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# Code of Federal Regulations

# 7

**Parts 700 to 899**

Revised as of January 1, 2001

# Agriculture

Containing a codification of documents of general applicability and future effect

As of January 1, 2001

*With Ancillaries*

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*Cite this Code:* CFR

*To cite the regulations in this volume use title, part and section number. Thus,* 7 CFR 700.1 *refers to title 7, part 700, section 1.*

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Title 1 through Title 16.....as of January 1
Title 17 through Title 27.....as of April 1
Title 28 through Title 41.....as of July 1
Title 42 through Title 50.....as of October 1

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RAYMOND A. MOSLEY,
*Director,*
*Office of the Federal Register.*

*January 1, 2001.*

# THIS TITLE

Title 7—AGRICULTURE is composed of fifteen volumes. The parts in these volumes are arranged in the following order: parts 1–26, 27–52, 53–209, 210–299, 300–399, 400–699, 700–899, 900–999, 1000–1199, 1200–1599, 1600–1899, 1900–1939, 1940–1949, 1950–1999, and part 2000 to end. The contents of these volumes represent all current regulations codified under this title of the CFR as of January 1, 2001.

The Food and Nutrition Service current regulations in the volume containing parts 210–299, include the Child Nutrition Programs and the Food Stamp Program. The regulations of the Federal Crop Insurance Corporation are found in the volume containing parts 400–699.

All marketing agreements and orders for fruits, vegetables and nuts appear in the one volume containing parts 900–999. All marketing agreements and orders for milk appear in the volume containing parts 1000–1199. Part 900—General Regulations is carried as a note in the volume containing parts 1000–1199, as a convenience to the user.

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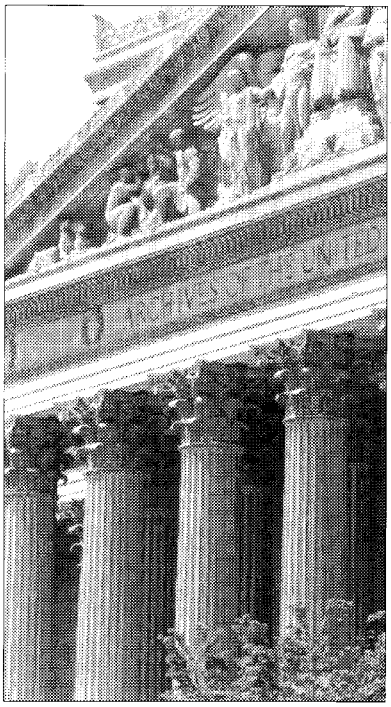

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# Title 7—Agriculture

(This book contains parts 700 to 899)

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SUBTITLE B—REGULATIONS OF THE DEPARTMENT OF AGRICULTURE— Continued:


*Part*

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# Subtitle B—Regulations of the Department of Agriculture—Continued

# CHAPTER VII—FARM SERVICE AGENCY, DEPARTMENT OF AGRICULTURE

EDITORIAL NOTE: 1. Nomenclature changes to chapter VII appear at 59 FR 60299, Nov. 23, 1994, as corrected at 59 FR 66438, Dec. 27, 1994.

2. Nomenclature changes to chapter VII appear at 60 FR 64297, Dec. 15, 1995.

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# SUBCHAPTER A—AGRICULTURAL CONSERVATION PROGRAM

## PART 700—EXPERIMENTAL RURAL CLEAN WATER PROGRAM

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AUTHORITY: Pub. L. 96–108, 93 Stat. 821, 835.

SOURCE: 45 FR 14009, Mar. 4, 1980, unless otherwise noted.

## Subpart A—General

### § 700.1 Purpose and scope.

(a) The purpose of this part is for the U.S. Department of Agriculture (USDA), with certain concurrences by the U.S. Environmental Protection Agency (EPA), to set forth regulations to carry out an experimental Rural Clean Water Program (RCWP) as authorized by the Agriculture, Rural Development and Related Agencies Appropriations Act, fiscal year 1980, Pub. L. 96–108 (hereinafter referred to as the ''1980 Appropriations Act'') and subsequent appropriations.

(b) The RCWP will provide financial and technical assistance to private land owners and operators (participants) having control of agricultural land. The assistance is provided through long-term contracts of 3 to 10 years to install best management practices (BMPs) in approved project areas which have critical water quality problems resulting from agricultural activities. The project area must reflect the water quality priority concerns developed through the established water quality management program process. Participation RCWP is voluntary.

(c) This is a new USDA program using the experiences under various ongoing USDA programs and the established water quality management program of EPA.

[45 FR 14009, Mar. 4, 1980, as amended at 46 FR 29454, June 2, 1981]

### § 700.2 Objective.

The objectives of the RCWP are to:

(a) Improve impaired water use and quality in the approved project area in the most cost-effective manner possible in keeping with the provision of adequate supplies of food, fiber, and a quality environment.

(b) Assist agricultural land owners and operators to reduce agricultural nonpoint source water pollutants and to improve water quality in rural areas to meet water quality standards or water quality goals.

(c) Develop and test programs, policies and procedures for the control of agricultural nonpoint source pollution.

[45 FR 14009, Mar. 4, 1980, as amended at 46 FR 29454, June 2, 1981]

### § 700.3 Administration.

At the national level, the Secretary of Agriculture will administer the RCWP in consultation with the Administrator, EPA, including EPA's concurrence in the selection of the BMPs, as provided in the 1980 Appropriations Act and subsequent appropriations. Authority to approve projects is reserved to the Secretary. The Secretary of Agriculture hereby delegates responsibility for administration of the program to the Administrator, Farm Service Agency (FSA) and the coordination of technical assistance to the Chief, Soil Conservation Service (SCS). FSA will be assisted by other USDA agencies in accordance with existing authorities.

(a) A National Rural Clean Water Coordinating Committee (NCC), chaired by the Administrator, FSA, will assist in carrying out the RCWP.

(b) A State Rural Clean Water Coordinating Committee (SCC) will assist the State ASC Committee in administering the program. The State ASC Committee Chairperson will chair the SCC. Where two or more States are involved in a project area the Deputy Administrator, State and County Operations (DASCO), FSA, shall develop a coordinating process.

(c) A Local Rural Clean Water Coordinating Committee (LCC) will be established to assure coordination at the project level. The LCC committee will be chaired by the County ASC Committee Chairperson and will assist the County ASC Committee as provided in these regulations and as otherwise developed by the SCC and the LCC. Where two or more counties are involved in a project area, the SCC shall develop a coordination process.

[45 FR 14009, Mar. 4, 1980, as amended at 46 FR 29454, June 2, 1981 59 FR 60299, Nov. 23, 1994]

### § 700.4 Definitions.

(a) *Adequate Level of Participation*. An adequate level of participation is reached when participants having control of 75 percent (unless a different level is approved by the Administrator, FSA, with the concurrence of the NCC), of the identified critical area(s) or source(s) of the agricultural nonpoint source pollution problem in the project area, are under contract.

(b) *Administrative Services*. The administration of the RCWP except for the technical phases as assigned in § 700.5 of these regulations.

(c) *Agricultural Land*. That portion(s) of a farm or ranch used to produce: Grains, row crops, seed crops, vegetables, hay, pasture, orchards, vineyards, trees, field grown ornamentals, livestock or other agricultural commodities.

(d) *Agricultural Nonpoint Source Pollution*. Pollution originating from diffuse sources, including, but not limited to, land areas and return flows from agricultural lands such as:

(1) Animal waste areas and land used for livestock and/or crop production, or

(2) Lands with silviculturally related pollution.

(3) Concentrated animal feeding operations defined as point sources in 40 CFR 125.1 and 125.51, are not eligible for assistance under RCWP.

(e) *Applicant*. A person in an approved project area who applies for RCWP assistance.

(f) *Average Cost*. The calculated cost, determined by recent actual local costs and current cost estimates, considered necessary for carrying out BMPs or an identifiable unit thereof.

(g) *Best Management Practice (BMP)*. A single practice or a system of practices to improve water quality included in the approved RCWP application that reduces or prevents agricultural nonpoint source pollution.

(h) *BMP Costs*. The amount of money actually paid or obligated to be paid by the participant for equipment use, materials and services for carrying out BMPs or an identifiable unit of a BMP. Loss of income from crops during the first twelve months following the conversion of productive cropland to permanent vegetative cover or trees may be considered a part of the BMP cost for a project where it is determined that harvesting or grazing restrictions are necessary in order to establish properly the practice and the reimbursement for loss of income is necessary to provide incentives to achieve an adequate level of participation as defined in 7 CFR 700.4(a). If the participant uses personal resources, the cost

includes the computed value of personal labor, equipment use, and materials.

(i) *BMP Life Span*. Each BMP shall have a life span of not less than 5 years unless otherwise approved by the Administrator, FSA.

(j) *Conservation District (CD)*. A subdivision of a State or territory organized pursuant to the State Soil Conservation District Law, as amended. In some States these are called soil conservation districts, soil and water conservation districts, resource conservation districts, or natural resource districts.

(k) *Contract*. The document that includes the water-quality plan and is executed by the participant and approved by the County ASC Committee. Such document evidences the agreement between parties for carrying out BMPs on the participant's land.

(l) *Contract Period*. That period of time, 3 to 10 years, established as necessary to implement the BMPs needed to solve the water quality problems in the contract.

(m) *Cost-Share Level*. That percentage of the total cost of installing a BMP which is to be borne by the government under the RCWP.

(n) *Cost Share Rate*. The amount of money per unit (cubic yard, acre, etc.) to be paid for carrying out BMPs under the RCWP.

(o) *County ASC Committee*. The County ASC Committee elected by the farmers/ranchers in the county as provided for under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)).

(p) *Critical Areas or Sources*. Those designated areas or sources of agricultural nonpoint source pollutants identified in the project area as having the most significant impact on the impaired use of the receiving waters.

(q) *Direct Costs*. The costs that can be specifically identified with the program.

(r) *Farmer/Rancher*. An owner and/or operator who has a vested interest in the operation of the farm or ranch.

(s) *Federal Funds Authorized*. The total amount of funds authorized to approved projects.

(t) *Fiscal Year*. The fiscal year beginning October 1 and ending September 30.

(u) *Identifiable Unit*. A part of a BMP that can be clearly identified as a separate component in carrying out BMPs in the water quality plan.

(v) *Implementation*. The act of carrying out or executing a water quality plan, including both installation and maintenance of BMPs.

(w) *Maximum Payment Limitation*. The total amount of RCWP payments which a participant may receive for the full contract period. The total amount of such payments shall not exceed $50,000.

(x) *Offsite Benefits*. Favorable effects of BMPs that occur away from the land of the participant receiving RCWP assistance and which accrue to the public.

(y) *Participant*. A land owner and/or operator who is an agricultural producer and applies for and receives assistance under RCWP.

(z) *Participant's Water Quality Plan*. The plan that identifies critical agricultural nonpoint sources of pollution, identifies water quality problems and schedules the application of BMPs which contribute to meeting the water quality objectives of the project.

(aa) *Plan of Work*. A written strategy for implementing the approved project, outlining the actions needed and to be taken by various USDA, State and local agencies and interested groups.

(bb) *Pooling Agreement*. An agreement between two or more participants or ranchers to pool their resources to treat a common critical area or source.

(cc) *Privately-Owned Rural Land*. Lands not owned by Federal, State, or local governments that include cropland, pastureland, forest land, rangeland, and other associated lands.

(dd) *Project Area*. The geographic determination included in the project application as agreed upon by the SCC and LCC, and approved by the Secretary, utilizing the water quality planning process which identifies agricultural nonpoint source water quality problems.

(ee) *Project Life Span*. The maximum total life span of a project shall be not greater than fifteen (15) years from the date RCWP funds are first made available for the project.

(ff) *RCWP Project*. The total system of BMPs, administrative support, institutional arrangements, cost-sharing, technical and community support that are authorized in a RCWP project application.

(gg) *Secretary*. The Secretary of the U.S. Department of Agriculture.

(hh) *Silvicultural*. The science and art of cultivating (growing and tending) forest crops based on the knowledge of forestry. Silviculture-related pollution is included as agriculture nonpoint source pollution in the RCWP.

(ii) *Standards and Specifications*. Requirements that establish the minimum acceptable quality level for planning, designing, installing, and maintaining BMPs.

(jj) *State ASC Committee (STC)*. The State ASC Committee appointed by the Secretary in accordance with Section 8 b of the Soil Conservation and Domestic Allotment Act, as amended.

(kk) *Technical Assistance*. The preparation of the participant's water quality plan, the design, layout and implementation of BMPs to accomplish the purposes of the water quality plan, and water quality monitoring and evaluation.

(ll) *Water Quality Management Program*. A Federal-state-local program for addressing and solving point and non-point source pollution problems consistent with national clean water goals. The basic authority for this program is in section 208 of the Federal Water Pollution Control Act, as amended, (Pub. L. 92–500).

[45 FR 14009, Mar. 4, 1980, as amended at 46 FR 29454, June 2, 1981]

### § 700.5 Responsibilities.

(a) *The United States Department of Agriculture (USDA) shall:*

(1) Administer the RCWP by entering into contracts with land owners and operators to install and maintain BMPs to control agricultural nonpoint source pollution for improved water quality and:

(i) Consult with EPA in the selection of projects;

(ii) Obtain concurrence from EPA in approval of BMPs; and

(iii) Insure an adequate joint USDA/EPA monitoring and evaluation plan is carried out on selected projects.

(2) Provide technical assistance and share the cost of carrying out BMPs as specified in the contracts.

(3) Evaluate the overall effectiveness of the program in improving water quality.

(b) *The Environmental Protection Agency (EPA) will:*

(1) Participate on the NCC, SCC and LCC.

(2) Furnish information from the water quality management planning process which can assist in identifying areas with the most critical water quality problems for project applications.

(3) Participate in the approval of project applications for funding.

(4) Concur with the Secretary on BMPs recommended by the County and State ASC Committees and approved by the Secretary for funding, or recommended by the Secretary, with concurrence of the Administrator, EPA, and approved by the State and County ASC Committees.

(5) Assist USDA in evaluating the effectiveness of the program in improving water quality, including concurrence on projects selected for comprehensive monitoring and evaluation and development of the criteria for the comprehensive, joint USDA/EPA water quality monitoring, evaluation, and analysis program.

(c) *The Farm Service Agency shall:*

(1) Serve as chairperson of the NCC, SCC and LCC and be responsible for developing and administering the RCWP.

(2) Provide to the Secretary those project applications recommended for approval, including the recommendations of the NCC.

(3) Through County FSA Offices, provide the administrative support in all approved RCWP projects, such as accepting applications, preparing and approving contracts, carrying out funds control, issuing cost-share payments, otherwise administering contracts and payments, provide compliance oversight, maintain records and develop reports.

(4) Enter into agreements with Federal, State and local agencies and others as needed for support to be provided in an approved RCWP project.

(5) Through County and Community ASC Committees work with landowners and operators in the project area to encourage participation.

(6) Develop cost-share rates for installing needed BMPs.

(7) Assure that RCWP is in addition to and is coordinated with other related programs.

(8) Provide guidance to State and County ASC Committees and coordinate the Agricultural Conservation Program (ACP), the Forestry Incentives Program (FIP), and related conservation programs, with RCWP.

(9) Allocate project funds to County ASC Committees in the approved project areas.

(10) Designate the State ASC Chairperson where a project area involves a part(s) of two or more States to chair the SCC, for that project.

(d) *The Soil Conservation Service (SCS) shall:*

(1) Participate on the NCC, SCC and LCC.

(2) Coordinate technical assistance and recommend appropriate agency or group to provide technical assistance on a project by project basis.

(3) Provide technical assistance for the appropriate BMPs.

(4) Assist the LCC in developing criteria for use by the County ASC Committees and the Conservation Districts in determining priorities of assistance among individual applicants for developing the water quality plan.

(5) Provide technical assistance in developing and certifying the technical adequacy of the participant's water quality plan.

(e) *The Forest Service (FS) shall:*

(1) Participate on the NCC and as appropriate, SCC and LCC.

(2) Have technical responsibility for forestry.

(3) Provide technical assistance for appropriate BMPs, by providing technical assistance through the State Forestry Agency (State Forester as appropriate) for planning, applying and maintaining forestry BMPs.

(4) Participate in the monitoring and evaluation as appropriate.

(5) As appropriate, assist in developing the water quality plan to assure that the most critical water quality problems are addressed.

(f) *The Science and Education Administration (SEA), through the State and County Extension Services, Appropriate, shall:*

(1) Participate on the NCC, SCC and LCC.

(2) Develop, implement, and coordinate informational and educational programs for agricultural nonpoint source water pollution control.

(3) Encourage the State and County Extension Services to develop and carry out a comprehensive educational and informational program.

(4) Provide technical assistance for appropriate BMPs including, but not limited to, fertilizer management, pest management, conservation tillage, and animal waste as appropriate.

(g) *The Economics and Statistics Service (ESS) shall:*

(1) Participate on the NCC and as appropriate, SCC and LCC.

(2) Assist in the economic evaluation of RCWP projects and BMPs.

(3) Make data available from existing and planned ESS surveys relating to water quality and related matters.

(4) Conduct socioeconomic research, within ESS authorities and funds, on relevant policy and program issues pertinent to RCWP.

(5) Assist in the annual program evaluation and be responsible for the economic component of the comprehensive evaluation of selected projects.

(h) *The Farmers Home Administration (FmHA) shall:*

(1) Participate on the NCC, SCC and LCC.

(2) Provide assistance and coordinate their farm loan and grant programs with RCWP.

(3) Assist in the annual program evaluation.

(i) *The National Rural Clean Water Coordinating Committee (NCC).* The NCC is chaired by the Administrator, FSA. Other members of the National Committee are Director, Office of Environmental Quality, the Administrators of, FmHA, and ESS: the Chief of FS, SCS; the Director of SEA; and the Assistant Administrator for Water and Waste Management, EPA. Nonfederal agencies such as Conservation Districts, State soil and water conservation agencies, State water quality management agencies, and other organizations

may attend as observers. The duties of the NCC are to:

(1) Assist the Administrator, FSA, in developing the program regulations and procedures.

(2) Recommend to the Administrator, FSA, the project applications to be approved.

(3) Advise the Secretary on the maximum Federal contribution to the total cost of the project and establish the maximum cost-share levels of BMPs.

(4) Assist in coordinating individual agency programs with the RCWP.

(5) Make recommendations as appropriate on the technical aspects of the program.

(6) Recommend project areas and criteria for comprehensive joint USDA/EPA water quality monitoring, evaluation, and analysis.

(7) Annually review the plans of work and recommend changes in the projects.

(8) Annually review the progress in each project and periodically advise the Secretary, the Under Secretary for International Affairs and Commodity Programs, and Assistant Secretary for Natural Resources and the Environment on program and policy issues.

(j) *The State Rural Clean Water Coordinating Committee (SCC).* The SCC is chaired by the STC chairperson. Members include a representative of the agency members on the NCC or their designee. Other members are the State water quality agency having responsibility for the water quality management program, the State soil and water conservation agency, the State Director, Cooperative Extension Service, and others, including those recommended by the Governor, and approved by the Chairperson of SCC. Other State and local agencies, and organizations, or individuals may attend as observers. The duties of the committee are to:

(1) Submit its recommendations for approval of project application(s) to the State ASC Committee for forwarding to the NCC, through the Administrator, FSA.

(2) Insure that each project application referred to the state ASC committee includes a water quality monitoring plan which specifies the organization(s) responsible for general monitoring, including cost and budget breakdown by organization(s).

(3) Assure coordination of activities at the project level by assisting in determining the composition and responsibilities of the LCC.

(4) Assure adequate public participation, including public meeting(s), and appropriate environmental evaluation in the preparation of RCWP applications.

(5) Provide oversight for the RCWP in the State and to assist USDA and EPA in their comprehensive, joint water quality monitoring and evaluation of selected project areas, including coordination with the LCC.

(6) Develop procedures for coordination between the RCWP and other water quality programs.

(7) Assist the State ASC Committee in developing the membership of the LCC. For multi county projects, there will be one LCC.

(8) Annually review and approve the plan(s) of work and changes proposed by the LCC and forward a copy to the NCC through the administrator, FSA.

(k) *The Local Rural Clean Water Coordinating Committee (LCC).* The LCC is chaired by the County ASC Committee Chairperson. Other members include a representative of the agency members on the NCC, or their designee, where applicable, and a representative of the soil and water conservation district, the designated water quality management agency, State forestry agency, the Director, County Extension Service, and others recommended by the LCC and approved by the STC. (Where more than one county is in a project area only one LCC will be established in the project area.) The duties of the committee are to ensure that a process exists and actions are taken to implement any approved project. The duties will include, among others which may be outlined by the SCC, the following:

(1) Assure an adequate level of public participation in implementing the project.

(2) Provide project coordination, including development of the plan of work for implementing the approved project using various USDA agencies, local agencies and interested groups.

(i) Enlist resources from other agencies and local groups.

(ii) Conduct informational and educational activities relating to the project.

(iii) Develop criteria with the SCC for use by the County ASC Committee and the soil conservation district to establish priorities among individual applications for developing water quality plans.

(iv) Assure the development of an adequate plan for project monitoring and evaluation.

(3) Consult with SCC for coordination with USDA State officials, State water quality official, and EPA regional representatives to develop criteria for project plan of work and project coordination.

(4) Review the project Plan of Work annually and recommend changes in the approved project to the SCC.

(l) *State ASC Committee shall:*

(1) Provide the chairperson for the SCC and be responsible for administration of the RCWP project(s) in the State.

(2) Submit those project applications recommended by the SCC to the Administrator, FSA.

(3) Provide overall administrative support for the RCWP through the County ASC Committee(s).

(4) Designate a County ASC Committee Chairperson to serve as Chairperson of the LCC in multi-county projects.

(5) Approve the BMPs for inclusion in project applications.

(6) Be responsible for all other administrative functions as provided in these regulations.

(m) *The Governor of each State, at the Governor's option, may:*

(1) Recommend to the SCC Chairperson appropriate additional individuals for membership on the SCC.

(2) Furnish to the SCC a listing of the water quality priority areas in the State which are to be used by the SCCs and LCCs in considering and developing project applications.

(n) *the State soil and water conservation agency will:*

(1) Participate on the SCC.

(2) Assist in preparing and submitting RCWP project applications.

(3) Carry out responsibilities of soil conservation districts, including participation on the LCC, where no soil conservation district exists.

(o) *The State water quality agency will:*

(1) Participate on the SCC.

(2) Provide expertise in preparing RCWP project applications.

(3) Assist in monitoring and evaluating the effectiveness of the water quality projects.

(p) *The County ASC Committee shall:*

(1) Be responsible for administration of the RCWP at the local level.

(2) Provide the chairperson of the LCC.

(3) Provide overall administrative support for the RCWP approved project through the FSA County Office, including accepting applications, administering the contracts and making payments and preparing reports.

(4) Recommend approval of BMP's.

(5) Together with the Soil Conservation District, determine the priority for technical assistance among individual applicants for water quality plans bases on criteria developed by the LCC to assure that the most critical water quality problems are addressed.

(6) Establish the recommended cost share level for BMP's in the RCWP project applications in consultation with the LCC.

(7) Utilize the Community ASC Committee(s) and LCC in encouraging farmers in the project area to install needed BMPs on the priority basis developed by the LCC.

(8) Be responsible for developing, and annually reviewing, and carrying out the plan of work for the approved project.

(q) *The Soil Conservation District will:*

(1) Participate on the LCC.

(2) Assist in the preparation and submission of applications for the RCWP.

(3) Assist in the promotion of the approved RCWP project.

(4) Together with the County ASC Committee, determine the priority of technical assistance among individual applicants for water quality plans based on criteria developed by the LCC to assure that the most critical water quality problems are addressed.

(5) Approve applicants' water quality plans and revisions.

[45 FR 14009, Mar. 4, 1980, as amended at 46 FR 29454, June 2, 1981; 59 FR 60299, Nov. 23, 1994]

### § 700.6 Officials not precluded from exercising authority.

Nothing in these regulations shall preclude the Secretary; Administrator, FSA; NCC; or Deputy Administrator, State and County Operations, FSA; from administering any or all phases of the RCWP programs delegated to the LCC, County ASC Committee, SCC, State ASC Committee or any employee(s) where the committee or employee fails to perform a function required in these regulations. In exercising this authority either the Secretary, Administrator, FSA, or Deputy Administrator, FSA, may delegate a person or persons to be in charge with full authority to carry out the program or other function(s) without regard to the LCC, ASC committee(s), or employee(s) for such period of time as is deemed necessary.

[59 FR 60299, Nov. 23, 1994]

## Subpart B—Project Authorization and Funding

### § 700.10 Applicability.

The RCWP is applicable in project areas that meet the criteria for eligibility contained in § 700.12 and are authorized for funding by the Secretary.

### § 700.11 Availability of funds.

(a) The allocation of funds to the County ASC Committee(s) in a project area is to be made on the basis of the total funds needed to carry out the approved project.

(b) The obligation of Federal funds for RCWP contracts with participants is to be made on the basis of the total contract costs.

### § 700.12 Eligible project areas.

(a) Only those project areas which reflect the water quality priority concerns developed through the established water quality management program planning process and have identified agricultural nonpoint source water quality problems are eligible for authorization under RCWP. Only those critical areas or sources of pollutants significantly contributing to the water quality problems are eligible for financial and technical assistance.

(b) An RCWP project area is a hydrologically related land area. Exceptions may be made for ease of administration, or to focus on concentrated critical areas. To be designated as an RCWP project area eligible for authorization, the area's water quality problems must be related to agricultural nonpoint source pollutants, including but not limited to, sediment, animal waste, irrigation return flows, runoff, or leachate that contain high concentrations of nitrogen, phosphorus, dissolved solids, toxics (pesticides and heavy metals), or high pathogen levels.

### § 700.13 Project applications.

Existing and subsequent project applications submitted for consideration must contain adequate information on each item specified in § 700.14. Instructions on such information requirements will be issued by the Administrator, FSA. Opportunity will be provided prior to final approval of a project for the LCC and the SCC, in consultation with the Govenor, through the applicable County and State ASC Committees, for modification necessary to bring them into conformance with the provisions of these regulations.

### § 700.14 Review and approval of project applications.

(a) In reviewing applications and recommending priorities, the NCC will consider the following:

(1) Severity of the water quality problem caused by agricultural and silvicultural related pollutants, including:

(i) State designated uses of the water affected.

(ii) Kinds, sources, and effects of pollutants.

(iii) Miles of stream or acres of water bodies affected, extent of groundwater contamination.

(2) Demonstration of public benefits from the project, including:

(i) Effects on human health.

(ii) Population benefited by improved water quality.

(iii) Effects on the natural environment.

(iv) Additional beneficial uses of the waters that result from improvement of the water quality.

(3) Economic, and technical feasibility to control water quality problems within the life of the project, including:

(i) Size of the area and extent of BMPs needed.

(ii) Cost per participant and cost per acre or source for solution of problem.

(iii) Cost effectiveness of BMPs.

(iv) Adequacy of planned actions to meet the project's objectives.

(4) Suitability of the project for the experimental RCWP in the testing of programs, policies and procedures for the control of agricultural non-point source pollution, including:

(i) A project representative of a geographic area with significant water quality problems.

(ii) The potential of the project for monitoring and evaluation, including existing base line data.

(5) State, local and other input in the project area, including:

(i) Funds for cost-sharing general monitoring and technical assistance.

(ii) Commitment of local leadership to promote the program.

(iii) Commitment of farmers and ranchers to participate in RCWP.

(6) The project's contribution to meeting the national water quality goals taking into consideration of other major sources of pollutants which affect the water quality in or near the project area.

(b) Based on the project application, the NCC is to recommend an upper limit of the Federal contribution to the total cost of the project. This includes both BMP cost-share and technical assistance costs.

(c) All project applications will be reviewed by EPA. BMPs approval for funding require EPA concurrence, except that the Secretary may assume EPA's concurrence, if EPA does not act within 15 days following receipt of the request for concurrence.

(d) The Secretary will approve projects for funding taking into consideration the recommendations of the NCC and consultation with EPA. The Chairperson, State ASC Committee, through the SCC, will assure that involved Federal, State, and local agencies are informed of the project approval.

### § 700.15 Transfer of funds.

(a) Upon approval of a project, the Administrator, FSA, will transfer funds to the State(s) ASC Committee for funding the project. The State committee will transfer funds to the County ASC Committee(s) for the county or counties in an approved project.

(b) FSA will transfer funds to the applicable agency or organization providing specific technical assistance and/or expanded information and education. The transfer will be made on a project by project basis.

[45 FR 14009, Mar. 4, 1980, as amended at 46 FR 29454, June 2, 1981]

### § 700.16 Termination of project funding.

(a) Based on evidence of failure to accomplish the approved project objectives, including inadequate level of participation, the Administrator, FSA, may issue a termination notice after conferring with the Administrator, EPA, and the NCC.

(b) The State ASC Committee shall give 10-day written notice to the applicable County ASC Committee of intent to terminate project funding. The termination shall establish the effective date of termination and the date for return of funds.

(c) After receipt of a project termination, the County ASC Committee shall not make any new commitments or enter into any new RCWP contracts. Those contracts in force at the time of project termination will remain in force until completed.

## Subpart C—Participant's RCWP Contracts

### § 700.20 Eligible land.

RCWP is only applicable to privately owned agricultural lands in approved project areas. Indian tribal lands and lands owned by irrigation districts are eligible lands.

**§ 700.21 Eligible person (participant).**

(a) Any land owner or operator whose land or activities in a project area is contributing to the area's agricultural nonpoint source water quality problems and who has an approved water quality plan is eligible to enter into an RCWP contract. For the purpose of this section, an eligible person is an individual, partnership, corporation (except corporations whose stock is publicly traded), Indian tribe, irrigation district or other entity.

(b) Federal, State or local governments, or subdivisions thereof (except irrigation districts), are not considered as an eligible person for RCWP contracts.

(c) This program will be conducted in compliance with all requirements respecting nondiscrimination as contained in the Civil Rights Act of 1964 and amendments thereto and the Regulations of the Secretary of Agriculture (7 CFR 15.1 through 15.12)

[45 FR 14009, Mar. 4, 1980, as amended at 46 FR 29454, June 2, 1981]

**§ 700.22 Application for assistance.**

(a) Land owners or operators in an approved project area must apply for RCWP assistance through the office of the County ASC Committee(s) by completing the prescribed application form.

(b) The priority for developing water quality plans among applicants is to be determined by the County ASC Committee and the soil conservation district based on the criteria developed by the LCC in consultation with the SCC, with technical assistance from SCS.

**§ 700.23 Water quality plan.**

(a) The participant's water quality plan, developed with technical assistance and certification by the SCS or its designee and approved by the CD, is to include appropriate approved BMPs. Such BMPs must reduce the amount of pollutants that enter a stream, aquifer, or lake by:

(1) Methods such as reducing the application rates or changing the application methods or potential pollutants.

(2) Methods such as practices or combinations of practices which prevent potential pollutants from leaving source areas or reduce the amount of potential pollutants that reach a stream or lake after leaving a source area.

(b) Participants' water quality plans shall include BMPs for the treatment of all critical areas or sources on the farm on that land within the project area regardless of eligibility for cost-sharing with RCWP funds. Management type BMPs which are not cost-shared but for which technical advice will be given project participants shall be listed in the plan. A water quality plan is not required for that portion of a farm that does not include a critical area or source.

(c) The participant is responsible for compliance with all applicable Federal, State, and local laws including those relating to the environment, in installing BMPs to solve the nonpoint source water quality problems.

(d) Time schedules for implementing BMPs are to be provided in the participant's water quality plan.

(e) The SCS or its designee shall make an annual status review to assure the technical adequacy of the implementation of the water quality plan.

**§ 700.24 Cost-sharing.**

(a) The maximum cost-share for each project will be approved by the Secretary, taking into consideration the recommendation of the NCC. The Federal cost-share for each BMP shall not exceed 75 percent of the cost of carrying out the practice unless otherwise approved by the Administrator, FSA.

(b) The combined cost-sharing by Federal, State, or Subdivision thereof shall not exceed 100% of the cost of carrying out the BMP.

(c) The County ASC Committee(s) in consultation with the LCC will annually set maximum individual BMP cost-share rates for the project area.

(d) BMPs to be cost shared must have a positive effect on water quality.

(e) Cost sharing is not to be made available for measures installed primarily for:

(1) Bringing additional land into crop production.

(2) Increasing production on existing crop land.

(3) Flood protection.

(4) Structural measures authorized for installation under Pub. L. 83–566, Watershed Protection and Flood Prevention Act.

[45 FR 14009, Mar. 4, 1980, as amended at 46 FR 29454, June 2, 1981]

### § 700.25 RCWP contract.

(a) In order to participate in the RCWP, each landowner, operator, or person who controls or shares in the control of a tract of land on which one or more of the BMP's will be performed must execute the RCWP contract in which they agree to carry out the water quality plan.

(b) The participant must furnish satisfactory evidence of his or her control of the tract of land on which one or more of the BMP's will be performed.

(c) Cost-sharing payments cannot be provided for any measure that is initiated before the contract is approved by the County ASC Committee.

(d) RCWP contracts shall include the basic contract document, the participant's water-quality plan, schedule of operations, and special provisions as needed.

(e) Technical assistance will be provided to participants to develop the water quality plan and to install BMPs.

(f) SCS or its designee shall approve the technical adequacy of the Water Quality Plan.

(g) Participants shall install BMPs according to the specifications that are applicable at the time the contract is signed or the measures are installed.

(h) The contract period is to be not less than 3 and not more than 10 years. A contract is to extend for at least 1 year after the application of the last cost-shared BMPs. All contract items are to be accomplished prior to contract expiration.

(i) BMPs are to be maintained by the participant at no cost to the RCWP.

(j) All BMPs in the water-quality plan shall be maintained for the established life span of the BMP.

(k) The County ASC Committee in consultation with the LCC shall establish a BMP life span for each BMP offered in the approved project area. Each BMP cost-shared shall have a life span of at least 5 years, unless otherwise approved by the Administrator, FSA.

(l) A participant may enter into a pooling agreement with other participants to solve mutual water quality problems.

(m) Participants are responsible for:

(1) Accomplishing the water quality plan.

(2) Obtaining and maintaining any required permits and easements necessary to perform the planned work.

(3) Applying or arranging for the application of BMPs, as scheduled in the plan, according to approved standards and specifications.

(4) The operation and maintenance of BMPs installed during the contract period.

(5) Obtaining the authorities, rights, easements, or other approvals necessary to maintain BMPs in keeping with applicable laws and regulations.

(n) Unless otherwise approved by the NCC, the County ASC Committees shall not enter into any new RCWP contracts after five (5) years from the date when RCWP funds are first made available to the project.

(Pub. L. 96–108, 98 Stat. 821, 835 and Pub. L. 96–528, 94 Stat. 3095, 3111)

[45 FR 14009, Mar. 4, 1980, as amended at 48 FR 42803, Sept. 20, 1983]

### § 700.26 Contract modifications.

(a) The County ASC Committee by mutual agreement with the landowner or operator, may modify contracts previously entered into if it is determined to be desirable to carry out the purposes of the program, facilitate the practical administration thereof, or to accomplish equitable treatment with respect to other conservation, land-use, and/or water quality programs.

(b) Requirements of active contracts may be modified by the County ASC Committee only if such modifications are specifically provided for in these regulations. The concurrence of SCS or its designee and the CD are necessary when modifications involve a technical aspect of the participant's water quality plan. A contract may be modified only if it is determined that such modifications are desirable to carry out purposes of the program or to facilitate the program's practical administration.

(c) Contracts may be modified when the participants add or delete land to the farm.

(d) Contracts may be modified to add, delete, or substitute BMPs when:

(1) The installed measure failed to achieve the desired results through no fault of the participant.

(2) The installed measure deteriorated because of conditions beyond the control of the participant.

(3) Another BMP will achieve the desired results.

(4) The extent of the BMP is changed.

(e) Contract modifications are not required when items of work are accomplished prior to scheduled completion or within 1 year following the year of scheduled completion. Other time schedule revisions will require modification.

(f) If, during the contract period, all or part of the right and interest in the land is transferred by sale or other transfer action, the contract is terminated on that portion of the contract, the participant:

(1) Forfeits all right to any future cost-share payments on the transferred portion.

(2) Must refund all cost-share payments that have been made on the transferred land unit unless the new land owner or operator becomes a party to the contract, except the payment may be retained where it is determined by the County ASC Committee after consultation with the technical agency and the CD, that the established BMPs will provide water quality benefits for the designed life of the BMP.

(g) If the new land owner or operator becomes a party to the contract:

(1) Payment which has been earned, may be made to the participant who applied the BMPs and had control prior to the transfer.

(2) The new land owner or operator is to assume all obligations of the previous participant with respect to the transferred land.

(3) The contract with the new participant is to remain in effect with the original terms and conditions, except that;

(4) The original contract is to be modified in writing to show the changes caused by the transfer. If the modification is not acceptable to the County ASC Committee, the provisions of paragraphs (f)(1) and (2) of this section apply.

### § 700.27 Cost-share payment.

(a) *General.* Participants are to obtain or contract for materials or services as needed to install BMPs. Federal cost-share payments are to be made by the County ASC Committee upon certification by the District Conservationist, SCS, or designee, that the BMPs, or an identifiable unit thereof, have been properly carried out and meet the appropriate standards and specifications.

(b) *Payment maximum.* The maximum RCWP cost-share payment to a participant shall be limited to $50,000.

(c) *Basis for cost-share payment.* (1) Cost-share payments are to be made by the County ASC Committee at the cost-share percentage specified in the project approval notice and by one of the following methods as set out in the contract:

(i) Average cost; or

(ii) Actual cost but not to exceed the average cost.

(2) If the average cost at the time of starting the installation of a BMP or identifiable unit is less than the costs specified in the contract, payment is to be at the lower rate. If the costs at the start of installation are higher, payment may be made at the higher rate. A modification will be necessary if the higher cost results in a significant increase in the total cost-share obligation. Cost-share payment is not to be made until the modification reflecting the increase is approved.

(d) *Average cost development.* Average costs are to be developed by the County ASC Committee for each project using cost data from the local area. These costs shall be reviewed by the SCC for consistency with average costs in other USDA programs. These average costs shall be updated annually by the County ASC Committee in consultation with the LCC.

(e) *Application for payment.* Cost-share payments shall be made by the County ASC Committee after a participant has completed a BMP or an identifiable unit of a BMP and it is determined to

meet standards and specifications. Application for payment must be submitted to the County ASC Committee, on the prescribed form and be supported by such cost receipts as are required by the County ASC Committee. It is the participant's responsibility to apply for payments.

(f) *Authorizations for payments to suppliers.* (1) The contract may authorize that part or all of the Federal cost share for a BMP or an identifiable unit be made directly to suppliers of materials or services. The materials or services must be delivered or performed before payment is made.

(2) Federal cost shares will not be in excess of the cost share attributable to the material or service used or not in excess of the cost share for all identifiable units as may be requested by the participant.

(g) *Material inspection and analysis.* When authorizations for payments to suppliers are specified, the County ASC Committee, its representatives, or the Federal Government reserve the right to inspect, sample, and analyze materials or services prior to their use.

(h) *Assignments, set-offs, and claims.* (1) Any person who may be entitled to any cost-share may assign rights thereto in accordance with regulations governing the assignments of payments. (31 U.S.C. 203, as amended, and 41 U.S.C. 15, as amended.)

(2) If any participant to whom compensation is payable under RCWP is indebted to the United States and such indebtedness is listed on the county register of indebtedness maintained by the County ASC Committee, the compensation due the participant must be used (set-off) to reduce that indebtedness. Indebtedness to USDA is to be given first consideration. Setoffs made pursuant to this section are not to deprive the participant of any right to contest the justness of the indebtedness involved. (See 7 CFR part 13.)

(3) Any cost-share payment due any participant shall be allowed without deduction of claims for advances except as provided for above and without regard to any claim or lien against any crop, or proceeds thereof, in favor of the participant or any other creditor.

(i) *Access to land unit and records.* The County ASC Committee, the agency providing technical assistance or representatives thereof, shall have the right of access at reasonable times to land under application or contract, and the right to examine any program records to ascertain the accuracy of any representations made in the applications or contract.

(j) *Suspension of payments.* No cost-share payments will be made pending a decision on whether or not a contract violation has occurred.

(k) *Ineligible payments.* The filing of requests for payment for BMPs not carried out, or for BMPs carried out in such a manner that they do not meet the contract specifications, constitutes a violation of the contract.

### § 700.28 Appeals.

(a) The applicant may, prior to execution of the contract, request that the County ASC Committee review or reconsider administrative criteria being used in developing his or her contract.

(1) The applicant shall make a written request to the County ASC Committee setting forth the basis for the appeal.

(2) The County ASC Committee shall have 30 days in which to make a decision and notify the applicant in writing.

(3) The decision of the County ASC Committee may be appealed to the State ASC Committee.

(4) The State ASC Committee decision shall be final.

(b) The applicant/participant may request and receive a review by the SCS State Conservationist of criteria used in developing the water quality plan or BMP specifications.

(c) After the contract has been executed, the participant may request and receive a review of administrative procedures under the FSA appeals procedures set out in 7 CFR part 780.

### § 700.29 Contract violations.

(a) The following actions constitute a violation of the RCWP contract by a participant:

(1) Knowingly or negligently damaging or causing BMPs to become impaired.

(2) Failing to comply with the terms of the contract.

(3) Filing a false claim.

(4) Misusing conservation materials or services.

(5) Adopting a land use or practice during the contract period which tends to defeat the purposes of the program.

(b) *Contract termination as a result of violations.* (1) The participant agrees to forfeit all rights to further cost-sharing payments under a contract and to refund all cost-share payments received if the County ASC Committee with the concurrence of the State ASC Committee, determines that:

(i) There was a violation of the contract during the time the participant had control of the land.

(ii) The violation was of such a nature as to warrant termination of the contract.

(2) The participant shall be obligated to refund all cost-share payments, including those paid to vendors for materials and services.

(c) *Payment adjustments and refunds resulting from violations.* (1) The participant agrees to refund cost-share payments received under the contract or to accept payment adjustments if the County ASC Committee determines and the State ASC Committee concurs that:

(i) There was a violation of the contract during the time the participant had control of the land.

(ii) The nature of the violation does not warrant termination of the contract.

(2) Payment adjustments may include decreasing the rate of the cost share, or deleting from the contract a cost-share commitment, or withholding cost-share payments earned but not paid. The participant who signs the contract may be obligated to refund cost-share payments.

## Subpart D—Monitoring and Evaluation

### § 700.40 General program monitoring and evaluation.

(a) *Requirement.* All approved RCWP projects will be monitored in sufficient detail to determine BMP application progress and to generally document water quality improvement trends through the life of the project. This will include, among others, data on BMP installation progress, payments made, refunds and periodic water quality monitoring for addressing short and long-term trends in water quality.

(b) *Monitoring Report.* A water quality monitoring report will be submitted as a part of the annual progress report. The initial report will include:

(1) A description of water quality monitoring strategy for the area.

(2) Data collection schedule.

(3) Parameters being monitored (and baseline values).

(4) Collection and analytical methods.

(5) A summary of existing data and trends.

Subsequent reports will update the initial data and report any significant changes in water quality land use.

(c) *Program Monitoring Funding.* The project application and the proposed monitoring plan are to include an estimate of the local and State financial and technical support. General monitoring will not be financed with RCWP funds.

### § 700.41 Comprehensive USDA/EPA joint project water quality monitoring, evaluation, and analysis.

(a) *Requirement.* The Secretary and Administrator, EPA will jointly select a limited number of projects to be comprehensively monitored and evaluated from a list of projects recommended by the NCC. The NCC will develop criteria for selecting the project areas.

(b) *Project Selection.* The NCC will recommend projects for this comprehensive program. The project areas are to be representative of the agricultural and silvicultural nonpoint source pollution problems.

(c) *Plan Development.* After a project is selected for the comprehensive monitoring and evaluation, the SCC is to submit within 90 days, a plan for USDA–EPA review and approval. USDA and EPA will have 30 days for the plan review and approval process.

(d) *Plan Requirements.* In general, the comprehensive monitoring plan will address and include the following:

(1) *Objective.* Define the purpose and scope of the monitoring program and establish clear objectives for each activity proposed.

(2) *Monitoring Strategy.* Define the basic hydrological and meteorological

factors within the proposed RCWP project area and identify the strategy and parameters to be used to identify the changes in water quality attributable to the installation of BMPs. Wherever possible, identify and quantify changes in land use, land use patterns and farming practices that will affect the quantity, quality or timing of nonpoint source pollutants reaching an aquatic system and detail information as to number and location of sampling stations and the frequency of sample collection.

(3) *Socioeconomic Impacts*. Identify the positive and negative impacts on the landowners in the project area and estimate the community or off-site benefits expected of the project if completed as planned.

(4) *Institutional Aspects*. Identify and clearly define the role and responsibility for each participating agency including, where appropriate fiscal and manpower commitments.

(5) *Educational Aspects*. Clearly define the approache(s) to be used to inform and educate individual landowners. Include procedures for periodic evaluation of this effort so the mid-course corrections can be made if needed.

(6) *Quality Assurance*. To insure that the data collected is usable to make National projections, a quality assurance program must be included that is consistent with that of the EPA Region within which the project is located.

(7) *Data Storage*. The data collected on comprehensive monitoring projects must be available to USDA and EPA RCWP user groups.

(e) *Reporting*. Reports for these projects are to be made at least annually to the NCC based on guidance sent to the SCC by the Administrator, FSA.

(f) *Funding*. Funding for the comprehensive monitoring will be provided from RCWP funds and other authorizations.

### § 700.42 Program evaluation.

(a) The RCWP will be evaluated annually by the USDA. The evaluation will be based on the reports provided in these regulations and on special studies undertaken by USDA or EPA as part of the RCWP program.

(b) The USDA Deputy Under Secretary for International Affairs and Commodity Program will have the responsibility for coordinating the program evaluation and preparing an annual report for transmittal to the Secretary of Agriculture and the Administrator of EPA. The Deputy Assistant Secretary for Natural Resources and the Director of Economics, Policy Analysis and Budget, USDA, and the Assistant Administrator for Water and Waste Management, EPA will assist in this effort.

### § 700.43 Public benefits when installing BMP's.

All BPM's implemented under this program shall be in compliance with regulations promulgated under part 799 on environmental quality and related environmental concerns or similar regulations issued by a technical agency. Persons responsible for any aspect of performing BMPs shall carry out their responsibilities in such a way as to promote public benefits:

(a) By improving or preserving environmental quality and ecological balance.

(b) By preventing or abating pollution and other environmental degradation.

(c) Benefiting the community by means such as preserving open space or enhancing the appearance of the area.

(d) Benefiting wildlife and other desirable life forms.

(e) Preserving historic, archaeological, or scenic sites, wetlands, ecologically critical areas and prime farmland.

(f) Avoiding the creation of hazards to persons or animals.

(g) Avoiding actions that may adversely affect an endangered or threatened species and flood plains.

## PART 701—CONSERVATION AND ENVIRONMENTAL PROGRAMS

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AUTHORITY: 16 U.S.C. 590d, 590g-590o, 590p(a), 590q, 1501–1510, 1606, 2101–2111, 2201–2205; 48 U.S.C. 1469d(c).

SOURCE: 45 FR 49522, July 25, 1980, unless otherwise noted.

## § 701.1 Background.

(a) Through the conservation and environmental programs administered by the Department of Agriculture, the Federal Government will share with farmers, ranchers, and other eligible private landowners in the United States and the applicable territories and possessions of the United States, the cost of carrying out:

(1) Approved soil and water conservation and pollution abatement practices, including related wildlife conservation practices.

(2) Approved forestry practices.

(3) Emergency conservation measures, in accordance with the provisions of this part and such modifications there of as may hereafter be made.

(b) Cost-sharing may be made available to eligible program participants by the Farm Service Agency for:

(1) Soil and water conservation and pollution abatement practices under the Agricultural Conservation Program.

(2) Forestry practices under the Agricultural Conservation Program or Forestry Incentives Program.

(3) Practices to correct damage to land or conservation practices caused by natural disaster under the Emergency Conservation Program.

(4) Installation of water conservation measures under the Emergency Conservation Program during periods of severe drought.

(c) Information on the practices for which costs will be shared, the exact specifications and rates of cost-sharing for such practices, and the eligibility requirements for participating in the programs, may be obtained from the Agricultural Stabilization and Conservation county committee (hereinafter referred to as ''county committee'') for the county in which the farm, ranch or other eligible land is located or from the Agricultural Stabilization and Conservation State committee (hereinafter referred to as ''State committee''), for the State in which such county is located.

**§ 701.2 Definitions.**

(a) *County conservation review group* consists of the county committee; the county extension agent; a representative of the Soil Conservation Service; a representative of the U.S. Forest Service; a representative of the Farmers Home Administration; a representative of the State forestry agency or its equivalent, when the representative accepts an invitation to be a member of the group; and a representative of the conservation district in the county, where the governing board of the district accepts an invitation to designate a representative (if there is more than one district in the county, the governing boards of the districts may jointly designate only one person to represent all of the districts). The county conservation review group shall have the responsibilities as provided for in §§ 701.10 and 701.35.

(b) *Farm* or *ranch* means that area of land considered as a farm under the regulations governing reconstitution of farms, allotments, and bases, part 719 of this chapter, as amended, and, for the forestry incentives program, ''farm'' or ''ranch'' means eligible land (or ownership tracts) as provided in § 701.30.

(c) *National conservation review group* consists of representatives of the Farm Service Agency; Soil Conservation Service; U.S. Forest Service; Science and Education Administration; Economics, Statistics, and Cooperatives Service; Farmers Home Administration; Office of the General Counsel, U.S. Department of Agriculture; Office of Budget Planning and Evaluation, U.S. Department of Agriculture; Environmental Protection Agency; and Office of Management and Budget. The national conservation review group is responsible for recommending changes in program administrative procedures and policy guidelines, and evaluations of program effectiveness and operating arrangements.

(d) *Program year* means the Federal fiscal year for accounting purposes.

(e) *State* means any one of the United States, Puerto Rico, the Virgin Islands, and (1) In the case of the Agricultural Conservation Program and the Emergency Conservation Program, Guam and the Commonwealth of the Northern Mariana Islands; and (2) In the case of the Forestry Incentives Program, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands and the Territories and possessions of the United States.

(f) *State conservation review group* consists of the State committee, the State Director of Extension; the State Conservationist of the Soil Conservation Service; a representative of the U.S. Forest Service; a representative of the Farmers Home Administration; a representative of the State forestry agency, or its equivalent, when the representative accepts an invitation to be a member of the group; a representative of the State Soil Conservation Committee, or its equivalent, when the

representative accepts an invitation to be a member of the group; and a representative of the State Water Quality Agency, or its equivalent when it accepts an invitation to be a member of the group. The State conservation review group has the responsibility provided for in § 701.11.

(g) *State forestry committee*, or its equivalent, consists of the State forester or equivalent State official, who serves as chairperson; and a head or representative at the State level of the following USDA agencies: Farm Service Agency; U.S. Forest Service; Science and Education Administration; Farmers Home Administration; Soil Conservation Service. At the discretion of the committee, State and local interests may also be involved. The function of the State forestry committee is to coordinate forestry budget proposals, agency roles in education, technical assistance, technology transfers, and forestry incentives.

(h) In the regulations in this part and in all instructions, forms, and documents in connection therewith, all other words and phrases specifically relating to FSA operations shall, unless the context or subject matter otherwise requires, have the meanings assigned to them in the regulations governing reconstitution of farms, allotments and bases, part 719 of this chapter, as amended.

[45 FR 49522, July 25, 1980, as amended at 47 FR 46998, Oct. 22, 1982; 53 FR 15657, May 3, 1988]

## Subpart—Agricultural Conservation Program

### § 701.3 Program objective.

(a) The objective of the Agricultural Conservation Program (hereinafter referred to in this subpart as the ''program'') is to assure the continued supply of food and fiber necessary for the maintenance of a strong and healthy people and economy, and to provide for environmental conservation or enhancement.

(b) This will be accomplished through a program that has been formulated and is to be carried out, taking into consideration:

(1) The need to control erosion and sedimentation from agricultural land and conserve the water resources on such land.

(2) The need to control pollution from animal wastes.

(3) The need to facilitate sound resource management systems through soil and water conservation.

(4) The need to encourage voluntary compliance by agricultural producers with Federal and State requirements to solve point and non-point sources of pollution.

(5) National priorities reflected in the National Environmental Policy Act of 1969 and other congressional and administrative actions.

(6) The degrees to which the measures contribute to the national objective of assuring a continuous supply of food and fiber necessary for the maintenance of a strong and healthy people and economy.

(7) The type of conservation measures needed to improve water quality in rural America.

(8) The types of conservation measures needed that have significant energy conserving benefits.

[45 FR 49522, July 25, 1980, as amended at 47 FR 939, Jan. 8, 1982]

### § 701.4 State funds.

Funds available for practices to be performed under the program will be distributed among the States in accordance with conservation needs as determined by the Secretary.

### § 701.5 County funds.

The State committee will allocate the funds available for practices among the counties within the State consistent with the program objective, and will give particular consideration to the furtherance of special projects, watershed conservation projects, resources conservation development projects, approved State water quality plans, and other conservation and pollution abatement projects sponsored by local people and organizations.

### § 701.6 Availability of funds.

(a) The provisions of the program are subject to such legislation as the Congress of the United States may hereafter enact; the paying of the cost-shares provided herein is contingent

upon such appropriation as the Congress may provide for such purpose; and the amounts of such cost-shares will be within the limits finally determined by such appropriation.

(b) Funds available for the Agricultural Conservation Program may be made available as needed for practices to be performed under the Naval Stores Conservation Program, in accordance with instructions issued by the Deputy Administrator, State and County Operations.

### § 701.7 Eligible person.

An eligible person is a farmer or rancher who as an individual, partnership, association, corporation, estate, trust, or other business enterprise, or other legal entity (excluding districts which have taxing authority, Federal agencies, States and State agencies, but not excluding political subdivisions of a State) and, as an owner, landlord, tenant, or sharecropper, participates in the operation of a farm or ranch.

### § 701.8 Eligible land.

(a) The program is applicable to:

(1) Privately-owned lands;

(2) Land owned by a State or political subdivision of a State;

(3) Lands owned by corporations which are partly owned by the United States;

(4) Lands temporarily owned by the United States or a corporation wholly owned by it, which were not acquired or reserved for conservation purposes, including lands administered by the Farmers Home Administration, the U.S. Department of Defense, or by any other government agency designated by the Deputy Administrator, State and County Operations;

(5) Any cropland farmed by private persons which is owned by the United States or a corporation wholly owned by it;

(6) Indian lands, except that where grazing operations are carried out on Indian lands administered by the Department of the Interior, such lands are within the scope of the program only if covered by a written agreement approved by the Department of the Interior giving the operator an interest in the grazing and forage growing on the land and a right to occupy the land in order to carry out the grazing operations; and

(7) Noncropland owned by the United States on which practices are performed by private persons where such practices directly conserve or benefit nearby or adjoining privately-owned lands of the persons performing the practices and such persons maintain and use such federally-owned noncropland under agreement with the Federal agency having jurisdiction thereof.

(b) The program is not applicable to:

(1) Noncropland owned by the United States which was acquired or reserved for conservation purposes, or which is to be retained permanently under Government ownership, including, but not limited to, grazing lands administered by the Forest Service of the U.S. Department of Agriculture, or by the Bureau of Land Management (including lands administered under the Taylor Grazing Act), or the Fish and Wildlife Service of the U.S. Department of the Interior, except as indicated in paragraph (a)(7) of this section.

(2) Nonprivate persons for performance of practices on any land owned by the United States or a corporation wholly owned by it.

### § 701.9 Conservation practices.

Conservation practices as specified by the Deputy Administrator, State and County Operations, FSA, are made available nationally under the Agricultural Conservation Program and may be included in the State and county programs. Practices shall not be primarily production oriented or have little or no conservation or pollution abatement benefits. The practices are designed to be consistent with the agricultural conservation policy stated in section 7 of the Soil Conservation and Domestic Allotment Act, as amended, and national program policy, and are developed primarily to meet a definite need to accomplish one or more of the following:

(a) Establish long-lasting protective cover.

(b) Improve or sustain existing protective cover.

(c) Conserve or safely dispose of water.

(d) Benefit wildlife.

(e) Establish or improve stands of forest trees.

(f) Give protection against soil erosion.

(g) Prevent or abate agricultural-related pollution of water, land, and air.

(h) Meet special State or county conservation needs.

(i) Encourage energy conservation practices.

[45 FR 49522, July 25, 1980, as amended at 47 FR 939, Jan. 8, 1982]

### § 701.10 County programs.

(a) A program shall be developed in each county by the county committee, in consultation with the county conservation review group, in accordance with the National and State development guidelines and policies provided. At least one public meeting per year shall be held for this purpose.

(b) The county program shall be that approved by the State committee and the Secretary or designee.

[45 FR 49522, July 25, 1980, as amended at 47 FR 46998, Oct. 22, 1982]

### § 701.11 State programs.

(a) The State committee, in consultation with the State conservation review group, shall develop recommendations for the State program. The chairperson of the State conservation review group may also invite others with conservation or water quality interests to participate in such deliberations. At least one public meeting per year shall be held for this purpose.

(b) The State program shall consist of the guidelines and practices selected by the State committee after considering the recommendations submitted by the county committee to the State review group and approved by the Secretary or designee.

[45 FR 49522, July 25, 1980, as amended at 47 FR 46999, Oct. 22, 1982]

### § 701.12 Selection of practices.

The practices to be included in the State or county program shall be only those practices for which cost-sharing is essential to permit accomplishment of the program objective.

### § 701.13 Levels and rates of cost-sharing.

(a) The maximum level of cost-sharing for each practice shall be the percentage of the average cost of performing the practice considered necessary to obtain the needed performance of the practice, but at a level such that the participant will make a significant contribution to the cost of performing the practice.

(b) Levels of cost-sharing under annual agreements for each practice shall not be in excess of 75 percent of the average cost of carrying out the practice as determined by the county committee. However, where the Deputy Administrator, State and County Operations, determines a higher level of cost-sharing is necessary to provide adequate incentive for producer to carry out a conservation practice, the Deputy Administrator, State and County Operations, may specifically authorize a higher level. (See § 701.19 for special provision for low-income farmers.)

(c) Levels of cost-sharing under long term agreements shall not be in excess of 75 percent nor less than 50 percent of the average cost for each practice as determined by the county committee.

(d) For the purpose of establishing rates of cost-sharing, the average cost of performing a practice may be the average cost for a county or a part of a county, as determined by the county committee.

[45 FR 49522, July 25, 1980, as amended at 47 FR 939, Jan. 8, 1982]

### § 701.14 Starting of practices.

Costs will not be shared for practices or components of practices that are started before a formal approval is given by the county committee.

[47 FR 939, Jan. 8, 1982]

### § 701.15 Method of approval.

The county committee will determine the extent to which Federal funds will be made available to share the cost of each approved practice, taking into consideration the county allocation, the conservation and environmental problems in the county, the land involved, and the practices for

which requested cost-sharing is considered by the county committee as most needed. The method approved shall provide for the issuance of notices of approval showing for each approved practice the number of units of the practice for which the Federal Government will share in the cost and the amount of the cost-share for the performance of that number of units of the practice. To the extent practicable, notices of approved practices shall be issued before performance of the practice is started. No practice may be approved for cost-sharing except as authorized by the county program, or in accordance with procedures incorporated therein. Available funds for cost-sharing shall not be allocated on a pro-rata basis, but shall be directed to the accomplishment of the most enduring benefits attainable.

(a) Cost-sharing may be approved under annual agreements or long-term agreements.

(b) Annual agreements may be approved in all counties. Long-term agreements are limited to farms or ranches which are within Soil Conservation Districts (or comparable districts) through which the Soil Conservation Service provides planning and technical services, except:

(1) Farms and ranches located within a county designated for the Great Plains Conservation Program are only eligible for long-term agreements that cover part of a farm. Long-term agreements that cover whole farms shall not be approved in these counties.

(2) Farms and ranches not located within a Soil Conservation District (or comparable district) may be eligible for a long-term agreement, provided conservation plans of operations are developed by the farmer or rancher in cooperation with the Soil Conservation Service and approved by an appropriate State official or, in cases where an appropriate State official is not available, approved by the Soil Conservation Service.

**§ 701.16 Long-term agreements.**

(a) The period of a long-term agreement will be for not less than three (3) program years nor more than ten (10) program years. The county committee and the signatories to the agreement in consultation with the Soil Conservation Service representative, will mutually determine the period of the agreement.

(b) The long-term agreement will be based on a conservation plan of operations for the farm or ranch or portion thereof which has been approved by the Soil Conservation District (or comparable district) or, for farms or ranches not located in a Soil Conservation District (or comparable district), by an appropriate State Official or the Soil Conservation Service, as applicable.

(c) The long-term agreement will provide that the farmer or rancher will carry out those measures in the conservation plan of operations which are determined to be essential to meeting the basic conservation needs of the farm or ranch, or portion thereof, whether or not cost-sharing is approved for such measures.

(d) The owner of the farm or ranch will be required to be a signatory to a long-term agreement, whether or not that person contributes to the cost of approved practices thereon.

(e) Any signatory to a long-term agreement who is not an owner of the farm or ranch must provide assurance of control of the land for the duration of the period of the agreement.

(f) The level of cost-sharing, as provided in § 701.13, in effect for practices in all years of a long-term agreement shall be the level in effect for the beginning year of the agreement. The rate of cost-sharing for payment purposes for such practice will be based on the average cost of performing the practice at the time the practice is performed.

(g) A long-term agreement may be cancelled for failure to comply with the terms of the agreement if, after consulting with the Soil Conservation District (or comparable district) board or, if none exists, with a representative of the Soil Conservation Service, the county committee and State committee find that the seriousness of the irregularities warrant such action. If the agreement is cancelled, the signatories to the agreement are jointly and severally responsible for refunding all cost-shares paid and will forfeit all rights to further payments under the

agreement. In such a case, no other refund or forfeiture provisions of these regulations apply.

(h) A long-term agreement may be revised in accordance with instructions issued by the Deputy Administrator, State and County Operations, by mutual agreement between the signatories to the agreement and the county committee based on approved changes in the Conservation plan of operations for the farm or ranch.

(i) An eligible person who acquires control of land under an approved agreement may elect to become a successor in interest under such agreement.

(j) An agreement will be terminated with respect to land for which loss of control has occurred and where the person acquiring control of such land elects not to become a successor in interest under the agreement. If the loss of control is for reasons beyond the control of the signatories to the agreement, the county committee will determine whether or not any cost-shares previously paid shall be refunded, but in no event shall the refund be greater than would be required in cases where loss of control is voluntary. If the loss of control is voluntary on the part of the signatories to the agreement, the signatories will be jointly and severally responsible for refunding all cost-shares paid and will forfeit all rights to further payments, with respect to the land for which control is lost. However, a refund will not be required for cost-shares where, the county committee and the State committee determine, after consulting with a representative of the Soil Conservation Service, that failure to perform the remaining practices in the agreement will not impair the effectiveness of the practices which have been performed and that the completed practices have provided conservation benefits consistent with the cost-shares which have been paid.

(k) An agreement may be terminated by the county committee, after considering the recommendation of the Soil Conservation District (or comparable district) board or, if none exists, with a representative of the Soil Conservation Service, if such action is in the public interest. The county committee will determine the amount of cost-shares previously paid that shall be refunded.

(l) An agreement may be terminated by the county committee upon the written request of the participant(s) to an agreement where no cost-shares have been paid for any of the scheduled practices and where the participant(s) does(do) not intend to perform any of the scheduled practices.

### § 701.17 Replacement, enlargement, or restoration.

The establishment or installation of a practice, for the purposes of the program shall be deemed to include the replacement, enlargement, or restoration of a practice for which cost-sharing has been allowed if the practice has served for its normal lifespan, or if all of the following conditions exist:

(a) Replacement, enlargement, or restoration of the practice is needed to solve the problem.

(b) The failure of the original practice was not due to the lack of proper maintenance by the current operator.

(c) The county committee believes that the replacement, enlargement or restoration of the practice merits consideration under the program to an equal extent with other practices.

### § 701.18 Pooling agreements.

Farmers, ranchers, or eligible landowners in any local area may agree in writing, with the approval of the county committee, to perform designated practices which, by conserving or improving resources of the community, will solve a mutual conservation, pollution, or other environmental problem on the land of the participants. For purposes of eligibility for cost-sharing, practices carried out under such an approved written agreement shall be regarded as having been carried out on the land of the persons who performed the practices.

### § 701.19 Special provisions for low-income farmers and ranchers.

(a) Except as otherwise provided in § 701.13(c), the county committee may approve, in the case of low-income farmers and ranchers as defined in this section, level of cost-sharing of up to 80 percent of the average cost of performing practices.

(b) A low-income farmer or rancher is one who, as determined by the county committee, is a small producer whose livelihood is largely dependent on the farm or ranch and whose prospective income and financial resources for the current year are such that the farmer or rancher could not reasonably be expected to perform needed conservation practices at levels of cost-sharing applicable to other persons in the county.

(c) In approving requests for cost-sharing the county committee shall give special consideration to requests filed by low-income farmers and ranchers.

[45 FR 49522, July 25, 1980, as amended at 47 FR 939, Jan. 8, 1982]

### § 701.20 Encumbering land.

In order to receive cost-share assistance for a conservation practice in a Salinity Control Project area, a person participating in the program shall agree, as a condition of eligibility to receive such assistance, that a recordable encumbrance may be filed by FSA with respect to the land on which the conservation practice is installed. Such encumbrance shall reflect the amount of the cost-share assistance which is received by the program participant for the practice and shall continue until such time as the established lifespan for the practice has expired. Notwithstanding the foregoing, this requirement may be waived by the county committee if such committee determines, with the concurrence of the State committee and after consultation with appropriate Federal, State and local authorities, that the land will not likely be converted to a nonagricultural use within the next five years.

[48 FR 33847, July 26, 1983]

### §§ 701.21–701.22 [Reserved]

### § 701.23 Maximum cost-share limitation.

For each program year the total amount which may be received by any person under this subpart for approved practices shall not exceed $3,500 except that (a) the total amount received for approved practices, including those carried out under pooling agreements, shall not exceed $10,000 and (b) the total amount received under an ACP long-term agreement (LTA) shall not exceed the annual payment limitation ($3,500) multiplied by the number of years of the LTA.

[52 FR 19716, May 27, 1987]

### § 701.24 Completion of practices.

Cost-sharing for the practices contained in this part is conditioned upon the performance of the practice in accordance with all applicable specifications and program provisions.

### § 701.25 Time of filing payment application.

Payment of cost-shares will be made only upon application submitted on the prescribed form to the county office by a date established by the county committee. Any application for payment may be rejected if any form or information required of the applicant is not submitted to county office within the applicable time limit.

### § 701.26 Other program provisions.

Other provisions as contained in §§ 701.1 and 701.2 and in the subpart, General Provisions, apply to the Agricultural Conservation Program.

## Subpart—Forestry Incentives Program

### § 701.27 Program objective.

The objective of the Forestry Incentives Program (hereinafter referred to in this subpart as the ''program'') is to help assure a future supply of timber. This will be accomplished by encouraging landowners to apply forestry practices for the following:

(a) Production of softwood and hardwood timber and other forest-resources associated therewith to increase afforestation of suitable open lands.

(b) Reforestation of cutover and understocked forest lands.

(c) Timber stand improvement.

(d) Intensive multipurpose management.

(e) Protection of forest resources.

**§ 701.28 [Reserved]**

**§ 701.29 Designated counties.**

The State committee in consultation with the State Forester, will designate the counties or parts of counties in which the program will be operated. The following will be considered in making the selections:

(a) The total acreage in the county devoted to desirable types of softwood and hardwood timber.

(b) The estimated area in the county that is under eligible ownership.

(c) The estimated acreage suitable for the production of forest products.

(d) The availability of funds.

(e) The enhancement of other forest resources.

**§ 701.30 Eligible person, land, and ownerships.**

(a) An eligible person is a private individual, group, Indian Tribe or other native group, association, corporation excluding corporations whose stocks are publicly traded, or other legal entity which owns eligible land. Firms principally engaged in the manufacture of wood products are not eligible. However, forest landowners who manufacture forest products on a part-time or irregular basis, are eligible.

(b) Eligible land is ''nonindustrial'' private forest land capable of producing at least 50 cubic feet of wood per acre per year.

(c) Eligible farms are those not exceeding a total of 1,000 acres of eligible private nonindustrial forest land in the United States or any commonwealth, territory or possession of the United States. The State Committee with the concurrence of the State Forester may approve cost-sharing with landowners owning more than 1,000 but not more than 5,000 acres of eligible forest land where it is deemed to be to the public's significant benefit.

(d) Significant public benefits are primarily those resulting from cost-effective timber production, with related benefits to aesthetics, recreation, other resource values, watershed protection and erosion reduction.

**§ 701.31 Program funds.**

(a) *State and counties.* Each designated State and county will receive a share of the funds provided nationally for the program. Funds will be distributed on the basis of the forest production opportunities in each State, considering the acreage of private nonindustrial forest lands, the number of eligible owners, the potential productivity of such lands and the need for reforestation, timber stand improvement, other forestry management needs, and the enhancement of other forest resources. The Director, Conservation and Environmental Protection Division, FSA, will allocate funds after consultation with representatives of the U.S. Forest Service and a committee of not less than five State foresters or equivalent State officials selected by a majority of the State foresters or equivalent State officials. The State committee will consult with the State forester when determining the allocation of such funds to the designated counties.

(b) A limitation on the amount of funds which may be obligated under long-term agreements shall be established by the State committee in accordance with guidelines provided by the Deputy Administrator, State and County Operations.

**§ 701.32 Eligible practices and cost-share requirements.**

(a) Cost-sharing may be available for the following National practices and authority:

(1) *Practice FP1.* Planting Trees.

(2) *Practice FP2.* Improving a Stand of Forest Trees.

(3) *Practice authority—SF Practice.* Special Forestry Practices. The Director, Conservation and Environmental Protection Division, FSA, after consultation with the Forest Service, may approve special forestry practices needed to solve a significant and unique local condition for which the National practices are not adequate. Such practices may be approved for inclusion in a county program after consultation with the program development group, and the recommendation of the county committee, the service forester, the State committee and the State forester.

(b) A forest management plan is required as a condition of cost-sharing.

The plan will be developed in consultation with the landowner, approved by the service forester, and will contain information for accurate evaluation of practice effectiveness. The participant will be required to perform those measures in the plan which are essential to the effectiveness of the practice for which costs are shared. In the development of the plan, consideration will be given to wildlife, watershed protection, recreation, erosion control, aesthetics, and other associated forest resources values as well as cost-effective timber production.

### § 701.33 The National program.

The National program is based on recommendations developed by the Director, Conservation and Environmental Protection Division, FSA, in consultation with representatives of the U.S. Forest Service and the committee of State foresters provided for in § 701.31.

### § 701.34 Development of State programs.

(a) A State program shall be developed in each State in accordance with the provisions contained in this part and in the National program and such modifications thereof as may thereafter be made. The program shall be developed by the State forestry committee as provided in § 701.2.

(b) The program for the State shall be that recommended by the State committee and State forester and approved by the Director, Conservation and Environmental Protection Division, FSA, after consulting the U.S. Forest Service.

### § 701.35 Development of county programs.

(a) A county program shall be developed in each designated county in accordance with the provisions of the State program and such modifications thereof as may be made. The county program shall be developed by the county conservation review group. The county conservation review group, working with the governing body of the conservation district, the State forestry agency representatives, the county supervisor of the Farmers Home Administration, and others with conservation and environmental interest, shall develop recommendations for the county program.

(b) The program for the county shall be that recommended by the county committee and service forester and approved by the State committee and State forester.

[45 FR 49522, July 25, 1980, as amended at 47 FR 46999, Oct. 22, 1982]

### § 701.36 Adaptation of practices.

(a) The practices included in the State program meet the conditions and requirements of the National program. National program provisions may be modified or deleted to make practices more restrictive where such changes meet the objectives of the program.

(b) The practices included in the county program must meet the conditions and requirements of the State program. State program provisions may be modified or deleted to make practices more restrictive where such changes will still result in the practices effectively meeting the objectives of the program.

### § 701.37 Levels and rates of cost-sharing.

(a) The maximum cost-share for each practice shall be the percentage of the actual cost of performing the practice considered necessary to obtain the needed performance of the practice, but which will be such that the participant will make a significant contribution to the cost of performing the practice.

(b) Levels of cost-sharing shall be approved by the State ASC committee and shall not be in excess of 65 percent of actual costs incurred by the landowners.

(c) For the purpose of establishing rates of cost-sharing, the average cost of performing a practice may be the average cost for a State, a county or a part of a county, as determined by the State committee.

(d) The rates of cost-sharing for practices included in the county program may be lower than the rates approved for general use in the State.

[45 FR 49522, July 25, 1980, as amended at 47 FR 20109, May 11, 1982]

**§ 701.38 Prior approval for cost-sharing.**

Costs will be shared only for those practices, or components of practices, for which cost-sharing is requested and approval issued before performance thereof is started.

**§ 701.39 Methods of approval.**

The county committee will determine the extent to which Federal funds will be made available to share the cost of each approved practice. Approvals shall be made based on consideration of the county allocation, cost-effective opportunities for increasing timber production, potential for enhancing other forest resources, the forestry needs in the county, and the practices for which requested cost-sharing is considered by the county committee as most needed. The method approved shall provide for the issuance of notices of approval showing for each approved practice the number of units of the practice for which the Federal Government will share in the cost and the amount of the cost-share for the performance of that number of units of the practice. Notices of appeared practices shall be issued before performance of the practice may be started. No practice may be approved for cost-sharing except as authorized by the National, State or county program, or in accordance with procedures incorporated therein. Available funds for cost-sharing shall not be allocated on a pro-rata basis, but shall be directed to the accomplishment of the most production attainable.

(a) Cost-sharing may be approved under annual agreements or long-term agreements.

(b) Land covered by a Great Plains Conservation Program contract is not excluded from an annual or long-term agreement if otherwise eligible and is approved by both the Forest Service and the Soil Conservation Service.

(c) The same practices, cost-share levels and general program provisions apply to both annual agreements and long-term agreements.

**§ 701.40 Long-term agreements.**

(a) The period of a long-term agreement will be for not less than three (3) years nor more than 10 (10) years. The county committee and the signatories to the agreement in consultation with the State forestry representative, will mutually determine the scheduling of essential practices and practice cost-sharing over the period of the agreement.

(b) The long-term agreement will be based on a forest management plan for the land which has been developed by the service forester.

(c) The long-term agreement will provide that the owner will carry out those measures in the forest management plan which are determined to be essential whether or not cost-sharing is approved for such measures.

(d) The level of cost-sharing in effect for practices in all years of a long-term agreement shall be the level in effect for the beginning year of the agreement. The rate of cost-sharing for payment purposes for such practice will be based on the average cost of performing the practice at the time the practice is performed.

(e) A long-term agreement may be canceled for failure to comply with the terms of the agreement if, after consulting with the service forester, the county committee and State committee find that the seriousness of the irregularities warrant such action. If the agreement is canceled, the signatories to the agreement are jointly and severally responsible for refunding all cost-shares paid and will forfeit all rights to further payments under the agreement. In such a case no other refund or forfeiture provisions of these regulations apply.

(f) A long-term agreement may be revised in accordance with instructions issued by the Deputy Administrator, State and County Operations, where there is a change in status of the participants or the land under agreement.

(g) An eligible person who acquires control of land under an approved agreement may elect to become a successor in interest under such agreement.

(h) An agreement will be terminated with respect to land for which loss of control has occurred and where the person acquiring control of such land elects not to become a successor in interest under the agreement. If the loss of control is for reasons beyond the

control of the signatories to the agreement, the county committee will determine whether or not any cost-shares previously paid shall be refunded, but in no event shall the refund be greater than would be required in cases where loss of control is voluntary. If the loss of control is voluntary on the part of the signatories, they will be jointly and severally responsible for refunding all cost-shares paid and will forfeit all rights to further payments, with respect to the land for which control is lost. A refund will not be required for cost-shares where, the county committee and the State committee determine, after consulting with the service forester, that failure to perform the remaining practices in the agreement will not impair the effectiveness of the practices which have been performed and that the completed practices will provide forestry benefits consistent with the cost-shares which have been paid.

(i) An agreement may be terminated if, after considering the recommendation of the service forester, the county committee recommends and the State committee concurs that such action is in the public interest.

**§ 701.41 Restoration of practices.**

(a) Cost-sharing may be authorized under the program only for the establishment or installation of the practices contained in this part. Cost-sharing may not be authorized for repeating any of the practices in this part with the same owner on the same acreage, except as provided in paragraph (b) or (c) of this section.

(b) Cost-sharing may be authorized for the replacement, enlargement, or restoration of practices for which cost-sharing has been allowed under the program only if all of the following conditions exist:

(1) Replacement or restoration of the practice is needed to solve the problem.

(2) The failure of the original practice was not due to the lack of proper maintenance by the current operator.

(3) The county committee believes that the replacement or restoration of the practice merits consideration under the program to an equal extent with other practices cost-shared.

(c) Cost-sharing may be authorized for timber stand improvement measures carried out in repetitive steps where, in the judgment of the service forester, the stand treatment warrants such silvicultural practice.

**§ 701.42 Maximum cost-share limitations.**

For each fiscal year the total of all cost-shares paid to any eligible person shall not exceed the sum of $10,000 with respect to eligible ownerships (§ 701.30(b)) in the United States or any commonwealth, territory or possessions of the United States for approved practices carried out under annual and/or long-term agreements.

**§ 701.43 Completion of practice.**

Cost-sharing for the practices contained in this subpart is conditioned upon the performance of the practices in accordance with all applicable specifications and program provisions.

**§ 701.44 Time of filing payment application.**

Payment of cost-shares will be made only upon application submitted on the prescribed form to the county office by the prescribed time limit or any authorized extension thereof. Any application for payment may be rejected if any form or information required of the applicant is not submitted to the county office within the applicable time limit.

**§ 701.45 Other program provisions.**

Other provisions as contained in §§ 701.1 and 701.2 and in the subpart, General Provisions, apply to the Forestry Incentives Program. st

## Subpart—Emergency Conservation Program

**§ 701.46 Program objective.**

The objective of the Emergency Conservation Program is to cost-share with eligible persons to rehabilitate farmlands damaged by wind and water erosion, floods, hurricanes, or other natural disasters and to provide water conservation or water enhancement measures during periods of severe drought.

**§ 701.47 Program availability.**

(a) The county committee may implement the program subject to the availability of funds where new conservation problems have been created on farmland by a natural disaster or wind erosion which, if not treated; will:

(1) Impair or endanger the land or water resource.

(2) Materially affects the productive capacity of the land or water resource.

(3) Represent damage which is unusual in character and, except for wind erosion, shall not be the type that would recur frequently in the same area.

(4) Be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

(b) Subject to the availability of funds, the county committee with the concurrence of the State committee and approval of the Deputy Administrator, State and County Operations may implement the program to carry out emergency water conservation and water enhancement measures during periods of severe drought.

**§ 701.48 Eligibility of person and land.**

Eligibility of person and land is the same as for the Agricultural Conservation Program as provided in §§ 701.7 and 701.8.

**§ 701.49 Emergency conservation program practices.**

(a) Except for severe drought and wind erosion, cost-sharing may be offered for emergency conservation practices only to replace or restore farmland to a condition similar to that existing prior to the natural disaster. Cost-sharing may not be offered for the solution of conservation problems existing prior to the disaster.

(b) Emergency Conservation Program practices for which cost-sharing may be authorized are generally:

(1) Removing debris from farmland.

(2) Grading, shaping, releveling or similar measures.

(3) Restoring permanent fences.

(4) Restoring structures and other installations.

(5) Emergency wind control measures.

(6) Drought emergency measures.

(7) Other emergency conservation measures.

**§ 701.50 Practice approval.**

Practices listed in § 701.49(b)(1) through (5) may be approved by the county committees. Practices (6) and (7) of § 701.49(b) must be approved by the Deputy Administrator, State and County Operations.

**§ 701.51 Extent of cost-sharing.**

(a) The maximum payment under this subpart per person, per disaster, is limited to $200,000, including the amount of any payment received by such person as the result of a disaster under a pooling agreement.

(b) The cost-share payments which may be made by FSA for a practice under the program shall, subject to the maximum payment amount specified in paragraph (a) of this section and any other limitation as may apply, be further limited to the level of cost-share assistance established by the county committee not to exceed the following amounts:

(1) 64 percent of the first $62,500 of eligible reimbursable costs; plus

(2) 40 percent of the second $62,500 of eligible reimbursable costs; plus

(3) 20 percent of the remaining eligible reimbursable costs up to such amount as would produce a cost-share not in excess of the limitation in paragraph (a) of this section.

**§ 701.52 Eligible costs.**

Upon determination that a person is eligible for Emergency Conservation Program assistance, cost-sharing shall be granted for all reasonable costs incurred in the completion of the practice. Such costs may include personal labor, equipment, and other such costs which are determined by the county committee to be related to the costs of carrying out the practice. County committees shall limit costs for the use of personal equipment to an amount that reflects out-of-pocket expenses. Expenses for personal labor and personal equipment should be less than rates charged by contractors who expect to make a profit for their efforts.

**§ 701.53 Filing requests.**

The county committee shall establish a sign up period for filing cost-sharing requests immediately after the county committee's decision has been made (by the Deputy Administrator, State and County Operations, in cases of drought) to implement the Emergency Conservation Program in the county. Such periods should be at least 30 days in length. Late filed requests may be accepted by the county committee in justifiable cases.

**§ 701.54 Approving requests.**

County committees will issue practice approvals only when the requested practice has been determined eligible for cost-sharing assistance and the eligible person has indicated he/she is ready to start the practice.

**§ 701.55 Pooling agreements.**

Pooling agreements may be used on the same basis as provided for in the Agricultural Conservation Program in § 701.18.

**§ 701.56 Payment approval.**

The county committee is authorized to approve payments not to exceed $10,000 per person, per disaster. Cost-share assistance in excess of $10,000 must be approved by the Deputy Administrator, State and County Operations, or designee.

**§ 701.57 Other program provisions.**

Other provisions of this part as provided for in §§ 701.1 and 701.2 and in the subpart, General Provisions, apply to the Emergency Conservation Program.

## Subpart—General Provisions

**§ 701.58 Restriction on program eligibility.**

The regulations in part 796 of this chapter prohibiting the making of payments to program participants who harvest or knowingly permit to be harvested for illegal use, marijuana or other such prohibited drug-producing plants on any part of the land owned or controlled by them are applicable to these programs.

**§ 701.59 Delegation of authority.**

No delegation of authority contained in these programs to a State or county committee shall preclude the Deputy Administrator, State and County Operations or designee, from determining any question arising under these programs or from reversing or modifying any determination made by a State or county committee.

**§ 701.60 Practice specifications.**

(a) Minimum specifications that practices must meet to be eligible for cost-sharing shall be set forth in the county program, or incorporated therein by specific reference to a standard publication or other written document containing such specifications.

(b) Practice specifications shall represent those levels of performance which are needed in order for the practice to be effective in meeting the program objective and which are not in excess of levels for which cost-sharing can be justified.

**§ 701.61 Responsibility for technical phases of practices.**

The Soil Conservation Service and the U.S. Forest Service are responsible for technical phases of the practice as assigned and such assignment will be specified in State and county programs.

(a) The State conservationist of the Soil Conservation Service may utilize assistance from private, State or Federal agencies in carrying out the assigned responsibilities. No responsibilities will be assigned for counties when the Deputy Administrator, State and County Operations and the Administrator, SCS, determines that it would not be administratively practicable for the Soil Conservation Service to discharge such responsibilities. In such counties, these responsibilities shall be assumed by the county committees. The Soil Conservation Service may utilize to the fullest extent available resources of the State forestry agencies in carrying out assigned responsibilities for practices involving the establishment of wind-breaks or shelterbelts on farmland to prevent wind erosion.

(b) The U.S. Forest Service is responsible for the technical phases of practices or components of practices involving the planting of trees for forestry purposes and those involving the improving or protecting of a stand of forest trees, as specified in State and county programs. The U.S. Forest Service may utilize the assistance of private, State or Federal agencies in carrying out these assigned responsibilities, but services of State forestry agencies will be utilized to the extent that such services are available.

(c) The technical assistance to be furnished in servicing assigned practices will include, where appropriate, the following technical phases:

(1) Determining whether the practice is needed and practicable;

(2) Selecting the site (if necessary), complying with environmental and cultural regulations, determining the specific measures needed, and performing any required layout work for the practice;

(3) Supervising the installation of the practice if needed to assure conformity with specifications; and

(4) Certifying the extent performed and whether the specifications for the practice have been met. The technical agency shall perform all four phases for all assigned practices in State and county programs, except as may be provided in instructions issued by the Deputy Administrator, State and County Operations.

### § 701.62 Items of cost on which rates of cost-sharing may be based.

Except as otherwise provided by the specific FSA procedural handbooks, notices, and regulations, the cost of any direct and significant factor in the performance of a practice may be considered in establishing the rate of cost-sharing for the practice.

### § 701.63 Handbook, bulletins, instructions, and forms.

The Deputy Administrator, State and County Operations is authorized to prepare and issue handbooks, bulletins, instructions, and forms, required in administering these programs. Copies of handbooks, bulletins, instructions and forms, containing detailed information on these programs as they apply to specific States, counties, areas, farms, ranches and other eligible ownerships, will be available in the office of the State committee and the office of the county committee.

### § 701.64 Opportunity for requesting cost-shares.

Farmers, ranchers, eligible landowners, or eligible persons, regardless of race, sex, religion, color, or national origin, shall be given an opportunity to request that the Federal Government share in the cost of those practices they consider to be needed on their farm, ranch, or other eligible land. The county committee shall direct the available funds for cost-sharing to those practices where cost-sharing is considered most essential to the accomplishment of the program objective.

### § 701.65 Repair, upkeep and maintenance of practices.

Cost-sharing is not authorized for repairs or for normal upkeep or maintenance of any practice.

### § 701.66 Public benefits when installing practices.

Persons responsible for any aspect of performing practices are to be encouraged to install the practices in such a way to promote public benefits by improving or preserving environmental quality and ecological balance by preventing or abating pollution and other environmental degradation; benefiting the community by such means as preserving open space, or enhancing the appearance of the area; benefiting wildlife and other desirable life forms; preserving historic, archeological, or scenic sites, wetlands, ecologically critical areas and prime farmlands; avoiding the creation of hazards to persons or animals and avoiding actions that may adversely affect an endangered or threatened species and flood plains.

### § 701.67 Payments for uncompleted practices.

Cost-shares approved under these programs will not be considered as earned until all components of the approved practice are completed in accordance with applicable specifications and program provisions. Cost-shares

for completed components may be paid only on the condition that the farmers, ranchers, or eligible landowners, will complete the remaining components of the practice within the time prescribed by the county committee regardless of whether cost-sharing is offered for them, unless they are prevented from doing so because of reasons beyond their control.

