



U.S. DEPARTMENT OF AGRICULTURE



## Wool MAL & LDP Program

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FARM PRODUCTION AND CONSERVATION  
FSA | NRCS | RMA | Business Center

# Marketing Assistance Loans (MALs)

- Provide producers with interim financing at harvest so they can meet their cash flow needs
  - Instead of selling immediately after shearing, producers can store wool and request a MAL at their local FSA office
  - Prices tend to be lower after harvest
    - Helps producers avoid selling into seasonal weakness
- Loan principle = pounds of shorn wool multiplied by the loan rate
  - Individual loan rate for ungraded, greasy wool and 8 graded, clean wool loan rates – which are based on micron

# Marketing Year 2024 Loan Rates (Jan 2024 through Jan 2025)

- Graded wool loan rates are published on a clean basis
  - These rates are weighted and summed to equal \$2.50, which is the statutory rate on a clean basis
    - Graded wool statutory loan rate is \$1.15 on a greasy basis
      - $\$1.15 / 0.46 \text{ (yield)} = \$2.50$
  - Each year, graded wool loan rates will be recalculated
    - This ensures relative prices of each micron range reflect current market conditions
    - This hasn't been done in the past but will be going forward
    - Recalculation must always result in a weighted sum equal to the statutory rate
- The ungraded wool loan rate is published on a greasy basis
  - \$0.40 is the statutory rate
  - Not recalculated each marketing year

Micron	Loan Rate (\$/LB)
Less than 18.6	\$4.43
18.6 to 19.5	\$3.93
19.6 to 20.5	\$3.64
20.6 to 22.0	\$3.43
22.1 to 23.5	\$3.18
23.6 to 25.9	\$2.27
26.0 to 28.9	\$1.04
Greater than 29.0	\$0.76
Ungraded	\$0.40

# MALs Continued...

- Producers can request a MAL any time during the marketing year, pledging their wool as collateral
  - The loan must be repaid when the wool is sold
- After the loan is disbursed, producers have 9 months to pay back the loan or forfeit the wool
- For MALS at the graded rate, the wool must be core tested by a CCC-approved testing facility, measuring micron and yield
  - Bill Sims in San Angelo, TX
  - New Zealand Wool Testing Authority
- If prices deteriorate, producers have the option to pay back less than what they borrowed
  - This is called a marketing loan gain (MLG)




# Marketing Loan Gains (MLGs)

- Every week, on Tuesday, USDA announces current market prices for ungraded and graded wool based on the Australian Wool Exchange
  - These prices become effective on Wednesday morning
- Average prices for ungraded and graded wool over the past month are announced as well
- Repayment of an outstanding MAL will be done at the lower of the loan rate, the announced weekly rate, or the announced monthly average rate
  - Producer keeps the difference between what they borrowed and what they are required to pay back
  - If the weekly and monthly rates are above the loan rate, the producer pays back the amount borrowed at the time of loan maturity



