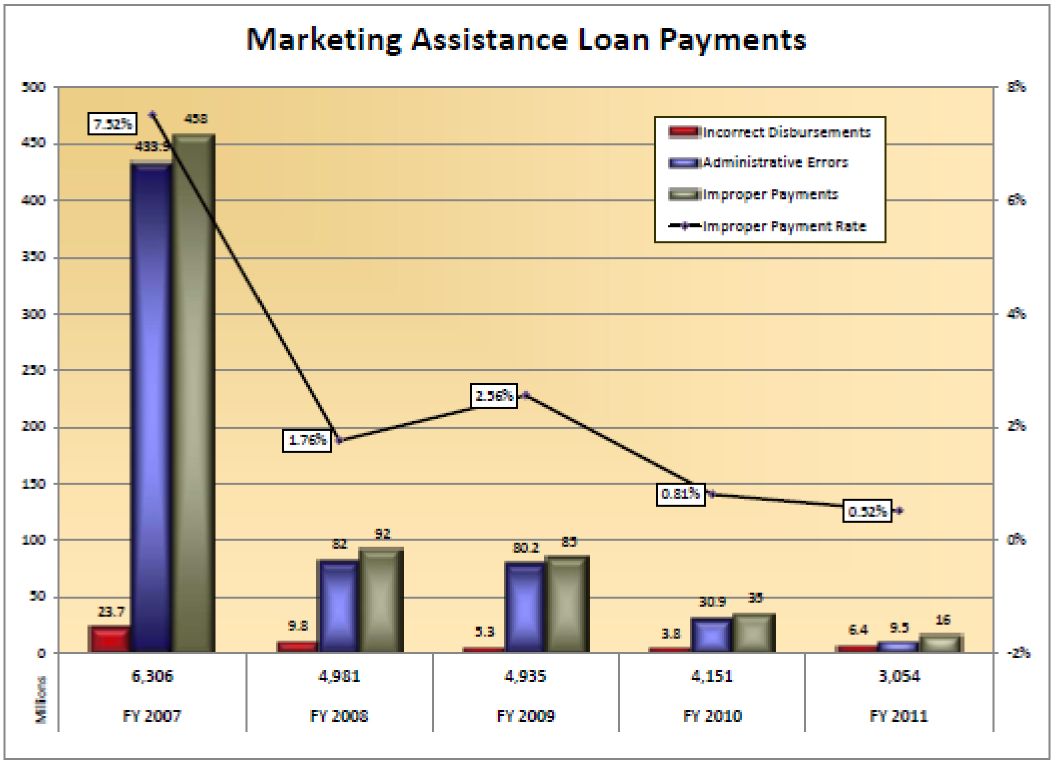
Improper Payment Results

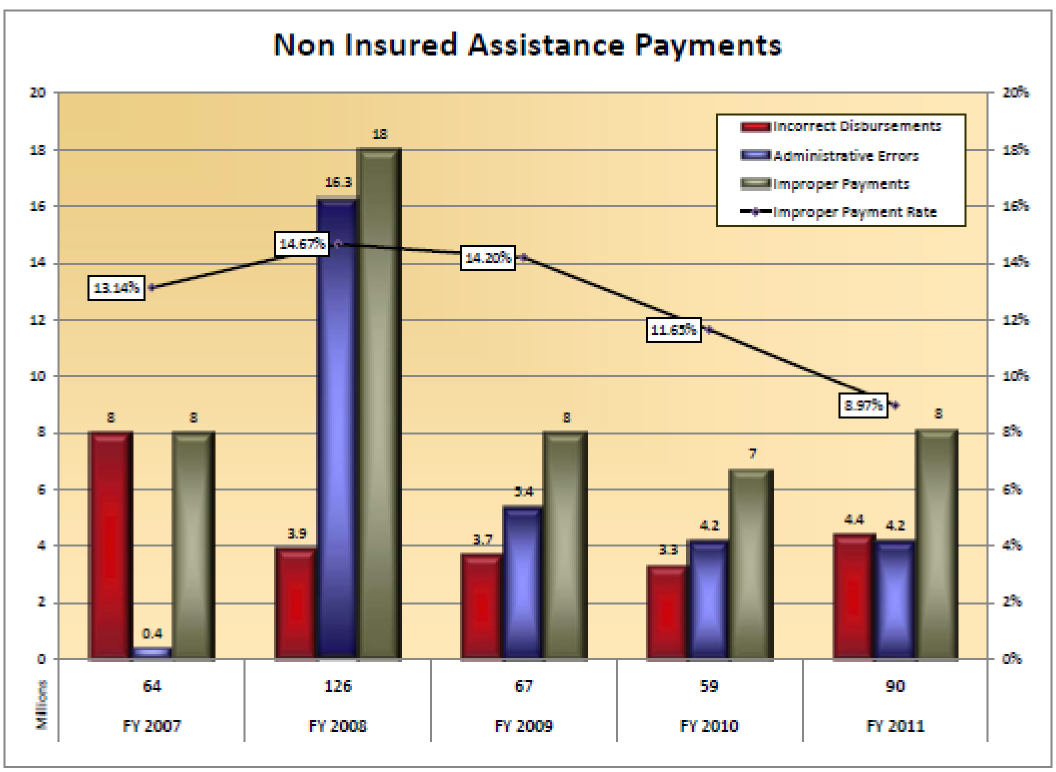
Program	Value of Total Outlays ($ millions)		Improper Payments ($ millions) [1]		Value of Administrative Errors ($ millions)		Value of Incorrect Disbursements ($ millions)		Percent Incorrect Disbursements	
Fiscal Year	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
MAL	$4,151	$3,054	$34.7	$16	$30.9	$10	$3.8	$6	0.09%	0.21%
NAP	$59	$90	$6.7	$8	$4.2	$4	$3.3	$4	5.63%	4.91%
DCP	$5,921	$3,877	$55.6	$2	$12.9	$0	$42.7	$2	0.74%	0.05%
Disaster	$108	$235	$5.1	$7	$1.1	N/A	$4	N/A	3.56%	N/A
CRP	$1,814	$1,605	$23.7	$27	$15	$6.1	$9.2	$20.4	0.47%	1.36%
LDP [2]	$114	N/A	$0.463	N/A	$0	N/A	$0.471	N/A	0.44%	N/A
MILC [3]	$602	N/A	$4.7	N/A	$1	N/A	$3.70	N/A	0.52%	N/A

