



United States
Department of
Agriculture

May 13, 2005

BCD-97

Farm and Foreign
Agricultural Services

NOTICE TO THE TRADE

Farm Service
Agency

TO: All Warehouse Operators Approved under the Cotton Storage Agreement (CSA)

Kansas City
Commodity Office
P.O. Box 419205
Kansas City,
Missouri
64141-6205

SUBJECT: Temporary Storage Space in Outside Yards for 2004-Crop Upland Cotton under Commodity Credit Corporation (CCC) Loan

Background

The production of 2004-crop upland cotton has exceeded available commercial storage space in certain areas. Therefore, warehouse operators may request CCC approval of short-term temporary storage space in outside yards for 2004-crop upland cotton pledged as security for CCC marketing assistance loans.

Yard Storage Requirements

Warehouse operators requesting yard storage space must:

- Hold a current CCC Cotton Storage Agreement.
- Receive the appropriate licensing authority approval (State or Federal) for the open yard storage.
- Place 2004-crop upland cotton under CCC loan in conventional space by June 1, 2005.
- Meet CCC's security, net worth, bonding, and insurance requirements as required for conventional storage space. Net worth requirements will be in addition to that required for conventional storage.
- Assure that yard storage location(s) are not in a flood plain.
- Place all bales (CCC-interest and non-interest) on dunnage: Minimum 2 inches on improved hard surface yards; and minimum 3 inches on grass or dirt yards. In addition, all bales stored on grass or dirt must be fully covered with a plastic slip cover in addition to the Joint Cotton Industry Bale Packaging Committee approved bagging.
- Provide around-the-clock watchman service for all open-yard storage.

- Arrange each storage block to contain no more than 5,000 bales.
- Assure that each storage block will be separated by a minimum of 200 feet of open space in each direction.
- Maintain additional fire fighting equipment at each block, including an additional fire truck for each 100,000 bales in unprotected yards.
- Transmit to CCC a weekly inventory report of all cotton (CCC interest and non-interest) stored on open yards identified by location, EWR, and bale tag number.
- Transmit to CCC a weekly inventory report of all cotton (CCC interest and non-interest) removed from open-yard storage that includes the new location or disposition.
- Have in full effect before storing any cotton (CCC-interest and non-interest) on open yards, All Risk Insurance that includes provisions for flood and country damage with sufficient coverage for all such cotton, and a 30-day notice of cancellation.

Application for Temporary Yard Storage

U.S. Warehouse Act (USWA) Licenses. If operating under a USWA license, direct your questions regarding the use of temporary yard storage to Terry Chapman, Warehouse Licensing and Examination Division, Licensing Branch at:

P.O. Box 419205, STOP 9148
Kansas City, MO 64141-6205

Telephone: (816) 926-6474
Facsimile: (816) 926-1548
E-mail: terry.chapman@kcc.usda.gov

State Licenses. If operating under a State license, contact the applicable State licensing authority to determine its requirements for the use of yard storage.

CSA Requests. After approval by the appropriate licensing authority, or for warehouse operators who operate in States with no licensing authority, submit a written justification to Paul Rodriguez, Bulk Commodities Division, Storage Contract Branch at:

P.O. Box 419205, STOP 8748
Kansas City, MO 64141-6205

Telephone: (816) 926-6446
Facsimile: (816) 926-1426
E-mail: paul.rodriguez@kcc.usda.gov

CCC Rates

The storage and handling rates currently approved under the CSA will apply. CCC will not pay any additional handling charges for cotton moved into or out of temporary yard storage.

Warehouse Operator's Liability

The authorization to use temporary yard storage space does not relieve warehouse operators of their obligations under the USWA, State licensing authority (as applicable), or the CSA. 2004-crop upland cotton under CCC loan may be placed in temporary yard storage space after the use of such space has been approved by CCC.

Warehouse operators are liable for cotton stored in temporary yard storage space to the same extent as their liability for conventional storage space.

In addition, the Department of Agriculture strongly recommends that warehouse operators review their warehouse security plans and conduct a prudent risk assessment as required by the CSA (see Amendment 1 to CSA) in connection with the application of temporary yard storage space. Warehouse operators may want to pay particular attention to threats that may not have been considered significant in the past and might consider restricting access to their facilities to authorized personnel only.

/s/

George Aldaya
Director