

**Gins, Warehouses, & Domestic Trade Committee**  
**Adopted at the 96<sup>th</sup> Annual Convention**  
**April 28, 2020**

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**GINS**

1. We remind gins all packaging must be in compliance with methods and materials approved by the National Cotton Council Joint Cotton Industry Bale Packaging Committee (JCIBPC) for loan eligibility. Tie length specifications should be strictly adhered, to ensure production of only true gin universal density bales (21x55x28). It is urged on any experimental packaging that in addition to durability, that safety for fire issues and stacking be considered before approval.
2. We recommend that gins strictly adhere to the format of the Permanent Bale Identification (PBI) as outlined by the National Cotton Council PBI Task Force and that tags be both machine and human readable. PBI tags must be prominently displayed and affixed to the bale in a manner, which they cannot be detached from the bale. PBI tags should not be placed in the heads of the bales and/or under the bagging as domestic customers cannot scan the tags in this manner. We also recommend that the task force agree on a bale placement location of the tag and require two separately placed stickers that are bar code readable. Furthermore, we request the National Cotton Council to expedite formation of the JCIBPC subcommittee to review PBI tag standards.
3. We urge producers and gins to make every effort to prevent contamination of cotton by foreign matter prior to and during the ginning process in that escalating incidences of contamination are damaging the reputation of US cotton both domestically and abroad. We encourage gins to maintain product liability insurance in case of contamination. Further protection should be given in instances when naked cotton is in transit between the gin and the warehouse. We request the National Cotton Council, producers, gins and manufacturers of round bale harvesters to make special efforts to educate gins and their employees to minimize contamination. All gins be required to have product liability insurance to enter cotton into CCC loan.
4. We strongly urge gins to maintain bale weights at 500 pounds net weight.
5. We urge the Commodity Credit Corporation (CCC) to maintain and enforce a maximum bale moisture content level of 7.5%, with no tolerances, in order for cotton to be eligible for the CCC Loan Program and that the CCC establish methods of testing for moisture content prior to entry into the Loan Program. We further urge the CCC to immediately prohibit cotton ginned with any water spray system, for the purpose of adding moisture (weight) that would exceed 7.5%, from entering the CCC Loan Program.
6. We recommend that the JCIBPC encourage EWR, Inc. to create fields in the gin/warehouse profile for gins to accurately and timely report bagging and tare codes prior to ginning and add visibility on the EWR, Inc. website. Further, we encourage EWR, Inc. to validate bag and tie codes on warehouse receipts against profile codes.

## WAREHOUSES

Below are excerpts from the National Cotton Council's "Packaging and Distribution" Committee Report. This policy was developed through the NCC's Cotton Flow Committee.

1. Require the warehouse to:
  - a. Mandate the use of electronic "Shipping Order Update (EWR Batch 23)" files.
  - b. Accept "Staging Shipping Orders (EWR Batch 31)" files.
  - c. Respond to shipper generated shipping orders (EWR Batch 21) or Staging Shipping Orders containing a valid requested shipping date with a Shipping Order Update (EWR Batch 23) file no later than two business days, in the interest of providing a documented audit trail.
2. Require shipping orders without valid requested shipping dates or a TBA designation to be flagged and returned to the sender by the provider; and require shipping orders with a TBA designation to be followed up with Shipping Order Update (EWR Batch 23) file containing a valid requested shipping date.
3. Request that EWR Inc. collect and make available to USDA relevant shipping order information for the purposes of automating the weekly reporting of BMAS shipping orders, and ask EWR Inc. to:
  - a. Serve as a portal/clearinghouse for data related to the scheduling and confirmation of shipping dates
  - b. Maintain all historical data for the purpose of facilitating USDA audits
  - c. Provide a standard format to the industry for reporting said data
  - d. Require that the locator ID be populated by the warehouses on the electronic warehouse receipt when created
4. Urge industry compliance with the minimum shipping standard –which is to make bales available for shipment (BMAS) of 4.5% per week of "CCC approved storage capacity" in effect during the relevant week of shipment by:
  - a. Using a two-week moving average to calculate BMAS,
  - b. Allowing "Bales Not Picked Up" (BNPU) to be counted for only one reporting period, where:
    - i. New PBI/Mark combinations, not already counted in a previous week as made ready within a defined period, equals bales shipped plus BNPU;
    - ii. BNPU will be only reported one time during that defined period;
    - iii. PBI/mark combinations will be reported to EWR in the weekly cotton flow report;
    - iv. For purposes of determining compliance, the BMAS calculation shall be based on a two-week rolling average
5. We urge the National Cotton Council, ACSA Staff, and ACSA Leadership to remain fervent in the advocacy for, and verification of, the inclusion, in its entirety of substance, of Warehouse Policy Items (1-4,) in the appropriate instrument(s) of USDA-governing documentation or agreements. Additionally, ACSA supports ongoing efforts to extend the duration of the Cotton Marketing Assistance Loan, the associated storage credits, and increases in the storage rate used to calculate storage credits.
6. Key questions about enforcement and penalties have been discussed in previous NCC committee meetings, but a consensus position has not yet been reached. ACSA feels that the NCC Cotton Flow Working Group is the most appropriate group to handle these issues.

