

# **UNITED STATES WAREHOUSE ACT FISCAL YEAR 2023**

## **ANNUAL REPORT**

**WAREHOUSE AND  
COMMODITY  
MANAGEMENT  
DIVISION**

*FAIR TRADE PRACTICES PROGRAM*

*July 2024*





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## Acknowledgments

The U.S. Department of Agriculture, Agricultural Marketing Service (AMS) administers programs that create domestic and international marketing opportunities for U.S. producers of food, fiber, and specialty crops. AMS also provides the agriculture industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country.

AMS administers all provisions and activities regulated under the United States Warehouse Act (USWA) from within the Fair Trade Practices Program (Program) through the direction and supervision of the Director of the Warehouse and Commodity Management Division.

USWA valued customers are agricultural commodity warehouses that acquire USWA licenses. USWA license holders provide services and security to commodity depositors, which include farmers, cooperatives, merchandisers, banks, investors, Commodity Credit Corporation, and other entities.

USWA stakeholders, including industry associations that represent warehouse operators and other agricultural sectors, are valued partners that work closely with WCMD to support program delivery, improve operations, and quickly remediate any issues.

## Summary

Fiscal Year (FY) 2023 represented 107 years of cumulative USDA and industry partnership dedicated to developing, growing, and maintaining America’s public commodity warehousing system through the provisions of the USWA. As a result of market consolidation factors in the grain industry in 2023, WCMD expanded its footprint in terms of functional units, while the volume of licensed grain storage (bushels) and the number of grain licenses decreased slightly. The number of cotton warehouses licensed increased slightly and peanut warehouse licenses decreased slightly in 2023, following a 4-year market trend. WCMD did not increase license fees in 2023. The Program has a reserve account balance of \$1.5 million, approximately 5 months of operating expenses. The efficient use of resources, industry partnership, and a committed staff position WCMD and the agricultural commodity warehouse industry to face future market challenges.





## Introduction

The USWA was enacted in 1916 to stabilize and standardize the agricultural commodity warehouse system. The Act provides for the licensing of public warehouse operators in the business of storing agricultural products, examination of such federally licensed warehouses, and collection of fees to sustain the operation and administration of these efforts. Participation in the USWA program is voluntary. Participants may choose to obtain licensing under USWA to meet State or other industry requirements.

The USWA has been instrumental in the development, growth, and maintenance of a public commodity warehousing system. It provides a foundation for commerce and trade by permitting Federal Reserve member-banks to provide loans to farmers on the security of their harvested crops stored in Federal warehouses as collateral. USWA validated negotiable warehouse receipts are widely used and greatly valued by the public banking system, the Commodity Credit Corporation, and Commodity Exchanges. Regulations issued under the authority of the Act (7 CFR Part 869) offer protection and a safety net to agricultural producers across the United States. The Act has been a primary tool used to facilitate standardization in business practices throughout the industry. Warehouse operators who apply must meet the USDA standards established within the USWA and its regulations, observe rules for licensing, and pay associated user-fees.

The USWA statute requires the Secretary of Agriculture to publish an annual report on the actions taken each year to improve efficiencies and reduce costs to minimize user-fees. The 2023 USWA Annual Report provides an overview of program operations, financial status, and actions taken to improve efficiencies and reduce costs.

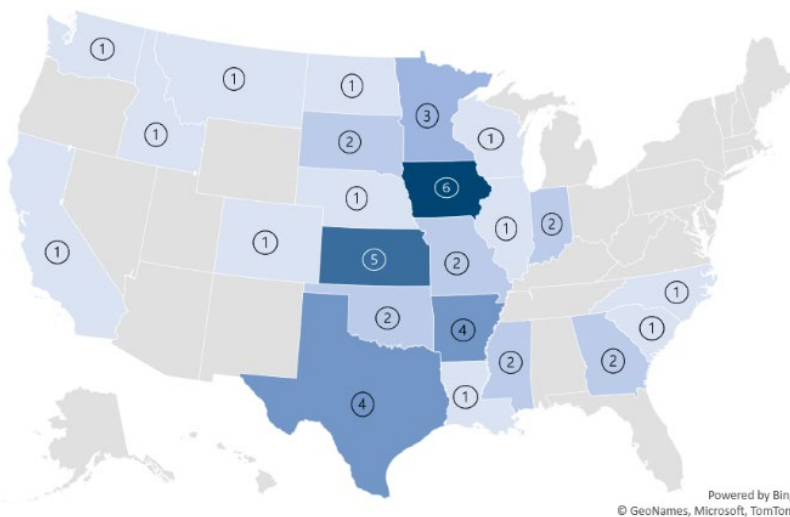
## Organizational Structure

The Warehouse and Commodity Management Division (WCMD) has four organizational components: the Office of the Division Director; the Examination Branch; the License and Storage Contract Branch; and the Commodity Management Branch.