**§ 701.68 Practices involving the establishment or improvement of vegetative cover.**

(a) Costs for practices involving the establishment or improvement of vegetative cover, including trees may be shared even though a good stand is not established, if the country committee determines, in accordance with standards approved by the State committee, that the practice was carried out in a manner which could normally result in the establishment of a good stand, and that failure to establish a good stand was due to weather or other conditions beyond the control of the operator. The county committee may require as a condition of cost-sharing in such cases that the area be reseeded or replanted or that other needed protective measures be carried out. Cost-sharing in such cases may be approved also for repeat applications of measures previously carried out or for additional eligible measures. Cost-sharing for such measures shall be approved to the extent such measures are needed to assure a good stand even though less than that required by the applicable practice wording for initial approvals.

(b) In the case of Foresty Incentives Program, replanting of trees is required where the landowner received cost-sharing for site preparation.

**§ 701.69 Failure to meet minimum requirements or failure to comply fully with program provisions.**

(a) Notwithstanding other provisions of these programs, costs may be shared for performance actually rendered even though the minimum requirements for a practice are not met, if the farmer, rancher, eligible landowner, or eligible person establishes to the satisfaction of the county committee and the county representative of any other agency having responsibility for technical phases of the practice that a reasonable effort was made to meet the minimum requirements and that the practice as performed adequately solves the problem.

(b) Notwithstanding the provisions in paragraph (a) of this section, the terms and conditions of contracts entered into pursuant to programs in this part may be modified to grant relief when the Deputy Administrator, State and County Operations, determines that a person acting in good faith failed to fully comply with the program provisions.

**§ 701.70 Practices carried out with aid from ineligible persons.**

(a) Except as provided in paragraph (b) of this section, financial assistance which is made available, or will be made available, to a program participant from a person ineligible for cost-share assistance under this part for the practice, including aid from a State or Federal agency other than assistance made available under this part, shall be deducted from the program participant's total costs incurred for the practice for purposes of determining the applicant's eligible reimbursable costs under this part.

(b) Third party contributions need not be deducted under paragraph (a) of this section where it is determined by the State ASC Committee, in accordance with instructions of the Deputy Administrator, State and County Operations (DASCO), FSA, that an exception would be in furtherance of program objectives. However, the total cost-share paid may not, in any case, exceed the net contribution (exclusive of any contribution by ineligible persons) otherwise made by the applicant to the cost of carrying out the practice.

[56 FR 46368, Sept. 12, 1991]

**§ 701.71 Division of cost-shares.**

(a) The cost-share for a practice shall be credited to the person who carried out the practice. If more than one person contributed to the carrying out of the practice, the cost-share for the practice shall be divided among those persons in the proportion that the county committee determines they contributed to the carrying out of the

practice. In making this determination, the county committee shall take into consideration the value of the labor, equipment, or material contributed by each person toward the carrying out of the practice, and shall assume that each contributed equally unless the county committee is satisfied that their respective contributions were not in equal proportion. Any advances made by FSA toward the cost of materials or services under § 701.21, the furnishing of land, and the furnishing of the right to use water, will not be considered as a contribution to the carrying out of any practice.

(b) The allowance by an eligible person of a credit to another eligible person in the form of an adjustment in rental, an exchange of cash, or other consideration, will not be considered as a contribution to the carrying out of any practice, unless the county committee is satisfied that such credit is directly related to the cost or cost-share of the practice. A person will not be considered as having contributed to the carrying out of a practice if the county committee determines that a person has been, or is to be, fully reimbursed for contributions made to the performance of the practice, through an adjustment in rental, an exchange of cash, or other consideration.

### § 701.72 Death, incompetency, or disappearance.

In case of death, incompetency, or disappearance of any person, any cost-shares due shall be paid to the successor, determined in accordance with provisions of the regulations in part 707 of this chapter, as amended.

### § 701.73 Applying cost-share limitations.

(a) All or any part of cost-share which otherwise would be due any person for a program year may be withheld, or required to be refunded, if, with respect to that program year, the person has adopted, or participated in adopting, any scheme or device, including the dissolution, reorganization, revival, formation, or use of any corporation, partnership, estate, trust, or any other means, designed to evade a maximum cost-share limitation.

(b) The rules set forth in 7 CFR 795.3 through 795.22 shall apply in determining whether certain individuals or other entities are to be considered as separate persons for the purpose of applying any maximum payment limitations provided for in this part. In cases where more than one rule would appear to be applicable, the rule which is most restrictive as to number of persons shall apply.

[45 FR 49522, July 25, 1980, as amended at 51 FR 12985, Apr. 17, 1986]

### § 701.74 Persons eligible to file application for payment of cost-shares.

Any eligible person who bore a part of the cost of an approved practice is eligible to file an application for payment of cost-shares due.

### § 701.75 Time and manner of filing application and required information.

It shall be the responsibility of persons participating in these programs to submit to the county office forms and information needed to establish the extent of the performance of approved practices and compliance with applicable program provisions. The time limits for submission of such forms and information shall be established where necessary for efficient administration of the programs. Such time limits shall afford a full and fair opportunity to those eligible to file the forms and information within the period prescribed. At least 2 weeks notice of any general time limits prescribed shall be given to the public. The notice shall be given by mailing notice to the office of each county committee and making copies available to the press. Other means of notification; including radio announcements and individual notices to person(s) affected, shall be used to the extent practicable. Notice of such time limits which are applicable to individual persons, such as time limits for reporting performance of approved practices, shall be issued in writing to the person(s) affected. Exceptions to the time limits may be made in cases where failure to submit required forms and information within the applicable time limits is due to reasons beyond the control of the farmer or rancher.

### § 701.76 Appeals.

Any person may obtain review of determinations affecting participation in:

(a) The Forestry Incentive Program, in accordance with part 614 of this title; and

(b) All other programs within this part, in accordance with part 780 of this title.

[60 FR 67316, Dec. 29, 1995]

### § 701.77 Performance based on advice or action of county or State committee.

Cases involving performance rendered in good faith in reliance upon action or advice of an authorized representative of a county or State committee shall be handled in accordance with part 790 of this chapter.

### § 701.78 Compliance with regulatory measures.

Persons who carry out practices under these programs shall be responsible for obtaining the authorities, rights, easements, or other approvals necessary to the performance and maintenance of the practices in keeping with applicable laws and regulations. The person with whom the cost of the practice is shared shall be responsible to the Federal Government for any losses it may sustain because such persons infringe on the rights of others or fail to comply with applicable laws or regulations.

### § 701.79 Maintenance and use of practice.

Each person receiving cost-share assistance under these programs is responsible for the maintenance and proper use of the practice. Each practice shall have an established lifespan or minimum period of time that it is expected to function as a conservation practice with proper maintenance. If it is determined that a practice has not been properly maintained for the established lifespan, the person receiving the cost-share assistance shall refund all or any part of such cost-share assistance as determined to be appropriate by the county committee. Further, any agreement providing for cost-share assistance will be terminated with respect to the land on which the practice is located if there is voluntary loss of control of the land by the person receiving the cost-share assistance and the person acquiring control of such land elects not to become a successor in interest to the agreement. If the agreement providing for cost-share assistance is terminated as a result of the voluntary loss of control of the land, each person receiving cost-share assistance under that agreement shall be liable for refunding to FSA any cost-share assistance which has been received with respect to the practice. In addition, such person shall forfeit any right to receive any further cost-share assistance with respect to the land on which the practice is located.

[48 FR 33848, July 26, 1983]

### § 701.80 Actions defeating purpose of program.

If the county committee finds with the concurrence of the State committee, or if the State committee finds, that a person has taken any action which tends to defeat the purposes of these programs, it may withhold or require a refund of all or part of any of these program payments otherwise due or paid that person during the program year. These actions include, but are not limited to, failure to properly maintain or deliberately destroying a practice carried out under a previous program year.

### § 701.81 Depriving others of cost-shares.

If the State committee finds that any person has employed any scheme or device to deprive any other person of cost-shares, it may impose a penalty. The State committee may withhold or require a refund of all or part of any of these program payments otherwise due or paid that person during the program year. A scheme or device includes, but is not limited to, coercion, fraud or misrepresentation.

### § 701.82 Filing of false claims.

If the State committee finds that any person has knowingly supplied false information or has knowingly filed a false claim, that person is ineligible for cost-sharing under the program year with respect to which information or

claim is filed. False information or false claims include a claim for payment for a practice not carried out or for practices which do not meet the required specifications. Any amounts paid under these circumstances shall be refunded and any amounts otherwise due the person shall be withheld. The withholding or refunding of cost-shares will be in addition to any other penalty or liability otherwise imposed by law.

### § 701.83 Cost-shares not subject to claims.

Any cost-share or portion thereof due any person shall be allowed without regard to questions of title under State law, and without regard to any claim or lien against the crop, or proceeds thereof, in favor of the owner or any other creditor except agencies of the U.S. Government. The regulations issued by the Secretary governing setoffs and withholdings, part 13 of this title, as amended, shall be applicable to these programs.

### § 701.84 Assignments.

Any person who may be entitled to any cost-share under these programs may assign the right thereto, in whole or in part, in accordance with the regulations governing the assignment of payments at 7 CFR part 709.

### § 701.85 Environmental considerations.

All actions implemented under the programs in this part shall be in compliance with regulations issued as part 799—Environmental Quality and Related Environmental concerns which includes the procedures for complying with the National Environmental Policy Act, for Floodplain Management and Wetland Protection and for other environmental concerns.

### § 701.86 Information collection requirements.

Information collection requirements contained in this part have been approved by the Office of Management and Budget under the provisions at 44 U.S.C. Chapter 35 and have been assigned OMB Numbers 0560–0078, 0560–0079, and 0560–0082.

[54 FR 41819, Oct. 12, 1989]

## PART 702—COLORADO RIVER BASIN SALINITY (CRSC) CONTROL PROGRAM

Sec.

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AUTHORITY: Sec. 201, Pub. L. 93–320, 88 Stat. 271; Sec. 2, Pub. L. 98–569, 98 Stat. 2933 (43 U.S.C. 1592(c)).

SOURCE: 52 FR 16741, May 5, 1987, unless otherwise noted.

### § 702.1 General.

The regulations in this part set forth the terms and conditions of the Colorado River Salinity Control (CRSC) Program authorized by section 202 of the Colorado River Basin Salinity Control Act, as amended (43 U.S.C. 1592) (the Act). Under the Act the Secretary is authorized to:

(a) Identify salt-source areas in the Colorado River Basin;

(b) Develop plans for implementing conservation measures that will reduce the salt load in the Colorado River, including the voluntary replacement of

incidental fish and wildlife values foregone;

(c) Share the cost of establishing such conservation measures and practices;

(d) Provide technical assistance;

(e) Monitor and evaluate changes in salt contributions to the Colorado River; and

(f) Carry out related research, demonstration and education activities.

**§ 702.2 Definitions.**

(a) The following definitions shall be applicable for the purposes of this part:

(1) *Applicant* means an entity who has offered to enter into a CRSC Contract in accordance with the provisions of this part;

(2) *Actual cost* means the direct costs of establishing a salinity reduction practice, and includes the cost of labor, supplies, and other necessary activities;

(3) *Average cost* means the cost, determined by averaging actual costs and current cost estimates, considered to be necessary for a participant to carry out a salinity reduction practice, a designated component of a salinity reduction practice, or a system of practices;

(4) *Conservation District* (CD) means a subdivision of a State organized pursuant to applicable State law. The term includes bodies variously known in the States as conservation district, soil conservation district, soil and water conservation district, natural resource district, resource conservation district, or natural resource conservation district;

(5) *Components* means measurable units of a salinity reduction practice which, when completed by the program participant, can be certified by the Soil Conservation Service (SCS) as reasonable, identifiable progress toward completion of the practice with respect to which cost-share payment is being made under the CRSC program;

(6) *Conservation treatment* means the combination of salinity reduction practices that will provide the salinity control treatment required to reduce seepage and improve irrigation water management in order to achieve the projected salt load reductions indicated in the applicable published USDA Salinity Control Report. Such treatment may include replacement of incidental fish and wildlife values foregone as a result of salinity control treatment applied by the participant under the CRSC program.

(7) *CRSC Contract* means the contract including the salinity control plan, entered into in writing between the local Agricultural Stabilization and Conservation Committee (COC) and the participant which sets forth the terms and conditions for participation in the CRSC Program established in accordance with this part.

(8) *Cost-effective* means maximization of the CRSC Program on-farm and offsite benefits at the least Federal cost per unit of salinity reduction.

(9) *Cost-share assistance* means the providing of financial resources to assist program participants in establishing conservation treatment identified in participants' contracts;

(10) *Cost-share rate* means a fixed amount of cost-share funds paid per unit for carrying out certain salinity reduction practices.

(11) *Deputy Administrator* means the FSA Deputy Administrator for State and County Operations, or designee.

(12) *Entity* means an individual or group of individuals, Indian tribe, partnership, firm, joint-stock company, corporation, association, trust, estate, irrigation district/company, or other public or nonpublic entity (except federal agencies), and wherever applicable, a State, a political subdivision of a State, or any agency thereof;

(13) *Fish and wildlife values foregone* means incidental fish and wildlife habitats that may be affected adversely by salinity reduction practices applied by the program participant;

(14) *Irrigation district/company* means a group of individuals (private or public) associated together in a locality, that has a vested interested in the operation of an irrigation distribution system that serve as a specific area. This definition includes irrigation districts, mutual water companies or districts, water conservancy districts, canal companies, and other similar entities;

(15) *Lifespan* means the period of time during which a salinity reduction practice is expected to effectively achieve

or provide the results for which it was developed and implemented.

(16) *Offsite benefits* means those benefits which accrue downstream as a result of reduced salinity concentrations in the Colorado River by the salt load reductions achieved through implementation of the CRSC Program and/or its constituent practices and treatments;

(17) *On-farm benefits* means those benefits which accrue on a farm from improved irrigation systems and efficiencies, including reduced production costs, reduced labor costs, reduced operation and maintenance costs, and improved crop yields;

(18) *Operation and Maintenance Agreement* means the agreement entered into between the COC and the participant which sets forth the terms and conditions requiring the participant to use and maintain the salinity reduction practices for their effective lifespans as set forth in the agreement;

(19) *Participant* means any entity who has entered into an approved CRSC Contract with the COC to participate in the CRSC Program;

(20) *Project implementation plan* means a plan of operations developed by Farm Service Agency, Extension Service and Soil Conservation Service, in consultation with local officials for the purpose of implementing a project plan for a specific salt source area;

(21) *Project plan* means that plan of conservation treatment that is identified in the applicable USDA Salinity Control Report as the preferred plan for implementation of salinity reduction practices in a specific salt source area. The project plan will identify cost-effective salinity reduction practices, the land which should receive conservation treatment on a priority basis in relation to other land in the specific salt source area, and the levels of conservation treatment needed in the specific salt source area in order to achieve the most cost-effective salinity control objectives for the particular area to be achieved;

(22) *Salinity control plan* means the plan and schedule of operations that sets forth salinity reduction practices that must be establish on a specific unit of land. The salinity control plan shall be developed by the applicant with assistance from the SCS and must be approved by the CD;

(23) *Salinity Reduction Practice (SRP)* means a specific conservation practice designed to reduce salt loading from a salt source area or to replace incidental fish and wildlife values foregone that is identified in a project plan and project implementation plan for a salt-source area;

(24) *Salt-source area* means a geographical area within the Colorado River Basin that has been identified by SCS as a significant contributing source of salt to the Colorado River;

(25) *Specifications* means minimum quantity and quality requirements established by SCS to meet the standard for a specific conservation practice;

(26) *State Conservationist* means the SCS official in charge of agency operations within a state, as set forth in part 600 of this chapter;

(27) *Technical assistance* means use of personnel and financial resources to identify salt-source areas, develop project plans, prepare salinity control plans, contracts, and designs, supervise plan installation, and carry out research, demonstration, education, monitoring, and evaluation activities;

(28) *USDA Salinity Control Report* means a report that identifies salt source areas in the Colorado River Basin and establishes a cost-effective project plan for such areas designed to reduce the salinity levels in the Colorado River. The USDA Salinity Control Report is prepared and published by the Soil Conservation Service with provision for public comment;

(29) *Technical guide* means a document on file in the local SCS office containing technical information and specifications for the conservation of soil, water, plant, animal, and related natural resources specifically applicable to the area for which it is prepared.

(b) In the regulations in this part and in all instructions, forms, and documents in connection therewith, all other words and phrases shall, unless the context of subject matter otherwise requires, have the meanings assigned to them in the regulations governing reconstitutions of farms, allotments and bases, 7 CFR part 719.

[52 FR 16741, May 5, 1987, as amended at 58 FR 11785, Mar. 1, 1993]

### § 702.3 Administration.

(a) *Farm Service Agency*. (1) The Farm Service Agency (FSA), under the general supervision of the Administrator, FSA, shall administer the program established by this part. This program shall be carried out in the field by State ASC committees (STC) and local county ASC committees (COC).

(2) Except as provided in paragraph (b) of this section, the Deputy Administrator, State and County Operations, FSA (Deputy Administrator), may determine any question arising under the program provided for in this part, may reverse or modify any determination made by an STC or COC in connection with this program, and may administer any and all phases of this program delegated to the COC, STC, or any employee(s) where the COC, STC, or any employee fails to perform a function required in these regulations. In exercising this authority, the Deputy Administrator may authorize a person or persons to carry out this program for such period of time as is deemed necessary.

(b) *Soil Conservation Service*. (1) The Soil Conservation Service (SCS) shall:

(i) Identify salt source areas in the Colorado River Basin;

(ii) Develop USDA Salinity Control Reports;

(iii) Assist participants in developing salinity control plans; and

(iv) Provide such other technical assistance in the implementation of the CRSC Program as is determined to be necessary.

(2) The Chief, SCS, may determine any question arising under the CRSC Program with respect to the activities of SCS, State Conservationists, and conservation districts.

(3) In developing the USDA Salinity Control Report and implementing the project plan, SCS shall coordinate with other agencies of the U.S. Department of Agriculture, the United States Department of the Interior, and the Environmental Protection Agency.

(c) The Extension Service (ES) shall develop and coordinate information and educational programs and may provide other technical support to carry out the program provided for by this part.

(d) Other USDA agencies such as Cooperative State Research Service (CSRS) and the Agricultural Research Service (ARS) may conduct research and may provide other technical support needed to carry out the CRSC Program.

### § 702.4 Applicability.

(a) The provision of this part shall be applicable to areas within the Colorado River Basin that have been identified by SCS as salt source areas.

(b) The program provided for by this part shall be applicable to private lands, Indian tribal lands, lands owned or controlled by irrigation districts or companies, Federal land under the control of the USDA, and State and local government lands.

### § 702.5 Eligible land.

For the purposes of this part, eligible land is land that is within the Colorado River Basin area which:

(a) Has been identified by SCS as a salt source area;

(b) Is the subject of a published USDA Salinity Control Report and an approved project implementation plan;

(c) Has been irrigated at least two years during the period between 1982 and 1986, inclusive; and

(d) Notwithstanding the criteria articulated in paragraphs (a) through (c) of this section, the Deputy Administrator has final authority to approve land for CRSC program eligibility if one of the following conditions is satisfied:

(1) If it is determined impossible to reorganize the existing irrigation system to increase irrigation efficiencies to obtain salt load reduction, irrigated land may be exchanged for nonirrigated land.

(2) Nonirrigated wildlife areas devoted to replacing incidental fish and wildlife values foregone because of the CRSC program.

(3) Incidental land, which in the course of improving or reorganizing the existing irrigation system, becomes irrigable.

[52 FR 16741, May 5, 1987, as amended at 58 FR 11785, Mar. 1, 1993]

**§ 702.6 Eligible entity.**

In order to be eligible to enter into a CRSC Contract, an entity must own or have control over eligible land.

**§ 702.7 Salinity control plan.**

(a) The applicant, in consultation with SCS, shall develop the salinity control plan which is the most cost-effective consistent with the project plan.

(b) All salinity control plans must be approved by the CD in order for the SRP's contained therein to be eligible for cost-share assistance.

(c) When approving salinity control plans, the CD shall ensure that the salinity control plan is consistent with the approved project plan and cost-effective SRP's identified in the approved project implementation plan for the area.

**§ 702.8 Eligible salinity reduction practices (SRP's).**

(a) Eligible SRP's are those practices specified in the project implementation plan and the participant's salinity control plan that:

(1) Significantly reduce the salt loading from a unit of land; or

(2) Replace incidental fish and wildlife values foregone; or

(3) Reduce erosion or seepage to a degree which significantly benefits salinity control.

(b) Notwithstanding the foregoing provisions of this section, the following practices shall not be considered to be eligible SRP's:

(1) Practices installed primarily for the purpose of bringing additional land into production, for increasing production above that which is incidental to application of conservation treatment for salinity control, or for flood protection; and

(2) Practices which are installed or commenced before the contract for cost-share assistance has been approved.

**§ 702.9 CRSC Contract and obligations of the participant.**

(a) In order to receive cost-share assistance in accordance with this part, an eligible entity must enter into a CRSC Contract with a COC and, if required by the COC, enter into separate operation and maintenance agreements in accordance with § 702.10 of this part.

(b) The CRSC Contract will be comprised of:

(1) The terms and conditions of the contract; and

(2) The salinity control plan.

(c) All CRSC Contracts shall have a term of not less than 3 nor more than 10 years.

(d) Eligible entities may offer to enter into a CRSC Contract in accordance with this part through the COC located in the same county as the eligible land or such other COC designated to administer contracts in the project area.

(e) By entering into a CRSC Contract, the participant agrees to:

(1) Carry out the terms and conditions of the CRSC Contract;

(2) Implement the salinity control plan:

(i) In accordance with the schedule of completion dates included in such plan, unless an extension of time is granted by the COC in consultation with the CD; and

(ii) Install all SRP's included in the salinity control plan in accordance with the SCS field office technical guide, regardless of whether the applicant receives cost-share assistance with respect to a SRP;

(3) Acquire all authorities, rights, easements, permits or other approvals necessary to install and maintain the SRP's and for compliance with applicable Federal, State, and local laws and regulations;

(4) Hold the Federal government harmless for any losses it may sustain if the participant infringes on the rights of others or fails to comply with applicable Federal, State, or local laws or regulations;

(5) Operate and maintain, at no cost to the Federal government, the SRP's as specified in the salinity control plan and ACP–245, Practice Approval and Payment Application, or as specified in separate operation and maintenance agreements entered into by the participant for the effective lifespan of the SRP's, as determined by SCS; and

(6) Not undertake any action on the land subject to the CRSC Contract that tends to defeat the purposes of the program provided for by this part.

(f) All entities who have a present possessory interest in the land, to be eligible for CRSC cost share, must sign a CRSC contract.

(g) The participant and each entity signing the CRSC Contract shall be jointly and severally responsible for compliance with the contract and the provisions of this part and for any refunds or payments which may be required for violation of any of the terms and conditions of the CRSC Contract and the provisions of this part.

(h) The CRSC contract may require that all participants and/or landowners, as a condition of eligibility for cost-share assistance, grant to the Secretary a recordable security interest in the property or equipment of the SRP's that are installed, with the value of the granted interest to be determined by FSA.

(i) The Deputy Administrator, or the Deputy Administrator's designee, may, in consultation with SCS and the CD, accept or reject offers to enter into a CRSC Contract.

(j) CRSC Contracts shall be implemented, and salinity control plans shall be developed, in the order of priority within the applicable salt source area that is established by the COC and CD in consultation with SCS.

[52 FR 16741, May 5, 1987, as amended at 58 FR 11785, Mar. 1, 1993]

### § 702.10 Operation and maintenance agreements.

(a) The participant shall enter into with the COC any operation and maintenance agreements determined to be necessary by the COC in order to ensure proper operation and maintenance of the SRP's provided for in the CRSC Contract.

(b) The operation and maintenance agreement will be comprised of:

(1) The terms and conditions of the agreement; and

(2) An operation and maintenance plan prepared by SCS.

(c) By entering in a operation and maintenance agreement, the participant agrees to:

(1) Carry out the terms and conditions of the operation and maintenance agreement;

(2) Operate and maintain, at no cost to the Federal government, the SRP's for the effective lifespan of all SRP's included in the operation and maintenance agreement;

(3) Operate, maintain and inspect the SRP's in accordance with the operation and maintenance plan;

(4) Obtain prior COC and SCS approval of all plans, designs, and specifications for any alteration to the SRP's;

(5) Prohibit the installation of any structure or facility that will interfere with the operation and maintenance of the SRP's;

(6) Notify the COC and SCS of any agreement to be entered into with other parties for the operation and maintenance of all or part of SRP's and provide the COC and SCS with a copy of such agreement when it has been signed by the participant and the other party; and

(7) Not undertake any action on the land subject to the operation and maintenance agreement that tends to defeat the purposes of the CRSC program;

(d) The participant and each person signing the operation and maintenance agreement shall be jointly and severally responsible for compliance with the operation and maintenance agreement and the provisions of this part and for any refunds or payment adjustments that may be required for violation of any of the terms and conditions of the operation and maintenance agreement and provisions of this part.

### § 702.11 Obligations of USDA.

FSA shall, subject to the availability of funds, share the cost with participants of establishing eligible SRP's specified in the salinity control plan at the levels and rates of cost-sharing determined in accordance with the provisions of § 702.13 and SCS shall provide such technical assistance as may be necessary to assist the participant in carrying out the CRSC Contract.

### § 702.12 Availability of cost-share payments.

(a) Cost-share payments shall be made available to a participant in a CRSC Contract upon a determination by the COC that SCS has certified that

the eligible SRP or an identifiable portion thereof has been established in accordance with the appropriate standards and specifications and that such SRP would serve the functional purposes for which the practice is intended.

(b) Cost-share payments may be made available under this part only for the establishment or installation of an eligible SRP.

(c) Cost-share assistance may be approved for the replacement, enlargement, or restoration of SRP's installed under a CRSC Contract if such practices, as originally installed, failed to achieve the desired salinity reduction and if:

(1) The replacement, enlargement, or restoration of the SRP is required to solve identified problems or to achieve salt reduction benefits;

(2) The approved specifications for the SRP were met in the original installation of the practice; and

(3) The failure of the SRP to solve the identified problem or to achieve salt reduction benefits was caused by circumstances beyond the control of the participant.

(d) If a participant has taken any action which tends to defeat the purposes of the program provided for by this part, the COC may withhold or require a refund of all or part of any payments otherwise due or paid that participant in accordance with this part. Such actions include, but are not limited to, failure to properly maintain or deliberately destroying a SRP.

### § 702.13 Levels and rates of cost-share payments.

(a) The level of Federal cost-share assistance for the required SRP's for the project shall be determined by formulas as established in the USDA Salinity Control Report.

(b) Except as provided in paragraph (c) of this section, cost-share payments shall not exceed the lesser of 70 percent of the average cost or 70 percent of the actual cost of the installation of the SRP.

(c) The Deputy Administrator, in consultation with the USDA Salinity Control Coordinating Committee, may approve cost-share levels in excess of 70 percent of the average or actual cost of installation of the SRP or in excess of the level based on the ratio of on-farm and offsite benefits if such increased assistance is necessary to obtain acceptable program participation. Higher cost-share levels shall be considered only when one or more of the following apply, unless the Secretary finds at his descretion that such cost-sharing requirement would result in a failure to proceed with needed on-farm measures:

(1) On-farm benefits that are low relative to offsite benefits;

(2) Higher degree of project cost-effectiveness and magnitude of salinity reduction benefits to be achieved relative to other projects;

(3) The need for and the cost of implementing voluntary SRP's to replace incidental fish and wildlife values foregone;

(d) The combined cost-share assistance provided by Federal, State, and local governments or subdivisions thereof shall not exceed 100 percent of the cost of installing the SRP.

[52 FR 16741, May 5, 1987, as amended at 58 FR 11786, Mar. 1, 1993]

### § 702.14 Assignments.

Any participant entitled to cost-share payments under this program may assign the right to receive such payment, in whole or in part, as provided in the regulations at 7 CFR part 709, Assignment of Payment, or as provided in instructions issued by the Deputy Administrator.

### § 702.15 Payments not subject to claims.

Subject to the regulations found at 7 CFR part 13, any cost-share payment or portion thereof due any entity shall be allowed without regard to questions of title under State law, and without regard to any claim or lien against the practice in favor of the owner or any other creditor, except agencies of the United States Government.

### § 702.16 Maximum amount of cost-share payments.

(a) Maximum payments for on-farm SRP's.

(1) Except as provided in paragraph (a)(2) of this section, the maximum amount of cost-share payments that a

COC may approve for the establishment of on-farm SRP's on all land owned or controlled by a participant for the life of the program provided for by this part shall not exceed $100,000.

(2) The Deputy Administrator may approve cost-share payments to a participant for the establishment of on-farm SRP's in excess of $100,000.

(b) Except as provided in paragraphs (b)(1) and (b)(2) of this section, the maximum program cost-share payment that a COC may approve for implementing required SRP's for installing and improving canals and laterals on all land owned and controlled by a participant for the life of the program shall not exceed $200,000.

(1) Upon the request of the COC, the STC may authorize the COC to approve cost-share payments to a participant for the establishment of canal and lateral improvements in an amount that exceeds, $200,000 but not greater than $400,000.

(2) Upon the request of the COC, the Deputy Administrator may authorize the COC to approve cost-share payments to a participant for the establishment of canal and laterals improvements in amounts exceeding $400,000.

(c) Cost-sharing payments in excess of $100,000 shall be considered only when such payment will result in greater total offsite benefits, because the offsite benefits for the participants SCP, are greater than those of other participants under consideration at the same time and one or more of the following conditions exist:

(1) The cost of establishing required SRP's on the participant's land is high relative to the cost of installing practices on other similar land because of barriers or limitations imposed by nature or by man through past irrigation system practices;

(2) The extent of SRP's that must be established on a participant's land; and

(3) Increases in the cost of conservation materials and services that are beyond the participant's control.

### § 702.17 Transfers of land and contract modifications.

(a) CRSC Contracts may be transferrred or modified with the agreement of all parties to the contract. The transferee shall assume full responsibility for performance under the CRSC Contract, including the implementation of scheduled SRP's and the operation and maintenance of existing and scheduled SRP's.

(b) A participant who sells or loses control of the land under a CRSC Contract or any related operation and maintenance agreement to a new owner who refuses to perform the provisions of the CRSC Contract or operation and maintenance agreement or a participant who sells the water rights before there is compliance with all of the terms and conditions of a CRSC Contract or operation and maintenance agreement may be required to refund all or a portion of the cost-share assistance earned under the program.

### § 702.18 Violations.

(a)(1) If a participant violates the CRSC Contract or any related operations and maintenance agreement, the COC may, after considering the recommendations of the CD and SCS, terminate the CRSC Contract and operation and maintenance agreement.

(2) If the CRSC Contract is terminated by the COC in accordance with this section, the participant shall forfeit all rights to further cost-share payments under the CRSC Contract and shall refund all or part of the payments received as determined by the COC.

(b) The following actions constitute a violation of the CRSC Contract or any related operation and maintenance agreement by a participant:

(1) Destruction of a SRP on land which is the subject of a CRSC Contract, unless prior approval in writing is granted by FSA with SCS concurrence;

(2) Failure to comply with the terms and conditions of the CRSC Contract and any related operation and maintenance agreements;

(3) Filing of a false claim;

(4) Undertaking any action during the CRSC Contract or any operation and maintenance agreement period that tends to defeat the purpose of the program, including the destruction of any existing conservation practices that were established under any other cost-share program unless the participant provides evidence that all of the

participant's obligations under such other program have been met; or

(5) Employment of any scheme or device to obtain cost-share assistance or additional cost-share assistance, or to deprive any other land user of cost-share assistance or the right to participate in the program.

(c) The Deputy Administrator may terminate any CRSC Contract and any related operation and maintenance agreements by mutual agreement with the paticipant based upon recommendations from COC, STC, SCS, and CD, if the termination of the CRSC Contract and operation and maintenance agreement is determined to be in the best interest of the public.

(d) If the participant fails to perform the terms and conditions of the CRSC contract and the Deputy Administrator determines, after considering the recommendations of the CD and SCS, that such failure does not warrant termination of the CRSC contract, the Deputy Administrator may require such participant to refund all or part of the payments received under the CRSC contract, or to accept such adjustments in the payment as are determined to be appropriate by the Deputy Administrator.

[52 FR 16741, May 5, 1987, as amended at 58 FR 11786, Mar. 1, 1993]

### § 702.19 CRSC Contracts and operation and maintenance agreements not in conformity with regulations.

If, after a CRSC Contract and related operation and maintenance agreement are entered in by the COC with a participant, it is discovered that such contract and operation and maintenance agreement are not in conformity with the provisions of this part as the result of a misunderstanding of the program procedures by a signatory to the contract and operation and maintenance agreement, a modification of the contract and operation and maintenance agreement may be made by mutual agreement. If the parties to the CRSC Contract and operation and maintenance agreement cannot reach agreement with respect to such modification, the contract and operation and maintenance agreement shall be terminated and all payments paid or payable under the contract shall be forfeited or refunded to the Federal government, except as may otherwise be allowed in accordance with the provisions of § 702.18 of this part.

### § 702.20 Appeals.

The participant may obtain a review, in accordance with the provisions of 7 CFR part 614 and 7 CFR part 11, of any administrative decision made under the provisions of this part.

[60 FR 67316, Dec. 29, 1995]

### § 702.21 Access to land.

The COC, SCS or other agency providing technical services or representatives thereof shall have the right of access to land for which application to enter into a CRSC Contract has been made or for which a CRSC Contract has been entered into and the right to examine any program records to ascertain the accuracy of any representation made in the application or to determine compliance with the contract.

### § 702.22 Performance based upon advice or action of representatives of the Department or a CD.

Notwithstanding any other provision of law, performance rendered in good faith in reliance upon the action or advice of any authorized representative of a CD, a representative of SCS or the STC or COC may be accepted by the Chief of SCS or the Deputy Administrator, as applicable, as meeting the requirements of this program. SCS or the Deputy Administrator, respectively, may grant relief because of such good faith reliance to the extent it is deemed necessary to provide fair and equitable treatment.

### § 702.23 Filing of false claims.

(a) If it is determined by the COC, with STC concurrence, that any participant has knowingly submitted false information or filed a false claim, such participant shall be ineligible for payments under the provisions of this part with respect to the calendar year in which the false information or claim was filed.

(b) False information or false claims include a claim for payment for a SRP not carried out or for the establishment of SRP's which do not meet the required specifications. Any amounts

paid under these circumstances shall be refunded and any amounts otherwise due the participant shall be withheld. The withholding or refunding of such payments will be in addition to any other penalty or liability otherwise imposed by law.

### § 702.24 Depriving others of payments.

If the COC with STC concurrence finds that any participant has employed any scheme or device to deprive any other person of payments under this part, it may withhold or require a refund of all or part of any program payment otherwise due or paid that person in accordance with the CRSC Contract. A scheme or device includes, but is not limited to, coercion, fraud, or misrepresentation.

### § 702.25 Miscellaneous.

(a) In accordance with the regulations set forth at 7 CFR part 796:

(1) No payment shall be made to any participant who harvests or knowingly permits to be harvested for illegal use, marihuana or other such prohibited drug-producing plants on any part of the lands owned or controlled by such participants; and

(2) Any participant who is convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance in any crop year shall be ineligible for any payments under this part during that crop year and the four (4) succeeding crop years.

(b) In case of death, incompetency, or disappearance of any participant, any cost-share payment due shall be paid to the participant's successor in accordance with provisions of 7 CFR part 707.

### § 702.26 Paperwork Reduction Act assigned numbers.

The Office of Management and Budget has approved the information collection requirements contained in these regulations under the provisions of 44 U.S.C. Chapter 33 and OMB number 0560–0128 has been assigned.

## PART 707—PAYMENTS DUE PERSONS WHO HAVE DIED, DISAPPEARED, OR HAVE BEEN DECLARED INCOMPETENT

Sec.
707.1 Applicability.
707.2 Definitions.
707.3 Death.
707.4 Disappearance.
707.5 Incompetency.
707.6 Death, disappearance, or incompetency of one eligible to apply for payment pursuant to the regulations in this part.
707.7 Form of application.

AUTHORITY: 54 Stat. 728, as amended, sec. 121, 70 Stat. 197, sec. 375, 52 Stat. 66, as amended, sec. 124(i), 75 Stat. 300, sec. 307(h), 76 Stat. 617, sec. 318, 76 Stat. 622, sec. 324(2), 76 Stat. 630, sec. 704, 68 Stat. 911, secs. 4, 8(b), 49 Stat. 164, 1149, as amended, sec. 101(4), 76 Stat. 606, sec. 3, 77 Stat. 45, sec. 4, 62 Stat. 1070; 5 U.S.C. 301, 7 U.S.C. 1334 note, 1339, 1375, 1379j, 1385, 1783, 1809; 16 U.S.C. 590d, 590h(b), 590(e), 590p(h), 15 U.S.C. 714b(d)(j)(k).

SOURCE: 30 FR 6246, May 5, 1965, unless otherwise noted.

### § 707.1 Applicability.

This part applies to all programs in title 7 of the Code of Federal Regulations which are administered by the Farm Service Agency under which payments are made to eligible program participants. This part also applies to all other programs to which this part is applicable by the individual program regulations.

### § 707.2 Definitions.

''Person'' when relating to one who dies, disappears, or becomes incompetent, prior to receiving payment, means a person who has earned a payment in whole or in part pursuant to any of the programs to which this part is applicable. ''Children'' shall include legally adopted children who shall be entitled to share in any payment in the same manner and to the same extent as legitimate children of natural parents. ''Brother'' or ''sister'', when relating to one who, pursuant to the regulations in this part, is eligible to apply for the payment which is due a person who

dies, disappears, or becomes incompetent prior to the receipt of such payment, shall include brothers and sisters of the half blood who shall be considered the same as brothers and sisters of the whole blood. ''Payment'' means a payment by draft, check or certificate pursuant to any of the Programs to which this part is applicable. Payments shall not be considered received for the purposes of this part until such draft, check or certificate has been negotiated or used.

### § 707.3 Death.

(a) Where any person who is otherwise eligible to receive a payment dies before the payment is received, payment may be made upon proper application therefor, without regard to claims of creditors other than the United States, in accordance with the following order of precedence:

(1) To the administrator or executor of the deceased person's estate.

(2) To the surviving spouse, if there is no administrator or executor and none is expected to be appointed, or if an administrator or executor was appointed but the administration of the estate is closed (i) prior to application by the administrator or executor for such payment or (ii) prior to the time when a check, draft, or certificate issued for such payment to the administrator or executor is negotiated or used.

(3) If there is no surviving spouse, to the sons and daughters in equal shares. Children of a deceased son or daughter of a deceased person shall be entitled to their parent's share of the payment, share and share alike. If there are no surviving direct descendants of a deceased son or daughter of such deceased person, the share of the payment which otherwise would have been made to such son or daughter shall be divided equally among the surviving sons and daughters of such deceased person and the estates of any deceased sons or daughters where there are surviving direct descendants.

(4) If there is no surviving spouse and no direct descendant, payment shall be made to the father and mother of the deceased person in equal shares, or the whole thereof to the surviving father or mother.

(5) If there is no surviving spouse, no direct descendant, and no surviving parent, payment shall be made to the brothers and sisters of the deceased person in equal shares. Children of a deceased brother or sister shall be entitled to their parent's share of the payment, share and share alike. If there are no surviving direct descendants of the deceased brother or sister of such deceased person, the share of the payment which otherwise would have been made to such brother or sister shall be divided equally among the surviving brothers and sisters of such deceased person and the estates of any deceased brothers or sisters where there are surviving direct descendants.

(6) If there is no surviving spouse, direct descendant, parent, or brothers or sisters or their descendants, the payment shall be made to the heirs-at-law in accordance with the law of the State of domicile of the deceased person.

(b) If any person who is entitled to payment under the above order of precedence is a minor, payment of his share shall be made to his legal guardian, but if no legal guardian has been appointed payment shall be made to his natural guardian or custodian for his benefit, unless the minor's share of the payment exceeds $1,000, in which event payment shall be made only to his legal guardian.

(c) Any payment which the deceased person could have received may be made jointly to the persons found to be entitled to such payment or shares thereof under this section or, pursuant to instructions issued by the Farm Service Agency, a separate payment may be issued to each person entitled to share in such payment.

### § 707.4 Disappearance.

(a) In case any person otherwise eligible to receive payment disappears before receiving the payment, such payment may be made upon proper application therefor, without regard to claims of creditors other than the United States, to one of the following in the order mentioned:

(1) The conservator or liquidator of his estate, if one be duly appointed.

(2) The spouse.

(3) An adult son or daughter or grandchild for the benefit of his estate.

(4) The mother or father for the benefit of his estate.

(5) An adult brother or sister for the benefit of his estate.

(6) Such person as may be authorized under State law to receive payment for the benefit of his estate.

(b) A person shall be deemed to have disappeared if (1) he has been missing for a period of more than 3 months, (2) a diligent search has failed to reveal his whereabouts, and (3) such person has not communicated during such period with other persons who would be expected to have heard from him. Evidence of such disappearance must be presented to the county committee in the form of a statement executed by the person making the application for payment, setting forth the above facts, and must be substantiated by a statement from a disinterested person who was well acquainted with the person who has disappeared.

### § 707.5 Incompetency.

(a) Where any person who is otherwise eligible to receive a payment is adjudged incompetent by a court of competent jurisdiction before the payment is received, payment may be made, upon proper application therefor, without regard to claims of creditors other than the United States, to the guardian or committee legally appointed for such incompetent person. In case no guardian or committee has been appointed, payment, if not more than $1,000, may be made without regard to claims of creditors other than the United States, to one of the following in the order mentioned for the benefit of the incompetent person:

(1) The spouse.

(2) An adult son, daughter, or grandchild.

(3) The mother or father.

(4) An adult brother or sister.

(5) Such person as may be authorized under State law to receive payment for him (see standard procedure prescribed for the respective region).

(b) In case payment is more than $1,000, payment may be made only to such person as may be authorized under State law to receive payment for the incompetent.

### § 707.6 Death, disappearance, or incompetency of one eligible to apply for payment pursuant to the regulations in this part.

In case any person entitled to apply for a payment pursuant to the provisions of § 707.3, § 707.4, § 707.5, or this section, dies, disappears, or is adjudged incompetent, as the case may be, after he has applied for such payment but before the payment is received, payment may be made upon proper application therefor, without regard to claims of creditors other than the United States, to the person next entitled thereto in accordance with the order of precedence set forth in § 707.3, § 707.4, or § 707.5, as the case may be.

### § 707.7 Form of application.

Persons desiring to claim payment in accordance with this part 707 may do so on Form FSA–325, ''Application for Payment of Amounts Due Persons Who Have Died, Disappeared, or Have Been Declared Incompetent''. If the person who died, disappeared, or was declared incompetent did not apply for payment by filing the applicable program application for payment form, such program application for payment must also be filed in accordance with applicable regulations. If the payment is made under the Naval Stores Conservation Program, Part II of the Form FSA–325 shall be executed by the local District Supervisor of the U.S. Forest Service. In connection with applications for payment under all other programs itemized in § 707.1, Form FSA–325, and program applications for payments where required, shall be filed with the FSA county office where the person who earned the payment would have been required to file his application.

## PART 708—RECORD RETENTION REQUIREMENTS—ALL PROGRAMS

AUTHORITY: Sec. 4, 49 Stat. 164, secs. 7–17, 49 Stat. 1148, as amended; 16 U.S.C. 590d, 590g–590q.

### § 708.1 Record retention period.

For the purposes of the programs in this chapter, no receipt, invoice, or other record required to be retained by any agricultural producer as evidence

tending to show performance of a practice under any such program needs to be retained by such producer more than two years following the close of the program year of the program.

[25 FR 105, Jan. 7, 1960. Redesignated at 26 FR 5788, June 29, 1961]

# SUBCHAPTER B—FARM MARKETING QUOTAS, ACREAGE ALLOTMENTS, AND PRODUCTION ADJUSTMENT

## PART 711—MARKETING QUOTA REVIEW REGULATIONS


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AUTHORITY: Secs. 301, 363–368, 371, 374, 375, 379, 52 Stat. 38, as amended, 63–66, amended, 79 Stat. 1211, as amended; 7 U.S.C. 1301, 1363–1368, 1371, 1374, 1375, 1379.

SOURCE: 35 FR 15355, Oct. 2, 1970, unless otherwise noted.

GENERAL

### § 711.1 Effective date.

The Marketing Quota Review Regulations (26 FR 10204, 27 FR 4831, 6539, 28 FR 3913, 31 FR 4271, 5663, 32 FR 15704) shall remain in effect and shall apply to all actions and proceedings taken prior to October 15, 1970, and such regulations are superseded as of midnight, October 14, 1970. The provisions of §§ 711.1 to 711.50 are effective October 15, 1970.

### § 711.2 Expiration of time limitations.

The provisions of part 720 of this chapter concerning the expiration of time limitations shall apply to this part.

### § 711.3 Definitions.

(a) *General terms.* In determining the meaning of the provisions of this part, unless the context indicates otherwise, words importing the singular include and apply to several persons or things, words importing the plural include the singular, words importing the masculine gender include the feminine as well, and words used in the present tense include the future as well as the present. The definitions in part 719 of this chapter shall apply to this part.

(b) *Act.* Act means the Agricultural Adjustment Act of 1938, and any amendments or supplements thereto.

(c) *Applicant.* Applicant means the farmer who filed an application for review of a farm marketing quota and if a hearing involves the quota of a farm resulting from the reconstitution by division of a parent farm, the farm operator of each farm resulting from such reconstitution shall be considered an applicant for purposes of this part.

(d) *Clerk.* Clerk means the county executive director for the county in which the application for review is filed unless another employee of the county or State office is designated by the State executive director to serve as clerk to the review committee.

(e) *Review committee.* Review committee means three farmers designated

to review a quota by the State executive director from the panel of farmers appointed by the Secretary under section 363 of the Act.

(f) *Quota*. Quota means the farm marketing quota established under the Act for a farm during a year in which quotas are approved in the national referendum for a commodity, including any of the following factors:

(1) Farm acreage allotment, farm marketing quota, and any adjustments in such allotment and quota resulting from: (i) Program violations; (ii) lease and transfer; (iii) sale and purchase; (iv) overmarketing and undermarketing; (v) release and reapportionment; (vi) eminent domain transactions; and (vii) forfeiture and reallocation.

(2) Farm preliminary yield, farm normal yield and farm yield.

(3) A determination of the land constituting a farm for which a farm acreage allotment or farm marketing quota is established, including the following: (i) Land devoted to nonagricultural use, (ii) land used for agricultural purposes, (iii) cropland acreage; and (iv) tillable cropland.

(4) Acreage planted to the commodity on the farm.

(5) Actual production for the farm.

(6) Farm marketing excess (acres or pounds).

(7) Marketing quota penalties, including but not limited to, assessments for marketing quota violations involving: (i) False identification, (ii) failure to account for production and disposition, (iii) failure to file a report, and (iv) the filing of a false report.

(Secs. 301, 363–368, 371, 374, 375, 379, 52 Stat. 38 as amended, 63–64, as amended, 66, as amended; 7 U.S.C. 1301, 1363–1368, 1375)

[35 FR 15355, Oct. 2, 1970, as amended by Amdt. 9, 45 FR 37398, June 3, 1980; 49 FR 38240, Sept. 28, 1984]

### § 711.4 Forms.

The following general forms, as revised from time to time, are prescribed for use in connection with review proceedings;

(a) MQ–53 Application for Review of Farm Marketing Quota.

(b) MQ–54 Notice of Untimely Filing of Review Application.

(c) MQ–56 Notice of Hearing of Review Application.

(d) MQ–58 Determination of Review Committee Farm Marketing Quota.

(e) MQ–59 Oath of Review Committeeman.

### § 711.5 Public information.

The clerk shall maintain a record of applications and review committee proceedings which shall be available at the office of the clerk for public inspection and copying in accordance with part 798 of this chapter.

REVIEW COMMITTEE

### § 711.6 Eligibility as member of a panel.

Any farmer who meets the eligibility requirements for county committeeman prescribed in the regulations in part 7 of subtitle A of this title, as amended, in a county within the area of venue for which he is to be appointed shall be eligible for appointment as a member of a review committee panel for such area of venue. If the area of venue consists of only one county or a part of a county, these eligibility requirements must be met in such county or in a nearby county. No farmer whose legal residence is in one State shall be eligible for appointment as a member of a review committee panel for an area of venue in another State.

### § 711.7 Appointment of members of a panel.

The Secretary shall appoint six or more eligible farmers to serve as members of a review committee panel in each area of venue. Notice of appointment shall be sent to the State committee, which shall notify the farmers so appointed. Appointments may be made before, during, or after the period in which applications for review of quotas are required to be filed. Notwithstanding the foregoing, the Secretary shall have the continuing power to revoke or suspend any appointment made pursuant to the regulations in this part, and subject to the provisions of the act, to make such other appointment deemed proper.

**§711.8 Oath of office.**

Each farmer appointed to serve as a member of a review committee panel shall, as soon as possible after appointment, execute an oath of office on such form as may be prescribed by the Deputy Administrator, duly subscribed and sworn to or affirmed before a notary public. No farmer shall serve on a review committee unless such oath of office has been duly executed and filed with the State executive director or the clerk. A farmer appointed for consecutive terms to serve as a member of a review committee panel shall not be required to file a new oath of office after the original filing. If the form of oath of office is materially changed, a new oath of office shall be executed if required by the Deputy Administrator.

**§711.9 Composition of review committee.**

(a) *Three designated members from the panel constitute a review committee.* Three members from the panel shall act as a review committee to hear applications for review for the prescribed area of venue. The State executive director shall designate from the panel of members for the prescribed area of venue three members who shall act as a review committee to hear specific applications and shall designate one of these three members as chairman of the review committee and another member as vice-chairman. Where the number of applications pending require two or more review committees for prompt disposition of such applications, the State executive director shall designate the members of each review committee, the chairman and vice chairman thereof, and the specific application to be heard by each review committee. Two or more review committees may hear applications concurrently in an area of venue. In the absence of the chairman, the vice chairman shall perform the duties and exercise the powers of the chairman. The State executive director shall notify members of each review committee of the schedule of hearings. No member shall serve in any case in which a quota will be reviewed for a farm in which such member, any of his relatives or business associates, is interested, nor shall any member serve where he had acted as State, county, or community committee member on a quota to be reviewed by the review committee.

(b) *Only two members present to commence hearing.* Where only two members of a review committee are present to commence a hearing, although three members were scheduled to hear the application, at the request of or with the consent of the applicant in writing, a hearing conducted by two members of the review committee shall be deemed to be a regular hearing of the review committee as to such application. The determination made by such members shall constitute the determination of the review committee. In the event such members cannot agree upon a determination, such fact shall be set forth in writing and a new hearing scheduled by the State executive director. If the applicant does not consent in writing to a hearing conducted by two members of the review committee, the hearing shall be rescheduled.

(c) *Only two members remain to complete a hearing.* Where only two members of a review committee remain to complete a hearing commenced with three members, due to serious illness, death, or other cause which prevents one of the members from completing the hearing within a reasonable time, at the request or with the consent of the applicant in writing, the remaining two members of the review committee shall henceforth constitute an entire review committee for the purpose of such hearing. In the event such members cannot agree upon a determination, such fact shall be set forth in writing and a new hearing scheduled by the State executive director. If the applicant does not consent in writing to completion of the hearing by two members of the review committee, the hearing shall be rescheduled.

(d) *Reopened or remanded hearings.* In the case of a reopened or remanded hearing, if any member of the review committee is no longer in office because of death, resignation, or ineligibility, the State executive director shall designate another member of the review committee panel to serve on the review committee. If a hearing held pursuant to paragraph (b) or (c) of this section is reopened or remanded and

only one review committee member is available to hear such reopened or remanded hearing, the State executive director shall designate two additional members from the review committee panel to serve on the review committee.

### § 711.10 Term of office.

Appointment as a member of a review committee panel shall be for a term of 3 calendar years. A member may be reappointed for succeeding terms. Notwithstanding the foregoing, a review committee shall continue in office to conclude hearings before it which are begun during such 3-year term and make final determinations thereof, or to hold a reopened hearing, or to conclude a hearing remanded to it by a court.

[Amdt. 3, 38 FR 967, Jan. 8, 1973]

### § 711.11 Compensation.

The members designated as review committeemen shall receive compensation when serving at the same rate as that received by the members of the county committee which established the quotas sought to be reviewed. No member of a review committee shall be entitled to receive compensation for services as such member for more than 30 days in any one year. Payment of compensation, reimbursement for travel expenses and rates therefor, shall be made under such conditions as may be prescribed by the Deputy Administrator.

### § 711.12 Effect of change in composition of review committee.

Nothing contained in §§ 711.6 to 711.11 relating to any vacancy or revocation or suspension of appointment and nothing done pursuant thereto shall be construed as affecting the validity of any prior hearing conducted or determination made in accordance with the regulations in this part, in which the member of the review committee whose office has become vacant participated, or as affecting in any way court proceeding which may be instituted to review such determination.

JURISDICTION

### § 711.13 Areas of venue and jurisdiction.

(a) *Areas of venue.* The State committee shall establish one or more areas of venue in the State. An area of venue may consist of all or part of a county, or more than one county within a State. In establishing areas of venue, the State committee shall take into consideration the requirements of section 363 of the Act as to eligibility of review committee members, the prompt handling of applications for review, transportation problems and the limit of 30-day service by review committeemen in any one year.

(b) *Jurisdiction.* A review committee shall have jurisdiction within the area of venue for which it is established to hear applications respecting quotas established or denied by written notice issued by the county committee or other authorized official for farms within its area of venue, in accordance with this part.

(c) A listing of the areas of venue within a State shall be available from the State FSA office and the Deputy Administrator.

[35 FR 15355, Oct. 2, 1970, as amended at 49 FR 38240, Sept. 28, 1984]

APPLICATION FOR REVIEW OF QUOTA

### § 711.14 Application for review.

(a) *Manner and time of filing.* Any farmer who is dissatisfied with his quota may, within 15 days after the date of mailing to him of notice of such quota, file a written application for review thereof by the review committee. Such 15-day period is prescribed in accordance with section 363 of the Act. Unless application for review is timely filed, as determined under this section, the quota established by the notice shall not be subject to review by the review committee. Notice of quota subject to review under this part includes an official written notice as to the land constituting the farm. For example, a notice denying a request for farm reconstitution would be such a reviewable notice of quota. An application shall be in writing and addressed to, and filed with, the county executive director for the county from which the

notice of quota was received. Any application (Form MQ–53 available on request) whether made on Form MQ–53 or not, shall contain the following:

(1) Date of application and commodity (including type where applicable, e.g. Upland cotton, Flue-cured tobacco).

(2) Correct full name and address of applicant.

(3) Brief statement of each ground upon which the application is based.

(4) A statement of the amount of quota which it is claimed should have been established.

(5) Signature of applicant.

In any case where an application is timely filed for review of a quota on a farm which was reconstituted by division of a parent farm into two or more farms, such application shall be considered an application for review of the reconstitution of the parent farm. In any such case the farm operator of each farm resulting from such reconstitution shall be considered an applicant for purposes of this part with all the rights and privileges provided in this part. If an action may be taken by an applicant which affects the rights of any other applicant in the case, the other applicants shall be given the opportunity to concur in such action or to oppose such action.

(b) *Procedure where application is not timely filed.* The county committee shall examine each application for review. If the application is not filed within the prescribed 15-day period, the county executive director shall send a notice of untimely filing on Form MQ–54 by certified mail to the applicant at the address shown on the application. The applicant may file a request in writing with the county executive director within 15 days after the date of mailing such notice to him requesting a review committee hearing on the sole issue of whether the application was filed within the prescribed 15-day period. In the absence of timely request in writing for such review committee hearing, the application shall be deemed withdrawn by the applicant. If timely request in writing for such review committee hearing is filed, a copy of the application and request shall be forwarded by the county executive director to the State executive director with a request that a hearing on the sole issue of timely filing be scheduled before the review committee. In cases involving the sole issue of timely filing of an application, the review committee shall determine whether the date the application was filed, or the postmark date in case of mailing by the applicant, was within the 15-day period. If the review committee determines that the application was timely filed, a hearing on the merits of the application shall be held. In addition, a hearing on the merits shall be conducted and the application treated as timely filed in any case where the review committee determines that the applicant in good faith requested review of his quota by the county or State committee under the regulations in part 780 of this chapter in reliance upon action or advice of any authorized representative of a county or State committee and subsequently filed application for review under this part within a reasonable time after he learns that the quota is subject to review committee jurisdiction.

(c) *Withdrawal of application.* An application may be withdrawn upon the written request of the applicant. Any application so withdrawn or deemed withdrawn under paragraph (b) of this section shall be endorsed by the clerk ''Dismissed by the applicant''.

(d) *Procedure where application is timely filed.* The county committee shall examine each application for review and where an application is found to be timely filed, the county executive director shall forward a copy of the application to the State executive director with a request that a hearing on the merits be scheduled before the review committee.

### § 711.15 Matters subject to review.

In all cases, the review committee shall consider only such factors as, under applicable provisions of law and regulations, are required or permitted to be considered by the county committee in the establishment of the quota being reviewed. The establishment of national marketing quotas and apportionment of national acreage allotments and marketing quotas among States and counties and the establishment of reserve acreages and quotas at

the national level and apportionment of such reserves among States and counties are not subject to review by a review committee. Review of a quota may include any of the factors which enter into the establishment of such quota for the farm and crop year as set forth in § 711.3(f): *Provided, however,* That any factor of such quota considered by a review committee in a prior determination for the farm and crop year shall not be considered in a subsequent review proceeding. For example, a determination of the farm acreage allotment by the review committee would not be reconsidered upon any application for review of the farm marketing excess for the same farm and crop year.

[49 FR 38240, Sept. 28, 1984]

### § 711.16 County committee answer.

(a) The county committee shall prepare a written answer to each application scheduled for hearing setting forth the pertinent facts, the applicable regulations, the data used in establishing the quota and any other matters deemed pertinent:

(b) *Provided,* That the answer may be limited to the issue of timely filing where the hearing is limited to that issue. If the county committee determines that the increase, adjustment or other determination requested in the application is proper in whole or in part, the written answer shall set forth the proposed determination and in such cases, the applicant shall be notified by the county committee of such proposed determination prior to the scheduled review hearing if practicable to do so. In the event the applicant is satisfied with the proposed determination, the county committee shall, upon the withdrawal of the application, take the necessary action to revise the quota within the limits of the Act and applicable commodity regulations if the required amount of acreage allotment or marketing quota is available in the county. The State executive director may perform the functions of the county committee under this section and the functions of the county committee and county executive director under § 711.14 (b) and (d) in any case where the application for review involves a notice of farm marketing quota issued by officials other than the county committee.

[35 FR 15355, Oct. 2, 1970, as amended at 49 FR 38240, Sept. 28, 1984]

### § 711.17 Amendments.

Upon due request, and within the discretion of the review committee, the right to amend the application and all procedural documents in connection with any hearing, shall be granted upon such reasonable terms as the review committee may deem right and proper.

HEARING AND DETERMINATION

### § 711.18 Place and schedule of hearing.

The place of hearing shall be in the office of the county committee through which the quota sought to be reviewed was established, or such other appropriate place in the county as may be designated by the State executive director or by the review committee in cases arising under § 711.21: *Provided, however,* That the place of hearing may be in some other county if agreed to in writing by the applicant. The State executive director shall schedule applications for hearings and forward such schedule to the clerk.

### § 711.19 Notice of hearing.

The clerk shall give written notice on Form MQ–56 to the applicant by depositing such notice in the U.S. mail, certified and addressed to the last known address of the applicant at least 10 days prior to the time appointed for the hearing and copies of such notice shall also be sent to the county committee and the State office. If the applicant requests waiver of such 10-day period, the hearing may be scheduled earlier upon consent of the other interested parties. The notice of the hearing shall specify the time and place of the hearing, contain a statement of the statutory authority for the hearing, state that the application will be heard by the review committee duly appointed for the area of venue in which the applicant's farm is located, and that a verbatim transcript may be obtained by the applicant if he makes arrangement therefor before the hearing and pays the expense thereof.

**§711.20 Continuances.**

Hearings shall be held at the time and place set forth in the notice of hearing or in any subsequent notice amending or superseding the prior notice, but may without notice other than an announcement at the hearing by the chairman of the review committee, be continued from day to day or adjourned to a different place in the county or to a later date or to a date and place to be fixed in a subsequent notice to be issued pursuant to §711.19. In the event a full committee of three is not present, those members present, or in the absence of the entire committee, the clerk, shall postpone the hearing unless the hearing is held pursuant to §711.9 (b) or (c). There shall not be a continuance for lack of a full committee in the case of a reopened or remanded hearing where the hearing was initially held pursuant to §711.9 (b) or (c) and the two review committeemen who previously held the hearing are present and eligible to serve.

**§711.21 Conduct of hearing.**

(a) *Open to public.* Except as otherwise provided in §§711.1 to 711.50, each hearing shall take place before the entire review committee and shall be presided over by the chairman of such committee. The hearing shall be open to the public and shall be conducted in a fair and impartial manner and in such a way as to afford the applicant, members of the appropriate county and community committees, and appropriate officers and agents of the Department of Agriculture, and all persons appearing on behalf of such parties, reasonable opportunity to give and produce evidence relevant to the quota being reviewed.

(b) *Consolidation of hearings.* Wherever practicable, two or more applications relating to the same commodity and the same farm shall be consolidated by the review committee on its own motion or at the request of the State executive director and heard at the same time on the same record. In any case involving two or more farms resulting from reconstitution by division of a parent farm, the hearing shall be consolidated.

(c) *Representation.* The applicant and the Secretary may be represented at the hearing. The county committee shall be present or represented at the hearing.

(d) *Order of procedure.* At the commencement of the hearing, the chairman of the review committee shall read or cause to be read the pertinent portions of the application for review. The written answer of the county committee shall be submitted and shall be made a part of the record of the hearing. If the applicant asserts and shows to the satisfaction of the review committee that he has not been informed of the county committee's position in time to afford him adequate opportunity to prepare and present his case, the review committee shall continue the hearing, without notice other than announcement thereof at the hearing, for such period of time as will afford the applicant reasonable opportunity to meet the issues of fact and law involved. After answer by the county committee and following such continuance, if any, as may be granted by the review committee, evidence shall be received with respect to the matters relevant to the quota under review in such order as the chairman of the review committee shall prescribe. The review committee may take official notice of relevant publications of the Department of Agriculture and regulations of the Secretary.

(e) *Submission of evidence.* The burden of proof shall be upon the applicant as to all issues of fact raised by him. Each witness shall testify under oath or affirmation administered by the member of the review committee who is presiding at the hearing. The review committee shall confine the evidence to pertinent matters and shall exclude irrelevant, immaterial, or unduly repetitious evidence. Interested persons shall be permitted to present oral and documentary evidence, to submit rebuttal evidence and to conduct such cross-examination as may be required for a full and true disclosure of the facts. The hearing shall be concluded within such reasonable time as may be determined by the review committee.

(f) *Transcript of testimony.* The review committee shall provide for the taking of such notes including but not limited to stenographic reports or recordings at the hearing as will enable it to make

a summary of the proceedings and the testimony received at the hearing. The testimony received at the hearing shall be reported verbatim by a representative of a private firm under an existing Departmental contract for such services if the review committee, the State Executive Director, or the applicant, requests such transcript be made. If such transcript is so requested, the State Executive Director shall advise the Deputy Administrator, State and County Operations, prior to the hearing date who will then arrange for the service. A copy of such transcript shall be furnished to each of the following: The review committee, the State Executive Director, and the Regional Attorney, Office of the General Counsel, United States Department of Agriculture. The applicant or his representative may obtain a copy from the firm at his own expense.

(g) *Written arguments and proposed findings.* The review committee shall permit the applicant, the members of the appropriate county and community committees, and appropriate officers and agents of the Department of Agriculture to file written arguments and proposed findings of fact and conclusions, based on the evidence adduced at the hearing, for the consideration of the review committee within such reasonable time after the conclusion of the hearing as may be prescribed by the review committee. Such written arguments and proposed findings shall be filed in triplicate with the clerk and an additional copy thereof shall be provided to the other party.

[35 FR 15355, Oct. 2, 1970, as amended by Amdt. 5, 38 FR 16989, June 28, 1973]

### § 711.22 Nonappearance of applicant.

(a) *Original hearing.* If, at the time of the hearing, the applicant is absent and no appearance is made on his behalf, the review committee shall, after a lapse of such period of time as it may consider proper and reasonable, have the name of the absent applicant called in the hearing room. If, upon such call, there is no response, and no appearance on behalf of such applicant and no continuance has been requested by the applicant, the review committee shall thereupon close the hearing, as to such applicant, and, without further proceedings in the case, make a determination dismissing the application.

(b) *Reopened or remanded hearing.* If, at a hearing which is reopened pursuant to § 711.25 or remanded by a court, the applicant is absent and no appearance is made on his behalf, the review committee shall continue the hearing for a reasonable period of time and if the applicant does not appear at such continued hearing, the review committee shall make a determination.

### § 711.23 Determination by review committee.

As soon as practicable after hearing on an application, including a hearing on the sole issue of timely filing, the review committee shall make a determination upon the application. If it is determined by the review committee that the application should be dismissed for untimely filing or denied, the review committee shall so indicate. If it is determined that the application should be granted in whole or in part, the review committee shall establish the quota which it finds to be proper. Each determination made by the review committee shall be in writing, shall contain specific findings of fact and conclusions together with the reasons or basis therefor, and shall be based upon and made in accordance with reliable, probative, and substantial evidence adduced at the hearing. The concurrence of two members of the review committee shall be sufficient to make a determination. The written determination shall contain such subscription by each member of the review committee as will indicate his concurrence therein or his dissent therefrom. In case of an increase in the quota, the review committee shall specifically state in the determination in what respect, if any, the county committee has failed properly to apply the act and regulations thereunder. If such increase is based upon evidence not available to the county committee, the findings of the review committee shall so indicate. The appropriate county executive director shall make available to the review committee such clerical and stenographic assistance as may be required.

### § 711.24 Service of determination.

A copy of the determination, certified by the clerk as a true and correct copy of the signed original, shall be served upon the applicant by sending the same by certified mail addressed to the applicant at his last known address. The copy of the determination shall contain at the top thereof substantially the following statement: ''To all persons who, as operator, landlord, tenant, or sharecropper, are or will be interested in the above-named commodity on the farm identified below in the year for which the marketing quota being reviewed is established'' and such statement shall constitute notice to all such persons. The clerk shall make a notation on the original determination of the date and place of such mailing. The clerk forthwith shall forward two copies of such determination to the State office, and one copy to the county committee. The determination of the review committee does not become final until the period for reopening of hearing under § 711.25 has expired without any reopening; or if reopened thereunder, such determination becomes final upon issuance of a new determination pursuant to the reopened hearing, subject to further appeal to a court by the applicant.

### § 711.25 Reopening of hearing.

(a) *Upon motion of review committee.* Upon its own motion within 15 days from the date of mailing to the applicant of a copy of the determination of the review committee, the review committee may reopen a hearing for the purpose of taking additional evidence or of adding any relevant matter or document.

(b) *Upon written request based on new evidence.* Upon written request by the applicant, the county committee, the State executive director, or other interested parties, to the review committee within 15 days from the date of mailing to the applicant of a copy of the determination of the review committee, the review committee shall reopen the hearing for the purpose of taking additional evidence or of adding any relevant matter or document if the review committee finds that such evidence or documents constitute new evidence not available to the parties at the time of the hearing.

(c) *Upon written notice by the Secretary.* Upon written notice by the Secretary or on his behalf by the Deputy Administrator to the review committee within 45 days from the date of mailing to the applicant of a copy of the determination of the review committee on Form MQ–58, the hearing shall be deemed reopened and the State executive director shall schedule the reopened hearing.

(d) *Schedule of reopened hearing.* Schedule of and notice of any reopened hearing shall follow the requirements of §§ 711.18 and 711.19 insofar as practicable. Notwithstanding the provisions of paragraphs (a), (b), and (c) of this section, no hearing shall be reopened after an appeal to a court pursuant to section 365 of the act has been timely filed by the applicant. No special hearing to contest a reopening of a hearing shall be scheduled; however, the applicant may present evidence and arguments to contest the reopening when the reopened hearing is held.

### § 711.26 Record of hearing.

The record of the proceedings shall be prepared by the clerk and shall consist of the following:

(a) All procedural documents in the case under review, including the application and written notices of quota and hearing and any other written notice in connection with the application.

(b) Copies of regulations presented at the hearing.

(c) The answer of the county committee or the State executive director.

(d) The summary of the proceedings and the testimony prepared by the review committee if a verbatim transcript is not made, or a transcript of the testimony where a verbatim transcript is made, in accordance with § 711.21(f), to which shall be annexed any documentary evidence received at the hearing.

(e) Any written arguments or proposed findings of fact and conclusions filed in connection with the hearing.

(f) The written determination of the review committee.

(g) A list of all papers included in the record and a certificate by the clerk

stating that such record is true, correct and complete.

COURT PROCEEDINGS

### § 711.27 Procedure in the case of court proceedings.

Upon the institution of any suit against the review committee for the purpose of reviewing its determination upon any application for review, the review committee is required by section 365 of the Act to certify and file in court a transcript of the record upon which the determination was made, together with the findings of fact made by the review committee. Any suit for review is required to be instituted by the applicant within 15 days after a notice of the review committee's determination is mailed to him. Such suit may be instituted in the U.S. District Court or in any court of record of the State having general jurisdiction, sitting in the county of the district in which the applicant's farm is located. The bill of complaint in such proceeding may be served by delivering a copy thereof to any member of the review committee. Any member of the review committee served with papers in such suit shall immediately forward such papers to the clerk. No member of the review committee shall appear or permit any appearance in his behalf or in behalf of the review committee, or take any action in respect to the defense of such suit, except in accordance with the instructions from the Deputy Administrator.

PUERTO RICO

### § 711.28 Special provisions applicable to Puerto Rico.

Notwithstanding the provisions of §§ 711.1 to 711.50, the Caribbean Area Agricultural Stabilization and Conservation Committee (hereinafter referred to as the ''ASC Committee'') shall perform, insofar as applicable, the duties and assume such responsibilities and be subject to the limitations as are otherwise required of State and county committees except as provided herein. The Director, Caribbean Area FSA office, shall recommend members of the review committee panel, the areas of venue, and perform the functions of the State executive director. Any farmer who is eligible to vote in a referendum for which a quota has been proclaimed shall be eligible for appointment as a member of a review committee panel. The clerk shall be the ASC district supervisor of the district in which the review committee will hold its hearings. Where it is impractical or impossible to use the United States mail to serve the applicant with notice of hearing or determination, use shall be made of such other method of service as is available. However, when such other method is used, the ASC Committee shall make provision for keeping an accurate record of the date and method of delivery to the applicant.

OMB CONTROL NUMBERS

### § 711.29 OMB control numbers assigned pursuant to the Paperwork Reduction Act.

The information collection requirements contained in these regulations (7 CFR part 711) have been approved by the Office of Management and Budget (OMB) in accordance with the provisions of the 44 U.S.C. Chapter 35 and have been assigned OMB control number 0560–0068.

[49 FR 38240, Sept. 28, 1984]

## PART 714—REFUNDS OF PENALTIES ERRONEOUSLY, ILLEGALLY, OR WRONGFULLY COLLECTED

Sec.

714.35 Basis, purpose, and applicability.
714.36 Definitions.
714.37 Instructions and forms.
714.38 Who may claim refund.
714.39 Manner of filing.
714.40 Time of filing.
714.41 Statement of claim.
714.42 Designation of trustee.
714.43 Recommendation by county committee.
714.44 Recommendation by State committee.
714.45 Approval by Deputy Administrator.
714.46 Certification for payment.

AUTHORITY: Secs. 372, 375, 52 Stat. 65, as amended, 66, as amended; 7 U.S.C. 1372, 1375.

SOURCE: 35 FR 12098, July 29, 1970, unless otherwise noted.

**§ 714.35 Basis, purpose, and applicability.**

(a) *Basis and purpose*. The regulations set forth in this part are issued pursuant to the Agricultural Adjustment Act of 1938, as amended, for the purpose of prescribing the provisions governing refunds of marketing quota penalties erroneously, illegally, or wrongfully collected with respect to all commodities subject to marketing quotas under the Act.

(b) *Applicability*. This part shall apply to claims submitted for refunds of marketing quota penalties erroneously, illegally, or wrongfully collected on all commodities subject to marketing quotas under the Act. It shall not apply to the refund of penalties which are deposited in a special deposit account pursuant to sections 314(b), 346(b), 356(b), or 359 of the Agricultural Adjustment Act of 1938, as amended, or paragraph (3) of Pub. L. 74, 77th Congress, available for the refund of penalties initially collected which are subsequently adjusted downward by action of the county committee, review committee, or appropriate court, until such penalties have been deposited in the general fund of the Treasury of the United States after determination that no downward adjustment in the amount of penalty is warranted. All prior regulations dealing with refunds of penalties which were contained in this part are superseded upon the effective date of the regulations in this part.

**§ 714.36 Definitions.**

(a) *General terms*. In determining the meaning of the provisions of this part, unless the context indicates otherwise, words imparting the singular include and apply to several persons or things, words imparting the plural include the singular, words imparting the masculine gender include the feminine as well, and words used in the present tense include the future as well as the present. The definitions in part 719 of this chapter shall apply to this part. The provisions of part 720 of this chapter concerning the expiration of time limitations shall apply to this part.

(b) *Other terms applicable to this part*. The following terms shall have the following meanings:

(1) ''Act'' means the Agricultural Adjustment Act of 1938, and any amendments or supplements thereto.

(2) ''Claim'' means a written request for refund of penalty.

(3) ''Claimant'' means a person who makes a claim for refund of penalty as provided in this part.

(4) ''County Office'' means the office of the Agricultural Stabilization and Conservation County Committee.

(5) ''Penalty'' means an amount of money collected, including setoff, from or on account of any person with respect to any commodity to which this part is applicable, which has been covered into the general fund of the Treasury of the United States, as provided in section 372(b) of the Act.

(6) ''State office'' means the office of the Agricultural Stabilization and Conservation State Committee.

**§ 714.37 Instructions and forms.**

The Deputy Administrator shall cause to be prepared and issued such instructions and forms as are necessary for carrying out the regulations in the part.

**§ 714.38 Who may claim refund.**

Claim for refund may be made by:

(a) Any person who was entitled to share in the price or consideration received by the producer with respect to the marketing of a commodity from which a deduction was made for the penalty and bore the burden of such deduction in whole or in part.

(b) Any person who was entitled to share in the commodity or the proceeds thereof, paid the penalty thereon in whole or in part and has not been reimbursed therefor.

(c) Any person who was entitled to share in the commodity or the proceeds thereof and bore the burden of the penalty because he has reimbursed the person who paid such penalty.

(d) Any person who, as buyer, paid the penalty in whole or in part in connection with the purchase of a commodity, was not required to collect or pay such penalty, did not deduct the amount of such penalty from the price paid the producer, and has not been reimbursed therefor.

(e) Any person who paid the penalty in whole or in part as a surety on a

bond given to secure the payment of penalties and has not been reimbursed therefor.

(f) Any person who paid the whole or any part of the sum paid as a penalty with respect to a commodity included in a transaction which in fact was not a marketing of such commodity and has not been reimbursed therefor.

**§ 714.39 Manner of filing.**

Claim for refund shall be filed in the county office on a form prescribed by the Deputy Administrator. If more than one person is entitled to file a claim, a joint claim may be filed by all such persons. If a separate claim is filed by a person who is a party to a joint claim, such separate claim shall not be approved until the interest of each person involved in the joint claim has been determined.

**§ 714.40 Time of filing.**

Claim shall be filed within 2 years after the date payment was made to the Secretary. The date payment was made shall be deemed to be the date such payment was deposited in the general fund of the Treasury as shown on the certificate of deposit on which such payment was scheduled.

**§ 714.41 Statement of claim.**

The claim shall show fully the facts constituting the basis of the claim; the name and address of and the amount claimed by every person who bore or bears any part or all of the burden of such penalty; and the reasons why such penalty is claimed to have been erroneously, illegally, or wrongfully collected. It shall be the responsibility of the county committee to determine that any person who executes a claim as agent or fiduciary is properly authorized to act in such capacity. There should be attached to the claim all pertinent documents with respect to the claim or duly authenticated copies thereof.

**§ 714.42 Designation of trustee.**

Where there is more than one claimant and all the claimants desire to appoint a trustee to receive and disburse any payment to be made to them with respect to the claim, they shall be permitted to appoint a trustee. The person designated as trustee shall execute the declaration of trust.

**§ 714.43 Recommendation by county committee.**

Immediately upon receipt of a claim, the date of receipt shall be recorded on the face thereof. The county committee shall determine, on the basis of all available information, if the data and representations on the claim are correct. The county committee shall recommend approval or disapproval of the claim, and attach a statement to the claim, signed by a member of the committee, giving the reasons for their action. After the recommendation of approval or disapproval is made by the county committee, the claim shall be promptly sent to the State committee.

**§ 714.44 Recommendation by State committee.**

A representative of the State committee shall review each claim referred by the county committee. If a claim is sent initially to the State committee, it shall be referred to the appropriate county committee for recommendation as provided in § 714.43 prior to action being taken by the State committee. Any necessary investigation shall be made. The State committee shall recommend approval or disapproval of the claim, attaching a statement giving the reasons for their action, which shall be signed by a representative of the State committee. After recommending approval or disapproval, the claim shall be promptly sent to the Deputy Administrator.

**§ 714.45 Approval by Deputy Administrator.**

The Deputy Administrator shall review each claim forwarded to him by the State committee to determine whether, (a) the penalty was erroneously, illegally, or wrongfully collected, (b) the claimant bore the burden of the payment of the penalty, (c) the claim was timely filed, and (d) under the applicable law and regulations the claimant is entitled to a refund. If a claim is filed initially with the Deputy Administrator, he shall obtain the recommendations of the county committee and the State committee if he deems such action necessary in

arriving at a proper determination of the claim. The claimant shall be advised in writing of the action taken by the Deputy Administrator. If disapproved, the claimant shall be notified with an explanation of the reasons for such disapproval.

### §714.46 Certification for payment.

An officer or employee of the Department of Agriculture authorized to certify public vouchers for payment shall, for and on behalf of the Secretary of Agriculture, certify to the Secretary of the Treasury of the United States for payment all claims for refund which have been approved.

## PART 717—HOLDING OF REFERENDA

GENERAL

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717.2 Supervision of referenda and prescribed method of balloting.
717.3 Voting eligibility.
717.4 Register of eligible voters.

HOLDING REFERENDA AT POLLING PLACES

717.5 Community referendum committees.
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717.15 County committee's reporting and record of results of the referendum.
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HOLDING REFERENDA BY MAIL BALLOT

717.18 Issuing ballots.
717.19 Manner of voting.
717.20 Receiving and tabulating voted ballots.
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MISCELLANEOUS

717.23 Applicability of this part to Puerto Rico.
717.24 Result of referendum.
717.25 Disposition of ballots and records.
717.26 Applicability.

AUTHORITY: Secs. 312, 317, 336, 343, 344a, 358, 376, 52 Stat. 46, as amended; 79 Stat. 66, as amended; 52 Stat. 55, as amended, 56, as amended; 79 Stat. 1197, as amended; 55 Stat. 88 as amended; 52 Stat. 66, as amended; 7 U.S.C. 1312, 1314c, 1336, 1343, 1344b, 1358, 1376.

SOURCE: 33 FR 18345, Dec. 11, 1968, unless otherwise noted.

GENERAL

### §717.1 Definitions.

In determining the meaning of the provisions in this part, unless the context indicates otherwise, words importing the singular include and apply to several persons or things, words importing the plural include the singular, words importing the masculine gender include the feminine as well, and words used in the present tense include the future as well as the present.

(a) *General terms*. The definitions in part 719 of this chapter shall apply to this part. The provisions of part 720 of this chapter concerning the expiration of time limitations shall apply to this part.

(b) *Act*. The Agricultural Adjustment Act of 1938 and any amendments or supplements thereto.

(c) *Referendum community*. For referenda conducted by mail ballot, the entire county shall be the referendum community. For referenda conducted at polling places, the referendum community shall conform with the community established by the State committee for purposes of elective areas under the regulations in the subpart—Selection and Functions of Agricultural Stabilization and Conservation County and Community Committees in part 7, subtitle A, of this title (§7.7, 33 FR 12955), as amended from time to time: *Provided*, That a referendum community may be composed of an area differing from the community so established in the following cases:

(1) A referendum community may be established by the county committee, with the approval of a representative of the State committee, to conform to a

political township, a local voting precinct for purposes of general elections, or a combination of such townships or precincts;

(2) A referendum community may be established by the county committee, if it determines eligible producers will be given a convenient place to vote, which consists of a combination of a community with less than 25 farms on which there are producers eligible to vote, with one or more communities; and

(3) The entire county shall be the referendum community in counties with less than 100 farms on which there are producers eligible to vote unless the county committee, with the approval of the State committee, determines that more than one referendum community is needed in the county.

The county committee shall maintain in the county office, and make available for public inspection, a descriptive list of the referendum communities established for the county for referenda conducted at polling places.

[33 FR 18345, Dec. 11, 1968, as amended by Amdt. 1, 34 FR 12940, Aug. 9, 1969]

### § 717.2 Supervision of referenda and prescribed method of balloting.

(a) *Supervision of referenda.* The Deputy Administrator shall be in charge of and responsible for conducting each referendum required by the Act. Each State committee shall be in charge of and responsible for conducting such referendum in its State. Each county committee shall be responsible for the proper holding of such referendum in its county. It shall be the duty of the Deputy Administrator and of each committee to conduct each referendum by secret ballot in a fair, unbiased, and impartial manner in accordance with this part.

(b) *Prescribed method of balloting.* Each referendum held under this part shall be by mail ballot unless the Administrator, FSA, or the Deputy Administrator prescribes that a particular referendum shall be held at polling places.

### § 717.3 Voting eligibility.

(a) *Statutory requirements*—(1) *Tobacco quotas proclaimed on an acreage basis under section 312(a) of the Act.* Within 30 days after the proclamation under section 312(a) of the Act of national marketing quotas on an acreage basis for any kind of tobacco for the next 3 succeeding marketing years, there shall be a referendum under section 312(c) of the Act of farmers engaged in the production of the crop of such tobacco harvested immediately prior to the holding of the referendum to determine whether such farmers are in favor of or opposed to such quotas for the 3-year period. If more than one-third of the farmers voting oppose such quotas, the quotas so proclaimed for the 3-year period shall not be in effect: *Provided,* That such referendum result shall not preclude the proclamation of national marketing quotas for such kind of tobacco for the next 3 succeeding marketing years subject to a referendum as required under this paragraph. If the referendum results in approval of quotas for the 3-year period, no further referendum applicable to such quotas shall be held (i) unless a new proclamation during the 3-year period is made pursuant to subdivision (3) of section 312(a) of the Act in which case a referendum shall be held as provided in this paragraph (a)(1)(i) of this section, or (ii) unless quotas on an acreage-poundage basis are established pursuant to section 317(c) of the Act, in which case a special referendum shall be held as provided in paragraph (a)(2) of this section.

(2) *Tobacco quotas proclaimed on an acreage-poundage basis under section 317(c) of the Act.* During the first or second marketing year of the 3-year period for which marketing quotas for any kind of tobacco are in effect on an acreage basis, if the Secretary, under section 317(c) of the Act, determines that marketing quotas on an acreage-poundage basis would result in a more effective program, at the time of the next announcement of the amount of the marketing quota on an acreage basis, the Secretary shall also announce the national acreage allotment and national average yield goal. Within 45 days after such announcement of acreage-poundage quotas there shall be a special referendum under section 317(c) of the Act of farmers engaged in the production of the kind of tobacco of the most recent crop to determine

whether such farmers favor the establishment of marketing quotas on an acreage-poundage basis for the next 3 marketing years. If more than two-thirds of the farmers voting in the special referendum favor marketing quotas on an acreage-poundage basis, such quotas shall be in effect for the next 3 marketing years and the marketing quotas on an acreage basis shall cease to be in effect at the beginning of such 3-year period and no further special referendum applicable to such 3-year period shall be held. If marketing quotas on an acreage-poundage basis are not favored by more than two-thirds of the farmers voting in the special referendum, marketing quotas on an acreage basis as previously proclaimed shall continue in effect.

(3) *Tobacco quotas proclaimed on an acreage-poundage basis under section 317(d) of the Act.* If marketing quotas on an acreage-poundage basis have been made effective for a kind of tobacco, the Secretary shall proclaim a national marketing quota for such kind of tobacco for the next 3 succeeding marketing years if the marketing year is the last year of 3 consecutive years for which marketing quotas previously proclaimed will be in effect. Such proclamation may be on an acreage-poundage basis or on an acreage basis. Within 30 days after such proclamation, there shall be a referendum under section 312(c) of the Act of farmers engaged in the production of the crop of such kind of tobacco harvested immediately prior to the holding of the referendum to determine whether such farmers are in favor of or opposed to such quotas for the next 3 succeeding marketing years. If more than one-third of the farmers voting oppose such quotas, the quotas so proclaimed for the 3-year period shall not be in effect: *Provided,* That such referendum result shall not preclude the proclamation of national marketing quotas for such kind of tobacco for the next 3 succeeding marketing years under section 312(a) of the Act subject to a referendum thereon as provided in paragraph (a)(1) of this section. If a referendum results in approval of quotas for 3 marketing years on an acreage basis, no further referendum applicable to such 3 marketing years shall be held except as may be required under section 317(c) of the Act. If a referendum results in approval of quotas for 3 marketing years on an acreage-poundage basis, no further referendum applicable to such 3 marketing years shall be held.

(4) *Tobacco quotas proclaimed but disapproved in 3 successive years.* Under section 312(a)(4) of the Act, if producers have disapproved national marketing quotas for a kind of tobacco in referenda held in 3 successive years subsequent to 1952, a national marketing quota shall not be proclaimed for any marketing year within the 3-year period for which quotas were disapproved unless prior to November 10 of the marketing year, one-fourth or more of the farmers engaged in the production of the crop of tobacco harvested in the calendar year in which such marketing year begins petition the Secretary to proclaim a national marketing quota for each of the next 3 succeeding marketing years.

(5) [Reserved]

(6) *Extra long staple cotton quotas.* Not later than December 15 following the proclamation of a national quota for extra long staple cotton there shall be a referendum under section 343 of the Act, of farmers engaged in the production of extra long staple cotton in the calendar year in which the referendum is held to determine whether such farmers are in favor of or opposed to the quota for the next marketing year. If more than one-third of the farmers voting in the referendum oppose the quota, such quota shall not be in effect.

(7) [Reserved]

(8) *Rice quotas.* Within 30 days after the proclamation of a national marketing quota for rice there shall be a referendum under section 354(b) of the Act of farmers engaged in the production of the immediately preceding crop of rice to determine whether such farmers are in favor of or opposed to the quota for the next marketing year. If more than one-third of the farmers voting in the referendum oppose the quota, such quota shall not be in effect.

(9) *Peanut quotas.* Not later than December 15 of each calendar year there shall be a referendum under section 358(b) of the Act of farmers engaged in

the production of peanuts in the calendar year in which the referendum is held to determine whether such farmers are in favor of or opposed to marketing quotas with respect to the crops of peanuts produced in the 3 calendar years immediately following the year in which the referendum is held. If more than one-third of the farmers voting in the referendum oppose such quotas, the quotas so proclaimed shall not be in effect: *Provided,* That such referendum result shall not preclude the proclamation of quotas in the next calendar year for a 3-year period subject to a referendum as required under this paragraph. If quotas are favored, no further referendum with respect to the 3-year period shall be held.

