



FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

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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). It helps achieve domestic farm program price support objectives, provides 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.

The office of the Deputy Administrator for Commodity Operations (DACO) is responsible for delivering quality products and customer service in storage, handling, and distribution of agricultural products.

Warehouse operators with a Commodity Credit Corporation (CCC) storage agreement or regulated by the USWA are required to meet certain financial standards and maintain physical warehouse facilities capable of handling and storing agricultural products. These warehouses are monitored to ensure that requirements are fulfilled.

The Kansas City Commodity Office (KCCO) provides price discovery mechanisms for Commodity Operations for

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 22 supported commodities. The posted county prices (PCP's) reflect changes in prices in major terminal grain markets adjusted for the costs of transporting grain from the county to the terminal. PCP's are used to develop loan rates and determine loan deficiency payments and marketing assistance loan repayments. This equates to providing over 160,000 prices daily.

Commodity Procurement

Commodity procurement includes supplying food assistance through domestic and international food assistance programs. In fiscal year 2010, approximately 2.6 million metric tons of commodities valued at approximately \$1.3 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. Private industry works in partnership with USDA and other government agencies to supply the various programs with high quality, nutritious products that meet program requirements. Commodity Operations is called upon to quickly distribute food from warehouses and sometimes makes special purchases of food as part of disaster relief efforts. Commodity Operations also provides administrative support to USDA's Agricultural Marketing Service (AMS) by processing shipment information and making 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 aid 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 Agriculture Act of 1949 also allows for the donations of eligible commodities held by CCC to countries in need.

Commodity Operations also manages the exchange of CCC inventory for processed commodities to be used in domestic and international food assistance programs through barter. Since CCC began bartering in July 2007, CCC has generated more than \$208 million through barter transactions. Eighty percent of this money was used to acquire commodities such as processed vegetables, peanut butter, milk-based soups, pork, poultry, fish, beef products, and dairy products for the Food and Nutrition Service (FNS); and the remaining 20 percent was used to acquire vegetable oil, corn soy blend (cereal blend), milled rice, buckwheat groats, and nonfat dry milk (NDM) for FAS' McGovern-Dole International Food for Education and Childhood Nutrition Program.

Foreign Humanitarian and Development Assistance Programs

Commodity Operations procures commodities on behalf of USAID and FAS for overseas humanitarian and developmental use.

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. agriculture 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 poorest 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.

FSA's commodity program specialists 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 Organization (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, large casualties, 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 Dairy Product Price Support Program. 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.

During FY 2009, CCC acquired 269.6 million pounds of NDM under the Dairy Product Price Support Program due to the

dramatic decline in market prices. Through early FY 2011, Commodity Operations managed and disposed of the inventory by bartering NDM for food products or processing it into other products for FNS program use. The acquired products included items such as instantized NDM, ultra-high temperature milk, cheese, and soups for FNS domestic assistance programs.

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 equivalent to the best in the industry. 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 used are cost-effective and adequate for the types of handling expected to occur.

U.S. Warehouse Act

The USWA provides owners storing commodities with reliable protection. It produces a uniform regulatory system for storage of agricultural products, 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.

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.

Commodity	Number of Facilities	Capacity
Cotton	214	10.5 million bales
Grain	2,491	4.7 billion bushels
Peanuts	301	2.9 million tons
Dry Edible Beans	31	41.9 million cwt

Warehouse/Commodity Examination Operations

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 examination functions are supported by fees collected from the warehousing industry and CCC.

In addition, because of the integrity of the federal licensing and examinations 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 also accept warehouse receipts for value. In fiscal year 2010, Commodity Operation's 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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