

For: State and County Offices, CMA's and LSA's

Areas Approved for Outside Storage of Cotton Loan Bales

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

On October 12, 2007, CCC announced that the States of Arizona, California, Florida, Missouri, Oklahoma, and Texas are storage deficit areas for the 2007 crop of cotton.

Provisions under which loan bales may be stored outside vary from provisions under which ELS farm-stored bales may be stored outside as provided for the 2003 and subsequent crops.

B Purpose

This notice provides the areas and explains policy about yard-storage of farm-stored ELS bales and warehouse-receipted bales.

C Contact

For questions or information about this notice, State Offices shall contact Gene Rosera by either of the following:

- e-mail at gene.rosera@wdc.usda.gov
- telephone at 202-720-8481.

Disposal Date	Distribution
June 1, 2008	State Offices; State Offices relay to County Offices, CMA's and LSA's

2 Basic Storage Policy and Exceptions

A Basic Policy

Ginned cotton pledged as loan collateral must be stored:

- at a warehouse that has entered into a Cotton Storage Agreement (CSA) with CCC
- inside such warehouse, unless outside storage is specifically authorized.

A cotton warehouse that has signed a CSA, but stores cotton outside without approval is out of compliance and will be suspended if the storage violation is not corrected.

CCC may authorize the outside storage of loan cotton under exceptions for:

- farm-stored ELS bales in designated arid areas
- warehouse-receipted upland or ELS bales in States designated as storage deficit for an individual crop year.

B Arid Area Exception for ELS Farm-Stored Loan Bales

Effective for the 2003 and subsequent crops of ELS cotton, CCC announced that farm-stored loan collateral in designated arid areas of Arizona, California, New Mexico, and Texas may be stored outside. Such ELS bales:

- may **not** be represented by a warehouse receipt
- are loans based on the national average loan rate
- if forfeited, are settled based on classification information determined after the producer delivers the bales into a CCC-approved warehouse.

See 7-CN, Part 3.5 and Exhibit 18.5 for farm-stored ELS loans provisions.

C Storage-Deficit Exception For Warehouse-Receipted Loan Bales

Warehouse operators with CSA's in States determined by CCC to be storage-deficit for a crop year may request CCC authorization to temporarily store cotton loan collateral outside. To be approved, operators must agree to several practices related to the physical protection and insurance of the bales. Also, the operator must report the dates of outside storage for all upland bales in yard storage. Storage credits, if applicable, are not provided for periods of yard-storage. Operator requests for approval of yard-storage must be made through KCCO by telephone at 816-926-6662.

Bales of either ELS or upland cotton stored outside under this exception must be represented by an electronic warehouse receipt.

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2 Basic Storage Policy and Exceptions (Continued)

D Summary of Storage Policy

The following summarizes States/areas approved for the outside storage of cotton loan collateral for the 2007 crop and will be included in a forthcoming amendment to 7-CN.

Crop Year	Type Cotton	Loan Type	State	Approved Areas
2007	Upland	Warehouse-receipted	AZ, CA, FL, MO, OK, TX	Entire State
	ELS	Warehouse-receipted	AZ, CA, FL, MO, OK, TX	Entire State
		Farm-stored	AZ	Maricopa, Pinal, Yuma Counties
			CA	Imperial and Kings Counties Fresno County west of Hwy 99 Kern and Tulare Counties west of Hwy 99 Merced County south of Hwy 152
			NM	Dona Ana and Luna Counties
			TX	El Paso County