

## **User Guide for Transferring Cotton Pledged as Collateral For a Commodity Credit Corporation (CCC) Loan**

CCC's loan cotton transfer process may be used to:

- physically relocate bales pledged as collateral for a CCC loan from one CCC-approved warehouse to another
- exchange regular loan electronic warehouse receipts (EWR) for certificated receipts by either:
  - relocating cotton into a warehouse certificated for delivery of cotton on a futures contract, or
  - for loan bales already in a certificated warehouse, exchanging the normal electronic warehouse receipt of loan bales for certificated receipts.

**Applicant Requirements.** The subholder of EWR receipts applying to transfer cotton loan collateral must complete the following four requirements:

- Submit a signed agreement (CCC-699C of a version dated June 25, 2008 or later) establishing the terms and conditions for transferring cotton loan collateral. The agreement is submitted once per requestor and is considered applicable to all requested transfers until terminated by notice from CCC. This agreement and instructions for its completion are available online at: <http://www.sc.egov.usda.gov>.
- Establish a password-protected File Transfer Protocol (FTP) account with CCC for the purpose of submitting transfer requests.
- Inform CCC in writing of the named individuals who are authorized by the applicant to request transfers on behalf of the applicant.
- Submit financial assurance acceptable to CCC for the loan value of the cotton being requested for transfer. Such assurance may in the form of a letter of credit or bond issued by a FDIC-member bank or by any financial institution administered by the Farm Credit Administration. CCC will also accept a non-deductible insurance policy endorsement that provides CCC as the named beneficiary. Applicants are advised to submit such financial assurances to CCC for approval in advance of any requested transfer.

To request the FTP account, or for other assistance, contact: Kansas City Commodity Office, Contract Reconciliation Division, Financial Review Branch, Stop 8758; P O Box 419205; Kansas City, MO 64141-6205; Telephone: 816-926-6525; Fax: 816-823-1805; or by e-mail at: [crdfrb@kcc.usda.gov](mailto:crdfrb@kcc.usda.gov).

**Cotton Eligibility for Transfer.** The transfer process is limited to cotton loan collateral and any transfer request that includes non-loan bales will be rejected. Additionally, for loan cotton to be eligible for transfer, it must:

- not be represented by paper warehouse receipts

- be 30 days or more from loan maturity on the date of the transfer request
- have been authorized by the producer for transfer by endorsement of Part H of CCC-605. By endorsement of the Cotton Transfer Agreement, transfer requestors agree to submit such authorizations if requested by CCC. CCC will not normally request copies of producer authorizations unless a dispute arises.

Additionally, CCC will not approve the physical relocations of loan bales to any warehouse that is storing loan cotton outside at the time of the transfer request or is in suspended status. CCC may cancel approved transfers if the intended receiving warehouse is placed in suspended status before the original EWR's of the transfer bales are cancelled

**How to Request Transfer.** Entities that have been approved under the above process may request transfers by submitting both of the following:

- an endorsed Cotton Transfer Agreement Attachment that may list one or more individual shipping orders. This attachment must be submitted in .txt or .csv format. This attachment to CCC-699C and instructions are available online at: <http://www.sc.egov.usda.gov>.
- a corresponding shipping order through their EWR Provider system.

**Redemption of Transferred Bales from CCC Loan.** The redemption of transferred bales from a CCC loan is subject to the following requirements whether the loan obligation is repaid by the transfer requestor or by any subsequent agent:

- Bales must be represented by an EWR at the time of redemption. Bales that are in transit (not represented by any EWR) are ineligible for redemption until receipted at the receiving warehouse.
- Repayment amounts are based on original loan terms and conditions, bale weights, and, if applicable, storage credit rates applicable at the original warehouse location.
- Loans made at Farm Service Agency County Offices (Form A loans) must be redeemed through the Centralized Cotton Redemption (CCR) process. Thus, requestors must assure that the Electronic Agent Designation (EAD) loan flag is set to "Yes" and that they are identified by the EAD at the time of loan repayment.

