



UNITED STATES **WAREHOUSE ACT** **2022 ANNUAL** **REPORT**

Warehouse and Commodity Management Division

Fair Trade Practices Program — December 2022

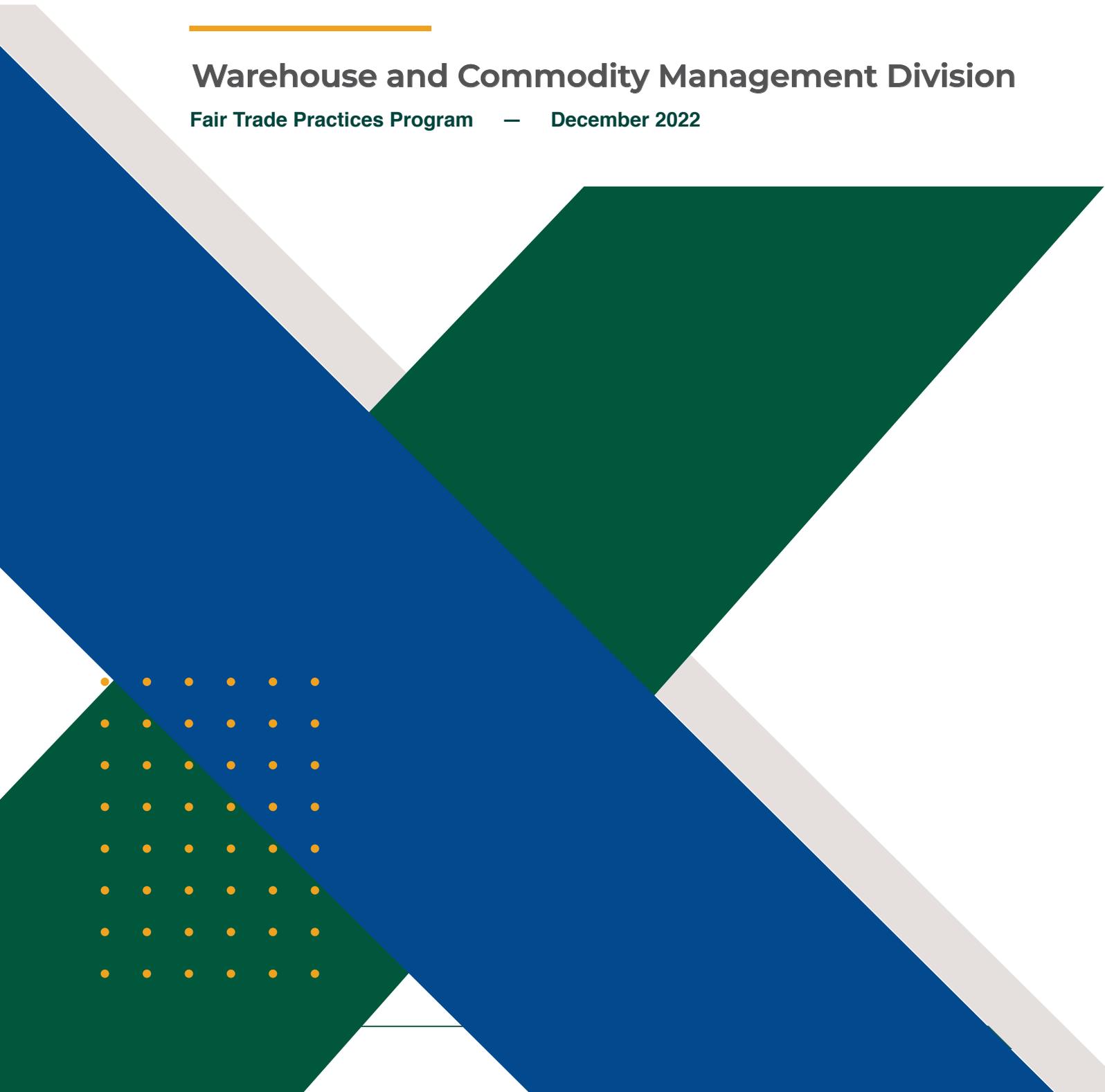


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Featured Photographs throughout the Publication

Page 1- Ned Bergman; Page 3- photo provided by Richard Liggett of audit site in Freeborn, MN; Page 5- photo provided by Richard Liggett of Dean Mather (L) and Richard Liggett (R) in Williston, ND; Page 7- photo provided by Matt Eaton of Shalynn Sumrow in Kragnes, MN; Page 9- photo provided by Natalie Wolverton of peanut farm tour in Colquitt, GA; Page 10- photo provided by Richard Liggett of audit site in Hutchinson, MN; and Page 13- provided by Richard Liggett of audit site in Murdock, MN.

MESSAGE FROM THE DIRECTOR

The theme of this year’s annual report is “Continuing the Mission.” As the Coronavirus Pandemic transitioned to an endemic in 2022, the United States Warehouse Act (USWA) activities and services transitioned back to a normal level. USWA Warehouse Examiners were able to go into communities and facilities that had restricted access during the previous two years. Program management was able to attend conferences and events in order to network in person with stakeholders, licensees, and peers. USDA offices that had been closed, opened in 2022 allowing USWA staff to work together, face-to-face. There is a sense within the USWA program that we emerged from the Pandemic environment as a wiser, more efficient, and more resourceful organization. As documented in this Annual Report, industry participation in the USWA remains very active. There is a feeling of renewed vigor going forward as we acknowledge the resiliency and strength of the program.

