UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

For: Cotton State and County Offices, CMA's, and LSA's

Denied Storage Credits for Yard-Stored Upland Cotton

Approved by: Deputy Administrator, Farm Programs

1   Storage Credit Software

A Background

CCC previously announced policy permitting authorized warehouses to store 2007-crop cotton loan collateral outside (yard-stored). Storage credits, if otherwise payable based on the level of the adjusted world price (AWP), are generally **not** provided to loan bales for yard-stored periods.

Although some cotton loan collateral has been yard-stored, and warehouses have been reporting such bales to CCC, no storage credits deductions have occurred to date because the needed software has not been developed and implemented.

Note: The increase in AWP level has effectively eliminated 2007-crop loan collateral storage credit payments.

B Purpose

This notice:

- announces implementation of software that calculates days of denied storage credits
- provides information about software calculations and warehouse reporting requirements.

Disposal Date	Distribution
October 1, 2008	Cotton State Offices; State Offices relay to County Offices, CMA's, and LSA's

1   Storage Credit Software (Continued)

C   Contacts

If there are questions about this notice, State Offices shall contact either of the following.

IF questions are about…	THEN contact…
policy	Gene Rosera by either of the following: • e-mail to **gene.rosera@wdc.usda.gov** • telephone at 202-720-8481.
automation	Shanita Hines by either of the following: • e-mail to **shanita.hines@wdc.usda.gov** • telephone at 202-720-9888.

D   Software Implementation

Software to calculate applicable denied storage credits for upland cotton loan collateral will be effective for loan repayments processed starting **March 25, 2008**.

Note: Any loan repayments **before** March 25, 2008, will **not** be recalculated and are **not** subject to denial of any storage credits.

E   State and County Office Action

State or County Offices:

• do **not** need to take any actions to implement these new calculations because the software internally calculates denied storage credits

• shall use newsletters to remind upland cotton producers that yard-stored bales lose storage credits for yard-stored periods

• may distribute Exhibit 1 to provide general information to producers or producer agents about storage credit policy and calculations, if requested.

Note: County Offices shall file any e-mails received about bale location indicators and dates in loan folders as a reminder that bales subject to denied storage credits **must** be redeemed through the Centralized Cotton Redemption Process (CCR).

Calculation of Denied Storage Credits and Bale Information

A General Provisions

The date that CCC begins payments of storage credits is referred to as the "CCC storage-start date". The CCC storage-start date for:

- Form A loans is the date all loan documents are received at the County Office/LSA, referred to as the "Date Documents Received" (DDR) date; CCC storage-start/DDR date may precede the loan notification date (the date the Cotton Online Processing System (COPS) notifies the warehouse) by a few days, if the loan is **not** immediately entered into software

- Form G loans is the loan disbursement date.

Note: Loan notification date is defined as the date COPS provides e-mail notification to warehouse operators of bales entered into loan and records the notification date.

The 15-calendar-day grace period for storage credits is defined as starting on and including the loan notification date and ending on the 14th day following that loan notification date. Storage credits will apply during the 15-calendar-day grace period to loan bales that are yard-stored, but moved inside no later than the last day of the 15-calendar-day grace period.

The 15-calendar-day grace period applies to **all** warehouse operators regardless of whether yard-storage approval is requested. Therefore, any warehouse operator may avoid a violation, if yard-stored loan bales are moved inside by the end of the 15-calendar-day grace period.

The number of days, if any, between the CCC storage-start date and loan notification date, are added to the 15-calendar-day grace period for storage credit calculation purposes.

B Example Calculations

The number of days a bale is eligible/ineligible for storage credits will be based on the bale's CCC storage-start date and the loan-notification date; both dates are CCC-determined.

Both the warehouse-reported as-of dates for inside-stored and yard-stored loan bales will also be used. Storage credits will:

- be provided for all days the bale is inside-stored including the storage-start date

- **not** be provided for all days the bale is yard-stored including the storage-start date, **except** the 15- calendar-day grace period.

IF yard-stored bale was…	THEN software will calculate storage credits from the storage-start date to the repayment date, and subtract storage credits for all yard-stored periods…
inside-stored on the last day of the 15-calendar-day grace period	**after** the end of the 15-calendar-day grace period.
yard-stored during the 15- calendar-day grace period	from the storage-start date.
inside-stored during the 15- calendar-day grace period, but **not** inside-stored on the last day of the 15-calendar-day grace period	

Calculation of Denied Storage Credits and Bale Information (Continued)

B   Example Calculations (Continued)

Line	CCC storage-start/ DDR or disbursement.	Date warehouse notified. ← Grace Period →			Date 15-calendar-day grace period ends.			Redemption/maturity date.	Storage Calculation
1	In	In			In				Lines 1-7: If a yard-stored bale is moved inside no later than the last day of the 15-calendar-day grace period, storage calculation is as follows:
2	In	In			In	Yard		In	
3	In	In			In	Yard	In	Yard	
4	In	In	Yard	In	In	Yard	In	Yard	• accrued storage calculated from the storage-start date to repayment or forfeiture date
5	Yard	In			In				
6	Yard	In			In	Yard	In	Yard	• subtract accrued storage for all yard-stored periods **after** 15-calendar-day grace period.
7	Yard	Yard	In		Yard	In	Yard	In	
8	In	In		Yard	Yard	In			Lines 8-13: If cotton was either:
9	Yard	Yard	In	Yard	Yard				• yard-stored during the 15-calendar-day grace period
10	Yard	Yard			Yard				
11	Yard	Yard			In				• inside-stored during the 15-calendar-day grace period, but **not** inside on the last day of the grace period, storage calculation is as follows:
12	Yard	Yard			Yard	In			
13	Yard	Yard			Yard	In		Yard	• accrued storage calculated from the storage-start date to the repayment date
									• subtract accrued storage for all yard-stored periods starting from the storage-start date.

