

The Commodity Credit Corporation (CCC) Announces A Loan Cotton Transfer Process Effective March 5, 2007

An automated process now allows cotton pledged as collateral for a Commodity Credit Corporation (CCC) marketing assistance loan to be transferred from one CCC-approved warehouse to another. The process enables cotton sellers to pre-position cotton for faster response to sales opportunities.

Applicant Requirements. Any entity having an Electronic Warehouse Receipt (EWR) Provider system holder ID may apply to transfer cotton loan collateral. For approval to request any transfer of loan cotton, the requestor must complete the following four requirements:

- Submit a signed agreement (CCC-699C of a version dated March 1, 2007 or later) establishing the terms and conditions for transferring cotton loan collateral. The agreement is submitted once per requestor and is considered applicable to all requested transfers until terminated by notice from CCC. This agreement and instructions for its completion are available online at: <http://www.sc.egov.usda.gov>.
- Establish a password-protected File Transfer Protocol (FTP) account with CCC for the purpose of submitting transfer requests.
- Inform CCC in writing of the named individuals who are authorized by the applicant to request transfers on behalf of the applicant.
- Submit financial assurance acceptable to CCC for the loan value of the cotton being requested for transfer. Such assurance may in the form of a letter of credit or bond issued by a FDIC-member bank or by any financial institution administered by the Farm Credit Administration. CCC will also accept a non-deductible insurance policy endorsement that provides CCC as the named beneficiary. Applicants are advised to submit such financial assurances to CCC for approval in advance of any requested transfer.

To request the FTP account, or for other assistance, contact: Kansas City Commodity Office, Contract Reconciliation Division, Financial Review Branch, Stop 8758; P O Box 419205; Kansas City, MO 64141-6205; Telephone: 816-926-6525; Fax: 816-823-1805; or by e-mail at: crdfrb@kcc.usda.gov.

Cotton Eligibility for Transfer. The transfer process is limited to cotton loan collateral for which the requestor is the current EWR subholder in the EWR provider system. Any transfer request that includes non-loan bales will be rejected. Additionally, for loan cotton to be eligible for transfer, it must:

- not be represented by paper warehouse receipts
- be 30 days or more from loan maturity on the date of the transfer request
- have been authorized by the producer for transfer by endorsement of Part H of CCC-605. CCC will not be requiring requestors to submit copies of this producer authorization unless a dispute arises. However, by endorsement of the Cotton Transfer Agreement, transfer requestors agree to submit such authorizations if requested by CCC.

How to Request Transfer. Entities that have been approved under the above process may request transfers by submitting both of the following:

- an endorsed Cotton Transfer Agreement Attachment that may list one or more individual shipping orders. This attachment must be submitted as an Excel spreadsheet. This attachment to CCC-699C and instructions are available online at: <http://www.sc.egov.usda.gov>.
- a corresponding shipping order through their EWR Provider system.

Redemption of Transferred Bales from CCC Loan. The redemption of transferred bales from a CCC loan is subject to the following requirements whether the loan obligation is repaid by the transfer requestor or by any subsequent agent:

- Bales must be represented by an EWR at the time of redemption. Bales that are in transit (not represented by any EWR) are ineligible for redemption until receipted at the receiving warehouse.
- Repayment amounts are based on original loan terms and conditions, bale weights, and, if applicable, storage credit rates applicable at the original warehouse location.
- Loans made at Farm Service Agency County Offices (Form A loans) must be redeemed through the Centralized Cotton Redemption (CCR) process. Thus, requestors must assure that the Electronic Agent Designation (EAD) loan flag is set to “Yes” and that they are identified by the EAD at the time of loan repayment.

Shipping Order (S/O) Requirements. A CCC-699C Attachment may contain multiple S/O's. Each S/O is subject to the following requirements:

- The shipping and receiving warehouses must use the same EWR Provider system.
- The transfer requestor must direct the receiving warehouse to make CCC holder of the new receipts.
- Bales included on an individual S/O must represent loan bales from either: one or more loans from one or more County Offices; one or more loans from one or more LSA's; or, one or more loans from one or more CMA's. One S/O cannot mix County Office bales with LSA bales, or LSA and CMA bales.

Transfer Limitations. The following limitations apply to transfers:

- Transfer bales may not be redeemed at any time during the transfer process that CCC is not holder of an EWR for the bales. An AWP lock-in is not available for any cotton regardless of transfer status.
- Bales that have been transferred are ineligible for subsequent transfers while under loan.

Cancellation of Transfers. A cancellation of a requested transfer may be initiated by the requestor or by CCC. CCC may cancel a transfer if the cotton has not been relocated

by the 15th calendar day before the loan maturity date. Events such as fire or natural disaster at the storing or receiving warehouse may also justify a cancellation by CCC.

If a transfer is cancelled, the original holdership and sub-holdership of the EWR's are restored on the EWR. Such bales would be eligible for a subsequent transfer request. Cancellations do not apply to bales for which the original EWR was cancelled. CCC must be notified on a timely basis of all transfer cancellations.

Termination of a Transfer. A termination of transfer is a CCC action applicable only for bales that are "in-transit status" and not represented by an EWR at either the original or receiving warehouse. A transfer may be terminated if the loan maturity date for the bales is reached without the bales being receipted by the receiving warehouse because they are lost, misdirected, or rejected. Such bales are subject to immediate redemption at the current adjusted world price, as determined by CCC.

Transferred Bales That Forfeit. CCC has no authority to extend loan maturity dates for any loan cotton. If the loan obligation of a transferred bale is not repaid by its maturity date, CCC takes ownership of the cotton whether or not the cotton is represented by an EWR on the date of forfeiture.

For transferred bales that forfeit to CCC, the charges due at the original storing warehouse will have been paid by the requestor of the transfer. CCC will pay the receiving warehouse its receiving and accrued storage and bill the producer for the receiving plus any storage charges that exceed the storage credit rate at the receiving warehouse.

If the cotton is not receipted at the time of forfeiture, at CCC's option the requestor of the transfer shall either move the cotton at the requestor's expense to a cotton storage location approved by CCC, or purchase it from CCC at a rate determined by CCC.

Other Provisions

CCC shall not be held accountable for any charges resulting from the transfer or intended transfer of loan cotton.

The receiving warehouse may accept the weight established by the shipping warehouse or re-weigh transferred bales at their discretion. The use of the shipping warehouse weights does not relieve the receiving warehouse operator of the responsibility for the accuracy of the weights shown on its warehouse receipts.

Merchants may establish a subsequent agent designation for cotton loan collateral that has been transferred.

Following are scheduled dates for additional software enhancements:

- March 31, 2007 for automated e-mail notifications of approved transfers to FSA County Offices, CMA's, and LSA's
- April 30, 2007 for transfer termination software
- May 31, 2007 for software supporting the forfeiture of transferred bales.