Sincerely,
Ned R. Bergman

Ned Bergman
Director
Warehouse and Commodity Management Division

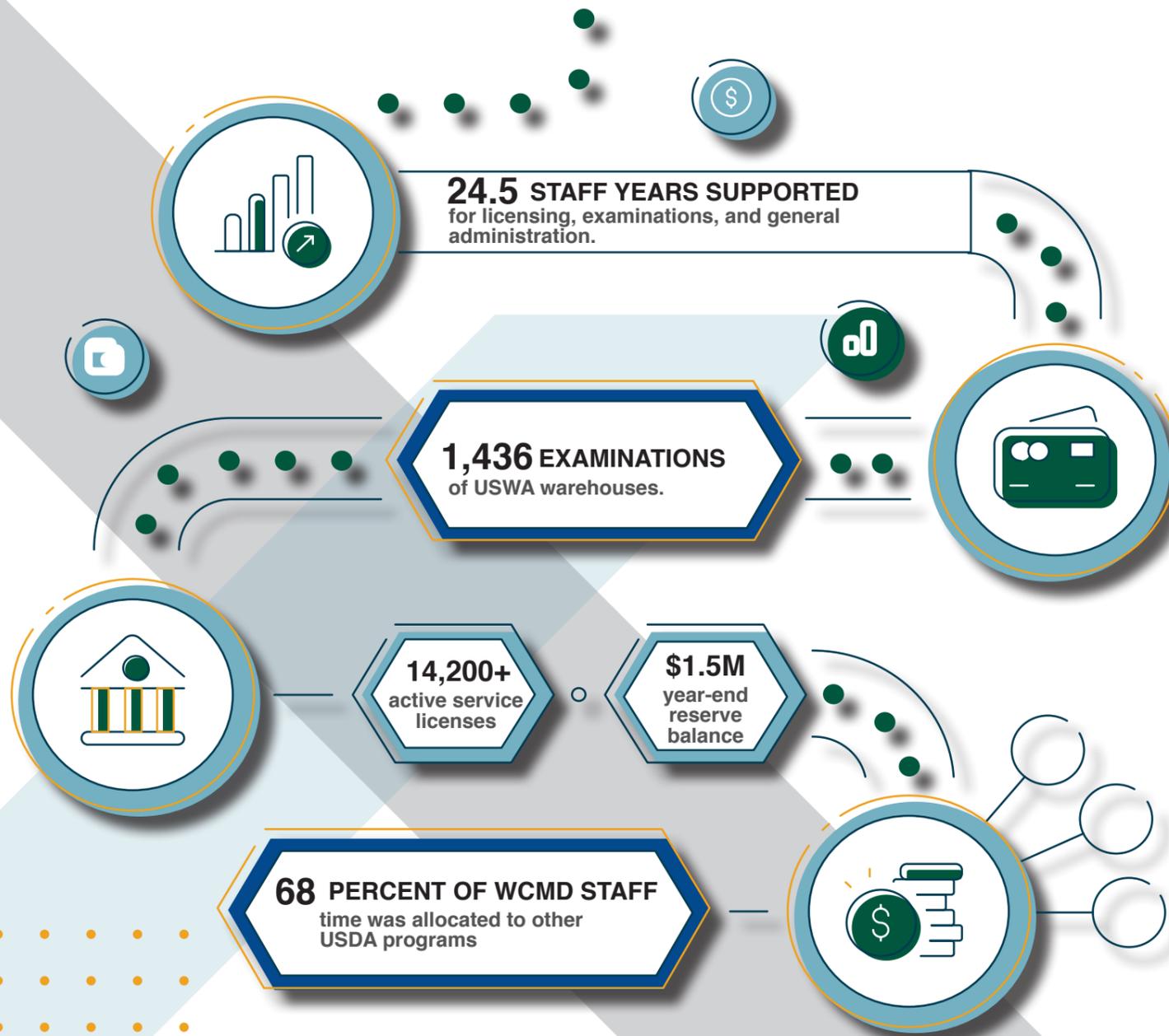


NED BERGMAN

INTRODUCTION

YEAR AT A GLANCE

The post-pandemic efforts of USWA's services focused on overcoming market obstacles and consolidations needed to continue the FY 2022 recovery. While continuing to prioritize efficient use of personnel and streamlined business operations, this year brought a more normalized return to services. Throughout 2022, USWA services expanded upon 106 years of cumulative USDA and industry partnership to further the mission.



