



The United States Warehouse Act

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Background

August 11, 1916

The United States Warehouse Act (USWA):

- Enabled producers of agricultural products to market commodities throughout the year not just at harvest times.
- Facilitated obtaining farm credit through use of USWA warehouse receipt.
- Originated for cotton producers who were faced with market chaos, agricultural credit shortage, and a large cotton crop predicted at the start of World War I. Prior to passage covered grain, tobacco, wool and flaxseed.
- Expanded to other commodities in 1923.

What Does the United States Warehouse Act Do?

- Facilitates commercial and interstate trading of agricultural commodities.
- Provides the necessary uniformity and parity needed for warehouse operators in the United States to compete in a global environment.
- Protects the producers or other depositors of agricultural commodities in store.
- Enforces the integrity of warehouse receipts issued under it.
- Provides penalties for rule-breaking:
 - Suspension of license for cause.
 - Termination of the license with investigation and hearing. [Hearing procedures provided.]
 - Criminal charges for:
 - Forgery, alteration, or counterfeiting of documents.
 - Converting commodity to own use or for loan security, or Removal of commodity from warehouse.
- The warehouse receipt creates an enforceable contract between warehouse operator and farmer and contains terms and conditions that are acceptable to bankers.

- Provides for:
 - The possibility of lower interest rates to farmers because of the integrity of the warehouse receipt.
 - Timely marketing of commodity other than harvest time to obtain greater income from sales.
 - High quality storage at reasonable rates due to review of tariff rates.
 - Sound warehousing practices through unannounced examination of facilities.
- Creates a negotiable document of title [the warehouse receipt] facilitating marketing of commodity.

Warehouse Operator: Why the United States Warehouse Act?

- It's **voluntary**. The warehouse operator voluntarily agrees to follow the rules.
 - But . . . It's **mandatory**. Warehouse licensing, from a state or federal licensing entity, for agricultural commodity warehouse operators is required throughout most of the United States.
 - AND . . . It's **a permissive regulator act**. While requiring rules to be observed, the warehouse operator is not required to be licensed under that act.
- It's **nationwide**. We can license across state lines. We are one licensing agency for all locations.
 - **47%** of all commercial warehouse space is presently licensed under the United States Warehouse Act.
- It's **simple**. The relatively simple rules the warehouse operator agrees to operate under are generally accepted good warehousing practice.
- It's **continuous**. Licensing is continuous, there is no annual renewal, until canceled by warehouse operator.
- It **expands**. Call us and we can start procedures to add new locations and new licenses.

How do we monitor warehouse operators under the United States Warehouse Act?

- **Perform** regular unscheduled examinations.
 - The examination consists, in part, of:
 - Audit of all storage obligations including warehouse receipted ones.
 - Physical inventory of the stored commodities.
 - Comparison of inventory taken with storage obligations.
 - Examination of the physical plant for cleanliness & safety.
- **Review** an annual third-party-endorsed financial statement that meets minimum standards.
- **Require** a bond or other financial assurances in favor of the Secretary which provides monetary compensation for any inability to deliver quantity and quality of storage obligations.
- **Control** the printing, issuance, and cancellation of warehouse receipts.

Who and What Qualifies for Licensing?

- Competent persons and organizations with a good business reputation who are in the business of public warehousing.
- Structures suitable for the protection of the commodity in store.
- Facilities which allow the accurate and efficient weighing, sampling, inspection and grading of commodity in store.
- Personnel with knowledge of generally accepted storage practices and weighing, sampling, inspection and grading procedures.
- Responsible persons and organizations with adequate financial resources based on warehouse capacity of the commodity stored.

Benefits to States

- **Licensing** for warehouse operators in states that have no licensing laws.
- **Setting** high quality **standards** and encouraging the development of strong state monitoring systems.
- **Encourages uniformity** across the nation in the handling, storage, and receipting of agricultural commodities.

Benefits to Producers

- **Ensuring** the **safekeeping** of deposits of agricultural commodities.
- **Financially stable** warehousing operation.
- **Federal Warehouse Receipt** has proven to be a valuable financial instrument of ownership of commodity as collateral for bank loans and participation in government price support programs.

For creditors and holders of warehouse receipts:

- The **examination** provides a third-party view of operations as a cross-check of the accuracy and integrity of internal business management controls.
- A disinterested third party is providing **tracking of loan collateral**. The United States Warehouse Act provides the security of **bonding** or other financial assurances.
- **Controlled printing, issuance, and cancellation** of warehouse receipts.
- **Uniform** nationally recognized warehouse receipt contract language, terms and conditions.
- **Electronic warehouse receipts** are available for cotton, and will be available in the near future for other agricultural products.

How to Apply for Licensing

- Complete form [WA50](#) (application).
- Send a copy of organization documents.
 - Corporation:
 - Articles of Incorporation certified by Secretary of State.
 - Bylaws certified as true and correct by corporate secretary.
 - Foreign corporation permit if not a corporation native to the locality being licensed.
 - Partnership:
 - Executed copy of partnership agreement.
 - Proprietor:
 - None.

Financial Statements

- We need a financial statement prepared by a disinterested party.
- You will be required to furnish financial statements at the audit or review level after licensing.
- Financial statements should be prepared subsequent to mergers, etc.
- Financial statements are prepared according to Generally Accepted Accounting Principles.

For More Information:

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