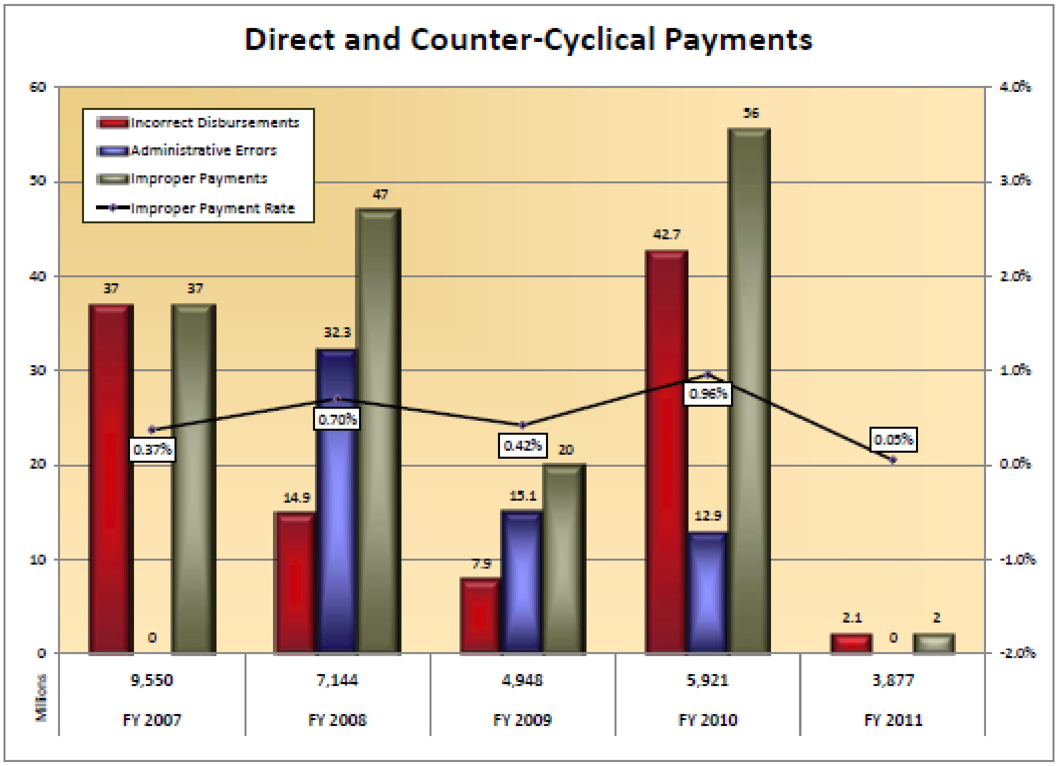
[1] Estimates are individually calculated statistical projections and are not intended to conform to nor validate another estimate using an arithmetical expression. Each point estimate is calculated with respect to its own expansion factors and lies within its own confidence bounds. Because of the sample design complexity, additional calculations are generally necessary to add or combine two distinct statistical estimates.

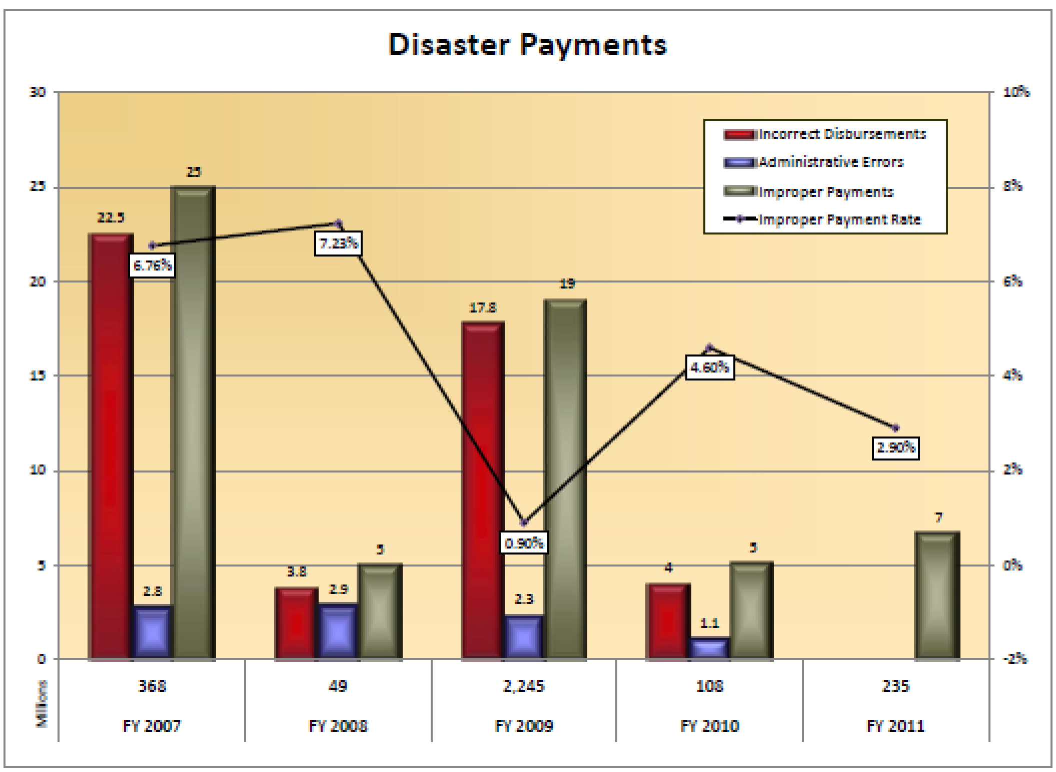
[2] Due to low volume of payment activity and improved past performance, Loan Deficiency Payments were not reviewed as part of the FY 2011 IPIA Review Cycle.

