

## MERCHANDISING CCC-OWNED COTTON VIA E-COMMERCE

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### Abstract

Merchandising CCC-owned cotton via E-Commerce has not only allowed the Farm Service Agency (FSA) to streamline their in-house procedures and cut costs, but also has provided the cotton trade with a user friendly and efficient way to purchase cotton from Commodity Credit Corporation (CCC).

### Introduction

CCC has been selling cotton acquired through loan forfeitures for more than fifty (50) years. Prior to November 1999, this process was achieved by a very time consuming process of manually creating announcements, invitations and catalogs and mailing them to interested parties that had requested to be placed on our mailing lists.

In November 1999, CCC issued its first electronic announcement, invitation and catalog requesting offers to buy 137 bales of upland cotton. Merchandising of CCC-owned Cotton Via E-Commerce was launched and 134 bales were sold .

### Discussion

#### Past Procedures

Prior to November 1999, the merchandising of CCC-owned cotton was a manual process involving a large quantity of man hours and stacks of paper. Announcements were printed and mailed to interested parties. Numerous paper reports tracking cotton in which CCC had an interest, under loan or owned, were reviewed to determine when to issue catalogs. Once it was decided to issue a catalog, a data file containing CCC-owned cotton information was requested and received on a floppy disk. The file was loaded on a P.C. and bale lots were created manually. This was a very slow process that could take up to a week to create a catalog. After the catalog was completed, it was duplicated and manually distributed. More than 150 copies were mailed.

The bidders had to review the catalog page by page to determine if there were any bale lots that they wished to bid on based on their needs. Bids had to be submitted by mail, fax or hand delivered. Any corrections or modifications had to be delivered in the same way.

The bids were logged in as received and placed in a secure area until the catalog closed. Bids then were keypunched and computer analyzed to assist in the award process. Many times, on large sales, temporary employees were hired to do the keypunching of all the bids. This usually required an all-night operation so that the award could be made within the 24-hour time frame. This left bidders exposed to market fluctuations which were a constant concern and many times those risks were reflected in the amount of the bid. The market price was manually calculated on each lot and the lots were reviewed to determine whether to sell the lot or reject the bids due to the bid amount being less than the adjusted market value. Sometimes the computer analysis was run several times due to adjustments being made on the market price on selected lots. Each time it was rerun the process could take several hours.

After the final review was completed and the decision was made on which lots to sell, the processing section was notified informing them of the lots

to be sold and to print contracts, invoices and releases. The successful bidders were notified by fax. When payment was received, the receipts were mailed to the buyer. Depending on the size of the catalog and the number of bidders, the bid review and award process could take up to 24 hours to complete. The mailing of the invoices and receipts also added two or three days to the award process.

Merchandising cotton via E-Commerce has changed all of this!

#### Current Procedures

Cotton Online Processing System (COPS), is a complete on-line system with all loan and CCC-owned cotton information. By using COPS we can do sale forecasting and create an electronic catalog in minutes. We can select cotton still under loan by maturity date or only owned cotton or both. We can also select by cotton type, crop year, region, state stored and /or warehouse. After our selections are made, COPS provides an on-line list based on the selected criteria in an organized tree structure. The user can select more detailed information by state, warehouse or receipts level. From this information the determination can be made to place the owned bales on a catalog or wait for additional bales to be forfeited. Bales can be selected from these screens and placed directly on a catalog. By being able to view up to date bale information on CCC-owned and loan cotton, inventory management and catalog issuance has been streamlined and has allowed CCC to become more efficient.

From the catalog screen we are able to view the bales that had been allocated from the forecasting procedure. We are able to view the catalog information with the same options as stated before, by region, state, warehouse or receipt. When bales are recorded into our inventory, they are assigned a classing group code. Based on this code bales are placed in lots on the catalog. We are able to combine lots or move bales from one lot to another by selecting the lot or bale to be moved and dragging it to the lot it is to be combined with. This process is immediately performed and a catalog can be produced in less than one hour.

When the catalog is completed, the invitation to bid can also be created on-line by adding the announcement number and the date and time bids are due. Once this is completed, the catalog can be issued by clicking a button. All of the interested parties that have registered on COPS are sent an e-mail notifying them that a catalog has been issued. They can logon to COPS and access the new catalog immediately. The catalog can be downloaded or the user can use the on-line tools to determine if the catalog contains cotton that meets their needs. The catalog can be queried to determine which lots are in a selected region, contain bales that meet a selected crop year, compression code and/or classing criteria such as color, leaf, staple, micronaire, extraneous matter and/or strength. Based on the selected criteria, the screen is updated showing the lots and the number of bales in the lot that meets the selected criteria. The user can select the lot and view detailed bale information.

To submit a bid, authorized buyers can enter their bids online and by clicking on the submit bid button a screen is displayed listing the lots, the number of bales, bid price and value of their bid. The buyer then has the option of accepting the bid or clicking on the change button. Once the buyer clicks on the accept button, the database is updated and informs the buyer that the bid has been received by CCC. The buyer is able to modify any bid on-line until the catalog closes.

