



**United States
Department of
Agriculture**

Farm and Foreign
Agricultural Services

Commodity
Credit
Corporation

Kansas City
Commodity Office
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NOTICE TO THE INDUSTRY - BCD-29

Date: October 16, 2002

To: All Sugar Warehouse Operators

Subject: Sugar Industry Conference Calls Regarding New
Commodity Credit Corporation (CCC) Sugar Storage Agreement



Background

In the past, only sugar processors who forfeited sugar under the sugar marketing assistance loan program (sugar loan) entered into a CCC Processed Commodities Storage Agreement (PCSA) with an addendum for sugar. The Farm Security and Rural Investment Act of 2002 (2002 Act) changed some sugar loan provisions and extended the program through 2007. Under the regulations published to implement this program, sugar processors will now be required to have a Sugar Storage Agreement (SSA) in place to be eligible for a sugar loan. A new SSA has been prepared to better meet the needs of the sugar loan program.

Conference Calls

The following conference calls will be held October 24, 2002, to discuss the new SSA with warehouse operators interested in being approved by CCC to store sugar:

1. Refined beet processors at 11:00 a.m. EDT
2. Raw cane processors at 2:00 p.m. EDT

Both calls will last one and one-half hours and may be accessed by calling 1-800-811-2539. When requested by the telephone operator, please provide "Participant Code" 956957.

Highlights of Sugar Storage Agreement

Beginning with 2002 crop sugar, warehouse operators must have a SSA in place with CCC before obtaining a sugar loan. The SSA has many of the same requirements as that in the PCSA and sugar addendum. For example, the new SSA continues to require that sugar be stored bulk, commingled. The new SSA requires warehouse operators meet the following new provisions:

1. Identify the quantity and quality of sugar when sugar is placed under loan (Part 3, E.).
2. Load out, or transfer in store, the same quantity and quality of sugar as that identified at loan making (Part 3, F.).
3. For initial approval, pay warehouse application and inspection fees of \$16.00 per 1,000 hundredweight (cwt) capacity of storage facility. (Minimum fee of \$160.00 and maximum of \$1,600 per examination) (Part 3, H.). Waived for the 2002 crop year.
4. When increasing approved storage capacity, pay a re-examination fee of \$16.00 per 1,000 cwt. (Minimum fee of \$160.00 and maximum of \$1,600 per examination) (Part 3, H.).
5. Pay an annual SSA fee as announced by CCC. (Part 3, H.). Waived for the 2002 crop year.
6. Meet a minimum net worth requirement of \$50,000 (Part 3, J.).
7. Have a calculated net worth equal to the maximum storage capacity at all locations covered by the SSA times \$1.15 per cwt (Part 3, J.).
8. Have a security plan for sugar stored under the SSA (Part 3, O.).

The SSA also provides that CCC will:

1. Not pay receiving charges prior to CCC ownership (Part 4, B.).
2. Pay load out charges only when load out is directed by CCC (Part 4, B.).

Warehouse Operators with a Current PCSA

Warehouse operators with a current PCSA and who wish to continue as an approved warehouse must sign a new SSA. KCCO will issue a CCC warehouse code and SSA number for these warehouse operators. Once you have been assigned a code, you will be eligible to receive a CCC sugar loan. Failure to complete the warehouse approval process will result in removal of the approval and loan call. The SSA will supersede the PCSA.

Warehouse Operators without a PCSA

Warehouse operators without a PCSA must apply to the Kansas City Commodity Office, Bulk Commodities Division, telephone number 816-926-6446, for a SSA. KCCO will issue a CCC warehouse code and SSA number for these warehouse operators. Once you have been assigned a code, you will be eligible to receive a CCC sugar loan. Failure to complete the warehouse approval process will result in removal of the approval and loan call.

Sugar Storage Rates

CCC has determined the rates paid for sugar for the 2002 crop year will be the storage rates paid, per month, under the 2001 crop year sugar loan program of \$0.08 per cwt. for raw sugar and \$0.10 per cwt. for refined sugar. CCC will pay load out for CCC-owned sugar at \$0.18 per cwt. only when ordered by CCC. Warehouse operators will have an opportunity to offer new rates before the October 1, 2003, SSA renewal date.

George Aldaya, Director,
Kansas City Commodity Office