(b) *Farmers engaged in the production of a commodity.* For purposes of referenda with respect to marketing quotas for tobacco, extra long staple cotton, rice and peanuts the phrase ''farmers engaged in the production of a commodity'' includes any person who is entitled to share in a crop of the commodity, or the proceeds thereof because he shares in the risks of production of the crop as an owner, landlord, tenant, or sharecropper (landlord whose return from the crop is fixed regardless of the amount of the crop produced is excluded) on a farm on which such crop is planted in a workmanlike manner for harvest: *Provided,* That any failure to harvest the crop because of conditions beyond the control of such person shall not affect his status as a farmer engaged in the production of the crop. In addition, the phrase ''farmers engaged in the production of a commodity'' also includes each person who it is determined would have had an interest as a producer in the commodity on a farm for which a farm allotment for the crop of the commodity was established and no acreage of the crop was planted but an acreage of the crop was regarded as planted for history acreage purposes under the applicable commodity regulations.

(c) *Special conditions applicable to peanuts and rice*—(1) *Peanuts.* In the case of a referendum for marketing quotas for peanuts, farmers engaged in the production of peanuts as determined under paragraph (b) of this section shall not be eligible to vote in the referendum if the farm does not have any production of peanuts subject to marketing quotas. Under section 359(b) of the Act, marketing quotas are not applicable to peanuts produced on any farm on which the acreage harvested for nuts is 1 acre or less provided the producers who share in the peanuts produced on such farm do not share in the peanuts produced on any other farm. Under section 359(b) of the Act, marketing quotas are not applicable to peanuts which it is established (i) were not picked or threshed either before or after marketing from the farm, or (ii) were marketed by the producer before drying or removal of moisture from such peanuts either by natural or artificial means for consumption exclusively as boiled peanuts.

(2) *Rice.* In the case of a referendum for a marketing quota for rice, farmers engaged in the production of rice as determined under paragraph (b) of this section shall not be eligible to vote in the referendum if the farm is not subject to marketing quotas. Under section 353(d) of the Act, marketing quotas are not applicable (i) to nonirrigated rice produced on any farm on which the acreage planted to nonirrigated rice does not exceed 3 acres, or (ii) to rice produced outside the continental United States.

(d) [Reserved]

(e) *One vote limitation.* Each person eligible to vote in a particular marketing quota referendum shall be entitled to only one vote in such referendum regardless of the number of farms in which such person is interested or the number of communities, counties, or States in which farms are located in which farms such person is interested: *Provided,* That:

(1) The individual members of a partnership shall each be entitled to one vote, but the partnership as an entity shall not be entitled to vote;

(2) An individual eligible voter shall be entitled to one vote even though he is interested in an entity (including but not limited to a corporation) which entity is also eligible to vote;

(3) A person shall also be entitled to vote in each instance of his capacity as a fiduciary (including but not limited to a guardian, administrator, executor or trustee) if in such fiduciary capacity

he is eligible to vote but the person for whom he acts as a fiduciary shall not be eligible to vote.

(f) *Joint and family interest.* Where several persons, such as members of a family, have participated or will participate in the production of a commodity under the same lease or cropping agreement, only the person or persons who signed the lease or agreement, or agreed to an oral lease or agreement, shall be eligible to vote. Where two or more persons have produced or will produce a commodity as joint tenants, tenants in common, or owners of community property, each such person shall be entitled to one vote if otherwise eligible. The eligibility of one spouse does not affect the eligibility of the other spouse.

(g) *Minors.* A minor shall be entitled to one vote if he is otherwise eligible and is 18 years of age or older when he votes.

(h) [Reserved]

(i) *Interpretation.* In the case of any commodity on a farm where no acreage of the commodity is actually planted but an acreage of the commodity is regarded as planted under applicable regulations of the Department, persons on the farm who it is determined would have had an interest in the commodity as a producer if an acreage of the commodity had been actually planted shall be eligible to vote in the referendum.

[33 FR 18345, Dec. 11, 1968, as amended by Amdt. 2, 36 FR 12730, July 7, 1971]

### §717.4 Register of eligible voters.

Prior to the date of the referendum a register shall be prepared by the county office manager listing the name and address of each known eligible voter. For referenda conducted at polling places a register shall be prepared for each referendum community. For referenda conducted by mail ballot the entire county is considered to be the referendum community and one register shall be prepared for the county.

HOLDING REFERENDA AT POLLING PLACES

### §717.5 Community referendum committees.

(a) *Where one referendum is to be conducted.* Except where the entire county is to be considered a referendum community, the county committee shall designate a community referendum committee for each referendum community. Each referendum committee shall consist of at least three regular members and one alternate. The membership of the referendum committee shall be chosen from among the farmers who reside in the community and who are eligible to vote in the referendum or who are community committeemen elected pursuant to the regulations in the subpart—Selection and Functions of Agricultural Stabilization and Conservation County and Community committees (part 7 of this title). The county committee shall name one member of the community referendum committee as chairman and another member thereof as vice chairman. The vice chairman shall act as the chairman in the event of the absence or incapacity of the chairman and the alternate shall serve on the committee in the place of any regular member who cannot serve. The community referendum committee shall be responsible for the proper holding of the referendum in its community in a fair, unbiased and impartial manner in accordance with this part. In counties where the entire county is treated as one referendum community, the county committee shall perform, in addition to its other duties, the duties of the community referendum committee.

(b) *Where two or more referenda are to be conducted.* Where two or more referenda are to be held in the county on the same day, the provisions of paragraph (a) of this section shall be applicable except that (1) the total number of farms on which there are producers eligible to vote in any one or more of such referenda shall be used to determine whether there are 100 or

more farms on which there are producers who are eligible to vote in the referenda, and (2) each community referendum committee shall be chosen from among the farmers who reside in the community and who are eligible to vote in any of such referenda or who are community committeemen elected pursuant to the regulations in the subpart—Selection and Functions of Agricultural Stabilization and Conservation County and Community committees (part 7 of this title).

### § 717.6 Place for balloting.

The county committee shall designate only one polling place for balloting in each referendum community. The polling place shall be one well known to and readily accessible to the persons in the community and shall be equipped and arranged so that each voter can mark and cast his ballot in secret and without coercion, duress, or interference of any sort whatsoever. Subject to the provisions of § 717.9(c) for absentee ballots, a farmer or producer eligible to vote, shall vote only at a polling place designated for the referendum community in which he was engaged in the production of the commodity for which the referendum is held.

[33 FR 18345, Dec. 11, 1968, as amended by Amdt. 2, 36 FR 12730, July 7, 1971]

### § 717.7 Time of voting.

There shall be no voting except on the day fixed for the holding of the referendum (except as provided in § 717.9(c) in the case of absentee ballots) and the day fixed for the holding of the referendum shall be the same in all neighborhoods, communities, counties, and States. The date for holding the referendum shall be determined by the Secretary in accordance with the provisions of law applicable thereto and stated in the notice of the referendum prescribed by him. The time that polls shall be opened and closed on the date fixed for holding the referendum in the States and Puerto Rico is as follows:

| State | Polls to open a.m. | Polls to close p.m. |
|---|---|---|
| Alabama | 7:00 | 7:00 |
| Alaska | 8:00 | 6:00 |
| Arizona | 8:00 | 6:00 |
| Arkansas | 8:00 | 6:30 |
| California | 8:00 | 6:00 |
| Colorado | 7:00 | 7:00 |
| Connecticut | 8:00 | 6:00 |
| Delaware | 8:00 | 6:00 |
| Florida | 7:00 | 7:00 |
| Georgia | 7:00 | 7:00 |
| Idaho | 8:00 | 8:00 |
| Illinois | 8:00 | 6:00 |
| Indiana | 8:00 | 6:00 |
| Iowa | 8:00 | 8:00 |
| Kansas | 8:00 | 8:00 |
| Kentucky | 8:00 | 6:00 |
| Louisiana | 8:00 | 6:00 |
| Maine | 8:00 | 6:00 |
| Maryland | 8:00 | 6:00 |
| Massachusetts | 8:00 | 6:00 |
| Michigan | 8:00 | 8:00 |
| Minnesota | 8:00 | 8:00 |
| Mississippi | 8:00 | 6:00 |
| Missouri | 8:00 | 6:00 |
| Montana | 8:00 | 7:00 |
| Nebraska | 8:00 | 8:00 |
| Nevada | 8:00 | 6:00 |
| New Hampshire | 8:00 | 6:00 |
| New Jersey | 8:00 | 6:00 |
| New Mexico | 8:00 | 6:00 |
| New York | 8:00 | 6:00 |
| North Carolina | 7:00 | 7:00 |
| North Dakota | 8:00 | 9:00 |
| Ohio | 8:00 | 6:00 |
| Oklahoma | 8:00 | 6:00 |
| Oregon | 8:00 | 8:00 |
| Pennsylvania | 8:00 | 9:00 |
| Rhode Island | 8:00 | 6:00 |
| South Carolina | 7:00 | 7:00 |
| South Dakota | 8:00 | 8:00 |
| Tennessee | 8:00 | 7:00 |
| Texas | 8:00 | 7:00 |
| Utah | 8:00 | 6:00 |
| Vermont | 8:00 | 6:00 |
| Virginia | 7:00 | 7:00 |
| Washington | 8:00 | 8:00 |
| West Virginia | 8:00 | 8:00 |
| Wisconsin | 8:00 | 8:00 |
| Wyoming | 8:00 | 8:00 |
| Puerto Rico | 8:00 | 6:00 |

The times listed in this section shall be the local time in effect for the area in which the polling place is located.

### § 717.8 Notice of referendum.

(a) *Posting a notice.* The county committee shall give public notice of the referendum in each referendum community by posting a notice at one or more places open to the public within such community prior to the date of the referendum. Such notice shall be on a form prescribed by the Deputy Administrator and shall state the commodity or commodities and marketing year, or years, or crops for which the referendum is to be held, the location of the polling place in the community, the date of the referendum, and the

hours when the polls will be opened and closed. The county executive director is authorized to sign such notice on behalf of the county committee.

(b) *Use of agencies of public information*. The county committee and community referendum committees shall utilize, to the extent practicable (without advertising expense), all available agencies of public information, including newspapers, radio, television and other means, to give persons in the county public notice of the day and hours of voting, the location of polling places, and the rules governing eligibility to vote. Such notice should be given as soon as practicable after the arrangements for holding the referendum in the county have been made.

**§717.9 Manner of voting.**

(a) *Secret ballot*. The voting in the referendum shall be by secret ballot. Each voter shall, at the time he is handed the form on which to cast his ballot, be instructed to mark his ballot form so as to indicate clearly how he votes and in such manner that no one else shall see how he votes and then to fold his ballot and place it in the ballot box without allowing anyone else to see how he voted. A suitable place where each voter may mark and cast his ballot in secret and without coercion, duress, or interference of any sort whatever, shall be provided in each polling place. Every unchallenged ballot shall be placed in the ballot box by the person who voted it. The fact that a voter fails to fold a ballot placed in the ballot box shall not invalidate it. It shall be the duty of each community referendum committee to see that no device of any sort whatever is used whereby any voter's ballot may be identified except as provided in this part in the case of a challenged ballot or an absentee ballot.

(b) *Voting by proxy prohibited*. There shall be no voting by proxy or agent, or in any manner except by the eligible voter (or the challenged voter under paragraph (d) of this section) personally depositing in the ballot box his ballot as marked by him (except as provided in the case of an absentee ballot), but a duly authorized officer of a corporation, association, or other legal entity, may cast its vote.

(c) *Absentee ballots*. Any person who will not be present on the day of the referendum in the county in which he is eligible to vote or who will be prevented from voting in person on the day of the referendum because of physical incapacity, or whose religious belief forbids him from voting on the day of the referendum, may obtain prior to the date of the referendum, one ballot from a State or county FSA office conveniently situated for him, or from the Commodity Programs Division, FSA, Department of Agriculture, Washington, D.C., and cast an absentee ballot. The office so issuing the ballot form shall endorse on the reverse side thereof a statement in substantially the following form identifying the place in which it was issued and the county to which it will be mailed or delivered, initialed and dated by the person issuing such form.

Issued in _____ County _____ State, or by _____ State FSA Office, or by _____ Division, FSA, Washington, D.C., for use in _____ County, _____ State.

The issuing office shall keep a register showing for each ballot form so issued by it to be voted absentee, the name and address to whom issued, the date of issuance, and the county and State in which the ballot is to be voted, and the name and title of the person who issued the ballot. The person to whom the ballot is issued shall mark the ballot so as to indicate clearly how he votes and place the ballot in a plain envelope which shall be marked clearly with the words ''Absentee Ballot,'' sealed and inserted in another envelope which shall be marked clearly with the voter's name and return address, sealed and delivered, or mailed, postage paid, to the county committee for the county in which he is eligible to vote. All absentee ballots must, in order to be accepted, reach the county office for the county in which the voter is eligible to vote by not later than the hour for closing the polls in the county on the day of the referendum. No such ballot shall be counted unless the voter's name and address appear on the envelope and it is determined that he is eligible to vote.

(d) *Challenged ballots.* The community referendum committee or any member thereof shall challenge the eligibility of any person to vote in the referendum where (1) the community referendum committee or any member thereof is unable to determine that the person is eligible to vote in the referendum in the community, or (2) the community referendum committee or any member thereof has reason to believe that such person has previously voted in the referendum in another community in the same or another county in person or by mail, or (3) the person's name and address have not been entered on the register of eligible voters, prior to its delivery to the referendum committee, unless the referendum committee is satisfied that the person is eligible to vote. In every case where the eligibility of the voter is challenged, his ballot form, after being marked by the challenged person so as to show how he votes, but in such manner that no one else sees how he votes, shall be folded and placed by him (or by a member of the committee if he refuses) in an envelope, which shall then be sealed and placed in another envelope, identified with his name and address, the word ''Challenged'' and a statement of the reason for the challenge, and shall then be placed in the ballot box. The county committee shall make an investigation in each case of controversy or dispute regarding the eligibility of a voter to vote in the referendum. In each case of a challenged ballot the eligibility of the person to vote in the referendum shall be determined by the county committee as soon as may be possible after the polls are closed and before the time for forwarding to the State committee the county summary of ballots. If it is determined that the person whose vote was challenged is eligible to vote, the sealed envelope containing the ballot shall be placed with the challenged ballot of every other person found to be eligible to vote until all challenged ballots have been passed upon by the county committee. If it is determined that the person whose vote was challenged is not eligible, the sealed envelope shall be marked ''Not eligible'' and signed by a member of the county committee and shall not be opened. When all of the challenged ballots have been passed upon by the county committee, the challenged ballots which were cast by eligible voters shall be opened and tabulated on the county summary of ballots, but no disclosure shall be made as to how any particular person voted.

(e) *Ballot box.* Each polling place shall be furnished with a suitable ballot box. Any container of sufficient size so arranged that no ballot can be read or removed without breaking seals on the container will be suitable. When strip adhesive paper or corresponding seals are used on the ballot box, such seals shall be signed or initialed by the chairman or a member of the community referendum committee so that breaking or replacing the seal will so destroy or affect the identifying marks as to show that the seal has been tampered with.

[33 FR 18345, Dec. 11, 1968, as amended by Amdt. 1, 34 FR 12940, Aug. 9, 1969]

### § 717.10 Local arrangements for holding the referendum.

The county committee shall make all arrangements for the proper holding of the referendum in accordance with this part prior to the date of the referendum. The county committee shall instruct each community referendum committee concerning its duties so that each member of the committee understands his duties and the duties of the committee in all respects, with particular emphasis as to (a) issuing ballot forms, (b) challenged ballots, (c) recording votes, (d) tabulating ballots, and (e) certifying results of the referendum in the referendum community. The county executive director shall furnish each community referendum committee an adequate supply of forms prior to the time the polls in the county are opened for the acceptance of ballots, by delivering the ballot forms and the forms for the community summary of ballots to each chairman of the several community referendum committees.

### § 717.11 Issuing ballots.

The community referendum committee shall open the polling place for the issuance of ballot forms and the casting of ballots at the time designated and shall thereafter until the

time when the polls are required to be closed and the casting of ballots discontinued issue a ballot to each person who is eligible to vote and applies for a ballot and to each person who claims to be eligible to vote and insists upon voting even though his eligibility to vote is challenged by a member of the committee. The community referendum committeeman who issued the ballot form shall immediately enter on the register of voters opposite the name and address of the person voting, a record of the issuance of the ballot, the casting of the ballot, and any challenge of the eligibility of the person casting the ballot. Ballot forms shall be issued and ballots placed in the ballot box while at least two members serving on the community referendum committee are physically present in the polling place and in position to see each ballot form as it is issued and each ballot as it is placed in the ballot box.

**§ 717.12 Community referendum committee's canvass of ballots.**

Immediately after the polls are closed, the community referendum committee shall open the ballot box and canvass the ballots cast. The canvass of the ballots shall be kept open to the public. A ballot shall be considered as a spoiled ballot if it is mutilated or marked in such a way that it is not possible to determine with certainty how the ballot was intended to be counted on a particular question. The envelope containing the challenged ballots shall not be opened. The total number of ballots issued as shown on the register of voters shall be determined and the total number of ballots cast, including the spoiled and challenged ballots, shall be determined. The number of ballots cast in favor of and the number of ballots cast in opposition to the question on which the referendum was held shall be determined. The spoiled ballots and challenged ballots shall not be considered in favor of or against the question. If any member of the community referendum committee should see or learn how any person besides himself voted, whether or not the ballot was challenged, spoiled, or otherwise, he shall not disclose such knowledge to a fellow committeeman or any other person except in an investigation conducted under this part.

**§ 717.13 Community committee's reporting and record of results of referendum.**

The community referendum committee shall notify the county committee by telephone, telegraph, messenger, or in person of the preliminary count of the votes on each question and of the number of spoiled and challenged ballots, as soon as may be possible. All the spoiled ballots shall be placed in an envelope and sealed and marked with the initials of the chairman (or vice chairman) of the community referendum committee and the designation ''Spoiled Ballots'' followed by the number of spoiled ballots and the names of the community, the county and the State. The community referendum committee shall execute the certification as to the accuracy of the register of eligible voters and ballots cast. The community referendum committee shall then prepare and execute the community summary of ballots and post one copy thereof, as soon as it is executed, in a conspicuous place at the polling place, so that it will remain posted and accessible to the public for at least 3 calendar days after the holding of the referendum. The community referendum committee shall seal the voted ballots, including those challenged and spoiled, the register of eligible voters and ballots cast, and the community summary of ballots, in one or more envelopes appropriately identified by the names of the community, the county, and the State, and the nature of the referendum and the date on which it was held, and deliver them to the county committee not later than 9 a.m., local time, on the second calendar day after the date of the referendum, together with the unused ballot and other forms. The chairman (or vice chairman) of the community referendum committee shall be responsible for the safe delivery of such reports, ballots, and forms to the county committee.

**§ 717.14 County committee's canvass of ballots.**

The county committee, after the closing of the polls, shall open and canvass the absentee ballots received and determine the eligibility of each voter. If any person voting absentee is found to be ineligible to vote, or the ballot is so mutilated or marked that it is not possible to determine with certainty how the person intended to vote, such ballot shall not be counted as for or against the question in the referendum. The county committee shall meet and pass upon the challenged ballots as soon as may be reasonably possible after the challenged ballots are received from the community referendum committees, but not later than 4 calendar days after the day of the referendum. The result of the referendum in each community shall be reviewed and summarized as soon as may be reasonably possible after the records, ballots, and forms are received from the several community referendum committees. Every meeting of the county committee for the purpose of canvassing the ballots cast and reviewing and tabulating the results of the referendum shall be open to the public. No member of the county committee who learns how any person besides himself voted, whether the ballot was an absentee ballot, challenged, spoiled, or otherwise, shall disclose such knowledge to any fellow committeeman or other person except in an investigation conducted under this part.

**§ 717.15 County committee's reporting and record of results of the referendum.**

The county committee shall notify the State committee by telephone, telegraph, or messenger (who may be a member of the county committee), as to the preliminary count of the votes on each question and the number of challenged ballots by the several community referendum committees as soon as possible. The county committee shall, as soon as may be reasonably possible, but in no event later than 4 calendar days after the date of the referendum, have prepared and certified the county summary of ballots. Such summary shall be prepared and certified in triplicate, one copy of which shall be sent to the State committee, one copy posted for 30 calendar days in a conspicuous place accessible to the public in or near the office of the county committee, and one copy filed in the office of the county committee and kept available for public inspection. One copy of each community summary shall likewise be posted for 30 calendar days in a conspicuous place accessible to the public in or near the office of the county committee.

**§ 717.16 Investigation as to correctness of summary of the referendum.**

The county committee shall make an investigation in each case of a dispute or challenge regarding the correctness of the summary of the referendum in a community. No dispute or challenge shall be investigated by the county committee unless it is brought to its attention within 3 calendar days after the date on which the referendum was held. The county committee shall promptly decide the dispute or the challenge and report its findings to the State committee within 5 calendar days after the holding of the referendum and send by certified mail, or deliver in person, to the office of the State committee all voted ballots, register forms, and community summary sheets involved in the dispute or challenge.

**§ 717.17 State committee's reporting and record of result of the referendum.**

The State committee for each State shall notify the Deputy Administrator by telegraph or telephone as to the preliminary count of the votes in the State as soon as the preliminary results of the referendum are made known to the State committee. The county summaries of ballots shall be summarized on the State summary of ballots as soon as possible, but in no event later than 7 calendar days after the date of the referendum, unless there is a dispute or challenge regarding the correctness of the summary for any county, in which case the State committee shall complete its investigation thereof, decide the dispute or challenge, and prepare the State summary accordingly within 14 calendar

days after the date of the referendum. The State summary shall be prepared in triplicate and certified to by the State executive director. The original and one copy of the State summary shall be forwarded to the Director of the FSA Division having the responsibility for the commodity for which the referendum was held. One copy of the State summary shall be filed for a period of 5 years in the office of the State committee available for public inspection.

[33 FR 18345, Dec. 11, 1968, as amended by Amdt. 1, 34 FR 12940, Aug. 9, 1969]

HOLDING REFERENDA BY MAIL BALLOT

### § 717.18 Issuing ballots.

The county committee shall furnish each person who is eligible to vote in a particular referendum a ballot suitable for mailing back to the office of the county committee. If a person who is eligible to vote in a particular referendum is not furnished a ballot, he may obtain one during the referendum period from the office of the county committee for the county in which he is eligible to vote or from any other FSA office where ballots are available, including the Commodity Programs Division, FSA, Department of Agriculture, Washington, D.C. When a ballot is issued from an FSA office other than the FSA office in the county in which the producer is eligible to vote in a particular referendum, the issuing office shall keep a register showing to whom it was issued, the person's address, the county and State in which the ballot is to be voted, and the name and title of the person who issued the ballot.

[33 FR 18345, Dec. 11, 1968, as amended by Amdt. 1, 34 FR 12940, Aug. 9, 1969]

### § 717.19 Manner of voting.

(a) *Voting procedure*. Each person to whom a ballot is issued by mail or in person may vote in the referendum by marking the ballot so as to indicate clearly how the vote is cast, placing the ballot in a plain envelope, sealing the envelope provided by FSA which is marked clearly with the voter's name and return address, signing the certification on such envelope or making his mark thereto (which mark shall be witnessed), sealing such envelope, and delivering or mailing the envelope to the offfice of the county committee for the county in which the person is eligible to vote.

(b) *Voting by proxy prohibited*. There shall be no voting by proxy or agent except as provided in § 717.3.

(Secs. 312, 317, 336, 343, 344, 354, 358, 375, 52 Stat. 46, as amended, 79 Stat. 66, 52 Stat. 55, as amended, 56, as amended, 79 Stat. 1197, 52 Stat. 61, as amended, 55 Stat. 88, as amended, 52 Stat. 66, as amended; 7 U.S.C. 1312, 1314c, 1336, 1343, 1344b, 1354, 1356, 1375)

[Amdt. 2, 36 FR 12730, July 7, 1971, as amended by Amdt. 4, 49 FR 24371, June 13, 1984]

### § 717.20 Receiving and tabulating voted ballots.

Ballots received at the county FSA office during the referendum period shall be placed immediately in a ballot box provided by the county executive director and so arranged that ballots cannot be read or removed without breaking the seal on the container. Voted ballots received by the county committee of the county in which the voter is eligible to vote during the period established for holding a particular referendum, shall be tabulated by the county committee. A ballot shall be considered to have been received during the referendum period if (a) in the case of a ballot delivered to the county committee, it was received in the office prior to the close of the work day on the final day of the referendum period, or (b) in the case of a mailed ballot, it was postmarked not later than midnight of the final day of the referendum period and was received in the county office prior to the start of canvassing the ballots. However, no such ballot shall be counted unless the voter signs the certification or his mark is witnessed on the returned envelope, and it is determined that he is eligible to vote in the particular referendum.

(Secs. 312, 317, 336, 343, 344, 354, 358, 375, 52 Stat. 46, as amended, 79 Stat. 66, 52 Stat. 55, as amended, 56, as amended, 79 Stat. 1197, 52 Stat. 61, as amended, 55 Stat. 88, as amended, 52 Stat. 66, as amended; 7 U.S.C. 1312, 1314c, 1336, 1343, 1344b, 1354, 1356, 1375)

[33 FR 18345, Dec. 11, 1968, as amended by Amdt. 4, 49 FR 24371, June 13, 1984]

**§ 717.21 Canvassing voted ballots.**

(a) *Time of canvassing.* The canvassing of voted ballots shall take place at the opening of the county office on the fifth day after the close of the referendum period. Ballots received after the start of tabulation, even though contained in envelopes that were postmarked prior to midnight of the final day of the referendum period, shall not be counted.

(b) *Canvassing by county committee.* The canvassing shall be in the presence of at least two members of the county committee and open to the public: *Provided,* That if two or more counties have been combined and are served by one county office, the canvassing of ballots shall be conducted by at least one member of the county committee from each county served by the county office: *Provided further,* That the State committee, or the State executive director if authorized by the State committee, may (1) designate the county executive director and a county or State FSA office employee to canvass the ballots and report the results, as provided in paragraph (c) and § 717.22, instead of two members of the county committee, when it is determined that the number of eligible voters for the commodity for which the referendum is being conducted is so limited that having two members of the county committee present for this function is impractical and (2) designate the county Executive Director and/or another county or State FSA office employee to canvass ballots in any emergency situation precluding at least two members of the county committee from being present to carry out the functions required in this section.

(c) *Manner of canvassing.* The canvassing of ballots shall follow the following procedure:

(1) The ballot box shall be opened;

(2) The envelopes from the ballot box shall be separated into three groups consisting of (i) unopened certification envelopes which do not have a proper signed certification, (ii) unopened certification envelopes from ineligible voters, and (iii) unopened certification envelopes from eligible voters;

(3) The unopened certification envelopes from eligible voters shall be opened and plain envelopes removed and then shuffled to preserve the secrecy of the ballots contained in such plain envelopes;

(4) The ballots shall be removed from such plain envelopes and tabulated. A ballot shall be considered as a spoiled ballot if it is mutilated or marked in such a way that it is not possible to determine with certainty how the ballot was intended to be counted on a particular question. The spoiled ballots shall not be considered in favor of or against the question.

(5) The unopened certification envelopes which do not have a proper signed certification shall not be opened and shall not be considered in favor of or against the question.

(6) The unopened certification envelopes from ineligible voters shall be considered as challenged ballots. The county committee shall determine the eligibility of the person to vote in the referendum. If determined to be eligible such envelopes shall be handled as provided under paragraphs (c)(3) and (4) of this section. If determined not to be eligible, such envelopes shall not be opened and shall not be considered in favor of or against the question.

(d) *Dispute or challenge.* A dispute or challenge with respect to any referendum held by mail ballot shall not be considered unless notification of such dispute or challenge is filed in writing with the county executive director of the county in which the alleged irregularity occurred within 3 days after the date of the canvassing of voted ballots. Such written notification of a dispute or challenge must identify each alleged instance in which the county committee erred when canvassing the ballots or tabulating the referendum results. The county committee shall determine the validity of the dispute or challenge and report its findings to the State committee within 3 working days after the final date for filing a dispute or challenge.

[33 FR 18345, Dec. 11, 1968, as amended by Amdt. 2, 36 FR 12730, July 7, 1971; Amdt. 3, 38 FR 12891, May 17, 1973; 51 FR 10609, Mar. 28, 1986; 52 FR 10727, Apr. 3, 1987]

### § 717.22 Reporting and record of result of the referendum.

(a) *County committee.* The county committee shall notify the State committee by telephone, telegraph, or messenger (who may be a member of the county committee), as to the preliminary count of the votes on each question and the number of challenged ballots as soon as possible. The county committee shall, as soon as may be reasonably possible, but in no event later than 4 calendar days after canvassing of the ballots, have prepared and certified the county summary of ballots. Such summary shall be prepared and certified in triplicate, one copy of which shall be sent to the State committee, one copy posted for 30 calendar days in a conspicuous place accessible to the public in or near the office of the county committee, and one copy filed in the office of the county committee and kept available for public inspection.

(b) *State committee.* The State committee for each State shall notify the Deputy Administrator by telephone or telegraph as to the preliminary count of the votes in the State as soon as the preliminary results of the referendum are made known to the State committee. The county summaries of ballots shall be summarized on the State summary of ballots as soon as possible, but in no event later than 7 calendar days after canvassing of the ballots, unless there is a dispute or challenge regarding the correctness of the summary for any county, in which case the State committee shall complete its investigation thereof, decide the dispute or challenge, and prepare the State summary accordingly within 14 calendar days after canvassing of the ballots. The State summary shall be prepared in triplicate and certified to by the State executive director. The original and one copy of the State summary shall be forwarded to the Director of the FSA Division having the responsibility for the commodity for which the referendum was held. One copy of the State summary shall be filed for a period of 5 years in the office of State committee available for public inspection.

[Amdt. 1, 34 FR 12940, Aug. 9, 1969]

MISCELLANEOUS

### § 717.23 Applicability of this part to Puerto Rico.

The Caribbean Area Agricultural Stabilization and Conservation Committee shall be in charge of and responsible for conducting in Puerto Rico each referendum required by the Act. Insofar as applicable, the Caribbean Area ASC Committee shall perform all the duties and assume all the responsibilities otherwise required of State and county committees as provided in this part, except that (a) the Director, Agricultural Stabilization and Conservation Caribbean Area Office shall nominate for appointment by the Caribbean Area ASC Committee the members and alternates to serve on community referendum committees and shall establish the boundaries of referendum communities in such a manner that polling places therein will be conveniently located for the farmers eligible to vote in the referendum, and (b) following the canvass of the ballots, results of the referendum shall be reported to the Caribbean Area ASC Committee.

### § 717.24 Result of referendum.

(a) *Proclamation of result.* The final and official tabulation of the votes cast in the referendum shall be made by the Deputy Administrator and the result of the referendum will be publicly proclaimed and published in the FEDERAL REGISTER. The State summaries and related papers shall be filed with such tabulation for a period of 5 years available for public inspection in the Department of Agriculture.

(b) *Unofficial announcements of result.* Each county committee is authorized to issue unofficial reports of the total ''Yes'' and ''No'' votes in its county to the press and the public. Each State committee is authorized to issue to the press and the public the unofficial result of the referendum in its State by counties as rapidly as the votes in the various counties are reported to it.

(c) *Investigations.* If the Deputy Administrator or the Secretary deems it necessary, the report of any community referendum committee, county committee, or State committee shall be reexamined and checked by such

persons or agents as may be designated.

### § 717.25 Disposition of ballots and records.

The county committee shall seal the voted ballots, challenged ballots found to be ineligible, spoiled ballots, unopened certification envelopes, register sheets, and community summaries for the county in one or more envelopes or packages, plainly marked with the identification of the referendum, the date, and the names of the county and State, and place them under lock in a safe place under the custody of the county office manager for a period of 30 calendar days after the date of the referendum. If no notice to the contrary is received by the end of such time, the voted ballots, challenged ballots, spoiled ballots, and unopened certification envelopes shall be destroyed, but the registers and community and county summary sheets and the register of absentee ballots shall be filed for a period of 5 years in the office of the county committee.

### § 717.26 Applicability.

The regulations contained in this part shall be applicable to all referenda held pursuant to the Agricultural Adjustment Act of 1938, as amended.

# PART 718—PROVISIONS APPLICABLE TO MULTIPLE PROGRAMS

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718.202 Determining the land constituting a farm.
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718.204 Reconstitution of allotments, quotas, and acreages.
718.205 Rules for determining farms, allotments, quotas, and acreages when reconstitution is made by division.
718.206 Rules for determining allotments, quotas, and acreages when reconstitution is made by combination.
718.207 Eminent domain acquisitions.
718.208 Exempting Federal prison farms and Federal wildlife refuges.
718.209 Transfer of allotments and quotas—State public lands.

AUTHORITY: 7 U.S.C. 1373, 1374, 7201 *et seq.*; 15 U.S.C. 714b.

SOURCE: 61 FR 37552, July 18, 1996, unless otherwise noted.

## Subpart A—General Provisions

### § 718.1 Applicability.

(a) This part is applicable to all programs set forth in chapters VII and XIV of this title which are administered by the Farm Service Agency (FSA).

(b) The provisions of this part will be administered under the general supervision of the Administrator, FSA, and shall be carried out in the field by State and county FSA committees (State and county committees).

(c) State and county committees, and representatives and employees thereof, do not have authority to modify or waive any of the provisions of the regulations of this part.

(d) The State committee shall take any action required by these regulations which has not been taken by the county committee. The State committee shall also:

(1) Correct, or require a county committee to correct, any action taken by such county committee which is not in accordance with the regulations of this part; or

(2) Require a county committee to withhold taking any action which is not in accordance with the regulations of this part.

(e) No provisions or delegation herein to a State or county committee shall preclude the Administrator, FSA, or a designee, from determining any question arising under the program or from reversing or modifying any determination made by a State or county committee.

(f) The Deputy Administrator may authorize State and county committees to waive or modify deadlines and other requirements in cases where lateness or failure to meet such other requirements does not adversely affect the operation of the program.

**§ 718.2 Definitions.**

Except as provided in individual parts of chapters VII and XIV of this title, the following terms shall be as defined herein:

*Administrative variance (AV)* means the amount by which the determined acreage may exceed the effective allotment and be considered in compliance with program regulations.

*Agricultural Use* means devoting the land to annual or perennial crops, including conserving uses, pasture, aquaculture or plantings of trees for any purpose. Land may be left fallow, but weeds must be controlled.

*Allotment* means an acreage for a commodity allocated to a farm in accordance with the Agricultural Adjustment Act of 1938, as amended.

*Allotment crop* means any crop for which acreage allotments are established pursuant to parts 723 and 729 of this chapter.

*Combination* means consolidation of two or more farms or parts of farms into one farm.

*Contract acreage* means the quantity of acres enrolled in a contract in accordance with part 1412 of this title.

*Contract commodity* means a crop of wheat, corn, grain sorghum, oats, barley, upland cotton, or rice.

*Controlled substances* means the term as set forth in accordance with 21 CFR part 1308.

*County* means the County or parish of a State. For Alaska, Puerto Rico and the Virgin Islands, a county shall be an area designated by the State committee with the concurrence of the Deputy Administrator.

*Crop of economic significance* means a crop that has contributed in the previous year, or is expected to contribute in the current crop year, 10 percent or more of the total expected value of all crops grown by the producer. However, notwithstanding the preceding sentence, if the total expected liability under the catastrophic risk protection endorsement is equal to or less than the administrative fee required for the crop, such crop will not be considered a crop of economic significance.

*Crop reporting date* means date established by the Administrator, FSA, representing the final date by which the farm operator, farm owner, or properly authorized agent must report applicable crop acreage for the report to be considered timely filed.

*Cropland*. (1) Means land which the county committee determines meets any of the following conditions:

(i) Is currently being tilled for the production of a crop for harvest;

(ii) Is not currently tilled, but it can be established that such land has been tilled in a prior year and is suitable for crop production;

(iii) Is currently devoted to a one- or two-row shelterbelt planting, orchard, or vineyard;

(iv) Is in terraces, that, were cropped in the past, even though they are no longer capable of being cropped;

(v) Is in sod waterways or filter strips planted to a perennial cover; or

(vi) Is preserved as cropland in accordance with part 704 or 1410 of this title.

(2) Land classified as cropland shall be removed from such classification upon a determination by the county committee that the land is:

(i) No longer used for agricultural production;

(ii) No longer suitable for production of crops;

(iii) Subject to a restrictive easement or contract that prohibits its use for

the production of crops unless otherwise authorized by the regulation of this chapter;

(iv) No longer preserved as cropland in accordance with the provisions of part 704 or 1410 of this title and does not meet the conditions in paragraphs (1)(i) through (1)(vi) of this definition; or

(v) Devoted to trees (other than those set forth in accordance with part 704 or 1410 of this title, one- or two-row shelterbelt plantings, orchards, or vineyards) which were planted in the preceding year except that land planted to trees or devoted to ponds, lakes, or tanks from September 1 through December 31 of the preceding year shall retain its cropland classification for the succeeding year, and in the current year shall retain its cropland classification for the current year.

*Current year* means the year for which applicable allotments, quotas, and acreages, or other program determinations are established for that program. For controlled substance violations, the year that contains the date of actual conviction.

*Deputy Administrator* means Deputy Administrator for Farm Programs, Farm Service Agency, U.S. Department of Agriculture or a designee.

*Determination* means a decision issued by a State, county or area FSA committee or the employees of such a committee that affects a participant's participation in a program administered by FSA.

*Determined acreage* means that acreage established by a representative of the Department of Agriculture by use of official acreage, digitizing or planimetering areas on the photograph or other photographic image, or computations from scaled dimensions or ground measurements.

*Division* means the division of a farm into two or more farms or parts of farms.

*Entity* means a corporation, joint stock company, association limited partnership, irrevocable trust, estate, charitable organization, or other similar organization including any such organization participating in the farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or as a participant in a similar organization.

*Family member* means an individual to whom a person is related as spouse, lineal ancestor, lineal descendant, or sibling, including:

(1) Great grandparent;

(2) Grandparent;

(3) Parent;

(4) Child, including legally adopted children;

(5) Great grandchildren;

(6) Sibling of the family member in the farming operation; and

(7) Spouse of a person listed in paragraphs (1) through (6) of this definition.

*Farm* means land that is being operated by one producer with equipment, labor, accounting system and management substantially separate from that of any other unit. Land on which tenants provide their own labor and equipment shall not be considered a separate farm.

*Farm inspection (spot-check)* means an inspection by an authorized FSA representative using aerial or ground compliance to determine the extent of producer adherence to program requirements.

*Farm number* means serial number assigned to a farm by the county committee for the purpose of identification.

*Farm program payment yield* means the yield for a crop which is determined in accordance with part 1413 of this title as in effect on January 2, 1996.

*Farmland* means the sum of the cropland, forest, and other land on the farm.

*Field* means a part of a farm which is separated from the balance of the farm by permanent boundaries such as fences, permanent waterways, woodlands, and croplines in cases where farming practices make it probable that such cropline is not subject to change, or other similar features.

*Ground measurement* means the distance between 2 points on the ground, obtained by actual use of a chain tape, or other measuring device, that is expressed in chains and links.

*Joint operation* means a general partnership, joint venture, or other similar business organization.

*Landlord* means one who rents or leases farmland to another.

*Measurement service* means a measurement of acreage or farm-stored commodities performed by a representative of FSA and paid for by the producer requesting the measurement.

*Measurement service guarantee* means a guarantee provided when a producer requests and pays for an authorized FSA representative to measure acreage for FSA and CCC program participation unless the producer takes action to adjust the measured acreage. If the producer has taken no such action, and the measured acreage is later discovered to be incorrect, the acreage determined pursuant to the measurement service will be used for program purposes for that program year.

*Measurement service after planting* means determining a crop or designated acreage after planting but before the farm operator files a report of acreage for the crop.

*Minor child* means an individual who is under 18 years of age. Court proceedings conferring majority on an individual under 18 years of age will not change such an individual's status as a minor.

*Nonagricultural commercial or industrial use* means land that is no longer suitable for producing annual or perennial crops, including conserving uses, or forestry products.

*Normal planting period* means that period during which the crop is normally planted in the county, or area within the county, with the expectation of producing a normal crop.

*Normal row width* means the normal distance between rows of the crop in the field, but not less than 30 inches for all crops.

*Operator* means an individual, entity, or joint operation who is determined by the county committee as being in general control of the farming operations on the farm during the current year.

*Owner* means one who has legal ownership of farmland, including one:

(1) Who is buying farmland under a contract for deed;

(2) Who has a life-estate in the property; or

(3) (i) For purposes of enrolling a farm in a program authorized by chapters VII and XIV of this title one who has purchased a farm in a foreclosure proceeding and:

(A) The redemption period has not passed; and

(B) The original owner has not redeemed the property.

(ii) One who meets the provisions of paragraph (3)(i) of this definition shall be entitled to receive benefits in accordance with such a program only to the extent the owner complies with all program requirements.

*Partial reconstitution* means a reconstitution that is made effective in the current year for some crops, but is not made effective in the current year for other crops, which results in having two or more farm numbers for the same farm.

*Participant* means one who participates in, or receives payments or benefits in accordance with any of the programs administered by FSA.

*Pasture* means land that is used to, or has the potential to, produce food for grazing animals.

*Person* means an individual, or an individual participating as a member of a joint operation or similar operation, a corporation, joint stock company, association, limited stock company, limited partnership, irrevocable trust, revocable trust together with the grantor of the trust, estate, or charitable organization including any entity participating in the farming operation as a partner in a general partnership, a participant in a joint venture, a grantor of a revocable trust, or a participant in a similar entity, or a State, political subdivision or agency thereof. To be considered a separate person for the purpose of this part, the individual or other legal entity must:

(1) Have a separate and distinct interest in the land or the crop involved;

(2) Exercise separate responsibility for such interest; and

(3) Be responsible for the cost of farming related to such interest from a fund or account separate from that of any other individual or entity.

*Producer* means an owner, operator, landlord, tenant, or sharecropper, who shares in the risk of producing a crop and who is entitled to share in the crop available for marketing from the farm, or would have shared had the crop been

produced. A producer includes a grower of hybrid seed.

*Production flexibility contract* means a contract entered in accordance with part 1412 of this title.

*Prohibited plants* means marijuana (cannabis sativa), opium poppies (papaver somniferum), coca bushes (erythroxylum coca), cacti of the genus lophophora and other drug producing plants, the planting or harvesting of which is prohibited by Federal or State law.

*Random inspection* means an examination of a farm by an authorized representative of FSA selected as a part of an impartial sample to determine the adherence to program requirements.

*Quota* means the pounds allocated to a farm for a commodity in accordance with the Agricultural Adjustment Act of 1938, as amended.

*Reconstitution* means a change in the land constituting a farm as a result of combination or division.

*Reported acreage* means the acreage reported by the farm operator, farm owner, or a properly authorized agent on form FSA–578, Report of Acreage, or other form designated by the Deputy Administrator.

*Required inspection* means an examination by an authorized representative of FSA of a farm specifically selected by application of prescribed rules to determine the producer's adherence to program requirements or to verify the farm operator's, farm owner's, or properly authorized agent's report.

*Secretary* means the Secretary of Agriculture of the United States, or a designee.

*Sharecropper* means one who performs work in connection with the production of a crop under the supervision of the operator and who receives a share of such crop for its labor.

*Skip-row or strip-crop planting* means a cultural practice in which strips or rows of the crop are alternated with strips of idle land or another crop.

*Staking and referencing* means determining an acreage before planting by:

(1) Measuring a delineated area on photography or computing the chains and links from ground measurement and sketching the field or subdivision of a field; and,

(2) Staking and referencing the area on the ground.

*Standard deduction* means an acreage that is excluded from the gross acreage in a field because such acreage is considered as being used for farm equipment turn-areas. Such acreage is established by application of a prescribed percentage of the area planted to the crop in lieu of measuring the turn area.

*State* means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Trust Territory of the Pacific Islands.

*Subdivision* means a part of a field that is separated from the balance of the field by temporary boundary, such as a cropline which could be easily moved or will likely disappear.

*Tenant* means:

(1) One who rents land from another in consideration of the payment of a specified amount of cash or amount of a commodity; or

(2) One (other than a sharecropper) who rents land from another person in consideration of the payment of a share of the crops or proceeds therefrom.

*Tolerance* means for marketing quota crops, and peanuts, a prescribed amount within which the reported acreage may differ from the determined acreage and still be considered as correctly reported.

*Tract* means a unit of contiguous land under one ownership which is operated as a farm or part of a farm.

*Tract combination* means the combining of two or more tracts if the tracts have common ownership and are contiguous.

*Tract division* means the dividing of a tract into two or more tracts because of a change in ownership or operation.

*Turn-area* means the area across the ends of crop rows which is used for operating equipment necessary to the production of a row crop (also called turnrow, headland, or endrow).

### § 718.3 State committee responsibilities.

(a) The State committee shall, with respect to county committees:

(1) Take any action required of the county committee which the county committee fails to take in accordance with this part;

(2) Correct or require the county committee to correct any action taken by such committee which is not in accordance with this part;

(3) Require the county committee to withhold taking any action which is not in accordance with this part;

(4) Review county office rates for producer services to determine equity between counties;

(5) Determine, based on cost effectiveness, which counties will use aerial compliance methods and which counties will use ground measurement compliance methods; or

(6) Adjust the per acre rate for acreage in excess of 25 acres to reflect the actual cost involved when performing measurement service from aerial slides.

(b) The State committee shall submit to the Deputy Administrator for Farm Programs, requests to deviate from deductions prescribed in §718.108 of this part, or the error amount or percentage for refunds of redetermination costs as prescribed in §718.111.

### §718.4 Authority for farm entry and providing information.

(a) The provisions of this section are applicable to any farm enrolled in a program authorized by chapter XIV of this title, all farms on which peanuts are planted for harvest (part 729 of this chapter), and all farms that have an effective tobacco allotment or quota (part 723 of this chapter).

(b) To ascertain compliance by producers to the regulations specified in paragraph (a), a representative of FSA may enter any farm specified in such paragraph. An owner, operator or producer on a farm may refuse the FSA representative entry to the farm and request FSA to provide written authorization for the entry. If entry is not allowed within 30 days of such written notification:

(1) All program benefits otherwise available with respect to such farm in accordance with such regulations shall be denied;

(2) The person objecting to the entry shall pay all costs associated with cost of the inspection by FSA of the farm;

(3) The entire crop production on the farm will be considered to be in excess of the quota established for the farm; and

(4) With respect to tobacco produced on such farm, the farm operator must furnish proof of disposition of:

(i) Burley and flue-cured tobacco which is in addition to the production shown on the marketing card issued with respect to such farm; and

(ii) Other kinds of tobacco produced on the farm and no credit will be given for disposing of any excess tobacco other than properly identified by a marketing card unless such tobacco is disposed of in the presence of a representative of FSA in accordance with §718.109.

(c) If an owner or operator of a farm refuses to furnish reports or data which are necessary to determine benefits in accordance with the regulations specified in paragraph (a) or FSA determines that the report or data was erroneously provided through the lack of good faith by the operator or owner, all benefits will be denied with respect to the farm which would otherwise be available in accordance with the program under which the report or data is requested.

### §718.5 Delegations of authority.

The State committee or State Executive Director, as authorized by the Deputy Administrator may, in accordance with instructions issued, exercise the authority provided in this part in cases where the total of any payments and benefits extended under chapters VII and XIV of this title does not exceed:

(a) $5,000 for cases subject to §718.8; or

(b) $25,000 for cases subject to §718.9.

### §718.6 Signature requirements and time limitations.

(a) When a program authorized by this chapter and parts 1410 and 1412 of this title requires the signature of a producer; landowner; landlord; or tenant, a husband or wife may sign all such FSA or CCC documents on behalf of the other spouse, unless such other

spouse has provided written notification to FSA and CCC that such action is not authorized. The notification must be provided to the county FSA office which administers FSA and CCC programs with respect to each farm.

(b) Except a husband or wife may not sign a document on behalf of a spouse with respect to:

(1) Program documents required to be executed in accordance with part 3 of this title and part 704 of this chapter;

(2) Easements entered into under part 1410 of this title;

(3) Form FSA–211, Power of Attorney and Form FSA–211–1, Power of Attorney for Husband and Wife; and

(4) Such other program documents as determined by FSA or CCC.

(c) Whenever the final date prescribed in any of the regulations in this title for the performance of any act falls on a Saturday, Sunday, national holiday, State holiday on which the office of the county or State Farm Service Agency committee having primary cognizance of the action required to be taken is closed, or any other day on which the cognizant office is not open for the transaction of business during normal working hours, the time for taking required action shall be extended to the close of business on the next working day. Or in case the action required to be taken may be performed by mailing, the action shall be considered to be taken within the prescribed period if the mailing is postmarked by midnight of such next working day. Where the action required to be taken is within a prescribed number of days after the mailing of notice, the day of mailing shall be excluded in computing such period of time.

### § 718.7 Failure to fully comply.

In any case in which the failure of a producer to fully comply with the terms and conditions of a program authorized by this chapter precludes the making of price support to such producer, the Deputy Administrator for Farm Programs may authorize the making of such price support in such amounts as determined to be equitable in relation to the seriousness of the failure if the regulations of this title authorizing the program specifically authorize such action. The provisions of this part shall only be applicable to producers who are determined to have made a good faith effort to comply fully with the terms and conditions of the program and rendered substantial performance.

### § 718.8 Incomplete performance based upon action or advice of an authorized representative of the Secretary.

(a) Notwithstanding any other provision of the law, performance rendered in good faith based upon action of, or information provided by, any authorized representative of a County or State Farm Service Agency Committee, may be accepted by the Administrator, FSA (Executive Vice President, CCC), the Associate Administrator, FSA (Vice President, CCC), or the Deputy Administrator for Farm Programs, FSA (Vice President, CCC), as meeting the requirements of the applicable program, and benefits may be extended or payments may be made therefor in accordance with such action or advice to the extent it is deemed desirable in order to provide fair and equitable treatment.

(b) The provisions of this section shall be applicable only if a producer relied upon the action of a county or State committee or an authorized representative of such committee or took action based on information provided by such representative. The authority provided in this part does not extend to cases where the producer knew or had sufficient reason to know that the action or advice of the committee or its authorized representative upon which they relied was improper or erroneous, or where the producer acted in reliance on their own misunderstanding or misinterpretation of program provisions, notices, or advice.

### § 718.9 Finality rule.

(a) A determination by a State or county committee made on or after October 13, 1994, becomes final and binding 90 days from the date the application for benefits has been filed, and supporting documentation required to be supplied by the producer as a condition for eligibility for the particular program has been filed unless one of the following conditions exist:

(1) The participant has requested an administrative review of the determination in accordance with the provisions of part 780 of this chapter;

(2) The determination was based on misrepresentation, false statement, fraud, or willful misconduct by or on behalf of the participant;

(3) The determination was modified by the Administrator, FSA, or the Executive Vice President, CCC; or

(4) The participant had reason to know that the determination was erroneous.

(b) Should an erroneous determination become final under the provisions of this section, it shall only be effective through the year in which the error was found and communicated to the participant.

### § 718.10 Rule of fractions.

(a) Rounding of fractions shall be done after the completion of the entire computation which is being made. In making mathematical determinations all computations shall be carried to two decimal places beyond the required number of decimal places as specified in the regulations governing each program. In rounding, fractional digits of 49 or less beyond the required number of decimal places shall be dropped; if the fractional digits beyond the required number of decimal places are 50 or more, the figure sat the last required decimal place shall be increased by ''1'' as follows:

| Required decimal | Computation | Result |
|---|---|---|
| Whole numbers | 6.49 (or less) | 6 |
| | 6.50 (or more) | 7 |
| Tenths | 7.649 (or less) | 7.6 |
| | 7.650 (or more) | 7.7 |
| Hundredths | 8.8449 (or less) | 8.84 |
| | 8.8450 (or more) | 8.85 |
| Thousandths | 9.63449 (or less) | 9.634 |
| | 9.63450 (or more) | 9.635 |
| 10 thousandths | 10.993149 (or less) | 10.9931 |
| | 10.993150 (or more) | 10.9932 |

(b) The acreage of each field or subdivision computed for tobacco and CCC disaster assistance programs shall be recorded in acres and hundredths of an acre, dropping all thousandths of an acre. The acreage of each field or subdivision computed for crops, except tobacco, shall be recorded in acres and tenths of an acre, rounding all hundredths of an acre to the nearest tenth.

### § 718.11 Denial of benefits.

(a) For the purposes of this section, a person means an individual.

(b) Any person convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance, as defined in 21 CFR part 1308, shall be ineligible for, with respect to any commodity produced during the same year and the next succeeding four years:

(1) Any price support loan available in accordance with parts 1446 and 1464 of this title;

(2) Any price support or payment made under the Commodity Credit Corporation Charter Act;

(3) A farm storage facility loan made under section 4(h) of the Commodity Credit Corporation Charter Act;

(4) Crop Insurance under the Federal Crop Insurance Act;

(5) A loan made, insured or guaranteed under the Consolidated farm and Rural Development Act or any other provision of law formerly administered by the Farmers Home Administration; or

(6) Any payment made under any Act.

(c) If any person denied benefits under this part is a beneficiary of a trust, benefits for which the trust is eligible shall be reduced, for the appropriate period, by a percentage equal to the total interest of the beneficiary in the trust.

[61 FR 37552, July 18, 1996, as amended at 62 FR 25437, May 9, 1997]

### § 718.12 Furnishing maps.

The cost of furnishing reproductions of photographs, mosaics and maps is free upon request to the farm operator, owner, Federal Crop Insurance Corporation (FCIC) and reinsured companies, Natural Resources Conservation Service (NRCS) and other Federal or State Agencies performing their official duties in making FSA and related program determinations. To all others, reproductions shall be made available at the rate FSA determines will cover the cost of making such items available.

## Subpart B—Determination Of Acreage and Compliance

### § 718.101 Measurements.

(a) Measurement services include, but are not limited to, measuring land and crop areas, quantities of farm-stored commodities, and appraising the yields of crops when required for program administration purposes. The county committee shall provide measurement service if the producer requests such service and pays the cost, except that service shall not be provided to determine total acreage of a crop when the request is made:

(1) After the established final reporting date for the applicable crop except as provided in § 718.103;.

(2) After the farm operator has furnished the county office production evidence when required for program administration purposes except as provided in this subpart; or

(3) In connection with a late-filed report of acreage, unless there is evidence of the existence and use made of the crop, the lack of the crop or a disaster condition affecting the crop.

(b) The acreage requested to be measured by staking and referencing shall not exceed the effective farm allotment for marketing quota crops or acreage of a crop that is limited to a specific number of acres to meet any program requirement.

(c) When a producer requests, pays for, and receives written notice that measurement services have been furnished, the measured acreage shall be guaranteed to be correct and used for all program purposes for the current year even though an error is later discovered in the measurement thereof, if the producer has taken action with an economic significance based on the measurement service, and the entire crop required for the farm was measured. If the producer has not taken action with an economic significance based on the measurement service, the producer shall be notified in writing that an error was discovered and the nature and extent of such error. In such cases, the corrected acreage will be used for determining program compliance for the current year.

(d) When a measurement service reveals acreage in excess of the permitted acreage by more than the allowable tolerance, the producer must destroy the excess acreage and pay for an authorized employee of FSA to verify destruction, in order to keep the measurement service guarantee.

### § 718.102 Acreage reports.

(a) In order to be eligible for benefits, participants in the programs specified in paragraph (b)(1) through (3) of this section and those who are subject to the regulations cited in paragraph (b)(4) and (5) of this section must submit accurate information as required by these provisions.

(b)(1) Participants in the program authorized by part 1412 of this title must report the acreage of fruits and vegetables planted for harvest on a farm enrolled in such program;

(2) Participants in the programs authorized by parts 1421 and 1427 of this title must report the acreage planted to a commodity for harvest for which a marketing assistance loan or loan deficiency payment is requested; and

(3) Participants in the programs authorized by parts 704 and 1410 of this title must report the use of the land enrolled in such programs;

(4) Participants in the programs authorized by parts 723 and 1464 of this title (except burley tobacco producers) must report the acreage planted to tobacco by kind (except burley tobacco) on all farms that have an effective allotment or quota greater than zero; and

(5) Participants in the programs authorized by parts 729 and 1446 of this title must report the acreage planted to peanuts by type.

(c) The reports required under paragraph (a) of this section shall be timely filed by the farm operator, farm owner, or a duly authorized representative with the county committee by the final reporting date applicable to the crop as established by the county committee and State committee.

(d) Peanut producers shall provide the county office evidence of disposition of any peanuts that are kept on the farm, including:

(1) Type and quantity for use for seed on any farm in which the producer has an interest; and

(2) Type, quantity, names, and addresses of purchases for peanuts sold or given to others.

(e) Peanut producers shall provide the county office information for acquisition of seed peanuts from other sources, including:

(1) Name and address of person who sold or gave producer the peanuts;

(2) Type, farmer's stock or shelled basis, and quantity; and

(3) Acquisition date.

### § 718.103 Late-filed reports.

(a) A farm operator's report may be accepted after the established date for reporting if evidence is still available for inspection which may be used to make a determination with respect to the existence and use made of the crop, the lack of the crop or a disaster condition affecting the crop.

(b) The farm operator shall pay the cost of a farm visit by an authorized FSA employee unless the County Committee has determined that failure to report in a timely manner was beyond the producer's control.

### § 718.104 Revised reports.

(a) The farm operator may revise a report of acreage with respect to 1996 and subsequent years to change the acreage reported if the county committee determines that the revision does not have an adverse impact on the program and the acreage has not already been determined by FSA.

(b) Revised reports shall be filed and accepted:

(1) At any time for all crops if evidence exists for inspection and determination of the existence and use made of the crop, the lack of the crop, or a disaster condition affecting the crop; and

(2) If the requirements of paragraph (a) have been met and the producer was in compliance with all other program requirements by the applicable established crop reporting date.

### § 718.105 Tolerances, variances, and adjustments for tobacco and peanuts.

(a) Tolerance or variance for tobacco and peanuts is the amount by which the determined acreage may differ from the reported acreage or allotment and still be considered in compliance with program requirements. Tolerance or variance for tobacco is the amount by which the determined acreage may differ from the reported acreage or allotment and still be considered in compliance with program requirements.

(b) Tolerance rules apply to those fields for which a staking and referencing was performed but such acreage was not planted according to those measurements or when a measurement service is not requested for acreage destroyed to meet program requirements. Tolerance rules do not apply to:

(1) Official fields when the entire field is devoted to one crop;

(2) Those fields for which staking and referencing was performed and such acreage was planted according to those measurements; or

(3) The adjusted acreage for farms using measurement after planting which have a determined acreage greater than the marketing quota crop allotment.

(c) An administrative variance is applicable to all marketing quota crop acreages. Marketing quota crop acreages as determined in accordance with this part shall be deemed in compliance with the effective farm allotment or program requirement when the determined acreage does not exceed the effective farm allotment by more than an administrative variance determined as follows:

(1) For all kinds of tobacco subject to marketing quotas, except dark air-cured and fire-cured the larger of 0.1 acre or 2 percent of the allotment; and

(2) For dark air-cured and fire-cured tobacco, an acreage based on the effective acreage allotment as provided in the table as follows:

| Effective acreage allotment is within this range | Administrative variance |
|---|---|
| 0.01 to 0.99 | 0.01 |
| 1.00 to 1.49 | 0.02 |
| 1.50 to 1.99 | 0.03 |
| 2.00 to 2.49 | 0.04 |
| 2.50 to 2.99 | 0.05 |
| 3.00 to 3.49 | 0.06 |
| 3.50 to 3.99 | 0.07 |
| 4.00 to 4.49 | 0.08 |
| 4.50 and up | 0.09 |

(d) A tolerance applies to tobacco other than flue-cured or burley, if the

determined acreage exceeds the allotment by more than the administrative variance but by not more than the tolerance. Such excess acreage of tobacco may be adjusted to the effective farm acreage allotment to avoid marketing quota penalties or receive price support.

(e) Tolerance for peanuts is the larger of 1.0 acre or 5 percent of the reported acreage, not to exceed 10.0 acres.

[61 FR 37552, July 18, 1996, as amended at 65 FR 8246, Feb. 18, 2000]

### § 718.106 Acreages.

(a) If an acreage has been established by a representative of FSA for an area delineated on an aerial photograph, such acreage will be recognized by the county committee as the official acreage for the area until such time as the boundaries of such area are changed. When boundaries not visible on the aerial photograph are established from data furnished by the producer, such acreage shall not be recognized as official acreage until the boundaries are verified by an authorized representative of FSA.

(b) Measurements of any row crop shall extend beyond the planted area by the larger of 15 inches or one-half the distance between the rows.

(c) The entire acreage of a field or subdivision of a field devoted to a crop shall be considered as devoted to the crop subject to any allowable deduction or adjustment credit except as otherwise provided in this part.

### § 718.107 Skip rows and strip crops.

(a) To be considered under the skip row provisions of this section the field must be planted in a uniform planting pattern and the number of rows planted between skips cannot exceed 36 rows. If more than one pattern is used within a field, the area planted to each pattern will be considered a subdivision.

(b) The entire acreage of the field or subdivision shall be considered as devoted to the crop where the crop is planted in strips of two or more rows and the strips of idle land are less than 64 inches wide, except where cotton is planted in skip row patterns:

(1) If the distance between the rows is 30 inches the strips of the idle land are less than 60 inches wide; or

(2) If the distance between the rows is 32 inches or wider and the strips of idle land are at least 60 inches but less than 64 inches, the producer has the option to consider the crop as either solid planted or skip row if the producer has a history of planting 32-inch or wider rows.

(c) The county committee shall determine if the producer has a history of 32-inch or wider rows by verifying that cotton acreage has been planted in 32-inch or wider rows in past years and reported on the acreage report, or reported to other State or Federal Agencies.

(d) If the strips of idle land are too wide to be classified as solid planted in accordance with paragraph (b) of this section the acreage of the strips planted to the crop, including one-half the distance between the rows of the crop but not less than 15 inches beyond the outside rows of the crop in each strip, shall be considered as devoted to the crop.

(e) When one crop is alternating with another crop, the entire acreage of the field or subdivision shall be considered as devoted to the crop being measured where such crop is planted in strips of one or more rows and the strips of the other crop are less than 64 inches.

(f) If strips of the alternating crop are too wide to be considered solid planted in accordance with paragraph (b) of this section and if the alternating crop:

(1) Has substantially the same growing season as the crop being measured, only the acreage planted to the crop being measured, including the smaller of one-half the distance between the strips of the crop being measured or 30 inches shall be considered as being devoted to the crop being measured; or

(2) Does not have substantially the same growing season as the crop being measured, then the acreage of the crop being measured shall be determined in accordance with paragraph (b) or (c) of this section.

(g) When the crops are planted in single wide rows, the entire acreage of the field or subdivision shall be considered

as devoted to the crop where the distance between the rows of such crop is less than 64 inches. If the distance between the rows of the crop is at least 64 inches, only 64 inches in width for each row shall be considered as being devoted to the crop.

**§718.108 Deductions.**

(a) Any contiguous area which is not devoted to the crop being measured and which is not part of a skip-row pattern under §718.107 shall be deducted from the acreage of the crop if such area meets the following minimum national standards or requirements:

(1) A minimum width of 30 inches;

(2) For tobacco, three-hundredths acre, except that turn areas, terraces, permanent irrigation and drainage ditches, sod waterways, noncropland, and subdivision boundaries each of which is at least 30 inches in width may be combined to meet the 0.03-acre minimum requirement; or

(3) For all other crops and land uses, one-tenth acre. Turn areas, terraces, permanent irrigation and drainage ditches, sod waterways, noncropland, and subdivision boundaries each of which is at least 30 inches in width and each of which contain 0.1 acre or more may be combined to meet any larger minimum prescribed for a State in accordance with this subpart.

(b) If the area not devoted to the crop is located within the planted area, the part of any perimeter area that is more than 33 links in width will be considered to be an internal deduction if the standard deduction is used.

(c) A standard deduction of 3 percent of the area devoted to a row crop and zero percent of the area devoted to a close-sown crop may be used in lieu of measuring the acreage of turn areas.

**§718.109 Adjustments.**

(a) The farm operator or other interested producer having excess tobacco acreage (other than flue-cured or burley) may adjust an acreage of the crop in order to avoid a marketing quota penalty if such person:

(1) Notifies the county committee of such election within 15 calendar days after the date of mailing of notice of excess acreage by the county committee; and

(2) Pays the cost of a farm visit to determine the adjusted acreage prior to the date the farm visit is made.

(b) The farm operator may adjust an acreage of tobacco (except flue-cured and burley) by disposing of such excess tobacco prior to the marketing of any of the same kind of tobacco from the farm. The disposition shall be witnessed by a representative of FSA and may take place before, during, or after the harvesting of the same kind of tobacco grown on the farm. However, no credit will be allowed toward the disposition of excess acreage after the tobacco is harvested but prior to marketing, unless the county committee determines that such tobacco is representative of the entire crop from the farm of the kind of tobacco involved.

**§718.110 Notice of measured acreage.**

Written notice of measured acreage shall be on Form FSA–468, Notice of Determined Acreage, when mailed to the farm operator and shall constitute notice to all interested producers on the farm.

**§718.111 Redetermination.**

(a) A redetermination of crop acreage, appraised yield, or farm-stored production for a farm may be initiated by the county committee, State committee, or Deputy Administrator at any time. Such redeterminations may also be initiated by a producer who has an interest in the farm upon filing a request within 15 calendar days after the date of the notice furnished the farm operator in accordance with §718.109 or §718.110 or within 5 calendar days after the initial appraisal of the yield of a crop or before any of the farm-stored production is removed from storage and upon payment of the cost of making such redetermination. A redetermination shall be undertaken in the manner prescribed by the Deputy Administrator. Such redetermination shall be used in lieu of any prior determination.

(b) The county committee shall refund the payment of the cost for a redetermination when, because of an error in the initial determination:

(1) The appraised yield is changed by at least the larger of:

(i) Five percent or 5 pounds for cotton;

(ii) Five percent or 1 bushel for wheat, barley, oats, and rye; or

(iii) Five percent or 2 bushels for corn and grain sorghum; or

(2) The farm stored production is changed by at least the smaller of 3 percent or 600 bushels; or

(3) The acreage of the crop is:

(i) Changed by at least the larger of 3 percent or 0.5 acre; or

(ii) Considered to be within program requirements.

## Subpart C—Reconstitution of Farms, Allotments, Quotas, and Acreages

### § 718.201 Farm constitution.

(a) Land which has been properly constituted under prior regulations shall remain so constituted until a reconstitution is required under paragraph (c) of this section. The constitution and identification of land as a farm for the first time and the subsequent reconstitution of a farm made hereafter, shall include all land operated by one person as a single farming unit except that it shall not include:

(1) After August 1, 1996, land subject to a production flexibility contract with land not subject to a production flexibility contract;

(2) Land under separate ownership unless the owners agree in writing;

(3) Land under a lease agreement of less than 1 year duration;

(4) Land in different counties when the tobacco allotments or quotas established for the land involved cannot be transferred from one county to another county by lease, sale, or owner. However, this paragraph shall not apply if:

(i) All of the land is owned by one person and operated by one person and all such land is contiguous;

(ii) Two or more tracts are located in counties that are contiguous in the same State and are owned by the same person if:

(A) A burley or flue-cured tobacco quota is established for one or more of the tracts; and

(B) The county committee determines that the tracts will be operated as a single farming unit as set forth in § 718.202; or

(iii) Because of a change in operation, tracts or parts of tracts will be divided from the parent farm that currently has land in more than one county, and there is no change in operation and ownership of the remainder of the farm, or if there is a change in ownership, the new owner agrees in writing to the constitution of the farm.

(5) Federally owned land;

(6) State-owned wildlife land unless the former owner has possession of the land under a leasing agreement;

(7) Land constituting a farm which is declared ineligible to be enrolled in a program under the regulations governing the program;

(8) For land subject to production flexibility contracts, land located in counties that are not contiguous. However, this subparagraph shall not apply if:

(i) Counties are divided by a river;

(ii) Counties do not touch because of a correction line adjustment; or

(iii) The land is within 20 miles, by road, of other land that will be a part of the farming unit; and

(9) With respect to peanut poundage quotas, land across:

(i) County lines when the quotas established for the land involved cannot be transferred; or

(ii) State lines.

(b)(1) If all land on the farm is physically located in one county, the farm records shall be administratively located in such county. If there is no FSA office in the county or the county offices have been consolidated, the farm shall be administratively located in the contiguous county most convenient for the farm operator.

(2) If the land on the farm is located in more than one county, the farm shall be administratively located in either of such counties as the county committees and the farm operator agree. If no agreement can be reached, the farm shall be administratively located in the county where the principal dwelling is situated, or where the major portion of the farm is located if there is no dwelling.

(c) A reconstitution of a farm either by division or by combination shall be required whenever:

(1) A change has occurred in the operation of the land after the last constitution or reconstitution and as a result of such change the farm does not meet the conditions for constitution of a farm as set forth in paragraph (b) except that no reconstitution shall be made if the county committee determines that the primary purpose of the change in operation is to establish eligibility to transfer allotments subject to sale or lease;

(2) The farm was not properly constituted under the applicable regulations in effect at the time of the last constitution or reconstitution;

(3) An owner requests in writing that the owner's land no longer be included in a farm which is composed of tracts under separate ownership;

(4) The county committee determines that the farm was reconstituted on the basis of false information furnished by the owner or farm operator;

(5) The county committee determines that the tracts of land included in a farm are not being operated as a single farming unit;

(6) An owner of a farm, constituted as a single farming unit prior to 1978, which is comprised of land located in two or more counties for which there is a quota or allotment established for such farm and such quota or allotment is subject to lease and transfer restrictions across county lines, requests in writing that the farm be reconstituted by dividing the tracts. The resulting farms shall be administratively serviced by the county office serving the county in which the land is geographically located; or

(7) Land is sold for or devoted to nonagricultural commercial or industrial uses; however, a reconstitution is not required and allotments, quotas and acreages may remain with the farm if either of the following apply:

(i) The land is already devoted to residential, recreational, industrial or commercial buildings; or

(ii) The owner would qualify to use the landowner designation method of division in accordance with §718.205 or the allotments and quotas can be transferred by sale or owner in accordance with this part and parts 723 or 729 of this chapter and the owner of the parent farm and the purchaser file a signed written memorandum of understanding before Form FSA–476 or Form MQ–24 is issued, stating that the land will be devoted immediately or within 3 years to:

(1) Nonagricultural commercial uses; or

(2) Recreational, residential, industrial or non-farm commercial uses.

(d) Notwithstanding the provisions of paragraphs (c)(1) through (c)(7), a reconstitution shall not be approved if the county committee determines that the primary purpose of the reconstitution is to:

(1) Circumvent the provisions of part 12 of this title; or

(2) Circumvent any other chapter of this title.

[61 FR 37552, July 18, 1996, as amended at 65 FR 7953, Feb. 16, 2000]

### §718.202 Determining the land constituting a farm.

(a) In determining the constitution of a farm, consideration shall be given to provisions such as ownership and operation. For purposes of this part, the following rules shall be applicable to determining what land is to be included in a farm.

(b) A minor shall be considered to be the same owner or operator as the parent or court-appointed guardian (or other person responsible for the minor child) unless:

(1) The minor child is a producer on a farm;

(2) Neither the minor's parents nor guardian has any interest in the minor's farm or production from the farm;

(3) The minor establishes and maintains a separate household from the parent or guardian;

(4) Personally carries out the farming activities in the operation; and

(5) Maintains a separate accounting for the farming operation.

(c) Notwithstanding paragraph (b) of this section, a minor shall not be considered to be the same owner or operator as the parent or court-appointed guardian if the minor's interest in the farming operation results from being the beneficiary of an irrevocable trust and ownership of the property is vested in the trust or the minor.

(d) A life estate tenant shall be considered to be the owner of the property for their life.

(e) A trust shall be considered to be an owner with the beneficiary of the trust; except a trust can be considered a separate owner or operator from the beneficiary, if the trust:

(1) Has a separate and distinct interest in the land or crop involved;

(2) Exercises separate responsibility for the separate and distinct interest; and

(3) Maintains funds and accounts separate from that of any other individual or entity for the interest.

### § 718.203 County committee action to reconstitute a farm.

Action to reconstitute a farm may be initiated by the county committee, the farm owner, or the operator with the concurrence of the owner of the farm. Any request for a farm reconstitution shall be filed with the county committee.

### § 718.204 Reconstitution of allotments, quotas, and acreages.

(a) Farms shall be reconstituted in accordance with this subpart when it is determined that the land areas are not properly constituted and, to the extent practicable, shall be based on the facts and conditions existing at the time the change requiring the reconstitution occurred.

(b) Reconstitutions of farms subject to a production flexibility contract in accordance with part 1412 of this title will be effective for the current year if initiated on or before July 1 of the fiscal year.

(c) For tobacco and peanut farms, a reconstitution will be effective for the current year for each crop for which the reconstitution is initiated before the planting of such crop begins or would have begun.

(d) Notwithstanding the provisions of paragraph (b) and (c) of this section, a reconstitution may be effective for the current year if the county committee, with the concurrence of the State committee, determines that the purpose of the request for reconstitution is not to perpetrate a scheme or device the effect of which is to avoid the statutes and regulations governing commodity programs found in this title.

### § 718.205 Rules for determining farms, allotments, quotas, and acreages when reconstitution is made by division.

(a) The methods for dividing farms, allotments, quotas, and acreages in order of precedence, when applicable, are estate, designation by landowner, contribution, agricultural use, cropland, and history. The proper method shall be determined on a crop by crop basis.

(b)(1) The estate method is the proration of allotments, quotas, and acreages for a parent farm among the heirs in settling an estate. If the estate sells a tract of land before the farm is divided among the heirs, the allotments, quotas, and acreages for that tract shall be determined by using one of the methods provided in paragraphs (c) through (g) of this section.

(2) Allotments, quotas, and acreages shall be divided in accordance with a will, but only if the county committee determines that the terms of the will are such that a division can reasonably be made by the estate method.

(3) If there is no will or the county committee determines that the terms of a will are not clear as to the division of allotments, quotas, and acreages, such allotments, quotas, and acreages shall be apportioned in the manner agreed to in writing by all interested heirs or devisees who acquire an interest in the property for which such allotments, quotas, and acreages have been established. An agreement by the administrator or executor shall not be accepted in lieu of an agreement by the heirs or devisees.

(4) If allotments, quotas, and acreages are not apportioned in accordance with the provisions of paragraph (b)(2) or (3) of this section, the allotments, quotas, and acreages shall be divided pursuant to paragraphs (d) through (g) of this section, as applicable.

(c)(1) If the ownership of a tract of land is transferred from a parent farm, the transferring owner may request that the county committee divide the allotments, quotas, and acreages, including historical acreage that has

been doublecropped, between the parent farm and the transferred tract, or between the various tracts if the entire farm is sold to two or more purchasers, in a manner designated by the owner of the parent farm subject to the conditions set forth in paragraph (c)(4) of this section. In the case of land subject to a Wetlands Reserve Program easement or Emergency Wetlands Reserve Program easement, the parent farm shall retain the allotments, quotas, and acreages.

(2) If the county committee determines that allotments, quotas, and acreages cannot be divided in the manner designated by the owner because of the conditions set forth in paragraph (c)(4) of this section, the owner shall be notified and permitted to revise the designation so as to meet the conditions in paragraph (c)(4) of this section. If the owner does not furnish a revised designation of allotments, quotas, and acreages within a reasonable time after such notification, or if the revised designation does not meet the conditions of paragraph (c)(4) of this section, the county committee will prorate the allotments, quotas, and acreages in accordance with paragraphs (d) through (g) of this section.

(3) If a parent farm is composed of tracts, under separate ownership, each separately owned tract being transferred in part shall be considered a separate farm and shall be constituted separately from the parent farm using the rules in paragraphs (d) through (g) of this section, as applicable, prior to application of the provisions of this paragraph.

(4) A landowner may designate, as provided in this paragraph, the manner in which allotments, quotas, and acreages are divided.

(i) The transferring owner and transferee shall file a signed written memorandum of understanding of the designation with the county committee before the farm is reconstituted and before a subsequent transfer of ownership of the land. The landowner shall designate the allotments, quotas, and acreage that shall be permanently reduced when the sum of the allotments, quotas, and acreages exceeds the cropland for the farm.

(ii) Where the part of the farm from which the ownership is being transferred was owned for a period of less than 3 years, the designation by landowner method shall not be available with respect to the transfer unless the county committee determines that the primary purpose of the ownership transfer was other than to retain or to sell allotments or quotas. In the absence of such a determination, and if the farm contains land which has been owned for less than 3 years, that part of the farm which has been owned for less than 3 years shall be considered as a separate farm and the allotments or quotas, shall be assigned to that part in accordance with paragraphs (d) through (g) of this section. Such apportionment shall be made prior to any designation of allotments and quotas, with respect to the part which has been owned for 3 years or more.

(5) The designation by landowner method is not applicable to crop allotments or quotas which are restricted to transfer within the county by lease, sale, or by owner, when the land on which the farm is located is in two or more counties.

(6) The designation by landowner method may be applied at the owner's request to land owned by any Indian Tribal Council which is leased to two or more producers for the production of any crop of a commodity for which an allotment, quota, or acreage has been established. If the land is leased to two or more producers, an Indian Tribal Council may request that the county committee divide the allotments, quotas, and acreages between the applicable tracts in the manner designated by the Council. The use of this method shall not be subject to the conditions of paragraph (c)(4).

(d)(1) The contribution method is the proration of a parent farm's allotments, quotas, and acreages to each tract as the tract contributed to the allotments, quotas, or acreages at the time of combination and may be used when the provisions of paragraphs (b) and (c) of this section do not apply. The contribution method shall be used to divide allotments and quotas for a farm that resulted from a combination which became effective during the 6-year period before the crop year for

which the reconstitution is effective. This method for dividing allotments and quotas shall be used beyond the 6-year period if FSA records are available to show the amount of contribution.

(2) The county committee determines with the concurrence of the State committee or representative thereof, that the use of the contribution method would not result in an equitable distribution of allotments and quotas, considering available land, cultural operations, and changes in type of farming. The contribution method shall not be used in cases involving the division of allotment or quota for any commodity for which there was no allotment or quota established at the time of the combination.

(e) The agricultural use method is the proration of contract acreage to the tracts being separated from the parent farm in the same proportion that the agricultural and related activity land for each tract bears to the agricultural and related activity land for the parent farm. This method of division shall be used if the provisions of paragraphs (b) through (d) of this section do not apply.

(f)(1) The cropland method is the proration of allotments and quotas to the tracts being separated from the parent farm in the same proportion that the cropland for each tract bears to the cropland for the parent farm. This method shall be used if the provisions of paragraphs (b) through (d) of this section do not apply unless the county committee determines that a division by the history method would result in allotments and quotas which are more representative than if the cropland method is used after taking into consideration the operation normally carried out on each tract for the commodities produced on the farm.

(2) The cropland method shall not be used to divide contract acreage.

(g)(1) The history method is the proration of allotments and quotas to the tracts being separated from the farm on the basis of the allotments and quotas determined to be representative of the operations normally carried out on each tract. The county committee may use the history method of dividing allotments and quotas when it:

(i) Determines that this method would result in the proration of allotments and quotas, more representative than the cropland method of division of the operation normally carried out on each tract; and

(ii) Obtains written consent of all owners to use the history method.

(2) Notwithstanding any other provision of this section, the county committee may waive the requirement for written consent of the owners for dividing allotments and quotas if the county committee determines that the use of the cropland method would result in an inequitable division of the parent farm's allotments and quotas and the use of the history method would provide more favorable results for all owners.

(3) The history method shall not be used to divide contract acreage.

(h)(1) Allotments, quotas, and acreages apportioned among the divided tracts pursuant to paragraphs (d), (e), (f) and (g) of this section may be increased or decreased with respect to a tract by as much as 10 percent of the allotment, quota, or acreage determined under such subsections for the parent farm if:

(i) The owners agree in writing; and

(ii) The county committee determines the method used did not provide an equitable distribution considering available land, cultural operations, and changes in the type of farming conducted on the farm. Any increase in an allotment, quota, or acreage with respect to a tract pursuant to this paragraph shall be offset by a corresponding decrease for such allotments, quotas or acreages established with respect to the other tracts which constitute the farm.

(2) Farm program payment yields calculated for the resulting farms of a division performed according to paragraphs (d) through (g) may be increased or decreased if the county committee determines the method used did not provide an equitable distribution considering available land, cultural operations, and changes in the type of farming conducted on the farm. Any increase in a farm program payment yield on a resulting farm shall be offset by a corresponding decrease on another resulting farm of the division.

(i) If a farm with burley tobacco quota is divided through reconstitution and one or more of the farms resulting from the division are apportioned less than 1,000 pounds of burley tobacco quota, the owners of such farms shall take action as provided in part 723 of this chapter to comply with the 1,000 pound minimum by July 1 of the current year or the quota shall be dropped. Exceptions to this are farms divided:

(1) Among family members;

(2) By the estate method; and

(3) When no sale or change in ownership of land occurs.

[61 FR 37552, July 18, 1996, as amended at 65 FR 65722, Nov. 2, 2000]

### § 718.206 Rules for determining allotments, quotas, and acreages when reconstitution is made by combination.

When two or more farms or tracts are combined for a year, that year's allotments, quotas, and acreages, with respect to the combined farm or tract, as required by applicable commodity regulations, shall not be greater than the sum of the allotments, quotas, and acreages for each of the farms or tracts comprising the combination, subject to the provisions of § 718.204.

[61 FR 37552, July 18, 1996; 61 FR 49049, Sept. 18, 1996]

### § 718.207 Eminent domain acquisitions.

(a) This section provides a uniform method for reallocating allotments and quotas, with respect to land involved in eminent domain acquisitions. Such allotments and quotas, in accordance with this section, may be pooled for the benefit of the owner who is displaced from the acquired farm by eminent domain acquisition. Such pooling shall be for a 3-year period from the date of displacement or during such other period as the displaced owner may request for the transfer of allotments and quotas, from the pool to other farms owned by such person.

(b) An eminent domain acquisition is a taking of title to land, or the taking of an impoundment easement to impound water on the land, or the taking of a flowage easement to intermittently flood the land, consummated with respect to land which is, or could be, so taken under the power of eminent domain by a Federal, State, or other agency. Such acquisition may be by court proceedings to condemn the land or by negotiation between the agency and the owner. An acquisition by an agency with respect to land not subject to the agency's power of eminent domain shall not be an eminent domain acquisition for purposes of this section. All land acquired by an agency for the intended project, including surrounding land not needed for the project but acquired as a package acquisition, shall be considered to be in the eminent domain acquisition if the agency expended funds for the package acquisition on the basis of its power of eminent domain.

(c) For purposes of this section, owner means the person, or persons in a joint ownership, having title to the land for a period of at least 12 months immediately prior to the date of transfer of title or grant of the impoundment or flowage easement under the eminent domain acquisition. If such person or persons have owned the land for less than such 12-month period, they may, nevertheless, be considered the owner if the State committee determines that such person or persons acquired the land for the purpose of carrying out farming operations and not for the purpose of obtaining status as an owner under this section. However, no person shall be considered the owner if he acquired the land subject to an eminent domain acquisition under an outstanding contract to an agency or an option by an agency or subject to pending condemnation proceedings. In any case where the current titleholders cannot be considered the owner for the purpose of this section, the State committee shall determine the person or persons who previously had title to the land and who qualify for status as the owner under the criteria in this paragraph.

(d) The owner shall be considered displaced from a farm which is subject to an eminent domain acquisition on the date:

(1) The owner loses possession of the land;

(2) The owner is voluntarily displaced if a binding contract for acquisition has been executed;

(3) The owner, in the case of a flowage easement, determines it is no longer practical to conduct farming operations on the land; or

(4) The owner loses possession of the land as lessee under a lease from the agency or its designee if the lease provided uninterrupted possession to the owner from the date of acquisition to the end of the lease or extensions of the lease.

(e) The owner shall notify the county committee in writing of the eminent domain acquisition and furnish the date of displacement within 30 days so that allotments and quotas may be pooled in accordance with this section. Failure to so notify the county committee shall result in the loss of the ability of the owner to extend the 3-year period of the pool.

(f) Whenever the county committee determines, by notice from the owner or otherwise, that an owner has been displaced from the farm, the county committee shall establish a pool for the allotments and quotas eligible for pooling under this section for a 3-year period beginning on the date of displacement. Pooled allotments and quotas shall be considered fully planted and, for each year in the pool, shall be established in accordance with applicable commodity regulations.

(g) Pooling is not permitted or required:

(1) If the county committee determines that an agency has authority under its eminent domain powers to acquire a farm for the continued production of an allotment or quota and does so acquire a farm only for such purpose and files a written notice with the county committee of the county in which the farm is located at the time of acquisition designating the allotment and quota to be produced on the farm, there shall be no pooling of such allotment and quota. Such farm allotments and quotas shall be established for the farm in accordance with applicable commodity regulations. For acreages, there shall be no pooling of the acreage under any circumstances if an agency acquires land and retains the land in an agricultural or related activity;

(2) If the displaced owner files written notice with the county committee of an intention to waive the right to have all the allotments and quotas or any part thereof pooled and the county committee determines that the displaced owner has not been coerced to waive such right, the allotments and quotas shall be retained on the agency acquired land;

(3) If an agency acquires part of a farm for non-farming purposes and the cropland on the land so acquired represents less than 15 percent of the total cropland on the farm, the allotments and quotas shall be retained on the portion of the farm not acquired by the agency and shall not be pooled;

(4) If an agency acquires part of a farm for non-farming purposes and the cropland on the land so acquired represents 15 percent or more of the total cropland on a farm, the allotments and quotas attributable to the acquired land shall be retained on the portion of the farm not acquired by the agency if the owner files a written request with the county committee for such retention. The amount of an allotment and quota which may be retained on the farm cannot exceed the land devoted to an agricultural or related activity. Allotments and quotas which are not retained shall be pooled; or

(5) If, prior to pooling, an owner files a request to transfer the allotments and quotas to other farms in the same county which are owned by such owner, the county committee may approve a direct transfer without the formal establishment of a pool. Such transfer shall be subject to the requirements of paragraph (j) of this section. This paragraph shall govern the release and reapportionment of pooled allotments and quotas notwithstanding other provisions of applicable commodity regulations.

(h) Pooled allotments and quotas may be released on an annual basis by the owner to a county committee during any year for which allotments and quotas are pooled and not otherwise transferred from the pool. The county committee may reapportion the released allotments and quotas to other farms in the same county that have allotments or quotas for the same commodity. Pooled allotments and quotas shall not be released on a permanent basis or surrendered after release to

the State committee for reapportionment in other counties. Reapportionment shall be on the basis of past acreage of the commodity, land, labor, and equipment available for the production of the commodity, crop rotation practices, and other physical factors affecting the production of the commodity. Pooled allotments and quotas which are released shall be considered to have been fully planted in the pool and not on the farm to which such allotments and quotas are reapportioned.

(i) Pooled allotments and quotas that may be transferred on a permanent or temporary basis by sale, lease, or by owner designation may be transferred permanently from the pool by the owner or temporarily for the duration of the pooled allotment or quota, subject to the terms and conditions for such transfers in the applicable commodity regulations. The transfer of tobacco acreage allotment or marketing quota shall be approved acre for acre.