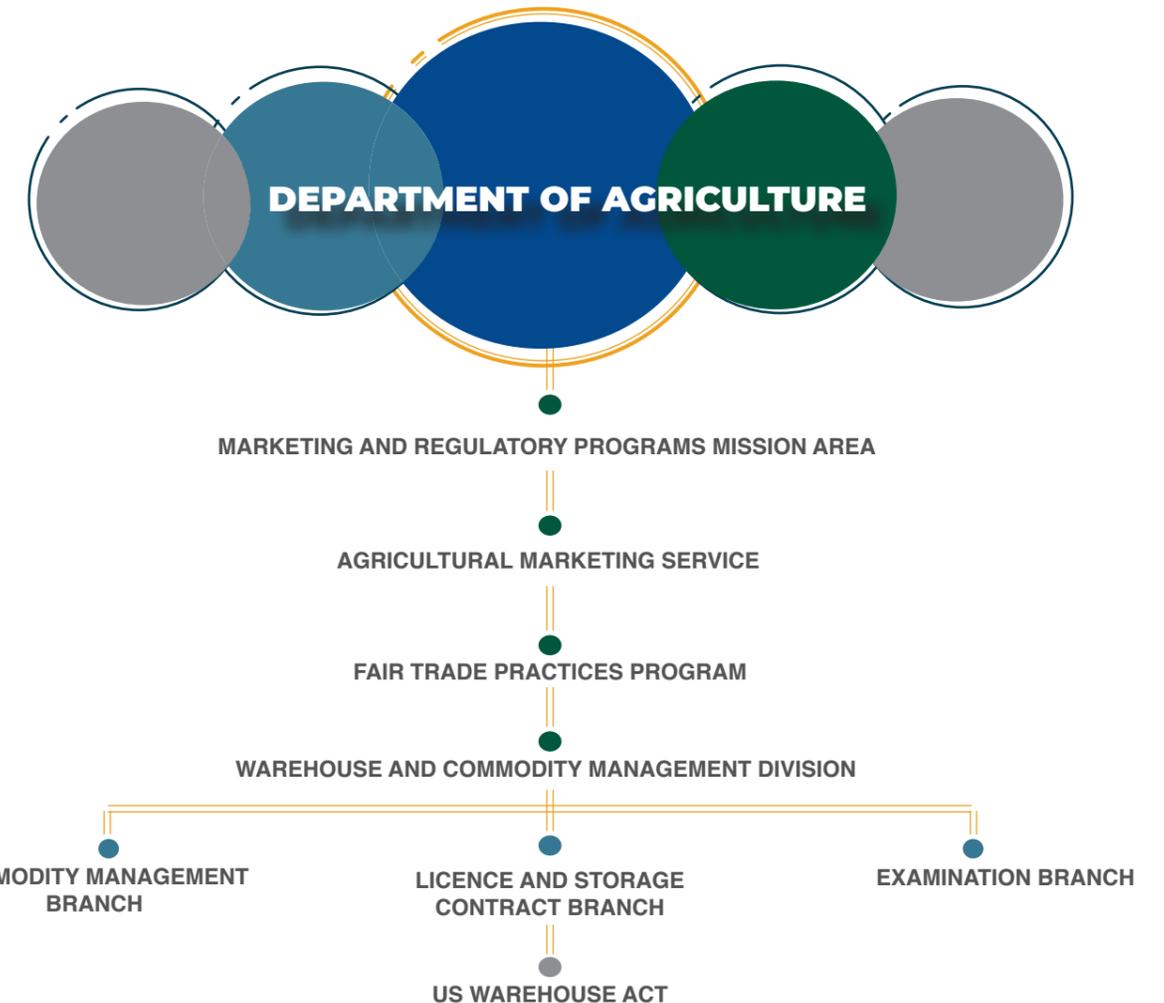
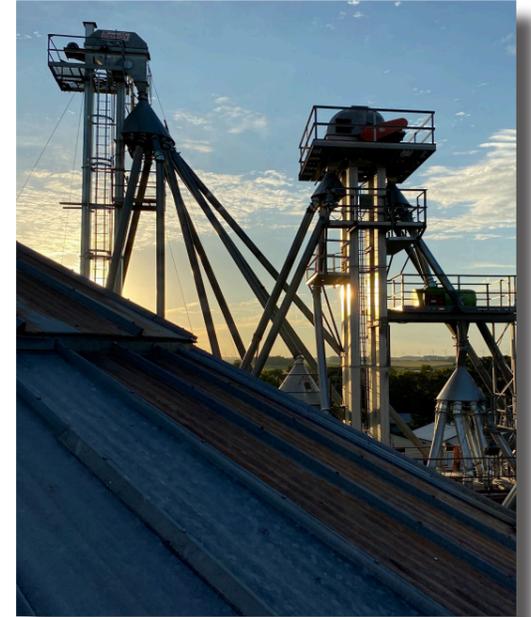
KEY SERVICES

- Warehouse Licensing
- Inspect/Weigh/Grade/Classify Service Licensing
- Examinations
- Warehouse Receipts
- Central Filing Systems
 - o Electronic Warehouse Receipts
 - o Other Electronic Documents

ORGANIZATIONAL STRUCTURE

The Warehouse and Commodity Management Division (WCMD) is made up of four organizational components, including the Division Director's Office, 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 support provided by the Office of the Director. WCMD also conducts various activities on behalf of the Commodity Credit Corporation (CCC) and other USDA programs.



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 on-site 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.