Bids are secured from view until the catalog closes. After the catalog closes, the bid information can be reviewed. COPS collects the spot market price during the time the catalog is open and determines the market value of each lot. COPS allows CCC to enter an additional premium or discount amount to be applied to selected lots or all lots. The additional premium and discount adjustment would take into account age, location and other criteria not found on the spot market sheet. The Bid Analysis List Screen

## Summary

can then be accessed which allows CCC representatives to view the following information: lot number, number of bales, bale investment, market value, adjusted market value and the bid price of all lots. They may use this information to determine the highest bid per lot and the most advantageous price level at which to award lots. The Bid Analysis List by Price Screen allows the CCC representatives to view lots sorted by the amount above or below the adjusted market price. The screen also shows the number of lots and the percentage of the catalog that is above or below the adjusted market price. CCC representatives can select the amount above or below the adjusted market price on which bids will be accepted and click on the accept button. The bid award screen will be displayed and allows the user to view which lots were awarded based on the highest bid price. The CCC representative then clicks on the award button and a process will start to create buyer invoices, releases and bale lists for the lots sold. The successful buyers are notified through e-mail. They can then access their buyer invoice and view the lots they were awarded and the amount due CCC. The invoice provides payment instructions and the date payment is due. The invoice also shows the interest rate that will apply if payment is not received by the required due date. Additionally a press release is created that will be posted on the Internet which contains the award information.

This process takes only minutes and the complete bid analysis is reduced from hours to minutes. When payment is received, COPS releases the bales to the buyer, creates a storage invoice and payment is made electronically to the warehouseman for all charges owed by CCC. The warehouseman is sent an e-mail advising that a final invoice is waiting for his certification on COPS.

## Security

All bids submitted on catalogs are encrypted. User IDs and passwords are required to place bids on the system. Buyers are required to change their passwords every 35 days. Passwords can be reset by the user for the next 90 days, but if not changed for 120 days the user access will be terminated. Passwords cannot be reused for 6 changes. Passwords cannot be changed for 5 days from the each change. These are Federal requirements and we realize this may be an inconvenience, but they are for the user's protection.

## COPS Future Enhancements

At the present time, press releases list the number of bales, lot number and the buyer's name. The bid price accepted per lot is only released through FOIA requests 30 days after the award date. We are in the process of changing the information shown on the press releases. Once these changes are completed, press releases will list the lot number and the number of bales sold. Five business days after the sale, all accepted winning bids will be posted on COPS showing the winning bid price on each lot. The name of the buyer will not be released.

Buyers can download bale detail on lots that they have purchased from their sale invoice, but classing data is only available by downloading the entire catalog. Future enhancements will allow bale detail and classing information to be downloaded from the sale invoice.

Presently only merchants who have registered with COPS have access to the electronic catalogs. Future plans are to allow any Internet user to be able to view catalogs and press releases on all sales. Only users wanting to place bids will have to register.

Merchandising CCC-owned cotton via E-Commerce has allowed the Farm Service Agency (FSA) to efficiently manage inventory, eliminate duplicating and mailing of announcements, invitations, catalogs, press releases, and sale invoices. It has also provided the cotton trade with a user friendly and efficient way to purchase cotton from Commodity Credit Corporation (CCC).

To logon to COPS:

[HTTP://www.fsa.usda.gov/cotton](http://www.fsa.usda.gov/cotton)

Table 1. Cumulative COPS ELS cotton sales through January 10, 2001.

<b>Sale Date</b>	<b>Sale #</b>	<b># Buyers</b>	<b>Bales Offered</b>	<b>Bales Sold</b>	<b>Total Value</b>	<b>Avg. Price</b>
1/12/00	E0001	2	4,423	3,064	\$1,171,126	\$0.7658
2/11/00	E0002	5	7,237	7,167	\$2,719,512	\$0.7642
3/16/00	E0003	5	7,654	7,144	\$2,746,296	\$0.7690
3/22/00	E0004	3	11,857	5,567	\$2,193,001	\$0.7869
3/30/00	E0005	7	10,305	7,400	\$2,972,937	\$0.8198
4/13/00	E0007	5	10,293	8,683	\$3,328,151	\$0.7728
5/11/00	E0008	4	14,382	14,361	\$5,973,243	\$0.8382
5/18/00	E0009	5	12,955	10,660	\$4,451,009	\$0.0000
5/25/00	E0010	7	14,392	14,392	\$6,091,945	\$0.8471
8/10/00	E0011	7	2,094	2,094	\$928,114	\$0.0000
12/14/00	E0003	3	2,566	2,566	\$1,315,993	\$1.0545
12/21/00	E0004	3	330	330	\$158,040	\$0.9621
<b>Total ELS</b>		<b>56</b>	<b>98,488</b>	<b>83,428</b>	<b>\$34,049,368</b>	<b>\$0.8215</b>

Table 2. Cumulative COPS upland cotton sales through January 10, 2001.

<b>Sale Date</b>	<b>Sale #</b>	<b># Buyers</b>	<b>Bales Offered</b>	<b>Bales Sold</b>	<b>Total Value</b>	<b>Avg. Price</b>
11/23/00	U000	3	137	134	\$20,964	\$0.3100
12/15/00	U000	1	1,111	413	\$58,896	\$0.2900
1/21/01	U000	4	5,709	1,321	\$233,803	\$0.3600
2/4/00	U000	5	9,152	5,290	\$113,732	\$0.4300
4/6/00	U000	6	7,218	3,973	\$836,521	\$0.4200
4/19/00	U001	6	7,467	4,299	\$917,751	\$0.4300
5/9/00	U001	10	1,305	9,149	\$213,467	\$0.4700
5/23/00	U001	8	5,330	5,330	\$135,645	\$0.5100
<b>Total Upland</b>		<b>43</b>	<b>4,918</b>	<b>2,990</b>	<b>\$669,638</b>	<b>\$0.0000</b>

Table 3. Cumulative COPS cotton sales through January 10, 2001.

<b>Sale Date</b>	<b># Buyers</b>	<b>Bales Offered</b>	<b>Bales Sold</b>	<b>Total Value</b>	<b>Avg. Price</b>
Grand Totals	99	147,671	113,337	\$40,745,749	\$0.0000