(j) (1) The displaced owners may request a transfer of all or part of the pooled allotments and quotas to any other farm in the United States which is owned by the displaced owner, but only if there are farms in the receiving county with allotments and quotas, for the particular commodity or, if there are no such farms, the county committee determines that farms in the receiving county are suited for the production of the commodity. For purposes of this paragraph:

(i) Receiving farm means the farm to which transfer from the pool is to be made;

(ii) Receiving State and county committee mean those committees for the State and county in which the receiving farm is located; and

(iii) Transferring State and county committees mean those committees for the State and county in which the agency acquired farm is located.

(2) The displaced owner shall file with the receiving county committee written application for transfer of an allotment and quota from the pool within 3 years after the date of displacement. The application shall contain a certification from the owner that no agreement has been made with any person for the purpose of obtaining an allotment or quota from the pool for a person other than for the displaced owner. The owner shall attach to the application all pertinent documents pertaining to the current ownership or purchase of land and any leasing arrangements, such as the deed of trust or mortgage, a warranty deed, a note, sales agreement, and lease.

(3) The receiving county committee shall consider each application and determine whether the transfer from the pool shall be approved. Before an application is acted upon by the receiving county committee, the owner shall personally appear before the receiving county committee after reasonable notice, bring any additional pertinent documents as may be requested for examination by the receiving county committee, and answer all pertinent questions bearing on the proposed transfer. Such personal appearance requirement may be waived if the receiving county committee determines from facts presented to it on behalf of the owner that such personal appearance would unduly inconvenience the owner on account of illness or other good cause and such personal appearance would serve no useful purpose. Any action by the receiving county committee shall be subject to the approval required under paragraph (j)(5) of this section.

(4) The transfer from the pool will be approved by the receiving county committee only if the county committee determines that the owner has made a normal acquisition of the receiving farm for the purpose of bona fide ownership to reestablish farming operations. The elements of such an acquisition shall include, but are not limited to, the following:

(i) Appropriate legal documents must establish title to the receiving farm;

(ii) If the displaced owner was the operator of the acquired farm at the date of displacement, such owner must personally operate and be the operator of the receiving farm for the first year that the allotment and quota is transferred;

(iii) If the displaced owner was not the operator of the acquired farm at the date of displacement and was not a producer on that farm because the leasing or rental agreement provided for

cash, fixed rent, or standing rent payment, such owner shall not be required to operate personally and be the operator of the receiving farm, but at least 75 percent of the allotments for the receiving farm must be planted on the receiving farm during the first year of the transfer. With respect to a commodity for which a quota is applicable but for which there is no acreage allotment, an acreage which is equal to the result of dividing the quota transferred to the receiving farms by the receiving farm's yield, multiplied by 75 percent must be planted during the first year of the transfer;

(iv) If the displaced owner was not the operator of the acquired farm at the date of displacement but was a producer on that farm at the date of displacement as the result of having received a share of the crops produced on the acquired farm, such displaced owner shall not be required to be the operator of the receiving farm but must be a producer on the receiving farm during the first year that an allotment or quota is transferred;

(v) The contractual arrangements between the displaced owner and the seller of the receiving farm must not contain a requirement that the receiving farm be leased to the seller or a person designated by or subject to the control of the seller. The seller or a person designated by or subject to the control of the seller may not lease the receiving farm for the first year the allotment or quota is transferred; and

(vi) The contractual arrangements under which the receiving farm was purchased or leased must be customary in the community where the receiving farm is located with respect to purchase price and timing and amount of purchase or rental payments.

(5) The approval by the receiving county committee of a transfer from the pool under this paragraph shall be effective upon concurrence by the State committee of the State where the receiving farm is located (the receiving State committee). Notwithstanding any other provision of this section, the receiving State committee may authorize a transfer from the pool in any case where the owner presents evidence satisfactory to the receiving State committee that:

(i) The eligibility requirements of paragraph (j)(4) (ii), (iii) and (iv) of this section cannot be met without substantial hardship because of illness, old age, multiple farm ownership, or lack of a dwelling on the farm to which an allotment or quota is to be transferred; or

(ii) The owner has made a normal acquisition of the receiving farm for the purpose of bona fide ownership to reestablish farming operations for the displaced owner, even if the farm is leased to the seller of the farm for the first year for which the allotment or quota is transferred.

(6) Upon completion of all necessary approvals under this paragraph, the receiving county committee shall issue an appropriate notice of allotment and quota under the applicable commodity regulations, taking into consideration the land, labor, and equipment available for the production of the commodity, crop rotation practices, and the soil and other physical factors affecting the production of the commodity. For purposes of determining the amount of the allotment and quota available for transfer, the receiving county committee shall consider the receiving tract as a separate ownership. The acreage transferred from the pool shall not exceed the allotments and quotas, most recently established for the acquired farm placed in the pool. When all or a part of the allotment and quota placed in the pool is transferred and used to establish or increase the allotment and quota for other farms owned or purchased by the owner, all of the proportionate part of the past acreage history for the acquired farm shall be transferred to and considered for purposes of future allotments and quotas to have been planted on the receiving farm for which an allotment and quota, are established or increased under this section. If only a part of the available allotment and quota is transferred from the pool, the remaining part of the allotment and quota, shall remain in the pool for transfer to other farms of the owner until all such allotments and quotas have been transferred or until the period of eligibility for establishing or increasing allotments and quotas under this section has expired.

(7) If any allotment or quota is transferred under this section and it is later determined by the receiving county or State committee, or by the Deputy Administrator, that the transfer was obtained by misrepresentation by or on behalf of the owner, or that the conditions of paragraph (j)(4) of this section are not met, the allotment and quota for the receiving farm shall be reduced for each year the transfer purportedly was in effect by the amount attributable to the allotment or quota transferred from the pool. If the time period for the transfer of the allotment or quota from the pool has not expired, the amount of allotment or quota initially transferred from the pool shall be returned to the pool after the period of time has expired in which the displaced owner could exercise the right of administrative review. Any cancellation of the transfer of an allotment or quota by the receiving county committee shall be subject to approval by the receiving State committee. The receiving county committee shall issue a notice of any marketing quota and penalty as may be required in accordance with applicable commodity regulations.

(8) If the displaced owner files a request for transfer of pooled allotments or quotas, within the prescribed period for filing such request, but the request for transfer is filed during a year in which all or a part of the pooled allotments or quotas were released to the transferring county committee pursuant to paragraph (h), the application for transfer will be processed in the usual manner but the amount of the commodity released shall not be effective on the receiving farm until the succeeding year. When a request for transfer of pooled allotment or quota involves a transfer from one State to another, the receiving State committee shall obtain information from the transferring State committee as to whether any part of the allotment or quota for which the transfer is requested has been released to the transferring county committee for the current year.

(k)(1) When the displaced owner leases part but not all of the agency acquired land, such part shall be constituted as a separate farm on the date of the displacement of the owner from the land not so leased.

(2) If a parent farm consists of separate ownership tracts, each such tract being acquired in whole or in part shall be considered as a separate farm for purposes of paragraphs (g) (3) and (4) of this section.

(3) If a portion of a farm is acquired by an agency and the owner is displaced therefrom, the acquired portion shall be constituted as a separate farm on the date of displacement unless the allotments and quotas are retained on the portion not acquired as provided in paragraphs (g) (3) and (4) of this section, in which case the farm shall not be reconstituted but the farmland and cropland data shall be corrected on all appropriate records for the parent farm.

(l)(1) The displaced owner may file with the county committee a written designation of beneficiary of the rights in the allotments and quotas attributable to the acquired land in the event of the death of the displaced owner, and may revise such designation from time to time. The beneficiary of a deceased owner may exercise the right to continue a lease or negotiate a lease with the agency or its designee, the regular transfer rights with respect to farms owned by such beneficiary, and the release, sale, lease, and owner transfer rights under this section.

(2) If the displaced owner does not file a designation of beneficiary under paragraph (l)(1) and the displaced owner dies before displacement or after pooling occurs, the following persons shall be considered the beneficiary with the rights provided under paragraph (l)(1) of this section:

(i) The surviving joint owner of the farm where two persons own the farm as joint tenants with right of survivorship; and

(ii) The persons who succeed to the deceased displaced owner's interest under a will or by intestate succession. However, in the case of intestate succession, the person shall be limited to the surviving spouse, parent, sibling or child of the deceased displaced owner. In the settlement of the estate of the deceased displaced owner, the heirs may file a written agreement with the

county committee for the division of the deceased displaced owner's rights under this section.

(m)(1) No transfer from the pool under paragraph (h), (i), or (j) of this section shall be approved if there remains any unpaid marketing quota penalty due with respect to the marketing of the commodity from the acquired farm by the displaced owner, or if any of the commodity produced on the agency acquired farm has not been accounted for as required under applicable commodity regulations.

(2) If an allotment or quota for an acquired farm next established after the data of displacement would have been reduced because of false or improper identification of the commodity produced on or marketed from the farm, or as the result of a false acreage report, the allotment or quota shall be reduced in the pool in accordance with the applicable commodity regulations.

### § 718.208 Exempting Federal prison farms and Federal wildlife refuges.

A marketing penalty shall not be assessed with respect to any commodity which is produced on a Federal prison farm or Federal wildlife refuge. This exception does not apply to penalties incurred by an individual who has a separate interest in a crop which is subject to marketing quotas and was produced on a Federal prison farm or Federal wildlife refuge.

### § 718.209 Transfer of allotments and quotas—State public lands.

(a) Transfers of allotments and quotas between farms in the same county may be permitted where both farms are lands owned by the State.

(b) An application requesting the transfer of one or more of the allotments and quotas on a farm entirely comprised of lands owned by a State shall be filed with the county committee by the State. The application shall identify the farms as being within the same county, show that each farm is entirely comprised of lands owned by the State, and list the allotments and quotas requested to be transferred. Additional information with respect to the present operations on the farms, including all leasing arrangements, shall also be set forth in the application.

(c) The State committee shall establish the closing date for filing applications under paragraph (b) of this section for each year which shall be no later than the general planting date in the county for the commodity involved in the transfer.

(d)(1) Each transfer of an allotment and quota under this section shall be adjusted for differences in farm productivity if the yield projected for the year the transfer is to take effect for the farm to which transfer is made exceeds by more than ten percent the yield projected for the year the transfer is to take effect for the farm from which transfer is made. The county committee shall determine the amount of the allotment and quota to be transferred where a productivity adjustment is required to be made by dividing:

(i) The product of the yield for the farm from which the transfer is made and the acreage to be transferred from such farm, by

(ii) The yield for the farm to which the transfer is made.

(2) Acreage for the farm receiving the allotment or quota shall be adjusted by the same percentage as the allotment or quota being transferred is adjusted. The amount of the allotment and quota and related acreage transferred from the farm from which the transfer is made shall be the full amount, but the amount of all allotment or quota and related acreage for the farm to which the transfer is made shall be the adjusted amount.

(e) The amount of allotment and quota on a farm after a transfer under this section is made shall not exceed the average amount of allotment or quota of at least three farms with acreage of cropland similar to the farm receiving the transfer in the community having the applicable allotment acreage and quota on these farms.

(f) Each transfer of any allotment and quota shall be subject to the condition that an acreage equal to the allotment and quota transferred, before any productivity adjustment, shall be devoted to and maintained in permanent vegetative cover on the farm from which the transfer is made. The acreage to be devoted to and maintained in

permanent vegetative cover with respect to quota crops shall be determined by dividing the quota transferred by the yield of the farm from which the quota is transferred.

(g) Transfer of an allotment and quota under this section shall only be approved if:

(1) The county committee determines that a timely filed application has been received and that the provisions of this section have been met; and

(2) A representative of the State committee also determines that the provisions of this section have been met. If such a transfer is approved, the county committee shall issue revised notices of the allotment or quota for each farm affected by the transfer. If a county committee obtains evidence that the conditions applicable to any transfer under this section have not been met, a report of the facts shall be made to the State committee. If the State committee determines that such conditions have not been met, the transfer will be canceled, and the allotment and quota shall be retransferred to the original farm. Where cancellation and retransfer is required, the county committee shall issue revised notices of the allotment or quota showing the reasons for the cancellation of the transfer.

# PART 723—TOBACCO

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AUTHORITY: 7 U.S.C. 1301, 1311–1314, 1314–1, 1314b, 1314b–1, 1314b–2, 1314c, 1314d, 1314e, 1314f, 1314i, 1315, 1316, 1362, 1363, 1372–75, 1421, 1445–1, and 1445–2.

SOURCE: 55 FR 39914, Oct. 1, 1990, unless otherwise noted.

EDITORIAL NOTE: Nomenclature changes to part 723 appear at 62 FR 15600, Apr. 2, 1997, and at 63 FR 11585, Mar. 10, 1998.

## Subpart A—General Provisions

### § 723.101 OMB control numbers assigned pursuant to the Paperwork Reduction Act.

The information collection requirements contained in these regulations (7 CFR part 723) have been approved by the Office of Management and Budget (OMB) in accordance with the provisions of U.S.C. chapter 35 and have been assigned OMB control numbers 0560–0058 and 0560–0006.

### § 723.102 Applicability.

The regulations contained in this subpart are applicable to the 1990 and subsequent crops of burley; flue-cured; fire-cured; dark air-cured; Virginia sun-cured; cigar-filler and binder (types 42, 43, 44, 54, and 55); and Cigar filler (type 46) tobacco. These regulations govern the establishment of farm marketing quotas and acreage allotments, the issuance of marketing cards, the identification of marketings of tobacco, the collection and refund of penalties and the keeping of records and making of reports. All of the provisions of these regulations apply to each kind of tobacco for which marketing quotas are in effect unless the wording of the text indicates otherwise.

### § 723.103 Administration.

(a) The regulations in this part will be administered under the general supervision of the Administrator, Farm Service Agency (''FSA'') and shall be carried out in the field by State and county Agricultural Stabilization and Conservation committees (''State and county FSA committees'').

(b) State and county FSA committees, and representatives and employees thereof do not have the authority

to modify or waive any of the provisions of the regulations of this part.

(c) The State FSA committee shall take any action required by these regulations which has not been taken by the county FSA committee. The State FSA committee shall also:

(1) Correct, or require a county FSA committee to correct any action taken by such county FSA committee which is not in accordance with the regulations of this part, or

(2) Require a county FSA committee to withhold taking any action which is not in accordance with the regulations of this part.

(d) No provision or delegation herein to a State or county FSA committee shall preclude the Administrator, FSA, or a designee, from determining any question arising under the regulations of this part or from reversing or modifying any determination made by a State or county FSA committee. Further, the Administrator or the Administrator's designee may modify any deadline or other provisions of this part to the extent that doing so is determined by such person to be appropriate and not inconsistent with the purposes of the program administered under this part.

[55 FR 39914, Oct. 1, 1990, as amended at 63 FR 9128, Feb. 24, 1998]

### § 723.104 Definitions.

(a) *Applicability*. The definitions set forth in this section shall be applicable for all purposes of program administration for all kinds of tobacco except as may otherwise be indicated. The definitions in and provisions of parts 718 and 720 of this chapter are hereby incorporated by reference in these regulations unless the context or subject matter or the provisions of these regulations require otherwise.

(b) *Terms*. The following terms shall be defined as set forth in this paragraph.

*Act*. The Agricultural Adjustment Act of 1938, as amended.

*Active burley and flue-cured tobacco producer*. (1) Any person who shared in the risk of producing a crop of burley or flue-cured tobacco in at least one of the three years preceding the current year, or

(2) Any person who intends to become a burley or flue-cured tobacco producer in the current year by sharing in the risk of producing the crop and who provides a certification of such intentions on a form approved by the Deputy Administrator.

*Allowable floor sweepings*. The quantity of floor sweepings determined by multiplying 0.0024 times the total producer first sales of the respective kind of tobacco at auction for the season for the warehouse involved.

*Auction sale*. A marketing of tobacco by a sale at public auction through a warehouse in the regular course of business including sale of all lots of tobacco at public auction in sequence at a given time.

*Base Period*. The 5 calendar years immediately preceding the year for which farm acreage allotments or marketing quotas are currently being established. For burley tobacco marketing quotas established effective for the 1994 and subsequent crop years, the base period shall be the 3 calendar years immediately preceding the year for which farm marketing quotas are currently being established. For all other kinds of tobacco the five year base period shall remain in effect.

*Buyer*. A person who engages to any extent in acquiring or marketing tobacco in the form normally marketed by producers.

*Buyers corrections account*. The warehouse account of tobacco purchased at auction by the buyer but not delivered to the buyer, or any tobacco returned by the buyer, lost ticket, or any other valid reason, which is turned back to the warehouse operator and supported by an adjustment invoice from the buyer. This account shall include the pounds deducted resulting from returned lots, short lots, and short weights, and pounds added resulting from long lots and long weights, which buyers debit or credit to the warehouse operator and support with adjustment invoices.

*Carryover tobacco*. Tobacco produced prior to the current calendar year which has not been marketed or otherwise disposed of prior to the beginning of the marketing year for the current crop.

*Common ownership unit.* A common ownership unit is a distinguishable part of a farm, consisting of one or more tracts of land with the same owners, as determined by FSA.

*Considered planted acreage.* An acreage that is used for determining an old farm's history acreage for a kind of tobacco when the acreage planted on the farm to the kind of tobacco in the current year is less than the farm acreage allotment established for such farm in the current year. With respect to:

(1) *Flue-cured tobacco.* If flue-cured tobacco was marketed from the farm during the current year, the considered planted acreage is an acreage determined by subtracting the planted acres from the farm acreage allotment. If flue-cured tobacco was not marketed from the farm in the current year, the considered planted acreage is an acreage, not to exceed the farm's acreage allotment, that is equal to the sum of the acreage:

(i) That could not be planted to flue-cured tobacco because of a natural disaster,

(ii) Computed for pounds leased from the farm,

(iii) In the eminent domain pool,

(iv) Reduced for overmarketing,

(v) Reduced for violation of marketing quota regulations, and

(vi) Converted from the production of flue-cured tobacco during the respective crop year in accordance with part 704 of this chapter.

(2) *A kind of tobacco other than burley or flue-cured tobacco.* The considered planted acreage for a farm is an acreage, not to exceed the farm's acreage allotment, that is equal to the sum of the acreage:

(i) That could not be planted to the kind of tobacco because of a natural disaster.

(ii) Temporarily transferred from the farm.

(iii) Temporarily released.

(iv) Converted from production of the kind of tobacco in accordance with part 704 of this chapter.

(v) In the eminent domain pool.

(vi) Reduced for violation of the regulations set forth in this part.

*Container.* A package in which tobacco is marketed, packed, and stored.

*Current crop.* The crop planted in the current year.

*Current year.* The calendar year for which acreage allotments are being established, or tobacco history acreage and yields are being determined, or the farm is being considered under the provisions of the marketing quota program.

*Damaged tobacco.* Any tobacco that has suffered a loss of value due to deterioration resulting from a cause such as rot, separation of leaves from stems, fire, smoke, water, or other conditions that would cause such tobacco to be distinguishably different from that normally marketed in trade channels.

*Dealer.* A person who engages to any extent in acquiring or marketing tobacco in the form normally marketed by producers.

*Director.* The Director, or Acting Director, Tobacco and Peanuts Division, Farm Service Agency, U.S. Department of Agriculture.

*Effective farm acreage allotment.* The effective farm acreage allotment for flue-cured tobacco is the allotment determined under § 723.205 of this part.

*Effective farm marketing quota.* The effective farm marketing quota is the current year farm marketing quota plus or minus any temporary quota adjustments.

*Excess tobacco for a farm.* (1) For burley and flue-cured tobacco. The quantity of tobacco marketed above 103 percent of the effective farm marketing quota.

(2) *For kinds of tobacco other than burley or flue-cured.* That quantity of tobacco which is equal to the average yield per acre of the entire acreage of tobacco harvested on the farm times the number of acres harvested in excess of the farm acreage allotment, plus any carryover excess tobacco.

*Experimental tobacco.* Tobacco grown by or under the direction of a publicly owned agricultural experiment station for experimental purposes only.

*False identification.* False identification occurs if:

(1) Tobacco was marketed or was permitted to be marketed in any marketing year as having been produced on any farm when, in fact, it was produced on another farm; or

(2) Tobacco was marketed or was permitted to be marketed in any marketing year from a farm and was not identified by a tobacco marketing card for the farm; or

(3) The farm operator or any other producer on a farm permits the use of the tobacco marketing card for the farm to record a marketing of tobacco when, in fact, no tobacco was marketed from the farm.

(4) A tobacco marketing card issued to market a kind of tobacco is used to market another kind of tobacco produced on the same farm.

*Family farm corporation*. A corporation for which:

(1) Not less than 50 percent of the stock is owned by:

(i) An individual or;

(ii) An individual in combination with:

(A) The spouse of such individual; or

(B) The parent, aunt, uncle, child, grandchild, or cousin of such individual; or

(C) A spouse of any individual specified in paragraph (1)(ii)(B) and;

(2) One or more of the individuals specified in paragraph (1) participates in the direct management of the day to day operations of the corporation.

*Farm acreage allotment*. For flue-cured tobacco, the allotment established in accordance with § 723.205 of this chapter.

*Farm marketing quota*. (1) *For burley tobacco, old farms*. The pounds determined by multiplying the preliminary farm marketing quota by the national factor and adjusting the result for any permanent quota adjustment.

(2) *For burley tobacco, new farms*. The pounds for the farm determined by the county FSA committee with the approval of the State FSA committee.

(3) *For flue-cured tobacco*. The pounds determined by multiplying the farm acreage allotment by the farm yield.

(4) *For kinds of tobacco other than burley or flue-cured*. The actual production of tobacco on the farm acreage allotment, which shall be the average yield per acre for the entire acreage of tobacco harvested on the farm times the farm acreage allotment.

*Farm Service Agency*. An agency within the U.S. Department of Agriculture.

*Farm yield*. The yield determined as provided in § 723.204 of this part.

*Floor sweepings*. The scraps or leaves of tobacco which accumulate on the warehouse floor in the regular course of business.

*FSA*. The Farm Service Agency.

*Green weight*. The weight of tobacco which is in the form normally marketed by farmers prior to being redried, or processed.

*Leaf account tobacco*. The quantity of tobacco purchased or otherwise acquired by or for the account of a warehouse operator, including floor sweepings purchased from another warehouse operator or dealer, as adjusted by the debits and credits to the buyers correction account. Such quantity shall not include tobacco in the form not normally marketed by producers, including tobacco pickings, and floor sweepings which accumulate on the warehouse floor.

*Market*. The disposition of tobacco in raw or processed form by voluntary or involuntary sale, barter, or exchange, or by gift between living persons. ''Marketing'' and ''marketed'' shall have corresponding meaning to the term ''market.''

*Marketing recorder*. Any employee of the U.S. Department of Agriculture, or any employee of an Farm Service Agency county (FSA) office, whose duties involve the preparation and handling of the records and reports pertaining to the identification of marketing of tobacco.

*Marketing year*. (1) For flue-cured tobacco, the period beginning July 1 of the current year and ending June 30 of the following year.

(2) For kinds of tobacco other than flue cured. The period beginning October 1 of the current year and ending September 30 of the following year.

*New farm*. A farm for which an acreage allotment or marketing quota is established for the current year from the national reserve that is set aside for such purpose from the national acreage allotment or marketing quota established for the kind of tobacco.

*Nonauction sale*. Any marketing of tobacco other than at an auction sale.

*Old farm*. (1) *For burley tobacco*. A farm which had burley tobacco planted

or considered planted in one or more years of the base period.

(2) *For tobacco other than burley*. A farm on which there is tobacco history acreage in one or more years of the base period.

*Overmarketings*. The pounds by which the pounds marketed exceed the effective farm marketing quota.

*Planted or considered planted credit*. For burley tobacco, credit that is assigned in the current year for a farm with an established farm marketing quota when:

(1) Burley tobacco is planted on the farm.

(2) Burley tobacco could not be planted because of a natural disaster.

(3) Quota is:

(i) Leased and transferred from the farm, or

(ii) In the eminent domain pool.

(4) A restrictive lease on federally owned land is in effect prohibiting tobacco production.

(5) Effective quota is zero because of overmarketings or a violation of regulations, or

(6) Acreage is converted from production of burley tobacco in accordance with part 704 of this chapter.

*Pound*. The amount of tobacco which, if weighed in its unstemmed form and in the condition in which it is normally marketed by a producer, would equal 1 pound standard weight.

*Preceding year*. The calendar year immediately preceding the year for which the allotments and quotas are established, or the marketing year preceding the marketing year for which the allotments and quotas are established.

*Preliminary farm marketing quota*. For burley tobacco, the farm marketing quota for the preceding year.

*Preliminary farm yield*. For flue-cured tobacco, the yield determined for a farm as provided in § 723.203 of this part.

*Processed, Processing*. A method of preparing green weight tobacco for storage in which the tobacco may be redried, stemmed, tipped or threshed and the resulting product packed in a container.

*Production record*. A record prepared by a processor to account for the processing of tobacco.

*Quota adjustments*. For burley tobacco:

(1) *Temporary*. Adjustments for:

(i) Effective undermarketings,

(ii) Overmarketings from any prior year,

(iii) Reapportioned quota from quota released from farms in the eminent domain pool,

(iv) Quota transferred by lease or by owner,

(v) Pounds in violation of the regulations for a prior year, and

(vi) Pounds reduced from the burley tobacco quota during the current year in accordance with part 704 of this chapter.

(2) *Permanent*. Adjustments for:

(i) Old farm adjustment from reserve,

(ii) Pounds of quota transferred to the farm from the eminent domain pool,

(iii) Pounds of quota transferred to or from the farm by sale,

(iv) Pounds of quota transferred to the farm from the forfeiture pool, or

(v) Pounds of forfeited quota.

*Resale*. The disposition by sale, barter, exchange, or gift between living persons, of tobacco which has been marketed previously.

*Sale*. The first marketing of tobacco on which the gross amount of the sale price therefore has been or could be readily determined.

*Sale date*. The date on which the gross amount of the sale price of tobacco is determined.

*Sale day*. The period at the end of which the warehouse operator bills to buyers the tobacco purchased by them during such period.

*Scrap tobacco*. The residue which accumulates in the course of preparing tobacco for market, consisting chiefly of portions of tobacco leaves and leaves of poor quality.

*Shared in the risk of production*. For burley or flue-cured tobacco, involvement in the production of the respective kind of tobacco by a person who:

(1) Invests in the production of a crop of the respective kind of tobacco in an amount which is not less than 20 percent of the proceeds of the sale of the crop;

(2) Depends solely on a share of the proceeds from the marketing of the tobacco for the return on the investment;

(3) Waits until such crop of tobacco is marketed to receive any return on the investment; and

(4) Maintains records, for a period of 3 years after the end of the marketing year in which the tobacco is sold, which may be used to verify that the provisions of this definition have been met.

*Strip, scrap, stem.* Types of products resulting from processing of tobacco.

*Suspended sale.* Any marketing of tobacco at auction for which the sale is not identified by a producer marketing card or a dealer's identification card by the end of the sale day on which such marketing occurred.

*Tillable cropland.* With respect to flue-cured tobacco only, cropland (excluding orchards, vineyards, land devoted to trees, and land being prepared for non-agricultural uses) which the county FSA committee determines can be planted to crops without unusual preparation or cultivation.

*Tobacco.* Kinds of tobacco that are subject to marketing quotas as follows: Burley tobacco, (type 31); Flue-cured tobacco, (types 11, 12, 13, and 14); Fire-cured tobacco (types 21, 22, and 23); Dark air-cured tobacco (types 35 and 36); Virginia sun-cured tobacco (type 37); Cigar filler (type 46); and Cigar-filler and binder tobacco (types 42, 43, 44, 54, and 55) as classified by the Agricultural Marketing Service at part 30 of this title.

*Tobacco available for marketing.* All tobacco produced on a farm which has not been marketed and which has not been disposed of so that it cannot be marketed.

*Tobacco in the form not normally marketed by producers.* Tobacco leaves, stems, strips, scrap or parts thereof that are the result of green tobacco having been redried, stemmed, tipped, threshed or otherwise processed.

*Tobacco pickings.* The residue which accumulates in the course of processing tobacco prior to the redrying of such tobacco, consisting of scrap, stems, portions of leaves, and leaves of poor quality shall be considered to be tobacco in the form not normally marketed by producers.

*Trucker.* A person who trucks, or who otherwise hauls tobacco for a producer, or for any other person.

*Undermarketings.* For burley or flue-cured tobacco, the actual undermarketings are the pounds by which the effective farm marketing quota is more than the pounds of the respective kind of tobacco marketed, and the effective undermarketings are the smaller of actual undermarketings or the sum of the previous year's farm marketing quota plus pounds of quota temporarily transferred to the farm for the previous year. However, with respect to the 1989 crop, actual undermarketings are the number of pounds by which the effective farm marketing quota is more than the sum of the number of pounds of tobacco marketed and number of pounds for which a disaster payment was made on the 1989 crop of tobacco under part 1477 of this title.

*Warehouse operator.* A person who engages in the business of conducting a sale of tobacco at public auction.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21441, May 9, 1991; 57 FR 43581, Sept. 21, 1992; 63 FR 11582, Mar. 10, 1998]

EDITORIAL NOTE: At 65 FR 7953, § 723.104(h) was amended by removing the definition of *Tillable cropland*. However, there is no paragraph (h) in § 723.104.

### § 723.105 Extent of determinations, computations, and rule for rounding fractions.

(a) *General.* All rounding herein shall be in accordance with the provisions of part 793 of this chapter.

(b) *Allotments.* Farm acreage allotments shall be determined in hundredths of acres.

(c) *Percent excess.* The percentage of excess tobacco available for marketing from a farm, hereinafter referred to as the ''percent excess,'' shall be determined in tenths of a percent.

(d) *Converted rate of penalty.* For tobacco other than burley or flue-cured, the amount of penalty per pound upon marketings of tobacco subject to penalty, hereinafter referred to as the ''converted rate of penalty,'' shall be determined in tenths of a cent.

(e) *Percentage reduction for violation.* A percentage of reduction in an allotment due to a violation shall be determined in tenths of a percent.

(f) *Yields and quotas.* Yields and quotas shall be determined in whole pounds.

**§ 723.106 Location of farm for administrative purposes.**

The location of a farm in a county for administrative purposes shall be as provided in part 718 of this chapter.

**§§ 723.107–723.110 [Reserved]**

**§ 723.111 Flue-cured (types 11–14) tobacco.**

(a) The 1993-crop national marketing quota is 891.8 million pounds.

(b) The 1994-crop national marketing quota is 802.6 million pounds.

(c) The 1995-crop national marketing quota is 934.6 million pounds.

(d) The 1996-crop national marketing quota is 873.6 million pounds.

(e) The 1997-crop national marketing quota is 973.8 million pounds.

(f) The 1998-crop national marketing quota is 807.6 million pounds.

(g) The 1999-crop national marketing quota is 666.2 million pounds.

[58 FR 11962, Mar. 2, 1993, as amended at 59 FR 6866, Feb. 14, 1994; 60 FR 22460, May 8, 1995; 61 FR 37673, July 19, 1996; 62 FR 24800, May 7, 1997; 63 FR 55938, Oct. 20, 1998; 64 FR 66718, Nov. 30, 1999]

**§ 723.112 Burley (type 31) tobacco.**

(a) The 1993-crop national marketing quota is 603.0 million pounds.

(b) The 1994-crop national marketing quota is 542.7 million pounds.

(c) The 1995-crop national marketing quota is 549.0 million pounds.

(d) The 1996-crop national marketing quota is 633.8 million pounds.

(e) The 1997-crop national marketing quota is 704.5 million pounds.

(f) The 1998-crop national marketing quota is 637.8 million pounds.

(g) [Reserved]

(h) The 2000-crop national marketing quota is 247.4 million pounds.

[58 FR 36859, July 9, 1993, as amended at 59 FR 22725, May 3, 1994; 60 FR 27868, May 26, 1995; 61 FR 50425, Sept. 26, 1996; 62 FR 30230, June 3, 1997; 63 FR 55940, Oct. 20, 1998; 65 78407, Dec. 15, 2000]

**§ 723.113 Fire-cured (type 21) tobacco.**

(a) The 1993-crop national marketing quota is 1.975 million pounds.

(b) The 1994-crop national marketing quota is 2.15 million pounds.

(c) The 1995-crop national marketing quota is 1.95 million pounds.

(d) The 1996-crop national marketing quota is 1.97 million pounds.

(e) The 1997-crop national marketing quota is 2.395 million pounds.

(f) The 1998-crop national marketing quota is 2.725 million pounds.

(g) The 1999-crop national marketing quota is 2.6 million pounds.

(h) The 2000-crop national marketing quota is 2.138 million pounds.

[58 FR 36857, July 9, 1993, as amended at 59 FR 27220, May 26, 1994; 60 FR 38234, July 26, 1995; 61 FR 63702, Dec. 2, 1996; 62 FR 43922, Aug. 18, 1997; 64 FR 15295, Mar. 31, 1999; 65 FR 41556, July 6, 2000; 65 FR 64594, Oct. 30, 2000]

**§ 723.114 Fire-cured (types 22–23) tobacco.**

(a) The 1993-crop national marketing quota is 38.2 million pounds.

(b) The 1994-crop national marketing quota is 40.4 million pounds.

(c) The 1995-crop national marketing quota is 39.8 million pounds.

(d) The 1996-crop national marketing quota is 40.6 million pounds.

(e) The 1997-crop national marketing quota is 43.4 million pounds.

(f) The 1998-crop national marketing quota is 44.6 million pounds.

(g) The 1999-crop national marketing quota is 41.4 million pounds.

(h) The 2000-crop national marketing quota is 42.9 million pounds.

[58 FR 36857, July 9, 1993, as amended at 59 FR 27220, May 26, 1994; 60 FR 38234, July 26, 1995; 61 FR 63702, Dec. 2, 1996; 62 FR 43922, Aug. 18, 1997; 64 FR 15295, Mar. 31, 1999; 65 FR 41556, July 6, 2000; 65 FR 64594, Oct. 30, 2000]

**§ 723.115 Dark air-cured (types 35–36) tobacco.**

(a) The 1993-crop national marketing quota is 11.16 million pounds.

(b) The 1994-crop national marketing quota is 10.6 million pounds.

(c) The 1995-crop national marketing quota is 9.6 million pounds.

(d) The 1996-crop national marketing quota is 9.2 million pounds.

(e) The 1997-crop national marketing quota is 9.88 million pounds.

(f) The 1998-crop national marketing quota is 11.15 million pounds.

(g) The 1999-crop national marketing quota is 12.8 million pounds.

(h) The 2000-crop national marketing quota is 12.75 million pounds.

[58 FR 36857, July 9, 1993, as amended at 59 FR 27220, May 26, 1994; 60 FR 38234, July 26, 1995; 61 FR 63702, Dec. 2, 1996; 62 FR 43922, Aug. 18, 1997; 64 FR 15295, Mar. 31, 1999; 65 FR 41556, July 6, 2000; 65 FR 64594, Oct. 30, 2000]

### § 723.116 Sun-cured (type 37) tobacco.

(a) The 1993-crop national marketing factor is 128,000 pounds.

(b) The 1994-crop national marketing quota is 131,000 pounds.

(c) The 1995-crop national marketing quota is 130,000 pounds.

(d) The 1996-crop national marketing quota is 148,000 pounds.

(e) The 1997-crop national marketing quota is 156,400 pounds.

(f) The 1998-crop national marketing quota is 163,000 pounds.

(g) The 1999-crop national marketing quota is 171,000 pounds.

(h) The 2000-crop national marketing quota is 171,000 pounds.

[58 FR 36857, July 9, 1993, as amended at 59 FR 27220, May 26, 1994; 60 FR 38234, July 26, 1995; 61 FR 63702, Dec. 2, 1996; 62 FR 43922, Aug. 18, 1997; 64 FR 15295, Mar. 31, 1999; 65 FR 41556, July 6, 2000; 65 FR 64594, Oct. 30, 2000]

### § 723.117 Cigar-filler and binder (types 42–44 and 53–55) tobacco.

(a) The 1993-crop national marketing quota is 14 million pounds.

(b) The 1994-crop national marketing quota is 9.3 million pounds.

(c) The 1995-crop national marketing quota is 9.0 million pounds.

(d) The 1996-crop national marketing quota is 8.9 million pounds.

(e) The 1997-crop national marketing quota is 8.4 million pounds.

(f) The 1998-crop national marketing quota is 6.63 million pounds.

(g) The 1999-crop national marketing quota is 4.5 million pounds.

(h) The 2000-crop national marketing quota is 3.64 million pounds.

[58 FR 36857, July 9, 1993, as amended at 59 FR 27220, May 26, 1994; 60 FR 38234, July 26, 1995; 61 FR 63702, Dec. 2, 1996; 62 FR 43922, Aug. 18, 1997; 64 FR 15295, Mar. 31, 1999; 65 FR 41556, July 6, 2000; 65 FR 64594, Oct. 30, 2000]

### § 723.118 Cigar-filler (type 46) tobacco.

(a) The 1993-crop national marketing quota is zero pounds.

(b) The 1994-crop national marketing quota is zero pounds.

(c) The 1995-crop national marketing quota is 0.0 million pounds.

(d) There shall be no national or individual marketing quotas for the 1996 and subsequent marketing years for this type (46).

[58 FR 36857, July 9, 1993, as amended at 59 FR 27220, May 26, 1994; 60 FR 38234, July 26, 1995; 61 FR 63702, Dec. 2, 1996]

### §§ 723.119–723.121 [Reserved]

## Subpart B—Allotments, Quotas, Yields, Transfers, Release and Reapportionment, History Acreages, and Forfeitures

### § 723.201 Determination of preliminary farm acreage allotments and preliminary farm marketing quotas.

(a) *Flue-cured tobacco*. A preliminary farm acreage allotment shall be determined for the current year for each farm which has flue-cured tobacco history acreage for the base period. The preliminary farm acreage allotment shall be the same as the farm acreage allotment established for the preceding year.

(b) *Burley tobacco*. The preceding year's farm marketing quota shall be the current year's preliminary farm marketing quota for each old farm except that the preliminary farm marketing quota shall be zero if:

(1) The farm or all of cropland has gone out of agricultural production and eminent domain procedure of part 718 of this chapter does not apply.

(2) Quota that was pooled under the provisions of part 718 of this chapter has been canceled.

(3) A new farm quota that was established in a prior year is canceled.

(4) There was no acreage of burley tobacco planted or considered planted for any year of the base period.

(5) All the cropland on the farm has been determined by the county FSA committee to be no longer suitable for the production of a crop and provisions of part 704 of this chapter do not apply.

(6) Beginning with the 1994 crop year there was no acreage of burley tobacco planted or considered planted in 2 out of the 3 immediate preceding years.

(c) *Kinds of tobacco other than flue-cured and burley*. A preliminary farm acreage allotment shall be determined for each farm which has tobacco history acreage, as established under paragraph § 723.218 of this part in the base period. If the history acreage for the previous year is the same as the basic allotment, the preliminary allotment shall be the same as the previous year's basic allotment. Otherwise, the preliminary allotment shall be the simple average of the sum of the basic allotment and history acreage for the preceding year.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21441, May 9, 1991]

### § 723.202 Determining farm acreage allotment, except for flue-cured tobacco.

With respect to each kind of tobacco, the preliminary allotments determined for all old farms shall be adjusted uniformly so that the total of such allotments for old farms plus the reserve acreage available for establishing new farm allotments, adjusting inequities in acreage allotments for old farms, and for correcting errors in old farm allotments shall not exceed the national acreage allotment established for such kind of tobacco.

### § 723.203 Determination of flue-cured tobacco preliminary farm yields.

(a) *Old farms*. The preliminary farm yield for a flue-cured tobacco old farm for the current year shall be determined as follows:

(1) *Farm having preliminary farm acreage allotment*. The preliminary farm yield established for the farm shall be the same preliminary farm yield as was in effect for the preceding year.

(2) *Farm not having preliminary farm acreage allotment*. The preliminary farm yield shall be determined by dividing the farm yield by the national yield factor.

(b) *New Farms*. The preliminary farm yield for a new farm shall be determined by dividing the farm yield determined in accordance with § 723.204 of this part for such farm by the national yield factor applicable for the year in which the new farm allotment was established.

### § 723.204 Determination of farm yields and normal yields.

(a) *Flue-cured tobacco*. The farm yield for an old farm shall be determined by multiplying the preliminary farm yield, if the farm has such a yield, by the national yield factor for the current year. The farm yield for new farms and old farms that do not have a preliminary yield shall be that yield, which the county FSA committee determines for the farm taking into consideration:

(1) The soil and other physical factors affecting the production of tobacco on the farm, and

(2) The farm yields determined for other farms on which the soil and other physical factors affecting the production of tobacco are similar.

(b) *Burley tobacco*. The farm yield for a farm on which a farm yield has been established shall be the same in the current year as the farm yield previously established for the farm. For any farm not having a previously established yield, the county FSA committee shall establish a yield based on similar farms having a farm yield; however, such yield shall not exceed 3500 pounds.

(c) *All kinds of tobacco except burley and flue-cured*. The normal yield for a farm shall be that yield which the county FSA committee determines is normal for the farm taking into consideration the yields obtained on the farm during any of the years of the base period for which data are available, the soil and other physical factors affecting the production of tobacco on the farm, and the yields obtained on other farms in the locality which are similar with respect to such factors. The normal yield first determined for a farm for any year in accordance with the foregoing provision shall serve as the normal yield for the farm for all purposes in connection with the tobacco marketing program for the year for which such normal yield is determined.

### § 723.205 Determination of farm acreage allotments and effective farm acreage allotments for flue-cured tobacco.

(a) *Farm acreage allotments*. The farm acreage allotment shall be determined by multiplying the national acreage

factor as determined by the Secretary for the current year by the preliminary farm acreage allotment for the current year and adjusting the result by:

(1) *Upward adjustment*. Adding the:

(i) Acreage approved in accordance with the provisions of § 723.210 of this part in order to adjust for an inequity or to correct an error;

(ii) Acreage determined by dividing the pounds of quota which are purchased in the current year by the farm yield; and

(iii) Acreage determined by dividing the pounds of forfeited quota which are approved for adjustment from the forfeiture pool by the farm yield.

(2) *Downward Adjustment*. Subtracting the:

(i) Acreage determined by dividing the pounds of quota sold in the current year by the farm yield; and

(ii) Acreage of forfeited allotment.

(b) *Effective farm acreage allotment*. The effective farm acreage allotment for the current year shall be determined by dividing by the effective farm marketing quota by the farm yield.

### § 723.206 Determining farm marketing quotas and effective farm marketing quotas.

(a) *Burley tobacco*. The burley farm marketing quota shall be determined by multiplying the national factor as determined by the Secretary for the current year by the preliminary farm marketing quota for the current year and adjusting the result for permanent quota adjustments.

(b) *Flue-cured tobacco*. The flue-cured farm marketing quota shall be determined by multiplying the farm acreage allotment by the farm yield.

(c) *Burley or flue-cured tobacco*. The effective farm marketing quota shall be the farm marketing quota adjusted by:

(1) *Upward adjustments*. Adding the:

(i) Effective undermarketings from the preceding marketing year,

(ii) The pounds of quota which are temporarily transferred to the farm in the current year.

(2) *Downward adjustments*. Subtracting the pounds of quota that are:

(i) Overmarketed from the preceding marketing year,

(ii) Overmarketed from any year before the preceding year but have not been subtracted when determining the effective farm marketing quota in a prior year.

(iii) Temporarily transferred from the farm in the current year.

(iv) Reduced in the current year as a result of a violation in a prior year as provided for in § 723.408 of this part.

(v) [Reserved]

(vi) Determined, for flue-cured tobacco only, by multiplying the farm yield by the acres reduced from the flue-cured tobacco acreage allotment during the current year in accordance with part 704 of this chapter.

(vii) For burley tobacco only, designated for reduction under a Conservation Reserve Program contract in accordance with part 704 of this chapter.

### § 723.207 Determination of acreage allotments or burley marketing quotas for new farms.

(a)(1) *All kinds of tobacco*. The acreage allotment or burley marketing quota established in any crop year for all new farms shall not exceed the national acreage or poundage, as applicable, reserved for new farms for the respective kind of tobacco. The acreage allotment or burley marketing quota for a new farm shall be that acreage or burley marketing quota which the county FSA committee, with the approval of the State FSA committee, determines is fair and reasonable for the farm, taking into consideration the past tobacco experience of the farm operator; the land, labor, and equipment available for the production of tobacco; crop rotation practices; and the soil and other physical factors affecting the production of tobacco. Such acreage allotments or burley marketing quota shall not exceed 50 percent (75 percent for Cigar-filler and Binder tobacco) of the average of the applicable acreage allotments or burley marketing quotas established for at least two but not more than five old farms which are similar with respect to land, labor; and equipment available for the production of tobacco; crop rotation practices; and the soil and other physical factors affecting the production of tobacco; and with respect to flue-cured tobacco

acreage allotments, shall not exceed one acre.

(2) *Kinds of tobacco, except burley and flue-cured.* If the acreage planted to tobacco on a new tobacco farm is less than 75 percent of the tobacco acreage allotment otherwise established for the farm pursuant to this section, such allotment shall be automatically reduced to the sum of the tobacco planted acreage and the prevented planted tobacco acreage as determined under part 718 of this chapter for the farm.

(b)(1) *Written application.* The farm operator must file an application for a new farm acreage allotment or marketing quota at the office of the county FSA committee where the farm is administratively located on or before February 15 of the year for which the new farm acreage allotment or marketing quota is requested.

(2) *Operator requirements.* The operator requesting a new farm acreage allotment or marketing quota must be the sole owner of the farm, except for Cigar-filler and Binder tobacco, the operator need not own the farm. The farm operator shall not own or have an ownership interest in or operate any other farm in the United States for which a tobacco allotment or quota for any kind of tobacco is established for the current year.

(3) *Availability of equipment and facilities.* The operator must own, or have readily available, adequate equipment and any other facilities of production necessary to the production of tobacco on the farm.

(4)(i) *Income from farming.* The operator must expect to obtain during the current year more than 50 percent of the producer's income from the production of agricultural commodities or products. The following shall be considered in computing the operator's income:

(A) *Farm income.* Income from farming shall include the estimated return from home gardens, livestock and livestock products, poultry, or other agricultural products produced for home consumption or other use on the farm(s). The estimated return from the production of the requested new farm allotment or quota shall not be included.

(B) *Non-farm income.* Non-farming income shall include but not limited to salaries, commissions, pensions, social security payments, and unemployment compensation.

(C) *Spousal income.* The spouse's farm and non-farm income shall be included in the computation.

(ii) *Operator a partnership.* If the operator is a partnership, each partner must expect to obtain more than 50 percent of their current year income from farming.

(iii) *Operator a corporation.* If the operator is a corporation, it must have no other major corporate purpose other than ownership or operation of the farm(s). Farming must provide its officers and general manager with more than 50 percent of their expected income. Salaries and dividends from the corporation shall be considered as income from farming.

(iv) *Special provisions for low-income farmers.* The county FSA committee may waive the income provisions in this section provided they determine that the farm operator's income, from both farm and non-farm sources is so low that it will not provide a reasonable standard of living for the operator and the operator's family, and a State FSA committee representative approves such action. In making their determination, the county FSA committee shall consider such factors as size and type of farming operations, estimated net worth, estimated gross family income, estimated family off-farm income, number of dependents, and other factors affecting the individual's ability to provide a reasonable standard of living.

(5) *Experience.* The operator must have had experience in producing, harvesting, and marketing the kind of tobacco requested. Such experience must have been gained by being a sharecropper, tenant, or farm operator (bona fide tobacco production experience gained by a person as a member of a partnership shall be accepted as experience gained in meeting this requirement) during at least 2 of the 5 years immediately preceding the year for which the new farm allotment is requested. The experience must have been gained on a farm having a tobacco allotment for such years for the kind of

tobacco requested in the application. However, for Cigar-filler and binder tobacco only, the operator must have experience in any prior year in the production of tobacco as a farm owner, farm operator, sharecropper, tenant, warehouse operator, or laborer on a farm which produced Cigar-filler and binder tobacco.

(6) *Operator has not sold or forfeited allotment.* For flue-cured tobacco only, during the current or the 4 preceding years, the operator must not have sold or forfeited any flue-cured tobacco allotment from any farm.

(c) *Eligibility requirements for the farm.* A new farm acreage allotment or marketing quota may be established if each of the following conditions is met:

(1) *Current allotment or quota.* The farm must not have on the date of approval of a new farm acreage allotment, an allotment or quota for any kind of tobacco.

(2) *Availability of land, type of soil, and topography.* The available land, type of soil, and topography of the land on the farm must be suitable for tobacco production. Also, continuous production of tobacco must not result in an undue erosion hazard.

(3) *Eminent domain acquisition.* A farm which includes land acquired by an agency having the right of eminent domain for which the entire tobacco allotment was pooled pursuant to part 718 of this chapter, which is subsequently returned to agricultural production shall not be eligible for a new farm allotment or marketing quota for a period of 5 years from the date the former owner was displaced.

(4) *Farm includes land previously having a tobacco acreage allotment.* A farm which includes land which has no tobacco allotment because the owner did not designate an allotment for such land when the parent farm was reconstituted pursuant to part 718 of this chapter shall not be eligible for a new farm acreage allotment for a period of 5 years beginning with the year in which the reconstitution became effective.

(5) *Entire quota sold.* A new farm tobacco acreage allotment may not be established for a farm if, during the current year or the 4 preceding years, the farm was constituted as any part of a farm for which an acreage allotment or marketing quota had been established and for which the current or a former owner sold or permanently transferred all of the tobacco acreage allotment or marketing quota.

(d) *False information.* Any new farm acreage allotment or marketing quota which was determined by the county FSA committee on the basis of incomplete or inaccurate information knowingly furnished by the applicant, shall be canceled by the county FSA committee as of the date the allotment or quota was established. When incomplete or inaccurate information was unknowingly furnished by the applicant, the allotment or quota shall be canceled effective for the current crop year.

(e) *Failure to plant.* A new farm acreage allotment or marketing quota shall be reduced to zero if no tobacco is planted on the farm the first year.

### § 723.208 Determination of acreage allotments, marketing quotas, and yields for divided farms.

(a) *Flue-cured tobacco.* The farm acreage allotment for the divided farm shall be divided pursuant to the provisions of part 718 of this chapter. History acreages and other basic data shall be apportioned among the divided tracts as provided in part 718 of this chapter.

(b) *Burley tobacco.* (1) *Division of farm marketing quota.* The farm marketing quota for the divided farm shall be divided according to part 718 of this chapter. Other basic data shall be apportioned among the resulting farms in the same proportion as the farm marketing quota.

(2) *Divided burley tobacco farms with less than 1,000 pounds of quota.* If a farm is divided through reconstitution and the burley tobacco poundage quota which transfers with the resulting farms receive less than 1,000 pounds of quota, the owners of such farms shall take action by July 1 of the current crop year to increase the quota to a minimum of 1,000 pounds or the quota shall be reduced to zero. The quota on the divided farms may be increased by:

(i) Combining the farm having less than 1,000 pounds with other land owned by the same person so that the

combined farm has a minimum of 1,000 pounds of farm marketing quota, or

(ii) Purchasing a sufficient amount of quota so that the farm has at least 1,000 pounds of quota.

(3) *Sale of Quota*. If the owners of the divided farms fail to increase the quota on such farms to a minimum of 1,000 pounds as provided in paragraph (b)(2), the owner must sell the quota by July 1 of the current crop year.

(4) *Effective Quota*. For the current crop year, the effective farm marketing quota on the divided farms shall be considered to be zero for leasing and planting purposes until the farm complies with the 1,000 pound minimum quota.

(5) *Reduction of Quota*. The county FSA committee shall reduce the quota to zero on the divided farms if the owners of such farms fail to take action as provided in paragraph (b)(2) and (3) of this section.

(6) *Farm Exemptions*. Farms exempt from the 1,000 pound minimum quota limitation are farm divisions:

(i) among immediate family members,

(ii) through probate or,

(iii) when no sale or change in ownership of land occurs or,

(iv) when the buyer and purchaser can furnish proof acceptable to the county FSA committee, in accordance with guidelines provided by the Deputy Administrator, that the transaction was finalized prior to November 15, 1990.

(v) when the individual tract or farm with less than 1,000 pounds of quota could be combined with another tract or farm with sufficient quota to reach 1,000 pounds but for the existence of a production flexibility contract on one of the farms.

(c) *Burley and flue-cured tobacco*. (1) *Tract yield*. The tract yield for the tracts divided from a parent farm shall be the same as the tract yield established for the tracts before the division of the parent farm. If a tract is divided, the tract yields for the resulting tracts shall be the same as the tract yield established for the tract before it was divided.

(2) *Single tract farm*. If a tract that is divided from a parent farm becomes a single tract farm, the tract yield shall become the preliminary farm yield and the farm yield for the farm shall be determined by multiplying the preliminary farm yield by the national yield factor for the current year.

(3) *Carryover tobacco*. Where carryover tobacco produced on a parent farm is marketed after the effective date of a reconstitution, such marketings shall be charged to the divided tracts in the same ratio as the marketing quotas are established for the divided tracts or as the county FSA committee determines that:

(i) The proceeds from such marketings are received by the owner or operator of one or more of the divided tracts, or

(ii) The owners of the divided tracts agree.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21441, May 9, 1991; 62 FR 15600, Apr. 2, 1997]

### § 723.209 Determination of acreage allotments, marketing quotas, yields for combined farms; and special tobacco combinations.

(a) *Burley tobacco*. The farm yield for a combined burley farm shall be the weighted average of the tract yields for the tracts being combined. The weighted average shall be the summation of the extensions of each respective tract's contribution percentage times the tract's yield.

(b) *Flue-cured tobacco*. Flue-cured farm acreage allotments, history acreages, and other basic data for combined farms shall be computed for the base period in accordance with part 718 of this chapter, except that the preliminary farm yield for a combined farm shall be the weighted average of the tract yields for the tracts that comprise the combination. The weighted average shall be the summation of the extensions of each respective tract's contribution percentage times the tract's yield. The farm yield for the combined farm shall be determined by multiplying the preliminary farm yield for the combined farm by the national yield factor for the current year.

(c) *Special tobacco combinations*. Notwithstanding other provision of this title, the Deputy Administrator may, upon proper application and to the extent deemed consistent with other obligations, permit farms, with respect to

tobacco allotments and tobacco quotas, to be considered combined for purposes of this part and part 1464 of this title only without being combined for other purposes. This allowance shall apply for tobacco of all kinds and types and with respect to all farms even if one or more of the farms to be combined is the subject of a production flexibility contract (PFC) executed in connection with the program operated under the provisions of 7 CFR part 1412. Such special, limited combinations must otherwise meet the requirements of 7 CFR part 718 for combinations, except the signature (consent) requirements of § 718.201(a)(2) of that part. The Deputy Administrator may set such consent requirements for special farm combinations under this section as the Deputy Administrator believes necessary or appropriate. Further, in any case in which one of the farms is a PFC farm, none of the land on any PFC farm that would have been used for the production of tobacco can be used for the production of a ''PFC commodity'' as defined in this section. Such permission shall be conditioned upon the agreement of all interested parties that land on the PFC allotment or quota farm that would have been used for the production of tobacco shall not be used for the production of any PFC commodity. In the event that such production nonetheless occurs, the special tobacco combination may be made void, retroactive to the date of original approval. Such curative action will likely result in a finding of excess tobacco plantings and sanctions and remedies, which would likely include liability for penalties and other sanctions for excess marketings of tobacco. The Deputy Administrator may set such other conditions on the combinations as needed or deemed appropriate to serve the goals of the tobacco program and the goals of the PFC. The term *PFC commodity* for purposes of this section means wheat, corn, grain sorghum, barley, oats, upland cotton, and rice.

[55 FR 39914, Oct. 1, 1990, as amended at 62 FR 15600, Apr. 2, 1997; 63 FR 9128, Feb. 24, 1998; 63 FR 26714, May 14, 1998]

**§ 723.210 Corrections of errors and adjusting inequities in acreage allotments and marketing quotas for old farms.**

(a)(1) *General*. The allotment or quota for a farm under a long-term land use program agreement shall be given the same consideration under this section as the allotment or quota for any other old farm. Notwithstanding the limitations contained in any other section of this part, the farm acreage allotment or marketing quota for each kind of tobacco established for an old farm may be increased to correct an error or adjust an inequity if the county FSA committee determines, with the approval of a representative of the State FSA committee, that the increase is necessary to establish an allotment or quota for such farm which is fair and equitable in relation to the allotment or quota for other old farms in the county in which the farm is located. Correction of errors shall be made out of that portion of the national reserve held at the national level.

(2) *Burley tobacco*. The reserve for adjusting inequities under this paragraph will be prorated to States based on the relationship of the total of the preliminary farm marketing quotas in each State to the national total of preliminary farm marketing quotas.

(3) *All kinds of tobacco except burley tobacco*. The reserve for adjusting inequities under this paragraph will be prorated to States based on the relationship of the total preliminary farm acreage allotments in each State to the national total of preliminary farm acreage allotments.

(b) *Basis for adjustment*. Increases to adjust inequities in acreage allotments or marketing quotas shall be made on the basis of the past farm acreage, yields, and farm acreage allotments of tobacco, making due allowances for failed acreage and acreage prevented from being planted because of a natural disaster as determined under part 718 of this chapter; land, labor, and equipment available for the production of tobacco; crop rotation practices; and the soil and other physical factors affecting the production of tobacco. The

total of all adjustments in old farm allotments or quotas under this paragraph shall not exceed the pounds apportioned to the county for such purpose.

(c)(1) *Burley tobacco*. Adjustments in a farm marketing quota under this paragraph shall become a part of the farm marketing quota.

(2) *Flue-cured tobacco*. Acreage apportioned to a farm under this section becomes a part of the farm acreage allotment. The farm marketing quota for such a farm shall be adjusted by multiplying the adjusted farm acreage allotment by the farm yield.

(3) *All other kinds of tobacco*. For all other kinds of tobacco, acreage approved for a farm under this section becomes a part of the farm acreage allotment.

(d) *Making certain adjustments on a common ownership unit basis*. Notwithstanding other provisions of this section, inequity adjustments may be allotted by common ownership unit rather than by farm when it is determined by the county FSA committee that the making of the allocation on that basis provides greater equity.

[55 FR 39914, Oct. 1, 1990, as amended at 63 FR 11582, Mar. 10, 1998]

### § 723.211 Allotments, quotas, and yields for farms acquired under right of eminent domain.

(a) *Determination of acreage allotments and marketing quotas*. The determination of farm acreage allotments and marketing quotas for farms acquired by an agency having the right of eminent domain, the transfer of such allotments or quotas to a pool, and reallocation from the pool shall be administered as provided in part 718 of this chapter. Where all or a part of an allotment or quota is pooled, all or a proportionate part of the farm acreage allotment or marketing quota shall be pooled.

(b) *Closing dates*. The State FSA committee shall establish, in accordance with instructions issued by the Deputy Administrator, a final date for:

(1) *Release*. Releasing pooled farm acreage allotment or farm marketing quota to the county FSA committee for reapportionment to other farms in the county having allotments or quotas for the same kinds of tobacco.

(2) *Request for reapportionment*. Filing a request to receive reapportioned acreage or quota from the county FSA committee for the current year.

(c) *Displaced owner release*. The displaced owner of a farm may, not later than the final release date established by the State FSA committee for the current year, release in writing to the county FSA committee for the current year, all or any part of the acreage allotment or burley tobacco marketing quota for the farm in a pool under part 718 of this chapter for reapportionment for the current year by the county committee to other farms in the county having allotments or marketing quotas for the same kind of tobacco.

(d) *Reapportionment*. The county FSA committee may reapportion, not later than 30 days after the final date established by the State FSA committee for requesting reapportioned acreage or marketing quota for the current year, the released acreage or quota or any part thereof to other farms in the county on the basis of the past farm acreage or marketings and the past farm acreage allotments or quotas for the same kind of tobacco; land, labor, and equipment available for the production of such kind of tobacco; crop rotation practices; and soil and other physical factors affecting the production of such kind of tobacco.

(e) *Effect of reapportionment*. For purposes of establishing future farm allotments or quotas, any reapportioned allotment or quota shall not be considered as planted on the farm to which the allotment or quota was reapportioned.

(f) *Burley or flue-cured tobacco provisions*. For burley or flue-cured tobacco:

(1) *Farm yield*. The farm yield for a farm to which a pooled marketing quota is transferred shall be determined in accordance with instructions issued by the Deputy Administrator.

(2) *Undermarketings or overmarketings*. The undermarketings of a farm acquired by eminent domain shall be added to the marketing quota for the receiving farm and the overmarketings of the acquired farm shall be subtracted from the marketing quota of the receiving farm.

(3) *Undermarketings while in eminent domain pool.* The pooled quota is considered planted while in the pool. Therefore, for the purpose of determining undermarketings during the time the quota is pooled, the effective quota is considered to be zero.

**§ 723.212 Time for making reduction of farm marketing quotas or acreage allotments for violation of the marketing quota or acreage allotment regulations for a prior marketing year.**

Any reduction made in a farm acreage allotment or farm marketing quota for the current year for any of the reasons provided for in § 723.408 of this part, shall be made no later than April 1 of the current year in the States of Alabama, Florida, Georgia, North Carolina, South Carolina, and Virginia; or May 1 in all other States. If the reduction cannot be made by such dates for the current year, the reduction shall be made in the farm acreage allotment or farm marketing quota next established for the farm, but no later than by corresponding dates in a later year. No reduction shall be made in the farm acreage allotment or farm marketing quota for any farm for a violation if the farm acreage allotment or marketing quota for such farm for any prior year was reduced because of the same violation.

**§ 723.213 Approval of acreage allotments and marketing quotas and notices to farm operators.**

(a) *Review by State FSA committee.* All farm yields, acreage allotments, and marketing quotas shall be determined by the county FSA committee of the county in which the farm is located and shall be reviewed by a representative of the State FSA committee.

(b) *Notice to farm operator.* An official notice of the effective farm acreage allotment or farm marketing quota shall be mailed to the operator of each farm shown by the records of the county FSA committee to be entitled to an allotment or quota. The notice to the operator of the farm shall constitute notice to all persons who as operator, landlord, tenant, or sharecropper are interested in the farm for which the allotment or quota is established. Insofar as practicable, all notices shall be mailed in time to be received prior to the date of any tobacco marketing quota or acreage allotment referendum. A copy of such notice containing the date of mailing or a printout summary of such data shall be maintained for not less than 30 days in a conspicuous place in the county FSA office and shall thereafter be kept available for public inspection in the office of the county FSA committee. A copy of the notice of acreage allotment or marketing quota certified as true and correct shall be furnished to any person interested in the farm for which the allotment or quota is established.

(c) *Marketing quota erroneous notice.* (1) If the official written notice of the farm acreage allotment and marketing quota issued for any farm erroneously stated an acreage allotment or marketing quota larger than the correct effective farm acreage allotment or marketing quota, the acreage allotment or marketing quota shown on the erroneous notice shall be deemed to be the tobacco acreage allotment or marketing quota for the farm for the current year only, if the county FSA committee determines (with the approval of the State Executive Director) that the:

(i) Error was not so gross as to place the operator on notice thereof, and

(ii) Operator, relying upon such notice and acting in good faith, materially changes the operator's position with respect to the production of the crop.

(2) Undermarketings and overmarketings for farms for which the erroneous notice of marketing quota is applied shall be determined based on the correct effective farm marketing quota.

(3) For purposes of determining history acreage the correct acreage allotment shall be used, in determining whether or not 75 percent of the allotment has been planted.

[55 FR 39914, Oct. 1, 1990, as amended at 63 FR 11582, Mar. 10, 1998]

**§ 723.214 Application for review.**

Any producer who is dissatisfied with the farm acreage allotment and marketing quota established for the producer's farm may, within 15 days after mailing of the official notice of the

farm acreage allotment and marketing quota, file application in writing with the county FSA office to have such allotment and marketing quota reviewed by a review committee in accordance with part 711 of this chapter.

### § 723.215 Transfer of tobacco farm acreage allotment or farm marketing quota that cannot be planted or replanted due to a natural disaster.

(a) *Designation of counties affected by a natural disaster*. The State FSA committee shall determine those counties affected by a natural disaster (including but not limited to hurricane, rain, flash flood, hail, drought, and any other severe weather) which prevents the timely planting or replanting of any of the tobacco acreage allotment or marketing quota for any farm in the county. The county FSA committee of each county affected by the determination shall publicize the determination.

(b) *Application for transfer*. The owner or operator of a farm in a county designated for any year under paragraph (a) of this section may file a written application for transfer of tobacco acreage with the farm acreage allotment or marketing quota for such year to another farm or farms in the same county or in any other nearby county in the same or another State if such acreage cannot be planted or replanted because of the natural disaster determined for such year. The application shall be filed with the county FSA committee for the county in which the farm affected by such disaster is located. If the application involves a transfer to a nearby county, the county FSA committee for the nearby county shall be consulted before action is taken by the county FSA committee receiving the application.

(c)(1) *Amount of burley tobacco transfer*. The burley quota to be transferred shall not exceed the smaller of:

(i) The effective farm quota established under this part less such quota planted to tobacco and not destroyed by the natural disaster, or

(ii) The quota requested to be transferred.

(2) *Amount of transfer for other than burley tobacco*. The allotment to be transferred shall not exceed the smaller of:

(i) The farm allotment established under this part less such acreage planted to tobacco and not destroyed by the natural disaster, or

(ii) The allotment requested to be transferred.

(d) *County FSA committee approval*. The county FSA committee shall approve the transfer if it finds that:

(1) All or part of the farm acreage allotment or marketing quota for the transferring farm could not be timely planted or replanted because of the natural disaster.

(2) One or more of the producers of tobacco on the transferring farm will be a bona fide producer engaged in the production of tobacco on the receiving farm and will share in the proceeds of the tobacco.

(e) *Cancellation of transfer*. If a transfer is approved under this section and it is later determined that the conditions in paragraph (d) of this section have not been met, the county FSA committee, or the Deputy Administrator may cancel such transfer. Action by the county FSA committee to cancel a transfer shall be subject to the approval of the State FSA committee or its representative.

(f) *Acreage history credits*. Any acreage transferred under this paragraph shall be considered for the purpose of determining future allotments or quotas to have been planted to tobacco on the farm from which such allotment or quota is transferred.

(g) *Closing dates*. The closing date for filing applications for transfers with the county FSA committee shall be July 15 of the current year. Notwithstanding such closing date requirement, the county FSA committee may accept applications filed after the closing date upon a determination by the county FSA committee that the failure to timely file an application was the result of conditions beyond the control of the applicant and a representative of the State FSA committee approves such determination.

### § 723.216 Transfer of tobacco acreage allotment or marketing quota by sale, lease, or owner.

(a) *General*. The allotment or quota established for a farm may be transferred to another farm to the extent

provided for in this section. For transfers by sale, common ownership units on a farm may be considered to be separate farms. Transfers are not permitted for cigar binder (types 54 and 55) tobacco allotments.

(1) *Types of transfers*. With respect to:

(i) Cigar-filler (type 46) and cigar-filler (types 42, 43, and 44), tobacco transfers may be by lease only.

(ii) Flue-cured tobacco, transfers may be by:

(A) Sale, or

(B) Lease under certain natural disaster conditions provided in this section.

(iii) Burley tobacco, transfers may be by:

(A) Lease

(B) Owner, or

(C) Sale.

(iv) Fire-cured, dark air-cured, and Virginia sun-cured tobacco, transfers may be by:

(A) Lease,

(B) Owner, or

(C) Sale.

(2) *Transfer agreement*. In order to transfer a marketing quota or allotment between two eligible farms, including a marketing quota or allotment that is pooled in accordance with part 718 of this chapter, the transfer must be recorded on Form FSA–375 and:

(i) *Where to file*. Filed in the county FSA office which serves the county in which the transferring farm is located for administrative purposes.

(ii) *Signature-burley tobacco*. Signed by, for burley tobacco only:

(A) *Leases*. The owner and operator of the transferring farm and the owner or operator of the receiving farm. For leases made under the disaster provisions of this section, the signature of the owner of the transferring farm will not be required if the FSA determines that the farm is cash leased for the current crop year and that the owner does not share in the crop.

(B) *Sales*. The owner of the selling farm and an active burley tobacco producer who is the buyer. If the buyer is neither owner nor operator of the farm to which the quota will be assigned, the owner or operator of the farm must give written consent for the quota to be assigned to the farm.

(C) *Owner transfers*. The owner of the transferring farm, who also must be the owner or operator of the receiving farm.

(iii) *Signature-flue-cured tobacco*. Signed by, for flue-cured tobacco only:

(A) *Leases*. The owner of the transferring farm and the owner or operator of the receiving farm. For leases made under the disaster provisions of this section, the signature of the owner of the transferring farm will not be required if the FSA determines that the farm is cash leased for the current crop year and that the owner does not share in the crop.

(B) *Sales*. The owner of the selling farm and an active flue-cured tobacco producer who is the buyer. If the buyer is neither owner nor operator of the farm to which allotment and quota will be assigned, the owner or operator of the farm must be given written consent for the allotment and quota to be assigned to the farm.

(iv) *Signatures—except burley and flue-cured tobacco*. Signed by, for all kinds of tobacco other than burley and flue-cured tobacco, the owner and operator of the transferring farm and the owner or operator of the receiving farm.

(v) *Witness*. Each person whose signature is required by paragraphs (a)(2)(ii), (iii), or (iv) of this section must sign Form FSA–375 in the presence of a State or county FSA committee member or employee who shall sign Form FSA–375 as a witness, except that when both the owner and the operator of a transferring farm must sign, such witness is required for the signature of either the owner or operator, but not both. If such signatures cannot be witnessed in the county FSA office where the farm is administratively located, they may be witnessed in any State or county FSA office convenient to the owner or operator's residence. The requirement that signatures be witnessed for producers that are ill, infirm, reside in distant areas, or are in similar hardship situations or may be unduly inconvenienced may be waived provided the county FSA office mails Form FSA–375 for the required signatures;

(b) *Effective date*. In order for the transfer to be effective for the current year, the Form FSA–375 shall be filed:

(1) *When to file—burley tobacco.* For burley tobacco:

(i) On or before July 1 of the current year, except as provided in paragraph (b)(1)(ii) of this section. An agreement to transfer quota by lease may be considered to have been filed on July 1 of the current year if such transfer agreement is filed not later than the end of the marketing year that begins during the current year and the county FSA committee, with the concurrence of the State FSA committee, determines that on or before July 1 of the current year the lessee and lessor agreed to such lease and transfer of quota and the failure to file such transfer agreement did not result from gross negligence on the part of any party to such lease and transfer.

(ii) After July 1 of the current crop year and before February 16 of the following calendar year when the transfer is by lease and the transferring farm has suffered a loss of production of burley tobacco due to hail, drought, excessive rain, wind, tornado, or other natural disasters as determined by the Deputy Administrator.

(2) *When to file—flue-cured tobacco.* For flue-cured tobacco:

(i) On or before June 15 if the transfer is by sale.

(ii) After June 30 and on or before November 15 for a transfer by lease when the transferring farm has suffered a loss of production of flue-cured tobacco due to drought, excessive rain, hail, wind, tornado, or other natural disasters as determined by the Deputy Administrator.

(3) *When to file—except burley and flue-cured tobacco.* For all other kinds of tobacco, by the date established by the State FSA committee, except that a lease shall be effective if the county FSA committee, with the approval of a State FSA committee representative, finds that the producer was prevented from timely filing the transfer agreement due to reasons beyond the control of the producer.

(c) *Approval or disapproval.* A transfer agreement shall not be approved before the period for filing an application for review of the initial notice of allotment or quota has expired. The county FSA committee or its designee shall approve each transfer agreement that meets the eligibility requirements of this section. The county FSA committee shall disapprove any transfer agreement that does not meet the eligibility requirement of this section. Any approval or disapproval of a transfer agreement shall to the extent possible be made within 30 days after the transfer agreement is filed with the county FSA committee unless additional time is required as the result of conditions beyond the control of the county FSA committee. However;

(1) *Burley tobacco.* If an agreement is filed after July 1 which provides for the sale of quota, a transfer agreement shall not be approved until the next year's quota is computed for the selling farm. In addition, if marketing quota referendum will be conducted to determine whether or not quotas will be in effect for the crop, a transfer agreement shall not be approved until the Secretary announces that quotas have been approved by referendum.

(2) *Flue-cured tobacco.* If an agreement is filed after June 15 which provides for the sale of an allotment and quota, a transfer agreement shall not be approved until next year's allotment and quota is computed for the selling farm. In addition, if a marketing quota referendum will be conducted to determine whether or not quotas will be in effect for the crop, a transfer agreement shall not be approved until the Secretary announces that quotas have been approved by referendum.

(d) *Time of determination.* An approved transfer agreement shall become effective for the then current crop year, except that if an agreement that is filed after June 15 for the sale of flue-cured tobacco quota or after July 1 for the sale of burley tobacco quota, such approved agreement shall become effective for the next crop year.

(e) *Burley tobacco.* For burley tobacco only:

(1) *Basis for transfer by sale.* If the transfer of a quota is by sale, the transfer shall be based on part or all of the farm poundage quota.

(2) *Basis for transfer by lease or owner.* If the transfer of a quota is by lease or by the owner, transfer shall be based on a part of or all of the effective farm poundage quota.

(3) *Accumulation of quota.* A transfer by lease or by owner shall not be approved if the county FSA committee determines that the primary purpose of the transfer is to accumulate the quota on the farm (i.e., alternately transferring to and from the farm for 2 or more years to maintain the quota without satisfactory evidence of plans for producing the quota on the receiving farm).

(4) *Subleasing.* In order to determine whether there is any subleasing of a burley farm marketing quota, the current year is divided into two periods, the period up to and including July 1, and the period after July 1. The county FSA committee shall not approve a transfer during either period if the effect would be both a transfer to and from the farm during the same period. However, a transfer may be approved within any crop year if quota is transferred from a farm for one or more years and the farm subsequently is combined with another farm that otherwise is eligible to receive quota by lease or by the owner.

(5) *Transferring farm restrictions.* An agreement to transfer quota from a farm by lease or by the owner shall not be approved:

(i) *Limitation.* If the pounds of quota being transferred exceed the difference obtained by subtracting from the effective farm marketing quota the total pounds of quota purchased and/or reallocated from forfeited quota in the current and two preceding years, as adjusted to reflect changes in national quota factors which have occurred since each respective purchase and/or reallocation of quota. However, this provision shall not be applicable to transfer agreements that are filed after July 1.

(ii) *New farm.* If the farm is a new farm.

(iii) *Reduction pending.* If consideration of a marketing quota violation is pending which may result in a quota reduction for the farm for the current year. However, if the county FSA committee determines that a decision will not be made on the pending case on or before the date specified in § 723.212 of this part, a 1-year transfer will be approved if otherwise eligible.

(iv) *Filed on or before July 1.* Unless the receiving farm is administratively located in the same county as the transferring farm. However, for 1991 and subsequent crops, burley tobacco producers in the State of Tennessee shall be permitted to lease and transfer burley tobacco quota to any other farm in the State. In addition, such transfers outside the county but within the same state may be allowed for burley tobacco producers in Virginia, Kentucky, Ohio, or Indiana, if the burley tobacco producers in that state approve such transfers in a referendum conducted by the Secretary.

(v) *Filed after July 1.* If the transfer agreement is filed after July 1, unless the county FSA committee in the county in which the farm is located for administrative purposes determines that the:

(A) Farm's expected production of burley tobacco is less than 80 percent of the farm's effective marketing quota as a result of a flood, hail, wind, drought, excessive rain, tornado, or other natural disaster.

(B) Acreage planted to burley tobacco on the farm was sufficient to produce, under average conditions, an amount of tobacco which, when added to any carryover tobacco from the previous marketing year, would equal the farm's effective farm marketing quota.

(C) Lessor made reasonable and customary efforts to produce the effective farm marketing quota;

(D) Producers on the farm qualify for price support in accordance with the provisions of part 1464 of this title; and

(E) Receiving farm is administratively located in the same State as the transferring farm.

(vi) *Consent of lien holder.* For a multiple year transfer, if the farm is subject to lien, unless the lien holder agrees in writing to the transfer; and

(vii) *Claim for marketing quota penalty.* If a claim has been filed against the lessor for a tobacco marketing quota penalty and the claim remains unpaid; However, this provision shall not apply if the claim is paid or the entire proceeds of the lease of the quota are applied against the claim and the county FSA committee determines that the amount paid for the lease represents a

reasonable price for the pounds of quota being leased.

(viii) *Forfeiture pending*. To the extent that forfeiture of such quota is expected to become final before July 1.

(ix) *Divided farms with less than 1,000 pounds of quota*. If the farm has been divided by reconstitution and the divided farm has a farm marketing quota of less than 1,000 pounds subject to being reduced to zero pursuant to section 723.208(b).

(6) *Receiving farm restrictions*. An agreement to transfer quota to a farm by lease or by owner shall not be approved:

(i) *Filed on or before July 1*. If the transfer agreement is filed on or before July 1:

(A) Unless the receiving farm is administratively located in the same county as the transferring farm and the provisions of paragraph (e)(5)(iv) of this section are not applicable.

(B) If the pounds of quota being transferred to the farm exceed the smaller of 30,000 pounds or the difference between the farm marketing quota and one-half the result obtained by multiplying the acres of cropland on the farm by the farm yield.

(ii) *Filed after July 1*. If the transfer agreement is filed after July 1, unless the:

(A) Producers on the farm qualify for price support in accordance with the provisions of part 1464 of this title; and

(B) Pounds of quota to be transferred to the lessee farm do not exceed the difference obtained by subtracting the effective farm marketing quota (before the filing of the transfer agreement) for the lessee farm from the total pounds of tobacco marketed and/or available for marketing (based on estimated pounds of tobacco on hand and/or in the process of being produced) from the farm in the current year.

(C) Transferring farm is administratively located in the same State as the receiving farm.

(7) *Selling farm restrictions*. A transfer of quota from a farm by sale shall not be approved:

(i) *Previously purchased and/or reallocated quota*. If the farm marketing quota was bought and/or reallocated from quota previously forfeited as provided in § 723.219(i)(1), and the purchase and/or reallocation became effective within the current or any of the three preceding years; if the purchased and/or reallocated quota was obtained from quota purchased and/or reallocated as provided in paragraph (b) of this section within the four preceding years. However, this provision shall not be applicable if:

(A) The quota was purchased and/or reallocated to the farm during four preceding years; and

(B) The county FSA committee, with the concurrence of a representative of the State FSA committee, determines that the failure to permit the sale of quota, to the extent otherwise permitted by this section, would cause an undue hardship on the seller and the:

*(1)* Sale is in connection with the settlement of an estate which includes the farm for which the quota was established;

*(2)* Owner of the quota is experiencing financial distress to the extent that current year financing is unlikely;

*(3)* Owner of the quota is disabled due to health reasons to the extent that such person can no longer continue to share in the risk of production of the purchased and/or reallocated quota; or

*(4)* Owner of the quota is sharing in the risk of production as an investing producer and loses resources necessary to produce the crop due to reasons beyond such owner's control such as the loss of a tenant or sharecropper and a replacement cannot be obtained.

(ii) *Location of farms*. Unless both the selling farm and the buying farm are administratively located in the same county.

(iii) *Pounds for sale*. The pounds transferred by sale shall be based on part of all of the farm poundage quota.

(iv) *Reduction pending*. If consideration of an indicated marketing quota violation is pending which may result in quota reduction for the farm for the current year. However, if the county FSA committee determines that a decision will not be made on the pending case on or before the date specified in § 723.212 of this part, a transfer will be approved if otherwise eligible.

(v) *Forfeiture pending*. If the agreement for transfer by sale is filed subsequent to the final date which is permitted for the sale of the quota in order to prevent forfeiture.

(vi) *Claim for marketing quota penalty*. If a claim has been filed against the seller for a tobacco marketing quota penalty and the claim remains unpaid: However, this provision shall not be applicable if the claim for such penalty is paid or the entire proceeds of the sale of the quota are applied against the claim and the county FSA committee determines that the amount paid represents a reasonable selling price for the pounds of quota being sold.

(vii) *Consent of lien holder*. Requires consent of the lien holder, if the farm is subject to a lien, unless the lien holder agrees in writing to the transfer. However, consent of a lien holder is not required for a transfer of the pounds of quota from a farm for which forfeiture is required in accordance with the provisions of § 723.219.

(viii) *Quota is subject to an approved Conservation Reserve Program Contract*. If the quota has been reduced because of an approved Conservation Reserve Program contract according to part 704 of this chapter unless forfeiture is otherwise required.

(8) *Restrictions on buying farm*. A transfer of quota to a farm by purchase shall not be approved:

(i) *Active producers*. Unless the buyer is an active burley tobacco producer.

(ii) *Cropland limitation*. If the sum of the pounds of quota being transferred exceeds the difference between the farm marketing quota and one-half the result obtained by multiplying the acres of cropland on the farm by the farm yield.

(iii) *Quota previously sold*. If quota was sold from the farm in the current or either of the two preceding years.

(iv) Unless both the buying farm and the selling farm are administratively located in the same county.

(v) *Quota limitation*. If the sum of the pounds of quota being transferred in the current year exceeds the larger of: (A) 30 percent of the receiving farm's existing quota, or (B) 20,000 pounds.

(9) *Period of transfer*. A transfer by lease or by owner may be for a period of one to five years: However, an agreement to transfer quota by lease shall be limited to the current crop year if the transfer is filed after July 1 in accordance with the natural disaster provisions of this section.

(10) *Redetermination of quota after transfer by lease or by the owner*. After a transfer by lease or by the owner, the effective farm marketing quota shall be redetermined for both the transferring farm and the receiving farm.

(11) *Apportionment of data-selling farm*. The pounds of farm marketing quota retained on the selling farm after the sale of quota shall be divided by the farm marketing quota established for the selling farm before the sale to determine a factor for apportioning farm data. The data to be retained on the selling farm shall be determined by multiplying the factor by the following data:

(i) The amount of any overmarketings which have not been subtracted when a determination is made of the effective farm marketing quota of the selling farm;

(ii) The pounds of quota which have been transferred from the selling farm by lease or by the owner in the current year;

(iii) The pounds of quota which have been reduced in the current year as the result of a marketing quota violation in a prior year;

(iv) The pounds of quota transferred to the farm by lease or by owner in the previous year;

(v) The previous year's farm marketing quota; and

(vi) The previous year's effective farm marketing quota.

(12) *Apportionment of data-buying farm*. The buying farm's share of each respective item of farm data shall be determined by subtracting the pounds which are retained on the selling farm for the respective item from the pounds which were established for the selling farm for the respective item before the current sale of quota. However, the pounds of quota transferred from the selling farm by lease or by the owner and/or the pounds of quota reduction resulting from a marketing quota violation on the selling farm may be apportioned between the farms in accordance with a written agreement between the buyer and the seller if the farm

marketing quota retained on the selling farm is sufficient to satisfy the pounds of quota which were transferred by lease or by the owner, the pounds of quota which have been reduced as the result of a marketing quota violation, and the overmarketings for the farm, if any. The data determined in accordance with this paragraph shall he added to any previous data for the buying farm.

(13) *Redetermination quota after sale or purchase of quota*. After adjusting the data in accordance with the provisions of this section, the effective farm marketing quota shall be determined for both the buying and selling farm.

(14) *Farm division after transfer by lease*. If a farm is divided after there has been a transfer of a marketing quota to the farm by lease, the transferred quota shall be divided in the manner which is designated in writing by the lessee. In the absence of a written designation, the leased quota shall be apportioned in the same manner as the farm marketing quota of the parent farm.

(15) *Multiple year transfer by lease or by owner*. The effective farm marketing quota on a receiving farm having a multiple-year transfer agreement in effect shall be adjusted for each year for which such transfer agreement is in effect to reflect any decrease in the national quota factor which causes the farm marketing quota established for the transferring farm to be less than the pounds of quota which have been transferred to the receiving farm.

(16) *Considered planted credit*. Considered planted credit shall be given to the transferring farm when tobacco quota is transferred from the farm by lease or by owner.

(f) *Flue-cured tobacco*. For flue-cured tobacco only:

(1) *Location of buying and selling farms*. Marketing quota for flue cured tobacco transferred by sale must be to a farm administratively located within the same county, except that if 25 percent of the active flue-cured tobacco producers within a State petition the Secretary and the Secretary determines that a majority of the active flue-cured tobacco producers voting in the referendum approve, the sale of a flue-cured tobacco allotment or quota from a farm in the State to any other farm in the State shall be permitted if all other conditions for such transfers are met. Further, the Secretary may permit flue-cured farms with the same owner that are located in contiguous counties to be combined for administrative purposes as one farm, notwithstanding provisions in part 718 of this chapter that might not otherwise permit that kind of combination.

(2) *Maximum quota to be transferred by sale*. If the transfer is by sale, the transfer shall be based on part or all of the farm poundage quota. the maximum quota that may be transferred by sale is the farm poundage quota.

(3) *Transfer by lease-involvement of outside parties*. If the transfer is by lease, only the lessor and lessee (or any attorney, trustee, bank, or other agent who regularly represents either the lessor or lessee in business transactions unrelated to the production or marketing of tobacco) may be parties to, or involved in the arrangements for such transfer. The transfer shall be based on a portion or all of the effective farm poundage quota. The maximum quota that may be transferred by lease is the effective farm poundage quota.

(4) *Lessor farm restrictions*. A transfer of quota from a farm by lease shall not be approved:

(i) *New farm*. If the farm is a new farm.

(ii) *Natural disaster*. Unless the county FSA committee in the county in which the farm is located for administrative purposes determines that the:

(A)*(1)* The farm has planted an acreage equal to or more than 90 percent of the effective farm acreage allotment, or

(*2*) In accordance with guidelines issued by the Deputy Administrator, the planted acreage of flue-cured tobacco on the farm is sufficient to produce, under average conditions, an amount of tobacco which, when added to any carryover tobacco from the previous marketing year, would equal the farm's effective farm marketing quota;

(B) Lessor made reasonable and customary efforts to produce the effective farm marketing quota;

(C) Producers on the farm qualify for price support in accordance with the provisions of part 1464 of this title; and

(D) Farm's expected production of flue-cured tobacco is less than 80 percent of the farm's effective marketing quota as a result of a drought, excessive rain, hail, wind, tornado, or other natural disaster as determined by the Deputy Administrator.

(iii) *Claim for tobacco marketing quota penalty*. If a claim has been filed against the lessor for tobacco marketing quota penalty and the claim remains unpaid unless the claim is paid or the entire proceeds of the lease of the allotment and quota are applied against the claim and the county FSA committee determines that the amount of the lease represents a reasonable price for the pounds of quota being leased.

(iv) *Located in the same State*. Unless the lessor farm is administratively located in the same State as the lessee farm.

(5) *Lessee farm restrictions*. A transfer of quota to a farm by lease shall not be approved:

(i) *Price support eligibility*. Unless the producers on the farm qualify for price support under the provisions of part 1464 of this title; and

(ii) *Limitation*. If the pounds of quota to be transferred to the lessee farm exceed the difference obtained by subtracting the effective farm marketing quota (before the filing of the transfer agreement) for the lessee farm from the total pounds of tobacco marketed and/or available for marketing (based on estimated pounds of tobacco on hand and/or in the process of being produced) from the farm in the current year.

(iii) *Located in same State*. Unless the lessee farm is administratively located in the same State as the lessor farm.