7. We continue to endorse the idea of converting the U.S. cotton warehouse system from the antiquated storage-based system of operation to a service-based system of operation, in which the most efficient warehouses will be the most successful.
8. Urge the USDA to have uniform warehouse compliance agreements throughout the U.S. cotton industry.
9. We request/recommend that, as a part of the CSA, USDA require all warehouses to be certified to authorize the issuance of phytosanitary certificates for the USDA, and have a compliance agreement for the warehouses for the performance of phytosanitary inspections. We request that all warehouses meet USDA-PPQ phytosanitary standards and include the compliance certificate in their tariff along with the expiration date. We recommend that all warehouses specify their required process for requesting phytosanitary applications in their tariff and strongly suggest each adapt to electronic application processing and submission. Also, we encourage streamlining of the process and issuance of phyto-sanitary documents, and its acceptance by foreign entities and/or government. We urge USDA to utilize electronic filing, processing, signature, and response for the phytosanitary certificate. We urge USDA to provide adequate staff and resources to stay current to prevent any backlog of issuance of phyto-sanitary certificates.
10. We recommend one storage location for each single CCC licensed code.
11. We recommend that warehouses discontinue the use of outside storage and that the USDA monitor and limit the practice. Failure to discourage this practice at locations noted for continual overflow creates a disincentive to build additional warehouse space. We also urge the USDA not to approve bale packaging materials for the outside storage of loan or CCC owned cotton until such materials have been approved by the JCIBPC pursuant to strict and objective testing procedures encompassing all possible weather conditions.
12. Due to the COVID-19 Pandemic causing the delays in all trade and business activities along with extreme volatility in our futures market we recommend all warehouses waive penalties through September 30, 2020 for the following:
  - a) Cancellation of shipping order
  - b) Change of shipping order
  - c) Restocking fees
  - d) Late pick-up fees
  - e) Early pick-up fees
13. We recommend warehouses to inspect all bales prior to issuing an electronic warehouse receipt, in order to insure that the bale is a Grade A bale. A Grade A bales is one that has the integrity of the bale intact, including covered sample holes, and is clean and free of oil, dirt and pests. Warehouses should maintain, at all times, experienced and trained personnel who are able to recognize Grade A bale conditions. If these personnel recognize non-Grade A bales, damaged, wet or moldy bales, we urge the warehouse to notify the shipper if the bale is under a shipping or staging order, or the depositor of the bale, if the bale is not yet under a shipping or staging order. We strongly urge all warehouses to inspect all bales as if a phytosanitary certificate is needed. There is a growing

practice of bales being sold in transit, and if no phytosanitary inspection was performed, the list of countries where the bales may be sold is limited. If all bales are inspected by the warehouses, this would limit and possibly eliminate tailgate inspections at the ports, which is extremely costly to cotton shippers.

