



**United States
Department of
Agriculture**

Farm and Foreign
Agricultural Services

Farm Service
Agency

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Notice To The Industry – BCD-68

DATE: March 15, 2004

TO: All Peanut Warehouse Operators Licensed Under the United States Warehouse Act (USWA) or Approved Under the Commodity Credit Corporation's (CCC) Peanut Storage Agreement (PSA)

SUBJECT: Storage Practices and Uses of Warehouse Stored Peanuts

Background

Recent examinations of peanut warehouses have found repeated violations of two conditions of the USWA Nut Licensing Agreement and the CCC PSA by peanut warehouse operators. These violations involved the storage of peanuts in drying wagons and the failure to have possession of or make proper cancellation of warehouse receipts before shelling or processing peanuts represented by the warehouse receipts.

Purpose

This notice reiterates the Farm Service Agency's (FSA) policies for both USWA licensed and CCC approved warehouse operators prohibiting the use of wagons or other mobile conveyances as USWA licensed or CCC approved space and prohibit the conversion of warehouse receipt obligations without proper possession and cancellation of warehouse receipts.

All peanuts representing warehouse stocks and obligations must be stored within licensed/approved space. FSA does not accept mobile conveyances as licensed or approved warehouse space. Wagons or other mobile conveyances parked within licensed/approved space do not meet the requirements for acceptable storage. FSA examiners have been instructed not to accept peanuts stored in these conveyances for examination purposes, which could result in the warehouse operator having insufficient inventory to cover storage obligations.

The other violation involves warehouse operators shipping, shelling or processing peanuts before having possession of or making proper cancellation of warehouse receipts. Since the warehouse receipt represents peanuts belonging to a depositor as a storage obligation and may also be loan collateral for a CCC marketing assistance loan, such action is considered conversion of depositor assets and/or government collateral. Conversion of depositor assets is deemed a serious violation and may result in further administrative action by FSA. FSA examiners have been instructed to verify all canceled and outstanding warehouse receipts, not to accept warehouse records when warehouse receipts are canceled improperly, and to reconstruct the Daily Position Record (DPR) using actual event dates for examination purposes. Failure to follow these procedures could also result in the warehouse operator having insufficient inventory to cover storage obligations.

Action

Effective immediately warehouse operators must:

- (1) Not use peanuts contained in any mode of mobile storage as part of warehouse stocks or to represent any warehouse obligations. Peanuts stored in wagons must not be included on the DPR. It is acceptable to place peanuts in bags, boxes or totes within licensed/approved space.
- (2) Not convert or use any peanuts for which a warehouse receipt or other storage obligation is outstanding. A warehouse operator must, without exception, have physical possession of the paper warehouse receipt or be the current “holder” of an outstanding electronic warehouse receipt, cancel that receipt properly and post the activity accurately to the DPR before making any use or disposition of the represented peanuts.

/s/

George W. Aldaya
Director