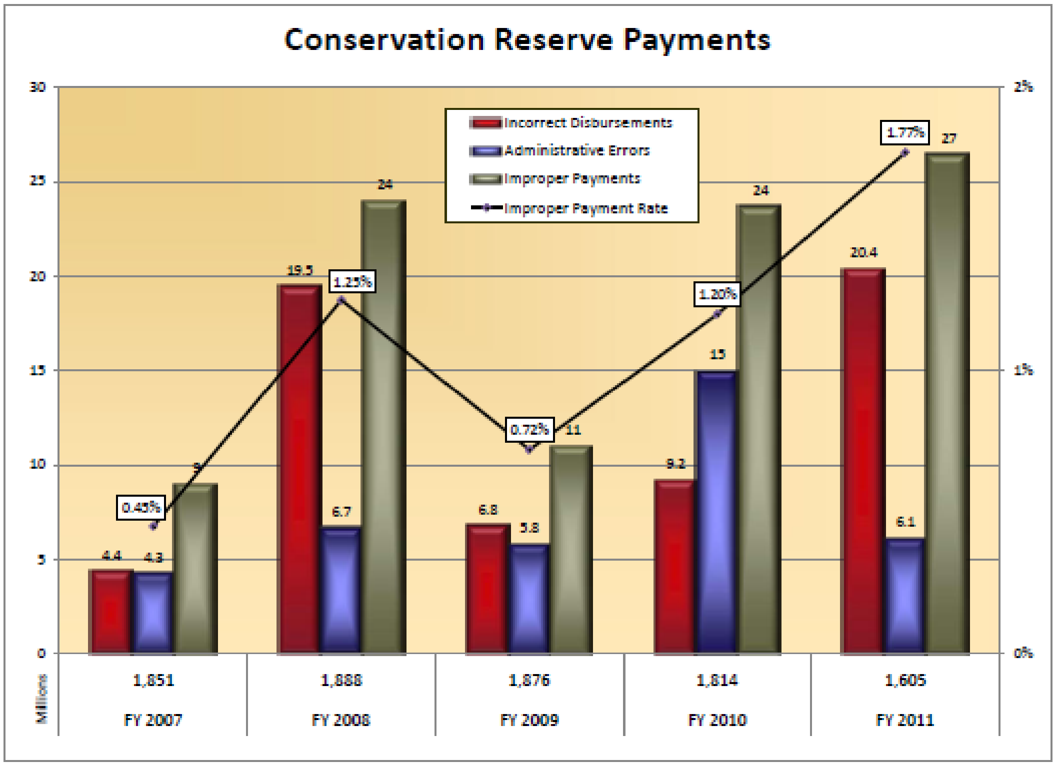
[3] Due to low volume of payment activity and improved past performance, the Milk Income Loss Contract Program was not reviewed as part of the FY 2011 IPIA Review Cycle.