USWA services are delivered by staff in WCMD’s Examination Branch and the License and Storage Contract Branch with leadership provided by the Office of the Director. WCMD also conducts various activities on behalf of the Commodity Credit Corporation (CCC) and other USDA programs.



Warehouse Examiners Across the United States



## Employees and Locations

WCMD staff supporting USWA activities are strategically located throughout the United States. Warehouse examiners are distributed across the Nation for effective and efficient delivery of onsite services. Staff supporting USWA administrative functions work out of offices located in Washington, DC and Kansas City, MO. Staff members split their time between USWA and other program activities to maximize efficient resource allocation.

In Fiscal Year (FY) 2023, USWA user-fees supported the salaries of 24.2 staff for licensing, examinations, and general administration of the USWA program and activities.

## Key Stakeholders

USWA stakeholders have a shared interest in protecting agricultural commodity depositors, which include farmers, cooperatives, merchandisers, banks, investors, CCC, and other entities. Industry associations that represent warehouse operators and other agricultural sectors work closely with WCMD to support delivery of services, improve efficiencies, and resolve issues quickly. Associations and government entities with shared responsibilities or interests in oversight of agricultural commodity warehouses are key partners.

### WAREHOUSE AND AGRICULTURAL SECTOR STAKEHOLDERS

- American Cotton Shippers Association
- American Peanut Shellers Association
- Cotton Growers Warehouse Association
- Cotton Warehouse Association of America
- National Cotton Council
- National Grain and Feed Association
- National Peanut Buying Point Association
- U.S. Dry Pea and Lentil Association
- U.S. Rice Producers Association
- USA Rice Federation

### AGENCIES AND ASSOCIATIONS WITH SHARED RESPONSIBILITIES AND INTERESTS

- Association of Grain Regulatory Officials
- National Association of State Departments of Agriculture
- USDA - AMS Commodity Procurement Program
- USDA, Farm Service Agency
- United States Agency for International Development