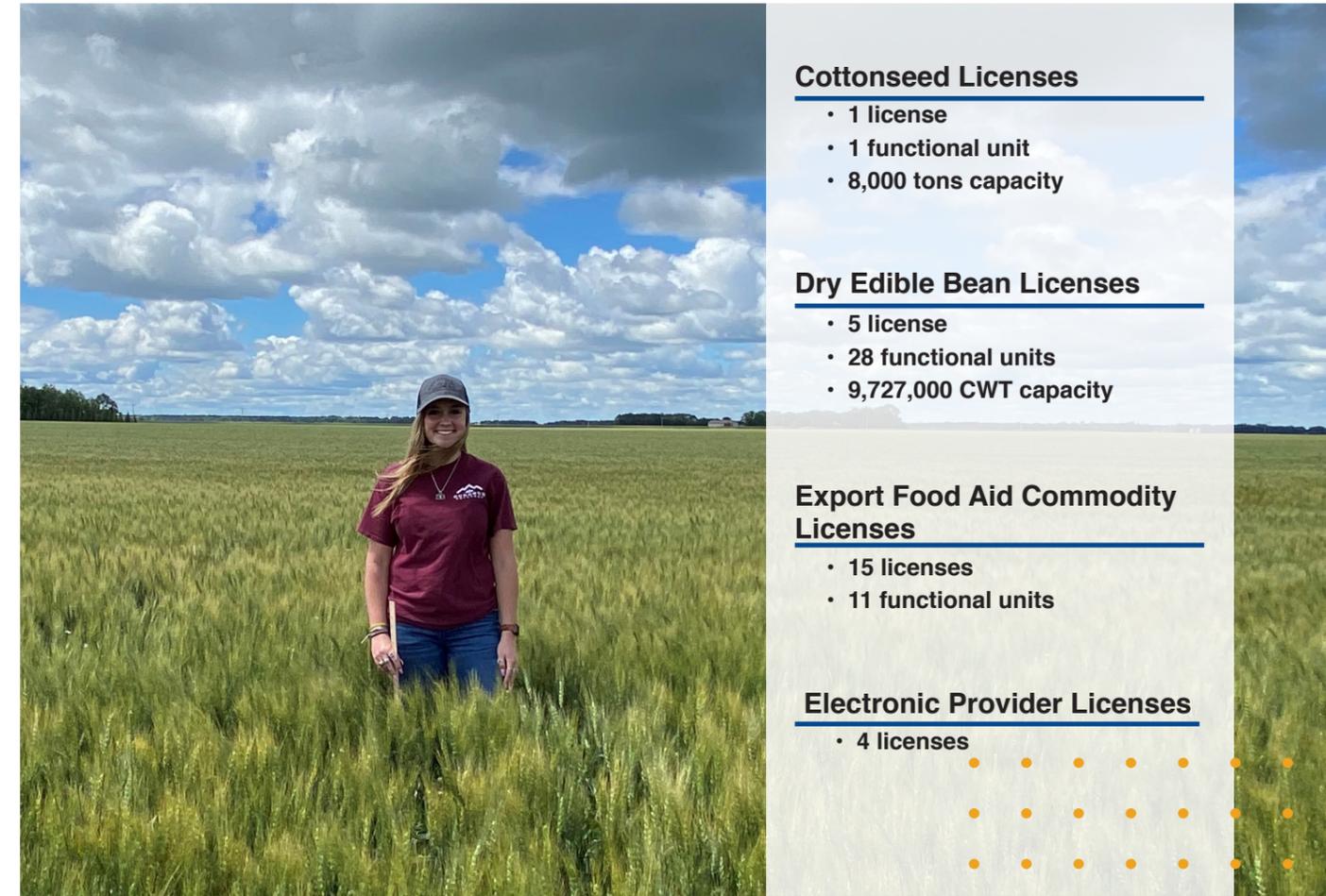
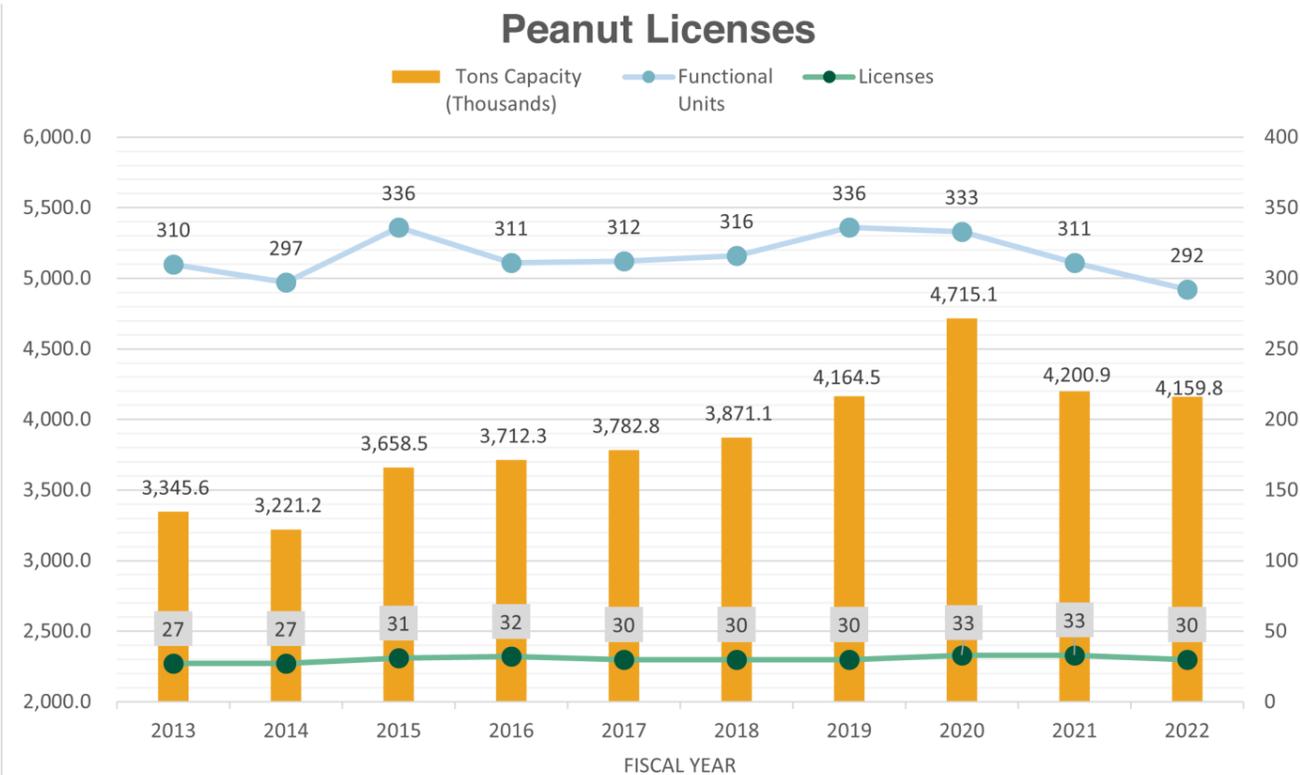
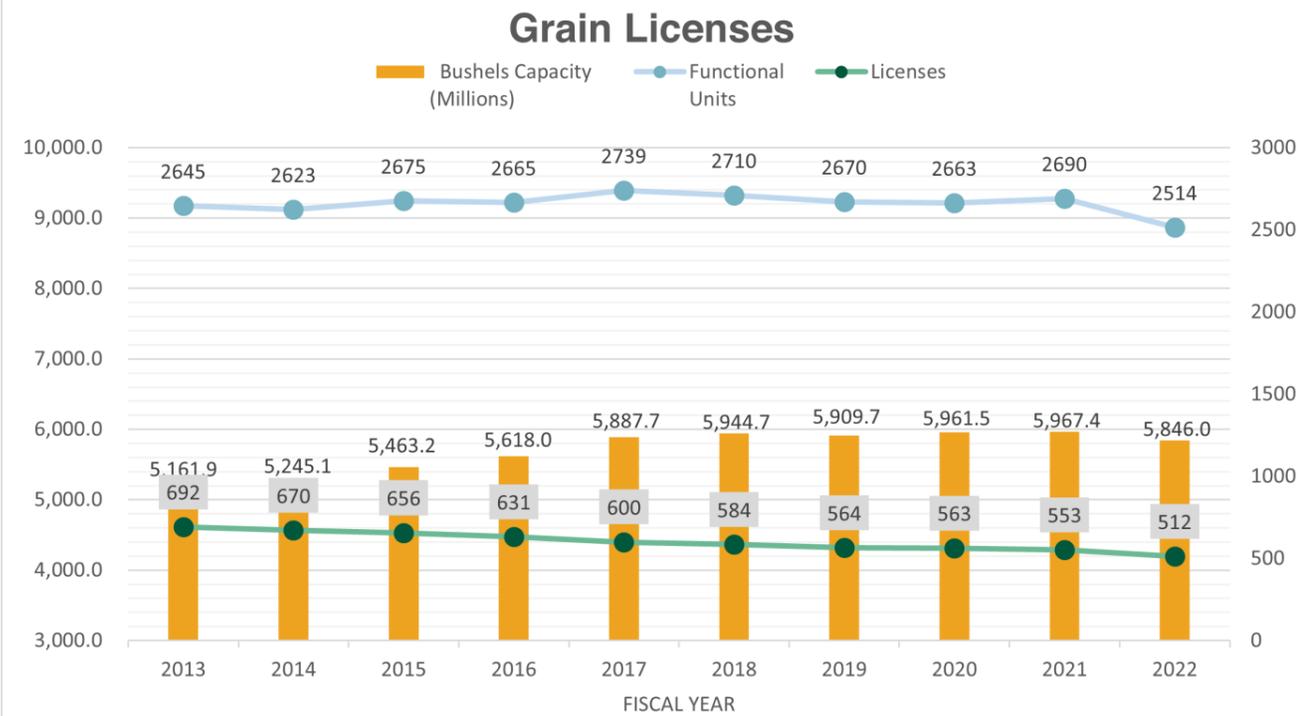
In Fiscal Year (FY) 2022, USWA user-fees supported 24.5 staff years for licensing, examinations, and general administration of the USWA program and activities. A staff year represents 2,087 hours.