(6) *Selling farm restrictions*. A transfer of quota from a farm by sale shall not be approved:

(i) *Previously purchased and/or reallocated quota*. If a farm marketing quota includes quota that was purchased and/or reallocated from the quota which has been forfeited and the purchase and/or reallocation became effective in the current or any of the three preceding years. However, this provision shall not be applicable if:

(A)(*1*) The quota being sold was purchased in such period, if forfeiture of such quota is required by §723.220 of this part, and the amount of quota being transferred does not exceed the amount of quota for which forfeiture otherwise is required in accordance with the provisions of §723.220 of this part; or

(*2*) The county FSA committee, with the concurrence of a representative of the State FSA committee, determines that the failure to approve the sale would cause an undue hardship on the seller and:

(B) The sale is in connection with the settlement of an estate which includes the farm for which the quota was established;

(C) The owner of the quota is experiencing financial distress to the extent that current year financing is unlikely;

(D) The owner of the quota is disabled due to health reasons to the extent that such person can no longer continue to share in the risk of production of the purchased and/or reallocated quota; or

(E) The owner of the quota is sharing in the risk of production as an investing producer and loses resources necessary to produce the crop due to reasons beyond such owner's control such as the loss of a tenant or share cropper and a replacement cannot be obtained.

(ii) *Reduction pending*. If consideration of an indicated violation is pending which may result in an allotment and quota reduction for the farm for the current year. However, if the county FSA committee determines that a decision will not be made on the pending case on or before April 1, a transfer may be approved.

(iii) *Forfeiture pending*. If the agreement for transfer by sale is filed subsequent to the final date which is permitted for the sale of the allotment and quota in order to prevent forfeiture.

(iv) *Consent of lien holder*. If the farm is subject to a lien unless the lien holder agrees in writing to the transfer: However, consent of a lien holder is not required for a transfer of the pounds of quota for which forfeiture is required in accordance with the provisions of §723.220 of this part.

(v) *Claim for marketing quota penalty*. If a claim has been filed against the seller for a tobacco marketing quota

penalty and the claim remains unpaid: However, this provision shall not be applicable if the claim for such penalty is paid or the entire proceeds of the sale of the allotment and quota are applied against the claim and the county FSA committee determines that the amount paid represents a reasonable selling price for the pounds of quota being sold.

(vi) *Allotment and quota subject to an approved Conservation Reserve Program contract.* If the allotment and quota is subject to an approved Conservation Reserve Program contract, unless forfeiture otherwise would be required in accordance with the provisions of § 723.220 of this part.

(7) *Buying farm restrictions.* A transfer of quota to a farm by purchase shall not be approved:

(i) *Active producer.* Unless the buyer is an active flue-cured tobacco producer.

(ii) [Reserved]

(iii) *Quota previously sold.* If the farm owner sold quota from a farm during the current or any of two preceding years.

(iv) *Installment payment option.* Unless the buyer of the flue-cured tobacco acreage allotment and marketing quota has been afforded an option to pay for such allotment and quota in two to five equal annual installments payable each fall beginning with the fall of the crop year in which the transfer becomes effective and such buyer certifies on a form prescribed by the Deputy Administrator that such option has been made available to the buyer.

(8) *Allotment and quota after transfer by lease.* The effective farm acreage allotment and the effective farm marketing quota shall be determined for both the lessee farm and the lessor farm in accordance with the provisions of §§ 723.205 and 723.206 of this part, respectively.

(9) *Apportionment of data after transfer of quota by sale-selling farm.* The pounds of farm marketing quota retained on the selling farm after the sale of quota shall be divided by the farm marketing quota established for the selling farm before the sale to determine a factor for apportioning farm data for the current year and for the base period. The data to be retained on the selling farm shall be determined by multiplying the factor by the following data:

(i) The planted and considered planted acres for the base period;

(ii) The history acres for the base period;

(iii) The farm acreage allotment for the current year and for the base period;

(iv) The amount of any overmarketings which have not been subtracted when a determination is made of the effective farm marketing quota of the selling farm;

(v) The pounds of quota which have been transferred from the selling farm by lease in the current year;

(vi) The acres of allotment which have been reduced in the current year as the result of a marketing quota violation in a prior year;

(vii) The pounds of quota transferred to the farm by lease in the previous year;

(viii) The previous year's farm marketing quota;

(ix) The previous year's effective farm marketing quota; and

(x) The previous year's marketings.

(10) *Apportionment of data-buying farm.* The pounds of farm marketing quota which have been purchased shall be divided by the farm yield for the buying farm in order to determine the farm acreage allotment for the buying farm. The buying farm's share of other farm data shall be determined by subtracting the acres or pounds, as applicable, which are retained on the selling farm from the acres or pounds which were established for the selling farm before the current sale of quota: However, the acres computed for the acres of reduction resulting from a marketing quota violation for the buying farm shall be multiplied by a factor determined by dividing the farm yield of the selling farm by the farm yield of the buying farm in order to determine the acres of reduction from the buying farm for the current year. The pounds of quota transferred from the selling farm by lease and/or the acres of allotment reduction resulting from a marketing quota violation on the selling farm may be apportioned between the farms in accordance with a written agreement between the buyer and the

seller if the farm marketing quota retained on the selling farm is sufficient to satisfy the pounds of quota which are leased, the pounds of quota which have been reduced as the result of a marketing quota violation, and the overmarketings for the farm, if any. The data determined in accordance with this paragraph shall be added to any previous data for the buying farm.

(11) *Allotment and quota.* After adjusting the data in accordance with the provisions of this section, the farm acreage allotment, the effective farm acreage allotment, and the effective farm marketing quota shall be determined for both the buying and the selling farm.

(12) *Effect of price support eligibility.* If a lease agreement is filed after the farm operator reports the acreage of tobacco on the farm in the current year, the effective farm acreage allotment which has been determined prior to the approval of the transfer will be used in determining price support eligibility for the farm.

(13) *Violation of lease provisions.* (i) If, after a lease agreement is approved, information is brought to the attention of the county FSA committee which indicates that either the lessor or the lessee, or both, knowingly filed a false certification with respect to a transfer of quota by lease, the county FSA committee shall schedule a hearing, notify such person of the time and place of the hearing, and present evidence at the hearing with respect to the allegation of false certification. If, as a result of the evidence presented, the county FSA committee determines that such person knowingly made a false certification, the county FSA committee shall notify the person of the determination and afford such person 15 days after the mailing of the notice to request a review of the determination by a review committee as provided for by part 711 of this chapter.

(ii) If it is determined that the lessor knowingly made a false certification, the next flue-cured tobacco acreage allotment and marketing quota established for the lessor's farm shall be reduced by that percentage which the leased quota was of the total flue-cured tobacco farm marketing quota established for the farm in the year of the lease.

(iii) If it is determined that the lessee knowingly made a false certification, the lease agreement for purposes of the flue-cured tobacco marketing quota program with respect to the lessee's farm shall be considered to be null and void as of the date approved by the county FSA committee.

(14) *Considered planted credit.* Considered planted credit shall be given to the lessor farm for the tobacco acreage allotment which is deducted as the result of the transfer of quota from the farm by lease.

(15) *Sale of quota with installment payment option.* Notwithstanding any other provision of this section the owner of a farm who sells any flue-cured tobacco acreage allotment and marketing quota may:

(i) Negotiate with more than one prospective buyer before selling such allotment and quota; or

(ii) Sell such allotment and quota to any eligible buyer whom such owner may select; or

(iii) Sell such allotment and quota for a single payment; or

(iv) Include provisions in the agreement of sale to protect the seller's interest if the buyer fails to make full payment. Such provisions may not include the use of such allotment and quota as collateral for purposes of protecting the seller's interest in the allotment and quota.

(v) Flue-cured tobacco acreage allotment and marketing quota purchased in accordance with this subparagraph shall not revert to the seller's farm but shall remain with the farm to which assigned at the time of purchase even though the buyer fails to make full payment to the seller for such allotment and quota.

(g) *Burley and flue-cured tobacco.* For burley or flue-cured tobacco:

(1) *Carryover tobacco.* If tobacco is marketed after the entire farm marketing quota of the producing farm has been transferred by sale, the tobacco shall be considered as having been marketed on each farm to which farm marketing quota was transferred by sale in accordance with a transfer agreement filed after June 15 for flue-cured tobacco, or July 1 for burley tobacco, of

the last year in which a farm marketing quota was established for the producing farm. Such marketing shall be prorated to each farm in proportion to the pounds of farm poundage quota purchased by each farm. If there was more than one farm to which a farm marketing quota was transferred by sale, the marketing may be assigned to the farms in the manner agreed to in writing by each of the buyers of such farm marketing quota.

(2) *Cancellation of transfer*. A transfer of flue-cured allotment and quota, or burley quota, under this section which was approved in error or on the basis of incorrect information furnished by the parties to the agreement shall be canceled by the county FSA committee. For the purpose of determining any overmarketings and undermarketings from the farms, and for the purpose of determining eligibility for price support and marketing quota penalties, the cancellation shall be effective as of the date of approval. However, such cancellation shall not be effective for the current marketing year for price support and marketing quota penalty purposes if the:

(i) Transfer approval was made in error or on the basis of incorrect information which had been unknowingly furnished by the parties to the agreement; and

(ii) Parties to the transfer agreement were not notified of the cancellation before the marketing for the receiving farm exceeded the correct effective farm marketing quota.

(3) *Canceled because of fraud*. If a transfer of a flue-cured allotment and quota, or burley quota, is canceled because of fraud on the part of the owner of the transferring farm but no fraud is attributable to either the owner or operator of the receiving farm, such cancellation shall be effective as of the date of approval of the transfer except for purposes of determining eligibility for price support and marketing quota penalties for the receiving farm. In such case, the overmarketings shall be charged against the farm from which the transfer was made if the farm, after any reconstitution which may be necessary as a result of fraud, is assigned a flue-cured allotment and quota, or burley quota, against which the overmarketings could be charged. Otherwise, the overmarketings shall be charged against any other farm involved in the fraud having a flue-cured allotment and quota, or burley quota, after any reconstitution required by such fraud. Notwithstanding the foregoing, any overmarketings on the receiving farm which are in excess of the amount of quota involved in the canceled transfer shall be charged against the receiving farm.

(4) *Dissolution or revision of a transfer agreement*. A transfer agreement may be dissolved or minor revisions made with respect to such agreement if a written request by all parties to the agreement is made to the county FSA committee by November 15 of the current marketing year for flue-cured tobacco, or by February 15 of the current marketing year for burley tobacco. After any such dissolution or revision of a transfer agreement, an official notice of the flue-cured acreage allotment and marketing quota, or burley quota, shall be issued by the county FSA committee to each of the operators involved in the transfer agreement.

(h) *Cigar tobacco*. For cigar-filler (type 46) and cigar-filler (types 42, 43, and 44) tobacco only, the provisions of paragraph (j) of this section are applicable in addition to the following:

(1) *Farm eligible*. The owner and operator (acting together if different person) of any farm for which an old farm tobacco acreage allotment is established for the current year may lease and transfer all or any part of the farm acreage allotment established for such farm to any other owner or operator of a farm in the same county with a current year's allotment (old or new farm) for the same kind of tobacco for use on such farm. Transfer of allotments by lease shall not exceed 5 years.

(2) *Transfer approved acre per acre*. The lease and transfer shall be approved acre per acre.

(3) *Considered planted credit*. The amount of allotment acreage which is leased from a farm shall be considered for the purpose of determining future allotments (and tobacco history acreage) to have been planted to tobacco on such farm. The amount of allotment acreage which is leased and transferred

to a farm shall not be taken into account in establishing allotments for subsequent years for such farms.

(4) *Limitation on acreage transferred.* The total acreage allotted to any farm after the transfer by lease of tobacco acreage allotment to the farm shall not exceed 50 percent of the acreage of cropland in the farm, except that in the case of cigar-filler (types 42, 43, 44, and 46) transfers, such transfers shall be limited to a total of 10 acres.

(5) *Transfer from the pool.* Allotments in a pool pursuant to part 718 of this chapter may be eligible for lease and transfer during the 3-year life of the pooled allotment. An agreement to lease and transfer shall not serve to extend the life of such pooled allotment.

(i) *Fire-cured, Dark air-cured, and Virginia sun-cured tobacco.* For Fire-cured, Dark air-cured, and Virginia sun-cured tobacco, only, the provisions of this section are applicable in addition to the following:

(1) *Persons eligible to file a record of transfer (FSA–375)—sale or lease.* The owner and operator of any old farm for which a Fire-cured, Dark air-cured, or Virginia sun-cured tobacco allotment is established for the current year may sell or lease all or any part of such allotment to any other owner or operator of a farm in the same county, and in the same State for Virginia fire-cured (type 21) or Virginia sun-cured (type 37) tobaccos. The receiving farm need not be an old farm. In the case of a permanent transfer, a statement signed by all parties to the transaction confirming that the sale has been made shall be filed with the county FSA committee.

(2) *By owner.* The owner of any old tobacco farm for which a Fire-cured, Dark air-cured, or Virginia sun-cured tobacco allotment is established for the current year may transfer any or all of such allotment permanently, or for a term of years designated by the owner, to another farm in the same county (within the same State for Virginia fire-cured and Virginia sun-cured tobacco) owned or controlled by such owner.

(3) *Maximum period of transfer by lease.* Transfer of allotments by lease shall not exceed 5 years.

(4) *Basis for transfer.* The transfer shall be approved acre for acre.

(5) *Adjustments in farm history acreage.* The farm history acreage for the immediately preceding 5 years on farms from which and to which permanent transfer of allotment is made shall be adjusted by the county FSA committee for each of the base years to correspond with the amount of allotment transferred between the farms. In the case of temporary transfers of allotment for 1 or more years by lease or by owner, the farm history acreage shall not be reduced on the farm from which the transfer is made and farm history acreage shall not be transferred to the receiving farm.

(6) *Limitation on acreage transferred.* The total of the Fire-cured, Dark air-cured, or Virginia sun-cured tobacco allotment which may be transferred for each kind of tobacco, by sale, lease, or by owner, to a farm shall not exceed 10 acres of allotment. However, the total of each acreage for each kind of tobacco allotted to any farm after such transfer (the sum of its own allotment and the acreage transferred after any adjustment in normal yields for the current year) shall not exceed 50 percent of the acreage of cropland on the farm. The cropland in the farm for the current year for purposes of such transfers shall be the total cropland as defined in part 718 of this chapter.

(7) *Prohibition on permanent transfer.* A permanent transfer by sale or by owner shall not be approved from any farm to which an allotment was permanently transferred by sale or by owner within the 3 immediately preceding crop years.

(8) *Temporary transfer to non-owned farm.* A transfer requested on a temporary basis to a farm controlled but not owned by the applicant shall be approved only if the applicant will be the operator of the farm to which the transfer is to be made for each year of the period for which the transfer is requested. When the applicant for whom such transfer has been approved no longer is the operator of the receiving farm due to conditions beyond such operator's control, the transfer shall remain in effect unless the transfer is terminated under the provisions of

paragraph (j) of this section. Conditions beyond the operator's control shall include, but not be limited to, death, illness, incompetence, or bankruptcy of such person.

(9) *Transfer of pooled allotment*. Allotments established for a farm as pooled allotment under part 718 of this chapter may be transferred on a:

(i) Permanent basis during the 3-year life of a pooled allotment, or

(ii) Temporary basis for a term of years not to exceed the remaining number of crop years of such 3-year period. A temporary agreement to transfer shall not serve to extend the life of such pooled allotment.

(10) *New farm eligibility*. Any farm from which the entire farm allotment is sold or permanently transferred by the owner shall not be eligible for a new farm tobacco allotment for the kind transferred during the 5 years following the year in which such transfer is made.

(11) *Transfer of history acreage*. Permanent transfer of allotment shall have the effect of transferring history acreage, farm base, and marketing quota attributable to such allotment. In the case of a transfer by lease, the transferred allotment shall be considered for purposes of establishing future allotments to have been planted on the farm from which such allotment was transferred.

(j) *Tobacco except burley, flue-cured, and cigar (types 54 and 55)*. For tobacco that may be transferred in accordance with the provisions of paragraph (h) or (i) of this section, the following provisions shall also apply:

(1) *New farm allotment*. A new farm allotment shall not be transferred.

(2) *Tobacco allotment subject to an approved Conservation Reserve Program contract*. A transfer of allotment designated for reduction under a Conservation Reserve Program contract shall not be approved.

(3) *Subleasing prohibited*. A transfer of allotment from a farm shall not be approved during the period for which a current temporary transfer agreement is in effect that transferred quota to the same farm.

(4) *Limitation on transfer to and from a farm in the same year*. If a transfer agreement is in effect for the current crop year for a farm, a transfer of allotment shall not be approved during the same crop year:

(i) From such farm receiving allotment by transfer for such year, or

(ii) To such farm which had allotment transferred from it for such year.

(5) *Farm in violation*. If consideration of a violation is pending which may result in an allotment reduction for a farm for the current year, the county FSA committee shall delay approval of any transfer of allotment from or to the farm until the violation is cleared or the allotment reduction is made. However, if the allotment reduction in such case cannot be made effective for the current crop year before the final date for reducing allotments for violations, the transfer may be approved by the county FSA committee. In any case, if, after a transfer of a tobacco acreage allotment has been approved by the county FSA committee, it is determined that the allotment for the farm from which or to which such acreage is transferred is to be reduced for a violation, the allotment reduction for such farm shall be delayed until the following year.

(6) *Claim for tobacco marketing quota penalty*. A transfer of acreage allotment from a farm shall not be approved if a claim has been filed against the lessor, seller, or transferring owner for a tobacco marketing quota penalty and the claim remains unpaid. However, this provision shall not apply if the claim is paid or the entire proceeds of the lease or sale of the allotment are applied against the claim and the county FSA committee determines that the amount paid for the lease or sale represents a reasonable price for the acres of allotment being transferred.

(7) *Approval after review period*. A transfer of allotment shall not be approved by the county FSA committee for any farm before the time of filing an application for review, as shown on the original allotment notice for the farm, has expired. If an application for review is filed for a farm involved in a transfer agreement, such agreement shall not be approved by the county FSA committee until the allotment for such farm is finally determined pursuant to part 711 of this chapter.

(8) *Acreage allotment after lease and transfer*. The acreage allotment determined after a temporary transfer for a farm under the provisions of this section shall be the allotment of such farm for the current year only for the purpose of determining:

(i) Excess acreage,

(ii) The amount of penalty to be collected on marketings of excess tobacco including absorption of carryover penalty tobacco,

(iii) Eligibility for price support, and

(iv) The farm marketing quota and the percentage reduction for a violation in the allotment for the farm.

(9) *Cancellation of transfer*. Any transfer of allotment under this section which was approved by the county FSA committee in error or on the basis of incorrect information furnished by the parties to the agreement shall be canceled by the county FSA committee. Such cancellation shall be effective as of the date of approval for purposes of determining eligibility for price support and marketing quota penalties except that such cancellation shall not be effective for the current marketing year for price support and marketing quota penalty purposes, if:

(i) The transfer approval was made in error or on the basis of incorrect information unknowingly furnished by the parties to the transfer agreement; and

(ii) The parties to the transfer agreement were not notified of the cancellation before the tobacco was planted.

(10) *Dissolution or revision*. A transfer agreement may be dissolved or minor revisions made where a request by all parties to the agreement is made in writing to the county FSA committee. Such written notification shall be filed prior to planting the tobacco. A late filed request to dissolve or revise the transfer may be effective for the current year if the county FSA committee with approval of a representative of the State FSA committee determines that the producer was prevented from timely filing for reasons beyond such producer's control.

(11) *Reconstituted farm*. The allotment for a farm being divided or combined in the current year shall be the allotment after the transfer has been approved. Notwithstanding the above, in the case of a division, the county FSA committee shall allocate the acreage that was transferred by lease to the tracts involved in the division as the parent farm owners and operators designate in writing. In the absence of such designation, the county FSA committee shall apportion the leased acreage.

(12) *Consent of lien holder*. A transfer of allotment other than by annual lease shall not be approved from a farm subject to a mortgage or other lien unless the transfer is agreed to in writing by the lien holder.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21441, May 9, 1991; 58 FR 11960, Mar. 2, 1993; 63 FR 11582, Mar. 10, 1998; 65 FR 7953, Feb. 16, 2000]

### § 723.217 Release and reapportionment of old farm acreage allotments for Cigar-filler and Binder (types 42, 43, 44, 54, and 55) tobacco.

(a) *Annual or permanent release of acreage allotments to State committee*. Except as provided in this paragraph, all or any part of a farm acreage allotment on which Cigar-filler and Binder (types 42, 43, 44, 54, and 55) tobacco will not be produced and which the operator of the farm voluntarily releases on an annual basis, or both the owner and operator voluntarily releases on a permanent basis, in writing to the State FSA committee by not later than the final date for filing releases established by the State FSA committee for the current year shall be deducted from the allotment of such farm.

(1) For the farm voluntarily releasing tobacco farm acreage allotment on an annual basis, such acreage will be considered as having been planted on the releasing farm for the purpose of establishing allotments for subsequent years. For the farm receiving such annual released acreage, such acreage shall not be taken into account in establishing future allotments for the farm. The tobacco history acreage for a farm releasing on a permanent basis shall not be taken into account in establishing future allotments for the farm. The tobacco history acreage for a farm releasing on a permanent basis shall be adjusted to reflect the acreage permanently released.

(2) An acreage allotment shall not be released either annually or permanently:

(i) From the eminent domain allotment pool if an application for transfer from the pool has been filed in accordance with part 718 of this chapter;

(ii) From a new farm; or

(iii) To the extent such acreage is designated for reduction under a Conservation Reserve Program contract.

(b) *Reapportionment of released acreage allotment.* The acreage voluntarily released on an annual or permanent basis for the current year may be reapportioned by the State FSA committee to any farm in any county in the State including a farm receiving a new farm allotment. The State FSA committee shall select the counties to which the released acreage will be reapportioned. The county FSA committee shall select the farms to which the released acreage will be reapportioned. The State FSA committee shall keep records on both an annual and permanent basis of the source of acreage released. Any acreage released for the current year on a permanent basis which is not reapportioned by the State FSA committee in the current year may be reapportioned in the following year. The county FSA committee for the county receiving released acreage may reapportion the tobacco allotment acreage on an annual or permanent basis to other farms in the county in amounts determined by the county FSA committee to be fair and reasonable on the basis of land, labor, and equipment available for production of Cigarfiller and binder (types 42, 43, 44, 54, and 55) tobacco; crop rotation practices; and the soil and other physical factors affecting the production of tobacco. Released acreage should not be reapportioned on a temporary or permanent basis to any farm unless there is assurance from the operator to the county FSA committee that the released acreage being received will be produced. Allotment reapportioned to a farm on an annual basis can only be used by the receiving farm for increased production during the current year. Allotment reapportioned to a farm on a permanent basis shall be added to the current year allotment or shall serve to establish an allotment for a farm without a current allotment. A farm shall be eligible to receive reapportionment of released acreage on either or both an annual or permanent basis only if a written request is filed by the farm owner or operator at the office of the county FSA committee not later than the final date for filing such requests established by the State FSA committee for the current year.

### § 723.218 Determining tobacco history acreage.

With respect to each respective kind of tobacco, the tobacco history acreage shall be determined for each farm for which a tobacco acreage allotment was established for such kind of tobacco for the current year.

(a) The history acreage shall be the same as the farm acreage allotment for the respective kind of tobacco if in the current year, or either of the two preceding years, the sum of the planted and considered planted acreage of such kind of tobacco was as much as 75 percent of the farm acreage allotment. Otherwise, the history acreage shall be the sum of the planted and considered planted acreage of such kind of tobacco.

(b) Notwithstanding any other provision of this section, for the respective kind of tobacco, the history acres for the current year and for each year of the base period shall be reduced to zero if:

(1) A new farm allotment was canceled;

(2) The allotment was in a pool established in accordance with the eminent domain provision of part 718 of this chapter and the period of eligibility has expired for transferring the allotment from the pool; or

(3) The county FSA committee determines that the farm has been retired from agricultural production and the allotment is not eligible for pooling in accordance with the eminent domain provisions of part 718 of this chapter.

### § 723.219 Forfeiture of burley tobacco marketing quota.

(a) *Determination of quota subject to forfeiture.* (1) For purposes of paragraph (b) of this section, the phrase ''owns a farm'' means ownership of:

(i) A farm as constituted under part 718 of this chapter, if the entire farm shares a common ownership; or

(ii) All of the land within a farm which shares a common ownership if the parent farm consists of tracts of land having separate ownerships.

(2) For purposes of paragraph (b) of this section, the county FSA committee shall apportion, in accordance with the provisions of part 718 of this chapter, the burley tobacco quota assigned to a farm between the various tracts of land which are separately owned by:

(i) A person not using the land on the farm for which a burley tobacco marketing quota is established for agricultural purposes.

(ii) A person who uses the land on the farm for which the burley tobacco marketing quota is established for agricultural purposes or for educational, instructional, or demonstrational purposes.

(3) The farm marketing quota determined under this section for each farm or tract, as applicable, shall be the amount of quota subject to forfeiture under this section.

(b) *Person who does not use the land on the farm for which the marketing quota is established for agricultural purposes or does not use such marketing quota for educational, instructional, or demonstrational purposes.* For purposes of this paragraph, the term ''person'' means a person as defined in part 718 of this chapter, including any governmental entity, public utility, educational institution, religious institution or joint venture (but not including any farming operation involving only spouses), but excluding any individual.

(1) *Required forfeiture.* With respect to any person owning a farm for which a burley tobacco marketing quota is established, if the county FSA committee determines that such person does not use the land on such farm for agricultural purposes, or does not use such burley tobacco marketing quota for educational, instructional, or demonstrational purposes, such person shall forfeit such quota which is not sold on or before December 1 of the year after any year for which the county FSA committee makes such determination.

(2) *Agricultural purposes.* Land on the farm for which a burley tobacco marketing quota is established shall be considered to be used for agricultural purposes if the county FSA committee determines that:

(i) In the current year or either of the 2 preceding years such land is used for the production of:

(A) Row crops of any type;

(B) Livestock or poultry (including pasture and forage for livestock);

(C) Trees (including orchards and vineyards); or

(D) Hay or native grasses on open land; or

(ii) In the current year such farm is owned by an educational institution which uses such burley tobacco marketing quota solely for educational, instructional, or demonstrational purposes.

(3) *Documentation.* Within 30 days after a written request is made by the county FSA committee, or within such extended time as may be granted by the county FSA committee, a person must submit such documentation as may be requested to support a determination that the provisions of paragraph (b)(1) of this section have been met with respect to such person. Upon failure of such person to timely respond to this request, the county FSA committee shall determine that the person does not use the land on the farm for agricultural purposes, or does not use the burley tobacco marketing quota for educational, instructional, or demonstrational purposes.

(c) *Buyers of quota fail to share in the risk of production.*

(1) *Forfeiture required.* If any person buys burley tobacco quota and such person fails to share in the risk of producing the tobacco which was planted subject to such quota during any of the 3 crop years beginning with the crop year for which the purchase became effective, such person shall forfeit the purchased quota if it is not sold on or before December 31 of the year after the crop year in which such crop was planted. However, any purchaser or subsequent purchaser of quota required to be sold under the mandatory sale to prevent forfeiture, provisions of paragraph (b) of this section shall be required to share in the risk of production of such quota for five crop years beginning with the crop year for which the purchase became effective.

(2) Failure to utilize purchased quota for the production of tobacco shall not result in the forfeiture of such quota, but the three year period and the five year period which is specified in paragraph (c)(1) of this section shall be extended 1 year for each year for which the quota is not utilized.

(3) *Reduction for failure to share in the risk of production.* The effective quota shall be reduced, but not below zero pounds, for leasing and marketing quota purposes only, to the extent of the purchased quota for each crop after the crop year in which the buyer of such quota fails to share in the risk of producing a crop of tobacco which is subject to such quota.

(4) *Determining forfeited amount.* If only part of the quota on a farm is attributable to a purchased quota, the amount of the farm marketing quota which must be forfeited under paragraph (c) of this section shall be determined by increasing or decreasing each respective purchase of farm marketing quota for the farm to reflect changes in national quota factors since the purchase occurred and subtracting the pounds of quota which have been sold to prevent forfeiture.

(d) *Hearing.* Before any forfeiture of quota becomes effective under the provisions of this section, the county FSA committee shall:

(1) Schedule a hearing for the affected person.

(2) Notify the affected person of the hearing at least 10 days in advance of the hearing.

(3) Make a determination, on the basis of the evidence presented at the hearing by or on behalf of the affected person and by or on behalf of the county FSA committee as to whether or not:

(i) Any of the conditions for forfeiture specified in this section exist; and

(ii) The affected person knowingly failed to take steps to prevent forfeiture of allotment and quota when such forfeiture conditions have been determined to exist with respect to the provisions of paragraph (b) of this section.

(iii) The affected person knowingly failed to take steps to prevent forfeiture of burley tobacco quota.

(4) Notify the affected persons of the county FSA committee determination and, if forfeiture of quota is to be required, afford such person an opportunity to appeal to a review committee in accordance with the provision of part 711 of this chapter.

(e) *Apportionment of data and determination of quota after forfeiture.* (1) *Apportionment of data.* The pounds of farm marketing quota retained on the forfeiting farm after the forfeiture shall be divided by the farm marketing quota established for the farm before the forfeiture to determine a factor for apportioning farm data. The data to be retained on the forfeiting farm shall be determined by multiplying the factor by the following data for the forfeiting farm:

(i) Overmarketings which have been subtracted when determining the effective farm marketing quota of the forfeiting farm.

(ii) Pounds of quota transferred from the forfeiting farm by lease or by the owner in the current year.

(iii) Pounds of quota reduced in the current year for a marketing quota violation in a prior year.

(iv) Previous year's effective farm marketing quota.

(v) Previous year's marketings.

(vi) Previous year's farm marketing quota.

(vii) Pounds of quota transferred to the farm by lease or by owner in the previous year.

The portion of the forfeiting farm data which shall be included in a forfeiture pool for the county shall be determined by subtracting the pounds of each respective item of farm data which are retained on the forfeiting farm from the pounds of the respective item of data which were established for the forfeiting farm before forfeiture.

(2) *Forfeiture pool.* The data for the forfeiture pool shall be added to any previous data in the forfeiture pool.

(3) *Quota after forfeiture.* After adjustment of data, the effective farm marketing quota shall be determined in accordance with the provisions of § 723.206 of this part for the forfeiting farm.

(f) *Forfeiture pool.* (1) *Establishing forfeiture pool.* A forfeiture pool shall be established in each county in which a

forfeiture of quota occurs. The forfeiture pool shall be increased to include data for each forfeiture and shall be decreased for each reallocation in order to reflect any forfeited or reallocated amounts of:

(i) Farm marketing quota for the current year.

(ii) Quota reduced for marketing quota violations.

(iii) Quota transferred from the forfeiting farm by lease or by the owner.

(iv) Previous year's effective farm marketing quota.

(v) Previous year's marketings.

(2) *Adjustment of data in forfeiture pool.* At the beginning of the current year, the data in the forfeiture pool shall be adjusted by the factor used in determining quotas for old farms. Quota data in the forfeiture pool shall be decreased each time any burley tobacco quota is reallocated from the forfeiture pool. Such decrease in the quota data will be made in the same proportion as the pounds of quota which are reallocated from the pool are to the pounds of quota which were in the pool before the reallocation.

(g) *Reallocation of quota from forfeiture pool.* (1) *Application.* In order to establish eligibility to receive quota from the forfeiture pool in the current year, an application must be made on a form approved by the Deputy Administrator. Such application must be filed:

(i) *Who may file.* By an active producer.

(ii) *When to file.* On or before April 30. The State FSA committee may establish an earlier date if notice of such earlier date is given in time for interested applicants to file an application by the earlier date.

(iii) *Where to file.* At the county FSA office which serves the farm for which the application is filed.

(2) *Eligibility of applicant.* In order for an applicant to be eligible for quota from the forfeiture pool, the county FSA committee must determine that:

(i) The application was filed timely.

(ii) The applicant is an active tobacco producer.

(iii) During the current year or during the 4 years preceding the current year, the applicant has not sold or forfeited quota from any farm.

(3) *Time to reallocate.* The county FSA committee shall:

(i) Not reallocate any quota from the forfeiture pool until the time has passed for filing an application for forfeited quota for the current year.

(ii) Reallocate any quota from the forfeiture pool only during the 30-day period beginning on the day after the final day for filing an application for quota from the forfeiture pool.

(4) *Reallocation by county FSA committee.* Reallocation of any burley tobacco quota shall be made by the county FSA committee. In making its determination of the amounts of quota to reallocate, the county FSA committee may consider the size of the current quotas on the farms of the eligible applicants, the length of time the applicants have been farming tobacco, the type of farming done by the applicants (i.e., livestock, grain, or other commodities), previous leasing history of the applicants, and such other factors which in the judgment of the county FSA committee should be considered. A burley tobacco quota may be reallocated to a farm which currently does not have a burley tobacco quota. A factor shall not be used to reallocate quota between all eligible applicants.

(5) *Basis for reallocation from forfeiture pool.* Reallocation from the forfeiture pool shall be on the basis of pounds of farm marketing quota.

(6) *Amount of quota to be reallocated.* The county FSA committee may reallocate all or part of the quota in the forfeiture pool. The minimum amount of quota which may be reallocated to an eligible applicant is the total amount of quota in the pool or 100 pounds, whichever is less. The maximum amount is 500 pounds. However, up to 1,500 pounds may be allocated with State FSA committee concurrence.

(7) *Data for receiving farm.* All data for the forfeiture pool shall be apportioned to the receiving farm in the proportion that the reallocated farm marketing quota is to the total farm marketing quota in the forfeiture pool before the reallocation. The data determined for the receiving farm in accordance with the provisions of this paragraph shall be added to any previous data for the receiving farm.

(8) *Quota for receiving farm.* After any adjustments which are made in accordance with the provisions of this section, the effective farm marketing quota shall be determined for the receiving farm.

(h) *Forfeiture of reallocated quota.* Any burley tobacco quota which is reallocated in accordance with the provisions of this section shall be forfeited if the applicant to whom the quota is reallocated fails to share in the risk of producing a crop of tobacco which is subject to such quota during any of the 3 years beginning with the crop year during which the quota is reallocated. The amount of farm marketing quota which must be forfeited shall be determined in the same manner which is specified in paragraph (c)(4) of this section with respect to the forfeiture of purchased quota. Any forfeiture of quota shall occur on December 1 of the year in which the applicant fails to share in the risk of production of tobacco which is produced subject to such quota. While the failure to utilize a quota shall not subject the quota to forfeiture, the 3 year period which is specified in this paragraph shall be extended by 1 year for each year in which the quota is not utilized.

(i) *Successor-in-interest.* A successor-in-interest shall be subject to the provisions of this section in the same manner and to the same extent as would be applicable to the person whose interest has been assumed by such successor-in-interest.

(1) *New owner of farm.* The new owner of a farm on which a portion or all of the farm marketing quota for such farm was either purchased and/or was reallocated from forfeited quota shall become the successor-in-interest to the previous owner of the farm. However, if a farm is acquired by a new owner on or before June 30 of the current crop year and such owner would otherwise be required to sell or forfeit the farm marketing quota because in the preceding crop year the owner of such quota did not share in the risk of producing a crop of tobacco which was subject to such purchased or reallocated quota, the new owner may be considered the buyer of the quota instead of being considered as a successor-in-interest to the previous owner of the farm. However, the new owner must furnish to the county FSA committee on or before June 30 of the current year a certification that such owner intends to become an active burley tobacco producer. Any purchased or reallocated quota, which is acquired by a new owner who is not considered to be the buyer of the quota in accordance with the provisions of this paragraph, shall be subject to the same terms and conditions with respect to forfeiture which would be applicable if the new owner actually had purchased the quota at the time the farm was acquired.

(2) *Buyer no longer shares in risk of production.* The owner of a farm shall become the successor-in-interest to the buyer of burley tobacco quota which was transferred to a farm but which was not owned by such buyer if the buyer ceases to share in the risk of production of burley tobacco produced on the farm.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21442, May 9, 1991]

### § 723.220 Forfeiture of flue-cured tobacco acreage allotment and marketing quota.

(a) *Determination of allotment and quota subject to forfeiture.* (1) For purposes of paragraphs (b) and (c) of this section, the phrase ''owns a farm'' means ownership of:

(i) A farm as constituted under part 718 of the chapter if the entire farm shares a common ownership; or

(ii) All of the land within a common ownership if the parent farm consists of separate ownership tracts of land.

(2) For purposes of paragraphs (b) and (c) of this section, the county FSA committee shall, in accordance with the provisions of part 718 of this chapter, apportion the flue-cured tobacco acreage allotment and marketing quota assigned to a farm between:

(i) All land which is owned by any person which is not significantly involved in the management or use of land for agricultural purposes, as described in paragraph (b) of this section; and

(ii) Each common ownership tract of land in the farm other than that described in paragraph (a)(2)(i) of this section.

(3) With respect to the provisions of paragraph (c) of this section, an acreage allotment and marketing quota shall be determined for a tract in accordance with paragraph (a)(2)(ii) of this section only to the extent that records are available to show the contribution which the tract made to the flue-cured tobacco acreage allotment of the parent farm.

(4) The farm acreage allotment and farm marketing quota determined under this section for each farm or tract, as applicable, will be the amount of allotment and quota subject to forfeiture under this section.

(b) *Persons not significantly involved in management or use of land for agricultural purposes.* For purposes of this paragraph, the term ''person'' means a person as defined in part 718 of this chapter, including any: Governmental entity, public utility, educational institution, or religious institution, but not including any: Individual, partnership, joint venture, family farm corporation, trust, estate, or similar fiduciary account with respect to which 50 percent or more of the beneficial interest is in one or more individuals; or educational institution that uses a flue-cured tobacco acreage allotment and marketing quota for instruction or demonstrational purposes.

(1) *Required forfeiture.* If at any time the county FSA committee determines that any person which owns farm for which a flue-cured tobacco acreage allotment and marketing quota are established is not significantly involved in the management or use of land for agricultural purposes, such person shall forfeit such allotment and quota which is not sold on or before December 1 of the year for which the county FSA committee makes such a determination.

(2) *Owner ceases to be significantly involved.* A person shall be considered to be significantly involved in the management or use of land for agricultural purposes if the county FSA committee determines that:

(i) For the 3 preceding years, more than 20 percent of the gross income of the person has been derived from the management or use of land for the production of crops which are planted and harvested annually, and/or livestock, including pasture and forage for livestock; and

(ii) Any other person or all other persons which in combination own more than 50 percent of the assets of the owner of the flue-cured tobacco allotment and marketing quota also meet the criteria specified in paragraph (b)(2)(i) of this section.

(3) *Documentation.* Within 30 days after a written request is made by the county FSA committee, or within such extended time as may be granted by the county FSA committee, a person must submit such documentation as may be requested to support a determination that the provisions of paragraph (b)(2) of this section have been met with respect to such person. Upon failure of such person to timely respond to such request, the county FSA committee shall determine that the person is not significantly involved in the management or use of land for agricultural purposes.

(c)–(d) [Reserved]

(e) *Buyers of allotment fail to share in the risk of production.*

(1) *Forfeiture required.* If any person buys flue-cured acreage allotment and quota and such person fails to share in the risk of producing the tobacco which was planted subject to such quota during any of the three crop years beginning with the crop year for which the purchase became effective such person shall forfeit the purchased quota if it is not sold on or before December 31 of the year after the crop year in which such crop was planted.

(2) *Failure to utilize purchased allotment and quota.* Failure to utilize purchased allotment and quota for the production of tobacco shall not result in the forfeiture of such quota, but the 3 year period which is specified in paragraph (e)(1) of this section shall be extended 1 year for each year for which the quota is not utilized.

(3) *Reduction for failure to share in risk of production.* The effective allotment and quota shall be reduced, but not below zero acres or pounds, for planting, leasing, and marketing quota purposes only, to the extent of purchased allotment and quota for each crop year after the crop year in which the buyer of such allotment and quota fails to share in the risk of producing a crop of

tobacco planted under such allotment and quota.

(4) *Determining forfeited amount.* If only part of the allotment and quota on a farm resulted from purchased allotment or quota, the amount of farm marketing quota which must be forfeited under paragraph (e) of this section shall be determined by:

(i) Increasing or decreasing each respective purchase of farm marketing quota for the farm to reflect any annual changes in national acreage and national yield factors subsequent to the year of purchase.

(ii) Adding the amounts determined in paragraph (e)(4)(i) of this section, multiplying the result by the farm yield for the farm, and subtracting the pounds of quota which have been sold to prevent forfeiture.

(f) *Tobacco not planted nor considered planted.* Notwithstanding any other provision of this part, any person who owns a farm for which a flue-cured tobacco acreage allotment and marketing quota are established, shall forfeit such allotment and quota after February 15 of any year immediately following the 1st year of the 3-year period immediately preceding the year for which the county FSA committee determines that flue-cured tobacco was not planted nor considered planted on such farm during at least 2 years of such 3-year period.

(g) *Hearing.* Before any forfeiture of allotment and quota becomes effective under the provisions of this section, the county FSA committee shall:

(1) Schedule a hearing for the affected person.

(2) Notify the affected person of the hearing at least 10 days in advance of the hearing.

(3) Make a determination, on the basis of evidence presented at the hearing by or on behalf of the affected person and by or on behalf of the county FSA committee as to whether:

(i) Any of the conditions of requiring forfeiture as specified in this section exist; and

(ii) The affected person knowingly failed to take steps to prevent forfeiture of a flue-cured tobacco acreage allotment and marketing quota.

(4) Notify the affected person of the county FSA committee determination and, if forfeiture of allotment and quota is to be required, afford such person an opportunity to appeal to a review committee under the provision of part 711 of this chapter.

(5) Wait until the period has passed for the affected person to appeal the county FSA committee or review committee determination that allotment and quota must be forfeited under the provisions of this section.

(h) *Apportionment of data and determination of allotment and quota after forfeiture.* (1) *Apportionment of data.* The pounds of farm marketing quota retained on the forfeiting farm after the forfeiture shall be divided by the farm marketing quota established for the forfeiting farm before the forfeiture to determine a factor for apportioning farm data for the current year and for the base period. The data to be retained on the forfeiting farm shall be determined by multiplying the factor by the following data of the forfeiting farm, the:

(i) Planted and considered planted acres for the base period.

(ii) History acres for the base period.

(iii) Farm acreage allotment for the base period.

(iv) Overmarketings which have not been subtracted when determining the effective farm marketing quota of the forfeiting farm.

(v) Acres of allotment reduced in the current year for a marketing quota violation in a prior year.

(vi) Previous year's effective farm marketing quota.

(vii) Previous year's marketings.

(viii) Previous year's farm marketing quota.

(ix) Pounds of quota transferred from the forfeiting farm by lease in the current year.

(x) Pounds of quota transferred to the farm by lease in the previous year.

The portion of the forfeiting farm data which shall be included in a forfeiture pool for the county shall be determined by subtracting the acres or pounds which are retained on the forfeiting farm from the acres or pounds established for the forfeiting farm before forfeiture.

(2) *Forfeiture pool.* The data for the forfeiture pool shall be added to any previous data in the forfeiture pool.

(3) *Allotment and quota after forfeiture.* After adjustment of data, the effective farm acreage allotment and the effective farm marketing quota shall be determined in accordance with § 723.205 and 723.206 of this part, respectively, for the forfeiting farm.

(i) *Forfeiture pool.* (1) *Establishing forfeiture pool.* A forfeiture pool shall be established in each county in which a forfeiture of allotment and quota occurs. The forfeiture pool shall be increased to include data for each forfeiture and shall be decreased for each reallocation in order to reflect any forfeited or reallocated amounts of the:

(i) Farm acreage allotment for the current year and for the base period.

(ii) Farm marketing quota for the current year and for the base period.

(iii) Acres reduced for violation.

(iv) Planted and considered planted acres for the base period.

(v) History acres for the base period.

(vi) Previous year's effective farm marketing quota.

(vii) Previous year's marketing.

(viii) Quota transferred from the forfeiting farm by lease.

(2) *Yield for forfeiture pool.* The farm yield for the forfeiture pool shall be determined by dividing the farm marketing quota in the forfeiture pool by the farm acreage allotment in the forfeiture pool. The preliminary farm yield for the forfeiture pool shall be determined by dividing the farm yield by the national yield factor.

(3) *Adjustment of data in forfeiture pool.* At the beginning of the current year, the data in the forfeiture pool shall be adjusted by the factors used in determining yields, allotments, and quotas for old farms. Acreage and quota data in the forfeiture pool shall be decreased each time quota is reallocated from the forfeiture pool, such decrease to be made in the same proportion as the pounds of quota which are reallocated from the pool are to the pounds of quota which were in the pool before the reallocation.

(j) *Reallocation of allotment and quota from forfeiture pool.* (1) *Application.* In order to establish eligibility to receive allotment and quota from the forfeiture pool in the current year, an application must be made on a form approved by the Deputy Administrator. Such application must be filed:

(i) *Who may file.* By an active producer.

(ii) *When to file.* On or before March 31. The State FSA committee may establish an earlier date if notice of such earlier date is given in time for interested applicants to file an application by the earlier date.

(iii) *Where to file.* At the county FSA office which serves the farm for which the application is filed.

(2) *Eligibility of applicant.* In order for an applicant to be eligible for allotment and quota from the forfeiture pool, the county FSA committee must determine that:

(i) The application was filed timely.

(ii) The applicant is an active producer.

(iii) During the current year or during the 4 years preceding the current year, the applicant has not:

(A) Sold or forfeited allotment and quota from any farm.

(B) Used the designation method of division to retain less allotment than the farm would have retained by another method of division.

(3) *Time to reallocate.* The county FSA committee shall:

(i) Not reallocate any allotment and quota from the forfeiture pool until the time has passed for filing an application for forfeited allotment and quota for the current year.

(ii) Reallocate any allotment and quota from the forfeiture pool only during the 30-day period beginning on the day after the final day for filing an application for allotment and quota from the forfeiture pool.

(4) *Reallocation by county FSA committee.* Reallocation of any allotment and quota shall be made by the county FSA committee. In making its determination of the amounts to reallocate, the county FSA committee may consider the size of the current allotments on the farms of the eligible applicants, the length of time the applicants have been farming tobacco, the type of farming done by the applicants (i.e., livestock, grain, or other commodities), and other factors which in the judgment of the county FSA committee should be considered. Allotment and quota may be reallocated to a farm

which currently does not have a flue-cured tobacco allotment. A factor shall not be used to reallocate allotment and quota between all eligible applicants.

(5) *Basis for reallocation from forfeiture pool.* Reallocation from the forfeiture pool shall be on the basis of pounds of farm marketing quota.

(6) *Amount of quota to reallocate.* The county FSA committee may reallocate all or part of the quota in the forfeiture pool.

(i) *Minimum.* The minimum amount of quota which may be reallocated to an eligible applicant is the total amount of quota in the pool or 200 pounds, whichever is less.

(ii) *Maximum.* The maximum amount of quota which may be reallocated to an eligible applicant is 1,000 pounds. However, with State FSA committee approval, up to 2,500 pounds may be allocated.

(7) *Data for receiving farm.* All data for the forfeiture pool shall be apportioned to the receiving farm in the proportion that the reallocated farm marketing quota is to the total farm marketing quota in the forfeiture pool before the reallocation. The pounds of farm marketing quota reallocated to a farm shall be divided by the farm yield for the farm to determine the amount of reallocated farm acreage allotment. The data determined for the receiving farm in accordance with the provisions of this paragraph shall be added to any previous data for the receiving farm.

(8) *Allotment and quota for receiving farm.* After any adjustments which are made in accordance with the provisions of this section, the farm acreage allotment, the effective farm acreage allotment, and the effective farm marketing quota shall be determined for the receiving farm according to §§723.205 and 723.206, respectively, of this part.

(k) *Forfeiture of reallocated allotment and quota.* Allotment and quota which is reallocated in accordance with the provisions of this section shall be forfeited if the applicant to whom the quota is reallocated fails to share in the risk of producing a crop of tobacco which is subject to such quota during any of the 3 years beginning with the crop year during which the quota is reallocated. The amount of farm marketing quota which must be forfeited shall be determined in the same manner which is specified in paragraph (e)(4) of this section with respect to the forfeiture of purchased quota. Any forfeiture of quota shall occur on December 1 of the year in which the applicant fails to share in the risk of production of tobacco which is produced subject to such quota. While the failure to utilize a quota shall not subject the quota to forfeiture, the 3 year period which is specified in this paragraph shall be extended by 1 year for each year in which the quota is not utilized.

(l) *Successor-in-interest.* The successor-in-interest shall be subject to the provisions of this section in the same manner and to the same extent as would be applicable to the person whose interest was assumed.

(1) *New owner.* The new owner of a farm on which a portion or all of the farm acreage allotment and farm marketing quota for such farm was either purchased and/or was reallocated from forfeited allotment and quota shall become the successor-in-interest to the previous owner of the farm. However, if a farm is acquired by a new owner on or before June 15 of the current crop year and such owner would otherwise be required to sell or forfeit the farm acreage allotment and farm marketing quota because in the preceding crop year the owner of such allotment and quota did not share in the risk of producing a crop of tobacco which was subject to such purchased or reallocated allotment and quota, the new owner may be considered the buyer of the allotment and quota instead of being considered as a successor-in-interest to the previous owner of the farm. However, the new owner must furnish to the county FSA committee on or before June 15 of the current year a certification that such owner intends to become an active flue-cured tobacco producer. Any purchased or reallocated allotment and quota, which is acquired by a new owner who is considered to be the buyer of the allotment and quota in accordance with the provisions of this paragraph, shall be subject to the same terms and conditions with respect to forfeiture which would be applicable if the new owner actually had

purchased the allotment and quota at the time the farm was acquired.

(2) *Buyer no longer shares in risk of production.* The owner of a farm shall become the successor-in-interest to the buyer of allotment and quota which was transferred to a farm but which was not owned by such buyer if the buyer ceases to share in the risk of the production of tobacco produced on the farm.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21442, May 9, 1991; 65 FR 7953, Feb. 16, 2000]

## Subpart C—Tobacco Subject to Quota, Exemptions From Quotas, Marketing Cards, and General Penalty Provisions

### § 723.301 Identification of tobacco subject to quota.

(a) Except as provided in paragraphs (b) and (c) of this section, any tobacco which is determined by a representative of the State FSA committee or county FSA committee to have the same appearance and characteristics as a kind of tobacco for which marketing quotas are in effect shall be deemed to be a quota kind of tobacco. Such tobacco shall continue to be deemed a quota kind of tobacco unless it has been certified by the Agricultural Marketing Service, U.S. Department of Agriculture, under the Tobacco Inspection Act (7 U.S.C. 511) and implementing regulations (7 CFR part 30), prior to removal of the tobacco from the State where it was produced, as a kind of tobacco not subject to marketing quotas.

(b) Any kind of tobacco for which marketing quotas are not in effect that is produced in a State where marketing quotas are in effect for any kind of tobacco shall be subject to the quota for the kind of tobacco for which marketing quotas are in effect in that State. If marketing quotas are in effect in a State for more than one kind of tobacco, nonquota tobacco produced in the State shall be subject to the quota for the kind of quota tobacco produced in the State having the highest price support under the Agricultural Act of 1949.

(c) Paragraph (b) of this section shall not apply to:

(1) Maryland (type 32) tobacco when it is nonquota tobacco and produced on a farm for which a marketing quota for Maryland (type 32) tobacco was established when marketing quotas for such kind of tobacco were last in effect (1965);

(2) Cigar-filler (type 41) tobacco when it is nonquota tobacco and produced in Pennsylvania;

(3) Cigar-wrapper (types 61 and 62) tobacco when it is nonquota tobacco and produced in Connecticut, Massachusetts, Georgia or Florida;

(4) Tobacco produced in a quota State that is represented to be nonquota tobacco and that is readily and distinguishably different from all kinds of quota tobacco, as determined by the Agricultural Marketing Service, U.S. Department of Agriculture, through application of the standards issued by the Secretary for the inspection and identification of tobacco. Such inspection and identification shall be made prior to removal of the tobacco from the State where it was produced; and

(5) Tobacco which is nonquota tobacco and produced in a quota area in which the total of the acreage allotments for quota tobacco established for farms is less than twenty acres.

### § 723.302 Tobacco for experimental purposes.

For farms on which tobacco is being grown for experimental purposes by or under the direction of a publicly owned agricultural experiment station, such tobacco shall be exempt from any penalties otherwise required by this part if, before the beginning of the harvesting of tobacco from any farm on which experimental tobacco is being grown, the director of such publicly owned agricultural experimental station furnishes a report, to the State Executive Director for the State in which the farm is located, that includes the following information:

(a) Name and address of the publicly owned agricultural experiment station.

(b) Name of the owner, and name of the operator if different from the owner, and the farm number of each farm on which tobacco is grown for experimental purposes only.

(c) The acreage or poundage of tobacco that is to be grown on each farm for experimental purposes only.

(d) A certification signed by the director of the publicly owned agricultural experiment station to the effect that such acreage or poundage of tobacco is being grown for each farm for experimental purposes only, the tobacco is being grown under the auspices of such director, and the acreage of each plot was considered necessary for carrying out the experiment.

### § 723.303 Production of registered or certified flue-cured tobacco seed.

Producers of registered or certified flue-cured tobacco seed may devote flue-cured tobacco acreage in excess of the effective allotment to seed production without such acreage of tobacco causing a ''No Price Support'' entry on the marketing card issued for the farm if an agreement is signed by the farm operator, and the producer, if different from the operator, which provides:

(a) *Destruction prior to harvest.* For the destruction prior to harvest of all tobacco produced on the acreage designated for seed production.

(b) *Producer payment of compliance costs.* That the producers shall pay the cost of compliance visits to a farm by representatives of the county FSA committee for the purposes of:

(1) Designating and determining the acreage of seed production, and

(2) Determining that no tobacco has been harvested from the acreage designated for seed production and to witness destruction of tobacco leaves.

(c) *Agreement.* That the producer(s) signing the agreement shall agree to timely notify the county FSA office when the tobacco seed has been harvested.

(d) *No history credit.* That the planting of the tobacco acreage for seed production will not create history acreage for the purpose of establishing future farm allotments.

(e) *Cancellation of marketing cards.* That if the county FSA committee determines that any of the terms and conditions of the agreement have been violated or any material misrepresentation has been made, any marketing card issued for the farm in recognition of the agreement shall be recalled and canceled, and a marketing card shall be issued to reflect that tobacco produced on the farm is not eligible for price support.

### § 723.304 Determination of discount varieties.

(a) *Definition. Discount variety* means any of the flue-cured tobacco seed varieties designated as Coker 139, Coker 140, Coker 316, Reams 64, Reams 266, or Dixie Bright 244, or a mixture or strain of such seed varieties, or any breeding line of flue-cured tobacco seed varieties, including, but not limited to, 187-Golden Wilt (also designated by such names as No-Name, XYZ, Mortgage Lifter, Super XyZ), having the quality and chemical characteristics of the seed varieties designated as Coker 139, Coker 140, Coker 316, Reams 64, Reams 266, or Dixie Bright 244. However, where there is growing in a field offtype plants of not more than 2 percent, such offtype plants shall not be considered in certifying the flue-cured tobacco variety being produced. Flue-cured tobacco variety which is not certified to be discount variety shall be considered as ''acceptable variety.''

(b) *Producer report.* The operator, or any producer, on each farm producing flue-cured tobacco shall file with the county FSA office a report on MQ–32 showing whether or not discount variety tobacco was planted on the farm.

(c) *Failure to file report.* If the operator of a farm on which flue-cured tobacco is being produced in the current year fails or refuses, within 7 days after a request of the county FSA committee on MQ–34–1, Notice of Action Required Regarding Determination of Seed Varieties of Flue-Cured Tobacco, to file a report on MQ–32, showing whether or not there was planted any of the discount varieties of flue-cured tobacco on such farm, all flue-cured tobacco produced on such farm shall be considered by the county FSA committee to be discount variety tobacco unless the county FSA committee finds that failure to comply with the request was due to circumstances beyond the control of the farm operator.

(d) *Notice to farm operator.* The farm operator having discount variety tobacco shall be given written notice by certified mail on MQ–34–2, Notice of

Determination of Discount Variety of Flue-Cured Tobacco. This notice to the farm operator shall constitute notice to all persons who, as owner, operator, landlord, tenant, or sharecropper, are interested in the tobacco grown on the farm.

(e) *Producer's right to recertify*. Any producer on a farm who received a Form MQ–34–2 notifying such producer that the farm has discount variety tobacco when in fact an acceptable variety is being produced may recertify on Form MQ–32.

(f) *Issuance of marketing cards*. (1) If a farm is considered to have discount variety tobacco available for marketing and the farm is eligible for price support, the county FSA executive director shall issue MQ–76, bearing the notation ''Discount Variety-Limited Price Support.'' If the farm is considered to have discount variety tobacco but it is not eligible for price support, the county FSA executive director shall issue MQ–76, bearing the notation ''Discount Variety-No Price Support.''

(2)(i) Where an MQ–76, bearing the notation, ''Discount Variety-Limited Price Support'' is issued for a farm, the card may be exchanged at the county FSA office for an MQ–76, without the notation, or

(ii) Where an MQ–76, bearing the notation ''Discount Variety-No Price Support'' is issued for a farm the card may be exchanged at the county FSA office for MQ–76 with the notation ''No Price Support.'' However, the farm operator shall establish to the satisfaction of the county FSA committee that there has been no commingling or substitution of discount variety tobacco produced on the farm or on any other farm operated by such operator, and that all discount variety tobacco has been marketed or satisfactorily disposed of, or accounted for.

(3) MQ–76 issued to identify marketings of tobacco grown for experimental purposes by or for publicly owned experiment stations shall bear the notation ''Discount Variety-Limited Price Support'' if such tobacco is discount variety tobacco.

(g) *Identification of flue-cured leaf account tobacco as acceptable variety*—(1) Whenever the Director determines there is a significant amount of discount variety tobacco available for marketing in any marketing year, the Director may cause to be initiated the provisions of this paragraph. In addition, the Director may terminate any action initiated hereunder when it is determined that no discount variety of flue-cured tobacco remains available for sale during the remainder of the current marketing season. Notification to warehouse operators of action required under this paragraph shall be by the State FSA executive director.

(2)(i) Each warehouse operator who offers for auction sale any leaf account flue-cured tobacco on a warehouse floor other than such operator's own floor, and who requests the other warehouse operator to identify such tobacco as being ''acceptable variety'' shall execute MQ–79–1 (Flue-Cured), Dealer's Certification-Resale Tobacco.

(ii) Each warehouse operator who is participating in the Commodity Credit Corporation price support program, and who identifies resale tobacco indicating that such tobacco with a ''certified'' lot ticket indicating that such tobacco is covered by an executed MQ–79–1.

(iii) Each executed MQ–79–1 (Flue-Cured) shall show the following information with respect to each lot of resale tobacco:

(A) Crop year.

(B) Name and address of warehouse where the tobacco is being offered for sale.

(C) Tobacco sale bill number and date.

(D) Date, signature of dealer and current address, and dealer identification number.

(3)(i) Each dealer or any other person who offers for auction sale any resale flue-cured tobacco on a warehouse floor which is participating in the Commodity Credit Corporation price support program and on which floor eligible resale flue-cured tobacco is identified with a ''certified'' lot ticket, and who requests the warehouse operator to identify such operator's tobacco as being an ''acceptable variety,'' shall execute MQ–79–1 (Flue-Cured), Dealer's Certification-Resale Tobacco.

(ii) Each executed MQ–79–1 (Flue-Cured) shall show the following information with respect to resale tobacco:

(A) Crop year.

(B) Name and address of warehouse where the tobacco is being offered for sale.

(C) Date, signature of dealer and current address and dealer identification number.

(D) Tobacco sale bill number and date.

(iii) Each dealer or any person who acquires acceptable variety tobacco in a manner which would make it eligible for certification on MQ–79–1, or who has on hand both discount variety tobacco and acceptable variety tobacco, and desires to dispose of acceptable variety tobacco prior to disposing of the discount variety tobacco, may apply in writing to the State FSA executive director for a special authorization to have the acceptable variety tobacco certified when offered for auction sale.

(h) Estimate of production. For any farm on which discount variety tobacco is being grown, a Form MQ–92, Estimate of Production, shall be obtained.

**§ 723.305 Issuance of marketing cards.**

(a) *General*. Each marketing of tobacco from a farm in a quota area shall be identified by a valid marketing card unless prior to marketing an AMS certification is issued for such tobacco to indicate that such tobacco is a nonquota kind of tobacco.

(1) A marketing card (MQ–76 or MQ–77) shall be issued for the current marketing year for each farm having quota tobacco available for marketing. Cards shall be issued in the name of the farm operator except that:

(i) Cards issued for tobacco grown for experimental purposes only shall be issued in the name of the experiment station,

(ii) Cards issued to a successor-in-interest shall be issued in the name of the successor-in-interest,

(iii) For kinds of tobacco other than flue-cured and burley, if a part of a farm which includes the tobacco acreage on the farm is cash leased to such producer, cards shall be issued in the name of such producer. The face of the marketing card may show the name of other interested producers. A marketing card may be issued in the name of a producer who is not the farm operator if the county FSA committee determines pursuant to the procedure in paragraph (a)(2) of this section that such producer has been or likely will be deprived of the right to use the marketing card issued for the farm to market such producer's proportionate share of the crop.

(2) If the county FSA committee has reason to believe that one or more producers on the farm have been or likely will be deprived of the right to use such marketing card to market such producer's proportionate share of the crop, a hearing shall be scheduled by the county FSA committee and the operator of the farm and the producer or producers involved shall be invited to be present, or to be represented, at which time they shall be given the opportunity to substantiate their claims concerning the use of the farm marketing card to market each such producer's proportionate share of the effective farm marketing quota for such crop. At least two members of the county FSA committee shall be present at the hearing. The hearing shall be held at the time and place named in the notice. A summary of the evidence presented at the hearing shall be prepared for use of the county FSA committee. If the farm operator or other producer(s) on the farm do not attend the hearing, or are not represented, the county FSA committee shall make its decision on the basis of information available to such committee. If the county FSA committee finds that any producer on the farm has been or likely will be deprived of the right to use the marketing card issued for the farm to market such producer's proportionate share of the crop, a separate marketing card shall be issued to such producer. With respect to burley and flue-cured tobacco, the marketing card issued for the farm shall be recalled and a separate marketing card, showing 103 percent of the producer's proportionate share of the effective farm marketing quota shall be issued to each such producer who it is determined has been or likely will be deprived of the opportunity to market such producer's proportionate share of the crop and another card (or other cards if considered preferable by the county FSA committee) shall be issued

showing 103 percent of the effective farm marketing quota to enable the other producers on the farm to market their proportionate shares. The marketing cards issued pursuant to this subparagraph shall reflect the proportionate pounds, if any, already marketed by each producer.

(3) The procedure in paragraph (a)(2) of this section shall not apply to a person who was a producer on the farm in a prior year but who is not a producer in the current crop year.

(b) *Person authorized to issue marketing cards.* The county FSA executive director shall be responsible for the issuance of marketing cards. For kinds of tobacco other than burley and flue-cured tobacco, each marketing card shall bear the actual or facsimile signature of the county FSA executive director who issued the card.

(c) *Rights of producers and successors-in-interest.* (1) Each producer having a share in tobacco available for marketing from a farm shall be entitled to the use of the marketing card for marketing such producer's proportionate share.

(2) Any person who succeeds, other than a dealer, in whole or in part to the share of a producer in the tobacco available for marketing from a farm, shall, to the extent of such succession, have the same right to the use of the marketing card and bear the same liability for penalties as the original producer.

(d) *No price support-burley and flue-cured tobacco.* For burley and flue-cured tobacco, the notation ''No Price Support'' shall be entered on each marketing card issued for the use of:

(1) *Farm.* The farm if any producer on the farm is ineligible for price support under the provisions of part 1464 of this title.

(2) *Producer.* The producer on a farm if the producer is ineligible for price support under the provisions of part 1464 of this title.

(e) *Farm quota data entered on marketing card and supplemental card for burley or flue-cured tobacco:*

(1) Any marketing card issued to market burley or flue-cured tobacco shall show when issued, in the space provided on the reverse side, the pounds computed by multiplying 103 percent times the effective farm marketing quota.

(2) Notwithstanding paragraph (e)(1) of this section, if the tobacco available for marketing from the farm is determined by the county FSA committee or the county FSA executive director to be less than the effective farm marketing quota, for purposes of issuing a marketing card and showing thereon the farm's 103 percent of the effective quota, the effective farm marketing quota for the farm shall be considered to be the pounds determined to be available for marketing from the farm. If any producer on the farm satisfies the county FSA committee or county FSA executive director that the quantity of tobacco produced on the farm in the current year, plus any carryover tobacco from a prior year, is greater than the previously determined pounds of tobacco available for marketing from the farm, the pounds shown on the marketing card shall be increased accordingly, but not to exceed an amount which would cause the total pounds shown on the marketing card to equal 103 percent of the effective farm marketing quota.

(3) Upon request by the farm operator, a supplemental marketing card bearing the same name and identification as shown on the original marketing card may be issued for a farm upon return to the county FSA office of an original marketing card or a supplemental marketing card. The pounds computed as the balance of 103 percent of quota from a prior marketing card shall be shown in the first space on the reverse side of the marketing card.

(4) Upon written request of the farm operator two or more marketing cards may be issued for a farm if the farm operator specifies the number of pounds of quota to be assigned to each marketing card. In such case, the total pounds of quota specified in the entry, ''103 percent of quota,'' on all marketing cards issued for the farm may not exceed 103 percent of the effective farm marketing quota.

(f) *Farm quota data entered on marketing card and supplemental card for any kind of tobacco other than burley or flue-cured:* (1) Within quota marketing card. A within quota marketing card,

MQ–76, indicating the tobacco is eligible for price support shall be issued for use in identifying the kind of tobacco that is available for marketing from a farm when such tobacco:

(i) Is eligible for price support according to the provisions of part 1464 of this title.

(ii) Was grown for experimental purposes by a publicly owned agricultural experiment station.

(2) *Excess marketing card.* An excess marketing card (MQ–77) shall be issued for a farm for marketing a kind of tobacco that is ineligible for price support. Before the MQ–77 is issued the county FSA executive director shall enter on such marketing card the rate of any penalty that is to be deducted from the proceeds from any marketing of tobacco identified by such marketing card. An MQ–77 shall be issued for each farm for each kind of tobacco for which:

(i) There is excess tobacco available for marketing from the farm; or

(ii) The producer is not an eligible producer or the tobacco is not eligible tobacco as determined in accordance with part 1464 of this title.

(3) *Full penalty rate.* The full penalty rate shall be entered on each MQ–77 issued to identify tobacco produced on a farm for which:

(i) An acreage allotment was not established;

(ii) The farm operator or another producer on the farm prevents the county FSA committee from obtaining information necessary to determine the correct acreage of tobacco on the farm;

(iii) The farm operator fails in accordance with part 718 of this chapter to provide a certification of acreage planted to tobacco, or

(iv) The farm operator or another producer on the farm has not agreed to make contributions to the No Net Cost Fund or pay assessments to the No Net Cost Account, as applicable, in accordance with part 1464 of this title.

(4) *Converted penalty rate.* Except as provided in paragraph (f)(3) of this section, a converted penalty rate shall be entered on each MQ–77 issued to identify tobacco produced on a farm from which there is excess tobacco available for marketing and the percentage of excess is less than 100 percent. For the purpose of determining the penalty due on each marketing by a producer of tobacco subject to penalty, the converted rate of penalty per pound shall be determined by multiplying the applicable rate of penalty for the current crop by the percent excess determined according to this paragraph. For a farm without carryover tobacco from a prior year, the percent excess shall be determined by dividing the excess acreage of tobacco by the harvested acreage of tobacco for the farm. For a farm having carryover tobacco from a prior year, the percent excess shall be determined as follows:

(i) Determine the number of ''carryover'' acres by dividing the number of pounds of carryover tobacco from the prior year by the normal yield for the farm for that year. Reduce such ''carryover'' acres by the amount determined by subtracting the harvested acreage from the allotment in the current year. If the ''carryover'' acres are entirely offset by the underharvested acreage, the percent excess will be zero and a MQ–76 may be issued if the farm otherwise is eligible for price support and the remainder of this paragraph (f)(4) of this section are inapplicable.

(ii) Determine the number of ''within quota carryover acres'' by multiplying the ''carryover acres'' by the ''percent within quota'' (i.e., 100 percent minus the percent excess) for the year in which the carryover tobacco was produced.

(iii) Determine the ''total acres'' of tobacco by adding the ''carryover acres'' and the acreage of tobacco harvested in the current year.

(iv) Determine the ''excess acres'' by subtracting from the ''total acres'' the sum of the current year's allotment and the ''within quota carryover acres.''

(v) Determine the percent excess by dividing the ''excess acres'' by the ''total acres.''

(5) Except as provided in paragraphs (f)(3) and (4) of this section, a zero penalty rate shall be entered on any MQ–77 issued in accordance with this section.

(g) *Other marketing card data.* Other data specified in instructions issued by the Deputy Administrator shall be entered on the marketing card.

### § 723.306 Claim stamping and replacing marketing cards.

(a) *Claim stamping*. If a person is indebted to the United States and such indebtedness has been recorded on the county debt record, any marketing card issued for the farm on which the person has a producer interest shall bear the notation ''U.S. Claim'' followed by the amount of the indebtedness. The name of the debtor-producer, if different from the farm operator, shall be recorded directly under the claim notation. The notation ''TMQ'' indicating tobacco marketing quota as the type of indebtedness shall constitute notice to any buyer that until the amount of penalty is paid, the United States has a lien with respect to any crop of tobacco in which the debtor-producer has an interest. A claim notation other than ''TMQ'' shall constitute notice to any buyer that subject to prior liens, the net proceeds from any tobacco pledged as collateral for a price support loan shall be paid to the ''Farm Service Agency, USDA'' to the extent of the indebtedness shown. The acceptance and use of a marketing card bearing a notation and information concerning an indebtedness to the United States shall not constitute a waiver by the debtor-producer of any right to contest the validity of such indebtedness by appropriate appeal. As claim collections are made, the amount of the claim shown on the card shall be revised to show the claim balance. If requested by the producer, the county FSA executive director who issued the marketing card shall issue a claim-free marketing card when the claim has been paid.

(b) *Replacing, exchanging, or issuing additional marketing cards*. Subject to the approval of the county FSA executive director, two or more marketing cards may be issued for any farm. Upon the return to the county FSA office of a marketing card which had been used in its entirety and before the marketing of tobacco from the farm has been completed, a new marketing card bearing the same name, information, and identification as the used card shall be issued for the farm. A new marketing card shall be issued to replace a card which has been determined by the county FSA executive director who issued the card to have been lost, destroyed, or stolen.

### § 723.307 Invalid cards.

(a) *Reasons for being invalid*. A marketing card shall be invalid if:

(1) It is not issued or delivered in the manner prescribed;

(2) An entry is omitted or is incorrect;

(3) It is lost, destroyed, stolen, or becomes illegible; or,

(4) Any erasure or alteration has been made and not properly initialed by the county FSA executive director.

(b) *Validating invalid cards*. If any entry is not made on a marketing card as required, either through omission or incorrect entry, and the proper entry is made and initialed by the county FSA executive director who issued the card, or by a marketing recorder, then such card shall become valid.

(c) *Returning invalid cards*. In the event any marketing card becomes invalid (other than by loss, destruction or theft, or by omission, alteration, or incorrect entry, which has not been corrected by the county FSA executive director who issued the card, or by a marketing recorder), the farm operator, or the person in possession of the card, shall return it to the county FSA office at which it was issued.

### § 723.308 Rate of penalty.

The rate of penalty for a marketing year shall be equal to seventy-five (75) percent of the average market price for the kind of tobacco for the immediately preceding marketing year as determined and announced annually by the U.S. Department of Agriculture.

[55 FR 39914, Oct. 1, 1990, as amended at 63 FR 11582, Mar. 10, 1998]

### § 723.309 Persons to pay penalty.

Subject to any additional requirements or provisions for remittances which are contained in § 723.409 of this part, the persons to pay the penalty due on any marketing of tobacco subject to penalty shall be determined as follows:

(a) *Auction sale*. The penalty due on marketings by a producer or dealer through an auction sale shall be paid by the warehouse operator who may deduct an amount equivalent to the

penalty from the price paid to the producer or dealer.

(b) *Nonauction sale*. The penalty due on tobacco acquired directly from a producer or dealer, other than at an auction sale, shall be paid by the person acquiring the tobacco who may deduct an amount equivalent to the penalty from the price paid to the producer or dealer in the case of a sale.

(c) *Marketing outside the United States*. The penalty due on marketings by a producer or dealer directly to any person outside the United States shall be paid by the producer or dealer making the sale.

[55 FR 39914, Oct. 1, 1990, as amended at 63 FR 11582, Mar. 10, 1998]

**§ 723.310 Date penalty is due.**

(a) *Payment of penalty*. Penalties shall become due at the time the tobacco is marketed, except that in the case of false identification or failure to account for disposition, the penalty shall be due on the date of such false identification or failure to account for disposition. The penalty shall be paid by remitting the amount due to the State FSA office not later than the end of the calendar week in which the tobacco becomes subject to penalty. A draft, money order, or check drawn payable to the Farm Service Agency may be used to pay any penalty, but any such draft or check shall be received subject to payment at par.

(b) *Auction sale net proceeds*. If the penalty due on any auction sale of tobacco by a producer is in excess of the net proceeds of such sale (gross amount for all lots included in the sale less usual warehouse charges), the amount of the net proceeds accompanied by a copy of the tobacco sale bill covering such sale may be remitted as the full penalty due. Usual warehouse charges shall not include the following:

(1) Advances to producers,

(2) Charges for hauling, or

(3) Any other charges not usually incurred by producers in marketing tobacco through a warehouse.

(c) *Nonauction sales*. Nonauction sales of excess tobacco shall be subject to the full rate of penalty and shall be paid in full even though the penalty may exceed the proceeds for the sale of tobacco.

**§ 723.311 Lien for penalty; liability of persons who are affiliated with indebted person or who permit the indebted person to use their identification card.**

(a) *Lien on tobacco*. Until the amount of any marketing quota penalty imposed under this part is paid, a lien shall exist in favor of the United States for the amount of the penalty on:

(1) The tobacco with respect to which such penalty is incurred; and

(2) Any other tobacco subject to marketing quotas in which the person liable for payment of the penalty has an interest and which is marketed in the same or a subsequent marketing year.

(b) *Lien precedence*. The lien, described in paragraph (a) of this section, attaches at the time that the penalty is assessed. As to third parties, in the event of a lack of actual notice of the lien, then notice shall be deemed to occur when:

(1) In the case of indebted producers, the debt is entered on the debt record maintained by the county FSA office of the county in which the tobacco was grown;

(2) In the case of an indebted warehouse operator, the debt is entered on the debt record of the State FSA office for the State in which the warehouse is located; and

(3) In the case of an indebted dealer, the debt is entered on the debt record of the State FSA office for the State in which the dealer is required to file reports.

(c) *Availability of list of marketing quota penalty debts*. Each county and State FSA office shall maintain a list of tobacco marketing penalty debts which have been entered on the debt record in their office. The list shall be available for examination upon request by any interested person.

(d) *Liability for penalty owed by another person*. (1) When a penalty in excess of $10,000 is incurred under this part by an entity, all persons who have a substantial ownership interest in the entity shall be jointly and severally liable with the entity for the payment of such penalty, unless it is demonstrated to the satisfaction of the Deputy Administrator that the violation was inadvertent. Substantial ownership interest shall be deemed to be

any ownership interest greater than ten percent.

(2) A dealer or warehouse operator who permits an indebted person to use such dealer's or warehouse operator's identification card to market tobacco shall be liable for the amounts due by the indebted person to the United States under this part up to the amount of the value of the tobacco so marketed. In addition, unless the Deputy Administrator determines otherwise, any persons or person, who as a warehouse operator or dealer becomes affiliated with any person who at the time of affiliation is indebted under this part to the United States, shall be liable for the amount of the debt owed to the United States by the person with whom such person or persons become affiliated up to the amount of the value of any tobacco which is marketed by such affiliated warehouse operator or dealer during the time of the affiliation with the indebted person. Affiliation may include any relationship in which the parties have a common interest in tobacco, or in an enterprise or entity involved in the marketing, processing, or handling of tobacco, or where the parties both hold a position of responsibility or ownership in such an enterprise or entity, or where there is common ownership of a business involved in the transaction. A warehouse operator or dealer may also be considered to be affiliated with an indebted person when such warehouse operator or dealer is associated with a person who is both:

(i) An employee or otherwise authorized to buy and sell tobacco for such warehouse operator or dealer; and

(ii) An indebted person or at the time of indebtedness incurred by an entity was a substantial owner or an officer of the indebted entity.

Affiliation may also be deemed to occur where parties have traded in tobacco under circumstances which indicate that there may be a lack of arm's length trading between the parties such as where the parties engage in casual or undocumented transactions in significant quantities of tobacco, or where the parties have traded in tobacco with each other without a movement of the tobacco, or where there is a trading in tobacco without documentation of a significant exchange of money, or other circumstances which indicate an affiliation. Where questions of affiliation arise, it shall be the burden on the parties involved to show that trading in such tobacco was conducted in accordance with normal trade practices and was not part of a scheme or device to avoid payments of sums due the United States or the CCC.

(e) *TMQ lien notation*. Upon notification that a TMQ lien has been established, the producer marketing card (MQ–76) or dealer identification card (MQ–79–2) shall be returned immediately to the issuing office for recording the TMQ lien. Failure to immediately return the applicable card will result in FSA notifying all registered warehouse operators and dealers of the TMQ lien information and of their responsibilities for collecting the TMQ lien. The card shall be promptly returned to the producer or dealer after it is annotated with the TMQ lien.

[57 FR 43581, Sept. 21, 1992]

### § 723.312 Request for refund of penalty.

Any person who paid any penalty may request the return of the amount of any such payment which is in excess of the amount required to be paid. Such request shall be filed on Form MQ–85, Farm Record and Account, with the county FSA office within 2 years after the payment of the penalty. Approval of return shall be by the county FSA committee, subject to the approval of the State FSA executive director.

### § 723.313 Identification of marketings.

(a) *Burley or flue-cured tobacco*. With respect to:

(1) *Identification of producer marketings*. Each auction and nonauction marketing of burley or flue-cured tobacco shall be identified by a valid marketing card, Form MQ–76, issued for the farm. The reverse side of the marketing card shall show in pounds:

(i) 103 percent of quota,

(ii) Balance of 103 percent of quota after each sale, and

(iii) Date of each sale.

(2) *Cross-references of tobacco sale bill number to prior sale bill*. Each warehouse operator, for each lot of tobacco

weighed in on the warehouse floor for sale the same day, shall cross-reference the tobacco sale bill to each prior tobacco sale bill for tobacco identified by the same marketing card. To accomplish the cross-reference, each other tobacco sale bill number shall be entered by the warehouse operator in the ''Remarks'' space on the tobacco sale bill, on all copies, at the time such tobacco is weighed at the warehouse.

(3) *Recording producer sale*. Each producer sale at auction shall be recorded on Form MQ–72–1, Report of Tobacco Auction Sale, and each producer sale at nonauction shall be recorded on a Form MQ–72–2, Report of Tobacco Nonauction Purchase. For producer sales at nonauction, the dealer purchaser shall execute Form MQ–72–2 and shall enter the data on Form MQ–76. For producer sales at auction, Form 72–1 and Form MQ–76 shall be executed only by the FSA marketing recorder.

(4) *Identification of dealer marketings of resale tobacco*. Each auction and nonauction marketing of resale tobacco in the current year, such tobacco shall be identified by a dealer identification card, Form MQ–79–2, issued to the dealer for use in the current marketing year.

(b) *Dark air-cured, fire-cured, or Virginia sun-cured tobacco*. With respect to dark air-cured, fire-cured, or Virginia sun-cured tobacco:

(1) *Identification of producer marketings*. Each marketing of such kind of tobacco from a farm shall be identified by a valid marketing card issued for the farm for the respective kind of a tobacco, either an MQ–76 or MQ–77 (including sale memo). With respect to each nonauction sale from:

(i) A within quota farm a check mark shall be entered on the inside of MQ–76, and

(ii) An excess farm for which an MQ–77 is issued, an executed bill of nonauction sale shall be prepared, and such bill of nonauction sale shall be delivered to a marketing recorder or other person who is authorized to issue sale memos.

(2) *Suspended sale and sales without marketing cards*. Any suspended sale, which is not identified by an MQ–76 or MQ–77 (including a sale memo) on or before the last warehouse sale day of the marketing season, or within 4 weeks after the date of marketing, whichever comes first, shall be identified by MQ–82, Sale Without Marketing Card, as a marketing of excess tobacco. Form MQ–82 shall be executed only by a marketing recorder or other representative of the State FSA executive director.

(3) *Other persons authorized to execute MQ–76 or MQ–77 (including sale memo)*. (i) A warehouse operator who has been authorized during the current marketing year on MQ–78, Tobacco Warehouse Organization, may record a sale on MQ–76 or MQ–77 (including the issuance of a sale memo) to identify a sale for a farm if a marketing recorder is not available at the warehouse when the marketing card is presented.

(ii) Any warehouse operator, or dealer, who engages in the business of acquiring scrap tobacco from farmers, and who has been authorized on MQ–78, may for each purchase of scrap tobacco execute an MQ–76, or MQ–77 (including a sale memo if the bill of nonauction sale has been executed).

(4) *Verification of sales processed during the absence of marketing recorder*. Any person authorized on MQ–78 to act as a marketing recorder shall promptly present to a marketing recorder for verification each warehouse bill (floor sheet) processed and identified by an MQ–76 or MQ–77 (including any sale memos) executed in the absence of a marketing recorder.

(5) *Withdrawal of approval to act as marketing recorder*. The authorization on MQ–78 for persons may be withdrawn by the State FSA executive director if such action is determined to be necessary to properly enforce the regulations in this part.

(c) *Separate display on auction warehouse floor*. Any warehouse operator upon whose floor more than one kind of tobacco is offered for sale at public auction shall for each respective kind of tobacco:

(1) Display it in separate areas on the auction warehouse floor.

(2) Use a lot ticket that is distinguishably different from the lot ticket used to identify any other kind of tobacco.

(3) Identify each lot by a lot ticket clearly showing the kind of tobacco.

However, if where the tobacco is represented to be a nonquota kind the lot ticket shall have imprinted thereon the type designation for the kind of quota tobacco normally marketed in the area.

(4) Make and keep records that will ensure a separate accounting and reporting of each of such kinds of tobacco (quota and nonquota) sold at auction over the warehouse floor.

(d) *Identification of returned first sale (producer) tobacco*. When resold at auction, tobacco which has been previously sold and returned to the warehouse by the buyer is resale tobacco. When such tobacco is resold by the warehouse operator, it shall be identified as leaf account resale tobacco.

(e) *Verification of penalties by warehouse operators or dealers*. Each sale of tobacco by a producer which is subject to penalty and which has been recorded by a marketing recorder shall be verified by a warehouse operator or dealer to determine whether the amount of penalty shown to be due has been correctly computed. Such warehouse operator shall not be relieved of any liability for the amount of penalty due because of any error which may occur in computing the penalty and recording the sale.

(f) *Check register*. The serial number of the tobacco sale bill(s) shall be recorded by the warehouse operator on the check register or check stub for the check written covering the auction sale of tobacco by a producer.

(g) *Marketing card and sale memo for cigar tobacco*. With respect to cigar tobacco:

(1) If a sale of producer's cigar tobacco to a buyer is not identified with a marketing card (MQ–76 or MQ–77) issued for the farm, including a sale memo from MQ–77, by the end of the sale day and recorded and reported on MQ–79 (CF&B), Buyers Record, by the tenth day of the calendar month next following the month during which the sale occurred, the marketing shall be identified on MQ–79 (CF&B) as a marketing of excess tobacco and reported not later than the tenth day of the calendar month next following the month during which the sale date occurred, the marketing shall be identified on MQ–79 (CF&B) as a marketing of excess tobacco, and reported not later than the tenth day of the calendar month next following the month during which the sale day occurred.

(2) *Verification of penalty by buyer*. Each excess sale memo issued by a buyer shall be verified by the buyer to determine whether the amount of penalty shown to be due has been correctly computed and such buyer shall not be relieved of any liability with respect to the amount of penalty due because of any error which may occur in issuing the sale memo.

## Subpart D—Recordkeeping, Reporting Requirements, Marketing Penalties, and Other Penalties

### § 723.401 Registration of burley and flue-cured tobacco warehouse operators and dealers.

(a) *Warehouse registration*. For burley and flue-cured tobacco, any warehouse operator dealing in either flue-cured or burley tobacco shall be registered with the U.S. Department of Agriculture. Such registration will be handled by the North Carolina State FSA Office, Raleigh, North Carolina.

(b) *Dealer registration*. Each person who expects to deal in burley or flue-cured tobacco during a marketing year shall complete a Dealer Application and Agreement (MQ–79–2–A) annually, except dealers who are exempt from maintaining or filing records and reports as provided in § 723.405. The application must be filed after March 1 of the calendar year in which the marketing year begins, and shall be filed with the State FSA office or, if designated by the State Executive Director, the county FSA office for the county where the dealer resides or where the dealer's principal business is located. The applicant shall provide the names, and such other information as required by the Deputy Administrator, of all other persons who will be authorized to use the dealer identification card (MQ–79–2). A dealer entity is limited to one dealer registration number. Persons affiliated with another dealer of the same household shall not be eligible for a dealer registration number unless the Deputy Administrator determines that the entities or

individuals are separate and independent.

(c) *Approval of application and agreement.* The State Executive Director of the State FSA office shall, under the direction of the Deputy Administrator, be the approving official for the Dealer Application and Agreement. If the approving official has reason to doubt that the applicant is a bona fide dealer or intends to become a bona fide dealer, the application may be disapproved until such time as the applicant furnishes information satisfactory to the State FSA committee that the application is bona fide. An application shall also be disapproved for any person who has failed to file reports or permit inspections required in § 723.404(d)(9). A person whose application is disapproved shall be provided with the opportunity to appeal the disapproval and to furnish information to substantiate the application or to comply with other requirements in § 723.404.

(d) *Letter of credit or bond*—(1) *General requirements.* Effective with the beginning of the 1992 marketing year for burley tobacco and with the 1993 marketing year for flue-cured tobacco, in order to secure the payment of penalties as may be incurred by a dealer during the marketing year for which approval as a dealer is sought, each dealer, as a condition for final approval to handle tobacco, must present a letter of credit or bond which is determined by the Deputy Administrator to be acceptable security and which meets the dollar requirements of this section. The letter of credit or bond shall be submitted to the State FSA office where the dealer is registered. A letter of credit must have been issued by a commercial bank insured by the Federal Deposit Insurance Corporation. A bond must be a surety bond insured by a bonding company or agent licensed in the State where the dealer is registered. The letter of credit or bond must be in the form and have the content specified by the Deputy Administrator. A letter of credit or bond shall be furnished annually after initial approval of the dealer's application and notification of the amount required. The dealer identification card shall not be issued until it is determined that acceptable security has been presented.

(2) *Amount required.* The base amount of the letter of credit or bond shall be the larger of:

(i) $25,000 or

(ii) the sum of the amounts determined by multiplying the respective pounds of burley and flue-cured tobacco purchased by the dealer during the preceding marketing year by 10 percent of the marketing year penalty rate for the respective kind of tobacco involved for the relevant year with the resulting amount not to exceed $100,000.