# Weekly Repayment Rate Announcement

 <b>USDA ANNOUNCEMENT</b> United States Department of Agriculture Farm Production and Conservation On Behalf of Farm Service Agency					
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1400 Independence Ave. Washington, DC 20250					
Washington, Tuesday, January 2, 2024 - The U. S. Department of Agriculture's Commodity Credit Corporation today announced the repayment rate and loan deficiency payment rate for wool and mohair. The effective repayment rate is the lower of either the 30-day average or weekly rate.					
USDA recently announced graded wool loan rates for the 2024 crop year. See news release here: <a href="https://www.fsa.usda.gov/news-room/news-releases/2023/usda-announces-2024-wool-and-mohair-marketing-assistance-loan-rates">https://www.fsa.usda.gov/news-room/news-releases/2023/usda-announces-2024-wool-and-mohair-marketing-assistance-loan-rates</a>					
Loan rates for ungraded wool and mohair remain the same in the 2024 crop year as they were in the 2023 crop year. Producers can continue to utilize the program for the 2023 crop until January 31, 2024.					
2024 Graded Wool Posted prices (per pound, clean basis)					
Microns	Loan Rate	Repayment Rate	Weekly Rate *	30-Day Weighted Average **	LDP ***
Less than 18.6	\$4.43	<b>\$3.84</b>	\$4.15	\$3.84	<b>\$0.59</b>
18.6 to 19.5	\$3.93	<b>\$3.50</b>	\$3.69	\$3.50	<b>\$0.43</b>
19.6 to 20.5	\$3.64	<b>\$3.27</b>	\$3.47	\$3.27	<b>\$0.37</b>
20.6 to 22.0	\$3.43	<b>\$3.20</b>	\$3.33	\$3.20	<b>\$0.22</b>
22.1 to 23.5	\$3.18	<b>\$2.92</b>	\$3.16	\$2.92	<b>\$0.26</b>
23.6 to 25.9	\$2.27	<b>\$1.47</b>	\$1.47	\$1.94	<b>\$0.80</b>
26.0 to 28.9	\$1.04	<b>\$0.87</b>	\$0.88	\$0.87	<b>\$0.17</b>
29.0 and over	\$0.76	<b>\$0.64</b>	\$0.66	\$0.64	<b>\$0.11</b>
2023 Graded Wool Posted prices (per pound, clean basis)					
Microns	Loan Rate	Repayment Rate	Weekly Rate *	30-Day Weighted Average **	LDP ***
Less than 18.6	\$3.87	<b>\$3.84</b>	\$4.15	\$3.84	<b>\$0.03</b>
18.6 to 19.5	\$3.56	<b>\$3.50</b>	\$3.69	\$3.50	<b>\$0.06</b>
19.6 to 20.5	\$3.44	<b>\$3.27</b>	\$3.47	\$3.27	<b>\$0.17</b>
20.6 to 22.0	\$3.40	<b>\$3.20</b>	\$3.33	\$3.20	<b>\$0.20</b>
22.1 to 23.5	\$3.06	<b>\$2.92</b>	\$3.16	\$2.92	<b>\$0.14</b>
23.6 to 25.9	\$2.96	<b>\$1.47</b>	\$1.47	\$1.94	<b>\$1.50</b>
26.0 to 28.9	\$0.98	<b>\$0.87</b>	\$0.88	\$0.87	<b>\$0.11</b>
29.0 and over	\$0.40	<b>\$0.64</b>	\$0.66	\$0.64	<b>\$0.00</b>
2023 & 2024 Ungraded Wool Posted Prices (per pound, greasy basis)					
	Loan Rate 1/	Repayment Rate	Weekly Rate *	30-Day Weighted Average **	LDP ***
	\$0.40	<b>\$0.00</b>	\$0.00	\$0.00	<b>\$0.40</b>
1/ Effective Jan 6, 2021, repayments rates are calculated off the weekly AWEX Point of Micron Report.					
2023 & 2024 Unshorn Pelt LDP (per pelt)					
6.865 pounds X Ungraded Wool LDP					<b>LDP *** \$2.75</b>
2023 & 2024 Mohair Posted Price (per pound)					
	Loan Rate	Repayment Rate	Weekly Rate *	30-Day Weighted Average **	LDP ***
	\$4.20	<b>\$5.85</b>	\$6.08	\$5.85	<b>\$0.00</b>
These prices become effective at 12:01 a.m., Eastern Time, on Wednesday, December 27, 2023, and are used to determine alternative loan repayment rates for marketing assistance loans and to determine loan deficiency payments. * Weekly rate is based on the current price ** weights = 7/30 for each of the 4 most recent weeks plus 2/30 for the earliest week *** The LDP rate is the difference of the announced repayment rate from the loan rate and may differ due to rounding calculations					

# MLG Example

- A producer has 700LBS of graded, 18.5-micron wool
- They borrow \$3,101 as a MAL
  - $700\text{LBS} \times \$4.43$  (< 18.6-micron loan rate, clean basis) = \$3,101
- The repayment rate is announced at \$4.00/LB
- Producer repays the loan at the announced rate
  - $700\text{LBS} \times \$4.00 = \$2,800$
  - $\text{MLG} = \$301 = \$3,101$  (amount borrowed) - \$2,800 (amount repaid)

# Loan Deficiency Payments (LDPs)

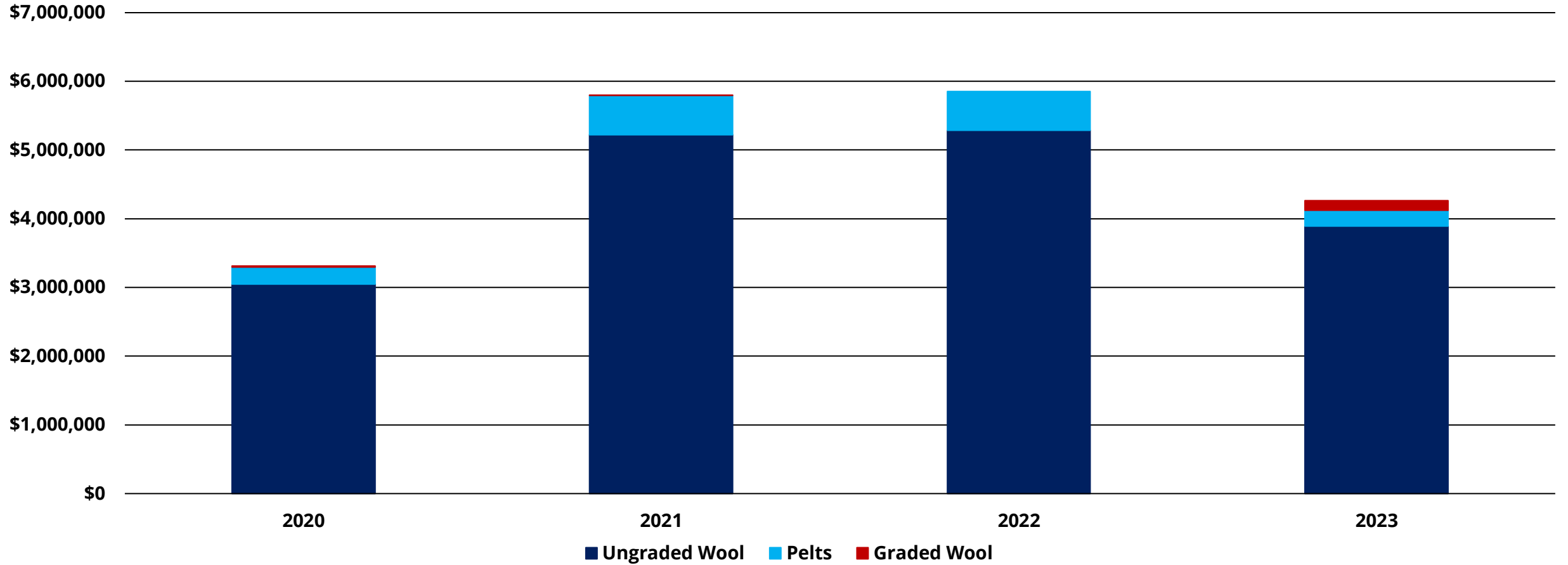
- Alternatively, a producer can forgo a MAL and request a direct payment instead – this is called an LDP
- The LDP is equal to the difference between the loan rate and the repayment rate multiplied by the pounds of wool shorn
- LDPs are available for ungraded wool, graded wool, and unshorn pelts
  - Unshorn pelt LDP is equal to the LDP for ungraded wool multiplied by 6.865
  - Unshorn pelts are eligible for LDPs only, not MALs
- LDPs are by far the most popular part of the program



# LDP Example

- In this example, the producer did not request a MAL
- Again, a producer has 700LBS of graded, 18.5-micron wool
- The repayment rate is announced at \$4.00/LB
  - Remember, the loan rate is \$4.43/LB on a clean basis
- The producer requests an LDP of \$301
  - $700\text{LBS} \times \$0.43 = \$301$
  - USDA sends the producer a check
- This simplifies administration of the program, giving USDA and producers more flexibility
- This has been, by far, the most popular part of the program

# Loan Deficiency Payments by Crop Year





# Questions?

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