



United States
Department of
Agriculture

Farm and Foreign
Agricultural Services

Farm Service
Agency

Kansas City
Commodity Office
P.O. Box 419205
Kansas City,
Missouri
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DATE: November 12, 2002

BCD-30

NOTICE TO THE INDUSTRY

TO: All Peanut Warehouse Operators Licensed Under the U.S. Warehouse Act (USWA) and/or Approved Under the Peanut Storage Agreement (PSA)

SUBJECT: Guidance on the Requirements for Peanut Warehouse Operators

Background

Currently, the Farm Service Agency, Kansas City Commodity Office (FSA/KCCO) does not have an approved "Peanut Warehouse Operator's Handbook" for recently licensed or approved peanut warehouse operators to familiarize themselves with their operational responsibilities to FSA/KCCO. The purpose of this notice is to provide peanut warehouse operators further guidance concerning operations, obligations to maintain stocks, insurance, records, examinations, warehouse receipts, schedule of charges and security plan. The cooperation of peanut warehouse operators in these operational areas will allow USDA examiners to conduct an accurate and meaningful examination of their peanut warehouse.

Warehouse Operator's responsibilities include the following:

Operations

The warehouse operator must be open for the purpose of receiving, storing, delivering and settling peanuts every normal business day for a period of not less than six hours between the hours of 8:00 a.m. and 6:00 p.m. The warehouse operator must post their business hours at the public entrance to the office and to their warehouse. In case the warehouse is not to be kept open as required, in the posted notice state the period during which the warehouse is to be closed and the name, the address, and telephone number of the person whom will authorize receipt, delivery and settlement of peanuts stored in the warehouse.

Obligations to Maintain Stocks

Warehouse operators must, at their expense, maintain at all times in approved/licensed space the quantity and quality of peanuts equivalent to all storage obligations to all depositors.

For identity preserved peanuts, the warehouse operator must maintain as would a prudent owner, at all times, the identical lot of peanuts in specified locations as defined in the warehouse records.

FSA/Deputy Administrator for Commodity Operations (DACO) may suspend the warehouse operator's USWA license and/or FSA/KCCO may remove a warehouse operator from the approved list of PSA facilities whenever USDA warehouse examiners find insufficient quantity and quality of peanut stocks in their licensed or approved space to fully meet all warehouse obligations.

Insurance

The warehouse operator must insure and continue to insure in their own name, at the warehouse's expense, and for its full market value, stored peanuts against loss or damage by fire, lightning, and other risk.

Records

The warehouse operator must maintain current and complete records at all times with respect to all peanuts stored, handled, or under the control of the warehouse operator. Access to these records must be available on-site, unless otherwise agreed to by FSA/KCCO, in writing. The required records must include, but are not limited to, a Daily Position Record (DPR), which, as of the close of each business day during which any activity or transaction occurred, shows the following:

- Total quantity of peanuts received, loaded out and all adjustments which are made for peanuts remaining in the warehouse.
- Total negotiable and non-negotiable warehouse receipts issued, canceled and balance outstanding.
- Total increase, decrease and outstanding un-receipted obligations belonging to others.
- Total peanuts owned by the warehouse operator, for which warehouse receipts have not been issued and
- Total peanut storage obligations.

The warehouse operator must maintain a separate set of records for each depositor showing the type, segregation, grade, date of deposit and quantity of peanuts deposited or redelivered.

The warehouse operator must arrange paper warehouse receipts and accepted weight certificates in numerical order and otherwise in such manner as may be directed, for purpose of an audit by FSA/KCCO.

If the warehouse operator has multiple locations, the warehouse operator must designate the main location where records will be kept. All records must be maintained for a minimum period of six years.

Examinations

The warehouse operator must permit FSA/KCCO to examine any or all warehouse facilities, records, or inventory without prior notice at any time. Upon request, the warehouse operator must provide access to records on site, unless otherwise agreed to by FSA/KCCO, in writing, and any assistance necessary to perform the examination. The warehouse operator must take reasonable steps to reduce or remove risks of hazards that could affect an examination.

Warehouse Receipts

Current instructions for the issuance of negotiable warehouse receipts and a sample copy of a negotiable warehouse receipt for USWA warehouse operators with a PSA as well as non-USWA warehouse operators with a PSA may be found on the Commodity Operations website at the following address, www.fsa.usda.gov/daco/peanut_program.htm

For the 2002 crop year, warehouse operators must include in the comment section of each warehouse receipt concerning Net Pounds and Loose Shelled Kernels (LSK) the following:

- "For 2002 copy peanuts only, total loan value of the peanuts, Net Pounds and LSK Pounds represented by this warehouse receipt, calculated using USDA's Price Table File issued on 09/06/02, is \$_____. Warehouse operator's obligation shall be to deliver this total loan value upon demand."
- "Return of peanuts will be both net pounds and LSK pounds. Both have been reduced for a shrink factor."