A dealer shall submit the letter of credit or bond for the base amount plus an amount equal to the amount of any unpaid tobacco marketing quota penalty owed by such dealer. The amount shall also be increased by $5,000 for each 10,000 pounds of tobacco for which the dealer has failed to file reports or filed false reports in violation of § 723.404 for the 3 previous marketing years. The Deputy Administrator may reduce the amount of security required in order to avoid undue hardship and shall make provision for release of the letter of credit or bond at the appropriate time.

(e) *Suspension and surrender of dealer card.* The dealer identification card shall be surrendered upon demand of the FSA. Failure to comply with the provisions of §§ 723.404 or 723.414 or with other material provisions of this part shall be cause for suspension of the dealer identification card and the dealer shall be given 15 days to complete all necessary compliance measures or to show cause why the card should not remain suspended.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21443, May 9, 1991; 57 FR 43581, Sept. 21, 1992]

### § 723.402 Warehouse authorized to retain producer marketing cards between sales.

(a) *General.* Notwithstanding any other provisions of this part, to facilitate the scheduling of farmer's tobacco to the warehouse, marketing cards, with the permission of the producer, may be retained at the warehouse between sales even though no producer on the farm for which the card is issued has tobacco on the floor for sale or to be settled for, as provided in this section.

(b) *Warehouse eligible to retain producers marketing cards between sales.* A warehouse shall be eligible to retain producer marketing cards between sales if the operator thereof shall:

(1) Execute and file on a form approved by FSA a written request with the State FSA committee (or county FSA committee if designated by the State FSA committee).

(2) Agree to be responsible to FSA for an amount of money equal to that amount that may be assessed against any producer as marketing quota penalties, if the marketing that is the basis of assessment of penalty occurred while the warehouse was authorized to have custody of the marketing card, for:

(i) Burley or flue-cured tobacco for any overmarketing resulting from errors made at the warehouse in entering ''balance after sale'' pounds on the producer's marketing card or failure to deduct pounds sold on producer's marketing card.

(ii) Tobacco falsely identified for marketing by use of the producer's marketing card.

(iii) Producer's failure to account for any tobacco marketed by use of the producer's marketing card.

(iv) Any burley or flue-cured tobacco marketed at the warehouse in excess of 103 percent of quota as shown on the producer's marketing card.

(3) Agree to maintain an accurate and up-to-date journal containing a listing of all producer marketing cards retained by the warehouse to facilitate the scheduling of farmer's tobacco. The journal shall show for each card retained the:

(i) Name of the operator;

(ii) Serial number of farm;

(iii) Marketing card number, if applicable;

(iv) Date marketing card obtained from producer; and

(v) Date marketing card returned to producer.

Such journals shall be maintained for the length of time and under the conditions required for other warehouse records.

(4) Agree to return the marketing card to the producer at any time the producer may so request, or in the absence of a request, return it to the producer within 7 days after the close of the warehouse for the season.

(5) Agree that this authorization may be terminated by FSA for failure to comply with provisions of this agreement.

(c) *Penalties considered to be the responsibility of warehouse operators.* Notwithstanding any other provision of this part, a warehouse operator who executes and files a written request with the State FSA committee (or county FSA committee if designated by the State FSA committee) for authorization to retain producer's marketing cards at the warehouse, with grower permission, shall be responsible to FSA for an amount of money equal to the amount that may be assessed against the producer as marketing quota penalties if the marketing that is the basis of such assessment occurred while the warehouse was authorized to have custody of the marketing card, for:

(1) Any burley or flue-cured tobacco overmarketings resulting from errors made at the warehouse in entering ''balance after sale'' pounds on the burley or flue-cured producer's marketing card or failure to deduct pounds sold on the producer's marketing card. However, the warehouse operator shall not be responsible for any penalty under this subparagraph, if such penalty would not have been assessed against the producer in accordance with § 723.409(e) of this part.

(2) Tobacco falsely identified for marketing by use of the producer's marketing card.

(3) Producer's failure to account for any tobacco marketed by use of such producer's marketing card.

(4) With respect to burley or flue-cured producers, tobacco marketed at the warehouse in excess of 103 percent of quota as shown on the producer's marketing card.

### § 723.403 Auction warehouse operators' records and reports.

(a) *Report on Form MQ–78, Tobacco Warehouse organization.* Each warehouse operator shall annually, prior to opening of auction markets, furnish FSA an executed Form MQ–78 showing:

(1) Form of business organization.

(2) Names and addresses of warehouse officials and bookkeeper.

(3) Names and addresses of other warehouses in which the officials and bookkeepers have a financial interest.

(4) Names and addresses of custodians of warehouse records, including their location.

(b) *Separate records and reports.* Each auction warehouse operator shall keep the records and make the reports separately for each quota or nonquota kind of tobacco as provided in this section.

(c) *Record of marketing.* Each warehouse operator shall:

(1) *Auction or nonauction sale.* Keep such records as will enable the warehouse operator to furnish the following information to State FSA office with respect to each sale of tobacco made at such person's warehouse:

(i) The name of the operator of the farm on which the tobacco was produced and the name of the producer, in the case of a sale by a producer.

(ii) The name of the seller in the case of a resale.

(iii) Date of sale.

(iv) Number of pounds sold.

(v) Amount of any penalty and the amount of any deduction for such penalty from the price paid the producer.

(vi) With respect to each individual lot of tobacco constituting an auction sale, the:

(A) Name of purchaser.

(B) Number of pounds sold.

(C) Gross sale price.

(2) *Separate account records.* Maintain records of all purchases and resales of tobacco by the warehouse operator to show a separate account for:

(i) Nonauction purchases by or on behalf of the warehouse operator of farmer-owned tobacco.

(ii) Purchases and resales of:

(A) Leaf account tobacco.

(B) Floor sweeping tobacco.

(d) *Tobacco sale bill for burley and flue-cured tobacco.* (1) Each burley or flue-cured tobacco warehouse operator shall use tobacco sales bills furnished at the warehouse operator's expense showing, as a minimum, the following information:

(i) Tobacco sale bill number;

(ii) For flue-cured tobacco only, registration number assigned the warehouse by the Department;

(iii) Name and address of warehouse where sale is held;

(iv) For flue-cured tobacco only, the identification of other producers having an interest in the tobacco;

(v) Date of sale;

(vi) Number of pounds in each lot;

(vii) Name and address of seller; and

(A) Farm number (including State and county codes) for producer tobacco, and

(B) Dealer registration number for resale tobacco;

(viii) Identification number, if available, for each lot of tobacco to be offered for sale;

(ix) Poundage balance before sale for producer tobacco based on 103 percent of farm quota;

(x) Name or symbol of purchaser of each lot which is sold;

(xi) Gross number of pounds sold;

(xii) Sale price for each lot and gross sale price for all lots sold;

(xiii) Nonauction purchases by the warehouse holding the sale;

(xiv) Tobacco grade for tobacco consigned to price support;

(xv) The buyer's grade symbol for tobacco bought by private buyers.

(xvi) The letters ''N/A'' in the buyer and grade space for nonauction purchases by the warehouse.

(xvii) Marketing quota penalty collected; and

(xviii) Amount withheld from sale to cover claims due the United States.

(2) At the end of each sale day, the tobacco sale bills shall be sorted and filed in numerical order by sale dates, and lot tickets shall be filed in an orderly manner by sale dates or by numerical order.

(e) *Identification of tobacco for marketing*—(1) *Marketing card.* Each marketing of tobacco from a farm in any State for which a farm marketing quota has been established for any kind of tobacco shall be identified by a marketing card issued for the farm on which such tobacco was produced (unless prior to the marketing of such tobacco an AMS inspection certificate is obtained showing that the tobacco offered for sale is a kind of tobacco not subject to marketing quotas).

(2) *Recording farm identification.* For burley or flue-cured tobacco, at the time the tobacco is weighed in, the

warehouse operator shall record on the tobacco sale bill, the State and county codes and the farm serial number from the marketing card issued for the farm from which the tobacco is to be marketed.

(3) *Return of marketing card.* For tobacco that is to be sold at auction, the warehouse operator shall retain the marketing card until the producer has been paid for the sale of the tobacco or the tobacco is removed from the warehouse by the producer at which time the marketing card shall be returned to the producer. In any case where a producer's marketing card is found in the possession of a warehouse operator, and no producer on the farm for which the card is issued has tobacco on the floor for sale, or tobacco for which settlement is not yet completed, such card will be picked up by an FSA representative for return to the producer. The warehouse operator shall be responsible for the safekeeping and proper use of the marketing card during such person's retention of the marketing card.

(4) *No price support.* For burley or flue-cured tobacco, if tobacco is to be marketed at auction from a farm for which a marketing card is issued bearing the notation ''No Price Support'', the warehouse operator shall enter the same notation on the tobacco sale bill at the time the tobacco is weighed in for sale. The warehouse operator shall prepare a separate tobacco sale bill to cover any tobacco which represents more than 103 percent of the effective farm marketing quota and the notation ''No Price Support'' shall be shown on such tobacco sale bill. The sale of such tobacco shall be considered a separate sale.

(5) *Nonauction purchase.* The warehouse operator shall enter the letters ''NA'' on each line of a tobacco sale bill on which there is recorded tobacco purchased by or for the warehouse at nonauction sale and shall record on all such tobacco sale bills:

(i) For burley or flue-cured tobacco, the farm serial number from the marketing card that is used to identify the tobacco at the time of the nonauction purchase.

(ii) For tobacco other than burley or flue-cured, the serial number of the marketing card that is used to identify the tobacco at the time of the nonauction purchase.

(6) *Copy of sale bill.* The warehouse operator shall furnish to the producer a copy of the tobacco sale bill bearing the letters ''NA'' for any lot of such tobacco purchased by the warehouse operator.

(7) *Lot ticket.* At the time tobacco is weighed for marketing, the warehouse operator shall record the weight of the lot of tobacco on the tobacco sale bill and on the lot ticket. The sale bill number on which the lot of tobacco is recorded shall be recorded on the lot ticket. If the marketing card which is presented to identify the tobacco at weigh-in bears the notation ''No Price Support,'' the same notation shall be entered by the warehouse operator on the lot ticket for each lot of tobacco which is identified with the same marketing card.

(8) *Recording serial number of marketing card.* For tobacco other than burley or flue-cured, before the tobacco is offered for sale, the warehouse operator shall record, on the sale bill, the serial number of the Form MQ–76 or MQ–77 issued for the farm from which the tobacco is to be marketed at auction.

(9) *Recording sale bill number.* For tobacco other than burley or flue-cured, the serial number of the sale bill shall be recorded:

(i) By the warehouse operator on the check register or check stub from the check written to cover an auction sale of tobacco by a producer.

(ii) On the inside of the marketing card by the marketing recorder or warehouse operator for each sale of tobacco by a producer.

(10) *Burley or flue-cured marketings.* A marketing card used to cover a sale of burley or flue-cured tobacco shall show on the reverse side the poundage balance of the ''103 percent of quota.''

(i) *Auction sale.* At the time of weigh-in the tobacco sale bill shall show the poundage balance of 103 percent of the farm's quota. The tobacco sale bill shall show the pounds on which penalty is due, and the amount of penalty.

(ii) *Nonauction sale to a warehouse operator at the warehouse.* If the tobacco sale bill includes both an auction sale

and a nonauction sale such combined pounds shall be used to compute and reflect the balance of the ''103 percent of quota.'' The tobacco sale bill shall show the pounds on which penalty is due and the amount of the penalty.

(iii) *Nonauction country purchase by a warehouse operator.* The warehouse operator shall deduct, from the balance of the ''103 percent of quota'' entry on the marketing card, the pounds of tobacco purchased as a nonauction country purchase. In addition, each warehouse operator shall record on Form MQ–79 and on Form MQ–72–2, Report of Tobacco Nonauction Purchase, each nonauction country purchase of tobacco made by such warehouse operator. The data to be reported on Form MQ–72–2 is set forth in § 723.404 of this part.

(11) *Sale memo and bill of nonauction sales.* For tobacco other than burley or flue-cured, a record of sales on Forms MQ–76, MQ–77, or MQ–82, Sale Without Marketing Card (including sale memo from MQ–77 or MQ–82), shall be obtained by a warehouse operator to cover each marketing of tobacco from a farm through a warehouse and each nonauction sale of tobacco purchased by or for the warehouse operator including scrap tobacco obtained as a result of providing curing space or stripping space for farmers. Each MQ–76 and MQ–77 (including sale memo) shall be executed as follows:

(i) *Auction sale.* An auction sale identified by MQ–76 shall show in the spaces provided thereon, the sale bill number, check-mark to show the sale was by auction, a check-mark to show nonauction for purchases identified ''NA'' on the sale bill, pounds sold, name and address of warehouse, and date of sale. In addition, each sale memo issued from MQ–77 to cover an auction sale shall show on the first page thereof in all of the spaces provided therefor, the warehouse bill number, pounds sold, amount of penalty due, name and address of warehouse, and date of sale.

(ii) *Nonauction sale to a warehouse operator who does not prepare a sale bill.* An MQ–76 used to cover a nonauction sale of tobacco to a warehouse operator who does not prepare a sale bill to cover the sale shall show, a check-mark to indicate sale was by nonauction, pounds sold, name and address of the warehouse, and date of sale. When an MQ–77 is used under this paragraph, a sale memo shall be executed, including the signature of the producer on the reverse side.

(iii) *Nonauction sale to a warehouse operator who prepares a sale bill.* When a warehouse operator purchases:

(A) All the delivery of a producer's tobacco at a nonauction sale and prepares a sale bill to cover the purchase, on MQ–76 there shall be shown the bill number, check-mark to show nonauction purchases, pounds sold, name and address of warehouse, and date of sale. When an MQ–77 is used a sale memo shall be executed, including the signature of the producer on the reverse side.

(B) Part of a delivery of a producer's tobacco as a nonauction purchase and the remainder of the tobacco is sold at auction, if such tobacco is identified by an MQ–76 the Record of Sales shall be completed to show the name and address of the warehouse, the date of sale, the sale bill number, check-mark under both auction and nonauction, and, under ''Lbs. Sold,'' the total number of pounds covered by the entire delivery. If the sale is identified by an MQ–77, the sale memo (front) shall be completed to show the sale bill number, the total number of pounds covered by the entire delivery under ''Lbs. Sold,'' the amount of penalty due, name and address of the warehouse, and the date of sale. In addition, the reverse side of the sale memo shall show the number of pounds sold at nonauction.

(f) *Nonquota tobacco or quota tobacco of a different kind.* If tobacco is presented for sale that is represented to be nonquota tobacco or should there be a question as to what kind of quota tobacco is being offered for sale, an inspection shall be obtained from the Agricultural Marketing Service of this Department (AMS) after the tobacco is weighed and in line for sale. The lot ticket for the tobacco shall be cross-referenced to the sale bill by sale bill number and date. The sale bill shall show the producer's name and address and the State and county code and farm number of the farm on which the

tobacco was produced. If an AMS inspection shows that a lot of tobacco is of a different kind than that identified by the lot ticket, such tobacco shall be deleted from the original sale bill and a revised sale bill prepared. Copies of the lot ticket and sale bill shall be furnished to the State FSA office at the end of the sale day.

(g) *Labeling tobacco sale bill for resale tobacco*. In the case of resales, each sale bill shall show ''resale'' and;

(1) For dealers, the name of the dealer making each resale; and

(2) For the warehouse, the name of the warehouse and either ''floor sweepings'' or ''leaf account'' tobacco.

(h) *Suspended sale record*. (1) Any tobacco sale bill covering sale of tobacco for which a valid marketing card or dealer identification card was not presented at the end of the sale day shall be given to a marketing recorder who shall stamp such bills, ''Suspended'', and shall handle according to instructions provided by the Deputy Administrator.

(2) When cleared, such suspended sale shall show ''suspended-cleared'' and date cleared. If a suspended sale is not cleared from suspension by the last auction sale day for the warehouse for the season (or for burley tobacco only, within 7 days of the sale if such date is earlier), it shall be considered a sale of excess tobacco and penalty at the full rate shall be remitted by the warehouse operator.

(i) *Payee to be shown on auction warehouse check*. Any auction warehouse which issues a check to cover the auction or nonauction sale of tobacco shall issue such check only in the name of the payee. A warehouse check shall not be issued in the name of the seller and bearer, for example ''John Doe or Bearer.''

(j) *Warehouse entries on other dealer's reports*. Each warehouse operator shall record, or have the dealer record, on a Form MQ–79 the total purchases and resales made by each such dealer or other warehouse operator during each sale day at the warehouse. Warehouse operators shall sign the Form MQ–79 on the same line as the transaction is recorded when a dealer resells tobacco at the warehouse. If any tobacco resold by the dealer and carried over by the dealer from a crop produced prior to the current crop, an entry shall be made on the MQ–79 to clearly show such fact.

(k) *Warehouse data for burley or flue-cured tobacco*. (1) Each operator of a burley or flue-cured tobacco auction warehouse shall prepare at the end of each sale day a report on MQ–80, Daily Warehouse Sales Summary, showing for each sale day:

(i) For each manufacturer, buyer, order buyer, and any tobacco cooperative, pounds of tobacco purchased at auction (consigned in the case of tobacco cooperatives).

(ii) The sum of the items for paragraph (k)(1)(i) of this section.

(iii) Resales at auction for each person listed under paragraph (k)(1)(i) of this section.

(iv) For each dealer subject to reporting purchases and resales on MQ–79, as originally billed, the total pounds of tobacco purchased at auction, and resales at auction.

(v) The total pounds purchased at auction at the warehouse for the leaf account.

(vi) The total pounds purchased at nonauction at the warehouse for the leaf account.

(vii) The sum of the total pounds for paragraphs (k)(v) and (vi) of this section.

(viii) The total leaf account resales.

(ix) The total floor sweeping resales.

(x) The sum of the total purchases for paragraphs (k)(1)(ii), (iv), and (vii) of this section.

(xi) The sum of the total resales for paragraphs (k)(1)(ii), (iv), (viii) and (ix) of this section.

(xii) The totals of the purchases column on the Form MQ–79 representing the nonauction purchases for the warehouse leaf account.

(xiii) The totals of the resales column on Form MQ–79 representing the nonauction resales (including floor sweepings nonauction sales) by the warehouse.

(xiv) For each warehouse sale of excess tobacco from a farm, the applicable farm number with daily remittance of the penalty due to accompany Form MQ–72–1.

(xv) For each dealer, at the time of settlement having excess resale tobacco, the applicable dealer identification number with daily remittance of the penalty due.

(2) As to the information required to be entered on MQ–80, Daily Warehouse Sales Summary, by the marketing recorder, the warehouse operator shall keep and make available such records as will enable the marketing recorder to enter thereon:

(i) The total number of Forms MQ–72–1 for the sale day and the sum of pounds sold, and

(ii) The total number of suspended sale bills and the sum of such pounds sold.

(3) At the end of the season, each warehouse operator shall:

(i) Report on the final MQ–80 for the season the quantity of leaf account tobacco and floor sweepings, if any, on hand and its location, provided further that if on inspection it is determined that there is damaged tobacco in the warehouse or otherwise on hand, no carryover credit for the next marketing year shall be allowed for the damaged tobacco and the amount of pounds of damaged tobacco shall be deducted from the operator's purchase credit for the current year,

(ii) Permit its inspection by a representative of FSA, and

(iii) Provide for the weighing of such tobacco, to be witnessed by an FSA representative, and furnish to such representative a certification as to the actual weight of such tobacco. After the weight of such tobacco has been obtained, it shall be considered as the official weight for comparing purchases and resales for the purpose of determining the amount of penalty, if penalty is due.

(4) The warehouse operator shall furnish to the marketing recorder a copy of each executed MQ–80.

(5) Before the next marketing season begins, carryover tobacco reported by the warehouse operator as provided in paragraph (k)(3) of this section shall be reinspected by a representative of FSA.

(i) If the reinspection indicates an amount of carryover tobacco different from that amount determined by the initial inspection, the warehouse operator shall:

(A) Provide for the weighing of such tobacco which shall be witnessed by a representative of FSA.

(B) Furnish to such representative at the time of weighing a certification as to the actual weight of the tobacco.

(ii) If the FSA representative determines that the weight of the tobacco is different, by reweighing, than the amount reported on the initial certification, the initial weight, together with the reweighed quantity after taking into consideration any purchases and resales that occurred subsequent to the initial certification as provided in paragraph (k)(3) of this section, shall be used for the purpose of determining the amount of penalty, if penalty is due.

(iii) The reweighed quantity shall be the official pounds to be credited to the account as carryover tobacco.

(iv) If upon reinspection by a representative of FSA, there is an amount of tobacco determined to be damaged tobacco, the pounds of damaged tobacco shall be deducted from the purchase credit, if not done so previously, and no carryover credit shall be allowed for such damaged tobacco for the next marketing year.

(l) *Warehouse data for tobacco other than burley or flue-cured.* (1) Each operator of a tobacco auction warehouse, other than the operator of a burley or flue-cured auction warehouse, shall prepare and promptly forward at the end of each sale day to the State FSA office a report on MQ–80, Daily Auction Warehouse Report, showing for each sale day, unless otherwise stated below:

(i) For each dealer or buyer as originally billed, the total pounds of tobacco purchased at auction and resales at auction on the warehouse floor.

(ii) For any association as originally billed, the total pounds and gross amount of loan tobacco acquired at auction, and resales at auction, if any, on the warehouse floor.

(iii) The total pounds of:

(A) Leaf account purchases at auction on the warehouse operator's own floor,

(B) Leaf account purchases at non-auction sale for which a floor sheet is prepared,

(C) All leaf account resales at auction on the warehouse operator's own floor, including resales of tobacco from the warehouse operator's buyers corrections account, and

(D) All resales at auction on the warehouse operator's own floor of floor sweepings which accumulated on the warehouse operator's own floor.

(iv) The respective sums of the purchases, including loan tobacco, and resales for paragraphs (l)(1)(i), (ii), and (iii) of this section.

(v) The computed total of first sales at auction on the warehouse floor.

(vi) The warehouse gross sale pounds for the day as billed to buyers.

(vii) The pounds on warehouse check register if shown thereon, and

(viii) The total pounds of the resales,

(ix) On the report for the last sale day for the season, the pounds of all tobacco on hand whether such tobacco represents leaf account tobacco or floor sweepings which accumulated on the warehouse operator's own floor.

(x) For each warehouse sale of excess tobacco from a farm, the applicable sale memo and numbers thereof with remittance of the penalty due as shown thereon.

(2) As to information required to be entered on MQ–80, Daily Auction Warehouse Report, by the marketing recorder, the warehouse operator shall keep and make available such records as will enable the marketing recorder to enter thereon:

(i) For each sale identified by an MQ–76, MQ–77 (including sale memo), or MQ–82, Sale Without Marketing Card, the pounds sold;

(ii) For each sale suspended, the warehouse bill(s) number and pounds sold;

(iii) For each sale cleared from suspension, the MQ–76 number or, for MQ–77 or MQ–82, the sale memo number and the date of clearance.

(3) When a producer rejects the sale of a lot of tobacco, and the tobacco has been billed out and the bills presented to the buyer, the warehouse operator shall not change the marketing card, or Form MQ–80 on which the sale was reported. If the warehouse operator gains possession of the tobacco and it is resold by such warehouse operator, it shall be identified as resale tobacco.

(4) In balancing first sales (represented by marketing recorder's total) with computed first sales (bill-out total minus resales as reported by the warehouse operator) the State FSA executive director is authorized to approve reports with variance not to exceed one-half of 1 percent of such pounds.

(5) At the end of the season, each warehouse operator shall:

(i) Report on the final MQ–80 for the season the quantity of leaf account tobacco and floor sweepings, if any, on hand and its location,

(ii) Permit its inspection by a representative of FSA, and

(iii) Provide for the weighing of such tobacco (to be witnessed by a representative of FSA) and furnish to such representative a certification as to the actual weight of such tobacco. After the weight of such tobacco has been obtained, it shall be considered as the official weight for comparing purchases and resales for the purpose of determining the amount of penalty, if penalty is due. Separate data shall be reported for floor sweeping tobacco.

(m) *Bill-out invoice.* For flue-cured tobacco when the tobacco has been sold at auction, the bill-out invoice to the buyer shall include the warehouse registration number (warehouse code), sale bill number, and line number on which the lot of tobacco was recorded on the sale bill.

(n) *Maintaining copies of bill-out invoices to purchaser or daily summary journal sheet to reflect daily transactions.* For each marketing year, the warehouse operator shall maintain copies of the bill-out invoice to the purchaser by grades showing the pounds purchased. In lieu of this requirement, the warehouse operator may prepare and maintain for each sale day on a current basis a daily summary journal sheet to reflect for each purchaser (including warehouse leaf account or other similar account) pounds and dollar amounts for:

(1) Tobacco originally billed to the purchaser.

(2) Mathematical billing errors and corrections (added and deducted) from purchaser's adjustment invoices.

(3) Short (deducted) and long (added) weights from purchaser's adjustment invoices.

(4) Short (deducted) and long (added) lots from purchaser's adjustment invoices.

(5) Net tobacco received and paid for by purchase.

(o) *Handling rejected (producer) sale after bill-out.* Where a producer rejects the sale of a lot of tobacco, and the tobacco has been billed-out and bills presented to the buyer, the warehouse operator shall not change the MQ–76 or MQ–80 on which the sale was reported. If the warehouse operator gains possession of the tobacco, and it is resold by such warehouse operator, it shall be identified as resale tobacco.

(p) *Report to county FSA office of long weights and long lots.* Each warehouse operator shall report to the county FSA office or marketing recorder long weights and long lots of producer tobacco (first sales) for which the farmer has been paid.

(q) *Record and report of warehouse operator's leaf account purchases and resales not on such warehouse operator's floor.* (1) Each warehouse operator shall keep a record and make reports on MQ–79, Dealer's Report, showing:

(i) All nonauction purchases of tobacco, except nonauction purchases at such warehouse operator's warehouse which are reported on MQ–80.

(ii) All purchases and resales of tobacco at public auction through warehouses other than such operator's own warehouse.

(iii) All nonauction resales of tobacco.

(2) Form MQ–79 shall be prepared and a copy, including copies of Form MQ–72–2 for all nonauction purchases of burley or flue-cured tobacco, forwarded to the State FSA office not later than the end of the calendar week (at the end of each sale day during the auction season for such warehouse) in which such tobacco was purchased or resold.

(3) If tobacco is purchased prior to the opening of the local auction market, an MQ–79 shall be prepared and a copy, together with copies of MQ–72–2 for all nonauction purchases of burley or flue-cured tobacco, forwarded to the State FSA office not later than the end of the calendar week which would include the first sale day of the local auction markets.

(4) A remittance for all penalties shown by the entries on Form MQ–79 and Form MQ–72–2 to be due shall be forwarded to the State FSA office with the original copy of MQ–79.

(5) Resales of floor sweepings shall be reported separately from leaf account tobacco.

(r) *Buyers corrections account.* Each warehouse operator shall keep such records including negative adjustment invoices as will enable the warehouse operator to furnish a weekly report on Form MQ–71 to the State FSA office showing the total pounds of the debits (for returned lots, short lots, and short weights of tobacco) and the credits (for long lots and long weights of tobacco) to the buyers corrections account. Where the warehouse operator returns to the seller tobacco debited to the buyers corrections account, the warehouse operator shall prepare an adjustment invoice to the seller. This invoice shall be the basis for a credit entry for the warehouse in the buyers corrections account and a corresponding purchase (debit entry) in the case of a dealer on such dealer's MQ–79, Dealer's Report. Any balancing figure reflected on the warehouse operator's summary of bill-outs shall not be included in the buyers corrections account.

(s) *Reporting of processed leaf account tobacco.* Any warehouse operator who delivers tobacco to a firm for the purpose of redrying, processing, or stemming of such tobacco shall, by the end of the week in which such tobacco was delivered, report to the State FSA office on MQ–79, Dealer's Report:

(1) The date delivered;

(2) Name and address of the firm to which the tobacco was delivered, and

(3) The pounds of tobacco (green weight) delivered which shall be entered in the resales pounds column. Such tobacco shall be considered a resale on the date of delivery for the purpose of balancing the warehouse account and collection of penalties where penalties are due.

(t) *Report of farm scrap resulting from grading tobacco for farmers.* Any warehouse operator or any other person who grades tobacco for farmers shall maintain records which will enable such

person to furnish the State FSA office the name of the farm operator and the approximate amount of scrap tobacco obtained from the grading of tobacco from each farm.

(u) *Report of farm scrap resulting from furnishing stripping space for farmers.* Any warehouse operator or any other person who provides tobacco curing space or stripping space for farmers shall maintain records which will enable such person to furnish the State FSA office the name of the farm operator and the approximate amount of scrap tobacco obtained from each farm resulting from providing such space.

(v) *Producer tobacco.* Producer tobacco (first sale) in possession of a warehouse operator, resulting from long weights and long lots, which has not previously been identified by a sale shall be recorded and reported in the same manner as a nonauction sale to a warehouse operator who does not prepare a warehouse bill (floor sheet) and shall be reported on MQ–79, Dealer's Record. Penalty shall be due on this tobacco at the full penalty rate for the respective kind of tobacco or, if the kind is not known, at the penalty rate for the kind of tobacco generally marketed through the warehouse.

[55 FR 39914, Oct. 1, 1990, as amended at 57 FR 43582, Sept. 21, 1992]

### § 723.404 Dealer's records and reports, excluding cigar tobacco buyers.

(a) *General.* This section is applicable to all kinds of tobacco except cigar tobacco.

(1) Each dealer, except as provided in § 723.405 of this part shall keep by kinds of tobacco the records and make the reports separately for each kind (quota and nonquota) of tobacco as provided in this section. Adjustment invoices, including the adjustment invoices for any sale day for which there is no adjustment to be made, required to be furnished to an auction warehouse shall be identified by the warehouse identification number (if applicable) and the reporting dealer's identification number (if applicable) as well as the names of the warehouse and dealers involved in the transaction.

(2) Each dealer shall properly execute the ''Receipt for Dealer's Record'' contained in MQ–79, which is issued to the dealer, and shall transmit such receipt to the applicable State FSA office.

(b) *Record of marketings.* A dealer shall keep records which provide the following information for each lot of tobacco, including scrap tobacco, purchased or sold by the dealer:

(1) *Purchases.* (i) The name of:

(A) The warehouse through which the tobacco was purchased, if purchased at a warehouse auction; or

(B) The operator of the farm on which the tobacco was produced, if purchased from a producer as a nonauction purchase, and the name of the producer of the tobacco, if different from the operator; or

(C) The seller if purchased as a nonauction purchase from a warehouse operator or dealer.

(ii) The identification number of the warehouse, farm, or dealer, as applicable, at/from which the tobacco was purchased.

(iii) The address, the producer association number, if applicable, and percentage share of the proceeds of the farm operator and any other producer from whom tobacco was purchased as a nonauction purchase.

(iv) The date of purchase.

(v) The pounds of tobacco purchased.

(vi) The gross purchase price.

(vii) The amount of penalty.

(viii) The amounts remitted for the No Net Cost and the Tobacco Marketing Assessments.

(ix) The quantity of tobacco purchased from a prior crop and carried over for marketing in a subsequent crop year.

(2) *Sales.* (i) The name and identification number of the:

(A) Warehouse through which the tobacco was sold, if sold at a warehouse auction, or

(B) Buyer if the tobacco was sold at a nonauction sale.

(ii) The date of sale.

(iii) The pounds of tobacco sold.

(iv) The gross sale price.

(c) *Nonauction purchase.* (1) Each purchase of tobacco from a producer from a quota producing area shall be identified by a marketing card, issued for the farm on which the tobacco was produced unless an AMS inspection is obtained prior to purchase which shows

that tobacco being offered for sale is a kind not subject to marketing quotas.

(2) For burley and flue-cured tobacco:

(i) After each nonauction purchase, the dealer shall enter a declining balance of ''103 percent of quota'' on the reverse side of the marketing card. The declining balance shall be determined by reducing the previous ''103 percent of quota'' entry on the marketing card by the number of pounds of tobacco purchased. The date the tobacco was purchased also shall be entered on the marketing card at the time each lot of tobacco is purchased.

(ii) After each nonauction purchase, the dealer shall prepare a form MQ–72–2 which shall set forth the following:

(A) The date of the purchase.

(B) The registration number of the dealer.

(C) The name and address of the person selling the tobacco.

(D) The identification number (farm number, warehouse code, or dealer number, as applicable) of the person selling the tobacco.

(E) The pounds of tobacco purchased.

(F) The amount of penalty collected.

(G) The method (estimating or weighing) of determining the pounds of tobacco marketed.

(H) The signature of the seller and the date signed.

(iii) For nonauction purchases which are made by the dealer from producers, the dealer shall remit the producer's and the dealer's share of the No Net Cost and Tobacco Marketing Assessments as provided in part 1464 of this title. The dealer may deduct the producer's share of each assessment from the price paid for the tobacco. However, the No Net Cost Assessment shall not be remitted from a producer who identifies the tobacco for marketing with a marketing card which has zero pounds as the 103 percent entry on the marketing card. A marketing penalty at the full rate shall be collected on the marketings identified by such card. The amount of the No Net Cost and the Tobacco Marketing Assessments which is applicable to tobacco marketed during each marketing year will be the amount per pound which is approved and announced by the Secretary.

(3) For all other kinds of tobacco:

(i) When a Form MQ–77 Marketing Card is used to identify a nonauction sale, the producer's signature shall be obtained on the reverse side of a sale memo which is a part of the Form MQ–77. A nonauction sale not identified by a marketing card shall be identified by a Form MQ–82 executed by a marketing recorder or other representative of the State FSA committee. The dealer shall record each nonauction purchase of tobacco on Form MQ–79, Dealer's Record.

(ii) For nonauction purchases which are made by the dealer from producers, the dealer shall remit the producer's and the dealer's share of the No Net Cost and Tobacco Marketing Assessments as provided in part 1464 of this title. The dealer may deduct the producer's share of each assessment from the price paid for the tobacco. However, the No Net Cost Assessment shall not be remitted from a producer if the marketing card used to identify a kind of tobacco shows a converted penalty rate of 100 percent. A marketing penalty at the full rate shall be collected on the marketings identified by such card. The amount of the No Net Cost and the Tobacco Marketing Assessments which is applicable for each kind of tobacco marketed during each marketing year will be the amount per pound which is approved and announced by the Secretary.

(d) *Record and report of purchases and resales.* (1) For burley and flue-cured tobacco, each dealer shall keep a record and make reports on Form MQ–79 showing all purchases and resales, excluding tobacco not in the form normally marketed by producers. After each transaction is entered on the Form MQ–79, each dealer shall enter a balance to reflect the pounds of tobacco remaining that may be sold without causing prior resales to exceed prior purchases. Any tobacco sold in excess of such balance shall be considered excess tobacco and subject to a marketing quota penalty at the full penalty rate. The purchaser shall sign the Form MQ–79 on the same line as the transaction is recorded by the dealer who is offering such tobacco for resale. In the event of a purchase or resale of tobacco which is purchased by the dealer from a crop of tobacco produced prior to the current crop, the

Form MQ–79 shall be annotated to indicate that such tobacco was so purchased and carried over from a crop produced prior to the current crop.

(2) For all other kinds of tobacco, each dealer shall keep a record and make reports on Form MQ–79 showing all purchases and resales of tobacco made by or for the dealer and, in the event of a purchase or resale of tobacco which is purchased prior to the current crop, the fact that such tobacco was so purchased and carried over from a crop produced prior to the current crop.

(3) A Form MQ–79 shall be prepared and a copy (together with executed copies of Form MQ–72–2 for all nonauction purchases of burley and flue-cured tobacco) shall be forwarded to the State FSA office not later than the end of the calendar week in which such tobacco was purchased or resold. However, if tobacco is purchased prior to the opening of the local auction market, a Form MQ–79 shall be prepared and a copy, together with executed copies of Form MQ–72–2 for all nonauction purchases, shall be forwarded to the State FSA office not later than the end of the calendar week which would include the first sale date of the local auction markets. In addition, if tobacco is resold in a State other than where the tobacco is produced and the auction markets at such location open earlier than the auction market where the tobacco normally would be sold at auction by farmers, reports together with executed copies of Form MQ–72–2 for all nonauction purchases shall be prepared and forwarded to the State FSA office not later than the end of the calendar week which would include the first day of the local auction market where the resale takes place.

(4) The data to be entered on Form MQ–72–2 for nonauction purchases from a producer shall be the data which is enumerated in accordance with the provisions of paragraph (c)(2) of this section.

(5) At the end of the dealer's marketing operation, but not later than April 1 for tobacco other than flue-cured and January 15 for flue-cured tobacco, such dealer shall for each kind of tobacco:

(i) Show the word ''final'' on the Dealer's Report, MQ–79, for the season,

(ii) Report on such ''final'' MQ–79 for the season the quantity of tobacco on hand and its location,

(iii) Permit its inspection by a representative of FSA, and

(iv) Provide for weighing of such tobacco (to be witnessed by a representative of FSA) and furnish a certification as to the actual weight of such tobacco. After the weight of such tobacco has been determined as provided in this section, it shall be considered as the official weight for comparing purchases and resales for the purpose of determining the amount of penalty, if penalty is due.

(v) If upon inspection by a representative of FSA, there is an amount of tobacco determined to be damaged tobacco according to § 723.104, such amount of pounds shall be deducted from the purchase credit and no carryover credit shall be allowed for such damaged tobacco for the next marketing year.

(6) Notwithstanding the provisions of paragraph (d)(5) of this section, any dealer having tobacco transactions after January 15 for flue-cured and April 1 for other than flue-cured shall make reports on Form MQ–79 at the end of each week, as provided in paragraph (d)(3) of this section.

(7) For burley and flue-cured tobacco, before the next marketing season begins, carryover tobacco reported by the dealer as provided in paragraph (d)(5) of this section shall be reinspected by a representative of FSA. When the reinspection indicates an amount of carryover tobacco different from that amount determined by the initial inspection, the dealer shall provide for the weighing of such tobacco which shall be witnessed by an FSA representative. The dealer shall furnish to such representative at the time of weighing a certification as to the actual weight of such tobacco. If an FSA representative determines that the weight of the tobacco is different, by reweighing, than the amount reported on the initial weight together with the reweighed quantity after taking into consideration any purchases and resales that occurred subsequent to the initial certification as provided in paragraph (d)(5) of this section shall be used for the purpose of determining

penalty, if penalty is due. Penalty shall be assessed, after the initial certification and reconciliation, when the redetermined pounds exceed the amount determined by taking the initial pounds of carryover tobacco plus purchases, minus resales. The redetermined pounds shall be the official pounds to be credited to the account as carryover. If upon reinspection by a representative of FSA, there is an amount of tobacco determined to be damaged tobacco under § 723.104, such amount of pounds shall be deducted from the purchase credit and no carryover credit shall be allowed for such damaged tobacco for the next marketing year.

(8) In addition to forms MQ–79 and MQ–72–2, if applicable, form MQ–79 (Supplemental) shall be executed to record information relating to each nonauction purchase of tobacco for which the No Net Cost and Tobacco Marketing Assessments are due from producers and dealers. The form MQ–79 (Supplemental) shall be forwarded to the State FSA office at the same time as the purchase is reported on the MQ–79. A check, draft, or money order in the amount of the collections recorded on form MQ–79 (Supplemental) and made payable to Commodity Credit Corporation shall be submitted to the State FSA office along with the forms MQ–79 and MQ–79 (Supplemental).

(9) Any flue-cured or burley dealer who fails to comply with all provisions of paragraph (d)(5) of this section by January 15 for flue-cured and April 1 for burley tobacco will be issued a notice of noncompliance and the dealer shall be given 15 days to either comply or show cause why compliance is not feasible. Failure to complete all required actions within 15 days from date of such notice shall result in such dealer not being issued a MQ–79–2 for the marketing year immediately following the marketing year in which the dealer failed to conform with the deadline of January 15 for flue-cured and April 1 for burley tobacco.

(e) *Daily report to warehouse operator for buyers correction account.* Notwithstanding the provisions of § 723.405 of this part, reports shall be made as follows:

(1) Any dealer, buyer, or any other person receiving tobacco from or through a warehouse operator at an auction sale or otherwise, which is not invoiced to such person or which is incorrectly invoiced to such person by the warehouse operator, shall furnish to the warehouse operator on a daily sales basis an adjustment invoice or buyers settlement sheet.

(2) Each dealer who purchases tobacco on a warehouse floor for any sale day in which there is no adjustment required in the account as shown on the warehouse bill-out invoice for that sale day, shall file a negative report with the warehouse operator for that sale day.

(3) Such reports as required under paragraphs (d)(1) and (2) of this section shall be furnished daily, if practicable (otherwise, they shall be furnished at the end of each week), and shall show the identification number of the warehouse where the purchase was made.

(f) *Reporting of processed tobacco.* Any dealer who delivers tobacco to a firm for the purpose of redrying, processing or stemming of such tobacco shall, by the end of the week in which such tobacco was delivered, report to the State FSA office on MQ–79, Dealer's Report:

(1) The date delivered;

(2) Name and address of the firm to which the tobacco was delivered; and

(3) Pounds of tobacco (green weight) delivered which shall be entered in the resales pounds column. Such tobacco shall be considered as a resale on the date of delivery for the purpose of balancing the dealer account and collection of penalties where penalties are due.

(g) *Tobacco represented to be a nonquota kind.* Any dealer who plans to purchase tobacco that was produced on a farm in a quota area shall treat such tobacco as a quota kind of tobacco according to the provisions of this part 723 unless prior to the purchase a certification is obtained from an AMS inspector to indicate that such tobacco is a nonquota kind of tobacco. In such case, the dealer shall mail or otherwise deliver to the State FSA office, on the date of the purchase, a copy of the AMS certification and a statement

signed by the AMS inspector, the producer, and the dealer to indicate the:

(1) State and county code and farm number of the farm on which the tobacco was produced.

(2) Name and address of the producer.

(3) Name and address of the dealer.

(4) Weight of the tobacco.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21443, May 9, 1991; 57 FR 43582, Sept. 21, 1992]

### § 723.405 Dealers exempt from regular records and reports on MQ–79; and season report for dealers.

(a) Any dealer or buyer who acquires tobacco in the form in which tobacco ordinarily is sold by farmers and resells 5 percent or less of any such tobacco shall not be subject to the requirements of § 723.404 of this part except for the requirements which relate to the reporting of nonauction purchases from producers and the requirements of § 723.404(e) of this part. A dealer or buyer whose resales in the form normally marketed by producers farmers exceed 5 percent of their purchases as a direct result of order buying for another dealer for a service fee may report under paragraph (b) of this section in lieu of § 723.404 of this part (except for requirements which relate to nonauction purchases from producers and requirements of § 723.404(e) of this part.

(b)(1) This paragraph is applicable only to burley and flue-cured tobacco. Each dealer or buyer shall make a report to the Director, not later than February 1 of each year for flue-cured and April 1 for burley tobacco, showing by States where acquired, source and pounds of all tobacco, in the form normally marketed by producers, purchased at auction or nonauction including tobacco received which was not billed to the dealer or buyer. Any acquisition of tobacco in the form normally marketed by producers by the dealer or buyer during the marketing year (October 1 through September 30 for burley tobacco and July 1 through June 30 for flue-cured tobacco) which is not included in the initial report shall be reported in like manner no later than the end of the calendar week following the week in which the tobacco was acquired. The report shall show:

(2) For purchases at auction for each warehouse;

(i) USDA registration number (warehouse code),

(ii) Name and address of warehouse,

(iii) Gross pounds originally billed to the buyer,

(iv) Gross pounds billed to the buyer for which payment was made,

(v) Gross pounds from the company correction account deducted for short lots and short weights and returned lots, and

(vi) Gross pounds from the company correction account added for long lots and long weights.

(3) For purchases at nonauction;

(i) Name and address of seller (dealer or farmer),

(ii) Seller's number (dealer's registration number or farm number, including State and county code), and

(iii) Pounds purchased.

### § 723.406 Provisions applicable to damaged tobacco or to purchases of tobacco from processors or manufacturers.

(a) *Damaged tobacco*. Any dealer, warehouse operator, or other person who intends to purchase damaged tobacco shall notify the State FSA office where the warehouse operator or dealer is registered or should be registered. Such report must be made at least 2 business days in advance of the purchase so as to allow for inspection arrangements to be made. The inspection shall be conducted by an FSA representative and no purchase credit shall be allowed the buyer for the quantity determined to be damaged tobacco. Damaged tobacco may be disposed of without incurring a penalty only if the tobacco is destroyed and the destruction is witnessed by an FSA representative or the tobacco is sold directly to a processor or manufacturer and such sale is reported to the same State FSA office. Any tobacco not disposed of in that manner shall be deemed to have been a marketing of excess tobacco and will be subject to a penalty at the full penalty rate for the quantity of tobacco involved.

(b) *Purchase from processor or manufacturer*. Any tobacco purchased by a dealer, warehouse operator, or other person from a processor or manufacturer shall be considered to be tobacco in the form not normally marketed by producers unless the purchaser obtains

from the processor or manufacturer a certification stating that such purchased tobacco is in the form normally marketed by producers. The certification by the processor or manufacturer shall be on a form prescribed by the Deputy Administrator certifying to FSA that the tobacco involved in the transfer of ownership is in the form normally marketed by producers. No purchase credit shall be given to a dealer, warehouse operator, or other person on MQ–79, Dealer's Record Book, for any purchase of tobacco which is not in the form normally marketed by producers. Tobacco which meets the definition of pickings as defined in this part shall be considered tobacco in the form not normally marketed by producers.

(c) *Report by dealer or warehouse operator*. Any dealer, warehouse operator or other person who plans to purchase tobacco in the form normally marketed by producers from a processor or manufacturer shall, prior to purchase, report such plans to the State FSA office issuing form MQ–79, Dealer's Record Book, to such person. Such report shall be made timely so that a representative of FSA may inspect the tobacco to determine its marketable value and whether the tobacco is in the form normally marketed by producers. Any tobacco purchased from processors or manufacturers before such plans are reported to the state FSA office and before the tobacco is inspected by an FSA representative or an inspection is declined by an FSA representative shall be deemed excess tobacco and the penalty at the full rate shall be due.

(d) *Report by processor or manufacturer*. Each processor or manufacturer shall make a report to the Director, showing the quantity of tobacco sold in the form not normally marketed by producers to dealers and buyers other than processor or manufacturers. The report shall be filed no later than the end of the calendar week following the week in which such tobacco was sold and shall show the name of the purchaser, the date of the sale and the pounds sold.

(e) *Dealer records and reports*. (1) Any dealer, warehouse operator or other persons who purchased tobacco classified as not in the form normally marketed by producers shall keep such records as will enable such person to report to the State FSA office the following:

(i) Name of seller, pounds purchased, and date of purchase.

(ii) The disposition of such tobacco including name of buyer, pounds sold, date of sale,

(2) Upon request by the State FSA office such person shall provide for the inspection and weighting of the tobacco to be witnessed by an FSA representative.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21443, May 9, 1991; 57 FR 43582, Sept. 21, 1992]

### § 723.407 Cigar tobacco buyer's records and reports.

(a) *This section is applicable to buyers of cigar tobacco*—(1) *Definition of cigar buyer*. With respect to this section, a buyer is any person who buys cigar tobacco including an association or cooperation that receives tobacco from producers for the purpose of:

(i) Selling it for the producers, or

(ii) Placing it under price-support loan through Commodity Credit Corporation.

(2) *Report of buyer's name and address*. Each buyer shall properly execute, detach, and promptly forward to the State FSA office, ''Receipt for Buyer's Record'' contained in MQ–79 (CF&B), which is issued to the buyer.

(b) *Record of purchases*. A buyer shall keep records which provide the following information for each lot of each kind of tobacco purchased or sold by the buyer, including tobacco obtained from grading tobacco for producers or furnishing curing space, or stripping space:

(1) The name of:

(i) The operator of the farm on which the tobacco was produced; or

(ii) The name and address of the seller, in the case of a sale by a person other than the farm operator.

(2) The identification number of the farm at/from which the tobacco was purchased.

(3) The date of purchase.

(4) The pounds of tobacco purchased.

(5) The gross purchase price.

(6) The amount of penalty.

(7) The amounts remitted for the No Net Cost and Tobacco Marketing Assessments.

(c) *Report of sales.* Each buyer shall maintain records which will show, by kind of tobacco, the disposition of tobacco purchased under paragraph (b) of this section.

(d) The dealer shall remit the producer's and the dealer's share of the No Net Cost and Tobacco Marketing Assessments as provided in part 1464 of this title. The dealer may deduct the producer's share of each assessment from the price paid for the tobacco. The No Net Cost Assessment shall not be collected from a producer who identifies the tobacco for marketing with a marketing card which has a converted penalty rate of 100 percent on the marketing card. A marketing penalty at the full rate shall be collected on the marketings identified by such card. The amount of the No Net Cost and the Tobacco Marketing Assessments which is applicable to tobacco marketed during each marketing year will be the amount per pound which is approved and announced by the Secretary.

(e) *Identification of sale or marketing card memo and buyers records.* Each MQ–76 and each sale memo from an MQ–77 used to identify each sale of tobacco by a producer shall be properly executed by the buyer. The serial number of the MQ–76 marketing card or sale memo from an HQ–77 to identify such tobacco, shall be recorded on the buyer's copy of the MQ–79 (CF&B) and on the check register or check stub for the check written with respect to such tobacco.

(f) *Record and report of purchases of tobacco from producers.* (1) Each buyer shall keep a record and make reports on MQ–79 (CF&B), Buyer's Record, showing by kinds of tobacco purchased by or for such buyer from producers. Such record and report shall show for each sale the sale date, the name of the farm operator, (and the name and address of the person selling the tobacco if other than the operator), the serial number of the within quota marketing card (MQ–76), and from each excess card (MQ–77), the sale memo number used to identify the sale, the pounds of tobacco represented in the sale, the rate of penalty shown on the sale memo (MQ–77), and the amount of penalty. If a marketing card is not presented by the producer, the buyer shall record and report the purchase as provided above except that the buyer shall enter the word ''None'' in the space for the serial number of the marketing card (MQ–76) or sale memo (MQ–77), the applicable rate of penalty per pound in the space for rate of penalty, and shall show the name and address of the seller in the space for the seller's name.

(2) The original of MQ–79 (CF&B), excess sale memos (MQ–77), and a remittance for all penalties shown by entries on MQ–79 (CF&B) and on the excess sale memos (MQ–77) to be due shall be forwarded to the State FSA office not later than the 10th day of the calendar month next following the month during which the sale date occurred.

(3) In addition to forms MQ–79 and MQ–72–2, if applicable, form MQ–79 (Supplemental) shall be executed to record information relating to each nonauction purchase of tobacco for which the No Net Cost and Tobacco Marketing Assessments are due from producers and dealers. The form MQ–79 (Supplemental) shall be forwarded to the State FSA office at the same time as the purchase is reported on the MQ–79. A check, draft, or money order in the amount of the collections recorded on form MQ–79 (Supplemental) and made payable to Commodity Credit Corporation shall be submitted to the State FSA office along with the forms MQ–79 and MQ–79 (Supplemental).

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21443, May 9, 1991]

### § 723.408 Producer's records and reports.

(a) *Failure to file reports or filing false reports.* (1) With respect to any kind of tobacco, if the producer on a farm files an incomplete or incorrect report, fails to file a report, or files or aids or acquiesces in the filing of any false report with respect to the amount of such kind of tobacco produced on or marketed from the farm, applicable tobacco acreage allotment or burley farm marketing quota next established for such farm shall be reduced, unless the county and State FSA committees determine, according to instructions

issued by the Deputy Administrator, that such reduction is not required.

(2) For all kinds of tobacco except burley tobacco, if a farm operator files a report of acreage of the applicable kind of tobacco on the farm and, after a determination of the acreage, it is determined by the county FSA committee (with approval of the State FSA committee) that the report was false (either significantly under reported or significantly over reported by more than the tolerance for reporting as provided in part 718 of this chapter) in what amounts to a scheme or device to defeat the purpose of the program, the allotment next established for the farm shall be reduced by an amount determined by multiplying the acreage falsely reported (difference between reported and determined acreage) by:

(i) With respect to flue-cured tobacco, the farm yield established for the farm for the year in which the false report was filed, or

(ii) For any other kind of tobacco, the actual yield per acre for the year in which the false report was filed.

(3) Any report of a marketing of tobacco by a producer or any use of producer's marketing card to sell the tobacco or the pledge the tobacco for a price support loan shall be considered the filing of a false report by the producer and, in addition to other remedies as may apply, the remedies provided in paragraph (a)(1) of this section shall apply, if, under the provisions of part 1464 of this title, the producer was not considered to have been an ''eligible producer'' with respect to such marketing or other disposition of tobacco.

(b) *Harvesting second crop tobacco from the same farm.* For all kinds of tobacco except burley, if in the same calendar year more than one crop of tobacco was grown from:

(1) The same tobacco plants, or

(2) Different tobacco plants, and is harvested for marketing from the same acreage of a farm, the acreage allotment next established for such farm shall be reduced by an amount equivalent to the acreage from which more than one crop of tobacco was so grown and harvested.

(c) *False identification.* If there is false identification of any kind of tobacco, the applicable farm acreage allotment or farm marketing quota next established for the farm and kind of tobacco involved shall be reduced, except that such reduction for any such farm shall not be made if the county and State FSA committees determine, according to instructions issued by the Deputy Administrator, that such reduction is not required.

(d) *Report on marketing card.* (1) The operator of each farm on which tobacco is produced shall return to the county FSA office each marketing card issued for the farm whenever marketings from the farm are completed and, in no event, later than,

(i) June 1 of the marketing year in the case of cigar tobacco, and

(ii) For all other kinds of tobacco, not later than 20 days after the close of the tobacco auction markets for the marketing year for the locality in which the farm is located. Failure to return the marketing card within 15 days after written request by certified mail from the county FSA executive director shall constitute failure to account for disposition of all tobacco marketed from the farm unless disposition of tobacco marketed from the farm is otherwise accounted for to the satisfaction of the county FSA committee.

(2) For all kinds of tobacco except burley and flue-cured:

(i) At the time the marketing card is returned to the county FSA office, the farm operator must certify with respect to each:

(A) MQ–77, to the quantity of tobacco on hand and its location.

(B) MQ–76, to the accuracy of the Record of Sales recorded on the card.

(ii) Failure of the farm operator to make the applicable certification shall constitute failure to satisfactorily account for the disposition of tobacco marketed from the farm.

(3) Upon failure to satisfactorily account to the county FSA committee for disposition of tobacco marketed from the farm the allotment or quota next established for such farm and such kind of tobacco shall be reduced, except that such reduction for any such farm shall not be made if it is established to the satisfaction of the county FSA committee and a representative of

the State FSA committee that the failure to furnish such proof of disposition was unintentional and no producer on such farm could reasonably have been expected to furnish such proof of disposition. However, such failure will be construed as intentional unless such proof of disposition is furnished and payment of all additional penalty is made, or no person connected with such farm for the year for which the acreage allotment or quota is being established caused, aided, or acquiesced in the failure to furnish such proof.

(e) *Report of production and disposition.* (1) In addition to any other reports which may be required by this subpart, the operator or any producer on a farm (even though the harvested acreage does not exceed the acreage allotment or even though no farm acreage allotment or farm marketing quota was established for the farm) shall, upon written request by certified mail from the State or county FSA committee, furnish on MQ–108, Report of Production and Disposition, a written report of the acreage, production and disposition of all tobacco produced on the farm by sending the same to the State or county FSA committee within 15 days after the request was mailed showing as to the farm at the time of filing such report with respect to the applicable kind of tobacco the:

(i) Total harvested acres,

(ii) Total amount of tobacco on hand and its location,

(iii) Total pounds of tobacco produced,

(iv) Name and address of the warehouse operator, dealer, or other person to or through whom tobacco was marketed, and the number of pounds marketed, the gross price paid and the date of the marketings, and

(v) Complete details as to any tobacco disposed of other than by sale.

(2) With respect to any farm on which burley or flue-cured tobacco was produced or available for marketing from carryover tobacco, the operator or any producer on the farm (even though the harvested acreage does not exceed the flue cured farm acreage allotment or even though no farm acreage allotment or farm marketing quota was established for the farm) shall, upon written request from the county FSA committee, furnish on Form MQ–108–1, Report of Unmarketed Tobacco, a written report of the amount and location of the applicable kind of tobacco produced on the farm which is unmarketed at the end of the marketing season and the amount the applicable kind of tobacco produced by such operator or producer on any other farm, which is unmarketed at the end of the marketing season and which is stored on the farm, by sending the report to the county FSA committee within 15 days after the request was mailed to such person at such person's last known address.

(3) Failure to file the MQ–108 or MQ–108–1 as requested, or the filing of MQ–108 or MQ–108–1 which is found by the State or county FSA committee to be incomplete or incorrect shall, to the extent that it involves tobacco produced on the farm, constitute failure to account for the disposition of tobacco produced on the farm and the allotment or quota next established for such farm shall be reduced, except that such reduction shall not be made if it is established to the satisfaction of the county or State FSA committee that failure to furnish such proof of disposition was unintentional and no producer on such farm could reasonably have been expected to furnish such proof of disposition: However, such failure will be construed as intentional unless such proof of disposition is furnished and payment of all additional penalty is made, or no person connected with such farm for the year for which the farm acreage allotment or farm marketing quota is being established caused, aided, acquiesced in the failure to furnish such proof.

(f) *Reports by producer-manufacturers.* (1) For all kinds of tobacco except burley and flue-cured tobacco, each producer who manufactures tobacco products from tobacco produced by or for such person as a producer, shall report to the State FSA office with respect to each farm on which such tobacco is produced and as soon as all tobacco from the farm has been weighed as follows:

(i) If the harvested acreage is within the allotment, the producer-manufacturer shall report the total pounds of tobacco produced, the date(s) on which

such tobacco was weighed, the farm serial number of the farm on which it was produced, and the estimated value of such tobacco.

(ii) If the harvested acreage is in excess of the allotment, the producer-manufacturer shall report the total pounds of tobacco produced on the farm, the date(s) on which the tobacco was weighed, the farm serial number of the farm on which it was produced, the estimated value of the tobacco, and the location of the tobacco. If the required reports are not made, penalty shall be paid on the tobacco by the producer-manufacturer, at the converted rate of penalty shown on the marketing card issued for the farm, when it is moved from the place where it can be conveniently inspected by the county FSA committee at any time separate and apart from any other tobacco.

(2) If the producer-manufacturer has excess tobacco and does not pay the penalty thereon at the converted rate of penalty shown on the marketing card, such producer-manufacturer shall notify in writing the buyer of the manufactured product or the buyer of any residue resulting from processing the tobacco, at time of sale of such product or residue, of the precise amount of penalty due on such manufactured product or residue. In such event, the producer-manufacturer shall immediately notify the State FSA executive director and shall account for the disposition of such tobacco by furnishing the State FSA executive director a report on a form to be furnished by such State FSA executive director, showing the name and address of the buyer of the manufactured products or residue, a detailed account of the disposition of such tobacco and the exact amounts of penalty due with respect to each such sale of such products or residue to indicate, together with copies of the written notice that was given to the buyer of such products or residue to indicate the exact amount of the penalty due.

(3) Failure to file the report required in paragraph (f)(2) of this section, or the filing of a report which is found by the State FSA committee to be incomplete or incorrect, shall be considered failure of the producer-manufacturer to account for the disposition of tobacco produced on the farm and the allotment next established for the farm shall be reduced for such failure, except that such reduction for any such farm shall not be made if it is established to the satisfaction of the county and State FSA committees, that:

(i) The failure to furnish such report of disposition was unintentional and the producer-manufacturer on such farm could not reasonably have been expected to furnish such report of disposition. However such failure will be construed as intentional unless such report of disposition is furnished and payment of all additional penalty is made, or

(ii) No person connected with such farm for the year for which the allotment is being established caused, aided, or acquiesced in the failure to furnish such report. The producer-manufacturer shall be liable for the payment of penalty.

(g) *Amount of allotment or quota reductions*—(1) *Burley tobacco*. For burley tobacco, the farm marketing quota determined for a farm for the current year shall be reduced by that amount of tobacco which is involved in a marketing quota violation as described in paragraphs (a), (b), (c), (d), or (e), of this section which occurred in any prior year. However, the amount of such reduction shall not exceed the current year farm marketing quota. The county FSA committee shall determine the amount of tobacco involved in the marketing quota violation. If the actual quantity of tobacco involved in such violation is unknown, the county FSA committee shall determine the quantity by considering both the condition of the crop during production, if known, and such other information as is available.

(2) *Kinds of tobacco except burley tobacco*. The amount of reduction in the allotment for the current year for a violation described in paragraphs (a), (c), (d), (e), or (f) of this section shall be that percentage, but not to exceed 100 percent, which the amount of the tobacco involved in the violation is of the respective farm marketing quota for the farm for the year in which the violation occurred times the current year farm acreage allotment. The quantity of tobacco in violation shall

be determined by the county FSA committee. If known, the actual quantity shall be determined by the county FSA committee to be the amount of tobacco involved in the violation. If the actual quantity is unknown, determine the quantity by taking into consideration the condition of the crop during production, if known, and such other information that is available.

(h) *Allotment or quota reduction for combined farms.* If the farm involved in the violation is combined with another farm prior to the reduction, the allotment or quota reduction shall be applied as heretofore provided in this section to that portion of the farm acreage allotment or farm marketing quota for which a reduction is required.

(i) *Allotment or quota reduction for divided farms.* If the farm involved in the violation has been divided prior to the reduction, the reduction shall be applied as heretofore provided in this section to the allotments or quota for the divided farms required to be reduced.

(j) *Quota reductions for flue-cured tobacco.* For flue-cured tobacco only, if an acreage allotment reduction is made under this section, the marketing quota shall be reduced to reflect such reduction in an amount determined by multiplying the acreage reduction by the farm yield.

(k) *County administrative hearing in connection with violations.* Except for the failure to return a marketing card, the allotment or quota for any farm shall not be reduced for a violation under this section until the operator of the farm has been afforded an opportunity to discuss the nature and extent of the violation with the county FSA committee. If after having been afforded an opportunity to discuss a violation with the county FSA committee the farm operator fails or refused to discuss the violation, the county FSA committee shall take action as required by this part.

(l) *Sequence of allotment or quota reductions.* For burley and flue-cured tobacco, if the tobacco farm acreage allotment or farm marketing quota for a farm is to be reduced in the current year because of both:

(1) A violation, and

(2) Overmarketings in a prior year, the reduction in the farm acreage allotment or farm marketing quota for the violation shall be made before making the reduction for overmarketings.

(m) *Correction of farm records.* For burley and flue-cured tobacco, where farm data for actual marketings are determined to be incorrect because of a violation, the records shall be corrected for each farm on which the tobacco was produced, and for each farm whose card was used to identify marketings.

(n) *Report on Form MQ–92, Estimate of Production.* An estimate of production, Form MQ–92, shall be prepared immediately prior to harvest for each farm for which the county or State FSA committee or a representative of the county or State FSA committee believes than an MQ–92 for the farm would be in the best interests of the program. The county FSA committee shall have the authority to visit any farm for the purposes of making an estimate of production or determination of planted acreage needed to complete an estimate of production.

(o) *Effect of false identification on establishing future farm marketing quotas.* Notwithstanding any other provision of this section, with respect to burley or flue-cured tobacco, if a producer falsely identifies such tobacco as having been produced on or marketed from a farm, the quantity of the tobacco which is falsely identified shall be considered, for the purpose of establishing future farm marketing quotas, as having been produced on both the farm for which it was identified as having been produced, and the farm of actual production, if known, or, as the case may be, such quantity of tobacco shall be considered as actually marketed from the farm.

[55 FR 39914, Oct. 1, 1990, as amended at 57 FR 43582, Sept. 21, 1992]

### § 723.409 Producer violations, penalties, false identification collections and remittances by dealers, buyers, handlers, warehouses, and other parties; related issues.

(a) *Generally—(1) Circumstances in which penalties are due.* A penalty shall be due on all marketings from a farm which are:

(i) In excess of the applicable quota or allotment;

(ii) Made without a valid marketing card;

(iii) Made under circumstances where a buyer or dealer, or their agents, know, or have reason to know, that the tobacco was, or is, marketed in a manner which by itself or in combination with other marketings is designed to, or has the effect of, defeating the purposes of the tobacco price support and production adjustment program, avoiding marketing quota limitations, or otherwise avoiding provisions of this part or part 1464 of this title;

(iv) Falsely identified; or,

(v) Marketings for which the producer or other party fails to make a proper account as required by the provisions of this part.

(2) *Amount of the penalty*. The amount of the penalty shall be the amount computed by multiplying the penalty rate by the penalty quantity.

(3) *Penalty rate*. The penalty rate for purposes of this section is that rate which is computed as the penalty rate per pound for the applicable kind of tobacco under § 723.308, except to the extent that a converted penalty rate may be used as provided for in this section.

(4) *Penalty quantity*. The penalty quantity for purposes of this section is the quantity of tobacco that is determined by the county FSA committee subject to the Director's review to be subject to penalty, provided further that:

(i) For burley and flue-cured tobacco, the penalty quantity for purposes of this section shall be the amount of marketings from the farm in excess of 103 percent of the farm's effective marketing quota for that year, except that if the violation involves false identification or a failure to account for tobacco, the FSA may, in its discretion, depending on the nature of the violations, use as the penalty quantity an amount up to 25 percent of the farm's effective marketing quota plus 100 percent of the farm yield on any excess acreage for the farm (acreage planted in excess of the allotted acres, as estimated or determined).

(ii) For tobacco other than burley and flue-cured tobacco, the penalty quantity shall be the amount of marketings from the farm in excess of the farm's marketing quota provided further, that in order to aid in the collection of the penalty the FSA may endeavor, to the extent practicable, to apply the penalty to all of the farm's marketing by converting the full penalty rate to a converted proportionate penalty rate which rate may be identified on the producer's marketing card and collected and remitted accordingly. In making the calculation of the converted penalty rate, the agency shall take into account any carryover tobacco applicable for the farm. If an erroneous penalty rate is shown on the marketing card, then the producer of the tobacco and the producer who marketed the tobacco shall be liable for any balance due.

(5) *Limitations on reduced penalty quantities*. No penalty shall be assessed at less than the maximum amount unless it is determined by the county FSA committee, with the concurrence of the State FSA committee, that all of the following exist with respect to such violation:

(i) The violation was inadvertent and unintentional;

(ii) All of the farm's production has been accounted for and there are no excess marketings for which there are penalties outstanding;

(iii) The records for all involved farms have been corrected to show the marketings involved; and

(iv) The false identification or failure to account did not give the producer an advantage under the program.

(6) *Effect of improper, invalid, deceptive or unaccounted for marketings on penalty quantity calculation*. Any marketing made without a valid marketing card, falsely identified, or unaccounted for in accordance with the requirements of this part, or made under circumstances which are designed to, or have the effect of, defeating the purpose of the tobacco marketing quota and price support program, avoiding any limitation on marketings, avoiding a penalty, or avoiding compliance with, or the requirements of, any regulation under this part or under part 1464 of this title, shall be considered an excess marketing of tobacco. Further, such marketings shall, unless shown to the satisfaction of the county FSA committee to be otherwise, be considered, where relevant, to be in excess of 103

percent of the applicable marketing quota for the farm, and shall be subject to a penalty at the full penalty rate for each pound so marketed.

(7) *Pledging of tobacco by an ineligible producer*. In addition to any other circumstances in which a penalty may be assessed under this part, the marketing or pledging for a price support loan of any tobacco when the producer is not considered to be an ''eligible producer'' under the provisions of part 1464 of this title, shall be considered to be a false identification of tobacco and shall be dealt with accordingly. This remedy shall be in addition to all others as may apply.

(8) *Failures to make certain reports*. If any producer who manufactures tobacco products from tobacco produced by such person or another fails to make the report required by § 723.408(f) or otherwise required by this part, or makes a false report, such producer shall be deemed to have failed to account for the disposition of tobacco produced on the farm(s) involved. The filing of a report by a producer under § 723.408 of this part which the State FSA committee finds to be incomplete or incorrect shall constitute a failure to account for the disposition of tobacco produced on the farm.

(b) *Special provisions for tobacco buyers, dealers, handlers, warehouse operators and others who acquire, handle, or facilitate the marketing of tobacco*. Notwithstanding the provisions of paragraph (a) of this section and other provisions of this part:

(1) Unless such amount has been remitted by another in accord with the provisions of this part, a dealer, buyer, warehouse operator or other person handling tobacco shall collect, and remit to FSA, an amount equal to the full penalty rate provided for in § 723.208 times the quantity of tobacco involved where the tobacco is not identified with a valid producer or dealer card, the tobacco is sold under suspicious circumstances, or when there is reason to suspect that the tobacco may be subject to a penalty for any reason or may be marketed in derogation of the goals and purposes of the tobacco support program. For purposes of the preceding sentence ''handling'' shall include any services provided with respect to the tobacco, and any facilitation of the marketing of tobacco regardless of the level or amount of contact, if any, that the party may actually have with the tobacco.

(2) The amount of the penalty required to be collected may be deducted from the proceeds due a seller and all parties chargeable under paragraph (b)(1) of this section shall be jointly and severally liable for insuring that the monies are remitted to FSA except to the extent that the Director shall allow for an exemption to facilitate the marketing of tobacco, or for some other reason.

(3) The collection and remittance of penalty shall be in addition to any other obligations that such person may have to collect other amounts, including other penalties or assessments due on such marketings.

(4) If a penalty is collected and remitted by a buyer, dealer, or warehouse operator that is shown not to be due or only partially due, then the overpayment shall be refunded to the appropriate party. It is the responsibility of the person that collected the penalty and the person that sold the tobacco involved to show to the satisfaction of the FSA that such penalty is not due in the full amount collected.

(c) *Canceled allotment or quota*. If part or all of the tobacco produced on a farm has been marketed and the farm acreage allotment or farm marketing quota for the farm is canceled, any penalty due on the marketings shall be paid by the producers.

(d) *Overmarketing proportionate share of effective farm marketing quota-burley or flue-cured tobacco*. With respect to burley or flue cured tobacco, if the county FSA committee determines that the farm operator or another producer on the farm has marketed more than 103 percent of such operator's or producer's share of the effective farm marketing quota with intent to deprive some other producer on the farm from marketing such producer's proportionate share of the same crop of tobacco, such operator or other producer shall be liable for marketing penalties at the full rate per pound for each pound of tobacco marketed above 103 percent of such producer's share of the

effective farm marketing quota. However, the sum of such penalties shall not exceed the total penalties due on total marketings above 103 percent of the effective farm marketing quota for the farm on which such tobacco was produced. Before assessment of penalty pursuant to this paragraph, a hearing shall be scheduled by the county FSA committee and the operator and affected producers shall be invited to be present, or to be represented, to determine whether the operator or another producer on the farm has marketed more than 103 percent of such person's proportionate share of the effective farm marketing quota. The notice of the hearing shall request the farm operator and affected producers to bring to the hearing floor sheets and other relevant supporting documents. At least two members of the county FSA committee shall be present at the hearing. The hearing shall be held at the time and place named in the notice and any action taken to impose penalty shall be taken after the hearing. If the farm operator or other affected producer does not attend the hearing, or is not represented, the county FSA committee shall make a determination on the basis of available records and shall assess any penalties that may be required against the applicable person.

(e) *Penalties not to be assessed-burley or flue-cured tobacco*. With respect to burley or flue-cured tobacco, if the operator or another producer on the farm markets a quantity of tobacco above 103 percent of the effective farm marketing quota for the farm and such overage is found to have been caused by the failure to record or improper recording of tobacco poundage data on the marketing card, that amount of the penalty as was due to such failure to record or improper recording will not be required to be paid by the farm operator or other producer if:

(1) For amounts of $100 or less, the county FSA committee, and

(2) For amounts over $100, the county FSA committee with approval of the State FSA committee determines that each of the following conditions is applicable:

(i) The failure to record or incorrect recording resulted from action or inaction of a marketing recorder or another FSA employee, and

(ii) The farm operator or another producer on the farm had no knowledge of such failure or error. Overmarketings for a farm for which the marketing penalty will not be paid pursuant to the provisions of this paragraph shall be determined based upon the correct effective farm marketing quota and correct actual marketings of tobacco from the farm.

(f) *Refusal to contribute required assessments*. A marketing penalty at the full rate per pound is due on each pound of tobacco marketed from a farm when the farm operator or producers refuse to pay no-net-cost or marketing assessments as provided in part 1464 of this title. In all such cases, the farm from which the tobacco has been produced shall be considered to have a marketing quota of zero pounds and an allotment of zero acres.

[55 FR 39914, Oct. 1, 1990, as amended at 57 FR 43583, Sept. 21, 1992; 63 FR 11582, Mar. 10, 1998]

### § 723.410 Penalties considered to be due from warehouse operators, dealers, buyers, and others excluding the producer.

Subject to any additional requirements or provisions for remittances which are contained in § 723.409 of this part, any marketing of tobacco under one of the following conditions shall be considered to be a marketing of excess tobacco.

(a) *Auction sale without burley or flue-cured tobacco marketing card*. For burley and flue-cured tobacco, any first marketing of tobacco at an auction sale by a producer which is not identified by a valid marketing card at the time of marketing shall be considered to be a marketing of excess tobacco and the penalty thereon shall be collected and remitted by the warehouse operator unless prior to marketing, an AMS inspection certificate is obtained showing that the tobacco is of a kind not subject to marketing quotas.

(b) *Auction sale without dark air-cured, fire-cured, or Virginia sun-cured tobacco marketing card*. For dark air-cured, fire-cured, or Virginia sun-cured tobacco, any first marketing of tobacco at an auction sale by a producer which is not identified by a valid marketing card

(MQ–76 or MQ–77 (including sale memo)) on or before the last warehouse sale day of the marketing season, or within 4 weeks following the date of marketing, whichever comes first, shall be identified by an MQ–82, and shall be presumed, subject to rebuttal, to be a marketing of excess tobacco. The penalty thereon shall be paid by the warehouse operator.

(c) *Burley or flue-cured tobacco nonauction sale.* For burley and flue-cured tobacco, any nonauction marketing of tobacco which:

(1) Is not identified by a valid marketing card and recorded at the time of marketing on MQ–79, Dealer's Report, the marketing card, and MQ–72–2, Report of Tobacco Nonauction Purchase; or,

(2) If purchased prior to the opening of the local auction market for the current year, it is not identified by a valid marketing card and recorded on MQ–79, the marketing card, and MQ–72–2, Report of Tobacco Nonauction Purchase not later than the end of the calendar week which includes the first sale day of the local auction markets, shall be considered a marketing of excess tobacco. The penalty thereon shall be collected by the purchaser of such tobacco, and remitted with MQ–79, unless prior to marketing an AMS inspection certificate is obtained showing that the tobacco is of a kind not subject to marketing quotas.

(d) *Nonauction sale, except burley, flue-cured, and cigar tobacco.* For dark air-cured, fire-cured, or Virginia sun-cured tobacco, any nonauction sale of tobacco which:

(1) Is not identified by an MQ–76 or MQ–77 (including a valid sale memo); and

(2) Recorded on MQ–79, Dealer's Record, not later than the end of the calendar week in which the tobacco was purchased; or

(3) If purchased prior to the opening of the local auction market for the current year, is not identified by an MQ–76 or MQ–77 (including a valid sale memo) and recorded on MQ–79 not later than the end of the calendar week which includes the first day of the local auction markets, shall be presumed, subject to rebuttal, to be a marketing of excess tobacco. The penalty thereon shall be paid by the purchaser of such tobacco.

(e) *Failure to obtain an MQ–76 and sale memo, and failure to record a sale on MQ–76-cigar tobacco.* Any sale of cigar tobacco for which a dealer:

(1) If within quota, fails to record the sale on the marketing card issued for the farm, or

(2) If the tobacco was produced on a farm for which an excess marketing card was issued, fails to obtain a valid sale memo by the end of the sale date, shall be presumed, subject to rebuttal, to be a marketing of excess tobacco. The penalty thereon shall be paid by the buyer who fails to make the required record.

(f) *Leaf account tobacco.* If warehouse resales exceed prior leaf account purchases, such marketings shall be considered to be a marketing of excess tobacco unless such warehouse operator furnishes evidence acceptable to the State FSA committee showing that such marketing is not a marketing of excess tobacco. However, evidence acceptable to the State FSA committee shall not be based on the warehouse operator's proof of purchase of tobacco that is not in the form normally marketed by producers even though such evidence indicates that resales exceed prior leaf account purchases as a result of the blending of tobacco, which was not in the form normally marketed by producers, with the warehouse operator's prior purchases of leaf account tobacco.

(g) *Dealer tobacco—burley and flue-cured.* The burley or flue-cured tobacco resales by a dealer (as shown or due to be shown on Form MQ–79), which are in excess of such dealer's total prior purchases of the respective kind of tobacco shall be considered to be a marketing of excess tobacco and penalty thereon shall be due at the time the marketing takes place which results in the excess. If the resale which results in penalty being due is made at auction, the warehouse shall deduct the penalty from the proceeds of the sale and shall remit the penalty to the marketing recorder. If the resale which results in penalty being due is made at nonauction, the purchaser shall deduct the penalty from the proceeds of the

sale and shall remit the penalty to the applicable State FSA office.

(h) *Resales not reported*. Any resale of tobacco which is required to be reported by a warehouse operator or dealer, but which is not reported within the time and in the manner required, shall be considered to be a marketing of excess tobacco, unless and until such warehouse operator or dealer furnishes proof of such resale which is acceptable to the State FSA executive director. The penalty thereon shall be paid by the warehouse operator or dealer who fails to make the report as required.

(i) *Marketing falsely identified by a person other than the producer of the tobacco*. If any marketing of tobacco by a person other than the producer is identified by a marketing card other than the marketing card issued for the farm on which the tobacco was produced, and the source of production of the tobacco is unknown, such marketing shall be presumed, subject to rebuttal, to be a marketing of excess tobacco. The marketing quota penalty shall be paid by the person who marketed the tobacco.

(j) *Carryover tobacco, except cigar tobacco*. Any tobacco on hand, except for cigar tobacco, and reported or due to be reported under § 723.403 of this part for warehouse operators and § 723.404 of this part for dealers shall be included as a resale in determining whether an account for a kind of tobacco has excess resales. Unless the warehouse operator furnishes proof acceptable to the State FSA committee and unless the dealer furnishes proof acceptable to the State FSA executive director, showing that such account does not represent excess tobacco, penalty at the full rate for the respective kind of tobacco shall be paid thereon by such warehouse operator or dealer.

(k) *Unrecorded sale of cigar tobacco*. Any sale of cigar tobacco which is not recorded on MQ–79 (CF&B), Buyer's Record Book, by the 10th day of the month following the month during which the sale dated occurred shall be presumed, subject to rebuttal, to be a marketing of excess tobacco. The penalty thereon shall be paid by the buyer who fails to make the record.

(l) *Floor sweepings*. Any person who markets floor sweepings in excess of allowable floor sweepings shall be subject to a civil penalty of 150 percent of the average market price for the immediately preceding marketing year, as determined by the U.S. Department of Agriculture. The calculated penalty rate shall be rounded to the nearest whole cent. Any floor sweepings on hand more than 30 days (15 days with respect to flue-cured tobacco) after the warehouse closes for the auction season shall be considered marketed. The floor sweepings on hand shall be weighed by the warehouse operator and the weight shall be certified by the warehouse operator, such weighing to be done in the presence of a representative of either the county FSA committee or State FSA committee. Floor sweepings which are destroyed in the presence of a representative of the county FSA committee, within 30 days (15 days with respect to flue-cured tobacco) after the warehouse closes shall not be considered as marketed when determining the quantity of floor sweepings marketed. If the county FSA committee determines, after the warehouse has been closed for the auction season for more than 30 days (15 days with respect to flue-cured tobacco), that the cumulative quantity of floor sweepings marketed and considered marketed in the current marketing year is in excess of the allowable floor sweepings, the person responsible for such marketings shall be given notice of the determination and shall be afforded an opportunity to request reconsideration of such determination in accordance with the provisions of part 780 of this chapter. A determination that a civil penalty is due for marketing floor sweepings in excess of the allowable floor sweepings shall not become final and shall not be assessed until such person has been afforded an opportunity for a hearing and such person has exhausted the applicable administrative remedies. The notice of assessment shall require such person to pay the civil penalty to the ''Farm Service Agency, USDA'' within 15 days after the mailing of the notice.

(m) *Blending tobacco not in the form normally marketed by producers—burley*

*and flue-cured tobacco*. Tobacco purchased from processors or manufacturers that is considered not in the form normally marketed by producers that is blended with tobacco in the form normally marketed by producers shall not be credited as a purchase to the dealer's or warehouse operator's account by the State FSA committee when reconciling the warehouse operator's leaf account or the dealer's purchases and resales. Tobacco not in the form normally marketed by producers that is blended with other tobacco shall be deemed to be excess tobacco and penalty shall be due on the pounds of tobacco by which a warehouse operator's or dealer's resales exceed prior purchases.

(n) *Advances and other cases in which the producer's marketing card is used improperly*. For tobacco of any kind to which this part applies, if tobacco is marketed by a person by using the producer's marketing card or the tobacco is pledged for a price support loan by using that card, but under the provisions of part 1464 of this title, the producer is deemed to have not been an ''eligible producer'' with respect to the disposition of that tobacco at the time because of an advance or other preauction arrangement, such disposition of the tobacco shall be considered a false identification of the tobacco and may be considered to be a marketing of excess tobacco. In such cases, the person who paid the advance, took possession of the tobacco, or made the agreement with the producer which made the producer no longer an ''eligible producer'' with respect to the tobacco, shall be jointly and severally liable with the producer for any penalty with respect to such disposition which is levied against the producer under the provisions of this part and additionally, if such disposition is determined to be a marketing of excess tobacco, shall be liable for a penalty calculated by using the penalty rate for the tobacco involved multiplied by the pounds of tobacco involved. These remedies shall be in addition to any other remedies which may apply, including but not limited to, any liability for a refund of any price support loan advances which were paid in the name of, or for the account of, the producer of the tobacco.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21444, May 9, 1991; 57 FR 43583, Sept. 21, 1992; 63 FR 11583, Mar. 10, 1998]

### §723.411 Records and reports regarding hauling, processing, and storage of tobacco.

(a) *Trucker records*. Each trucker shall keep such records as will enable such trucker to furnish the State FSA office a report with respect to each lot of tobacco received by such trucker showing.

(1) The name and address of the producer;

(2) The date of receipt of the tobacco;

(3) The number of pounds received;

(4) The location where received; and

(5) The name and address of the person to whom it was delivered.

(b) *Processor records*. Each firm engaged in the business of processing tobacco shall keep records with respect to each lot of tobacco received by such firm showing:

(1) The name and address of producer, dealer, warehouse operator, or other person for whom the tobacco was received.

(2) The date of receipt of tobacco.

(3) The number of pounds (green weight) received.

(4) The purpose for which tobacco was received (redrying or stemming).

(5) The amount of any advance or loan made by such person on the tobacco.

(6) The disposition of the tobacco including the net weight of the tobacco processed and the number of containers by classification (strips, stems, scrap or leaf).

(7) Person to whom delivered and pounds involved.

Any such firm shall report this information to the State FSA office of the State in which the business is located within 15 days of the end of the marketing year, except for tobacco handled for an association operating the price support program and tobacco purchased at auction or tobacco which was previously reported on Form MQ–79. Where such firm qualifies for the exemption in §723.405 of this part, such

firm is required to report only such tobacco received that does not belong to such firm.

(c) *Records for stored tobacco.* Each firm engaged in storing unprocessed tobacco shall keep records with respect to each lot of unprocessed tobacco received by such firm showing:

(1) The name and address of producer, dealer, warehouse operator, marketing agent or other person for whom the tobacco was received;

(2) The date and receipt of the tobacco;

(3) The number of pounds received;

(4) The amount of any advance or loan made by such firm;

(5) The disposition of the tobacco; and

(6) The person to whom delivered and the pounds involved.

Any such firm shall report this information to the State FSA office of the State in which the business is located within 15 days of the end of the marketing year, except for tobacco handled for an association operating the price support program and tobacco purchased by such firm at auction or for which such firm had previously reported on Form MQ–79. Where such firm qualifies for the exemption in § 723.405 of this part, the firm is only required to report such tobacco received for storage that does not belong to such firm.

### § 723.412 Separate records and reports from persons engaged in tobacco related businesses.

Any person who is required to keep any record or make any report as a warehouse operator, dealer, buyer, trucker, or as a person engaged in the hauling, processing, or storage of tobacco, and who is engaged in more than one such business, shall keep such records as will enable such person to make separate reports for each such business in which such person is engaged to the same extent for each such business as if the person were engaged in no other business.

### § 723.413 Length of time records and reports are to be kept.

Records to be kept and copies of the reports required to be made by any person under this subpart shall be on a marketing year basis and shall be retained for 3 years after the end of the marketing year. Records shall be kept for such longer period of time as may be requested in writing by the State FSA executive director, or the Director.

### § 723.414 Failure to keep records and make reports or making false report or record.

(a)(1) *Failure to keep records and make reports.* Under the provisions of section 373(a) of the Act, any warehouse operator, processor, buyer, dealer, trucker, or person engaged in the business of sorting, redrying, stemming, packing, or otherwise processing tobacco who fails to make any report or keep any record as required, or who makes any false report or record, is guilty of a misdemeanor, and upon conviction shall be subject to a fine of not more than $500 for each offense. In addition, any tobacco warehouse operator, dealer, or buyer who fails, upon being requested to do so, to remedy a violation by submitting complete reports and keeping accurate records shall be subject to an additional fine, not to exceed $5,000.

(2) *Failure to obtain producer marketing card or sale memo.* The failure of any dealer or warehouse operator to obtain a:

(i) Producer's marketing card, MQ–76 and MQ–77, to identify a sale of producer tobacco, or

(ii) Dealer identification card, MQ–79–2, to cover a resale of tobacco, shall constitute a failure to make a report.

(b) *False representation—warehouse operators, dealers, and processors.* The monetary penalties described in this part are in addition to penalties prescribed by other criminal statutes including 18 U.S.C. 231 which provides for a fine of not more than $10,000 or imprisonment for not more than 5 years, or both, for a person convicted of knowingly and willingly committing such acts as making a false acreage report, altering a marketing card, falsely identifying tobacco or buying and selling unused ''103 percent of quota poundage'' on marketing cards.

(c) *Misrepresentation and scheme or device.* A warehouse operator or dealer

who is determined by FSA to have knowingly:

(1) Adopted any scheme or device which tends to defeat the purpose of the tobacco program.

(2) Made any fraudulent representation,

(3) Misused a MQ–76 or MQ–79–2, or

(4) Sold excess tobacco, shall pay a marketing quota penalty as prescribed in this part.

[55 FR 39914, Oct. 1, 1990, as amended at 56 FR 21444, May 9, 1991]

### § 723.415 Examination of records and reports.

For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining the information required to be furnished, in any report, but not so furnished, any warehouse operator, processor, dealer, buyer, trucker, or person engaged in the business of sorting, redrying, stemming, picking, or otherwise processing tobacco for producers, shall make available at one place for examination by representatives of the State FSA executive director and by employees of the Office of Investigation and Office of Audit, and of the Tobacco and Peanuts Division of the Farm Service Agency, U.S. Department of Agriculture upon written request by the State FSA executive director, all such books, papers, records, lot tickets, tobacco sale bills, buyer adjustment invoices, accounts, canceled checks, check register, check stubs, correspondence, contracts, documents, warehouse bill-out invoices or daily summary journal sheet, the tissue copy of Form MQ–72–1, Report of Tobacco Auction Sale, journal of producer marketing cards retained at warehouse and memoranda as the State FSA executive director has reason to believe are relevant and are within the control of such person.