2022 USWA OVERVIEW OF OPERATIONS

In Fiscal Year 2022, we saw the beginning of the post-pandemic world, including increased travel and more normalized operations for both WCMD and industry. Prior investments in information systems and processes continued to deliver high returns and offer maximum flexibility.

Warehouse License and Capacity Overview, FY 2022



Cottonseed Licenses

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

Dry Edible Bean Licenses

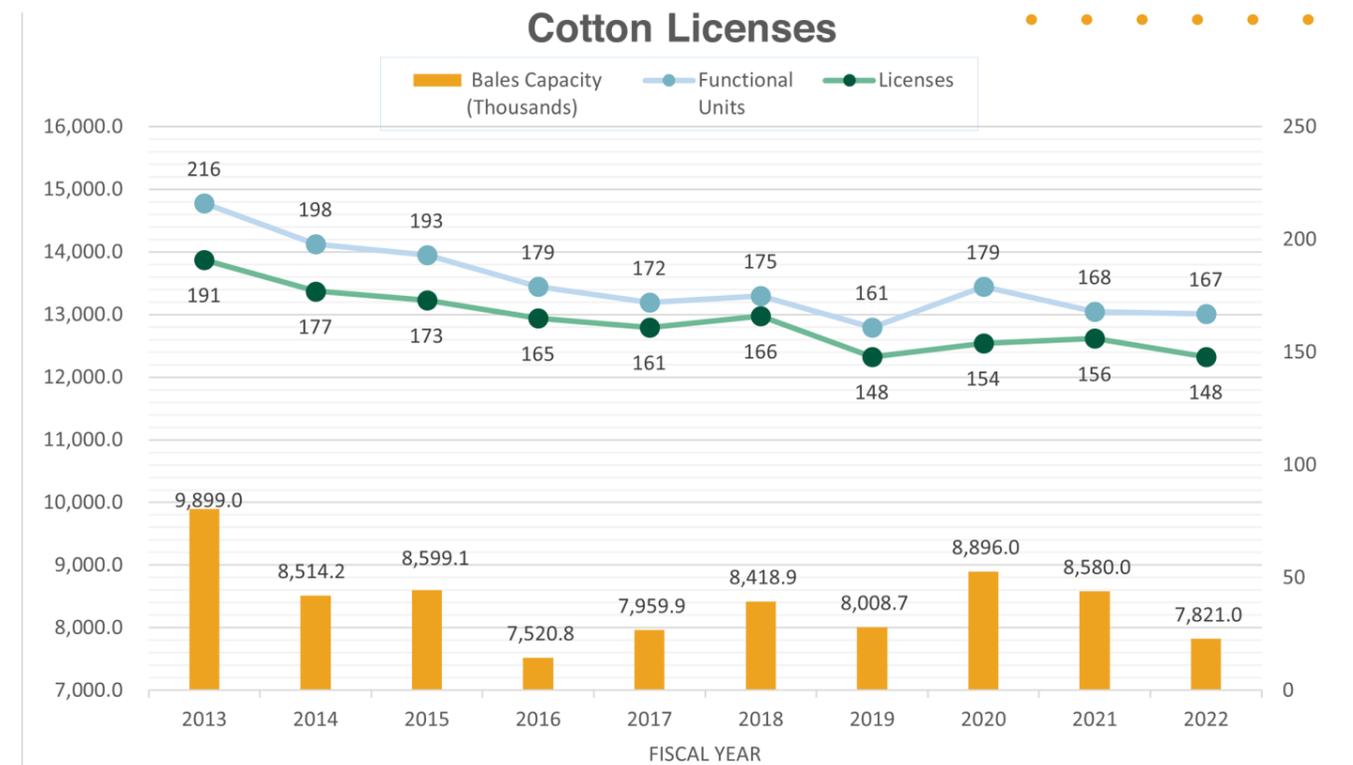
- 5 license
- 28 functional units
- 9,727,000 CWT capacity