14. We recommend warehouses have sufficient personnel to operate during all normal business hours Monday through Friday, recognizing the critical and essential designation of agriculture and specifically the cotton supply chain including warehouses, which are subject to the hours or operation clause of the Cotton Storage Agreement.
15. We propose a process whereby shippers issue claims to the shipping warehouses for damaged bales, whenever there is clear, photographic evidence of damages from a neutral surveyor/controller.
16. We urge warehouses to publish holidays and closings in their tariff. Closings should be reasonable, and holidays should be restricted to Federal Government holidays. As a reminder, the U.S. Warehouse Act, as Amended (735.30) states: '(a) Each licensed warehouse shall be kept open for the purpose of receiving cotton for storage and delivering cotton out of storage every business day for a period of not less than six hours between the hours of 8 a.m. and 6 p.m.
17. We recommend that ACSA and members of the cotton warehouse industry open dialogue regarding fees for late pickup of cotton and that charges not be assessed for order changes when the cotton has not been broken out for loading. We recommend warehouse operators adopt loading procedures which will assure carriers are loaded within two hours of arrival and accept responsibility for detention if delays in loading are incurred during hours of service. We recommend that warehouses not exceed the industry ratified standard for late pickup charges and that they adhere to the 48-hour window before executing the charge. We recommend that all warehouses invoice non-standard tariff charges, such as late pickup charges and ESO fees, as separate line items from standard tariff charges (receiving, classing, storage, load/out/shipping, compression).
18. We want to remind warehouses that any increase in tariff charges will ultimately affect the price the farmer receives, as well as negatively impact the competitiveness of US cotton in the world market. We also urge that non-warehousing charges such as Texas Boll Weevil Maintenance fees, not be included in tariff charges.
19. We request that the FSA Warehouse License and Compliance Branch take appropriate action to assure that all CCC licensed warehouses are in compliance with the US Warehouse Act regulations and provisions of their published tariffs and recommend that members notify the USDA whenever violations occur. Please note the ACSA website for details on procedures for contacting USDA-Kansas City Commodity Office regarding shipping performance of USDA licensed warehouses.
20. We urge warehouses to comply with CCC regulations regarding canceling electronic warehouse receipts within 24 hours, or one business day, after shipment of cotton. We urge that the warehouse notify the shipper of loading on to the truck within 24 hours, via EWR, Inc., including load details, bale numbers mark, trailer / railcar / container number and seal number. We also recommend warehouses to provide and affix their seal in accordance with regulatory guidelines to loaded trailers, railcars or containers.

21. We remind our members of their rights under the ACSA/CWAA Agreement to file an arbitration claim against a warehouse for its failure to timely comply with a shipping order and recover damages of one month's storage.
22. We urge cotton warehouses to maintain adequate records regarding arrival and departure of carriers that include printed legible driver's name and trucking company name. (Endeavor to be recorded and maintained within EWR, Inc. and/or warehouse software.)
23. We recommend all warehouses to ensure that the amount of insurance coverage provided will at all times be in an amount and scope adequate to fully cover the interests of the holders of EWRs.
24. Only allow warehouses to alter licensed capacity once per year, and significantly increase the fee charged to warehouses for the change. Current abusers start the season with a very low licensed capacity, which enable the warehouses to avoid shipping cotton earlier in the season. The same abusers pay nominal fees each time to raise the capacity to more realistic levels later in the season.
25. ACSA strongly requests that warehouses be prohibited from establishing their initial licensed capacity each year at a level that is below the 5-year Olympic average of the highest amount of inventory on hand each year.

### **SHIPPERS**

1. We acknowledge that shippers are responsible for the performance of their vendors and recommend that they develop a monitoring program of their performance. Shippers should establish and maintain clear lines of communication with warehouses, transportation companies, and customers and should assume the responsibility as the focal point of information between all entities.

### **DOMESTIC AFFAIRS**

1. We urge members to use Southern Mill Rules in their domestic contracts.
2. We recommend that ACSA meet with AMCOT to discuss the possibility of engaging the NCTO Fiber Committee to consider the return to an annual or bi-annual review and updating of the Southern Mill Rules including the Pima rules section. The SMR were last ratified and updated in 2004.
3. We urge mills to have sufficient personnel readily available for scheduling and verifying deliveries.
4. We request mills to be aware of the Hours of Service Regulations for truckers which may drastically impact their costs and service for cotton deliveries, and to review and if necessary, expand their receiving hours.
5. We request that mills give ample notice to shippers in regard to mill shutdowns or any changes in appointments or destination. Mill should pay shipper for any additional costs incurred due to appointment changes.

6. We remind mills that they are required to return any rejected bales to the shipper in merchantable condition including patching any tears or sample holes. Also, any rejected bales should be returned with proper identification, such as shippers mark, all tags, especially PBI number.
7. Recommend that ACSA urge members to utilize ACSA arbitration apart from any trade rules stipulated.

Respectfully submitted:  
Tommy Hayden, Chair

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