



NOTICE TO THE INDUSTRY - BCD-12

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

DATE: August 7, 2001

TO: All Cotton Warehouse Operators Licensed under the United States Warehouse Act or Approved under Commodity Credit Corporation's Cotton Storage Agreement Who Issue Electronic Cotton Warehouse Receipts Through an Approved Provider.

SUBJECT: Reminder of Rules Concerning the Timely Issuance and Cancellation of (Paper or Electronic) Cotton Warehouse Receipts, and Time Table for Issuing Multiple Bale (Block) Receipts Through Approved Providers.

Purpose

The purposes of this notice are to remind warehouse operators of their responsibilities concerning the timely issuance and cancellation of warehouse receipts, including single and multiple bale (block) receipts for producer, gin, transit, consolidated and reconcentrated cotton and to establish a time table for issuing non-negotiable and negotiable electronic multiple bale (block) receipts through approved providers.

Background

The United States Warehouse Act (USWA) and Commodity Credit Corporation (CCC) require warehouse operators to establish and maintain operational methods and policies necessary to ensure the proper issuance and cancellation of all warehouse receipts in a timely fashion. Warehouse examinations show some warehouse operators do not have established or consistent operational methods or policies for issuing and canceling paper or electronic warehouse receipts timely. Examinations also show some warehouse operators are not overseeing their daily warehouse receipt activity properly, and others are batching their receipt activity weekly or for longer periods.

Reconcentrated or consolidated cotton means cotton that a warehouse operator receives into licensed or approved warehouse space from one or more locations for the purpose of shipping such cotton as one unit, block or load.

Transit cotton means cotton that a warehouse operator unloads and reloads in licensed or approved warehouse space as a stop over point while passing from one place to another.

Initially, cotton warehouse operators could only issue negotiable single bale warehouse receipts electronically under the USWA. Program regulations have been amended to accommodate more than one bale on a warehouse receipt. Accordingly, approved providers have been advised to

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modify their systems to accept non-negotiable electronic multiple bale (block) receipts (EMBR) by August 1, 2001, and negotiable EMBRs by August 1, 2002. These new additions will provide the same reliability and possess identical attributes as current electronic warehouse receipts (EWRs) or paper warehouse receipts. EMBRs will give warehouse operators the ability to instantaneously issue and cancel receipts when such activities occur in a timely fashion.

Responsibilities And Requirements

Cotton warehouse operators must:

- Upon receiving cotton, if requested by the depositor, issue a warehouse receipt for each bale or lot of cotton received or stored in licensed or approved warehouse space.
- Issue all warehouse receipts initially in electronic format when they have a user agreement with an approved EWR provider.
- Upon receiving or shipping cotton, update inventory records and transmit updated information to their provider that reflects receipt and inventory activity accurately.
- Not redeliver, ship or remove any bale(s) or lot of cotton from licensed or approved warehouse space based on written or oral orders from the current holder or other person without the warehouse operator first being made the final holder of the EWR or having physical possession of the paper receipt for such bale(s) or lot of cotton.
- When redelivering or shipping cotton, cancel the warehouse receipt for that bale(s) or lot of cotton shipped or removed from licensed or approved warehouse space.
- Not allow any warehouse receipt to remain outstanding and uncanceled for any bale(s) or lot of cotton shipped or removed from licensed or approved warehouse space and is no longer stored by the warehouse operator.
- Assure that warehouse inventory and warehouse receipt records are in balance and agreement before the end of the next business day.

Questions Should Be Directed To:

- David Kirkland at 816-823-1144 for electronic warehouse receipts systems.
- Vernon Steenhard at 816-926-1518 for USWA licensed warehouse operators.
- June Parks at 816-926-6534 for CCC approved warehouse operators.

George W. Aldaya
Director
Kansas City Commodity Office