Export Food Aid Commodity Licenses

- 15 licenses
- 11 functional units

Electronic Provider Licenses

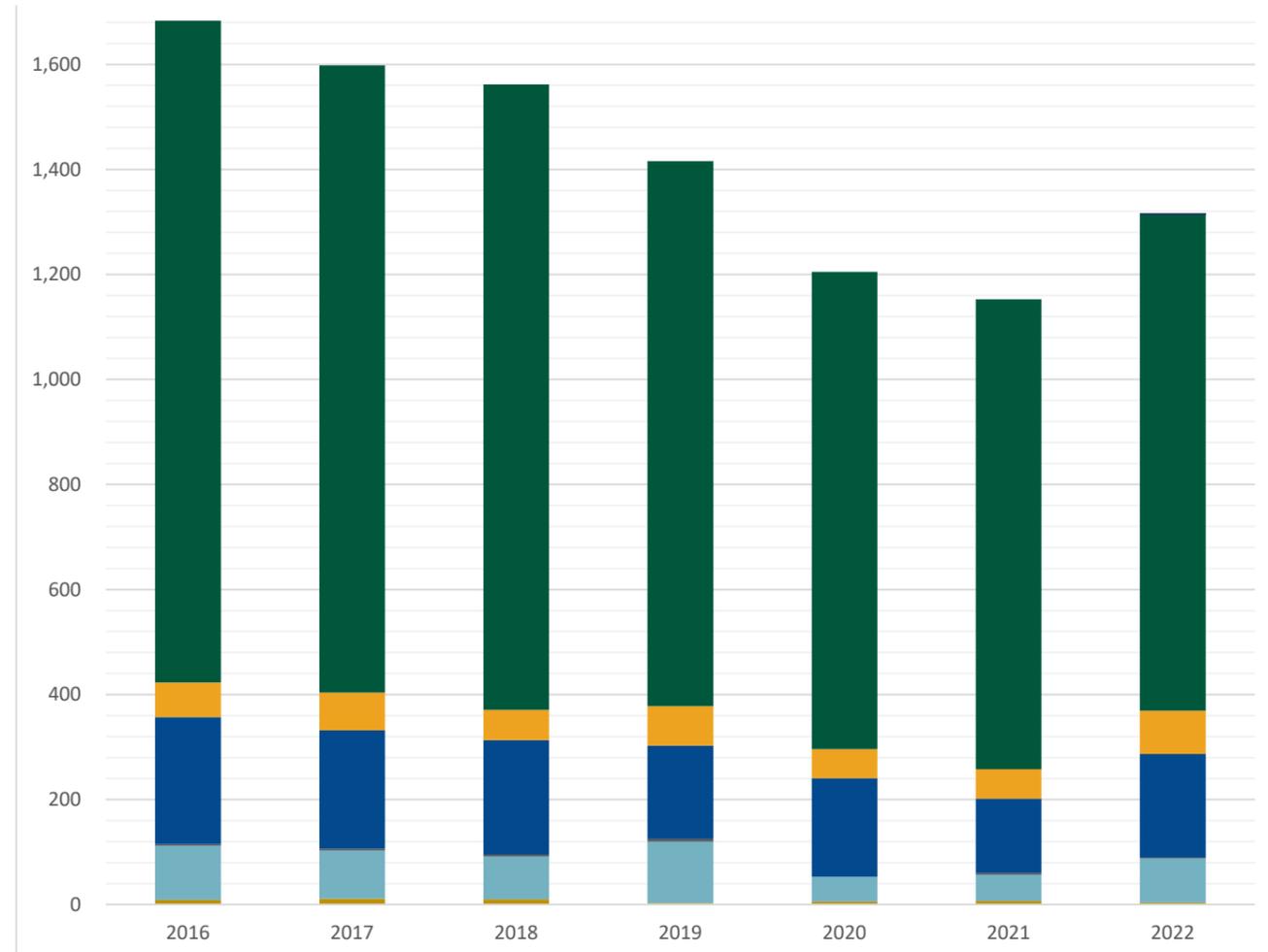
- 4 licenses



WAREHOUSE AND INVENTORY EXAMINATIONS

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

WCMD conducted 1,436 examinations of USWA warehouses in FY 2022. Of those, 386 examinations uncovered 635 items requiring warehouse action and compliance follow-ups. WCMD staff continue to work with industry to resolve compliance items enabling enhanced warehouse operations and industry integrity.



| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Beans | 9 | 11 | 10 | 3 | 6 | 7 | 4 |
| EFAC | 103 | 92 | 82 | 117 | 47 | 50 | 84 |
| Cottonseed | 3 | 3 | 3 | 5 | 0 | 3 | 2 |
| Cotton | 242 | 226 | 218 | 178 | 188 | 142 | 197 |
| Peanut | 66 | 72 | 58 | 75 | 55 | 56 | 82 |
| Grain | 1,260 | 1,194 | 1,191 | 1,038 | 909 | 895 | 946 |
| eProvider | - | - | - | - | - | - | 2 |
| Total | 1,683 | 1,598 | 1,562 | 1,416 | 1,205 | 1,153 | 1,317 |

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 2022, there were more than 14,200 active USWA licenses for industry samplers, inspectors, weighers, classifiers, and graders of agricultural products.



WAREHOUSE RECEIPTS

Warehouse receipts are issued by licensed warehouse operators as documents of title to commodities in storage. Warehouse receipts can either be in paper or electronic form and come with financial assurances for the depositor or holder. WCMD currently has three authorized receipt printers and four providers of electronic warehouse receipts (EWRs) and other electronic documents. The central filing systems allow for an efficient and secure method of issuance, storage, transfer, and auditing functions. WCMD, under USWA authority, establishes standards and validations that enhance EWRs acceptance by the commodity industry.

