



## NOTICE TO THE INDUSTRY – BCD - 70

United States  
Department of  
Agriculture

Farm and Foreign  
Agricultural Services

Farm Service  
Agency

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DATE: April 13, 2004

TO: All Warehouse Operators Seeking Approval Under The Cotton Storage Agreement (CSA)

SUBJECT: Amendment 1 to CCC-823, Part III, R., Security Plan, Part III, S, Delivery and Shipping

### Background

**Part III, R.** The events of September 11, 2001, highlighted the need to enhance the security of the infrastructure of the United States, including those facilities engaged in storing and handling the nation's agricultural products. In support of the initiatives by the U.S. Department of Homeland Security (Homeland Security Presidential Directive/HSPD-7), the U.S. Department of Agriculture/Farm Service Agency (USDA/FSA) has started the process of implementing security plan requirements into Commodity Credit Corporation (CCC) commodity storage agreements, including the CSA.

**Part III, S.** For several years, warehouse operators and merchants have differed concerning the timely shipment of cotton. Industry sponsored association meetings were held, which resulted in members agreeing that warehouse operators have the capability to meet a minimum delivery and shipping standard of 4.5% of the CSA approved storage capacity each week barring uncontrollable events. The United States Warehouse Act (USWA) adapted this standard in its regulations for USWA warehouses, which account for approximately half of the nation's warehouses.

### Purpose

The purpose of this notice is to clarify USDA/FSA expectations regarding Amendment 1 to the CSA.

**Part III, R.** The security plan required under Amendment 1 is general in nature because of the diversity of the warehouse industry and the need for warehouse operators to determine the extent of risk that exists at individual locations and to devise appropriate risk-mitigation measures. It is not CCC's intent to prescribe the specifics warehouse operators include in the facility security plan. However, CCC will expect warehouse operators to make a good faith effort to address each of the four elements contained in Part III R. as outlined in Amendment 1, to mitigate the facility's vulnerability to a potential terrorism incident and to effectively respond if an event occurs. CCC will recognize vulnerability assessments of facilities and security plans imposed by other Federal or state government agencies, insurance carriers, or other entities as meeting the requirements of Part III, R, (2) of the CSA, Amendment 1, so long as such plans address the areas specified.

These may include emergency action plans; hazardous material response plans; spill prevention, control and countermeasure plans; or other programs implemented by the warehouse operator. In order to allow warehouse operators time to meet the requirements of Amendment 1, Part III, R., CCC will provide a 5-month phase-in starting May 1, 2004, before any actions are taken for non-compliance.

**Part III, S.** This section adds the industry shipping standard to the CSA, which requires all warehouse operators have the capability to meet a minimum shipping standard of 4.5 percent of the CSA approved storage capacity, as determined by CCC, each week, barring uncontrollable circumstances. Other aspects of Part III, S., Delivery and Shipping Standard:

- Violations of the delivery and shipping standard may lead to loss of CSA approved status.
- The warehouse operator will maintain records supporting compliance with the 4.5 percent delivery and shipping standard.
- A CCC representative may review warehouse records, i.e. shipping orders, shipment records, receipt cancellations, and shipment deferments from merchants or other such records, to determine validity of slow shipping complaints.

### **Action**

Warehouse operators must sign Amendment 1, and returned by May 7, 2004. It will become effective immediately. CCC will continue to monitor the progress regarding implementation of security plans but will take no action for failure to comply with the requirements until the end of the phase-in period of October 1, 2004. Electronic versions of the documents may be accessed at the following locations:

- Amendment, <http://forms.sc.egov.usda.gov/efrms/mainservlet>.
- Notice, [prod.fsa.usda.gov/cotton](http://prod.fsa.usda.gov/cotton) storage agreement.

/s/

George Aldaya  
Director, KCCO