

**For:** Cotton State and County Offices and Cotton CMA's and LSA's

**Software Modifications Implementing Maximum Storage Credit Rates for 2006  
and Subsequent Crop Year Upland Cotton Loan Redemptions**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

7 CFR 1427.19 provided limits to storage credit for 2006 and subsequent crop year upland cotton loans.

Software modifications have been implemented to support this change in storage credit calculations.

**B Purpose**

This notice informs State and County Offices and cotton CMA's and LSA's of software modifications that will apply storage credit limits to 2006 and subsequent crop year upland cotton loan redemptions.

**C Contact**

State Offices shall direct questions about this notice to Julie Floriani by:

- e-mail to **Julie.Floriani@wdc.usda.gov**
- telephone at 202-720-8374.

|                      |  |
|----------------------|--|
| <b>Disposal Date</b> | <b>Distribution</b>  |
| October 1, 2007      | Cotton State Offices; State Offices relay to County Offices and Cotton CMA's and LSA's |

## Notice CN-1009

### 2 Applying Storage Tariff Caps

#### A General Information

For 2006 and subsequent crop years, storage credit for upland cotton loan redemptions shall be calculated using the lower of:

- 2005-crop tariff storage rate
- \$4.37 per bale per month for warehouses located in Arizona and California
- \$2.66 per bale per month for warehouses located in States other than Arizona and California.

#### B Posting Tariff Rates in Cotton Online Processing System (COPS)

On September 11, 2006, all warehouse storage tariff rates were reposted to COPS to reflect the actual, approved tariff rates without regard to the storage rate cap.

Rates posted in COPS will continue to be used to calculate storage credit for 2005-crop loans since the storage cap does **not** apply to 2005 crop year.

#### C Software Modifications

On October 16, 2006, APSS software modifications were broadcast to the field, see Information Bulletin No. 3909. For Automated Cotton Reporting System (ACRS), modifications were put into production on October 16, 2006.

Software modifications will also be included in County Release No. 601.

These modifications provide for calculating storage credits as follows:

- for 2005 crop year loans, continue to apply the actual tariff rate as posted in:
  - COPS for redemptions processed in ACRS and Centralized Cotton Redemption System
  - County Office-maintained table file for redemptions processed in APSS

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**2 Applying Storage Tariff Caps (Continued)**

**C Software Modifications (Continued)**

- for 2006 and subsequent crop year loans:
  - the maximum tariff rates have been coded in the software as follows

| <b>Warehouse Location</b> | <b>Maximum Storage Credit</b> |                   |
|---------------------------|-------------------------------|-------------------|
|                           | <b>Monthly Rate</b>           | <b>Daily Rate</b> |
| Arizona, California       | \$4.37                        | .1437             |
| All other States          | \$2.66                        | .0875             |

- storage credit will be calculated using the smaller of:
  - applicable warehouses' latest approved 2005 rate
  - maximum storage credit rate.

**D Examples**

The following are examples for determining applicable storage rates.

**Example 1:** Warehouse ABC located in Arkansas.

| <b>Effective Date</b> | <b>Approved Rate</b> |
|-----------------------|----------------------|
| 9/1/05                | \$3.00/month         |
| 4/1/06                | \$3.10/month         |
| 9/1/06                | \$3.50/month         |

Storage rate applicable to:

- 2005 loans, apply approved rate to applicable storage period
- 2006 loans, \$2.66/month or portion of month.

**Example 2:** Warehouse EFG located in Texas.

| <b>Effective Date</b> | <b>Approved Rate</b> |
|-----------------------|----------------------|
| 7/1/05                | \$1.95/month         |
| 4/1/06                | \$2.00/month         |
| 7/1/06                | \$3.50/month         |

Storage rate applicable to:

- 2005 loans, apply approved rate to applicable storage period
- 2006 loans, \$2/month or portion of month.

**Note:** Last approved rate for 2005 was \$2/month.

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### 2 Applying Storage Tariff Caps (Continued)

#### D Examples (Continued)

**Example 3:** Warehouse GHI located in California.

| Effective Date | Approved Rate |
|----------------|---------------|
| 9/1/05         | \$0.1200/day  |
| 5/1/06         | \$0.1300/day  |
| 9/1/06         | \$0.1500/day  |

Storage rate applicable to:

- 2005 loans, apply approved rate to applicable storage period
- 2006 loans, \$0.1300/day.

**Note:** Last approved rate for 2005 was \$0.1300/day.

**Example 4:** Warehouse JKL located in South Carolina.

| Effective Date | Approved Rate |
|----------------|---------------|
| 9/1/05         | \$0.1000/day  |
| 9/1/06         | \$0.0600/day  |

Storage rate applicable to:

- 2005 loans, apply approved rate to applicable storage period
- 2006 loans, \$0.0875/day.

### 3 Correcting Prior Loan Redemptions

#### A Redemptions Before Software Modifications

Before software modifications, storage credits for 2006 crop year loan redemptions were being calculated using the full storage rate as posted in COPS. These redemptions do **not** have to be re-calculated. Therefore, **no** corrective action is required for these redemptions.

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### **4 Action**

#### **A County Office Action**

County Offices shall:

- continue to record offer shipping rates in APSS according to 7-CN, paragraph 65
- follow instructions in Information Bulletin No. 3909 before processing loan redemptions submitted on or after October 16, 2006.

#### **B Cotton CMA/LSA Action**

Beginning October 16, 2006, cotton CMA/LSA's shall submit ACRS transactions for loan redemptions using applicable tariff rates as provided in this notice to calculate storage credit.