FINANCIAL INFORMATION

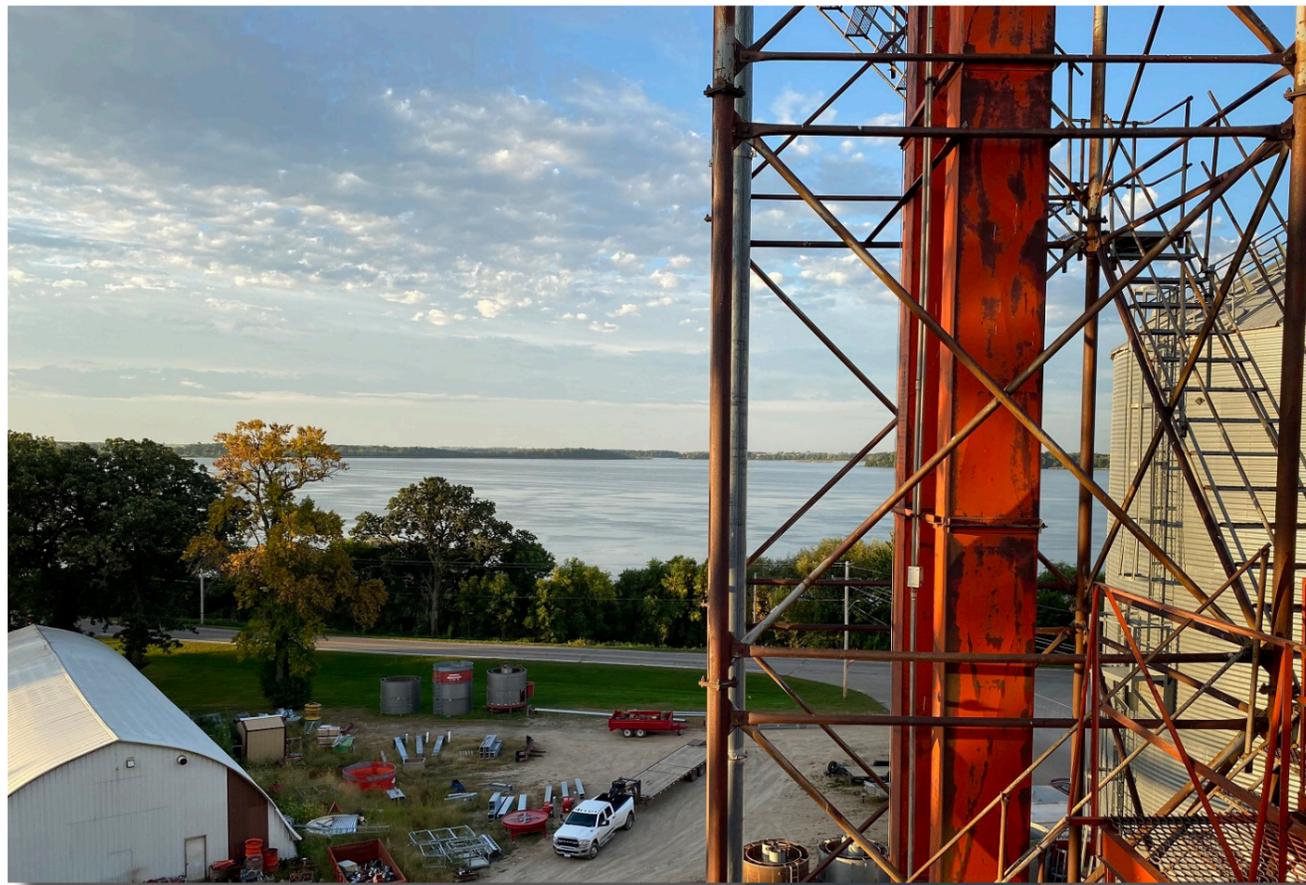
ENSURING FINANCIAL STEWARDSHIP

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 budget, human resources, legal, and information technology support.

The FY 2022 year-end reserve balance of \$1.5 million is equivalent to 5.2 months of operating expenses. The purpose of the reserve account is to buffer unexpected changes in user-fee collections or market disruptions and 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 includes all fees generated in FY 2022.



INCOME/EXPENSE STATEMENT

| | |
|---|--------------------|
| Reserve Account Balance - October 1, 2021 | \$1,543,563 |
| Fees Generated (Note 1) | \$3,572,979 |
| EXPENSES | |
| Salaries | \$2,034,386 |
| Employee Benefits | \$839,970 |
| Travel | \$365,562 |
| Communications | \$90 |
| Communications – Credit/Adjustment (Note 2) | \$(1,703) |
| Other Operating Expenses | \$8,377 |
| Information Technology Contracts | \$104,711 |
| Information Technology Contracts – Credit/Adjustment (Note 3) | \$(218,315) |
| Overhead – Fair Trade Practices Program | \$105,151 |
| Overhead – Agricultural Marketing Service | \$223,570 |
| Overhead – US Department of Agriculture | \$109,854 |
| TOTAL EXPENSES | \$3,571,653 |
| Net Income | \$1,326 |
| Reserve Account Balance - September 30, 2022 | \$1,544,889 |

1. Fee reporting is recognized using the accrual method and will be reported as billed opposed to collected.
2. Credits and adjustments occur when the underlying service contracts and accounts are reconciled.
3. IT charges of \$218,315 were posted to the USWA account in 2021, but funds were returned in 2022 following a program activity allocation review.

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 statute 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.

EFFICIENT USE OF PERSONNEL

In FY 2022, personnel expenses (salaries and benefits) represented 80 percent of all USWA costs and provided for a total of 24.5 staff years in direct support of USWA services. WCMD staff, including warehouse examiners, spent 32 percent of their time on USWA services. The balance was allocated to 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 provided available staff resources to efficiently deliver timely, accurate, and quality services to the commodity warehouse community without relying on USWA-licensed warehouses to pay the full cost of maintaining the staff.

MAXIMIZING EFFICIENCIES VIA TECHNOLOGY SOLUTIONS

In FY 2022, WCMD completed a modernization effort that completely re-imagined how WCMD staff deliver the mission. The cloud-based, fully customized application used as the Division-wide system of record, provides real-time data to staff, no matter where they are located.

In addition, FY 2022 also marked the launch of the integration effort to connect with WCMD’s Box instance, a secure cloud content management platform allowing all staff access to all files, documents, and other forms of information for the entire warehouse program. The ability to leverage these two cloud-based solutions into a seamless workflow defines efficiency: reducing operating cost and maximizing customer delivery and usability. Essentially, reducing the overall physical, financial, and technological footprint of the Division’s IT infrastructure.

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.

CONCLUSION

Fiscal Year 2022 represented 106 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. Ongoing warehouse commodity market obstacles, consolidations, and post-pandemic recovery continued in FY 2022. These trends were reflected in fewer warehouse licenses and a slight increase in functional units and capacity. It is evident that through continued technology enhancements, industry collaboration, and dedicated commitment to the agricultural community from USWA staff and stakeholders, the steadfast mission delivery will continue and be relevant for generations to come.



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August 2023

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