

January 18, 2006

BCD-117

NOTICE TO THE TRADE

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

SUBJECT: Temporary Storage Space in Outside Yards for the 2005-Crop of Upland Cotton in Certain Counties in West Texas, Oklahoma, Kansas, and New Mexico, Referred to as “Eligible Counties”

Background

The production of 2005-crop upland cotton has exceeded available commercial cotton storage space in Kansas, Oklahoma, New Mexico, and parts of Texas. Therefore, warehouse operators in the attached list of counties may request CCC approval of short-term temporary storage space in outside yards for 2005-crop upland cotton pledged as security for CCC marketing assistance loans (loan cotton).

Request for Temporary Use of Yard Storage:

Warehouse operators in the attached list of eligible counties may request the temporary use of yard storage space for 2005 crop loan cotton. No request will be considered after **April 1, 2006**. CCC will grant such requests only if the warehouse operator agrees with the following terms and conditions:

1. Protecting Interest Holders

- The warehouse operator shall protect the loan cotton from country damage.
- The authorization to use temporary yard storage space does not relieve warehouse operators of their obligations under the United States Warehouse Act (USWA), State licensing authority (as applicable), or the CSA.
- Warehouse operators are liable for loan cotton stored in temporary yard storage space to the same extent as their liability for conventional storage space.
- The warehouse operator must 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.
- The warehouse operator shall have in full effect before storing any loan cotton on open yards, All Risk Insurance that includes provisions for country damage with sufficient coverage for all such cotton, and a 30-day notice of cancellation.

- In addition, the USDA 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.

2. Ensuring Yard Storage is Temporary

- Temporary yard storage for 2005 crop loan cotton will be limited to the earlier of 90 days from the original storage date or April 1, 2006.
- Warehouse operators will be subject to removal from CCC's list of approved warehouses if found out of compliance.

3. Providing Interest Holders Transparency and Value

- There shall be no additional handling charges for loan cotton moved into or out of temporary yard storage.
- The warehouse operator shall transmit to CCC a weekly inventory report of all CCC loan cotton:
 - Stored on open yards identified by location, EWR, and bale tag number, warehouse code, and
 - Removed from open-yard storage that includes the new location or disposition.

Note: Warehouse operators may send stock location files from which CCC will extract loan bales.

- Upon request, the warehouse operator shall identify all cotton bales stored outside to individuals or entities who have demonstrated that they are legitimate owners, or those with an option to purchase the cotton, and have sent appropriate electronic requests for such reports.

4. Efficient Shipping

The warehouse operator agrees to adhere to the weekly minimum 4.5 percent warehouse shipping standard on the higher of CCC—approved capacity or actual bales on hand.

5. Other Requirements

- Ensure that yard storage location(s) are not in a flood plain.
- Place all bales on dunnage: Minimum 2 inches on improved hard surface yards and minimum 3 inches on grass or dirt yards. In addition, all bales stored outside 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.
- Ensure 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.

- Warehouse operators requesting yard storage space must:
 - Hold a current CCC CSA.
 - Receive the appropriate licensing authority approval (State or Federal) for the open yard storage.

- **Advance Notice of Proposed Rulemaking**

To address subsequent crop years, USDA will soon issue an Advance Notice of Proposed Rulemaking on the question of outside storage, including cotton flow standards.

Application for Temporary 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, Storage Contract Branch, Bulk Commodities Division at:

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

Telephone: (816) 926-6662
Facsimile: (816) 926-1426
E-mail: paul.rodriguez@kcc.usda.gov

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, Licensing Branch, Warehouse License and Examination Division 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.

CCC Rates

The storage and handling rates currently approved under the CSA will apply.

/s/ Bert Farrish

Bert Farrish
Deputy Administrator for Commodity Operations

KANSAS	NEW MEXICO	OKLAHOMA		
Cowley	Chaves	Alfalfa	Grady	McCurtain
Grant	Curry	Beckham	Grant	Noble
Harper	Dona Ana	Caddo	Greer	Roger Mills
Harvey	Eddy	Canadian	Harmon	Texas
Haskell	Lea	Comanche	Jackson	Tillman
Pratt	Luna	Cotton	Kay	Washita
Seward	Roosevelt	Custer	Kiowa	
Sedgwick				
Stevens				
Sumner				

TEXAS		
Andrews	Glasscock	Nolan
Armstrong	Gray	Ochiltree
Bailey	Hale	Oldham
Baylor	Hall	Parmer
Borden	Hansford	Pecos
Briscoe	Hardeman	Potter
Carson	Hartley	Randall
Castro	Haskell	Reagan
Childress	Hemphill	Reeves
Cochran	Hockley	Roberts
Coleman	Howard	Runnels
Collingsworth	Hudspeth	Schleicher
Concho	Hutchinson	Scurry
Cottle	Jones	Shackelford
Crosby	Kent	Sherman
Dallam	King	Stonewall
Dawson	Knox	Swisher
Deaf Smith	Lamb	Taylor
Dickens	Lipscomb	Terry
Donley	Lubbock	Throckmorton
El Paso	Lynn	Tom Green
Fisher	Martin	Upton
Floyd	Midland	Wheeler
Foard	Mitchell	Wichita
Gaines	Moore	Wilbarger
Garza	Motley	Yoakum
		Young