# 2023 USWA Overview of Operations

## FY 2023 Warehouse License and Capacity Overview

### Cottonseed Licenses

- 1 license
- 1 functional unit
- 8,000 tons capacity

### Dry Edible Bean Licenses

- 3 licenses
- 27 functional units
- 8,471,000 cwt capacity

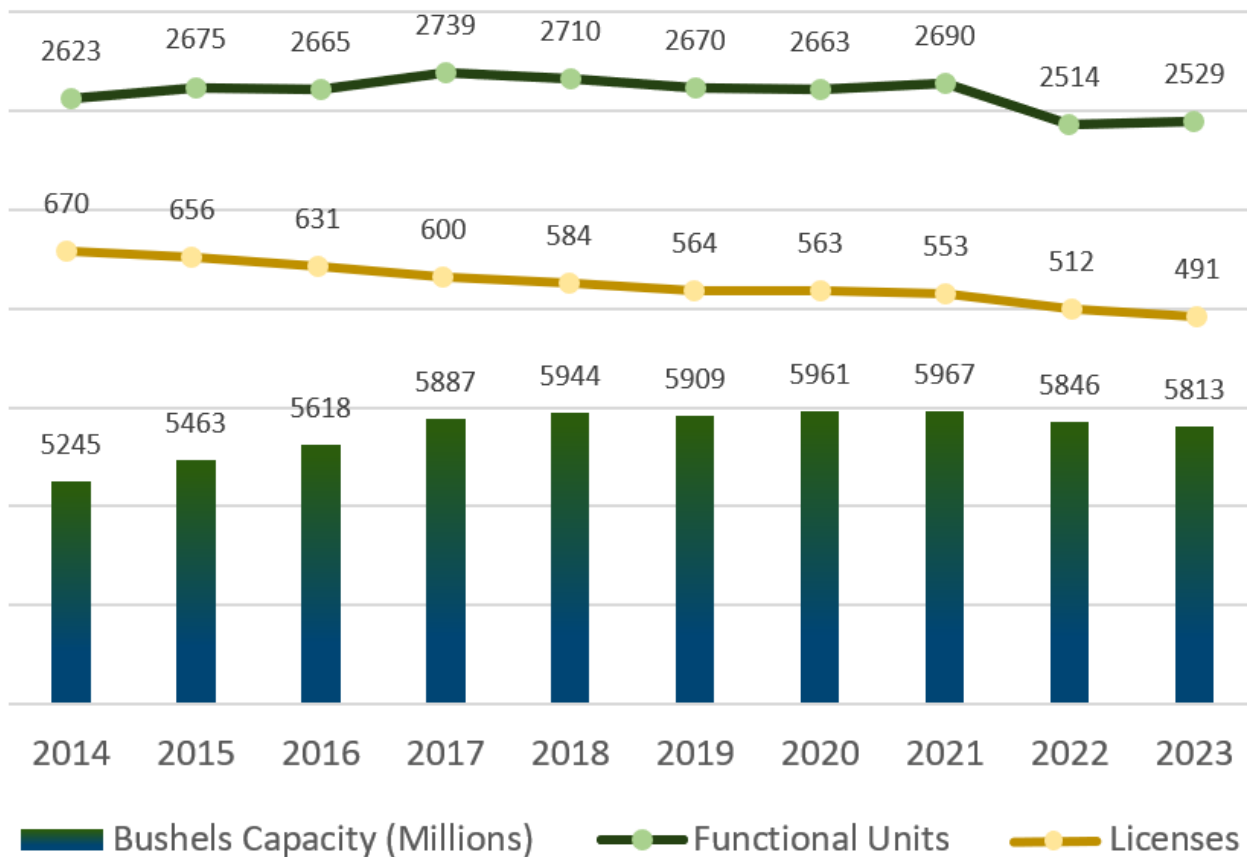
### Export Food Aid Commodity Licenses

- 15 licenses
- 17 functional units

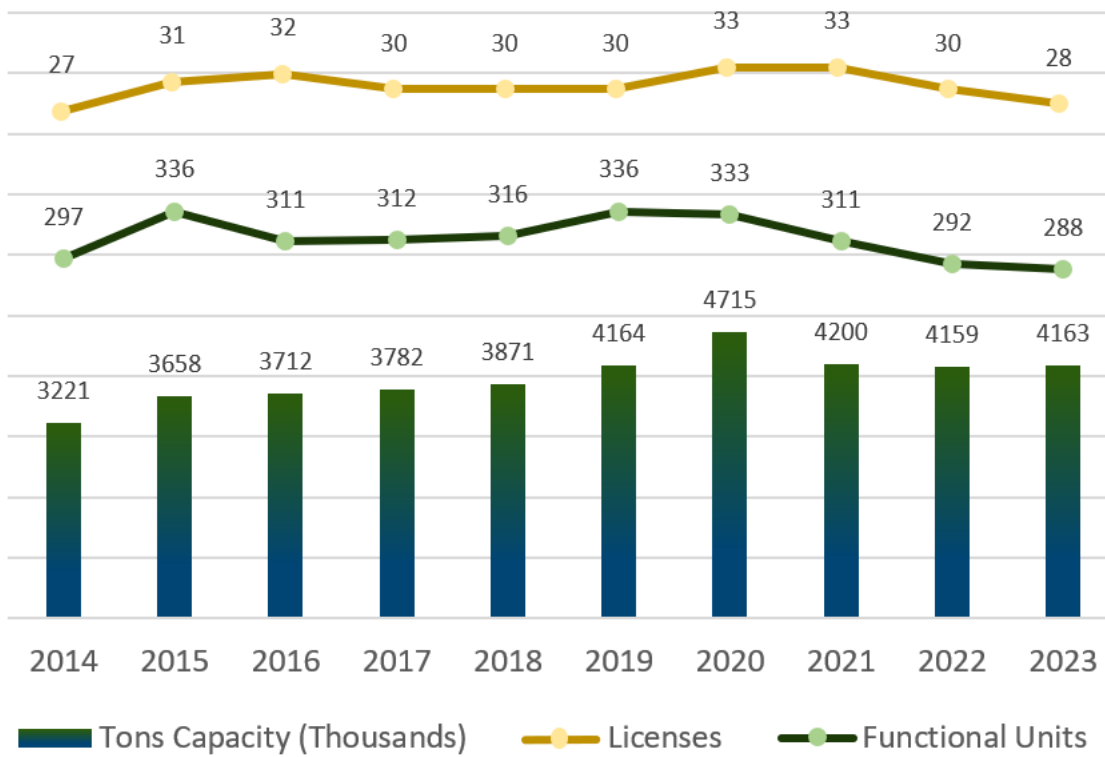
### Electronic Provider Licenses

- 4 licenses

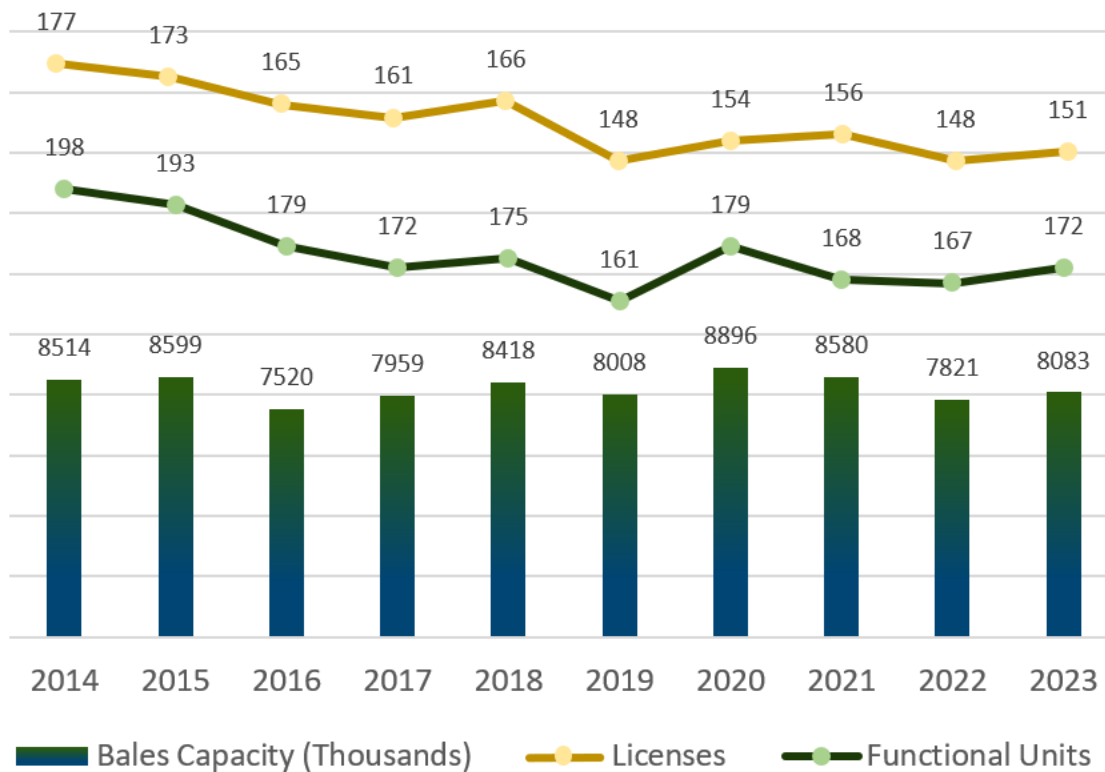
Grain Licenses – 2014–2023 10-year chart



### Peanut Licenses – 2014–2023 10-year chart



### Cotton Licenses – 2014–2023 10-year chart





## Warehouse and Inventory Examinations

WCMD conducts examinations of warehouses for USWA compliance. Examinations consist of documentation of storage obligations and physical inventory of stored commodities, comparison of inventory with storage obligations, review of the warehouse's physical suitability for storage of specific commodities, and review of the warehouse's business practices for conformance with USWA regulatory requirements.

WCMD conducted 1,456 examinations of USWA warehouses in FY 2023. Of those, 325 examinations uncovered 524 items requiring warehouse actions and compliance followup actions. WCMD staff continuously work with industry to resolve compliance items quickly and at all levels, enabling enhanced warehouse operations and industry integrity.

## Financial Stability and Assurance

Warehouse operators annually provide a review or audit-level financial statement to WCMD to ensure they continue to meet basic financial and net worth requirements established by WCMD. Warehouse operators must also provide a bond or other financial assurance based on their capacities that covers a period of not less than 1 year to provide financial security to depositors.

## FY 2023 Inspector, Weigher, Classifier, and Grader Licenses

WCMD licenses private industry inspectors, weighers, classifiers, and graders to provide validation and legal recourse at the delivery point. In FY 2023, there were more than 13,700 active USWA licenses for industry samplers, inspectors, weighers, classifiers, and graders of agricultural products.

