CIRCULAR No. 10
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR PROSPECTIVE APPLICANTS
FOR LOANS TO FINANCE THE CARRYING AND
ORDERLY MARKETING OF AGRICULTURAL
COMMODITIES UNDER SECTION 201 (d) OF THE
EMERGENCY RELIEF AND CONSTRUCTION
ACT OF 1932

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INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS TO FINANCE THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES UNDER SECTION 201 (d) OF THE EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932

Paragraph (d) of section 201, title II of the Emergency Relief and Construction Act of 1932 provides as follows:

The Reconstruction Finance Corporation is authorized and empowered to make loans to bona fide institutions, organized under the laws of any State or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States.

Under this authority, the Reconstruction Finance Corporation is now making loans to eligible borrowers for the purposes set forth above.

Eligible Borrowers

Eligible applicants must be bona fide institutions organized under the laws of any State or of the United States and having resources adequate for their undertakings. In order to comply with the requirement that applicants be bona fide institutions, such applicants must have been organized for the purpose of engaging in good faith in business of such character as to qualify them as eligible applicants. Such institutions which include private corporations and cooperative associations, must be in sound financial condition and must be: (a) Engaged in the business of making loans or advances to others for the carrying and/or orderly marketing of agricultural commodities and livestock produced in the United States, or (b) engaged in the business of carrying and/or orderly marketing of agricultural commodities produced in the United States.

Ordinarily such institutions will be incorporated; but an institution which meets other requirements for eligibility and which is organized under the laws of any State or the United States, even though not incorporated, will be eligible for a loan. In general, an institution which is not incorporated will be considered as organized under the laws of any State, if it conforms to the following requirements: (1) The name of the institution shall be filed with some designated officer of the State, and (2) the institution shall be set up under such laws as shall provide for actual organization as a legal entity as distinguished from mere regulation.

Purposes for Which Loans will be Made

Loans may be made for the following purposes: (1) to institutions mentioned in (a) above for the purpose of making loans or advances to others in order to enable them to carry and/or orderly market agricultural commodities and

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(1)
livestock; (2) to institutions mentioned in (b) above for the purpose of: (a) Making loans or advances to farmers or stockmen to enable them to carry and/or orderly market agricultural commodities and livestock; (b) financing agricultural commodities and livestock purchased or to be purchased directly from farmers or stockmen; or (c) financing agricultural commodities or livestock purchased or to be purchased for use in their business of carrying and/or marketing in an orderly manner; provided, that applicants for loans for the purpose of carrying out (b) and (c) shall submit evidence satisfactory to the Corporation that loans cannot be obtained for such purposes upon reasonable terms from the normal sources.

The purposes of loans to institutions mentioned above may include the financing of such packaging and processing of perishable agricultural commodities as may be necessary to preserve them and to place them in condition for warehousing and distribution, such as curing tobacco, canning fruits and vegetables, making butter and cheese, et cetera. However, loans may not be made for the purpose of processing livestock into meats, lard, et cetera, and nonperishable agricultural commodities into manufactured products, such as flour, cotton cloth, cotton-seed oil, et cetera.

Loans may not be made for the purpose of acquiring, constructing, or repairing physical facilities, or for the purpose of liquidating indebtedness on such facilities.

Security Requirements

All loans must be fully and adequately secured. A distinction will be made between loans to finance the carrying and/or marketing of nonperishable commodities and those of a perishable nature.

Loans on nonperishable commodities must be fully secured by warehouse receipts representing such commodities, issued by independent warehouses acceptable to the Corporation, preferably those licensed under the provisions of the United States Warehouse Act. Applicants engaged in the business of carrying and/or marketing such commodities represented by warehouse receipts, must present evidence satisfactory to the Corporation that such commodities were purchased directly from farmers or, if not purchased from farmers, give assurances satisfactory to the Corporation that such commodities were purchased not for resale, but solely for use in their business.

The Board has not attempted to define the term “nonperishable agricultural commodities”, but is prepared to consider as such cotton, wool and mohair, rice, grains, seeds, tobacco, sirups, canned or dried fruits and vegetables (including cold pack fruits), cottonseed, and raw sugar. In some instances loans also may be made upon the security of warehouse receipts representing commodities of a semiperishable nature, such as eggs, butter and cheese, apples, and potatoes.

Loans to finance the carrying and/or orderly marketing of perishable or semiperishable commodities may be secured by collateral other than the pledge of the commodities, provided the Corporation obtains full and adequate security. Such security may include a first mortgage on physical facilities, provided the applicant presents evidence satisfactory to the Corporation that the loan will
be fully liquidated out of the proceeds of the sale of such perishable products on or before maturity. The Board has classified as perishable commodities fresh fruits and vegetables, dairy products, and poultry and eggs. A few commodities have been included under both classifications, and loans with reference to the carrying and orderly marketing of such commodities will be made either upon the security of warehouse receipts representing such commodities where the applicant has given satisfactory evidence that care will be taken to prevent deterioration, either through proper storage or processing, or upon other security satisfactory to the Corporation.

The question of what other commodities are to be considered as "agricultural commodities" under either of the above classifications will be determined by the Board of Directors of the Reconstruction Finance Corporation as individual applications are presented.

It is not contemplated that the Corporation will be requested to make loans to institutions to finance the carrying and orderly marketing of livestock under these provisions of the act in view of the fact that such institutions ordinarily will qualify as livestock loan companies and, as such, be eligible as applicants for loans from the Corporation under the provisions of section 5 of the Reconstruction Finance Corporation Act.

Maturities and Interest Rates

Loans will be made for the normal turn-over period of the commodity and in no event to exceed 6 months. However, the Corporation will consider applications for renewals in the event the turn-over period exceeds 6 months.

Interest rates on all classes of eligible loans are determined by the Board of Directors of the Corporation from time to time.

Applications

Application forms for loans may be obtained at the loan agency of the Reconstruction Finance Corporation serving the territory in which the applicant is located. In addition to information called for in the application forms, the Corporation will require the following:

1. Statement setting forth the organization and history of the applicant.
2. Statement setting forth the plan of operations of the applicant with particular reference to such matters as warehousing of the commodities, warehouse charges, and the plans for the marketing of the commodities.
3. Statement of the aggregate amount of applicant's probable financial requirements for the season.
4. Two sample copies of form of warehouse receipt to be used by the applicant and tendered to this Corporation as collateral; also two copies of the form of marketing agreement, if any, used by the applicant covering the marketing of the commodities.
5. Where the applicant proposes to make or has made loans or advances to others, original or verified copies of financial statements of the collateral
note makers, together with complete particulars as to the provisions made by
the applicant for supervision of its loans and inspection of collateral.

(6) Such general statement relative to the commodities to be financed as
may be necessary fully to inform the Corporation. This should include infor-
mation regarding the keeping qualities of the commodities and hazards to which
they are subject; f.o.b. prices of the commodities at the point of storage or ship-
ment; methods of grading, packing, and storing; cost of packaging and/or
processing; and other pertinent information.

(7) Such other statements and documents as, in the opinion of the loan
agency, will be helpful in the consideration of the application.

The application forms and exhibits indicated above should be completed
by the applicant and returned to the loan agency together with the securities
offered as collateral or a schedule of such securities to be offered. If the appli-
cation is approved, the applicant will be advised and disbursement of the pro-
ceeds of the loan will be made in accordance with the terms thereof.