not made by the date specified, title to
the commodity shall vest in CCC and
CCC shall have no obligation to pay the
commodity’s market value above the
principal amount of such loans.

§ 1425.8 Ownership and control.
(a) CMA’s must be owned and con-
trolled by active members of the CMA.
(b) The CMA must provide evidence
that:
(1) Active members own more than 50
percent of its allocated equity; and
(2) A majority of directors are active
members of the CMA or authorized rep-
resentatives of active members.
(c) An applicant cooperative or a
CMA, not under the ownership or con-
trol, of its active members, may be ap-
proved by CCC if it is able to establish
that, by retiring the equity of its inac-
tive members or by obtaining new
members, it can vest ownership and
control in its active members, as re-
quired by this section, by a date speci-
fied by CCC.

§ 1425.9 Open membership.
(a) The CMA shall provide CCC docu-
mented proof that the CMA admits
every membership applicant who is eli-
gible under the statute regulating the
CMA.
(b) Notwithstanding paragraph (a) of
this section, a CMA may refuse mem-
bership to an applicant whose admis-
sion would prejudice, hinder, or other-
wise obstruct the interests or purposes
of the CMA.

§ 1425.10 Financial ratio requirement.
To be financially able to make ad-
vances to their members and to market
their commodities, CMA’s shall have a
current ratio of at least 1 dollar of cur-
rent assets for each 1 dollar of current
liabilities (current ratio of 1:1 or bet-
ter) on the balance sheet it submits to
CCC with its initial application or an-
nual recertification required in §1425.4.

§§ 1425.11–1425.12 [Reserved]
§ 1425.13 Uniform marketing agree-
ment.
(a) A CMA must enter into a uniform
marketing agreement with each mem-
ber who delivers a commodity to a loan
pool.

§ 1425.17 Eligible commodity and pool-
ing.
(a) A CMA may establish separate
loan pools as needed for quantities of a
commodity.
(b) The identification number used by
the member to report acreage on applic-
cable farms to FSA must appear on the
marketing agreement.

§ 1425.14 Member business.
(a) At least 50 percent of a crop of an
authorized commodity acquired by, or
delivered to, a CMA for marketing
must be produced by its members for
the CMA to obtain a loan or LDP for
such crop. CCC may, for a period not to
exceed 2 years, waive this requirement
if:
(1) The CMA can establish to CCC
that such authorization is necessary
for the efficient operation of the CMA;
and
(2) The CMA’s plan, approved by CCC,
will bring the CMA into compliance
with the provisions of this section.
(b) Commodities purchased or ac-
quired from CCC and processed prod-
ucts acquired from other processors or
merchandisers shall not be considered
in determining the volume of member
or nonmember business.

§ 1425.15 Vested authority.
The marketing agreement between
the CMA and its members shall give
the CMA the authority to pledge the
commodity as collateral for a loan, to
place a lien on such commodity, and to
market the commodity on behalf of its
members even though the individual
members retain the right, in effect, to
determine the price at which the com-
modity can be marketed by the CMA.

§ 1425.16 Payment limitation.
CMA’s shall monitor market gains
they receive from CCC on behalf of
their members and not obtain market
gains for a member above the mem-
ber’s payment limitation determined in
accordance with part 1400 of this
chapter.

§ 1425.17 Eligible commodity and pool-
ing.
(a) A CMA may establish separate
loan pools as needed for quantities of a
commodity.
(b) Loans and, if applicable, LDP’s
will be available to CMA’s for any eli-
gible commodity in a loan pool as pro-
vided in paragraph (e) of this section
and the beneficial interest provisions of parts 1421 and 1427 of this chapter.

(c) A pool shall be eligible for loans and LDP’s if:

1. All of the commodity in the pool is eligible for loans or LDP’s, except as provided in paragraphs (d) and (e) of this section;

2. The commodity was delivered by members to the CMA for their benefit;

3. The commodity was delivered and the members are eligible for loans and LDP’s;

4. Members retain the right to share in marketing proceeds from the commodity in accordance with §1425.18; and

5. Members agreed to accept a payment of initial advances from the CMA in accordance with §1425.18(a).

(d) Ineligible commodities may be included in eligible pools when:

1. The CMA inadvertently included ineligible quantities based on grade, quality, bale weight or repacking in the case of cotton, or other factors; or

2. There are eligibility discrepancies within FSA records, the producer has certified to the CMA that the commodity is eligible for loan, and there is no market gain or LDP involved in the loan pool for the crop year.

(e) A CMA may, for a period of time as specified in Handbook 1–CMA, include a commodity that is ineligible based on FSA records when the producer has certified to the CMA that the commodity is eligible. In these instances, CCC specifies a time period during which CMA’s may obtain loan or LDP’s on the applicable quantity while the eligibility status is resolved. If the final resolution is that the commodity was ineligible, the CMA must repay any loans outstanding with principal plus interest and any market gains obtained plus interest from the date of receiving the market gain through the repayment date.

(f) The CMA must have in inventory a quantity of commodity delivered by members of each class and grade at least equal to the quantity each class and grade pledged as loan collateral.

(g) Loans will be available to the CMA for the quantity of a farm-stored commodity that is, pursuant to such CMA marketing agreement with a member, part of the CMA’s loan pool.

(h) A CMA shall have identity-preserved loan pool commodities stored in approved warehouses while the commodities are pledged as collateral for loan.

(i) Loan eligibility for commingled commodities stored on a farm or in a warehouse may be transferred to an approved warehouse.

(j) Commodities pledged as collateral for CCC loans shall be free and clear of all liens and encumbrances based on a CMA’s financial agreements or the CMA shall obtain a completed form CCC–679, Lien Waiver. When liens are applicable based on CMA financial agreements, the CMA shall provide CCC the completed CCC–679. CMA’s shall not take any action to cause a lien or encumbrance to be placed on a commodity after a loan is approved.

(k) If a loan or LDP is obtained for any quantity in a loan pool, allocations of costs and expenses among separate pools for the commodity in the pool shall be made according to generally accepted accounting principles.

(l) A CMA shall not apply marketing losses from a commodity not used to obtain a loan or LDP against the marketing proceeds of a commodity used to obtain a loan or LDP.

(m) CMA’s shall not carry forward losses from one loan pool and apply them against a subsequent loan pool without CCC’s authorization. CCC may grant authorization when it determines that carrying forward the loss complies with CCC’s loan and LDP program intent.

(n) The CMA is responsible to CCC for any loss related to commodities the CMA pledged as collateral for loan or used to obtain LDP related to:

1. The CMA failing to comply with these regulations;

2. Changes in quantity or quality of either warehouse or farm stored commodities; or

3. Liens based on either the CMA’s or its members’ financial agreements.

§1425.18 Distribution of proceeds.

(a)(1) If CCC makes loans or LDP’s for any quantity in a loan pool, the related proceeds shall be distributed or otherwise made available to the members account: