United States Senate
WASHINGTON, DC 20510

October 17, 2013

The Honorable Tom Vilsack
U.S. Department of Agriculture
1400 Independence Ave., SW
Washington, DC 20250

Dear Secretary Vilsack,

We are writing to convey our serious concerns about the adverse impact resulting from the notice issued late Monday, September 30, stating that all Marketing Assistance Loans (MALs) made after October 1, 2013, would be reduced by 5.1% and that loan processing would be delayed to mid-October while software is updated. The reduction of loan proceeds and the delay in processing loans will have a substantial impact on farmers and agribusinesses by: (1) substantially reducing cash flow during harvest which may require some to secure unanticipated loans from other, more costly credit sources (2) result in unrecoverable income losses for many growers who have forward contracted their crops using an option-to-purchase contract and (3) significantly alter the terms of future contracts, to the detriment of the producer.

The decision to apply sequestration and delay loan processing just as harvest across much of the Sunbelt is gearing up is particularly damaging because it was made without warning. This means growers, marketing cooperatives, private merchandizing firms, and agribusinesses were unable to make any alternative plans to mitigate the financial hardship imposed by the decisions. Further, the decision was especially surprising since sequestration was not applied to Marketing Assistance Loans made for the 2012 crop or for the 2013 crop entered into the loan before October 1. In addition, we call to your attention our constituents' concerns about the lack of details and transparency in USDA's last-minute announcement. Most notable is the fact that the news release did not specify whether loan redemptions would also be impacted by sequestration. This will have a direct bearing on how growers, marketing cooperatives, private merchandizing firms, and agribusinesses adjust their current and future marketing strategy.

Furthermore, banks, farm credit, and other lending institutions are extremely concerned as loans are maturing during this period. Without the predictable cash flow that Marketing Assistance Loans provide, producers will not be able to repay or extend their operating loans which will lead to additional interest charges if growers are able to avoid defaulting on their financial obligations.

USDA's decisions raise a number of questions, and we would appreciate an explanation of the following:

- Why is sequestration being applied beginning October 1, 2013, but did not apply to 2012 crop or 2013 crop MALs made before October 1, 2013?
- If the Department was aware of a statutory requirement to apply sequestration to 2013 crop MALs, why didn't they announce it earlier so farmers, marketing cooperatives, and businesses could make adjustments?
- Why weren't software adjustments started earlier to minimize delays in loan processing?
- Has the Department taken into account the economic impact to producers, agribusinesses, and stakeholders?

Thank you for your consideration of our concerns and for your response to our request for further information.

Sincerely,