

regulations covering such storage at 7 CFR 1421.5551–1421.5559, part 1423, and 1427, subpart E. More specifically, those rules establish the standards a warehouse operator must meet to be approved to store CCC-interest commodities. This rule proposes to:

1. Consolidate the approval regulations at one location in the Code of Federal Regulations.
2. Revise the fire fighting equipment requirements in the approval regulations to specify that warehouses must meet local standards;
3. Reduce the financial information submission requirements for a warehouse seeking approval and delete the option of submitting a financial statement compilation report prepared by a management firm. All participating warehouses will now be required to submit an accountant's audit or review report. This will allow for standard filings and greater confidence in the independence of the analysis.
4. Reduce the number of alternatives and forms of financial assurance allowed to document the warehouse operator's compliance with minimum net worth requirements. This rule proposes to delete the option of a legal liability insurance policy as an alternative for calculated net worth deficiencies and requires net worth deficiencies be met with bonds, cash, negotiable securities, an irrevocable letter of credit, or other alternative instruments. Legal liability policies are rarely used and including that option in the regulations is an unnecessary complication and distraction.
5. Allow submission of irrevocable letters of credit from financial institutions subject to the Farm Credit Act of 1971. This change is in response to requests from warehouse operators that receive their financing through the Farm Credit Administration rather than through commercial banks insured by the Federal Deposit Insurance Corporation. This will allow greater flexibility, and conform regulations with industry practice, without compromising CCC's interests.
6. Make technical and clarifying changes in the wording and structure of the regulation and other substantive changes to specify fees applicable to examination of approved warehouses.

#### List of Subjects in 7 CFR Part 1423

Agricultural commodities, Approval of warehouses, Dairy products, Feed grains, Oilseeds, Price support programs, Processed commodities, Surplus agricultural commodities.

For the reasons set forth in the preamble, 7 CFR part 1423 is revised to read as follows:

### PART 1423—STANDARDS FOR APPROVAL OF WAREHOUSES FOR CCC INTEREST COMMODITY STORAGE

Sec.

- 1423.1 Applicability.
- 1423.2 Administration.
- 1423.3 Definitions.
- 1423.4 General requirements.
- 1423.5 Application requirements.
- 1423.6 Financial information documentation requirements.
- 1423.7 Net worth alternatives.
- 1423.8 Approval or rejection.
- 1423.9 Examination of warehouses.
- 1423.10 Exceptions for United States Warehouse Act licensed warehouses.
- 1423.11 Exemption from standards.
- 1423.12 Application, inspection, and annual agreement fees.
- 1423.13 Appeals, suspensions, and debarment.

**Authority:** 15 U.S.C. 714b and 714c.

#### § 1423.1 Applicability.

(a) This part sets forth the terms and conditions for approval of a warehouse operator by the Commodity Credit Corporation (CCC) to store and handle CCC interest commodities.

(b) A warehouse must be approved by CCC and a storage agreement must be in effect between CCC and the warehouse operator before CCC will consider storing or store CCC interest commodities in this warehouse. The approval of a warehouse by CCC or the completion of a storage agreement on behalf of CCC does not constitute a commitment that CCC will use the warehouse, and no official or employee of the U.S. Department of Agriculture is authorized to make such a commitment.

(c) By entering into a storage agreement with CCC, the warehouse operator agrees to perform and comply with the terms and conditions prescribed in the storage agreement.

(d) Warehouse operators who are under agreement with CCC shall meet the terms and conditions of these regulations.

#### § 1423.2 Administration.

(a) On behalf of CCC, the Farm Service Agency (FSA) will administer this part under the supervision of the Deputy Administrator, Commodity Operations (Deputy Administrator), FSA.

(b) The Deputy Administrator or a designee may authorize a waiver or modification of deadlines and other program requirements in cases where lateness or failure to meet requirements does not adversely affect the operation of the program, and may set such additional requirements as will facilitate the operation of the program.

#### § 1423.3 Definitions.

*Agreement* means agreements covering storage and handling of any such commodity the Secretary of Agriculture may determine appropriate for storage.

*CCC interest commodities* means commodities either pledged as collateral for a CCC commodity loan or owned by CCC.

*KCCO* means the FSA, Kansas City Commodity Office.

*Warehouse* means a building, structure, or other protected enclosure, in good state of repair, and adequately equipped to receive, handle, store, preserve, and deliver the applicable commodity.

*Warehouse operator* means an individual, partnership, corporation, association, or other legal entity engaged in the business of storing or handling for hire, or both, the applicable commodity.

#### § 1423.4 General requirements.

(a) Unless otherwise provided in this part, approved warehouse operators shall have:

(1) A current and valid license for the kind of storage operation for which the warehouse operator seeks approval if such a license is required by State or local laws or regulations;

(2) A minimum and required net worth in such amount as is specified by CCC or as otherwise meets the requirements of § 1423.7;

(3) Sufficient funds to meet ordinary operating expenses;

(4) Corrected any deficiencies in the performance of any previous storage agreement with CCC; and

(5) Accurate and complete inventory and operating records.

(b) Approved warehouses may only use pre-numbered warehouse receipts meeting the information requirements in the applicable commodity's CCC loan program regulations and requirements and may only use pre-numbered scale tickets, if applicable; or other documents as CCC may prescribe.

(c) In addition, the warehouse must have:

(1) Adequate and operable fire fighting equipment as required by the state and local fire authorities for the type of warehouse and stored commodity;

(2) A work force and equipment available to provide adequate storage and handling services as specified in the applicable agreement or as otherwise determined by CCC;

(3) Necessary experience, organization, technical qualifications, and skills in the warehousing business regarding the applicable commodities to provide proper storage and handling