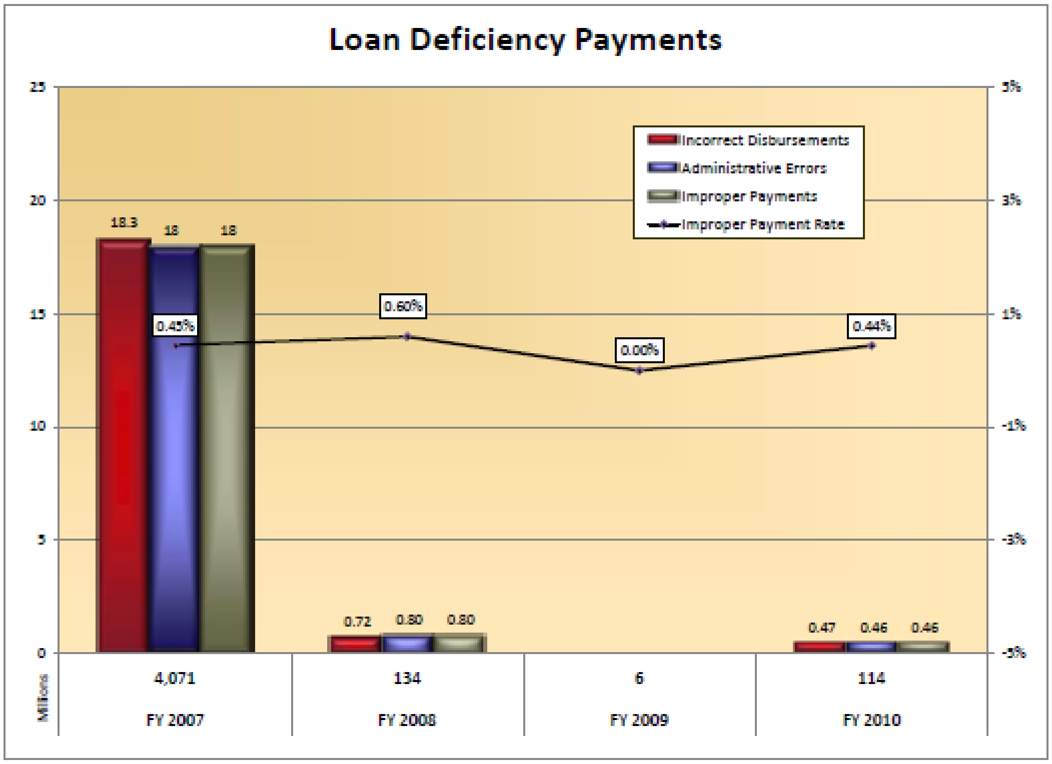

Marketing Assistance Loan Payments
Incorrect Disbursements
Administrative Errors
Improper Payments
Improper Payment Rate
7.52%
433.9
458
23.7
1.76%
82
92
9.8
2.56%
80.2
85
5.3
0.81%
30.9
35
3.8
0.52%
6.4
9.5
16
6,306
FY 2007
4,981
FY 2008
4,935
FY 2009
4,151
FY 2010
3,054
FY 2011
Millions

