

Warehouses under new federal rules

WASHINGTON, D.C. — In a move to give farmers and others more protection when they store commodities in warehouses, the U.S. Department of Agriculture will require federally licensed grain and rice warehouses to meet new tests of financial stability starting July 1.

The regulations will be effective for all grain and rice warehouse operators licensed under provisions of the U.S. Warehouse Act. Some 2,000 warehouses are currently licensed under the act.

"We will take two actions to ensure greater financial soundness of warehouses to further protect those who store commodities in these warehouses," said James Springfield, a warehouse official in USDA's Agricultural Marketing Service.

"First, we will raise the

minimum net asset requirement from \$10,000 to \$25,000," he said. The requirement is figured at 20 cents per bushel of the total licensed capacity of the warehouse, rather than the amount of bushels actually stored in the warehouse.

A deficiency in required total net assets above the \$25,000 may be supported by a like increase in the warehouse operator's bond. This action was proposed last June 9.

"Second," Springfield said, "we will require warehouse operators to furnish USDA with financial statements consisting of a balance sheet and statements of income including profit and loss, retained earnings and changes in financial position."

Springfield said the statements must be prepared under generally accepted accounting principles

and must be reviewed or audited by an independent public accountant in line with standards established by the American Institute of Certified Public Accountants.

He said the public accountant need not be a certified public accountant, as a Dec. 7 proposal would have required, but the accountant cannot be associated with the warehouse firm. Warehouse operators are also subject to an additional onsite inspection by USDA examiners and an audit authorized by the Secretary of Agriculture.

"These more stringent financial requirements should lend added financial strength to grain warehouse that store farmers' commodities," Springfield said. "The requirements also carry out recommendations made by

Secretary Block's grain elevator task force."

Springfield said the task force reviewed current grain warehouse laws and regulations to recommend possible changes to safeguard interests of both farmers and the government when a commercial grain elevator goes bankrupt. The task force also established a committee that will continue to study and recommend ways to strengthen the financial stability of warehouses.

Warehouse operators who contract to store grain, rice and

seed that are either owned by the Commodity Credit Corporation or which serve as collateral for CCC price support loans must comply with the same requirements, effective July 1.

USDA's Agricultural Stabilization and Conservation Services' regulations for these warehouse operators also remove the ceiling on net worth requirements and permit the use of a standby irrevocable letter of credit as an additional acceptable substitute security for net worth deficiencies.

NEDCO calls milkerendum defeat a "misunderstanding"

SYRACUSE, N.Y. — Responding to last week's defeat of a milk

promotion order referendum by Pennsylvania dairy producers, Northeast Dairy Cooperative Federation President Edward McNamara expressed disappointment, calling the defeat "a misunderstanding by producers as to the intent of the program."

McNamara alluded to the measured results of the New York promotion program saying that "the success of New York state's promotion plan has been well documented and gives ample evidence of a good margin of profitability on producer dollars invested."

According to McNamara, this negative decision by the Commonwealth's farmers could have far-reaching effects. "In these days of high production levels, it's important to producers that they use every method available in an attempt to persuade consumers of the value and good taste of dairy products," he said.

"The defeat comes at a time when dairymen should be making every effort to do their share to hold the costs of government programs within proper levels so that the Commodity Credit Corporation program will be allowed to continue and be effective in maintaining sufficient supplies of dairy products for the consuming public."

The NEDCO executive said of all of the various programs suggested to solve the surplus milk problem, the easiest and most effective could very well be milk promotion.

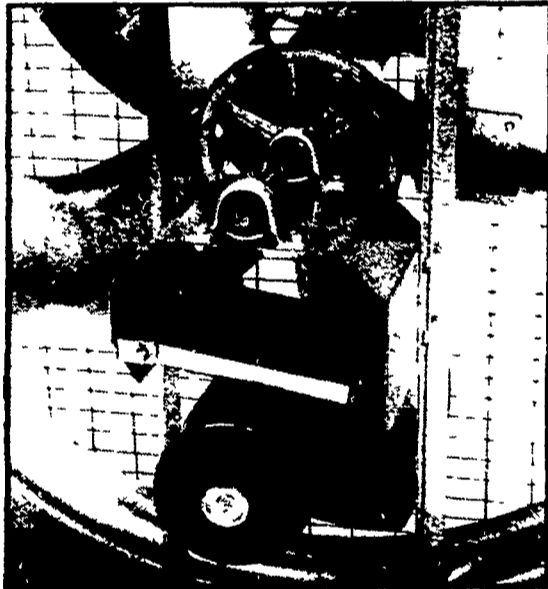
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