The warehouse operator must have a system to ensure control and proper issuance of warehouse receipts.

When a warehouse operator issues a warehouse receipt in error, the warehouse operator must permanently and boldly mark the face of the original receipt and all copies with the word "Void" and indicate the date voided. Each voided receipt must be maintained and accounted for as part of the warehouse's permanent warehouse receipt file.

The warehouse operator must document on the face of each original canceled receipt that the receipt is canceled and the date of cancellation. Retain each canceled paper warehouse receipt for a period of six years after December 31 of the year in which the warehouse operator canceled the warehouse receipt and for such longer periods as may be necessary

for the purpose of any litigation that the warehouse operator knows to be pending, or as may be required by FSA/DACO.

USWA licensed warehouse operators must file a Signature Card for Warehouse Receipt Signature (WA-70) with FSA/KCCO/WLED. The WA-70 shows the name and genuine signature of each person authorized to sign warehouse receipts for the warehouse operator. The warehouse operator must promptly notify FSA/KCCO/Warehouse Licensing and Examination Division (WLED) of any changes as to persons authorized to sign and keep on file the signature of such persons. The warehouse operator will be bound by such signatures the same as if the warehouse operator had personally signed the receipt.

FSA/KCCO allows electronic and facsimile signatures only when a USWA licensed warehouse operator receives written permission from FSA/KCCO after filing a separate WA-70 for each individual electronic or facsimile signature authorized by the warehouse operator and as such being bound by each such electronic or facsimile signature as though the warehouse operator had personally signed the receipt.

Schedule of Charges

Post a copy of the warehouse schedule of rates (tariff) and insurance information conspicuously where the depositor may access it at all delivery points.

Listed below are some tariff guidelines for a USWA license operator:

- A copy of the tariff covering rules and schedule of charges must be submitted to FSA/KCCO prior to issuance of a USWA license. Any changes to the tariff must also be submitted to FSA/KCCO/WLED for review.
- Tariff should contain: all rules covering the delivery, storage and redelivery of peanuts; services and charges for these services (i.e. drying, storing, receiving, shipping, fumigating, shrink, etc).
- Any special conditions and charges should be specified in the tariff.
- Special services that the warehouse is capable of performing but not wanting to list as regular warehouse services may be covered with special contracts.
- Per the USWA, a warehouse operator is not allowed to make any unreasonable or exorbitant charge for warehouse or handling services rendered.

For warehouse operators with a PSA, the schedule of rates for CCC for peanuts for the 2002 crop year were established in Notice to the Industry BCD-27 dated October 7, 2002. This notice can be found on the Commodity Operations website at the following address, www.fsa.usda.gov/daco/peanut_program.htm

Security Plan

The PSA will require the warehouse operator to have a security plan in place. The warehouse operator must conduct a facility vulnerability assessment and establish procedures that address the general security of the physical structures and grounds, shipping and receiving of peanuts, emergency action planning and contact information of local authorities.

Additional Information

Warehouse operators are encouraged to submit written comments and suggestions regarding USDA's examination of peanut warehouses to the addresses below.

During subsequent examinations, the USDA warehouse examiners will make a determination as to compliance of the warehouse operator with these requirements.

Questions and Contacts

The following are the principal contacts at FSA/KCCO for federally licensed and PSA warehouse operators wishing more information on these issues. They are the appropriate officials to whom to direct written correspondence seeking permission to transfer and move peanuts to another warehouse or to utilize any other specific part of the program for which advance permission and written approval is required.

- **Contact for U.S. Warehouse Act (USWA) Licenses.** If operating under a USWA license with a PSA, direct your questions to:

Terry Chapman, Chief, Licensing Branch,
Warehouse Licensing and Examination Division
Kansas City Commodity Office -- MAIL STOP 9148
PO Box 419205
Kansas City, Missouri 64141-6205
Telephone: (816) 926-6474 -- Facsimile: (816) 926-1774
E-mail: TLCHAPMAN@kcc.usda.gov

- **Contact for Non-USWA or State Licensed warehouses.** If operating as a Non-USWA licensed warehouse with a PSA, direct your questions to:

Steve Searcy, Chief, Storage Contract Branch
Bulk Commodities Division
Kansas City Commodity Office -- MAIL STOP 8748
PO Box 419205
Kansas City, Missouri 64141-6205
Telephone: (816) 926-6446 -- Facsimile: (816) 926-1426 or (816) 823-1804
E-mail: SASEARCY@kcc.usda.gov

Thank you for your attention to this important matter.

/s/ George W. Aldaya

George W. Aldaya
Director