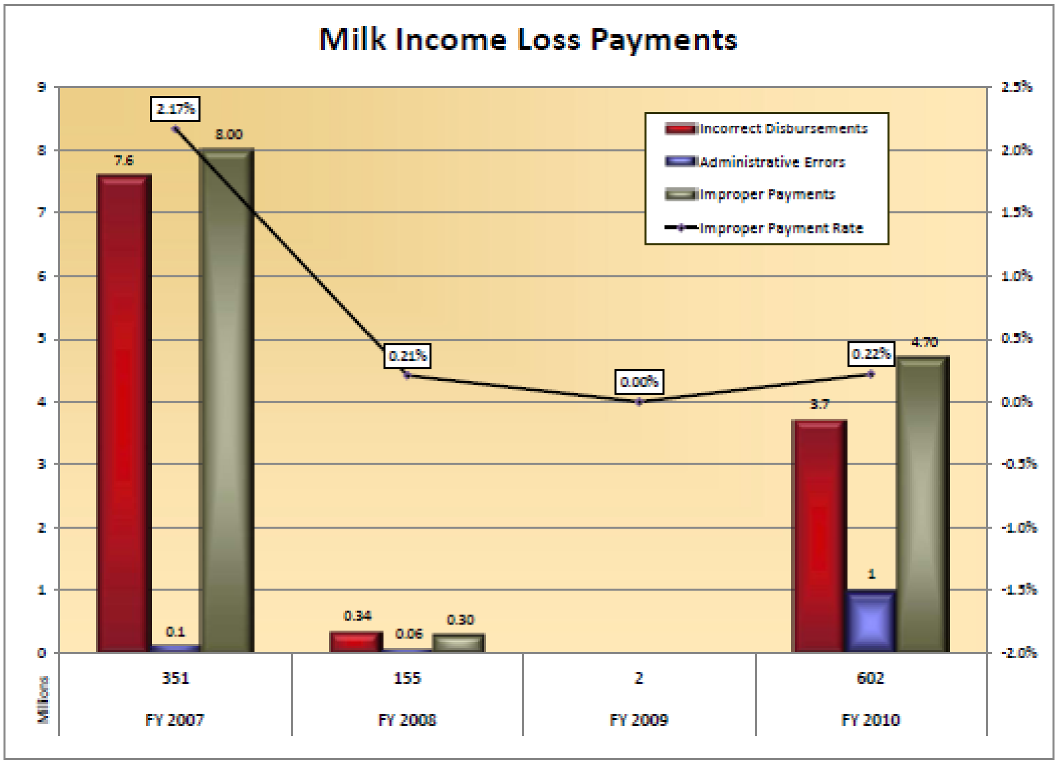

Non Insured Assistance Payments
Incorrect Disbursements
Administrative Errors
Improper Payments
Improper Payment Rate
13.14%
8
0.4
8
14.67%
3.9
16.3
18
14.20%
3.7
5.4
8
11.65%
3.3
4.2
7
8.97%
4.4
4.2
8
64
FY 2007
126
FY 2008
67
FY 2009
59
FY 2010
90
FY 2011
Millions


Direct and Counter-Cyclical Payments
Incorrect Disbursements
Administrative Errors
Improper Payments
Improper Payment Rate
Millions
37
0
37
0.37%
14.9
32.3
47
0.70%
7.9
15.1
20
0.42%
42.7
12.9
56
0.96%
2.1
0
2
0.05%
9,550
FY 2007
7,144
FY 2008
4,948
FY 2009
5,921
FY 2010
3,877
FY 2011


Disaster Payments
Incorrect Disbursements
Administrative Errors
Improper Payments
Improper Payment Rate
Millions
22.5
2.8
25
6.76%
3.8
2.9
5
7.23%
17.8
2.3
19
0.90%
4
1.1
5
4.60%
7
2.90%
368
FY 2007
49
FY 2008
2,245
FY 2009
108
FY 2010
235
FY 2011


Conservation Reserve Payments
Incorrect Disbursements
Administrative Errors
Improper Payments
Improper Payment Rate
30
25
20
15
10
5
0
2%
1%
0%
Millions
4.4
4.3
9
0.45%
19.5
6.7
24
1.25%
6.8
5.8
11
0.72%
9.2
15
24
1.20%
20.4
6.1
27
1.77%
1,851
FY 2007
1,888
FY 2008
1,876
FY 2009
1,814
FY 2010
1,605
FY 2011


Loan Deficiency Payments
Incorrect Disbursements
Administrative Errors
Improper Payments
Improper Payment Rate
25
20
15
10
5
0
5%
3%
1%
-1%
-3%
-5%
Millions
18.3
18
18
0.45%
0.72
0.80
0.80
0.60%
0.00%
0.47
0.46
0.46
0.44%
4,071
FY 2007
134
FY 2008
6
FY 2009
114
FY 2010