### § 723.416 Information confidential.

All data reported to or acquired by the Secretary pursuant to the provisions of this subpart shall be kept confidential by all officers and community committees, and all county FSA office employees. Only such data so reported or acquired as the Deputy Administrator deems relevant shall be disclosed by them, and then only in a suit or administrative hearing under title III of the Act. The provisions of this section shall not be deemed to prohibit the issuance of general statements based upon the report of a number of parties which statements do not identify the information furnished by any person.

## Subpart E—Establishing Burley and Flue-Cured Tobacco National Marketing Quotas

SOURCE: 63 FR 11583, Mar. 10, 1998, unless otherwise noted.

### § 723.501 Scope.

This subpart sets out regulations for setting annual national marketing quotas for burley and flue-cured tobacco based on the purchase intentions of certain manufacturers of cigarettes and on other factors. It also sets out penalty provisions for manufacturers who fail to purchase, within the tolerances set in this part, the amount of domestic tobacco, by kind, reflected in the stated intention as accounted for in accordance with this subpart.

### § 723.502 Definitions.

In addition to the definitions set forth at § 723.104, the definitions set forth in this section shall be applicable for purposes of administering the provisions of this subpart.

*CCC*. The Commodity Credit Corporation, an instrumentality of the USDA.

*Domestic manufacturer*. A domestic manufacturer of cigarettes.

*Domestic manufacturer of cigarettes*. A manufacturer, who as determined by the Director, produces and sells more than 1 percent of the cigarettes produced and sold in the United States annually.

*Price support inventory*. The inventory of tobacco which, with respect to a particular kind of tobacco, has been pledged as collateral for a price support loan made by CCC through a producer-owned cooperative marketing association.

*Producer owned cooperative marketing associations*. Those associations or their successors, which by law act as agents for producers for price support loans

for tobacco, and which were, as of January 1, 1996, for burley and flue-cured tobacco, the Burley Tobacco Growers Cooperative Association, the Burley Stabilization Corporation, and the Flue-Cured Tobacco Cooperative Stabilization Corporation.

*Unmanufactured tobacco*. Stemmed and unstemmed leaf tobacco, stems, trimmings, and scrap tobacco.

**§ 723.503 Establishing the quotas.**

(a) *General*. Subject to the 3-percent adjustment provided for in paragraph (b) of this section, the annual marketing quotas for burley and flue-cured tobacco shall be calculated for each marketing year for each kind separately as follows:

(1) *Domestic manufacturer purchase intentions*. First, for each kind and year, the Director shall calculate the aggregate relevant purchaser intentions as declared or set under this section.

(2) *Exports*. Next, the Director shall add to the total determined under paragraph (a)(1) of this section the amount which is equal to the Director's determination of the average quantity of exported domestic leaf tobacco of the applicable kind for the past 3 marketing years. For this purpose, exports include unmanufactured tobacco only, including, but not limited to, stemmed and unstemmed leaf tobacco, stems, trimmings, and scrap tobacco, and excludes tobacco contained in manufactured products including, but not limited to, cigarettes, cigars, smoking tobacco, chewing tobacco, snuff and semi-processed bulk smoking tobacco. The quantity of exports for the most recent year, as needed, may be estimated.

(3) *Reserve stock level adjustment*. The Director may then adjust the total calculated by adding the sums of paragraphs (a)(1) and (a)(2) of this section, by making such adjustment which the Director, in his discretion, determines necessary to maintain inventory levels held by producer loan associations for burley and flue-cured tobacco at the reserve stock level. For burley tobacco, the reserve stock level for these purposes is the larger of 50 million pounds farm sales weight or 15 percent of the previous year's national marketing quota. For flue-cured tobacco, the reserve stock level for these purposes is the larger of 100 million pounds farm sales weight or 15 percent of the previous year's national marketing quota. Any adjustment under this clause shall be discretionary taking into account supply conditions; however, for burley tobacco no downward adjustment under this clause may exceed the larger of 35 million pounds (farm sales weight) or 50 percent of the amount by which loan inventories exceed the reserve stock level.

(b) *Additional 3-percent adjustment*. The amount otherwise calculated under paragraph (a) of this section may be adjusted by the Director by 3 percent of the total. This adjustment is discretionary and may be made irrespective of whether any adjustment has been made under paragraph (a)(3) of this section and may be made to the extent the Director deems such an adjustment is in the best interest of the program.

(c) *Dates of announcement*. For flue-cured tobacco, the quota determination should be announced by December 15 preceding the marketing year. For burley, the announcement should be made by February 1 preceding the marketing year.

**§ 723.504 Manufacturers' intentions; penalties.**

(a) *Generally*. Each domestic manufacturer shall, for each marketing year, for burley and flue-cured tobacco separately, submit a statement of its intended purchases of eligible tobacco by the date prescribed in paragraph (d) of this section; further, at the end of the marketing year, each such manufacturer shall submit a statement of its actual countable purchases of eligible tobacco for that marketing year, by kind, for burley and flue-cured tobacco. For these purposes, countable purchases of eligible tobacco shall be as defined in, and determined under, paragraph (b) of this section. If a domestic manufacturer fails to file a statement of intentions, the Director shall declare the amount which will be considered that manufacturer's intentions for the marketing year. That declaration by the Director shall be based on the domestic manufacturer's previous reports, or such other information as is

deemed appropriate by the Director in the Director's discretion. Notice of the amount so declared shall be forwarded to the domestic manufacturer. If the domestic manufacturer fails to file a year-end report or files an inaccurate or incomplete report, then the Director may deem that the manufacturer has no purchases to report or take such other action as the Director believes is appropriate to fulfill the goals of this section. Intentions and purchases of countable tobacco will be compared for purposes of determining whether a penalty is due from the domestic manufacturer.

(b) *Eligible tobacco for statements of intentions and countable purchases toward those intentions.* For reports and determinations under this section, eligible tobacco for purposes of determining the countable purchases under paragraph (a) of this section will be unmanufactured domestic tobacco of the relevant kind for use to manufacture, for domestic or foreign consumption, cigarettes, semi-processed bulk smoking tobacco and other tobacco products. Eligible tobacco for these purposes does not include tobacco purchased for export as leaf tobacco, stems, trimmings, or scrap. Countable purchases of eligible tobacco shall include purchases of eligible tobacco made by domestic manufacturers directly from the producers, from a regular auction market, or from the price support loan inventory, and shall also include purchases by the manufacturer where the manufacturer purchases or acquires the tobacco from dealers or buyers who purchased the tobacco for the domestic manufacturer during the relevant marketing year directly from a producer, at a regular auction market, or from the price support loan inventory.

(c) *Weight basis and nature of reports.* The weight basis used for all reports and comparisons shall be a farm sales weight basis unless the Director permits otherwise and all reports will be considered to have been made on that basis unless the report clearly states otherwise. Submitted reports shall be assumed to cover countable purchases of eligible tobacco only, absent indications to the contrary.

(d) *Due dates and addresses for reports.* For flue-cured tobacco, the domestic manufacturer's statement of intentions shall be submitted by December 1 before the marketing year and the year-end report shall be submitted by August 20 following the end of the marketing year. Those respective dates for burley tobacco shall be January 15 before the burley tobacco marketing year and November 20 after the burley tobacco marketing year. Reports shall be mailed or delivered to the Director, Tobacco and Peanuts Division, STOP 0514, 1400 Independence Avenue, SW, Washington, DC 20250–0514.

(e) *Penalties.* A domestic manufacturer shall be liable for a penalty equal to twice the purchaser's no-net-cost assessment rate per pound for the applicable kind of tobacco for the relevant marketing year, if the manufacturer's purchases of either burley or flue-cured tobacco for the marketing year do not equal or exceed, as determined by the Director, 90 percent of their stated purchase intentions for that kind of tobacco for the relevant marketing year. The Director shall adjust the domestic manufacturer's intentions, however, to the extent, that producers have not produced the full amount of the national quota for the relevant marketing year for the particular kind of tobacco. The burden of establishing all purchases shall be with the domestic manufacturer and the Director may, in the case of indirect purchases for the manufacturer, require that the manufacturer obtain verification of the purchases by the dealer who made the purchase from the producer, at a regular auction market, or from the price support loan inventory, in order to assure that the tobacco is, to the manufacturer, a countable purchase. The Director may require such additional information as determined needed to enforce this subpart.

(f) *Penalty notice and penalty remittance.* Penalties will be assessed after notice and an opportunity for hearing before the Director. Remittances are to be made to the CCC and will be credited to the applicable producer loan association's no-net-cost fund or account as provided for in part 1464 of this title.

(g) *Maintenance and examination of records.* Each domestic manufacturer

shall keep all relevant records of purchases, by kind, of burley and flue-cured tobacco for a period of at least 3 years. The Director, Office of Inspector General, or other duly authorized representative of the United States may examine such records, receipts, computer files, or other information held by a domestic manufacturer that may be used to verify or audit such manufacturer's reports. The reasonable cost of such examination or audit may be charged to the domestic manufacturer who is the subject of the examination or audit. All records examined or received under this part by officials of the Department of Agriculture shall be kept confidential to the extent required by law.

# PART 729—PEANUTS

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AUTHORITY: 7 U.S.C. 1301,1357 *et. seq.*, 1372, 1373, 1375; 7 U.S.C. 7271; and 15 U.S.C. 714b and 714c.

SOURCE: 56 FR 16211, Apr. 19, 1991, unless otherwise noted.

## Subpart A—General Provisions

### § 729.101 Paperwork Reduction Act assigned number.

The information collection requirements contained in 7 CFR part 729 have

been approved by the Office of Management and Budget (OMB) in accordance with the provisions of 44 U.S.C. chapter 35 and have been assigned OMB control number 0560–0006.

### § 729.102 Applicability.

The regulations contained in 7 CFR part 729 are issued in accordance with the Agricultural Adjustment Act of 1938, as amended, and are applicable to the 1996 through 2002 crops of peanuts. They govern the establishment of farm poundage quotas, the issuance of marketing cards, the identification of marketings of peanuts, the collection and refund of penalties, the keeping of records, and the making of reports incident thereto. The peanut marketing quota and disposition requirements for peanuts for the 1991 through 1995 crops shall, as applicable, continue to be governed by the regulations codified at 7 CFR part 729, as of April 1, 1996.

[56 FR 16211, Apr. 19. 1991, as amended at 61 FR 36999, July 16, 1996]

### § 729.103 Definitions.

(a) *Applicability*. The definitions set forth in this section shall be applicable for all purposes of program administration for peanuts except as may otherwise be indicated. The definitions in, and provisions of, parts 718, 719, and 720 of this chapter and 1446 of this title are hereby made applicable to these regulations unless the context or subject matter or the provisions of these regulations require otherwise.

(b) *Terms*. The following terms shall be defined as set forth in this paragraph.

*Act*. The Agricultural Adjustment Act of 1938, as amended.

*Additional peanuts*. Any peanuts which are marketed from a farm other than peanuts marketed or considered marketed as quota peanuts.

*Base period*. The 3 crop years immediately preceding the current year for which a basic quota is being established.

*Basic penalty rate*. The per pound amount determined by multiplying the national support level per ton for quota peanuts, as announced by the Secretary for the applicable marketing year, by 1.4 and dividing the result by 2000.

*Basic quota*. A farm's share of the peanut poundage quota allocated to a State. The basic quota for the current year is the preliminary quota as adjusted pursuant to this part for any:

(i) Increase or decrease in the State poundage quota from the poundage quota allocated to the State for the preceding year;

(ii) Reduction in the quota due to nonproduction;

(iii) Reduction for permanent release of quota from the farm in the current year;

(iv) Permanent transfers of quota to or from the farm for the current year; and

(v) Reallocation of quota to the farm from quotas;

(A) Reduced for nonproduction.

(B) Permanently released.

*Buyer*. A person, who also may be known as a handler, who:

(i) Buys or otherwise acquires peanuts in any form;

(ii) Markets, as a commission merchant, broker, cooperative, agent, or in any other capacity, any peanuts for the account of a producer and is responsible to the producer for the amount received for the peanuts; or

(iii) Receives peanuts as collateral for, or in settlement of, a price support loan.

*CCC*. The Commodity Credit Corporation, a financial instrumentality within the United States Department of Agriculture.

*Commingled peanuts*. Peanuts that were produced on 2 or more farms and loaded into a single conveyance in such manner that the peanuts become, or can become, intermingled and as a result making it impossible to divide the peanuts into separate lots in such manner that the peanuts may be identified accurately as to the farm of production at the time of marketing.

*Considered produced credit*. If the marketings of peanuts from a farm in the current year are less than such farm's basic quota, the credit granted in the current year (but not to exceed the basic quota established for the farm for the current year less the pounds of peanuts which were produced and marketed from the farm during the current marketing year) for the amount of one or more of the following as may apply:

(i) Peanuts that the county committee determines, according to instructions provided by the Deputy Administrator, were not produced because of drought, flood or any other natural disaster or any other condition beyond the control of the producer. Conditions beyond the control of the producer are for this purpose:

(A) Unavailability of an adequate supply of seed to plant an acreage of peanuts that is sufficient to produce the basic quota.

(B) A court order that prevents access to the farm or otherwise prevents the release or transfer of the peanut quota in a manner in which considered produced credit could be earned.

(ii) A peanut poundage quota that was leased and transferred by a transfer agreement that was filed before August 1 of the current year to the extent the quota was produced or considered produced on the receiving farm; provided further, that to the extent that for any base period a farm receives credit under this paragraph, such farm may not receive credit under paragraph (iii) of this definition.

(iii) Peanut poundage quota that was voluntarily released for the current year, or was leased and transferred by a transfer agreement that was filed before August 1 of the current year, if neither of the following are applicable:

(A) Part, or all, of the quota was voluntarily released during any 2 or more years of the base period, or

(B) Part, or all, of the quota was leased and transferred to another farm within the same county during any 2 or more years of the base period.

(iv) A farm's basic quota that was not produced if the Farmers Home Administration or the Farm Service Agency had control of, or title to, such farm.

(v) Peanut quota converted from the production of peanuts in accordance with part 1410 of this title.

(vi) Quota in an eminent domain pool.

*Converted penalty rate*. The per pound amount determined by multiplying the basic penalty rate by the result obtained when the absolute value (positive or negative) of the difference between the acreage of peanuts reported by the farm operator and the acreage of peanuts determined to have been planted on the farm as determined in accordance with part 718 of this chapter is divided by the acreage of peanuts determined for such farm.

*Deputy Administrator*. The Deputy Administrator for Farm Programs, Farm Service Agency.

*Director*. The Director, or Acting Director, Tobacco and Peanuts Division, Farm Service Agency, U.S. Department of Agriculture.

*Effective quota*. The basic quota as adjusted for the applicable crop year for:

(i) Temporary transfers of quota to or from the farm;

(ii) Temporary releases of quota from the farm;

(iii) Temporary reapportionment of quota to the farm;

(iv) Quota converted and reduced in the current year from the production of peanuts pursuant to regulations in part 704 of this chapter for the Conservation Reserve Program, or in any other regulations for that program or similar program; and

(v) Temporary seed quota allocated to the farm.

*Electronic (smart) marketing card*. A CCC approved standard card for use in identifying peanuts when marketed, and which contain a micro computer chip on which applicable:

(i) Farm data is recorded by the county FSA office before the marketing card is issued to the farm operator.

(ii) Marketing data is recorded at the buying point when the peanuts are marketed.

*Excess peanuts*. The quantity of peanuts:

(i) Marketed or considered marketed as quota peanuts from the farm in the current marketing year in excess of the farm's effective quota, or

(ii) Marketed as contract additional peanuts from the farm in the current marketing year in excess of the amount contracted in accordance with part 1446 of this title.

*False identification*. The deliberate or inadvertent identification of peanuts at the time of marketing as being produced on a farm when the peanuts were not produced on such farm.

*Farm production history*. The sum of the produced and considered produced

quantity of peanuts for a farm during the base period.

*Farm yield*. The yield established for a farm for the immediately preceding year on the basis of peanut production on the farm or on similar farms during the years 1973 through 1977 or, if a farm yield was not established for the preceding year, the yield appraised by the county committee that is fair and reasonable on the basis of farm yields established on other farms in the locality on which the soil and other physical factors affecting production are similar.

*Farmers stock peanuts*. Picked or threshed peanuts produced in the United States which have not been changed (except for removal of foreign material, loose shelled kernels, and excess moisture) from the condition in which picked or threshed peanuts are customarily marketed by producers, plus any loose shelled kernels that are removed from farmers stock peanuts before such farmers stock peanuts are marketed.

*Final acreage*. The acreage devoted to peanuts on a farm, excluding any acreage devoted to green peanuts, as determined in accordance with part 718 of this chapter.

*First purchaser*. Any person acquiring peanuts from a producer except that in the case of peanuts forfeited by a producer to CCC or brought from the price support loan inventory, the term means the person acquiring the peanuts from CCC or the inventory.

*FSA*. The Farm Service Agency of the Department of Agriculture.

*Green peanuts*. Peanuts which, before drying or removal of moisture from the peanuts either by natural or artificial means, are marketed by the producer for consumption exclusively as boiled peanuts.

*Inspector*. A Federal or Federal-State inspector authorized or licensed by the Secretary, U.S. Department of Agriculture to grade peanuts.

*Loan additional peanuts*. Peanuts which are pledged as collateral for a price support loan at the applicable additional loan rate established by or for CCC.

*Market*. To dispose of peanuts (including farmers stock peanuts, shelled peanuts, cleaned peanuts, or peanuts in processed form) by voluntary or involuntary sale, barter, or exchange, or by gift inter vivos. The terms ''marketed'', ''marketing'', and ''for market'' shall have corresponding meanings to the term ''market'' in the connection in which they are used. The terms ''barter'' and ''exchange'' shall include the use of any quantity of peanuts by the producer as payment to another for any reason including payment for the harvesting, picking, threshing, cleaning, crushing, or shelling of peanuts, or for any other service rendered to the producer. Any lot of farmers stock peanuts will be considered as marketed when acquired from the producer. Peanuts which are delivered by the producer as collateral for, or in settlement of, a price support loan will be considered as marketed at the time of delivery. Delivery shall be deemed to have occurred when the peanuts are unloaded at the delivery point. Any peanuts produced on a farm which are retained on the farm after January 31, or such later date as may be established by the Executive Vice President, CCC, of the year following the year in which the peanuts were produced shall be considered as marketed for domestic edible use as of January 31, or such later date.

*Marketing year*. The 12 month period beginning on August 1 of a current year in which the peanuts are grown and ending July 31 of the following year.

*National poundage quota*. The poundage quota announced by the Secretary for the relevant crop year.

*Nonquota farm*. A farm that does not have a basic quota greater than zero for the current year.

*Peanut quantity marketed or considered marketed*. With respect to a lot of farmers stock peanuts, the quantity of such peanuts that is marketed or considered marketed shall be:

(i) *Inspected peanuts*. For peanuts inspected by the Federal-State Inspection Service at the time of marketing, the gross weight of the lot less foreign material in the lot and less moisture in excess of 7 percent of gross weight for the lot.

(ii) *Noninspected peanuts*. For peanuts not inspected by the Federal-State Inspection Service at the time of marketing, the gross weight of the lot.

(iii) *Shelled peanuts.* For shelled peanuts marketed by a producer, the poundage of the shelled peanuts in the lot multiplied by a factor of 1.5.

*Peanuts.* All peanuts produced, excluding:

(i) Any peanuts which were not dug;

(ii) Any dug peanuts not picked or threshed which are disposed of under the direction and supervision of FSA personnel; and

(iii) Green peanuts.

*Planted acreage.* The acreage on which peanuts were planted in a workmanlike manner determined in accordance with the provisions of part 718 of this chapter.

*Preliminary quota.* For the current year and an eligible farm, the basic quota established for the farm for the preceding year to the extent that the farm is not subject to a reduction in quota.

*Quota farm.* A farm having a basic quota greater than zero in the current year.

*Quota peanuts.* Peanuts (except green peanuts) which are marketed or considered marketed from a farm for domestic edible use. Quota peanuts shall be considered to be all peanuts which are dug on a farm except the following:

(i) Green peanuts;

(ii) Peanuts which are placed under loan at the additional loan rate and not redeemed by the producer;

(iii) Peanuts which are marketed in accordance with the requirements of this part as contract additional peanuts.

(iv) Peanuts considered marketed but because of conditions beyond the control of the producer had no commercial value as determined by the FSA at the time the peanuts were marketed.

*Seed sheller.* A person who in the course of such person's usual business operations shells peanuts for use as seed for the subsequent year's crop.

*Temporary seed quota.* Quota temporarily allocated for the current crop year only and in an amount determined by FSA to account for the amount of seed peanuts planted on the farm for production of peanuts, excluding green peanuts and peanuts produced under the one-acre exemption set forth in § 729.306 of this part.

*Tillable cropland.* Cropland (excluding orchards, vineyards, land devoted to trees, and land being prepared for nonagricultural uses) which the county committee determines can be planted to crops without unusual preparation or cultivation.

*Yield per acre or actual yield.* The yield of peanuts for a farm for a crop year computed by dividing the total production of peanuts for the farm by the final acreage of peanuts for the farm.

[56 FR 16211, Apr. 19, 1991, as amended at 56 FR 38327, Aug. 13, 1991; 57 FR 27144, June 18, 1992; 61 FR 36999, July 16, 1996; 62 FR 25438, May 9, 1997; 65 FR 8247, Feb. 18, 2000]

### § 729.104 Administration.

(a) The regulations in this part will be administered under the general supervision of the Administrator, FSA, and shall be carried out in the field by State and county FSA committees.

(b) State and county committees, and representatives and employees thereof do not have the authority to modify or waive any of the provisions of the regulations of this part.

(c) The State committee:

(1) Shall instruct a county committee to:

(i) Correct any action taken by such committee which is not in accordance with the regulations of this part, or

(ii) Withhold taking any action which such committee is known to be contemplating if such action is not in accordance with the regulations of this part.

(iii) Take any action required in accordance with the regulations of this part if such county committee has knowingly failed to take such action.

(2) May, after duly instructing a county committee in accordance with paragraph (c)(1) of this section, correct or modify any action required by these regulations that such committee has failed or refused to take.

(d) The Deputy Administrator:

(1) Shall instruct a State committee to:

(i) Correct any action taken by such committee which is not in accordance with the regulations of this part, or

(ii) Withhold taking any action which such committee is known to be

contemplating if such action is not in accordance with this part.

(iii) Take any action required in accordance with regulations of this part if such State committee has knowingly failed to take such action.

(2) Shall after duly instructing the State committee in accordance with paragraph (d)(1) of this section, correct or modify any action required by these regulations that such committee has failed or refused to take.

(3) May waive or modify deadlines and other program requirements in cases for which the Deputy Administrator determines that lateness, or failure to meet such other requirements, as applicable, does not affect adversely the operation of the peanut program. Such authority shall include, but not be limited to, the delegation of the authority to the State FSA committee to, acting in accordance with such instructions as the Deputy Administrator may issue, modify deadlines for the filing of transfer of peanut quotas.

(e) Notwithstanding any provisions in the regulations of this part, the Administrator, FSA, or a designee, may determine any question arising under the regulations of this part or may reverse or modify any determination made by a State or county committee.

[56 FR 16211, Apr. 19, 1991, as amended at 61 FR 36999, July 16, 1996; 62 FR 25438, May 9, 1997]

### § 729.105 Types of peanuts.

Peanuts shall be classified by type into one of the following types as identified and determined by the Federal-State Inspection Service:

(a) Runner;
(b) Spanish;
(c) Valencia; or
(d) Virginia.

### § 729.106 Extent of calculations and rule of fractions.

(a) Computations made pursuant to this part shall be rounded in accordance with the provisions of part 793 of this chapter.

(b) Acreages shall be determined in tenths of an acre.

(c) Per pound penalties and liquidated damages shall be determined in tenths of a cent.

(d) The following calculations shall be determined in whole pounds:

(1) Peanuts produced;
(2) Considered produced;
(3) Marketed;
(4) Preliminary quotas;
(5) Basic quotas;
(6) Effective quotas;
(7) Farm yields; and
(8) Actual yields per acre.

### § 729.107 Location of farms for administrative purposes.

The location of a farm in a county for administrative purposes shall be as provided in part 719 of this chapter.

### § 729.108 Request for reconsideration or appeal.

Any producer who is dissatisfied with a determination rendered by the county FSA committee under this part may file a request for reconsideration or appeal in accordance with part 780 of this chapter.

[56 FR 16211, Apr. 19, 1991, as amended at 61 FR 36999, July 16, 1996]

### § 729.109 Instructions and forms.

The Director shall cause to be prepared and issued such forms and instructions as are necessary for carrying out this subpart. The forms and instructions shall be approved by, and the instructions shall be issued by, the Deputy Administrator.

## Subpart B—Poundage Quotas, Notices of Quotas, Transfers, and Release and Reapportionment

### § 729.201 Apportionment of National poundage quota to States.

The national poundage quota for peanuts for each of the 1996 through 2002 crops less a reserve for the correction of errors shall be apportioned to States in the same proportion that the national poundage quota was allocated to farms in the State for the 1995 crop year. Accordingly, based on the poundage quota allocated to farms in the State for the 1995 crop year, 16 States shall share in the 1996 through 2002 national poundage quotas for peanuts and the following factors shall be used to allocate such quota to the respective

States: Alabama—0.13445344, Arizona—0.00062508, Arkansas—0.00208329, California—0.00043493, Florida—0.04275200, Georgia—0.41291226, Louisiana—0.00091430, Mississippi—0.00379765, Missouri—0.00015357, New Mexico—0.00580694, North Carolina—0.11052130, Oklahoma—0.06677613, South Carolina—0.00735223, Tennessee—0.00042788. Texas—0.13183290, and Virginia—0.07915610.

[56 FR 16211, Apr. 19, 1991, as amended at 56 FR 38328, Aug. 13, 1991; 61 FR 36999, July 16, 1996]

### § 729.202 Reserve for corrections.

The Director, TPD, will hold a national reserve for purposes of correcting errors that are made in determining farm quotas. The Director will determine the reserve annually by multiplying the national quota announced by the Secretary by 0.0025. To the extent determined appropriate, the Director may authorize a State committee to correct any error in a farm's quota.

[65 FR 8247, Feb. 18, 2000]

### § 729.203 Quota not produced.

(a) *Determining nonproduced quota.* For purposes of making a reduction in a farm's basic quota when the quantity of peanuts produced and considered produced on such farm during any 2 or more years of the base period is less than the basic quota established for such farm for the respective year, the nonproduced quota shall be determined, for any year of the base period for which the sum of the farm's produced and considered produced quota is less than such farm's basic quota established for such year. The nonproduced quota shall be determined by subtracting the sum of the farm's produced and considered produced quota for such year from the basic quota established for the farm for such year.

(b) *Adjustment to nonproduced quota.* For purposes of determining basic quota for subsequent crop years, if the basic quota for a farm is reduced for nonproduction in accordance with this subpart, the nonproduced quota for the base period of the year of the reduction, as determined in accordance with paragraph (a) of this section, shall be adjusted downward by the amount that the basic quota was reduced. The adjustment shall be made in the nonproduced quota by starting with the year in which the nonproduced quantity was smallest during the most recent 2 years of that base period. If the nonproduced quota was equal in each of the most recent 2 years of that base period the adjustment shall begin with the most recent year of such 2 year period. If the nonproduced quota for the year the adjustment begins is less than the amount by which the farm's basic quota was reduced for nonproduction, the adjustment to the nonproduced quota shall continue in the remaining year of the most recent 2 years of that base period until the nonproduced quota has been adjusted by an amount equal to the amount that the basic quota was reduced for nonproduction or until the nonproduced quota in each of the most recent 2 years of that base period has been reduced to zero.

### § 729.204 Temporary seed quota allocation.

(a) *Applicability.* The temporary allocation of quota pounds, as provided in this section shall be determined:

(1) For the marketing year only in which the crop is planted;

(2) For eligible producers for each of the 1996 through 2002 marketing years; and

(3) To exclude the production of green peanuts and peanuts produced under the one-acre exemption provided for in 7 CFR 729.306.

(b) *Quantity of allocation.* The temporary quota allocated to a producer shall be the farmers stock equivalent pounds of qualifying seed peanuts considered planted on the farm as determined by FSA by multiplying the acres determined planted to qualifying peanuts times the per-acre planting rates of:

(1) 95 pounds for Runner-type peanuts;

(2) 110 pounds for Virginia peanuts;

(3) 80 pounds for Spanish peanuts; and

(4) 80 pounds for Valencia peanuts.

(c) *Conversion factor.* For the purpose of determining the farmers stock basis for temporary seed quota allocations under this section, the amount of seed planted as determined in accord with

paragraph (b) of this section shall be multiplied by a factor of 1.5.

(d) *Time of notification.* The notice of determination for temporary seed quota allocations shall be made by the Deputy Administrator as soon as practicable following the deadline for filing certifications of planted acres.

(e) *Penalty for erroneous certification.* If the certified acreage on which the temporary seed quota allocation is made is greater than the determined acreage, by more than the larger of 1 acre or 5 percent of the certified acreage not to exceed 10 acres, and the producer marketed the production for the acreage based upon an allocation of temporary seed quota on certified acres not determined, a penalty will be determined by multiplying the difference between the certified and determined acreage times the applicable per acre seeding rate times 140 percent of the per pound quota support rate for the applicable crop year. The penalty amount shall be calculated by multiplying the difference between the certified and determined peanut acreage by the applicable per acre seeding rate used in the calculation of the temporary seed quota by 140 percent of the applicable per pound quota support rate for the crop year involved. In addition, a commensurate penalty at the same rate may be assessed in cases within the tolerance allowed by the previous sentence in any instance in which the variance is determined to be due to a scheme or device to defeat the purposes of the program, or is repeated. Further, all errors may in all cases result in a commensurate diminution of the quota allowed the farm for the following year.

[61 FR 36999, July 16, 1996, as amended at 62 FR 25438, May 9, 1997; 65 FR 8247, Feb. 18, 2000]

### § 729.205 Farms ineligible for farm poundage quota.

(a) *Ineligible farms.* Except for quota allocated under the provisions of § 729.208 for experimental and research programs, effective beginning with the 1998 crop year, farm poundage quotas shall not be established for farms which are determined by FSA to be owned or controlled by:

(1) Municipalities, airport authorities, schools, colleges, refuges, and other public entities (other than a university used for research purposes).

(2) A person:

(i) Who is not a peanut producer; and

(ii) Whose primary domicile, as determined by FSA, in the case of any individual is in a State outside the State in which the quota is allocated or, in the case of an entity, does not qualify under this section to be considered to be a resident of the State in which the quota is allocated.

(b) *Determination of residency and related rules.* (1) For purposes of administering paragraph (a) of this section, an entity may be considered a resident of the State in which the quota is located if:

(i) It is determined that a person or persons with at least a cumulative 20-percent interest in any such entity are individuals whose primary residence is in the State in which the quota is allocated; or

(ii) As determined appropriate by the Deputy Administrator, the corporation or other entity, but not a general partnership or an entity not recognized as a separate and distinct legal entity from its members, has been created under the laws of the State in which the quota is allocated.

(2) For purposes of the provisions of (a)(2)(i) of this section, a person shall not be considered to be a producer of a crop of peanuts unless such person is at risk for at least 15 percent of the proceeds from the marketing of the production of the quota at issue.

(c) *Exemption for involuntary acquisition.* Paragraph (a)(2) of this section shall not apply to any involuntary acquisition of a farm by foreclosure, or otherwise, resulting directly from the conduct of a public business in the State in which the quota is allocated, or an acquisition resulting directly by reason of a death. The exemption for involuntary farm acquisitions allowed under the preceding sentence shall only apply to the establishment of quota in the three crop years immediately following the date of the involuntary acquisition of the quota farm.

(d) *Applicable crop year.* For purposes of applying the rules in paragraph (a)

of this section as they regard production, the determination of whether paragraph (a)(2) of this section applies shall be made based on the crop last planted before the date on which the determination is to be made.

(e) *Allocating forfeited quota and sales of quotas subject to paragraph (a).* Except for the exemption for involuntary acquisition in § 729.205(c), beginning in 1997 any farm poundage quota held on or after August 1 of 1997 by an ineligible person as determined under paragraph (a) of this section shall be allocated from the quota farm to other farms in the same State in accordance with § 729.206 of this part; provided, however, that if the ineligibility arises solely because of a purchase of a farm after August 1, 1997, or involves a quota which is acquired because of the expiration of a CRP contract after August 1, 1997, the quota shall not be forfeited but may not be used to market peanuts until the ineligibility is determined by the county committee to have been removed or the quota is sold to an eligible farm. Such reallocations shall be made to the extent practicable but shall take into account those instances in which the regulations call for an ineligibility for quota allocation rather than forfeiture of the quota.

[61 FR 37000, July 16, 1996, as amended at 62 FR 25438, May 9, 1997]

### § 729.206 Determining a farm's basic quota.

(a) *No change in State poundage quota.* If the poundage quotas allocated to the State for the current year is the same as the State's poundage quota for the preceding year, the current year's basic quota for each quota farm in the State shall be the same as such farm's preliminary quota for the current year.

(b) *Increase in State poundage quota*—(1) *Eligible farms.* If the poundage quota allocated to a State for the current year is greater than the poundage quota allocated to such State for the preceding year, the amount of increase in the poundage quota shall be allocated proportionately, on the basis of each farm's production history as determined under this part, among:

(i) All quota farms in the State.

(ii) All other farms in the State that were nonquota farms in the preceding year and on which peanuts were produced and marketed in at least 2 years of the base period.

(2) *Factor.* A factor shall be determined to apportion, to eligible farms, the increase in the State's poundage quota. The factor shall be determined by dividing the amount of increase in the State poundage quota by the total of the farm production history for all eligible farms determined in accordance with paragraph (b)(1) of this section.

(3) *Basic quota.* The current year basic quota for each:

(i) Quota farm in the State shall be the preliminary quota plus an amount determined by multiplying the farm's production history by the factor determined in accordance with paragraph (b)(2) of this section.

(ii) Eligible farm that was a nonquota farm in the preceding year shall be the result obtained by multiplying such farm's production history by the factor determined in accordance with paragraph (b)(2) of this section.

(c) *Decrease in State poundage quota.* If the poundage quota allocated to a State for the current year is less than the poundage quota allocated to such State for the preceding year, the current year's basic quota for each quota farm in the State shall be determined by multiplying the current year's preliminary quota by a factor determined by dividing the State quota by the total of the current year's preliminary quotas on all farms in the State.

(d) *Reduction for nonproduction of quota*—(1) *Reconstitutions.* If the farm resulted from a farm reconstitution during the base period, any reduction determined according to this paragraph for nonproduction of the basic quota shall be made separately for the individual tracts in the farm in such manner as the Deputy Administrator determines to be appropriate.

(2) *Reduction amount.* The current year's basic quota otherwise determined for a farm in accordance with paragraph (a), (b), or (c) of this section shall be reduced if, with respect to any 2 years of the base period, the county committee determines that part, or all, of the basic quota for such farm was not produced or considered produced on the farm. The amount of the reduction

shall be the sum of the two smallest quantities, including zero pounds if applicable, of nonproduced quota determined in accordance with this subpart for such farm during the base period.

(e) *Reallocation of quota reduced or permanently released*—(1) *Eligible farms.* The total of quotas permanently released and quotas reduced for nonproduction according to paragraph (d) of this section, hereinafter referred to as the State quota available for reallocation, shall be reallocated to farms on which peanuts were produced and marketed in at least 2 years of the base period.

(2) *Factor for reallocation of quotas.* The factor(s) for reallocating the State quota available for reallocation shall be determined as follows:

(i) Determine State totals of farm production history separately for eligible:

(A) Quota farms.

(B) Nonquota farms.

(ii) If the totals of the farm production history from eligible quota farms is equal to or greater than 3 times the total of the farm production history from eligible nonquota farms, determine a factor by dividing the State quota available for reallocation by the sum of the separate State totals of farm production history from eligible quota and nonquota farms.

(iii) If paragraph (e)(2)(ii) of this section is not applicable, determine separate factors for eligible quota and nonquota farms as follows:

(A) For eligible quota farms, determine the factor by multiplying the State quota available for reallocation by .75 and dividing the result by the State total of the farm production history from eligible quota farms.

(B) For eligible nonquota farms, determine the factor by multiplying the State quota available for reallocation by .25 and dividing the result by the State total of farm production history from eligible nonquota farms.

(iv) Notwithstanding paragraphs (e)(2)(ii) and (iii) of this section, if the factor determined for a nonquota farm is greater than 0.3333 a factor of 0.3333 shall be used to reallocate to the nonquota farm such nonquota farm's share of the State quota available for reallocation.

(3) *Application of factor.* The current year's basic quota for each eligible farm determined according to paragraph (e)(1) of the section shall be determined by multiplying such farm's production history by the applicable factor determined in accordance with paragraph (e)(2) of this section. If a current year's basic quota otherwise has been determined for the farm in accordance with this section, the basic quota determined in accordance with this paragraph shall be added to any basic quota otherwise determined for such farm in accordance with this section.

(f) *Reallocation in Texas of quota reduced for nonproduction and permanently released quota*—(1) *Special provisions for certain Texas Counties.* Notwithstanding the provisions in paragraphs (b) and (e) of this section, all of the quota reduced for nonproduction on all Texas farms, except that portion reallocated to nonquota farms in accordance with paragraph (e) of this section, shall be reallocated to farms having 1990-crop basic quotas in any Texas county in which the production of additional peanuts in 1989 exceeded the total of 1989-crop basic quotas on all farms in such county. The production of additional peanuts in 1989 exceeded the total of 1989-crop basic quotas on all farms in each of the following Texas counties: Andrews, Bailey, Briscoe, Childress, Collingsworth, Dickens, Donley, Gaines, Hale, Hall, Hardeman, Haskell, Hidalgo, Hockley, Knox, Lamb, Terry, Wheeler, Wilbarger, and Yoakum counties.

(2) *Allocation to counties.* Any quota to be allocated to eligible Texas counties in accordance with paragraph (f)(1) of this section shall be apportioned to the eligible counties on the basis of the total production of additional peanuts in the respective counties for the 1988 crop. Accordingly, based on the production of additional peanuts in 1988, such quota shall be apportioned to eligible counties according to the following factors: Andrews—0.005342, Bailey—0.003007, Briscoe— 0.016039, Childress—0.008190, Collingsworth—0.184498, Dickens—0.000000, Donley—0.03 1981, Gaines—0.413627, Hale—0.000647, Hall—0.063101, Hardeman—0.010278, Haskell—0.137459, Hidalgo—0.026700, Hockley—

0.000679, Knox—0.002818, Lamb—0.026475, Terry—0.009885, Wheeler—0.003102, Wilbarger—0.000000, and Yoakum—0.056172.

(3) *Exception to allocation to counties.* In that Gaines county is the only county listed in paragraph (f)(1) of this section for which the total of farm basic quotas exceeded 20,000,000 pounds for the 1989 crop of peanuts and the total of farm basic quotas in Gaines County for the 1989 crop was 22,853,615 pounds, if the cumulative increase in the basic quota for Gaines County, granted under any special rules for Texas under this section and its predecessor for the 1991 and subsequent crops exceeds 22,853,615 pounds, the amount in excess of 22,853,615 pounds shall, in accordance with the provisions of the authorizing legislation, be apportioned to the remainder of the counties listed in paragraph (f)(1) of this section on the basis of the total production of additional peanuts in the respective counties for the 1988 crop.

(4) *Determining factor for reallocation of quota*—(i) To receive a share of any quota allocated to eligible Texas counties under paragraph (f)(2) of this section, a farm must have had a basic quota greater than zero for the 1990 crop of peanuts. If a farm that had a basic quota greater than zero in 1990 is reconstituted subsequent to 1990:

(A) By division, the resulting farms will be considered to have had a basic quota greater than zero in 1990 for purposes of determining eligibility to receive a share of any quota allocated to eligible Texas counties under paragraph (f)(2) of this section.

(B) By combination, the resulting farm will not be considered to have had a basic quota greater than zero in 1990 for purposes of determining eligibility to receive a share of any quota allocated to eligible Texas counties under paragraph (f)(2) of this section unless, prior to the combination, each farm that is involved in the combination was considered to have had a basic quota greater than zero in 1990 for purposes of determining eligibility to receive an increased quota under paragraph (f)(2) of this section.

(ii) A farm allocation factor shall be determined for each eligible farm as follows:

(A) Using data from the year preceding the year for which the reallocation is being made, determine a factor by dividing the quantity of contract additional peanuts delivered to handlers from the farm by the total remaining peanuts marketed from the farm.

(B) Total all factors determined in accordance with paragraph (f)(4)(ii)(A) of this section.

(C) Except as may be determined by the Deputy Administrator to avoid schemes and devices in contravention of the purposes of this part to avoid inequities, the farm allocation factor shall be determined by dividing the factor determined in accordance with paragraph (f)(4)(ii)(A) of this section by the total determined in accordance with paragraph (f)(4)(ii)(B) of this section.

(5) *Increase in basic quota.* The basic quota otherwise determined for a farm in accordance with the provisions of this section shall be increased by an amount determined by multiplying any quota allocated to the county in accordance with paragraph (f)(2) of this section by the farm allocation factor determined in accordance with paragraph (f)(4)(ii)(C) of this section.

(6) *Quotas for eligible nonquota farms.* Quotas for eligible nonquota farms in any Texas county shall be determined in the same manner as provided for other States in paragraph (e) of this section.

(7) *Allocation of increase in State poundage quota.* Any increase in the State poundage quota for Texas, shall be reallocated to eligible farms in any Texas county, including the counties in paragraph (f)(1) of this section, in accordance with paragraph (b) of this section.

[56 FR 16211, Apr. 19, 1991, as amended at 56 FR 38328, Aug. 13, 1991; 57 FR 27144, June 18, 1992. Redesignated and amended at 61 FR 36999, 37000, July 16, 1996]

### § 729.207 Tenants sharing in increased quota.

(a) *General.* If the poundage quota allocated to a State is greater than the poundage quota allocated to such State for the preceding year, an eligible tenant who leased a part or all of a farm in any county in such State for the

production of peanuts shall share equally with the farm owner, in accordance with the provisions in this section, in that quantity of basic quota that is allocated, as a result of the tenants production of additional peanuts on the farm during the base period to such farm, from the State's increased poundage quota. Farms ineligible for quota allocation under § 729.205 do not receive a quota increase; therefore, the provisions of this section with respect to tenant share are not applicable to such farms.

(b) *Eligible tenant*. If a person leased part or all of a farm, and had a 100 percent producer interest in one or more fields of peanuts that were produced on such farm during the base period, and such farm's basic quota is increased as a result of an increase in a State's poundage quota, such person shall be considered as an eligible tenant on such farm and shall share in such increase in the farm's basic quota if such person:

(1) *Qwnership interest*. Does not have any ownership interest in such farm;

(2) *Shared in previous year's production of peanuts*. Shared in the production of any peanuts produced on the farm in the crop year immediately preceding the crop year for which such increase in basic quota is granted;

(3) *Application for share of increase*. Files an application at the county FSA office of the county in which such farm is located for administrative purposes, by February 15 of the crop year for which such increase in basic quota is granted, for a share of such increase;

(4) *Supporting proof*. Provides supporting proof, that is acceptable to the county committee, of the quantity of additional peanuts produced on such farm by such person during each year of the base period.

(c) *Tenant's share of increase*. An eligible tenant's share of the increase in a farm's basic quota shall be one half of an amount determined by multiplying the quantity of additional peanuts produced by such tenant and for which acceptable proof was provided in accordance with paragraph (b)(4) of this section by the factor determined in accordance with § 729.206(b)(2) of this part.

(d) *Disposition of tenant's share of increase*-(1) *By tenant*. An eligible tenant may dispose of any basic quota determined for such tenant in accordance with paragraph (c) of this section. Such disposition must take place by:

(i) *Time for disposition*. The later of April 1 of the current year or 30 days after the date of notification of the amount of such basic quota.

(ii) *Manner of disposition*. Filing an application at the county FSA office to transfer such basic quota:

(A) *Farm owned by tenant*. To a farm within the county that is owned by such tenant.

(B) *Sale of quota*. By sale to the owner of any farm within the county in accordance with § 729.214 of this part.

(2) *Allocation to other farms*. Any basic quota determined for an eligible tenant in accordance with paragraph (c) of this section that is not disposed of by such eligible tenant in accordance with paragraph (d)(1) of this section shall, to the extent practicable, be reallocated to other farms within the State in accordance with § 729.206(e) of this part.

(e) *Other provisions*. Any increase in a farm's basic quota that results from a tenant's production of additional peanuts on such farm during the base period shall remain on such farm if the:

(1) Tenant who otherwise might have qualified to receive a share of such increase in basic quota does not file an application for a share of such quota in accordance with paragraph (b) of this section; or

(2) Additional peanuts were produced by a person who was a tenant on such farm only during the beginning year of the base period or the second year of the base period.

[56 FR 16211, Apr. 19, 1991. Redesignated and amended at 61 FR 36999, 37000, July 16, 1996; 65 FR 8247, Feb. 18, 2000]

### § 729.208 Allocation of quota for experimental and research programs.

(a) *General*. A basic quota shall be established for the 1991 crop for each land-grant institution identified in the Act of May 8, 1914 (38 stat. 372, chapter 79; 7 U.S.C. 341 et seq.), colleges eligible to receive funds under the Act of August 30, 1890 (26 stat. 419 chapter 841; 7 U.S.C. 321 et seq), including Tuskegee

Institute and, as appropriate, the Agricultural Research Service of the Department of Agriculture if such institution possessed basic quota for the 1985 crop year or was authorized under this part at that time to market peanuts from the 1985 crop for quota purposes without incurring marketing penalties.

(b) *Amount of allocation.* The amount of quota allocated from the national reserve to an eligible institution shall not exceed the poundage quota allocated to the institution for the 1985 crop year and shall not exceed the quantity of peanuts that was exempted from payment of marketing penalties by such institution for the 1985 crop year, as applicable, except that the total pounds allocated for the 1991 crop to all institutions in the State shall be allocated so as not to exceed one-tenth of one percent of the poundage quota allocated to the State in which the respective institutions are located.

(c) *Limitation.* The quantity of peanuts marketed by such institution by use of the quota granted in accordance with paragraph (b) of this section shall not exceed the quantity needed for experimental and research purposes. The director of each such institution shall be responsible for providing information as needed to determine compliance with this section.

(d) *Quota for 1996 through 2002 crops.* For each institution with continuing eligibility for which a 1995 basic quota was determined in accordance with this section or its predecessor, a basic quota shall be established for the 1996 through 2002 crops in the same manner as for other farms within the State.

[56 FR 16211, Apr. 19, 1991. Redesignated and amended at 61 FR 36999, 37000, July 16, 1996; 65 FR 8247, Feb. 18, 2000]

### § 729.209 Tillable cropland limitation.

If any person owns a farm for which the basic quota exceeds an amount determined by multiplying the larger of the farm yield or the highest actual yield for the farm during the base period by the tillable cropland on the farm, the person shall take steps, such as the sale of quota, the purchase of tillable cropland, the permanent transfer of quota, or other similar means that will result in elimination of the excess. If such person fails to take such action, the farm's preliminary quota for the next year, and the basic quota permanently shall be reduced by the amount of the excess.

[56 FR 16211, Apr. 19, 1991. Redesignated at 61 FR 36999, July 16, 1996]

### § 729.210 Determining a farm's effective quota.

The effective quota for a farm shall be the basic quota adjusted by:

(a) *Upward adjustment.* Adding the:

(1) The temporary seed quota allocated to the farm;

(2) Quota temporarily reapportioned to the farm; or

(3) Quota temporarily transferred to the farm by either lease, owner, or operator.

(b) *Downward adjustment.* Subtracting the quota:

(1) Temporarily transferred from the farm by either lease, owner or operator;

(2) Temporarily released; or

(3) Converted in the current year from the production of peanuts in accordance with part 704 of this chapter or similar program as determined by the Deputy Administrator.

[56 FR 16211, Apr. 19, 1991. Redesignated and amended at 61 FR 36999, 37000, July 16, 1996]

### § 729.211 Determination of farm yields.

(a) *Farm yield*—(1) *Quota farm in previous year.* The farm yield for the current year for a farm that was a quota farm in the previous year shall be the same as the farm yield established for the farm in the previous year.

(2) *Nonquota farm.* If a farm was a nonquota farm in the year preceding the current year and such farm becomes a quota farm in the current year, a farm yield shall be determined by the county committee if a farm yield has not been established previously for such farm. Such farm yield shall be determined on a fair and reasonable basis by the county committee after considering the farm yields that have been established on other similar farms in the same locality.

(b) *Reconstituted farms.* For reconstituted farms, the farm yield for such farm shall be:

(1) *Combination of quota farms.* For combined quota farms, the weighted

average of the farm yields for the tracts being combined.

(2) *Combinations of quota and nonquota farms*. For a combination of a quota and nonquota farm, the farm yield of the tract(s) with an established quota, even though a farm yield had been previously established for such nonquota tract(s).

(3) *Combination of nonquota farms*. For a combination of a nonquota farm, established by the county committee in the same manner as for farms under paragraph (a)(2) of this section, even though a farm yield had been previously established for the individual tracts.

(4) *Divisions*. For tracts resulting from the division of a farm, the same farm for each tract that results from the division as the farm yield for the parent farm, except that should one or more tracts within the divided farm have a previously established farm yield, the farm yield for such tract(s) shall be that previously established for such tract(s).

[56 FR 16211, Apr. 19, 1991. Redesignated at 61 FR 36999, July 16, 1996]

### § 729.212 Approval of farm yield and farm poundage quota and notice to farm operator.

(a) *Approval*. Each farm yield, basic quota, and effective quota shall be determined under the supervision of, and approved by, the county committee of the county in which the farm is administratively located, subject to the concurrence of the State committee or a representative of the State committee.

(b) *Notice to farm operator*. (1) As soon as practicable after the basic quota or the effective quota is approved, an official notice of such quota shall be mailed to the farm operator.

(2) If the basic quota is reduced to zero for the current year, the county committee shall mail to the farm operator a notice of such determination.

(3) A revised notice of basic quota or effective quota shall be mailed to the farm operator as soon as possible after the county committee determines that an incorrect notice has been mailed, or the county committee takes an action which requires a revision of the previously determined quota.

(4) The notice to the operator shall constitute notice to all persons, including, but not limited to, any person who as operator, landlord, tenant, or sharecropper has an interest in the farm for which the quota is established.

(c) A failure to provide the notice provided for in paragraph (b) of this section shall not entitle any person to a quota to which they are otherwise entitled, unless otherwise provided in this part.

[56 FR 16211, Apr. 19, 1991. Redesignated at 61 FR 36999, July 16, 1996]

### § 729.213 Erroneous notice of effective farm poundage quota.

If the official notice of effective quota issued for a farm erroneously stated a quota larger than the correct effective quota, the quota shown on the erroneous notice shall serve as the basis for marketing penalty computations for the farm for the current marketing year only if the county committee determines and the State Executive Director concurs that:

(a) *Extent of error*. The error was not so substantial as to place the operator on notice that such notice of quota was incorrect; and

(b) *Response to notice*. The operator, relying upon such notice and acting in good faith:

(1) Has made plans, or is engaged in activities, to produce the quota in the amount set forth on the erroneous notice (for example, land preparation; purchase of seed, fertilizer, and other production materials; or reducing the acreage of other crops); or

(2) Has planted the acreage of peanuts needed to produce the erroneous farm poundage quota.

[61 FR 37000, July 16, 1996]

### § 729.214 Transfer of quota by sale, lease, owner, or operator.

Peanut quota may be transferred between eligible farms, or between separately owned tracts within a farm, in accordance with the provisions of this section.

(a) *Basis of transfers*. A transfer of quota may be either permanent or temporary to the extent provided for in this section.

(1) *Permanent*. A permanent transfer shall be based on a part or all of the farm's basic quota. The maximum quota that may be permanently transferred from a farm in the current year is the farm's basic quota. A permanent transfer may be by:

(i) *Sale*. The sale of a farm's basic quota.

(ii) *Owner*. The owner transfering basic quota between two farms when such farms have identical ownership as determined by FSA under instructions of the Deputy Administrator.

(2) *Temporary*. A temporary transfer is for one year and shall be based on a part or all of the farm's effective quota. The maximum quota that may be temporarily transferred from a farm in the current year is the farm's effective quota. A temporary transfer, to the extent permitted by this section, may be by:

(i) *Lease*. The lease and transfer of a farm's effective quota.

(ii) *Owner*. The owner transferring effective quota to another farm owned or operated by such owner.

(iii) *Operator*. The operator transferring effective quota to another farm owned or operated by such operator.

(b) *Transfer agreement*. In order to transfer poundage quota in the current year between two eligible farms, the transfer agreement must be:

(1) *Form*. Recorded on Form FSA–375.

(2) *Where to file*. Filed in the county FSA office which serves the county in which the transferring farm is located for administrative purposes.

(3) *Signatures*. Agreed upon and signed by:

(i) *Sale or lease*. In the case of a sale or lease, the owner(s) and operator of the transferring farm and the owner(s) or operator of the receiving farm. However, if a lease is filed after July 31 by a farm operator who cash leased the farm the signature of the owner(s) of such farm is not required.

(ii) *Owner transfer*. In the case of an owner transfer, the owner of the transferring farm who also must be the owner or operator of the receiving farm.

(iii) *Operator transfer*. In the case of an operator transfer, the operator of the transferring farm who also must be the owner or operator of the receiving farm.

(iv) *Lienholder*. In all cases, any person who holds a mortgage or other lien against the transferring farm.

(4) *Witness*. Signed on Form FSA–375, by each person whose signature is required by paragraph (b)(3) of this section, in the presence of a State or county committee member or an FSA employee who shall sign Form FSA–375 as a witness. If such signatures cannot be witnessed in the county FSA office where the farm is administratively located, they may be witnessed in any State or county FSA office convenient to the owner or operator's residence. The requirement that signatures be witnessed for producers that are ill, infirm, reside in distant areas, or are in similar hardship situations or may be unduly inconvenienced may be waived provided the county FSA office mails Form FSA–375 for the required signatures.

(5) *When to file*. Filed at any time after all required signatures have been recorded.

(i) *Permanent transfer*. If filed:

(A) Before August 1, the transfer shall be effective for the current year.

(B) After July 31, the transfer agreement shall not be approved until the next year's quota is determined for the transferring farm.

(ii) *Temporary transfer*. If filed after July 31 and before February 1, the transfer agreement shall not be approved unless both the transferring farm and the receiving farm meet applicable provisions in paragraph (f) of this section that apply to transfers filed during such period.

(c) *Location of farms*. In order to transfer poundage quota between two farms, such farms must be located within the same State and, to the extent required by paragraph (d) of this section, in the same county. It is not necessary for the receiving farm to have had a basic quota in the current or prior year, except as provided in paragraph (d)(4) of this section.

(d) *Limitations on transfer by sale or lease*. Subject to the provisions of paragraph (m) of this section:

(1) *States with less than 10,000 tons of quota*. With respect to farms in any State for which the State's poundage

quota for the year preceding the current year was less than 10,000 tons, transfers of peanut quota by sale or lease may be made to any other farm in any county within the State.

(2) *States with 10,000 tons or more of quota.* For farms in States with 10,000 tons or more of quota:

(i) Poundage quota may be transferred to any other farm within the same county.

(ii) If the farm is in a county with less than a total of 50 tons of quota, the poundage quota may be transferred to any other farm within the same State without regard to the limitations set forth in paragraph (d)(2)(iii) of this section.

(iii) If the farm is in a county with a total of 50 tons or more of quota, poundage quota transferred out of county shall be limited to 40 percent of the quota in the transferring county as of January 1, 1996. Further, the cumulative unexpired out-of-county transfers for a crop year may not exceed the following percentages of the quota in the transferring county as of January 1, 1996:

(A) 15 percent for the 1996 crop;

(B) 25 percent for the 1997 crop;

(C) 30 percent for the 1998 crop;

(D) 35 percent for the 1999 crop; and

(E) 40 percent for the 2000 and subsequent crops.

(iv) *Selecting approved transfers.* For purposes of administering the limitations on the amount of transfers, the Director shall establish a method for selecting, by lot or other method, those applications which are to be approved. The Director may give preference to permanent transfers.

(3) *Fall transfers.* The limitations in paragraph (d)(2)(iii) of this section do not apply to 1-year fall transfers, which may, in all cases, be made to any farm in the same State, subject to such restrictions as otherwise apply for fall transfers.

(4) *Owner or operator transfer.* Owner or operator transfers of poundage quota are permitted to contiguous counties within the same State without regard to the percentage limitations of paragraph (d)(2)(iii) of this section; provided that, the receiving farm had a basic quota established for the preceding year's crop and has the same owner, in an owner transfer, or the same operator, in an operator transfer.

(e) *Transfers to and from the same farm (subleasing)—*

(1) *Transfer agreement filed after January 31 and before August 1.* The county committee shall not approve a transfer agreement which is filed after January 31 of any year and before August 1 of the same year, if the approval would result in a temporary transfer both to and from either the transferring or receiving farm during such period, except that such transfer agreement may be approved if the farm that otherwise would be eligible to transfer or receive such quota resulted from a farm reconstitution that was approved subsequent to a transfer of quota.

(2) *Record of transfer filed after July 31 and before February 1.* The county committee shall not approve a temporary transfer of effective quota if the transfer agreement is filed after July 31 of any year and before February 1 of the following year and approval would result in a temporary transfer both to and from either the receiving farm or transferring farm during such period.

(f) *Other transfer provisions*—(1) *Temporary transfer of quota from a farm.* A temporary transfer of quota from a farm by lease, owner, or operator shall not be approved:

(i) *Effective quota includes reapportioned quota.* If the transfer agreement was filed before August 1 of a crop year and the effective quota for the farm includes temporarily reapportioned quota from quota released from other farms of that crop year.

(ii) *Peanut poundage quota penalty.* If any person whose signature is required to perfect the transfer is known to owe a peanut poundage quota penalty. However, this provision shall not apply if the penalty is paid or, in the case of a transfer by lease, the entire proceeds of the lease are applied to the penalty and the county committee determines that the amount paid for the lease represents a reasonable price for the pounds of quota being leased.

(iii) *Filed after July 31 and before February 1 (''Fall transfers'').* If filed after July 31 of the crop year and before February 1 of the following year, unless:

(A) The reported or determined acreage of peanuts plus prevented planted

credit for the transferring farm for the current year, when multiplied by the larger of the farm yield or the highest actual yield during the base period, is equal to or greater than 90 percent of the farm's effective quota prior to adjustment for temporary seed quota allocated to the farm;

(B) The county committee determines that the producers on the farm made a good faith effort to produce a normal crop of peanuts on the acreage devoted to peanuts.

(C) The quantity to be transferred does not exceed the quota balance remaining on the farm's marketing card(s); and

(D) For a lessee, such lessee provides satisfactory evidence that the lease is a cash lease or the owner signs the transfer agreement.

(2) *Temporary transfer of quota to a farm.* A temporary transfer of quota to a farm by lease, owner, or operator shall not be approved:

(i) *Tillable cropland limitation.* If the transfer agreement was filed before August 1 of the crop year and the effective quota after the transfer would exceed an amount determined by multiplying the acreage of tillable cropland on the farm by the larger of the farm yield or the highest actual yield per acre during the base period.

(ii) *Filed after July 31 and before February 1.* If the transfer agreement is filed after July 31 of the crop year and before February 1 of the following year unless the quantity being transferred:

(A) Is needed in order to market all eligible peanuts from the receiving farm as quota peanuts, and

(B) Does not exceed an amount by which the receiving farm's effective quota before the transfer is less than the entire production of peanuts from the farm exclusive of any peanuts that have been graded as Segregation 2 or Segregation 3 peanuts.

(3) *Permanent transfer of quota from a farm.* A permanent transfer of quota from a farm by sale or by owner shall not be approved:

(i) *Permanent transfer of quota by sale to the farm.* For the amount of quota purchased and permanently transferred to the farm in the current year and during the base period, as adjusted for any increase or decrease in such quota due to adjustment in the national quota during the base period, except that a transfer of a tenant's share of any peanut quota increase shall not be considered for purposes of determinations made under the provisions of this paragraph.

(ii) *Peanut poundage quota penalty.* If the owner is known to owe a peanut poundage quota penalty. However, this provision shall not apply if the penalty is paid, or in the case of a sale of quota, the entire proceeds from the sale of quota are applied to the penalty and the county committee determines that the amount paid for the quota represents a reasonable price for the pounds of quota being sold.

(iii) *Conservation Reserve contract.* If the peanut quota is subject to an approved Conservation Reserve Program contract.

(4) *Permanent transfer of quota to a farm.* A permanent transfer of quota to a farm by sale or by owner shall not be approved if the basic quota after transfer would exceed an amount determined by multiplying the acreage of tillable cropland on the farm by the larger of the farm yield or the highest actual yield per acre during the base period.

(g) *Approval or disapproval of a transfer agreement.* The county committee shall approve or disapprove each transfer agreement. The county committee shall approve each transfer agreement which meets the eligibility conditions as set forth in this section or in this part. However, the county committee may delegate authority to the county executive director or other county FSA employee to act on behalf of the county committee and approve a transfer agreement which meets the eligibility conditions as set forth in this section. Such delegation may authorize the approval of any eligible transfer agreement or the delegation of authority may be restrictive as to the type of transfer agreements that may be approved. Only the county committee shall disapprove a transfer agreement.

(1) *Time for determination.* Any approval or disapproval of a transfer agreement should be made within 30 days after the transfer agreement is filed with the county committee unless

additional time is required as the result of conditions beyond the control of the county committee. However, if a transfer agreement is filed after July 31 of the crop year that provides for a permanent transfer of poundage quota, the transfer agreement shall not be approved until the next year's quota is determined for the transferring farm.

(2) *Effective date*. An approved transfer agreement shall become effective during the current crop year, except that if an agreement to permanently transfer quota is filed after July 31 of the crop year, such agreement shall become effective for the next crop year.

(h) *Effect of permanent transfer of quota*. In the event of a permanent transfer of a quota, applicable farm data for each year of the base period shall be transferred to the receiving farm from the transferring farm in proportion to the quantity of basic quota which has been transferred from the transferring farm.

(i) *Notice of revised quotas*. A revised notice of farm poundage quota shall be issued for each farm affected by the transfer of farm poundage quota.

(j) *Cancellation of transfer*—(1) A transfer approved on the basis of incorrect information furnished by the parties to the transfer agreement, or approved due to error by the county committee, shall be void and canceled effective as of the date of approval except as may be provided by the Deputy Administrator to accomplish the purposes of this part. The cancellation shall not be effective for the current marketing year if:

(i) The transfer approval was made on the basis of incorrect information unknowingly furnished in good faith by the parties to the transfer agreement or the transfer approval was made in error by the county committee, and

(ii) The parties to the transfer agreement were not notified of the cancellation prior to the marketing of quota peanuts in excess of the revised effective farm poundage quota.

(2) If cancellation of a transfer is required, the county committee shall issue revised notices of poundage quota showing the reasons for, and effect of, the cancellation.

(k) *Withdrawal or minor revision*. The county committee may permit withdrawal or minor revisions of a transfer upon a:

(1) Written request by all parties to the transfer, and

(2) County committee determination that such withdrawal or revision is clearly in the best interest of all the producers and will not impair the effective operation of the peanut program.

(l) *Adjustment of marketings*. For the purpose of computing production history for quota increase based on production, in the case of temporary transfers by owner to the same owner or operator to the same operator, if the current year's produced or considered-produced credit from the receiving farm exceeds such farm's basic quota, such produced or considered-produced credit on the receiving farm shall be reduced by the amount of such excess, to the extent of the quota temporarily transferred to such farm by owner or operator, and such reduced amount shall be added to the current year produced or considered-produced credit for the transferring farm.

(m) *Considered produced credit*. Quota that is leased and transferred from a farm shall be considered produced on such farm to the extent of considered produced credit set forth in the definition of ''Considered produced credit'' in § 729.103 of this part.

[56 FR 16211, Apr. 19, 1991, as amended at 57 FR 27144, June 18, 1992. Redesignated and amended at 61 FR 36999, 37001, July 16, 1996; 62 FR 2719, Jan. 17, 1997; 62 FR 25438, May 9, 1997; 65 FR 8247, Feb. 18, 2000]

### § 729.215 Release and reapportionment of quota.

(a) *Release*. By filing Form FSA–278 with the county FSA office that serves the county in which the farm is located for administrative purposes, part or all of the farm's:

(1) *Temporary release*. Effective quota may be temporarily released to the county committee for the current year.

(2) *Permanent release*. Basic quota may be permanently released to the county committee. If the farm consists of separately identifiable tracts having different ownership, the owner(s) of any tract may permanently release part or all of the basic quota contributed to the farm by such tract.

(b) *Request for released quota*. Permanently released quota shall be reallocated without a request from the farm's owner or operator to eligible farms as determined in accordance with § 729.204 of this part. Temporarily released quota, may be reapportioned to farms for which a request for released quota has been filed, on Form FSA–278, in the county FSA office that serves the county in which the farm is located for administrative purposes. Temporarily released quota shall be reapportioned in accordance with the provisions of this section.

(c) *Time for filing*. The final date for filing a release of quota or for requesting reapportionment of temporary released quota shall be:

(1) *Permanent release*. For quota to be permanently released, thirty days after the date of mailing of the notice of the farm's quota.

(2) *Temporary release or request for released quota*. For a temporary release or a request for released quota, the date established by the State committee for the county in which the farm is located for administrative purposes.

(d) *Signature requirement*. The FSA–278 shall be signed by:

(1) *Temporary releases*. In the case of a temporary release, the farm operator. In addition, if quota was either leased and transferred from the farm, or released from the farm, in more than one year of the base period, the FSA–278 shall be signed by the farm's owner(s).

(2) *Permanent releases*. In the case of a permanent release, both the owner(s) and operator of the farm.

(e) *Reapportionment of temporarily released quota*—(1) *Time to reapportion*. The county committee shall reapportion, within 10 days after the final date for temporary release of quota in the county, any quota that will be reapportioned to farms in the county. In addition, if the county committee receives released quota from the State committee, such quota shall be reapportioned within 10 days after receipt of the notice of the availability of the quota.

(2) *Basis of reapportionment*. The county committee:

(i) When reapportioning temporarily released quota, shall give priority to producers on nonquota farms and to producers on farms having basic quotas that are significantly below the average basic quota in the county. Otherwise, the county committee shall reapportion the released quota in amounts determined by the county committee to be fair and reasonable on the basis of:

(A) Experience by the applicant in producing peanuts;

(B) Soil and other physical factors affecting the production of peanuts on the applicant's farm; and

(C) Tillable cropland available for the production of peanuts on the applicant's farm.

(ii) Shall not reapportion released quota to a farm that has transferred quota from the farm in the current year.

(iii) Shall not reapportion quota to a farm to the extent that the farm's effective quota after the reapportionment will exceed an amount determined by multiplying the farm's tillable cropland by the larger of the farm yield or the highest actual yield for peanuts during the base period.

(f) *Release to State committee*. (1) Temporarily released quota that is not reapportioned by the county committee to farms in the county shall be released to the State committee for reallocating to other county committees that have requested additional quota for reapportionment to eligible producers.

(2) Permanently released quota shall be released to the State committee for reallocation to eligible farms in accordance with § 729.206 of this part.

(g) *Considered produced credit*. Quota that is temporarily released shall be considered produced on the releasing farm if neither of the following are applicable:

(1) Part, or all, of the farm's quota was released during any 2 or more years of the base period, or

(2) Part, or all, of the farm's quota was leased and transferred to another farm in the same county during any 2 or more years of the base period.

(h) *Withdrawal or minor revision of released quota*. A withdrawal or minor revision in the pounds temporarily or permanently released may be approved upon a written request filed with the

county committee if, at the time the request is filed, the county committee has not transmitted permanently released quota to the State committee or, with respect to temporarily released quota, has not reapportioned such released quota to farms in the county or released such quota to the State committee for reallocation to requesting county committees.

[56 FR 16211, Apr. 19, 1991. Redesignated and amended at 61 FR 36999, 37001, July 16, 1996]

### § 729.216 National poundage quota.

(a) *National poundage quota for 1996 and subsequent crop years.* The national poundage quota for the 1996 and subsequent crop years shall be established by the Secretary at a level that is equal to the quantity of peanuts that the Secretary estimates will be devoted in each marketing year to domestic edible use (except seed), and related uses as may be set out in paragraph (c) of this section.

(b) *Disapproval of quotas.* No loan for quota peanuts may be made available for any crop of peanuts with respect to which it is determined by the Deputy Administrator that poundage quotas have been disapproved by producers pursuant to a referendum conducted in accordance with section 358–1(d) of the Agricultural Adjustment Act of 1938, as amended.

(c) Quota determination for individual marketing years (excluding seed):

(1) The national poundage quota for quota peanuts for marketing year 1996 is 1,100,000 short tons.

(2) The national poundage quota for quota peanuts for marketing year 1997 is 1,133,000 short tons.

(3) The national poundage quota for quota peanuts for marketing year 1998 is 1,167,000 short tons.

(4) The national poundage quota for quota peanuts for marketing year 1999 is 1,180,000 short tons.

[61 FR 37001, July 16, 1996, as amended at 61 FR 60510, Nov. 29, 1996; 62 FR 62692, Nov. 25, 1997; 64 FR 48942, Sept. 9, 1999; 65 FR 16118, Mar. 27, 2000]

## Subpart C—Marketing Cards, Marketings, Penalties, and Assessments

### § 729.301 Issuance of cards.

(a) *General.* As used in this part, peanut marketing card, Form FSA–1002, means a paper marketing card on which data is manually recorded or a plastic marketing card in which data is recorded electronically into a micro computer chip by a computer.

(b) *Issuance of marketing cards.* A marketing card shall be issued in the name of the farm operator for each farm on which peanuts are produced in the United States in the current year for use by each producer on the farm for marketing such producer's share of the peanuts produced except that:

(1) A marketing card issued for experimental peanuts shall be issued in the name of the experiment station, and

(2) A marketing card issued to a successor-in-interest shall be issued in the name of the successor-in-interest.

(c) *Issuance of producer identification cards.* A producer identification card shall be issued in the same name that is entered on the marketing card(s) for each eligible farm. The producer identification card will be used to identify the farm on which the peanuts were produced and the card must accompany each lot of peanuts when offered for sale. Producer identification cards shall be issued at the time the marketing cards are issued.

(d) *Person authorized to issue cards.* The county executive director shall be responsible for the issuance of marketing cards and producer identification cards.

(e) *Rights of producers and successors-in-interest.* (1) Each producer having a share in the peanuts available for marketing from a farm shall be entitled to the use of the marketing and identification cards for marketing such producer's proportionate share of the peanuts produced on the farm, as determined by the county committee.

(2) Any person who the county committee determines has succeeded, in whole or in part, to the share of a producer in the peanuts available for marketing from a farm shall, to the extent

of such succession, have the same rights to the use of the marketing and identification cards and bear the same liability for penalties as the original producer would with respect to the disposition of the peanuts.

(f) *Data on marketing card and supplemental card*—(1) Before issuance, the following data and information must be recorded on the marketing card:

(i) The name of each producer and the producer's share of the crop of peanuts;

(ii) The effective farm poundage quota;

(iii) The pounds of any additional peanuts contracted and the handler number of the contracting handler;

(iv) The converted penalty rate, if applicable;

(v) The name of any producer on the farm against whom a peanut poundage quota lien has been established and the unpaid balance of such lien;

(vi) The name of any producer on the farm against whom a U.S. claim has been established and the unpaid amount of such claim;

(vii) With respect to any farm with a producer that is ineligible for price support, an indication of such ineligibility; and

(viii) An indication that the peanuts marketed from the farm are ''Eligible for Buyback'' if the farm operator authorizes the handler to purchase peanuts under the ''Immediate Buyback'' purchase in accordance with part 1446 of this title.

(2) A supplemental marketing card bearing the same name identification as shown on the original marketing card may be issued for a farm if an original or supplemental marketing card is returned to the county office. The balance of the poundage quota for the farm from the returned marketing card shall be recorded as the effective farm poundage quota on the supplemental card.

(3) Two or more marketing cards may be issued for a farm if the farm operator specifies in writing the amount of the effective quota (not to exceed the balance of effective quota available) which is to be assigned to each card.

(g) *Issuance of producer identification cards*—(1) Before issuance, the following information shall be recorded on the producer identification card:

(i) Name and address of the farm operator, and

(ii) State, county code, and farm serial number.

(2) A farm operator may receive as many identification cards as may be needed at any one time to accompany each lot of peanuts until such lot of peanuts has been marketed.

(h) *Replacing a lost, stolen, or destroyed marketing card.* A new marketing card shall be issued to replace a card which has been determined by the county executive director who issued the card to have been lost, destroyed, or stolen, if the farm operator gives immediate written notice of such fact to the appropriate county FSA office and furnishes a satisfactory report of the quantity of peanuts which was marketed by use of such marketing card before such card was lost, stolen, or destroyed.

(i) *Invalid cards.* A marketing card shall be invalid under any one of the following conditions:

(1) It is not issued or delivered in the form and manner prescribed.

(2) Any entry is omitted or is incorrect.

(3) It is lost, destroyed, or stolen.

(4) An alteration has been made without the approval of the county executive director.

(5) For a paper card, the card becomes illegible.

(j) *Validating invalid cards.* If a marketing card is known to be invalid, the farm operator or other producer shall return the marketing card to the county office. The county executive director shall issue a replacement marketing card or the marketing card may be made valid by entering data previously omitted or by correcting any incorrect data previously entered.

### § 729.302 Identification of producer marketings.

The producer must identify each lot of peanuts offered for marketing through a handler by furnishing to the handler the farm operator identification card FSA–1003, and the peanut marketing card FSA–1002, which was issued for the farm on which the peanuts were produced. The producer may

at the producer's risk leave the peanut marketing card in the custody of the handler during the period between marketing lots of peanuts to the same handler; however, the marketing card shall not be left in the possession of the handler after the producer has completed marketings for the season.

**§ 729.303 Designation of category for marketing peanuts.**

Any marketings of peanuts which are not inspected by the Federal-State Inspection Service prior to marketing shall be deemed to be a marketing of quota peanuts. If a lot of peanuts is inspected by the Federal-State Inspection Service, the producer shall designate to the handler whether the lot of peanuts is to be marketed as quota loan, quota commercial, loan additional, or contract additional peanuts as defined in part 1446 of this title. The designation must be made within the time allowed by the handler but not later than the close of inspection of the third workday (excluding Saturday, Sunday, or legal holiday) after the peanuts are inspected and graded. In the absence of a designation, any Segregation 1 peanuts shall be marketed and deemed to be marketed in the following order of priority:

(a) As quota loan or quota commercial peanuts, at the option of the buying point operator, to the extent of the unused poundage quota on the peanut marketing card which is used to identify the peanuts for marketing;

(b) As contract additional peanuts to the extent of the unused contract poundage balance on the peanut marketing card which is used to identify the peanuts for marketing if the peanuts are being marketed through the contracting handler; or

(c) As loan additional peanuts.

**§ 729.304 Marketing card entries.**

(a) Immediately after each lot of peanuts is marketed the buyer, or the buyer's representative, shall make the following entries on the marketing card from the FSA–1007:

(1) The FSA–1007 serial number which identifies the lot of peanuts;

(2) The net pounds marketed;

(3) The unused poundage quota balance remaining after the marketing;

(4) The unused contract additional poundage balance remaining after the marketing;

(5) The handler's number, or for loan peanuts, the association number;

(6) The buying point number;

(7) The type of peanuts marketed; and

(8) Any penalties or claims collected.

(b) If noninspected peanuts are purchased at a buying point, the buyer, or the buyer's representative, shall make the following entries on the paper marketing card from the FSA–1030, Report of Purchase of Noninspected Peanuts;

(1) The date of marketing;

(2) The pounds purchased;

(3) The unused poundage quota balance remaining after the marketing;

(4) The unused contract additional poundage balance remaining after the marketing;

(5) The handler's number;

(6) The type of peanuts marketed; and

(7) Any penalties or claims collected.

**§ 729.305 Peanuts on which penalties are due and refund of excess penalty collected.**

(a) In addition to other remedies as may apply, a penalty is due from the person involved in a violation of this part and shall be assessed against such person at the basic penalty rate on:

(1) The quantity of peanuts which is marketed or considered to be marketed from a farm for domestic edible use in excess of the effective farm poundage quota for the farm.

(2) All peanuts produced on a farm for which the producer:

(i) Failed to report the peanut acreage as provided in accordance with part 718 of this chapter; or

(ii) Is responsible, if entry on the farm to authorized representatives of the Secretary for the purpose of determining the acreage of peanuts on the farm is refused or denied.

(3) The quantity of peanuts falsely identified, as determined by the county committee with the concurrence of the State committee. The quantity of peanuts subject to penalty under this provision shall be the quantity of peanuts determined by the county committee to have been falsely identified. Acts

considered to be false identification shall include the following:

(i) Identifying or permitting the identification of peanuts at time of marketing as having been produced on a farm other than the farm of actual production;

(ii) Marketing or permitting the marketing of peanuts to a registered handler without identifying the peanuts with a peanut marketing card issued for the farm on which such peanuts were produced;

(iii) Permitting the use of the peanut marketing card for the farm to record a marketing of peanuts when, in fact, peanuts were not marketed from the farm; or

(iv) Marketing peanuts that have been commingled with those of another farm.

(4) All peanuts, the disposition of which the producer has failed to account for to the satisfaction of the county committee. The quantity of peanuts subject to penalty under this provision shall be the amount of peanuts determined by the county committee to have been marketed or considered marketed from the farm in excess of the quantity for which the producer has satisfactorily accounted.

(5) All additional peanuts marketed as contract additional peanuts in excess of the pounds contracted between the producer and handler as provided in part 1446 of this title.

(6) The quantity of farmers stock peanuts the county committee determines was necessary to plant the reported acreage for the crop year if the producer fails or refuses to file an accurate seed peanut report of seed purchases; and

(7) All peanuts marketed in violation of this subpart for reasons not otherwise enumerated in paragraph (a) of this section.

(b) If the reported acreage of peanuts on a farm differs from the determined acreage by more than the tolerance provided in part 718 of this chapter, a penalty at the converted rate shall be due from all producers on the farm on all peanuts marketed from the farm. In addition, in the case of a false certification, the sanctions provided for in § 729.204(e) shall apply except to the extent that it may be determined by the Deputy Administrator that a second assessment would be unduly redundant.

(c) Any penalty collected in excess of the correct amount as determined pursuant to this section may be refunded upon a finding by the county committee that an excess amount was collected.

[56 FR 16211, Apr. 19, 1991, as amended at 65 FR 8247, Feb. 18, 2000]

### § 729.306 Farms with one acre or less of peanuts.

All peanuts produced on a farm on which the acreage of peanuts is one acre or less may be marketed for domestic edible use without incurring a marketing penalty if the producer who shares in the peanuts produced on any such farm does not share in the peanuts produced on any other farm.

### § 729.307 Assessment of penalties; joint and several liability.

Any person against whom a penalty is assessed in accordance with this subpart, shall be notified of the penalty assessment in writing by the appropriate county committee. Such notice shall state the amount of the penalty and the basis upon which the penalty is being assessed. The notice shall also state that the person against whom the penalty is being assessed may request reconsideration of the assessment of the penalty in accordance with part 780 of this chapter. If more than one person is liable for a penalty, the liability of all persons involved shall be joint and several liability.

### § 729.308 Lien for penalty.

(a) *Lien on peanuts*. Until the amount of any penalty provided by this part is paid, a lien on the crop of peanuts with respect to which such penalty is incurred, and on any subsequent crops of peanuts subject to poundage quotas in which the person liable for payment of the penalty has an interest, shall be in effect in favor of the United States.

(b) *Lien precedence*. The lien on the peanuts takes precedence over all claims and attaches at the time the debt is entered on a county claim record in the county FSA office for the county in which the subsequent crop is grown.

(c) *List of peanut marketing penalty debts.* Each county FSA office shall maintain a list of peanut marketing penalties for which a claim has been established and recorded in such office. The list shall be made available for examination upon written request by any interested person.

**§ 729.309 Persons to pay penalty or collect debts.**

(a) *Marketings to handlers.* The buyer shall be liable for the full penalty due on marketings of excess quota peanuts that such handler buys or otherwise acquires from a producer. Also, the buyer shall be liable with the producer for the full penalty due on peanuts purchased from a producer as additional peanuts in excess of the amount contracted with the producer as contract additional peanuts in accordance with part 1446 of this title. The buyer may deduct the penalty from the price paid to the producer for the peanuts. If the net value of a lot of peanuts is less than the penalty due on such lot, or if the handler fails to collect the penalty due on any marketing of a lot of peanuts from a farm, the buyer and each of the producers on the farm shall be held jointly and severally liable for the amount of any unpaid penalty due on such lot of peanuts.

(b) *Other marketings.* The producer is liable for the penalty due on any marketings of excess quota peanuts to persons who are not established peanut buyers.

(c) *Penalty for error on marketing card.* The producer and the buyer are jointly and severally liable for any penalties which may be due if the buyer made an error or failed to properly record the pounds of peanuts marketed on the producer's marketing card and such error resulted in marketings in excess of the effective poundage quota or the pounds contracted as additional peanuts in accordance with part 1446 of this title.

(d) *Notice to affected parties.* All affected parties shall be deemed to be on notice that penalties are due when the marketings of peanuts for domestic edible use exceed the effective poundage quota indicated on the marketing card or the marketing of peanuts as contract additional peanuts exceeds the amount contracted by the producer as additional peanuts in accordance with part 1446 of this title. In addition:

(1) *PPQ lien.* If a peanut poundage quota (PPQ) lien is recorded on a claim record maintained in a county FSA office in accordance with § 729.308 of this part or recorded on the peanut marketing card such recordation shall constitute notice to any peanut buyer that until the amount of the penalty involved plus accrued interest is paid, the United States has a lien on any peanuts, from any crop year that are subject to farm poundage quotas in which the person liable for payment of the penalty has an interest. Peanut poundage quota (PPQ) lien amounts shall be collected by the buyer and paid to the Farm Service Agency prior to making collection for any other liens or claims, except for a lien that was perfected before the PPQ lien became attached, as provided in § 729.308 of this part. Such buyer shall be liable for payment of such amount that was, or should have been, collected by the buyer.

(2) *U.S. claim.* If a U.S. claim, other than for a PPQ lien, is recorded on a marketing card, such recordation shall constitute notice to any peanut buyer that, to the extent of the indebtedness shown, and subject to prior liens, the net proceeds from any price support loan due the debtor must be withheld from the producer and paid to the Farm Service Agency. Such buyer shall be liable for payment of such amount that was, or should have been, withheld.

(3) *Converted penalty rate.* If a converted penalty rate is entered on the marketing card by the county FSA office, the buyer shall collect penalty at such converted penalty rate on each pound of peanuts acquired from the producers of the peanuts. Any penalty that is collected must be paid to the Farm Service Agency. Such buyer shall be liable for payment of such amount that was, or should have been, collected by the buyer.

**§ 729.310 Payment of penalty or other debt.**

(a) *Method of payment.* A draft, money order, or check made payable to the Farm Service Agency may be used to

pay any penalty, other indebtedness collected in accordance with this subpart, or interest thereon. All methods of payment shall be received subject to collection and payment at face value.

(b) *Due date.* The penalty becomes due on the date of marketing, or in the case of false identification or failure to account for the disposition of peanuts, the date the producer is notified of the false identification or the failure to account, as applicable.

(c) *Interest.* The person liable for payment or collection of the penalty shall be liable also for interest thereon at the rate of interest charged CCC for its borrowings by the United States Treasury on the date such penalty became due. If the rate charged CCC by the Treasury is increased, the interest due on the penalty may be, to the extent permitted by law, increased commensurately for the period of such increase. Interest shall accrue from the date the penalty was due if the penalty is not remitted within 30 days after the date the penalty was assessed. Nothing in paragraph (c) of this section, shall limit the liability of a person for prepenalty interest where otherwise provided for in this part or otherwise provided for by law.

### § 729.311 Peanuts on which penalties are not to be assessed.

Notwithstanding other provisions in this subpart:

(a) *Error in weight.* A penalty shall not be collected if such penalty results from an error in net weight of a lot of peanuts marketed, as reported on Form FSA–1007, Inspection Certificate and Sales Memorandum, and the error does not exceed one-tenth of one percent of the correct net weight of such lot of peanuts. However, notwithstanding the preceding sentence, in the case of fraud or conspiracy, a penalty shall be due for any error in the net weight, regardless of the size or amount of the error.

(b) *Peanuts grown on State prison farms.* A penalty shall not be collected on peanuts grown on State prison farms for consumption within such State prison system, and so consumed.

(c) *Peanuts grown for experimental or research purposes.* (1) A penalty shall not be collected on the marketing of any peanuts that are:

(i) Grown only for experimental or research purposes, which shall include seed determined by the Deputy Administrator to be breeder or foundation seed;

(ii) Grown on land owned or leased by a publicly-owned agricultural experiment station, which shall include a State-operated seed organization;

(iii) Produced at public expense by employees of entities described in paragraph (c)(1)(ii) of this section, or are produced by farmers for seed determined by the Deputy Administrator to be breeder or foundation seed peanuts for experimental or research purposes pursuant to an agreement with a publicly-owned agricultural experiment station, which shall include such State-operated seed organizations.

(2) The exemption from penalty, as provided in paragraph (c)(1) of this section shall not apply unless:

(i) Such peanuts are used for purposes other than for:

(A) Food or feed, or

(B) Seed to produce peanuts for food.

(ii) The director of the applicable publicly-owned agricultural experiment station, including State-operated seed organizations, furnishes to the State FSA Executive Director:

(A) A list, by county, showing for each farm on which such peanuts are grown for experimental or research purposes, the name and address of the entity that supplies information; the name of the owner, and operator, if different from the owner, of the farm on which such peanuts are grown; and the acreage of peanuts grown for such experimental or research purposes;

(B) A signed statement that such acreage of peanuts will be grown for experimental and research purposes including breeder and foundation seed; such production of peanuts is necessary for the State-operated program conducted for such purposes by the entity; and such peanuts will be produced under the direction of representatives of such entity; and

(C) Such additional reports, if any, as the Deputy Administrator may require.

(d) *Unique strains used to plant green peanut acreage.* Seed peanuts used to plant peanuts for use as green peanuts shall not be subject to penalty if the

county committee determines that such seed peanuts:

(1) Are unique strains of peanuts used for green peanuts.

(2) Are not commercially available, and,

(3) Are used exclusively to plant peanuts for harvest as green peanuts.

### § 729.312 Reduction or waiver of penalty.

(a) *Reduction or waiver of penalty*. The county committee may reduce or waive any penalty required to be assessed by this subpart in cases in which the county committee, with concurrence of the State committee, determines that the violations upon which the penalties were based were unintentional or without knowledge on the part of the parties concerned.

(b) *Time of reduction or waiver*. A penalty may be reduced or waived by an authorized official or committee either before or after it has been formally assessed. If the reduction or waiver is made before formal assessment, the notice of assessment shall state the amount of reduction or waiver and the basis upon which the reduction or waiver was made.