**Shipping Order (S/O) Requirements.** A CCC-699C Attachment may contain multiple S/O's. Each S/O is subject to the following requirements:

- The shipping and receiving warehouses must use the same EWR Provider system.
- The transfer requestor must direct the receiving warehouse to make CCC holder of the new receipts.
- Bales included on an individual S/O must represent loan bales from either: one or more loans from one or more County Offices; one or more loans from one or more LSA's; or, one or more loans from one or more CMA's. One S/O cannot mix County Office bales with LSA bales, or LSA and CMA bales.

**Transfer Limitations.** The following limitations apply to transfers:

- Transfer bales may not be redeemed at any time during the transfer process that CCC is not holder of an EWR for the bales. An AWP lock-in is not available for any cotton regardless of transfer status.
- Bales that have been transferred are ineligible for subsequent transfers while under loan.

**Cancellation of Transfers.** A cancellation of a requested transfer may be initiated by the requestor or by CCC. CCC may cancel a transfer if the cotton has not been relocated by the 15<sup>th</sup> calendar day before the loan maturity date. Events such as fire or natural disaster at the storing or receiving warehouse may also justify a cancellation by CCC.

If a transfer is cancelled, the original holdership and sub-holdership of the EWR's are restored on the EWR. Such bales would be eligible for a subsequent transfer request. Cancellations do not apply to bales for which the original EWR was cancelled.

To cancel a transfer shipment, the shipping warehouse would need to create a batch type 50 (including the new required fields for loan transfers) and send the file to the provider. This action will: 1) make CCC the current holder and the requestor the subholder; and 2) remove the transfer flags from the EWRs and enable the bales to be redeemed or placed on another transfer request.

The requestor shall send CCC an e-mail stating that the transfer requests, identified by the shipping warehouse code, shipping order number and the mark have been cancelled.

**Termination of a Transfer.** The termination process applies to bales that may be lost or rejected after the original EWR has been cancelled and for which a new EWR will not be issued. To request the terminations of a transfer, the user must provide CCC with the shipping warehouse ID number, EWR number(s), shipping order number, and the reason for the termination (lost, rejected, damaged, etc). Submit such information to one of the following:

Gene Rosera, 202-720-8481, [gene.rosera@wdc.usda.gov](mailto:gene.rosera@wdc.usda.gov)  
Shannon Fulghem, 816-926-1533, [shannon.fulghem@kcc.usda.gov](mailto:shannon.fulghem@kcc.usda.gov)  
Fred Gustafsen, 816-926-2137, [fred.gustafsen@kcc.usda.gov](mailto:fred.gustafsen@kcc.usda.gov).

Bales terminated from transfer shall be redeemed at either the current adjusted world price or at loan principal plus interest depending on the reason for and timing of the termination. For bales that are lost in transit, the repayment rate will usually be the normal repayment rate effective on the date the bale was shipped (lost).

**Transferred Bales That Forfeit.** CCC has no authority to extend loan maturity dates for any loan cotton. If the loan obligation of a transferred bale is not repaid by its maturity date, CCC takes ownership of the cotton whether or not the cotton is represented by an EWR on the date of forfeiture.

For transferred bales that forfeit, the charges due at the original storing warehouse will have been paid by the requestor of the transfer. CCC will pay the receiving warehouse its receiving and accrued storage and bill the producer for the receiving plus any storage charges that exceed the storage credit rate at the receiving warehouse.

If the cotton is not receipted at the time of forfeiture, at CCC's option the requestor of the transfer shall either move the cotton at the requestor's expense to a cotton storage location approved by CCC, or purchase the bales from CCC at a rate determined by CCC.

### **Other Provisions**

CCC shall not be held accountable for any charges resulting from the transfer or intended transfer of loan cotton.

The receiving warehouse may accept the weight established by the shipping warehouse or re-weigh transferred bales at their discretion. The use of the shipping warehouse weights does not relieve the receiving warehouse operator of the responsibility for the accuracy of the weights shown on its warehouse receipts.

Merchants may establish a subsequent agent designation for cotton loan collateral that has been transferred.

CCC will act upon transfer requests received from the subholder on the bale EWR's, including requests for bales placed under loan by a Cooperative Marketing Association (CMA). CMA's relinquish control over the transfer of loan bales by establishing another entity as subholder of loan bales.