Marketing Assistance Loans – A Tool for Managing Interest Costs

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As interest rates have risen to levels not seen since 2007, farmers are looking for ways to reduce their interest costs. Marketing Assistant Loans are one tool that many farmers may have forgotten about or simply are not aware of. The USDA's Farm Service Agency (FSA) provides Marketing Assistance Loans to farmers at relatively low interest rates. These are short-term loans (for up to 9 months) using harvested grain as collateral. A farmer must grow the grain (you cannot buy it from someone else).

The Loan rate determines how much a farmer receives as a loan for each bushel enrolled in the program. Loan rates vary by county and are announced each year before harvest begins. For Wisconsin for 2023, loan rates range from about \$2.00 to \$2.20 per bushel for corn and \$6.10 to \$6.30 for soybeans. So, for example, if a farmer enrolls 10,000 bushels of soybeans in a county with a \$6.20 loan rate, the farmer will receive a 10,000 x \$6.20 = \$62,000 marketing assistance loan.

Marketing assistance loans have interest rates that are about one percentage point above the federal funds rate. Rates are announced monthly. For example, the rate in October 2023 is 6.375%, likely less than rates for revolving lines of credit or operating loans from commercial sources at this time. Thus, farmers can use a marketing assistance loan to pay off higher interest loans and so reduce their overall costs for interest.

The logic for the program is that these loans help farmers manage cash flow around the time of harvest. Traditionally, many operating and other loans come due around harvest time, which also coincides with the time when crop prices tend to be lower. With these loans, farmers can hold their grain until later in the marketing year when prices are often higher than during harvest.

Note that the grain is collateral for the loan and so it must be stored on-farm or in a state certified or Commodity Credit Corporation (CCC) approved elevator. Also, because the grain is loan collateral, it cannot be sold or fed to livestock until the marketing assistance loan is paid off. For those who want to sell their grain in installments or want to use it throughout the marketing year to feed livestock, the Farm Service Agency can set up a staged repayment plan.

Some farmers may remember Loan Deficiency Payments (LDP) that were combined with marketing assistance loans to give farmers a price floor equal to the loan rate. At this time, the loan rate is so low relative to expected corn and soybean prices that no one expects actual crop prices to trigger LDPs. Farmers should not take out these loans expecting a LDP.

Marketing Assistance Loans are a long-standing program run by the USDA Farm Service Agency that many farmers may find useful to reduce their overall costs for interest. Interested farmers should contact their county FSA office to confirm the eligibility and to understand the application process.