# Financial Information

## Ensuring Financial Stewardship

The USWA authorizes the assessment and collection of fees to cover the costs of administering the USWA program. These fees cover costs of providing services, including salaries and benefits, travel, equipment, supplies, and administrative expenses. Administrative expenses include financial management, human resources, legal, and information technology support.

The FY 2023 year-end reserve balance of \$1.5 million is equivalent to 4.7 months of operating expenses. The purpose of the reserve account is to offset unexpected changes in user-fee collections or market disruptions and to cover accrued liabilities in the event of unexpected program cessation.

Annual capacity-based user-fees and specific license action fees are collated and billed at month-end. The Fees Generated line item below includes all fees generated in FY 2023.

<b>Reserve Account Balance – October 1</b>	<b>1,544,889</b>
<b>Fees Generated</b>	\$3,814,879.00
<b>EXPENSES</b>	
<b>Salaries</b>	\$2,156,745.95
<b>Employee Benefits</b>	\$896,767.29
<b>Travel</b>	\$380,139.52
<b>Communications</b>	\$5,396.96
<b>Other Operating Expenses</b>	\$10,438.32
<b>Shared Services – Fair Trade Practices Program</b>	\$85,151.17
<b>Shared Services – Agricultural Marketing Service</b>	\$234,748.58
<b>Shared Services – U.S. Department of Agriculture</b>	\$82,321.67
<b>TOTAL EXPENSES</b>	\$3,851,709.46
<b>Net Income (Loss)</b>	\$(36,830.46)
<b>Reserve Account Balance – September 30</b>	\$1,508,058.54

**NOTES:**

1. Fee reporting is recognized using the accrual method and will be reported as billed opposed to collected.

# Efficiencies and Cost Savings

## Gaining Efficiencies and Controlling Costs

The USWA, under 7 USC § 243(e)(2), requires the Secretary “to minimize the fees established under this section by improving efficiencies and reducing costs, including the efficient use of personnel to the extent practicable and consistent with the effective implementation of this Act.” Accordingly, WCMD continues to take steps to minimize costs and implement innovative strategies to gain additional efficiencies. In order to meet the USWA’s statutory requirements, WCMD’s highest priorities are the efficient use of personnel, streamlined business operations supported by modernized systems and technologies, and ongoing outreach and engagement with the commodity warehouse industry. AMS determined that it was not necessary to increase fees in 2023. Fees were last increased in October 2019.

## Efficient Use of Personnel

In FY 2023, personnel expenses (salaries and benefits) represented 79.3 percent of all USWA costs and provided for a total of 24.2 staff in direct support of USWA services. WCMD staff, including warehouse examiners, spent 32.4 percent of their time on USWA services. The balance of staff time was allocated to, and paid for by, other USDA programs, including Country of Origin Labeling (COOL) Regulatory Reviews, Commodity Procurement Export and Domestic Warehouse Inspections, and CCC Storage Agreement Examinations. Managing human capital in this manner ensured staff were available across the country, as needed, to efficiently deliver timely, accurate, and quality services to the commodity warehouse industry, while reducing the personnel costs paid by user fees.



## Maximizing Efficiencies Via Technology Solutions

In FY 2023, WCMD utilized and made periodic upgrades to a cloud-based, fully customized ServiceNow application used as the Divisionwide system of record. This system provides a single pane view of U.S. Warehouse Activities and is scheduled to be further enhanced with additional automation. WCMD's Box instance, a secure cloud content management platform, allows all staff access to all files, documents, and other forms of information for the entire warehouse program, regardless of proximity to headquarters. The adoption of modern technologies has improved efficiency and reduced cost, while prioritizing and ensuring data privacy and security.

## Effective Collaboration and Communication

For decades, WCMD and its predecessors have worked closely with the commodity warehouse industry to support delivery of services, improve efficiencies, and resolve issues quickly. Effective collaboration is rooted in a sense of trust and care for one another. Open and timely communication is a crucial component of these professional relationships. While warehouse operators, industry associations, stakeholders, and WCMD each have their respective responsibilities and concerns, a history of successful collaboration has resulted in improved efficiencies in the delivery of USWA services and an overall reduction of risk for depositors of agricultural commodities in licensed warehouses.

For USWA inquiries, visit our website at [www.ams.usda.gov/services/warehouse](http://www.ams.usda.gov/services/warehouse), email us at [warehousing@usda.gov](mailto:warehousing@usda.gov), call (816) 926-6474, or write:

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