

Commodity Operations

Background

The Farm Service Agency's (FSA) Commodity Operations mission area handles acquisition, procurement, storage, disposition, and distribution of agricultural commodities, and administration of the U.S. Warehouse Act (USWA) and the Dairy Product Price Support Program (DPPSP). It helps achieve domestic farm program price support objectives, produces a uniform regulatory system for the storage of agricultural products, and ensures the timely provision of food products for domestic and international food assistance programs and market development programs.

Deputy Administrator for Commodity Operations

The office of the Deputy Administrator for Commodity Operations (DACO) is responsible for purchasing and delivering bulk and processed agricultural commodities for donation by the U.S. Government to various food assistance programs, and for acquiring and disposing of agricultural commodities forfeited to the Government under Commodity Credit Corporation (CCC) commodity loan programs.

Commodity Operations administers the USWA, providing a uniform regulatory system for the storage of agricultural products so that commodities owners have reliable protection of their stored asset. The USWA provides for warehouse receipts that are evidence of ownership and can be used as loan collateral, and requires warehouse operators to accept agricultural products for storage without discrimination.

Kansas City Commodity Office

The Kansas City Commodity Office (KCCO) provides price discovery mechanisms for wheat and feed grains, soybeans and other oilseeds, and pulse crops. Each business day, KCCO gathers market data in 28 terminal market locations by conducting surveys and considering data obtained via wire services. These terminal market prices are then "backed-off" using a system of localized market differentials to establish marketing loan repayment rates in each county for the supported commodities. The posted county prices (PCP's) reflect changes in prices in major terminal grain markets, adjusted for historical price difference between the county and the terminal. PCP's are used to develop marketing assistance loan rates and determine loan deficiency payment and marketing assistance loan repayment rates.

Commodity Procurement

Commodity procurement includes contracting, inspecting and arranging for shipment of food products for domestic and international food assistance programs. In fiscal year 2011, approximately 2.0 million metric tons of commodities valued at approximately \$1.4 billion were procured and distributed to improve the nutritional welfare of adults and children worldwide.

Commodity Operations is responsible for the procurement, transportation, and disposition of food commodities to fulfill USDA and U.S. Agency for International Development (USAID) program commitments. USDA contracts with private industry to furnish high

quality, nutritious products that meet program requirements and contracts for commodity related services such as product sampling and testing protocols, vessel loading observation, and overseas discharge surveys in an effort to protect the quality of U.S. food aid. USDA also partners with industry, non-governmental organizations, universities, and other Government agencies to accommodate food aid program requirements. Commodity Operations is called upon to quickly procure and distribute food and at times makes expedited purchases of food as part of disaster relief efforts (following hurricanes, earthquakes, etc.). Commodity Operations also provides administrative support to USDA's Agricultural Marketing Service (AMS) by arranging and processing payments for offshore transportation of AMS-purchased commodities and certifying payments to vendors for commodities procured by AMS.

Under the National School Lunch Act and the Emergency Food Assistance Act of 1983, Commodity Operations provides nutritious foods to school children and others by procuring commodities such as dairy products, processed grain products, peanut products, and vegetable oil for domestic food assistance programs.

When surplus commodities are available, agency personnel assist in the donation of government-owned commodities for use in food assistance programs using CCC Charter Act authority for the procurement, distribution, and invoicing of commodities on behalf of USDA's Food and Nutrition Service (FNS) and the Foreign Agricultural Service (FAS). In addition, Section 416(b) of the Ag-

riculture Act of 1949 also allows for the donations of eligible commodities held by CCC to foreign countries in need.

International Program Descriptions

Title II, P.L. 480 (Food for Peace) provides for the donation of agricultural commodities to meet emergency and nonemergency needs.

Title III, P.L. 480 (Food for Development), when funded, provides for government-to-government grants to support long-term growth in agriculture and related activities in lesser developed countries.

Food for Progress provides U.S. agricultural commodities to developing countries and emerging democracies committed to introducing and expanding free enterprise in the agricultural sector under the Food for Progress Act of 1985.

Section 416(b) authorizes the donation of CCC-owned commodities in surplus of domestic program requirements to carry out programs of assistance in developing and friendly countries under the Agriculture Act of 1949.

The McGovern-Dole International Food for Education and Child Nutrition Program helps promote education, child development and food security for some of the world's most food insecure children. It provides for donations of U.S. agricultural products, as well as financial and technical assistance, for school feeding and maternal and child nutrition projects in low-income countries.

