



United States
Department of
Agriculture

September 23, 2004

EOD-150

NOTICE TO THE TRADE

Farm and Foreign
Agricultural Services

SUBJECT: Pilot Program for Load Port Surveys and Processed Commodity Bidding Basis Houston, Texas

Farm Service
Agency

Kansas City
Commodity Office
P.O. Box 419205
Kansas City,
Missouri
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The United States Department of Agriculture's Commodity Operations is initiating a pilot program to introduce a change in the definition of commodities delivered "free along side ship" (f.a.s.) for the Port of Houston, TX. Under the new definition of f.a.s. Houston, TX (HOUS), the commodity supplier will be responsible for the transportation cost involved in the delivery of the commodity to the terminal designated by the ocean carrier. This change in definition will apply to all USDA-approved warehouses/berths/terminals/transload facilities within the greater Houston metropolitan area except for the Jacintoport Terminal (JACI). A list of USDA-approved facilities in Houston can be found at the following website: <http://www.fsa.usda.gov/Export/ApprovdPortFacilities>. Commodity suppliers offering delivery to JACI will be responsible for all handling charges to deliver the commodity to the ocean carrier at the first point of rest within the terminal including all wharfage charges.

The HOUS delivery point will be re-defined as follows:

Commodity is to be delivered on board the conveyance (trucks or railcars) at the risk, time, and expense of the commodity supplier to the USDA-approved warehouse/berth/terminal/transload facility as designated by the ocean carrier.

The ocean carrier will be responsible to pay all handling costs to unload the conveyance and all associated terminal/port charges.

Commodity suppliers must contact the notify party designated in the shipping instructions for proper billing information prior to shipment. Currently, there are no switching charges within the Port of Houston; therefore, both vendors and ocean carriers will have a clear understanding of their costs as they approach a bidding opportunity.

Additional domestic movement of the railcar or truck provided by the ocean carrier outside the terminals listed in the Houston area (re-billing or diversions) will not be permitted for commodities purchased for the P.L. 480, Title II Program. However, commodities shipped for the Food for Progress and 416(b) programs may be re-billed from Houston to other USDA-approved port terminals outside the Houston area with written approval from the Foreign Agricultural Service.

This pilot program is necessary because the current delivery point for f.a.s. Houston contracts can be any one of several eligible warehouses/berths/terminals/transload facilities within the confines of the Port of Houston as selected by the ocean carrier. In any case, the bidding process in these transactions lacks bid transparency for commodity suppliers because all associated costs are not known at the time of bid offering. As a result, the cost to the government is higher than necessary.

Also included in this pilot program will be a requirement that all commodities purchased and booked on the basis of HOUS will be subject to a complete survey as the conveyance is unloaded at the terminal. The survey will be mandatory and the seals are not to be broken unless a Vessel Loading Observation (VLO) inspector is present. The receiving terminal must contact the VLO contractor a minimum of 24 hours prior to unloading and schedule inspection services. The survey requirement will be waived for railcars that are re-billed as provided above.

This pilot program will be in effect for up to one year commencing with Invitation 104. Commodity suppliers and ocean carriers may provide comments concerning a permanent change to the definition of f.a.s. Houston after a three-month trial period. A study of similar changes for other bid points will be conducted based on the results of this pilot program.

Inquiries regarding this notice and HOUS bids should be directed to Kansas City Commodity Office's Export Operations Division as follows: commodity suppliers should contact the applicable marketing specialist; ocean carriers should contact the Traffic and Contract Administration Branch at 816-926-6552.

/s/

George W. Aldaya
Director