



**United States  
Department of  
Agriculture**

September 1, 2005

BCD-110

**NOTICE TO THE TRADE**

Farm and  
Foreign  
Agricultural  
Services

**To:** All Warehouse Operators Approved Under the Peanut Storage Agreement (PSA)  
**Subject:** Disposition Policy for Commodity Credit Corporation (CCC)-Owned Peanuts

Farm Service  
Agency

**Background**

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

The total quantity of 2004-crop peanuts pledged as collateral for marketing assistance loan was about 1.95 million tons. While most of the initial loan quantity has been redeemed, CCC has acquired peanuts through forfeiture of marketing assistance loans.

Warehouse-stored loan quantities that are not repaid by the loan maturity date (or the next workday, if the maturity date falls on a non-workday) are automatically forfeited to CCC the next workday.

When loan forfeitures occur, CCC's general policy is to dispose of all commodities as rapidly and orderly as possible. Farm Service Agency county offices have been instructed to process peanut loan forfeitures and settlements without delay, and to submit paper warehouse receipts to the Kansas City Commodity Office (KCCO) via express mail. As peanuts are made available for sale, storing warehouse operators and all other parties interested in acquiring CCC-owned peanuts will have an opportunity to negotiate a sale with KCCO through an electronic online marketing service.

**Peanut Sales Will Be Processed Via Internet**

CCC has entered into a contract with The Seam, an independent company in Memphis, Tennessee, for online marketing services to sell CCC-owned peanuts. CCC representatives will determine when peanuts will be made available for sale and will make determinations on bid offers. However, this sales process will be handled electronically via The Seam's website.

The Seam will also transfer title to the buyer, upon receipt of payment. To review CCC's available peanut inventory and place bids, interested parties must first enter into a participation agreement with The Seam. While there is no cost to participate or place bids, The Seam will charge successful bidders a fee of \$0.75 for each ton of peanuts purchased.

To participate in the online peanut sales, please visit <http://www.theseam.com/participate.aspx> and download the **Peanut Participation Agreement** on the left side of the page. You may also want to download a copy of the **Rules and Terms**. For more information about The Seam, contact Kevin Brinkley at (901) 374-0374, email [kevin.brinkley@theseam.com](mailto:kevin.brinkley@theseam.com) or Charles Garner (478) 988-1125, email [charles.garner@theseam.com](mailto:charles.garner@theseam.com).



## **CCC Peanut Inventory**

As KCCO makes peanuts available for sale, all pertinent information from each warehouse receipt (peanut type, grade, net tons, loan value, percent SMKRS, percent Total Kernels, etc.) will be provided to The Seam. The Seam will allow reviews by peanut type or location (by State or CCC warehouse code). In the event that multiple warehouse receipts are sold as part of a single lot, the quality factors shown will represent a weighted average of all receipts in the lot, and the per ton loan rate will reflect the sum of the loan value for each warehouse receipt divided by the total net tons (including LSK). Please note that the loan value for each receipt is based on the loan value forfeited to CCC, and this amount may vary from the loan value entered on the receipt by the warehouse operator due to differences in rounding or other reasons.

CCC-owned peanuts available for sale will be displayed online beginning Wednesday, September 7, 2005, at 8:30 a.m. central time. Bids will be accepted each workday from 8:30 a.m. through 4:00 p.m. central time. The peanut inventory available for sale will be updated each workday to remove lots that have been sold. CCC may add lots periodically, without notice to the trade. Warehouse operators may want to consider subscribing to one or more no-cost reports on Commodity Operations E-List, such as the Daily Cash Sales report. This service is available at: <http://www.fsa.usda.gov/daco/subscribe.asp>.

## **Sales Provisions**

All peanuts online with The Seam will be available for immediate sale through negotiated sales to storing warehouse operators and all other interested parties. The Seam's terms codes will identify whether a receipt is being sold for restricted use (i.e., crushing only) or unrestricted use. CCC will generally sell peanuts as unrestricted use, but reserves the right, at CCC's sole discretion, to sell as restricted use.

Peanuts will be sold on a lot basis, and lots may be comprised of one or more warehouse receipts. Potential buyers will be required to enter a per ton bid based on the total net tons (including LSK) represented by the lot. Regardless of size, lots must be bid on in their entirety. Each bid will be analyzed independently, and no offer can be contingent upon the acceptance of other offers.

CCC-owned peanuts will be sold and released in-store at the point of origin, using the factors shown on the warehouse receipt(s). Although CCC does not guarantee the quality of peanuts that will be loaded out, warehouse operators are obligated to deliver the total USDA calculated loan value of peanuts, based on the factors on the warehouse receipt. CCC will not pay the out-elevation charges. Prior to submitting a bid, interested parties are advised to check with the storing warehouse operator regarding applicable load out rates, scheduling, and quality and location of the peanuts. Any differences must be settled between the buyer and the storing warehouse operator.

Title and risk of loss will transfer to the contractor upon receipt of payment to The Seam. For more information on making payments and the transfer of title to the peanuts, visit The Seam's website at <http://www.theseam.com/participate.aspx>.

CCC will pay storage through the date of the transfer of title, but no later than five business days after the date of sale. Storing warehouse operators are obligated to maintain the CCC storage and load-out rates after CCC transfers title in accordance with Part 2 of the PSA. When title of peanuts is transferred in-store to a third party, the storing warehouse operator is expected to load out for the third party the quantity of peanuts per day specified in the PSA.

CCC reserves the right to accept or reject any or all bids. Any bids that are not accepted by CCC will be automatically rejected at 4:00 p.m. central time. For accepted bids, the buyer must remit payment to The Seam in accordance with The Seam's Peanut Participation Agreement.

### **Delivery Obligation of Storing Warehouse Operator**

The delivery obligation for storing warehouse operators, created by issuing a warehouse receipt for peanuts, is to load out a quantity and quality of peanuts that will be equal to the properly calculated warehouse receipt loan value based on USDA's price table for loan peanuts for the applicable crop year. When CCC sells a warehouse receipt to a third party buyer, the storing warehouse operator's delivery obligation is shifted from CCC to the buyer. The delivery obligation otherwise remains unchanged, without regard to the sales price received by CCC.

### **Inspection Fees for Peanuts Purchased from CCC**

There is no requirement to inspect peanuts loaded out of the warehouse to a third party buyer. However, both the storing warehouse operator and buyer may want to ensure that the quantity and quality of peanuts loaded out of the warehouse is equal to the USDA calculated loan value of the warehouse receipt.

Potential buyers may want to discuss inspection fees with storing warehouse operators before placing a bid on CCC-owned peanuts, to determine whether inspection fees (if any) will be paid by the buyer or storing warehouse operator (or a combination). In any case, CCC will not pay inspection fees.

### **Applicable Statutes**

The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 641, 651, 1001; 1014, 15 USC 714m; and 31 USC 3729, may be applicable to the information provided to CCC in conjunction with the CCC commodity sales process.

Any questions regarding this Notice should be directed to KCCO at (816) 926-3816.

/s/

George W. Aldaya  
Director