Commodity Operations personnel monitor, evaluate and reconcile ocean transportation contracts with regard to the carriage of USAID/FAS humanitarian food aid shipments.

The primary functions are to:

- Establish and adjudicate debts by and against CCC;
- Provide guidance and operational oversight to Private Voluntary Organizations (PVO) and intergovernmental organizations in connection with marine losses and debts arising under the food aid shipments;
- Approve and process payments relative to the ocean movement of food aid shipments;
- Provide USAID/FSA/FAS with reports that relate to issues such as packaging, food safety/quality, PVO and ocean carrier performance, load port and foreign port performance; and
- Provide robust, detailed and comprehensive risk assessments for USAID/FSA/FAS humanitarian food aid cargoes to document loss trends, potential logistical deficiencies, PVO deficiencies, potential commodity specification problems, and performance issues regarding modes of transportation.

Dairy Product Price Support Program

Under the authority of the Agricultural Act of 1949, as amended, national policies and procedures are formulated and administered through the DPPSP. In order to stabilize domestic dairy prices as required by law, dairy products are purchased at announced prices under this program. Commodity Operations arranges for warehouse storage, transportation, handling and inspection of the dairy products until the commodities are used in domestic or foreign food assistance programs or otherwise disposed of by CCC.

CCC has not purchased products under DPPSP since October, 2009, as market prices have exceeded DPPSP

support levels. Generally, industry does not believe that DPPSP is effective, and has suggested alternative programs to Congress.

Contract Management and Technical Support Projects

Commodity Operations works closely with other agencies, the private sector and academia to develop product specifications that provide domestic and international program recipients with safe, wholesome, nutritious foods. In addition, Commodity Operations works closely with academia and the packaging industry to ensure that only food grade packaging is used and types of packaging systems are adequate for the types of handling expected to occur.

U.S. Warehouse Act

The USWA protects the interests of all depositors storing commodities in USWA-licensed warehouse facilities. In providing this uniform regulatory system for storage of agricultural products, Commodity Operations has worked with various industries to establish electronic warehouse receipts for grain, cotton, peanuts, rice, coffee, cocoa, and orange juice. Electronic warehouse receipts have greatly enhanced the efficient transfer and marketing of agricultural products.

To qualify for a license under the USWA, a warehouse operator must have a suitable and properly maintained warehouse; have a good business reputation and must meet the minimum net worth requirements; furnish an acceptable bond or other acceptable financial instrument; and employ qualified personnel to weigh, sample, inspect and grade agricultural products stored or handled in the licensed warehouse.

FACT SHEET

Commodity Operations

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In fiscal year (FY) 2011, Commodity Operations had the following warehouse facilities licensed under the USWA:

Commodity	No. of Facilities	Capacity
Cotton	209	10.4 million bales
Grain	2,618	4.9 billion bushels
Peanuts	298	2.9 million tons
Dry Edible Beans	33	44.3 million cwt.

Warehouse Examinations

Commodity Operations is responsible for administering storage agreements between commercial warehouse operators and CCC for the storage of CCC-interest commodities. These commodities include CCC-owned inventory and commodities pledged as collateral for CCC loans. There are currently five storage agreements: Cotton Storage Agreement, Peanut Storage Agreement, Processed Commodity Storage Agreement, Sugar Storage Agreement, and the Uniform Grain and Rice Storage Agreement.

Commodity Operations personnel, under the authority of the USWA and the CCC Charter Act, administer USWA licenses and examine warehouses, periodically making unannounced examinations of the storage facilities, commodities stored, and the warehouse operator's records to ensure protection of depositors against potential losses in the stored agricultural products. The examinations ensure compliance with the USWA and CCC storage agreements. Onsite

examinations provide the foundation for industry-wide confidence in the integrity of the USWA warehouse receipts, and facilitate the orderly marketing of agricultural products. The USWA examination functions are supported by fees collected from the warehousing industry. In addition, because of the integrity of the federal licensing and examination programs, USWA-approved warehouse receipts issued to depositors are widely accepted by financial institutions as loan collateral. All major commodity exchanges, such as the Chicago Board of Trade and the Kansas City Board of Trade, accept warehouse receipts for value. In FY 2011, Commodity Operations warehouse examiners performed more than 2,000 warehouse or other types of examinations protecting the assets of CCC and private depositors across the United States.

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