Milk Income Loss Payments
Incorrect Disbursements
Administrative Errors
Improper Payments
Improper Payment Rate
Millions
9
8
7
6
5
4
3
2
1
0
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
-1.5%
-2.0%
2.17%
7.6
0.1
8.00
0.21%
0.34
0.06
0.30
0.00%
0.22%
3.7
1
4.70
351
FY 2007
155
FY 2008
2
FY 2009
602
FY 2010

Glossary of Acronyms

Glossary of Acronyms

ADA	Anti-deficiency Act
ADP	Automatic Data Processing
AMS	Agricultural Marketing Service
BEHT	Bill Emerson Humanitarian Trust
BDO	Barter Delivery Obligations
BPMS	Budget and Performance Management System
CAP	Corrective Action Plan
CCC	Commodity Credit Corporation
CFO	Chief Financial Officer
COR	County Office Review
COTS	Commercial-off-the-Shelf
CRP	Conservation Reserve Program
CSC 2	Credit Subsidy Calculator 2
DAFP	Deputy Administrator for Farm Programs
DCP	Direct and Counter-Cyclical Payment Program
DPSP	Daily Product Price Support Program
eDCP	Electronic Direct and Counter-Cyclical Payment Program
EQIP	Environmental Quality Incentive Program
EPAS	Economics, Policy, and Analysis
FACTS II	Federal Agencies Centralized Trial Balance System II
FAI	Finance Account Interest
FAPRI	Food and Agricultural Policy Research Institute
FASAB	Federal Accounting Standards Advisory Board
FAS	Foreign Agricultural Service
FATER	Food Aid Targeting Effectiveness Ratio
FCRA	Federal Credit Reform Act of 1990
FDIIP	Financial Data Integration Improvement Plan
FFAS	Farm and Foreign Agricultural Services
FFMIA	Federal Financial Management Improvement Act
FGP	Facilities Guarantee Program
FISMA	Federal Information Security Management Act

FMFIA	Federal Managers' Financial Integrity Act
FMMI	Financial Management Modernization Initiative
FNCS	Food, Nutrition, and Consumer Services
FNS	Food and Nutrition Service
FRBs	Federal Reserve Banks
FRPP	Farm and Ranch Lands Protection Program
FSA	Farm Service Agency
FSFL	Farm Storage Facility Loan Program
FSIO	Financial System Integration Office
FSIS	Food Safety and Inspection Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GMLoB	Grants Management Line of Business
GPEA	Government Paperwork Elimination Act
GPRA	Government Performance and Results Act
GRP	Grassland Reserve Program
GSM	General Sales Manager
HIPC	Heavily Indebted Poor Countries
ICRAS	Inter-Agency Credit Risk Assessment System
IPIA	Improper Payments Information Act of 2002
IT	Information Technology
ITS	Information Technology Services
JFMIP	Joint Financial Management Improvement Program
MAL	Marketing Assistant Loans
MAP	Market Access Program
MIDAS	Modernize and Innovate the Delivery of Agricultural Systems
MILC	Milk Income Loss Contract Program
MRP	Marketing and Regulatory Programs
NAP	Noninsured Crop Disaster Assistance Program
NIST	National Institute of Standards and Technology
NPS	National Payment Service

NRE	Natural Resources and Development
NRCS	National Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PECD	Production, Emergencies, and Compliance Division
P&F Schedule	Program and Financing Schedule
PL	Public Law
PP&E	Property, Plant and Equipment
PSD	Price Support Division
PV	Present Value
RD	Rural Development
REX	Re-enroll or Extend
RFI	Request for Information
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SAP	Systems Applications Products
SCGP	Supplier Credit Guarantee Program
S&E	Salaries and Expenses
SBR	Statement of Budgetary Resources
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
SNC	Statement of Net Cost
SPPA	Strategic Partnership Program Agro-terrorism
TTPP	Tobacco Transition Payment Program
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USFWS	U.S. Fish and Wildlife Service

USGS	United States Geological Survey
USWA	United States Warehouse Act
WRP	Wetlands Reserve Program
WTO	World Trade Organization