Legend:	"**Yard**" - Storage credits paid while yard-stored.	"**In**" - Storage credits paid while inside-stored.	"**Yard**" - No Storage credits while yard-stored.

Calculation of Denied Storage Credits and Bale Information (Continued)

C Redemptions Required Through CCR Process

Bales subject to denied storage credits that were pledged as collateral at a County Office **must** be redeemed through CCR. COPS provides e-mail notification to County Offices, CMA's, and LSA's of bale location indicators and dates.

D Warehouse Reporting Requirements

Warehouses authorized by CCC for cotton loan collateral yard storage are **required** to provide CCC (through their electronic warehouse receipt (EWR) provider) bale location indicators and effective dates. CCC uses that information to calculate the number of days the bales are eligible for storage credits.

Warehouses subject to these reporting requirements are asked to pay special attention to the following policy and reporting issues.

- CCC does **not** require warehouse operators to report the location (or mark the receipts) of non-CCC interest cotton. However, under CCC's zero-tolerance policy about yard storage reporting, if loan bales are found to be yard-stored but **not** reported as yard-stored, the warehouse is subject to losing its approved status. To avoid losing approval because of reporting omissions, some warehouses elect to report **all** yard-stored bales and mark **all** yard-stored receipts to assure the warehouses full compliance with reporting requirements.

- After a warehouse receives loan notification for a bale, bale location indicators **must** be reported on their effective dates for CCC's storage credit calculations to be accurate. **Any** delay by warehouses in reporting bale location indicators may result in computational errors for which no automated correction process is provided.

  Example: Assume that a loan bale was yard-stored when the warehouse received loan notification; the warehouse notifies CCC of the bale's **yard-stored** location and moves the bale inside 2 workdays **after** loan notification, but neglects to notify CCC of that relocation. If that bale is redeemed from loan **after** being moved inside, but **before** the warehouse reports that relocation, the bale would lose **all** storage credits for the period it was inside-stored while under loan.

- For yard-stored bales, warehouses are requested to report the date the bale was initially yard-stored with the exception that such date should **not** be earlier than the date the bale was receipted. For yard-stored bales **before** being receipted, the initial yard storage location date should be established as the date the bale was receipted.

Calculation of Denied Storage Credits and Bale Information (Continued)

D   Warehouse Reporting Requirements (Continued)

- CCC software starts the 15-calendar-day grace period for yard-storage based on the date the warehouse receives loan notification, and will ignore any earlier yard-storage locator dates that may be reported for the bale.

    Note: CCC software establishes the start-of-storage credits date based on either the date loan documents were received or the loan was disbursed.

- CCC's loan and transfer software for cotton processes information in the order such information is received from the warehouse. There is **no** correction process by which transactions are reversed, if bale location information is received in the incorrect sequence or after a bale has been redeemed or released for transfer.

- If a bale pledged as loan collateral is later determined ineligible, or mistakenly pledged, the bale loan record is corrected by a "trust transaction." Under any "trust transaction", CCC returns a clean EWR purged of all loan and location records. If the bale is subsequently resubmitted for loan, new location indicator records and dates **must** be submitted for storage credits to be accurately computed.

E   COPS Denied-Credits Days Calculation for CMA's and LSA's

Each workday, COPS will sweep all bales under loan in each yard-stored approved warehouse for each CMA and LSA. The sweep will execute after midnight to calculate the number of days of denied storage. The number of days denied storage credits will be used to determine the storage-stop date for storage, if the bale is redeemed on that day. The file may contain bales with zero days denied.

The file will be zipped and secured with the CMA or LSA file password. The file name, recently modified to have the batch number included in the last node of the dataset, is MFO900.CMSPPDT.AC.CMA.nnnnnOZDENIED(0) and this file is accessed by CMA's and LSA's using the FTP process. The file length is 450 bytes. The following provides the file layout.

Item	Column Name	Starting	Length	Content
1	Coop Code	1	5	Numeric
2	Reserved	6	31	Spaces
3	Crop Year	37	4	YYYY
4	Reserved	41	6	Spaces
5	Warehouse Code	47	6	Numeric
6	Receipt Number	53	7	Numeric
7	Reserved	60	1	Spaces
8	Gin Code	61	5	Numeric
9	Gin Tag Number	66	7	Numeric
10	Denied Storage Days	73	9	Numeric
11	Reserved	82	369	Spaces

Calculation of Denied Storage Credits and Bale Information (Continued)

    F   Bale Location Information Screen

Users with COPS access can determine the number of days of denied storage credits for a bale by accessing the Location Information Screen for a bale. This table provides the steps to access the Location Information Screen.

Step	Action
1	Access COPS.
2	From the "Bale" tab, CLICK "Bale Information".
3	Enter the bale information criteria to identify the specific bale.
4	At the bottom of the Bale Information Screen, CLICK "Location".

The following is an example Location Information Screen.