



**United States
Department of
Agriculture**

Farm and Foreign
Agricultural Services

Farm Service
Agency

Kansas City
Commodity Office
P.O. Box 419205
Kansas City,
Missouri
64141-6205

October 30, 2007

Dear Warehouse Operator:

The United States Department of Agriculture has determined that a cotton storage deficit exist for certain parts of the United States for the 2007 crop year. In accordance with 7 CFR Part 1427.10 (c) an approved cotton storage warehouse may temporarily store cotton pledged as collateral for a Commodity Credit Corporation (CCC) loan outside if the warehouse is located in one of these deficit areas.

Warehouses wishing to utilize outside storage must meet the following requirements:

- Warehouse must be located in Arizona, California, Texas, Oklahoma, Missouri, or Florida.
- The warehouse operator shall have in full effect before storing any loan cotton on open yards, "All Risk Insurance" (including provisions for flood and country damage), with CCC clearly identified as the loss payee for loan collateral under control of the warehouse operator. Warehouse operator must submit a copy with their request.
- The warehouse operator must submit written concurrence from any applicable licensing authority for the use of outside storage. Written consent must be submitted to CCC prior to approval.
- The warehouse operator agrees to the use of additional protective coverings as determined by CCC and/or the insurance underwriter
- The warehouse operator agrees to elevate the entire bottom surface of the bale sufficiently to protect the bale from damage by water.
- The electronic warehouse receipt for all bales stored outside must include the "Is Stored Outside" indicator updated to "Y" and the date the bale was first stored outside and the "Is Stored Outside" indicator is updated to "N" and the date the bale was removed from outside storage. It is the warehouse operator's responsibility to verify that their warehousing software has this capability.
- The warehouse operator agrees to provide CCC a weekly report identifying all individual bales of cotton stored outside in the following format. A comma delimited text format with four fields in the following order: warehouse code, receipt number, starting date stored outside, and the date removed from outside storage.
- The warehouse operator agrees to comply with all other outside storage requirements as determined by CCC.

Sincerely,

Paul Rodriguez
Storage Contract Branch
Commodity Management Division