(c) *Reconsideration or appeal*. Any person against whom a penalty is assessed under this subpart may, through a request for reconsideration or through an appeal, as applicable, request that the penalty be reduced or waived.

### § 729.313 Failure to comply with program.

Any person who has failed to comply with the provisions in this part because such person was misinformed or relied on the advice of an authorized representative of the Secretary in rendering performance under this part, and such person believed in good faith that such misinformation or advice met the requirements of the program as set forth in these regulations, may file a request with the State committee for review of an adverse county committee ruling with respect to such failure to comply. After review of the case, the State committee shall submit the case to the Deputy Administrator with its recommendation. The Deputy Administrator may grant relief as deemed appropriate in such case. This authority, however, does not extend to cases where such person knew or had sufficient reason to know that the action or advice of the representative of the Secretary upon which the person relied was improper or erroneous, or where the adverse action is based on changes made in the statutory authority of the program or changes in regulations issued for the program.

### § 729.314 Schemes and devices.

(a) Penalties shall be assessed in such manner as will correct for and nullify any action in which a person has knowingly, whether passively or actively:

(1) Engaged in, acquiesced in, or adopted any scheme or device which tends to defeat the purpose of the regulations in this part,

(2) Made any fraudulent representation, or

(3) Misrepresented any fact affecting a program determination.

(b) Such penalties as are provided for in this part shall be in addition to all other remedies and sanctions provided for, or permitted, by law.

### § 729.315 Handling Segregation 3 peanuts.

(a) *Disposition of Segregation 3 peanuts*. Any producer who has a lot of farmers stock peanuts classified by the inspector as Segregation 3 peanuts shall retain such lot of peanuts for seed in accordance with paragraph (c) of this section or shall deliver such lot of peanuts:

(1) To the area association for a price support loan subject to such conditions as apply to eligibility for such loans including those in part 1446 of this title.

(2) As contract additional peanuts subject to provisions of part 1446 of this title;

(3) As quota peanuts, subject to the conditions set forth in this part to a handler who has signed the peanut marketing agreement provided the peanuts were produced for seed under an agreement with a State agency; or

(4) To a handler as quota peanuts if:

(i) The peanuts were produced for seed under an agreement with a State agency.

(ii) The handler to whom the peanuts are sold has, for that purpose, signed a supervision supplement to a

warehousing contract with the area marketing association.

(b) *Failure to properly dispose of Segregation 3 peanuts*—(1) *Loss of price support*. If the producer does not, within the time allowed in this part for designation of the category for marketing such peanuts, dispose of Segregation 3 peanuts in the manner specified in this section, such producer shall be ineligible for continued quota price support for the remainder of the marketing year.

(2) *Liquidated damages*. Any peanut producer participating in the price support loan program shall be deemed to have agreed that:

(i) CCC will incur serious and substantial damage to its program to support the price of peanuts if Segregation 3 peanuts are disposed of other than in the manner prescribed by this subpart or by the CCC;

(ii) The amount of such damages will be difficult, it not impossible, to ascertain;

(iii) With respect to any lot of peanuts which is pledged as collateral for a quota price support loan but which is ineligible for such loan, or any lot of peanuts which is pledged as collateral for a quota price support loan by a producer after the producer has disposed of any lot of Segregation 3 peanuts in any manner other than in the manner prescribed in this section, liquidated damages shall be due to CCC, not as a penalty, based on the difference between the quota loan rate and the additional loan rate (on a per pound basis) per net pound of such peanuts,

(iv) Such liquidated damages are a reasonable estimate of the probable actual damages which CCC would suffer because of such action by the producer; and,

(v) This remedy shall be in addition to any other remedy or sanction available against the producer, including penalties under this part.

(c) *Retention of Segregation 3 peanuts for seed*. If the producer elects to retain a lot of Segregation 3 peanuts for seed, the buying point operator shall give a copy of the FSA–1007 to the producer as a record showing the quantity and quality factors of the peanuts. The producer:

(1) Shall designate such peanuts as quota peanuts.

(2) Shall have the net weight of such peanuts determined and deducted from the farm marketing card.

(3) Shall advise the inspector that the peanuts are being retained for seed.

(4) Must store such peanuts separate from other peanuts on the farm.

(5) Shall notify the county executive director when such peanuts are used and otherwise account for the disposition of such peanuts.

(6) Shall not sell such peanuts to a handler for seed; however, the peanuts may be sold to another producer for seed.

(7) May, if it is later determined that such peanuts are unfit for seed use and after receiving prior approval from the county office, sell such peanuts as quota peanuts for crushing without benefit of price support.

**§ 729.316 Marketing assessments.**

(a) Subject to adjustments in accordance with § 729.317, a nonrefundable marketing assessment shall, in the amount provided for in this section, be due on each pound of farmers stock peanuts marketed or considered marketed by a producer, including marketings by pledging peanuts as collateral for a price support loan. The per pound assessment as a percentage of the applicable national average quota or additional peanut loan rate, shall be an amount equal to:

(1) 1.15 percent for the 1996 crop; and

(2) 1.2 percent for the 1997 through 2002 crops.

(b) *Collections and payment of marketing assessments*. The first purchaser of peanuts shall:

(1) Collect from the producer a marketing assessment equal to the quantity of peanuts acquired multiplied by:

(i) In the case of the 1996 crop, a per pound amount equal to .6 percent of the national average loan rate; and

(ii) In the case of each of the 1997 through 2002 crops, a per pound amount equal to .65 percent of the applicable national average loan rate.

(2) In addition to the amount collected under paragraph (1) of this section, pay a marketing assessment in an amount equal to the quantity of peanuts acquired multiplied by .55 percent

of the applicable national average loan rate.

(c) *Private marketings*. For all peanuts retained on the farm for seed or other uses or marketed by such producer to any person outside the United States or marketed in private marketings through a retail or wholesale outlet to any person who is not required to register as a handler in accordance with part 1446 of this title, the producer shall pay a marketing assessment equal to the full amount determined by multiplying the per pound amount provided in paragraph (a) of this section by the gross weight of the peanuts if they are uninspected farmers stock peanuts or, if inspected, the net weight of such peanuts. If such peanuts are shelled before they are marketed, the quantity marketed shall be converted to a farmers stock equivalent as consistent with this part, for purposes of determining the amount of assessment that is due.

(d) *Loan collateral peanuts*. With respect to peanuts that are pledged as collateral for a price support loan through an approved warehouse, an assessment shall be:

(1) Determined and paid by multiplying the net weight of such peanuts by the applicable per pound amount provided in paragraph (b)(1) of this section for private sales and deducting the total from the loan value of such peanuts before other deductions may be made for any other reason; and

(2) Further determined and paid by multiplying the net weight of such peanuts, when sold from the price support inventory, by the applicable per pound amount provided in paragraph (b)(2) of this section for private sales and collecting that amount from the person who acquires such peanuts from the applicable association or from the CCC.

(e) *Remittance of marketing assessments*. With respect to marketing assessments as provided in:

(1) Paragraph (b) of this section, such assessments shall be remitted in a manner prescribed by the Deputy Administrator. To avoid a penalty, as prescribed in this section, the marketing assessments due with respect to any lot of peanuts acquired directly from a producer must be remitted during the 15 days that follow the week in which the data from the applicable Form FSA–1007 is due to be transmitted to FSA in accordance with the provisions in part 1446 of this title. For purposes of this section a week shall be the 168 hour period that begins at 12:01 a.m. local time on any Sunday and the postmark on the envelope in which such marketing assessment is remitted may be the basis for determining whether the marketing assessment was remitted timely;

(2) Paragraph (c) of this section, such assessments shall be remitted, within 10 days after the date such peanuts are marketed, and shall be remitted to the county FSA office that serves the county in which the farm is administratively located. Peanuts that are retained on the farm for seed or other use, shall be considered marketed at the time the certification of marketings is filed or due to be filed at the county FSA office, whichever is earlier;

(3) Paragraph (d)(1) of this section, such assessments shall be credited by the association to the appropriate account of the CCC and in accordance with instructions issued by the Executive Vice President, CCC; and

(4) Paragraph (d)(2) of this section, such assessment shall be paid at the time and in the manner prescribed in the applicable:

(i) Sales announcements for sales of farmers stock peanuts by CCC;

(ii) Sales announcement or other similar document issued by the association for association sales of loan stocks of farmers stock peanuts; and

(iii) Storage contract for farmers stock peanuts purchased by a handler when peanuts are purchased by such handler in accordance with the ''immediate buyback'' provisions set forth in § 1446.309.

(f) *Penalties*. If any person fails to collect, pay or timely remit the assessment required by this section, the person shall be liable in addition to principal and interest, for a penalty determined by multiplying the quantity of peanuts involved by 10 percent of the per pound national average quota support rate for the applicable crop year.

[61 FR 37565, July 18, 1996]

**§ 729.317 Increased marketing assessments.**

(a) *Applicability*. If area quota pool losses are not otherwise covered by the offsets prescribed by part 1446 of this title, and the transfer of marketing assessments collected in accordance with provisions of this part, the marketing assessment for quota peanut producers shall be:

(1) Increased by an amount needed by CCC to cover such losses; and

(2) Collected as determined by CCC on all quota peanuts marketed in the next marketing year in the area covered by the quota pool which had the loss.

(b) *Insufficient collections*. If the amount of such increased assessments collected on the marketing of quota peanuts in any year is less than the amount needed to cover the accumulated net pool losses for any crop, there shall be an increased assessment in subsequent years until the amount needed is collected.

(c) *Excess collections*. If the increased amount of assessments, as provided in this section, collected on the marketing of quota peanuts for any year is greater than the amount needed for the purpose for which the collection is made, the excess amount shall be retained to offset any losses which may occur in quota pools within that marketing area in subsequent years.

(d) *Collection procedures*. Unless otherwise specified by CCC, the collection procedures for the increased assessments shall be as provided for in § 729.316 and the assessment rates of § 729.316 shall be increased accordingly.

[61 FR 37566, July 18, 1996]

## Subpart D—Recordkeeping and Reporting Requirements

**§ 729.401 Peanuts marketed to persons who are not registered handlers.**

(a) If peanuts are marketed to persons other than registered peanut handlers, the operator of the farm on which the peanuts were produced shall file a report of the marketings by executing Form FSA–1011, Report of Acreage and Marketing of Peanuts to Nonestablished Buyers. The FSA–1011 must be mailed or delivered to the county executive director of the county in which the farm is administratively located within 15 days after the marketing of peanuts from the farm has been completed. If peanuts are marketed by the producer in small lots directly to consumers, such as in the case of local street sales, a daily or weekly summary of the quantity marketed and the place of marketing may be reported in lieu of the name and address of each buyer.

(b) Failure to file an FSA–1011 as required or the filing of a report which the county committee finds to be incomplete or inaccurate shall constitute failure to account for the disposition of the peanuts on the farm and may result in the assessment of marketing penalties, as provided in this part.

(c) All peanuts marketed to persons other than registered handlers shall be considered as marketings of quota peanuts.

**§ 729.402 Report on marketing card.**

The farm operator shall return each peanut marketing card to the issuing county FSA office as soon as marketings from the farm are completed or at such earlier time as the county executive director may request. At the time the last marketing card for a farm is returned, the farm operator shall execute a certification of the pounds of peanuts retained for seed or other use. Failure to return a marketing card or failure to execute the certification of the quantity of peanuts retained for seed or other uses shall constitute failure to account for the disposition of peanuts marketed from the farm. Marketing penalties may be assessed for such failure as provided in this part, unless a satisfactory report of disposition is furnished to the county committee.

**§ 729.403 Report of marketing green peanuts.**

(a) *Farm operator report*. The operator of each farm from which green peanuts are marketed shall report the marketing of green peanuts. The operator shall make the report by filing Form FSA–1011 at the FSA office of the county in which the farm is administratively located. The report shall show for the farm:

(1) The acreage on the farm from which peanuts were marketed solely as green peanuts; and

(2) The name and address of the buyer to, or through whom, each lot of green peanuts was marketed and the quantity in each lot marketed and the date marketed. However, if green peanuts are marketed by the producer in small lots directly to consumers, such as in the case of local street sales, the report may be made as either a daily or weekly summary of the quantity so marketed and the place of marketing may be reported in lieu of the name and address of each buyer.

(b) *Buyer report.* Each buyer of green peanuts shall report purchases of green peanuts from producers on FSA–1011 to the county FSA office in the county in which the farm is administratively located. Small lot purchases not in commercial quantities including, but not limited to, street sales, local market sales, and grocery store sales shall not be subject to this reporting requirement. This report shall subject the buyer to a review of those purchase and sales records as required in this part. Each buyer shall keep records of green peanuts purchased including the following information:

(1) Date of purchase;

(2) Name and address of producer selling green peanuts;

(3) Name and address of farm operator and farm number (including State and county codes) of the farm on which the green peanuts were produced; and

(4) Pounds of green peanuts purchased.

(c) *Failure to file green peanut report.* Failure to file any report of the marketing of green peanuts as required by this section or the filing of a report which the county committee finds to be incomplete or inaccurate shall, subject the farm operator or buyer, as applicable, to marketing penalties as set forth in this part.

### § 729.404 Report of acquisition of seed peanuts.

(a) If peanuts are planted on a farm in the current year and the seed peanuts were acquired by purchase or gift, the farm operator shall file a report with the county FSA office of the acquisition of the seed peanuts. The report must be filed by the farm operator at the time a report of planted acreage of peanuts is made in accordance with provisions of part 718 of this chapter. The report shall include:

(1) The name and address of the handler or person from whom peanuts were purchased or obtained as a gift for the purpose of planting the peanut acreage on the farm in the current year;

(2) The pounds of peanuts acquired for seed;

(3) The basis (farmers stock or shelled) of determining the quantity acquired;

(4) The type of peanuts acquired; and

(5) The date of acquisition.

(b) Unique strains of peanuts that are not commercially available and are retained on a farm to plant green peanuts shall also be reported to the county FSA office.

### § 729.405 Report of production and disposition.

(a) In addition to any other reports which may be required under this subpart, the farm operator or any producer on the farm shall furnish, upon written request by certified mail from the State Executive Director, a report to the State committee of production and disposition of the peanuts grown on the farm. The report must be filed on FSA–1010, Report of Production and Disposition, within 15 days after the request is mailed. The report shall show the:

(1) Final acreage of peanuts on the farm;

(2) Total production of peanuts on the farm;

(3) Name and address of the buyer to or through whom each lot of peanuts was marketed, the number of pounds in each lot, and the date marketed:

(4) Quantity and disposition of peanuts not marketed; and

(5) Type of peanuts.

(b) Notwithstanding paragraph (a) of this section, if peanuts are marketed in small lots to persons who are not established buyers, the report otherwise required in paragraph (a) of this section, may be made as either a daily or weekly summary of the number of pounds marketed and the place of marketing may be reported in lieu of the name and address of each buyer.

(c) Failure to file the FSA–1010 as requested or the filing of an FSA–1010 which is found by the State committee to be incomplete, incorrect, or in violation of the requirements of paragraphs (a) or (b) of this section, shall constitute failure of the producer to account for the production and disposition of peanuts produced on the farm and will subject the producer to marketing penalties as set forth in this part.

**§ 729.406 Persons engaged in more than one business.**

Any person who is required under this subpart to keep any record or make any report as a buyer, processor, or other person engaged in the business of shelling or crushing peanuts, and who is engaged in more than one such business, shall keep such records for each such business.

**§ 729.407 Penalty for failure to keep records and make reports.**

Any person, who dries farmers stock peanuts by artificial means for a producer, any buyer, warehouseman, processor, common carrier of peanuts, any broker or dealer in peanuts, any agency marketing peanuts for a buyer or dealer, any peanut growers' cooperative association, any person engaged in the business of cleaning, shelling, crushing, or salting peanuts, or manufacturing peanut products, or any person owning or operating a peanut combine, or any farmer engaged in the production of peanuts, who fails to make any report or keep any record, including electronic records, as required under this part or who makes any false report or record shall be deemed to have improperly handled peanuts for the quantity of peanuts to which such failure applies for which a penalty may be assessed under the provisions of this part or part 1446 of this title, as applicable. Such liability is in addition to criminal penalties or other remedies permitted by law.

**§ 729.408 Examination of records and reports.**

The Deputy Administrator, the Director of the Tobacco and Peanuts Division, the FSA State Executive Director, or their designees, and all auditors and agents of the Office of Inspector General, United States Department of Agriculture (USDA) or the General Accounting Office are authorized to examine any records of any producer, or handler, or person buying or processing peanuts as deemed necessary to enforce the peanut poundage quota program and shall be allowed access to such records. Upon a request for such examination, any person who dries farmers stock peanuts by artificial means for a producer, any buyer, warehouseman, processor, or common carrier of peanuts, any broker or dealer in peanuts, any farmer engaged in the production of peanuts, any agent marketing peanuts for a producer or acquiring peanuts for a buyer or association, any person engaged in the business of cleaning, shelling, crushing, or salting peanuts or manufacturing peanut products, or any person owning or operating a peanut combine, shall make available for examination such books, papers, automated records, electronic records, accounts, correspondence, contracts, documents, and memoranda as are under the control of the person receiving the request which any person hereby authorized to examine records has reason to believe are relevant to any matter which relates to the provisions of this part. Any person who fails to provide such access shall be subject to a penalty payable to CCC in amount up to, as determined by the Deputy Administrator, the amount calculated by multiplying the amount of peanuts involved by the quota support rate for the applicable crop year.

**§ 729.409 Length of time records and reports are to be kept.**

Records required to be kept and copies of the reports required to be made by any person under this subpart shall be on a marketing year basis and shall be retained for a period of 3 years after the end of the marketing year. Records shall be kept for such longer periods of time as may be required in writing by the State Executive Director, or the Director of the Tobacco and Peanuts Division.

# SUBCHAPTER C—REGULATIONS FOR WAREHOUSES

## PART 735—COTTON WAREHOUSES


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DEFINITIONS

### § 735.1 Meaning of words.

Words used in this part in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

### § 735.2 Terms defined.

For the purpose of this part, unless the context otherwise requires, the following terms shall be construed, respectively, to mean:

(a) *The act.* The United States Warehouse Act, approved August 11, 1916 (39 Stat. 486; 7 U.S.C. 241–273), as amended.

(b) *Person.* An individual, corporation, partnership, or two or more persons having a joint or common interest.

(c) *Secretary.* The Secretary of Agriculture of the United States or any officer or employee of the Department to whom authority has heretofore been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(d) *Administrator.* The Administrator of the Service or any other officer or employee of the Service to whom authority has heretofore lawfully been delegated, or may hereafter lawfully be delegated, to act in his stead.

(e) *Designated representative.* The Administrator.

(f) *Regulations.* Rules and regulations made under the act by the Secretary.

(g) *Department.* The United States Department of Agriculture.

(h) *Service.* The Farm Service Agency of the U.S. Department of Agriculture.

(i) *Linters.* As far as applicable the regulations in this part shall include linters.

(j) *Warehouse.* Any building, structure, or other protected inclosure in which cotton is or may be stored for interstate or foreign commerce, or, if located within any place under the exclusive jurisdiction of the United States, in which cotton is or may be stored.

(k) *Warehouseman.* A person lawfully engaged in the business of storing cotton.

(l) *License.* A license issued under the act by the Secretary.

(m) *Licensed warehouseman.* A warehouseman licensed as such under the act.

(n) *Licensed warehouse.* A warehouse for the conduct of which a license has been issued.

(o) *Licensed warehouseman's bond.* A bond required to be given under the act by a licensed warehouseman.

(p) *Licensed classifier.* A person licensed under the act to classify according to grade or otherwise and certificate the grade or other class of cotton.

(q) *Licensed weigher.* A person licensed under the act to weigh and certificate the weight of cotton.

(r) *Cotton examiner.* An officer of the Department of Agriculture designated by the Administrator for the purpose of

hearing cotton appeals under §§735.75 through 735.85.

(s) *Receipt*. A warehouse receipt.

(t) *Bale*. A bale or other package.

(u) *State*. A State, Territory, or district of the United States.

(v) *Licensed sampler*. A person, employed by a licensed warehouseman, licensed under the act to draw samples from cotton stored in the licensed warehouse at which such person is employed.

(w) *Board of cotton examiners*. A board of cotton examiners properly qualified and designated as such under the regulations (part 28 of this chapter) under the United States Cotton Standards Act.

(x) *Net assets*. The difference remaining when liabilities are subtracted from allowable assets. In determining allowable assets, credit may be given for appraisal of real property less improvements and for the appraisal of insurable property such as buildings, machinery, equipment, and merchandise inventory only to the extent that such property is protected by insurance against loss or damage by fire, lightning, and tornado. Such insurance must be in the form of lawful insurance policies issued by insurance companies authorized to do such business and subject to service of process in the State in which the warehouse is located. The Secretary shall, at his discretion, determine what assets are allowable and under what conditions appraisals may be used.

(y) *Warehouse capacity*. Warehouse capacity is the maximum number of bales of cotton that the warehouse will accommodate when stored in the manner customary to the warehouse and as required by the Secretary.

(z) *Current assets*. Assets, including cash, that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business or within one year if the operating cycle is shorter than one year.

(aa) *Current liabilities*. Those financial obligations which are expected to be satisfied during the normal operating cycle of the business or within one year if the operating cycle is shorter than one year.

(bb) *Access*. The ability when authorized, to read, change, and transfer warehouse receipt information retained in the central filing system.

(cc) *Central filing system (CFS)*. An electronic computer system operated and maintained by an approved provider where the information relating to warehouse receipts is recorded.

(dd) *Electronic warehouse receipt (EWR)*. An electronic file in the CFS that contains at the least information required to be included in a warehouse receipt by section 18 of the Act, and §735.16, regarding a bale of cotton and has been identified to a holder.

(ee) *Holder*. An individual or entity in possession, in fact, or by operation of law, of a receipt and by extension, of the cotton represented thereby.

(ff) *Issue*. EWRs are considered issued when a licensed warehouseman has transmitted all necessary information to an approved provider, and when such information is entered into the provider's CFS.

(gg) *Provider*. An individual or entity that maintains EWRs in a CFS, meets the requirements of this part, and has a Provider Agreement with the Service.

(hh) *Provider Agreement*. An agreement entered into between the Secretary and a provider that delineates the provider's responsibilities and defines the relationship between the provider and the Service regarding the provider's maintenance and security of EWRs in the CFS and other requirements of this part.

(ii) *User*. An individual or entity that uses the provider's CFS but shall not include the Service in its regulatory capacity.

(jj) *Force majeure*. Severe weather conditions, fire, explosion, flood, earthquake, insurrection, riot, strike, labor dispute, act of civil or military authority, non-availability of transportation facilities, or any other cause beyond the control of the warehouseman that renders performance impossible.

[29 FR 15720, Nov. 24, 1964. Redesignated and amended at 50 FR 1814, Jan. 14, 1985; Amdt. 2, 53 FR 27148, July 19, 1988; 59 FR 15038, Mar. 31, 1994; 62 FR 33540, June 20, 1997; 65 FR 63767, Oct. 25, 2000]

WAREHOUSE LICENSES

### § 735.3 Application forms.

Applications for licenses under sections 4 and 9 of the act and for amendments of licenses under section 5 of the act shall be made to the Secretary upon forms prescribed for the purpose and furnished by the Service, shall be in English, shall truly state the information therein contained, and shall be signed by the applicant. The applicant shall at any time furnish such additional information as the Secretary or the Administrator shall find to be necessary to the consideration of his application.

### § 735.3a All facilities to be licensed or exempted.

All facilities within the same city or town used for the storage of cotton by an applicant for a warehouse license must qualify for a license and be licensed under the act if the applicant is to be licensed to operate as a cotton warehouseman in such city or town, unless the facilities which are not to be covered by a license are exempted by the Secretary or his designated representative upon a finding that, due to the exercise of adequate controls by some independent agency over the operation of nonfederally licensed facilities, there would be no likelihood of interchange or substitution of cotton stored in such facilities with cotton stored in the federally licensed facilities. If all such facilities do not qualify for a license or for an exemption under this section, the applicant shall not be licensed under the act as a cotton warehouseman in the city or town in which the facilities in question are located. Each applicant for a warehouse license must apply for a license covering all facilities operated by him for the storage of cotton within the same city or town or for exemption as provided in this section. If a licensed cotton warehouseman acquires any additional cotton storage facilities within the same city or town in which his licensed warehouse is located, he shall file promptly an application for a license or an exemption of the additional facilities. No cotton storage facility acquired by a licensed cotton warehouseman, subsequent to the issuance of his license, in the same city or town as his licensed facilities, shall be used for the storage of cotton until it qualifies for license and is licensed or is exempted as provided in this section. If any one of the licensed cotton storage facilities operated by a warehouseman in the same city or town becomes ineligible for a license at any time for any reason, it shall not thereafter be used for the storage of cotton until the condition making it ineligible is removed or an exemption is granted as provided in this section. The use for the storage of cotton by a licensed warehouseman of a facility which is in the same city or town as his licensed facilities and is neither licensed nor exempted, or other violation of the provisions of this section, shall be cause for suspension or revocation of any license issued to the warehouseman for the storage of cotton.

### § 735.4 Grounds for not issuing a license.

A license for the conduct of a warehouse, or any amendment to a license, under the regulations in this part, shall not be issued if it is found by the Secretary, or his designated representative, that the warehouse is not suitable for the proper storage of cotton; that the warehouseman does not possess a good reputation, or does not have a net worth of at least $25,000, or is incompetent to conduct such warehouse in accordance with the act and the regulations in this part; or that there is any other sufficient reason within the intent of the act for not issuing such license. If all the facilities operated for the storage of cotton by the applicant within the same city or town are not to be licensed under the act, the applicant shall not be licensed as a cotton warehouseman with respect to any of such facilities, unless an exemption of the facilities which are not to be licensed is granted as provided in § 735.3a.

[29 FR 15720, Nov. 24, 1964. Redesignated at 50 FR 1814, Jan. 14, 1985, and amended at Amdt. 2, 53 FR 27148, July 19, 1988]

### § 735.5 Financial requirements.

(a) Each warehouseman conducting a warehouse licensed under the Act or for which application for a license

under the Act has been made must maintain complete, accurate, and current financial records which shall be available to the Secretary for review or audit at the Secretary's request.

(b) Each warehouseman conducting a warehouse for which application for license under the Act is made shall provide with the application and each licensed warehouseman: shall annually, or more frequently if required, furnish to the Secretary, financial statements from the records required in paragraph (a) of this section, prepared according to generally accepted accounting principles. Such statements shall include but not be limited to: (1) Balance sheet, (2) statement of income (profit and loss), (3) statement of retained earnings, and (4) statement of changes in financial position. The chief executive officer for the warehouseman shall certify under penalty of perjury that the statements, as prepared, accurately reflect the financial condition of the warehouseman as of the date designated and fairly represent the results of operations for the period designated.

(c) Each warehouseman conducting a warehouse licensed under these regulations shall have the financial statements required in paragraph (b) of this section audited or reviewed by an independent public accountant. The Secretary may, at his discretion, require an audited financial statement prepared by an independent certified public accountant. He may also, at his discretion, require an on-site examination and an audit by USDA personnel. Audits and reviews by independent certified public accountants and independent public accountants specified in this section must be made in accordance with standards established by the American Institute of Certified Public Accountants. The accountant's certification, assurances, opinion, comments, and notes on such statements, if any, must be furnished along with the financial statements. Licensees who cannot immediately meet these requirements may apply to the Secretary for a temporary waiver of this provision. The Secretary may grant such waiver for a period not to exceed 180 days if the licensee can furnish evidence of good and substantial reasons therefor.

(d) Each warehouseman conducting a warehouse which is licensed under this part, or for which application for such a license has been made, must have and maintain:

(1) Total net assets liable and available for the payment of any indebtedness arising from the conduct of the warehouse of at least the amount obtained by multiplying $10.00 by the warehouse capacity in bales to a maximum of $250,000 in each State; however, no person may be licensed or remain licensed as a warehouseman under this part unless that person has allowable net assets of at least $25,000 in each State, (Any deficiency in net assets above the $25,000 minimum may be supplied by an increase in the amount of the warehouseman's bond in accordance with § 735.12(c) of this part); and

(2) Total current assets equal to or exceeding total current liabilities or evidence acceptable to the Secretary that funds will be and remain available to meet current obligations.

(e) If a warehouseman is licensed or is applying for licenses to operate two or more warehouses under this part, the maximum number of bales which all such warehouses will accommodate when stored in the manner customary to the warehouses, as determined by the Secretary, shall be considered in determining whether the warehouseman meets the net asset requirements specified in paragraph (d) of this section.

(f) Subject to such terms and conditions as the Secretary may prescribe and for the purposes of determining allowable assets and liabilities under paragraphs (d) and (e) of this section:

(1) Capital stock will not be considered a liability;

(2) Appraisals of the value of fixed assets in excess of the book value claimed in the financial statement submitted by a warehouseman to conform with paragraphs (b) and (c) of this section may be allowed if (i) prepared by independent appraisers acceptable to the Secretary and (ii) the assets are fully insured against casualty loss;

(3) Financial statements of a parent company which separately identifies the financial position of the warehouse as a wholly owned subsidiary and

which meets the requirements of paragraphs (b), (c), and (d) of this section may be accepted by the Secretary in lieu of the warehouseman meeting such requirements; and

(4) Guaranty agreements from a parent company submitted on behalf of a wholly owned subsidiary may be accepted by the Secretary as meeting the requirements of paragraphs (b), (c), and (d) of this section, if the parent company submits a financial statement which qualifies under this section.

(g) If a State agency is licensed or applying for a license as provided in section 9 of the Act has funds of not less than $500,000 guaranteeing the performance of obligations of the agency as a warehouseman, such funds shall be considered sufficient to meet the net asset requirements of this section.

(h) If a warehouseman files a bond in the form of a certification of participation in an indemnity or insurance fund as provided for in § 735.11(b), the certification may only be used to satisfy any deficiencies in assets above $25,000.

(i) When a warehouseman files a bond in the form of either a deposit of public debt obligations of the United States or other obligations which are unconditionally guaranteed as to both interest and principal by the United States as provided for in § 735.11(c):

(1) The obligation deposited shall not be considered a part of the warehouseman's assets for purposes of § 735.5(d), (1) and (2);

(2) A deficiency in total allowable net and current assets as computed for § 735.5(d), (1) and (2) may be offset by the licensed warehouseman furnishing a corporate surety bond for the difference;

(3) The deposit may be replaced or continued in the required amount from year to year; and

(4) The deposit shall not be released until one year after termination (cancellation or revocation) of the license which it supports or until satisfaction of any claim against the deposit, whichever is later.

Nothing in these regulations shall prohibit a person other than the licensed warehouseman from furnishing such bond or additions thereto on behalf of and in the name of the licensed warehouseman subject to provisions of § 735.11(c).

[Amdt. 2, 53 FR 27148, July 19, 1988]

### § 735.6 License shall be posted.

Immediately upon receipt of his license or of any modification or extension thereof under the act, the warehouseman shall post the same, and thereafter, except as otherwise provided in the regulations in this part, keep it posted until suspended or terminated, in a conspicuous place in the principal office where receipts issued by the warehouseman are delivered to depositors.

### § 735.7 Suspension or revocation of warehouse licenses.

Pending investigation, the Secretary, or his designated representative, whenever he deems necessary, may suspend a warehouseman's license temporarily without hearing. Upon written request and a satisfactory statement of reasons therefor, submitted by a warehouseman, the Secretary, or his designated representative, may, without hearing, suspend or cancel the license issued to such warehouseman. The Secretary, or his designated representative, may, after opportunity for hearing has been afforded in the manner prescribed in this section, suspend or revoke a license issued to a warehouseman when such warehouseman:

(a) Does not have a net worth of at least $25,000;

(b) Has parted, in whole or in part, with his control over the licensed warehouse;

(c) Is in process of dissolution or has been dissolved;

(d) Has ceased to conduct such licensed warehouse;

(e) Has in any other manner become nonexistent or incompetent or incapacitated to conduct the business of the warehouse;

(f) Has made unreasonable or exorbitant charges for services rendered;

(g) Is operating in the same city or town in which his licensed warehouse facilities are located, any facility for storage of cotton which is not covered by a license or an exemption as provided in § 735.3a; or

(h) Has in any other manner violated or failed to comply with any provision

of the act or the regulations in this part. Whenever any of the conditions mentioned in paragraphs (a) through (h) of this section shall come into existence, it shall be the duty of the warehouseman to notify the Administrator immediately of the existing condition. Before a license is revoked or suspended (other than temporarily pending investigation) for any violation of, or failure to comply with, any provision of the act or of the regulations in this part, or upon the ground that unreasonable or exorbitant charges have been made for services rendered, the warehouseman involved shall be furnished by the Secretary, or his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 735.89.

[29 FR 15720, Nov. 24, 1964. Redesignated at 50 FR 1814, Jan. 14, 1985; Amdt. 2, 53 FR 27149, July 19, 1988]

### § 735.8 Return of suspended or revoked warehouse license.

In case a license issued to a warehouseman terminates or is suspended or revoked by the Secretary, or his designated representative, such license shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless it be in the meantime revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, it shall be returned to the warehouseman to whom it was originally issued, and it shall be posted as prescribed in § 735.6; or in the discretion of the Administrator a new license may be issued.

### § 735.9 Lost or destroyed warehouse license.

Upon satisfactory proof of the loss or destruction of a license issued to a warehouseman, a duplicate thereof may be issued under the same number.

### § 735.10 Unlicensed warehousemen must not represent themselves as licensed.

No warehouse or its warehouseman shall be designated as licensed under the act and no name or description conveying the impression that it or he is so licensed shall be used, either in a receipt or otherwise, unless such warehouseman holds an unsuspended and unrevoked license for the conduct of such warehouse.

## WAREHOUSE BONDS

### § 735.11 Bond required; time of filing.

Each warehouseman applying for a warehouse license under the Act shall, before such license is granted, file with the Secretary or his designated representative a bond either:

(a) In the form of a bond containing the following conditions and such other terms as the Secretary or his designated representative may prescribe in the approved bond forms, with such changes as may be necessary to adapt the forms to the type of legal entity involved:

Now, therefore, if the said license(s) or any amendments thereto be granted and said principal, and its successors and assigns operating said warehouse(s), shall faithfully perform during the period of this bond all obligations of a licensed warehouseman under the terms of [the United States Warehouse Act] and regulations thereunder relating to the above-named products.

Then this obligation shall be null and void and of no effect, otherwise to remain in full force. For purposes of this bond, the aforesaid obligations under the Act, regulations, and contracts include obligations under any and all modifications of the Act, the regulations, and the contracts that may hereafter be made, notice of which modifications to the surety being hereby waived.

This bond shall remain in force and effect for a minimum term of one year beginning with the effective date of this bond and thereafter shall be considered as a continuous bond, subject to termination as herein provided.

Regardless of the number of years this bond remains in force, or the number of premiums paid, and regardless of the number or amount of claims or claimants, in no event shall the aggregate liability of the surety under this bond exceed the amount of this bond.

This bond may be terminated at the end of the initial one year term by providing at least 120 days advance written notice of cancellation to the Secretary. This bond may be canceled at any time after the initial one year term beginning with the bond effective date by providing 120 days advance written notice of cancellation to the Secretary. If said notice is given by the surety, a copy of the notice shall be mailed on the same day

to the principal. Cancellation of this bond shall not affect any liability that shall have accrued under this bond prior to the effective date of cancellation.

This bond shall be effective on and after _____.

A bond in this form shall be subject to 7 CFR 735.5 and 735.12 through 735.15, and 31 CFR part 225; or

(b) In the form of a certificate of participation in and coverage by an indemnity or insurance fund as approved by the Secretary, established and maintained by a State, backed by the full faith and credit of the applicable State, and which guarantees depositors of the licensed warehouse full indemnification for the breach of any obligation of the licensed warehouseman under the terms of the Act and regulations. A certificate of participation and coverage in such fund shall be furnished to the Secretary annually. If administration or application of the fund shall change after being approved by the Secretary, the Secretary may revoke his approval. Such revocation shall not affect a depositor's rights which have arisen prior to such revocation. Upon such revocation the licensed warehouseman then must comply with paragraphs (a) or (c) of this section. Such certificate of participation shall not be subject to §§ 735.12 and 735.13; or

(c) In the form of a deposit with the Secretary as security, United States bonds, Treasury notes, or other public debt obligations of the United States or obligations which are unconditionally guaranteed as to both interest and principal by the United States, in a sum equal at their par value to the amount of the penal bond required to be furnished, together with an irrevocable power of attorney and agreement in the form prescribed, authorizing the Secretary to collect or sell, assign and transfer such bonds or notes so deposited in case of any default in the performance of any of the conditions or stipulations of such penal bond. Obligations posted in accordance with this paragraph may not be withdrawn by the warehouseman until one year after license termination or until satisfaction of any claims against the obligations whichever is later. A bond in this form shall be subject to 7 CFR 735.5 and 735.12 through 735.15, and 31 CFR part 225.

[Amdt. 2, 53 FR 27149, July 19, 1988]

### § 735.12 Amount of bond; additional amounts.

(a) The amount of bond to be furnished by each warehouseman under the regulations in this part, shall be the rate of ten dollars ($10.00) per bale for the maximum number of bales that the warehouse accommodates when stored in the manner customary to the warehouse as determined by the Secretary, but not less than twenty thousand dollars ($20,000) nor more than two hundred fifty thousand dollars ($250,000); except as provided in paragraphs (b) and (c) of this section.

(b) In case a warehouseman is licensed or applying for licenses to operate two or more warehouses in the same State, he may give a single bond meeting the requirements of the Act and the regulations in this part to cover all his warehouses within the State and shall be deemed to be one warehouse only for purposes of determining the amount of bond required under paragraph (a) of this section.

(c) In case of a deficiency in net assets above the twenty-five thousand dollars ($25,000) minimum required by § 735.5(d)(1), there shall be added to the amount of bond determined in accordance with paragraph (a) of this section an amount equal to such deficiency or a letter of credit in the amount of the deficiency issued to the Secretary for a period of not less than two years to coincide with the period of any deposit of obligations under 7 CFR 735.11(c). Any letter of credit must be clean, irrevocable, issued by a commercial bank payable to the Secretary by sight draft and insured as a deposit by the Federal Deposit Insurance Corporation.

(d) If the Secretary, or his designated representative, finds that conditions exist which warrant requiring additional bond, there shall be added to the amount of bond as determined under the other provisions of this section, a further amount to meet such conditions.

[Amdt. 2, 53 FR 27150, July 19, 1988]

### § 735.13 Amendment to license.

In case an application is made under § 735.3 for an amendment to a license and no bond previously filed by the warehouseman covers obligations arising under such amendment, the warehouseman shall, when notice has been given by the Secretary, or his designated representative, that such amendment will be granted upon compliance by such warehouseman with the act, file with the Secretary, within the time, if any, fixed in such notice, a bond complying with the act. In the discretion of the Secretary, a properly executed instrument in form approved by him, amending, extending, or continuing in force and effect the obligations of a valid bond previously filed by the warehouseman and otherwise complying with the act and the regulations in this part may be filed in lieu of a new bond.

### § 735.14 Bond required each year.

A continuous form of license shall remain in force for more than one year from its effective date or any subsequent extension thereof, provided that the warehouseman has on file with the Secretary a bond meeting the terms and conditions as outlined in 7 CFR 735.11. Such bond must be in the amount required by the Secretary and approved by him or his designated representative. Failure to provide for or renew a bond shall result in immediate and automatic termination of the warehouseman's license.

[Amdt. 2, 53 FR 27150, July 19, 1988]

### § 735.15 Approval of bond.

No bond, amendment, or continuation thereof shall be accepted for the purposes of the act and the regulations in this part until it has been approved by the Secretary, or his designated representative.

WAREHOUSE RECEIPTS

### § 735.16 Form.

(a) Every receipt, whether negotiable or non-negotiable, issued for cotton stored in a licensed warehouse shall, in addition to complying with the requirements of section 18 of the act, embody within its written or printed terms the following:

(1) The name of the licensed warehouseman and the designation, if any, of the warehouse;

(2) The license number of the warehouse;

(3) A statement whether the warehouseman is incorporated or unincorporated, and, if incorporated, under what laws;

(4) In the event the relationship existing between the warehouseman and any depositor is not that of strictly disinterested custodianship, a statement setting forth the actual relationship;

(5) The tag identifier given to each bale of cotton in accordance with § 735.31;

(6) A statement conspicuously placed, whether or not the cotton is insured, and if insured, to what extent, by the warehouseman, against loss or damage by fire, lightning and other risks;

(7) The words ''Not Negotiable,'' or ''Negotiable,'' according to the nature of the receipt, clearly and conspicuously printed or stamped thereon;

(8) A blank space designated for the purpose in which the grade and/or other classification may be stated; and

(9) A statement indicating that the weight was determined by a weigher licensed under the U.S. Warehouse Act, except that if at the request of the depositor, the weight is not so determined or if the point of origin weight was determined as permitted in § 735.38, the receipt shall contain a statement to that effect.

(b) Except when an expiration date authorized by the Department is shown on the face of the receipt, every negotiable receipt issued for cotton stored in a licensed warehouse shall be effective until surrendered for delivery of the cotton, and every non-negotiable receipt shall be effective until surrendered for delivery of the cotton or until all cotton covered by the receipt has been delivered in response to proper delivery orders of the person rightfully entitled to the cotton: *Provided*, that nothing contained in this section shall prohibit a warehouseman from legally selling the cotton when the accrued storage and other charges approach the current market value of the cotton.

(c) In addition to complying with paragraphs (a) and (b) of this section, every negotiable receipt issued for cotton stored in a licensed warehouse shall embody within its written or printed terms a statement that the cotton covered by such receipt was classified by a licensed classifier or a board of cotton examiners when such cotton is so classified.

(d) Whenever the grade or other class of the cotton is stated in a receipt issued for cotton stored in a licensed warehouse, such grade or other class shall be determined by a licensed classifier or a board of cotton examiners upon the basis of a sample drawn in accordance with § 735.71, and shall be stated in the receipt in accordance with §§ 735.68 through 735.74.

(e) If, at the request of the depositor, a warehouseman issues a receipt omitting the statement of grade and/or weight, such receipt shall have clearly and conspicuously stamped or written on the face thereof, or included as part of the electronic warehouse receipt record, either one or both of the following: ''Not graded on request of the depositor'' or ''Not weighed on request of the depositor,'' as applicable.

(f) Licensed receipts issued to cover linters shall be clearly and conspicuously marked ''Linters''.

(g) If a warehouseman issue a receipt under the act omitting any information not required to be stated, for which a blank space is provided in the form of the receipt, a line shall be drawn through such space to show that such omission has been made by the warehouseman.

(h) A warehouse receipt may contain additional information; Provided that such information does not interfere with the information required by this part.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15720, Nov. 24, 1964, as amended at 33 FR 14699, Oct. 2, 1968; 37 FR 12920, June 30, 1972; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985; 59 FR 15038, Mar. 31, 1994; 64 FR 54510, Oct. 7, 1999]

### § 735.17 Copies of receipts.

(a) At least one actual, skeleton, or microfilm copy of all receipts shall be made, and all copies, except skeleton and microfilm copies, shall have clearly and conspicuously printed or stamped thereon the words ''Copy—Not Negotiable.''

(b) A copy of each receipt issued shall be retained by the warehouseman for a period of 1 year after December 31 of the year in which the corresponding original receipt is canceled.

(c) If copies are retained on microfilm, the warehouseman shall:

(1) Have available at all times facilities for immediate, easily readable projection of the microfilm and for producing easily readable facsimile enlargements;

(2) Arrange, index, and file the films in such a manner as to permit the immediate location of any particular microfilm record; and

(3) Be ready at all times to provide, and immediately provide, at the expense of the warehouseman, any facsimile enlargement of such microfilm copies which any authorized officers or agents of the Department of Agriculture may request.

(Approved by the Office of Management and Budget under control number 0560–0120)

[37 FR 12920, June 30, 1972, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 735.18 Lost or destroyed receipts; bond.

(a) In the case of a lost or destroyed receipt, a new receipt upon the same terms, subject to the same conditions, and bearing on its face the number and the date of the receipt in lieu of which it is issued and a plain and conspicuous statement that it is a duplicate issued in lieu of a lost or destroyed receipt, may be issued upon compliance with the conditions set out in paragraph (b) of this section.

(b) Before issuing such new or duplicate receipt the warehouseman shall require the depositor or other person applying therefor to make and file with the warehouseman (1) an affidavit showing that he is lawfully entitled to the possession of the original receipt, that he has not negotiated or assigned it, how the original receipt was lost or destroyed, and, if lost, that diligent effort has been made to find the receipt without success, and (2) a bond in an amount double the value, at the time

the bond is given, of the cotton represented by the lost or destroyed receipt. Such bond shall be in a form approved for the purpose by the Secretary, or his designated representative, shall be conditioned to indemnify the warehouseman against any loss sustained by reason of the issuance of such receipt, and shall have as surety thereon preferably a surety company which is authorized to do business, and is subject to service of process in a suit on the bond, in the State in which the warehouse is located, or at least two individuals who are residents of such State and each of whom owns real property therein having a value, in excess of all exemptions and encumbrances, equal to the amount of the bond.

### § 735.19 Printing of receipts.

No receipt shall be issued by a licensed warehouseman unless it is:

(a) In a form prescribed by the Administrator;

(b) Upon distinctive paper or card stock specified by the Administrator;

(c) Printed by a printer with whom the United States has a subsisting agreement and bond for such printing; and

(d) On paper and/or card stock tinted with ink in the manner prescribed by the agreement under paragraph (c) of this section.

[64 FR 54510, Oct. 7, 1999]

### § 735.20 Partial delivery of cotton.

If a warehouseman delivers a part only of a lot of cotton for which he has issued a negotiable receipt under the act, he shall take up and cancel such receipt and issue a new receipt in accordance with the regulations in this part for the undelivered portion of the cotton.

### § 735.21 Return of receipts before delivery of cotton.

Except as permitted by law or by the regulations in this part, a warehouseman shall not deliver cotton for which a negotiable receipt has been issued under the Act until such receipt has been returned and canceled; and shall not deliver cotton for which a non-negotiable receipt has been issued until such receipt has been returned or until the warehouseman has obtained from the person lawfully entitled to such delivery or their authorized agent, a written delivery order that is properly signed, specifying by bale or tag number, mark, or identifier each bale to be delivered from any receipt or receipts.

[64 FR 54510, Oct. 7, 1999]

### § 735.22 Omission of grade; no compulsion by warehouseman.

No licensed warehouseman shall, directly or indirectly by any means whatever, compel or attempt to compel the depositor of any cotton in his warehouse to request the issuance of a receipt omitting the statement of grade.

DUTIES OF LICENSED WAREHOUSEMAN

### § 735.23 Insurance; requirements.

(a) When requested in writing by the depositor of cotton in a licensed warehouse, or by the holder of the receipt covering such cotton, to insure such cotton against loss or damage by fire, lightning, and other risks, each licensed warehouseman shall secure in his own name such insurance under reporting forms of policies which automatically attach for the full value of such cotton, including daily changes of value through market fluctuations and changes in the quantity of such product from day to day, as soon as such cotton is placed in his legal custody, and he shall continue such insurance in effect so long as the cotton remains in his legal custody. Such insurance shall be covered by lawful policies issued by one or more insurance companies. Each warehouseman insuring cotton under the provisions of this section shall submit such reports to underwriters as may be required under the terms of such policies, and copies of such reports shall be submitted to the Department as it may require. If the warehouseman is unable to procure insurance to the extent requested, he shall, orally or by telegraph or by telephone, and at his own expense, immediately notify the person making the request of such fact. When insurance is not carried in the warehouseman's name, the receipt shall show that the cotton is not insured by the warehouseman.

Nothing in this section shall be construed to prevent a licensed warehouseman from adopting a rule that he will insure all cotton stored in his warehouse, but if he elects to insure he shall accomplish such insurance through policies as above specified.

(b) Each warehouseman shall keep exposed conspicuously in the place prescribed by § 735.6, and at such other place as the Administrator or his representative may from time to time designate, a notice, stating briefly the conditions under which the cotton will be insured against loss or damage by fire, lightning, and other risks.

**§ 735.24 Premiums; inspections; reports.**

Each warehouseman shall, in accordance with his contracts with insurance and bonding companies for the purpose of meeting the insurance and bonding requirements of the regulations in this part, pay such premiums, permit such reasonable inspections and examinations, and make such reasonable reports as may be provided for in such contracts.

**§ 735.25 Warehouseman to collect and pay over insurance.**

Each warehouseman shall promptly take such steps as may be necessary and proper to collect any moneys which may become due under contracts of insurance entered into by him for the purpose of meeting the requirements of the regulations in this part, and shall, as soon as collected, promptly pay over to the persons concerned any portion of such moneys which they may be entitled to receive from him.

**§ 735.26 Care of cotton in licensed warehouse.**

Each warehouseman shall at all times exercise such care in regard to cotton in his custody as a reasonably careful owner would exercise under the same circumstances and conditions.

**§ 735.27 Care of other cotton and other commodities.**

If, at any time, a warehouseman shall handle or store cotton otherwise than as a licensed warehouseman, or shall handle or store any other commodity, he shall so protect the same, and otherwise exercise such care with respect to it, as not to endanger the cotton in his custody as a licensed warehouseman or impair his ability to meet his obligations and perform his duties under the act and the regulations in this part. Nonlicensed cotton shall be kept separate from licensed cotton.

**§ 735.28 Records to be kept in safe place.**

(a) Each warehouseman shall provide a metal fireproof safe, a fireproof vault, or fireproof compartment in which he shall keep, when not in actual use, all records, books, and papers pertaining to the licensed warehouse, including his current receipt book, copies of receipts issued, and canceled receipts or microfilm copies of canceled receipts except that with the written consent of the Administrator or his representative, upon a showing by such warehouseman that it is not practicable to provide such fireproof safe, vault, or compartment he may keep such records, books, and papers in some other place of safety, approved by the Administrator or his representative.

(b) Each canceled receipt or microfilm copy of each canceled receipt shall be retained by the warehouseman for a period of 6 years after December 31 of the year in which the receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(c) Canceled receipts shall be arranged by the warehouseman in numerical order and otherwise in such manner as shall be directed, for purposes of audit, by authorized officers or agents of the Department of Agriculture.

(d) If microfilm copies of canceled receipts are to be retained in lieu of canceled receipts, the warehouseman shall:

(1) Have available at all times facilities for immediate, easily readable projection of the microfilm and for producing easily readable facsimile enlargements;

(2) Arrange, index, and file the films in such a manner as to permit the immediate location of any particular microfilm copy; and,

(3) Be ready at all times to provide, and immediately provide, at the expense of the warehouseman, any facsimile enlargement of such microfilm copies which any authorized officers or agents of the Department of Agriculture may request.

(Approved by the Office of Management and Budget under control number 0560–0120)

[37 FR 12920, June 30, 1972, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 735.29 Warehouse charges.

A licensed warehouseman shall not make any unreasonable, exorbitant, or discriminatory charge for services rendered. Before a license to conduct a warehouse is granted under the act, the warehousemen shall file with the Department a copy of his rules, if any, and a schedule of the charges to be made by him if licensed. Effective at the beginning of any cotton season, a licensed warehouseman may change his rate of charges for storage and other services, and the new rates may apply to all cotton then in storage as well as cotton received thereafter. At or before the beginning of each season every licensed warehouseman shall file with the Department a copy of his rules, if any, and of his schedule of charges for the ensuing season. Should a licensed warehouseman wish to make changes in his rates to become effective at any time other than at the beginning of a season, he shall file with the Department an amended schedule showing the contemplated changes, accompanied by a statement setting forth the reasons therefor. No increase in the storage rate shown in such an amended schedule shall apply to cotton in storage at the time the changes become effective. A licensed warehouseman may demand payment of all accrued charges at the close of each cotton season. If, upon demand, the owner of the cotton refuses to pay such charges at the end of a season, the warehouseman may take such action to enforce collection of his charges as is permitted by the laws of the State in which the warehouse is located. Each licensed warehouseman shall keep a copy of his current rules and schedule of charges exposed conspicuously in the place prescribed by § 735.6 and at such other place accessible to the public as the Secretary or his designated representative may from time to time designate. For the purposes of this section the cotton season shall commence, with respect to each warehouse, at such time not later than September 1 of each year, as the operator of the warehouse shall select, and he shall notify the Department in writing not less than five days next preceding the date selected.

[29 FR 15720, Nov. 24, 1964, as amended at 47 FR 35751, Aug. 17, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 735.30 Business hours.

(a) Each licensed warehouse shall be kept open for the purpose of receiving cotton for storage and delivering cotton out of storage every business day for a period of not less than six hours between the hours of 8 a.m. and 6 p.m., except as provided in paragraph (b) of this section. The warehouseman shall keep conspicuously posted on the door of the public entrance to his office and to his warehouse a notice showing the hours during which the warehouse will be kept open, except when such warehouse is kept open continuously from 8 a.m. to 6 p.m.

(b) In case the warehouse is not to be kept open as required by paragraph (a) of this section, the notice posted as prescribed in that paragraph shall state the period during which the warehouse is to be closed and the name of an accessible person, with the address where he is to be found, who shall be authorized to deliver cotton stored in such warehouse, upon lawful demand by the depositor thereof or the holder of the receipt therefor, as the case may be.

### § 735.31 Tags to be attached to bales.

Except as provided in § 735.32, each warehouseman shall, upon acceptance of any bale of cotton for storage, immediately attach thereto an identification tag of good quality which shall identify the bale. Such tag either shall be made of reasonably heavy waterproof paper or linen, with reinforced eyelet or eyelets, and be attached to

the bale with a flexible, rustproof wire, or shall be made of such other material and attached by such other means as shall be approved by the Administrator. These tags will contain a number, mark, or identifier and shall be attached in an orderly systematic sequence, clearly distinguishable from each other.

[64 FR 54510, Oct. 7, 1999]

### § 735.32 Arrangement of stored cotton.

(a) Each warehouseman shall store each bale of cotton for which a receipt under the act has been issued so that the tag thereon, required by § 735.31 is visible and readily accessible, except as provided in paragraph (b) of this section, and shall arrange all other cotton in his licensed warehouse so as to permit an accurate check thereof.

(b) If cotton is tendered to a licensed warehouseman for storage and the cotton is of the same grade and staple and is tendered in such quantity by any one depositor that efficiency of operation dictates that such cotton should be stored in a lot or lots without regard to visibility of all tags on all bales within any lot, the warehouseman may store such cotton if each lot originally contained two or more bales: *Provided, however*, that each bale entering into a lot must bear an individual bale identification, and must be stored so that the number of bales within the lot may be accurately determined.

(c) An individual lot identification tag showing the lot number and the number of bales in the lot shall be affixed by the warehouseman to each lot of cotton. The warehouseman shall also maintain an office record showing the bale or tag number, mark, or identifier of each bale in the lot and the location of the lot in the warehouse. Each lot shall be so arranged as to be readily distinguishable from each and every other lot. When requested by a proper representative of the Department of Agriculture engaged in making an examination of the warehouse, the warehouseman shall tear or break down at his own expense such stacks or lots of cotton as the examiner deems necessary to a proper examination. Before any warehouseman undertakes to store in accordance with this section he shall submit a statement setting forth: (1) His reasons for desiring to avail himself of this section and (2) the plan of storage he proposes to follow, and he shall secure prior permission from the Secretary or his designated representative to practice such method of storage.

[29 FR 15720, Nov. 24, 1964. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 64 FR 65510, Oct. 7, 1999]

### § 735.33 System of accounts.

Each warehouseman shall use a system of accounts which is approved by the Service. The system of accounts shall show the following for each bale of cotton: the tag number, mark, or identifier as specified in § 735.31; its weight; its class when required or ascertained; its location; the dates received for, and delivered out of, storage; and the receipts issued and canceled. All systems of accounts shall include a detailed record of all moneys received and disbursed and of all effective insurance policies.

[64 FR 54510, Oct. 7, 1999]

### § 735.34 Reports.

Each licensed warehouseman shall, from time to time, when requested by the Administrator, or his representative, make such reports, on forms prescribed and furnished for the purpose by the Service, concerning the condition, contents, operation, and business of the warehouse as the Administrator may require.

### § 735.35 Canceled receipts; auditing.

Each warehouseman, if requested by the Service, shall forward canceled receipts for auditing to an entity or office of the Service as may be designated from time to time.

[62 FR 33540, June 20, 1997]

### § 735.36 Copies of reports to be kept.

Each warehouseman shall keep on file, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which submitted, an exact copy of each report

submitted by such warehouseman under the regulations in this part.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15720, Nov. 24, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 735.37 Inspections and examinations of warehouses.

Each licensed warehouseman shall permit any officer or agent of the Department, authorized by the Secretary for the purpose, to enter and inspect or examine, on any business day during the usual hours of business, any warehouse for the conduct of which such warehouseman holds a license, the office thereof, the books, records, papers, and accounts relating thereto, and the contents thereof, and such warehouseman shall furnish such officer or agent, when he so requests, the assistance necessary to enable him to make any inspection or examination under this section.

### § 735.38 Weighing of cotton; weighing apparatus.

(a) Before being stored in a licensed warehouse, all cotton shall be weighed at the warehouse by a licensed weigher, and the weight so determined shall be stated on the warehouse receipt. Point of origin weights may be used for single bale or lot stored cotton by agreement with the depositor. Any point of origin weights shown on a warehouse receipt will be the official warehouse bale or lot weight. Lot cotton tendered for storage on which a multiple bale warehouse receipt is issued must be maintained so as to preserve its individual and collective identity during storage and shipment, provided that if such lot is broken at the warehouse, for the issuance of new receipts, each bale shall be weighed at the warehouse by a licensed weigher before single bale warehouse receipts are issued.

(b) Each licensed warehouse shall be equipped with scales acceptable to the Department for weighing cotton into and out of the warehouse. The weighing apparatus used for ascertaining the weight stated in a receipt or certificate, issued for cotton stored in a licensed warehouse, shall be subject to examination by an officer or agent of the Department designated by the Administrator for the purpose. If the Department shall disapprove such weighing apparatus, it shall not thereafter, unless such disapproval be withdrawn, be used in ascertaining the weight of any cotton for the purposes of the act and the regulations in this part.

[33 FR 14699, Oct. 2, 1968. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 64 FR 54511, Oct. 7, 1999]

### § 735.39 Loose cotton.

Each warehouseman shall keep his warehouse reasonably free of loose cotton, except in a space or container separate and apart from other cotton.

### § 735.40 Excess storage.

(a) If at any time a warehouseman shall store cotton in his licensed warehouse in excess of the capacity thereof as determined in accordance with 7 CFR 735.12, such warehouseman shall so arrange the cotton as not to obstruct free access thereto and the proper operation of the sprinkler or other fire protection equipment provided for such warehouse, and shall immediately notify the Secretary of such excess storage, the reason therefor and the location thereof.

(b) A warehouseman who lacks space and desires to transfer at his own expense, identity preserved depositor stored cotton, for which receipts have been issued to another licensed warehouse may physically do so subject to the following terms and conditions:

(1) The transferring (shipping) warehouseman's accepted rules or schedule of charges must contain notice that the warehouseman may forward cotton deposited on an identity preserved bases with the written permission of the depositor under such terms and conditions as the Secretary may prescribe;

(2) For purposes of this section, a licensed warehouse means; (i) a warehouse operated by a warehouseman who holds an unsuspended, unrevoked license under the U.S. Warehouse Act for cotton; or (ii) a warehouse operated by a warehouseman who holds an effective warehouse license for the public storage of cotton issued by a State that has financial, bonding and examination requirements for the benefit of

all depositors at least equal to the requirements of this section;

(3) The shipping warehouseman must transfer all identity-preserved cotton in lots and must list on a Bill of Lading all forwarded bales by receipt number and weight. The receiving warehouseman shall promptly issue a non-negotiable warehouse receipt for each lot of cotton stored and shall attach a copy of the corresponding Bill of Lading to each receipt and return the receipt promptly to the shipping warehouseman. The receiving warehouseman will store each such lot intact, and will attach a header card to the lot showing the receipt number, number of bales, and a copy of the Bill of Lading with the individual tag numbers, marks, or identifiers to the stored lot. Such non-negotiable warehouse receipts issued for forwarded cotton shall have printed or stamped diagonally in large bold outline letters across the face of the receipt the words: ''NOT NEGOTIABLE.''

(4) The shipping warehouseman's bond shall be increased to consider the addition of the transferred cotton to the licensed capacity of the warehouse with the net asset requirements based on the total of the licensed capacity and the forwarded cotton (The bond amount need not be more than $250,000 unless necessary to cover a deficiency in net assets to meet requirements. The receiving warehouseman must not incur storage obligations that exceed the licensed capacity of the receiving warehouse);

(5) The shipping warehouseman continues to retain storage obligations to the owners of all cotton deposited in the warehouse for storage whether forwarded or retained and is, except as otherwise agreed upon under paragraph (b)(6) of this section, required to redeliver the cotton, upon demand, to the depositor or the depositor's transferee at the warehouse where the cotton was first deposited for storage;

(6) The owner of cotton deposited for storage at the warehouse must make settlement and take delivery at the warehouse where the cotton was first deposited for storage, unless the owner of the cotton, with the consent of both the shipping warehouseman and the receiving warehouseman, elects to take delivery at the warehouse to which cotton was transferred under this section;

(7) Nothing in this section diminishes the right of the owner of the cotton to receive or the obligation of the warehouseman of a licensed warehouse from which the product is transferred, to deliver to the owner the same cotton, identity preserved, called for by the warehouse receipt or other evidence of storage;

(8) Recording and retention of non-negotiable warehouse receipts received as a result of forwarding cotton under this section shall be subject to the requirements for warehouse receipts specified elsewhere in these regulations; and

(9) If it is the shipping warehouseman's obligation by terms of the warehouse receipt or otherwise to insure the cotton subject to the transfer, he must in accordance with 7 CFR 735.23 keep such cotton insured in his own name or transfer the cotton only to a warehouse where the cotton is fully insured.

[Amdt. 2, 53 FR 27150, July 19, 1988, as amended at 64 FR 54511, Oct. 7, 1999]

### § 735.41 Removal of cotton from storage.

Except as may be permitted by law or the regulations in this part, a warehouseman shall not remove any cotton, for storage, from the licensed warehouse or a part thereof designated in the receipt for such cotton, if by such removal the insurance thereon will be impaired, without first obtaining the consent in writing of the holder of the receipt, and indorsing on such receipt the fact of such removal. Under no other circumstances, unless it becomes absolutely necessary to protect the interests of holders of receipts, shall cotton be removed from the warehouse, and immediately upon any such removal the warehouseman shall notify the Administrator of such removal and the necessity therefor.

### § 735.42 Storage of wet and fire-damaged cotton.

A warehouseman shall not place any bale of cotton that is excessively wet in contact with any other cotton in the licensed warehouse. A warehouseman

shall not store in the same compartment with cotton that has not been damaged by fire any cotton that has been damaged by fire until the risk of fire therein has passed and the fire-damaged cotton has been removed from the bale, and then he shall not store it in contact with cotton that has not been so damaged.

### § 735.43 Cotton handling; storage; injuries.

A warehouseman shall not handle or store cotton in such manner as will injure or damage it, or in any part of the warehouse in which it is likely to be injured or damaged by excessive moisture, or otherwise.

### § 735.44 Fire loss to be reported.

If at any time a fire occurs at or within any licensed warehouse, it shall be the duty of the warehouseman to report immediately the occurrence of such fire and the extent of damage to the Administrator.

[64 FR 54511, Oct. 7, 1999]

### § 735.45 Signatures on receipts to be filed with Department.

Each warehouseman shall file with the Department the name and genuine signature of each person authorized to sign warehouse receipts for the licensed warehouseman, and shall promptly notify the Department of any changes as to persons authorized to sign, and shall file signatures of such persons.

### § 735.46 [Reserved]

### § 735.47 Certificates to be filed with warehouseman.

When a grade or weight certificate has been issued by a licensed grader or weigher, a copy of such certificate shall be filed with the warehouseman in whose warehouse the cotton covered by such certificate is stored, and such certificates shall become a part of the records of the licensed warehouseman. All certificates and supporting documentation that form the basis for any receipt issued by the warehouseman shall be retained in the records of the warehouseman for a period of 1 year after December 31 of the year in which the receipt based on such certificates or supporting documentation is canceled.

[64 FR 54511, Oct. 7, 1999]

### § 735.48 Drawing of samples.

Each warehouseman shall have in his employ at all times one or more licensed samplers whose duty it shall be to draw samples from any cotton stored or to be stored in the licensed warehouse if the owner of such cotton or any person having a legal right to have such cotton sampled requests that samples be drawn. When directed by the Administrator such requests shall be in writing. Such samplers shall perform their duties under the supervision and at the direction of the licensed warehouseman and the samples shall be drawn in accordance with § 735.72.

### § 735.49 Methods for drawing and marking samples.

Each sample shall be appropriately marked to show the tag number, mark, or identifier of the bale of cotton from which it was drawn and the date of sampling.

[64 FR 54511, Oct. 7, 1999]

CROSS REFERENCE: For regulations under the Cotton Futures Act and the Cotton Standards Act, see 7 CFR parts 27 and 28 of this chapter.

## FEES

### § 735.50 License fees.

(a) Fees are collected in advance for each original, amended, modified, extended, reinstated, or duplicate warehouseman's license; and for each original, duplicate, or modified license issued to inspect, sample, grade, classify, or weigh commodities.

(b) Fee changes, if applicable, will be announced by Notice in the FEDERAL REGISTER on or before July 1, and effective the following October 1.

[59 FR 51358, Oct. 11, 1994]

### § 735.51 Warehouse annual and inspection fees.

Warehousemen must pay:

(a) An annual fee which will be determined by computing the capacity for each warehouse location under a single license and adding those amounts together to determine the total due. The

fee will be assessed and payable when the warehouse bond is furnished in accordance with these regulations, for acceptance by the Secretary and annually thereafter on the bond renewal date. The capacity for each identifiable location will be determined by the Secretary. The total capacity of all locations may not exceed the capacity stated in the current license. An identifiable location is a fully functional public warehouse as determined by the Secretary. The annual fee a licensed warehouseman is assessed may be adjusted by the amount Commodity Credit Corporation (CCC) pays, if CCC has a storage contract or agreement with the warehouseman.

(b) An inspection fee for each original and amendment inspection.

(c) An inspection fee at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement, in all cases where the license has been suspended and the warehouseman has requested reinstatement. No fee will be charged if the Secretary determines that the suspension was not justified.

(d) A fee for each inspection requested by the warehouseman at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement.

[59 FR 51358, Oct. 11, 1994]

### § 735.52 Advance deposit.

Before any license is granted, or an original examination or inspection is made, or reexamination or reinspection for modification of an existing license is made, pursuant to the regulation in this part, the applicant or licensee shall deposit with the service the amount of the fee prescribed. Such deposit shall be made in the form of a check, certified if required by the Service, draft, or post office or express money order, payable to the order of the Service.

[49 FR 3640, Jan. 30, 1984. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 62 FR 33540, June 20, 1997]

### § 735.53 Return of excess deposit.

The Service shall hold in its custody each advance deposit made under § 735.52 until the fee, if any, is assessed. Any part of such advance deposit which is not required for the payment of any fee assessed shall be returned to the party depositing the same.

[49 FR 3640, Jan. 30, 1984. Redesignated at 50 FR 1814, Jan. 14, 1985]

## LICENSED CLASSIFIERS AND LICENSED WEIGHERS

### § 735.54 Sampler's, classifier's, and weigher's applications.

(a) Applications for licenses to sample, classify and/or weigh cotton under section 11 of the act shall be made to the Administrator on forms furnished for the purpose by him.

(b) Each such application shall be in English, shall be signed by the applicant, shall be verified by him, under oath or affirmation administered by a duly authorized officer, and shall contain or be accompanied by—

(1) The name and location of a warehouse or warehouses licensed, or for which application for license has been made, under the act, in which cotton sought to be sampled, classified and/or weighed under such license is or may be stored;

(2) A statement from the warehouseman conducting such warehouse showing whether or not the applicant is competent and is acceptable to such warehouseman for the purpose;

(3) Satisfactory evidence that he is competent to sample, classify and/or weigh cotton;

(4) A statement by the applicant that he agrees to comply with and abide by the terms of the act and the regulations in this part so far as the same may relate to him; and

(5) Such other information as the Administrator may deem necessary:

*Provided*, That when an application for a license to classify cotton is filed by a person who does not intend to classify cotton for any particular licensed warehouseman but who does intend to classify cotton stored or to be stored in a licensed warehouse and to issue class certificates therefor, as provided for by the act and the regulations in this part, independent of the warehouse receipts issued to cover such cotton, it shall not be necessary to furnish such statement as is required in this paragraph.

(c) For the purpose of classifying cotton under the regulations in this part, each licensed classifier who holds an unsuspended or unrevoked license under the Cotton Standards Act of March 4, 1923, and regulations thereunder to classify cotton and certificate the grade thereof shall be deemed competent and a license may be issued to him under the United States Warehouse Act upon furnishing the information required by paragraph (b) of this section except as specified in paragraph (c)(3) of this section.

(d) The applicant shall at any time furnish such additional information as the Secretary, or his designated representative, shall find to be necessary to the consideration of his application.

(e) A single application may be made by any person for a license as a sampler, classifier and weigher upon complying with all the requirements of this section.

### § 735.55 Examination of applicant.

Each applicant for a license as a sampler, classifier and/or weigher and each licensed sampler, classifier and/or weigher shall, whenever requested by an authorized agent of the Department designated by the Administrator, for the purpose, submit to an examination or test to show his ability to properly sample, classify or weigh cotton, as the case may be, and shall also make available for inspection copies of the standards of classification or the weighing apparatus as the case may be, used or to be used by him.

### § 735.56 Posting of license.

Each licensed classifier shall keep his license conspicuously posted in the office where all or most of the classifying is done, and each licensed sampler and/or weigher shall keep his license conspicuously posted in the warehouse office or in such place as may be designated for the purpose by a representative of the Service.

### § 735.57 Duties of sampler, classifier and weigher.

Each licensed classifier or weigher whose license remains in effect shall, without discrimination, as soon as practicable, and upon reasonable terms, classify or weigh and certificate the class or weight, respectively, of cotton stored or to be stored in a licensed warehouse to which his license applies, if such cotton is offered to him under such conditions as permit the proper performance of such functions; except that no class or weight certificate need be issued when the class or weight so determined is entered on a receipt by the licensed classifier or weigher making the determination thereof. Each licensed sampler shall sample cotton stored or to be stored in a licensed warehouse for which he holds a license, in accordance with § 735.48. Each licensed sampler, classifier, and weigher shall give preference to persons who request his services as such over persons who request his services in any other capacity. No class or weight certificate shall be issued under the act for cotton not in the custody of a licensed warehouseman for purposes of storage in a licensed warehouse, nor shall cotton not in the custody of such a warehouseman for such purpose be sampled by a licensed sampler acting as such.

### § 735.58 Class certificates; form.

(a) Each class certificate issued under the act by a licensed classifier shall be in a form approved for the purpose by the Administrator, and shall embody within its written or printed terms:

(1) The caption ''Cotton class certificate'';

(2) Whether it is an original, a duplicate, or other copy;

(3) The name and location of the licensed warehouse in which the cotton is or is to be stored;

(4) The date of the certificate;

(5) The location of the cotton at the time of classification;

(6) The identification of each bale of cotton by the tag number given to the bale in accordance with § 735.31 or if there be no such tag number by other marks or numbers;

(7) The grade or other class, except length of staple, of each bale of cotton covered by the certificate, in accordance with §§ 735.68 through 735.73, as far as applicable, and the standard or description in accordance with which the classification is made;

(8) A blank space designated for the purpose in which the length of staple may be stated;

(9) That the certificate is issued by a licensed classifier under the United States Warehouse Act and regulations thereunder; and

(10) The signature of the licensed classifier.

In addition, the class certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

(b) Form A memorandums and Form C certificates issued by a board of cotton examiners and class certificates issued by licensed classers under the United States Cotton Standards Act (7 U.S.C. 51 et seq.) shall be deemed sufficient for the purposes of the United States Warehouse Act and the regulations in this part, if the samples on which they are based were drawn in accordance with applicable requirements of § 735.71, and, in case of a class certificate issued by such a licensed classer, if the classer holds an unsuspended and unrevoked license under each of said acts.

### § 735.59 Weight certificates; form.

Each weight certificate issued under the act by a licensed weigher shall be in a form approved for the purpose by the Administrator, and shall embody within its written or printed terms:

(a) The caption ''Cotton weight certificate'';

(b) Whether it is an original, a duplicate, or other copy;

(c) The name and location of the licensed warehouse in which the cotton is or is to be stored;

(d) The date of the certificate;

(e) The location of the cotton at the time of weighing;

(f) The identification of each bale of cotton by the tag number given to the bale in accordance with § 735.31 or if there be no such tag number by other marks or numbers;

(g) The gross, or net and tare, weight of the cotton and, if the cotton be excessively wet or otherwise of a condition materially affecting its weight, a statement of such fact to which may be added the weigher's estimate of the number of pounds which should be allowed for such condition;

(h) That the certificate is issued by a licensed weigher under the United States Warehouse Act and the regulations thereunder; and

(i) The signature of such licensed weigher.

In addition, the weight certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

[29 FR 15720, Nov. 24, 1964, as amended at 37 FR 12920, June 30, 1972. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 735.60 Combined class and weight certificates.

The class and weight of any cotton, ascertained by a licensed classifier and a licensed weigher, may be stated on a certificate meeting the combined requirements of §§ 735.58 and 735.59 if the form of such certificate shall have been approved for the purpose by the Administrator.

### § 735.61 Copies of certificates to be kept.

Each licensed classifier and each licensed weigher shall keep for a period of one year in a place accessible to interested persons a copy of each certificate issued by him under the regulations in this part and shall file a copy of each such certificate with the warehouse in which the cotton covered by the certificate is stored.

### § 735.62 Licensees to permit and assist in inspection.

Each licensed sampler, classifier, and/or weigher shall permit any officer or agent of the Department authorized by the Secretary for the purpose, to inspect or examine, on any business day during the usual hours of business, his books, papers, records, and accounts relating to the performance of his duties under the act and the regulations in this part, and shall, with the consent of the licensed warehouseman concerned, assist any such officer or agent in the inspection or examination mentioned in § 735.37 as far as any such inspection or examination relates to the

performance of the duties of such licensed sampler, classifier, and/or weigher under the act and this part.

**§ 735.63 Reports.**

Each licensed sampler, classifier, and/or weigher shall, from time to time, when requested by the Administrator, make reports, on forms furnished for the purpose by the Service, bearing upon his activities as such licensed sampler, classifier, and/or weigher.

**§ 735.64 Licenses; suspension or revocation.**

Pending investigation, the Secretary, or his designated representative, may, whenever he deems necessary, suspend the license of a sampler, classifier and/or weigher temporarily without hearing. Upon a written request and a satisfactory statement of reasons therefor, submitted by a licensed sampler, classifier, and/or weigher, the Secretary, or his designated representative, may, without hearing, suspend or revoke the license issued to such licensed sampler, classifier, and/or weigher. The Secretary, or his designated representative, may, after opportunity for hearing has been afforded in the manner prescribed in this section, suspend or revoke a license issued to a licensed sampler, classifier, and/or weigher when such licensed sampler, classifier, and/or weigher (a) has ceased to perform services as such sampler, classifier, and/or weigher, or (b) has in any other manner become incompetent or incapacitated to perform the duties of such licensed sampler, classifier, and/or weigher. As soon as it shall come to the attention of a licensed warehouseman that any of the conditions mentioned under (a) or (b) of this section exist, it shall be the duty of such warehouseman to notify, in writing, the Administrator. Before the license of any licensed sampler, classifier, and/or weigher is permanently suspended or revoked pursuant to section 12 of the act, such licensed sampler, classifier, and/or weigher shall be furnished by the Secretary or by his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 735.89.

**§ 735.65 Suspended or revoked licenses; return; termination of license.**

(a) In case a license issued to a sampler, classifier, and/or weigher is suspended or revoked by the Secretary, or his designated representative, such license shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless in the meantime it be revoked, the dates of the beginning and termination of the suspension shall be endorsed thereon, and it shall be returned to the licensed sampler, classifier, and/or weigher to whom it was originally issued, and it shall be posted as prescribed in § 735.56.

(b) Any license issued, under the act and the regulations in this part, to a sampler, classifier, and/or weigher shall automatically terminate as to any warehouse whenever the license of such warehouse shall be revoked or canceled. Thereupon the license of such sampler, classifier, and/or weigher shall be returned to the Secretary. In case such license shall apply to other warehouses, the Secretary, or his designated representative, shall issue to him a new license, omitting the names of the warehouses covering which licenses have been revoked. Such new license shall be posted as prescribed in § 735.56.

**§ 735.66 Lost or destroyed licenses.**

Upon satisfactory proof of the loss or destruction of a license issued to a licensed sampler, classifier, and/or weigher, a duplicate thereof may be issued under the same number.

**§ 735.67 Unlicensed classifiers and weighers.**

No person shall in any way represent himself to be a sampler, classifier, and/or weigher licensed under the act unless he holds an unsuspended and unrevoked license issued under the act.

COTTON CLASSIFICATION

**§ 735.68 Statement of class.**

Whenever the grade or other class of cotton is required to be, or is, stated

for the purpose of the act or the regulations in this part it shall be stated in accordance with §§ 735.68 through 735.73 as far as applicable.

### § 735.69 Official cotton standards of the United States.

The official cotton standards of the United States, established and promulgated under the United States Cotton Standards Act of March 4, 1923 (42 Stat. 1517; 7 U.S.C. 51–56), within their scope, are hereby adopted as the official cotton standards for the purposes of the act and the regulations in this part.

### § 735.70 Defective cotton; designation; terms defined.

(a) Cotton that,

(1) Because of the presence of extraneous matter of any character or irregularities or defects, is reduced in value below that of Good Ordinary,

(2) Is below the grade of Good Ordinary,

(3) Is below the grade of Low Middling, if tinged,

(4) Is below the grade of Middling, if stained,

(5) Is linters,

(6) Is less than seven-eighths of an inch in length of staple,

(7) Is of perished staple,

(8) Is of immature staple,

(9) Is gin cut,

(10) Is reginned,

(11) Is repacked,

(12) Is false packed,

(13) Is mixed packed, or

(14) Is water packed, shall be designated as such.

In the case of paragraph (a)(1) of this section the particular extraneous matter or irregularities or defects shall be stated.

(b) If cotton be reduced in value, by reason of the presence of extraneous matter of any character or irregularities or defects, below its grade or below its apparent length of staple according to the official cotton standards of the United States, the grade or length of staple from which it is so reduced, and the grade or length of staple to which it is so reduced, and the quality or condition which so reduces its value shall be determined and stated.

(c) For the purposes of this section, the following terms shall be construed, respectively, to mean:

(1) *Cotton of perished staple.* Cotton that has had the strength of fiber as ordinarily found in cotton destroyed or unduly reduced through exposure to the weather either before picking or after baling, or through heating by fire, or on account of water packing, or by other causes.

(2) *Cotton of immature staple.* Cotton that has been picked and baled before the fiber has reached a normal state of maturity, resulting in a weakened staple of inferior value.

(3) *Gin-cut cotton.* Cotton that shows damage in ginning through cutting by the saws, to an extent that reduces its value more than two grades.

(4) *Reginned cotton.* Cotton that has passed through the ginning process more than once and cotton that, after having been ginned, has been subjected to a cleaning process and then baled.

(5) *Repacked cotton.* Cotton that is composed of factors', brokers', or other samples, or of loose or miscellaneous lots collected and rebaled, or cotton in a bale which is composed of cotton from two or more smaller bales or parts of bales.

(6) *False packed cotton.* Cotton in a bale (i) containing substances entirely foreign to cotton, (ii) containing damaged cotton in the interior with or without any indication of such damage upon the exterior, (iii) composed of good cotton upon the exterior and decidedly inferior cotton in the interior in such manner as not to be detected by customary examination—that is, a plated bale, or (iv) containing pickings or linters worked into the bale.

(7) *Mixed packed cotton.* Cotton in a bale which, in the samples drawn therefrom, shows (i) a difference of three or more grades, or (ii) a difference of three or more color gradations, or (iii) a difference of two or more grades and two or more color graduations, or (iv) a difference in length of staple of one-eighth inch or more.

(8) *Water packed cotton.* Cotton in a bale that has been penetrated by water during the baling process, causing damage to the fiber, or a bale that through exposure to the weather or by other means, while apparently dry on the exterior, has been damaged by water in the interior.

### § 735.71 Class based on inspection and sample.

Whenever the grade or other class of cotton is required to be, or is, stated by a warehouseman or a classifier or board of cotton examiners for the purposes of the act or the regulations in this part, it shall be based upon a careful inspection of and a sample properly drawn from the cotton. Samples submitted to a board of cotton examiners for issuance of Form A memorandums and samples from which classification is to be determined by licensed classifiers for purposes of the Act and the regulations in this part shall be drawn by samplers licensed under the Act and said regulations and in accordance with § 735.72.

### § 735.72 Samples.

Each sample shall be approximately 6 ounces in weight, not less than 3 ounces of which are to be drawn from each side of the bale. Each sample must be representative of the bale from which drawn. Samples shall not be dressed or trimmed and shall be carefully handled in such manner as not to cause loss of leaf, sand, or other material, or otherwise change their representative character. Any sample which does not meet these requirements may be rejected.

### § 735.73 Lower grade (of two samples) to determine classification.

If a sample drawn from one portion of a bale is lower in grade or shorter in length than one drawn from another portion of such bale, the classification of the bale shall be that of the sample showing the lower grade or shorter length.

### § 735.74 Access to official cotton standards.

Each licensed warehouseman and each licensed classifier shall keep himself provided with, or have access to, a set of practical forms of the official cotton standards of the United States, or such parts thereof as the Administrator may deem necessary for use in the locality in which the licensed warehouse is located.

## COTTON APPEALS

### § 735.75 Who may appeal.

Whenever the grade or other class of cotton, for which official cotton standards of the United States are in effect, is stated on a receipt or a cotton class certificate issued under the act and the regulations in this part, and a question arises as to the true grade or other class of such cotton, any person having an interest in the cotton may take an appeal for the determination of such question.

### § 735.76 Complaint.

In order to take such an appeal a complaint in writing in accordance with § 735.77 shall be filed with a duly authorized cotton examiner or a board of cotton examiners, or with the Administrator, who shall designate a cotton examiner or a board of cotton examiners for the purpose of disposing of such complaint.

### § 735.77 Contents of complaint.

(a) Complaints shall be in English and shall state:

(1) The name and post office address of the complainant;

(2) The nature of the complainant's interest in the cotton;

(3) The name and post office address of the holder of the receipt, if someone other than the complainant;

(4) The name and post office address of any other interested party;

(5) The name and location of the licensed warehouse in which the cotton is stored, and the tag number, mark, or identifier assigned to each bale of cotton involved in the appeal, the grade or other class assigned to such cotton by the licensed warehouseman, and the date of the receipt issued therefor;

(6) The grade or other class assigned by the licensed classifier, if any;

(7 ) The grade or other class, different from that assigned by the licensed warehouseman, which is contended for by any interested party;

(8) Whether, within complainant's knowledge, any appeal involving the same cotton previously has been taken, and if so, an appropriate identification of such other appeal; and

(9) If samples have been agreed upon and submitted in accordance with § 735.79(b).

(b) When practicable, the complainant shall file with the complaint, the warehouse receipt or class certificate, if any, covering the cotton involved in the appeal. When such receipt or certificate is not filed before the issuance of the cotton appeal certificate, a definite statement indicating why such papers are not produced shall be filed with the complaint.

[64 FR 54511, Oct. 7, 1999]

### § 735.78 Proof of agent's authority.

In case a complaint is filed under §§ 735.75 through 735.77 by a person purporting to act in behalf of another person, the Administrator, or the cotton examiner or the board of cotton examiners with whom it was filed, may, if considered necessary, require proof of the authority of such person to file the complaint.

### § 735.79 Determination of appeals; samples.

(a) Appeals taken hereunder shall be determined upon the basis of samples of the cotton involved which have been drawn and submitted in accordance with this section.

(b) The complainant may submit samples of the cotton involved which have been agreed upon by the licensed warehouseman in whose warehouse the cotton is stored and the interested parties other than such warehouseman, or have been drawn by a disinterested person selected for the purpose by the warehouseman and such parties. Such samples shall be drawn in accordance with § 735.72.

(c) If samples which have been submitted pursuant to paragraph (b) of this section be deemed unsatisfactory, the cotton examiner or board of cotton examiners by whom the appeal is heard or the Administrator may require the submission of new samples in accordance with paragraph (b) of this section.

(d) In case samples are not submitted in accordance with paragraph (b) or (c) of this section, the Administrator, the cotton examiner, or board of cotton examiners by whom the appeal is heard may dismiss the appeal as provided in § 735.80, or samples may be drawn from the cotton involved by a cotton examiner or by a disinterested person designated for the purpose by the cotton examiner or the board of cotton examiners by whom the appeal is heard or by the Administrator, and the complainant shall cause the cotton to be made accessible for the purpose of drawing such samples.

### § 735.80 Dismissal of appeals.

The Administrator or the cotton examiner or board of cotton examiners by whom an appeal is heard may dismiss such appeal upon request of the complainant, or for noncompliance with the regulations in this part, or if it be found that the appeal was not taken in good faith. In case of an appeal filed in the first instance with a cotton examiner, a dismissal upon request of the complainant shall be made only before notice of grade or other class as provided in § 735.81 is issued.

### § 735.81 Cotton appeal certificate.

When an appeal filed with a board of cotton examiners has been determined, it shall immediately issue a cotton appeal certificate. When an appeal has been determined by a cotton examiner he shall issue a notice, a copy of which shall be sent by him to all parties shown by the record of the appeal to have an interest therein. In such notice the grade or other class assigned by him to the cotton involved in the appeal shall be stated, and any such interested party shall have a reasonable time, fixed in such notice, within which he may request of the Administrator a review of the appeal by a board of cotton examiners. In case such request is not filed with such cotton examiner in the time fixed therefor, or in case within such time every such interested party waives in writing a review by a board of cotton examiners, the cotton examiner shall immediately issue a cotton appeal certificate showing the grade or other class assigned to the cotton by him. In case a request under this section for a review of an appeal is filed within the time fixed for the filing of such request, the cotton examiner shall note in his records the time of such filing and shall immediately notify the Administrator, who shall cause the appeal to be reviewed

and a cotton appeal certificate issued showing the grade or other class assigned upon such review. Immediately upon the issuance of a cotton appeal certificate under this section, the original thereof, together with any receipt covering such cotton filed in the appeal, shall be sent to the licensed warehouseman concerned, and a copy shall be sent to each other person shown by the record of the appeal to be interested therein.

**§ 735.82 Expenses paid by complainant.**

All expenses for the transmission of communications from the complainant, for telegraph and telephone toll charges on messages addressed to him, and for drawing and submitting samples required by § 735.79, including such traveling expenses, if any, incurred in accordance with the fiscal regulations of the Department as the Administrator may deem proper, shall be borne by the complainant in the appeal in connection with which such expenses were incurred.

**§ 735.83 Advance deposit by complainant.**

If required by the cotton examiner or board of cotton examiners by whom the appeal is heard, the complainant shall make an advance deposit to cover the expenses payable by him under § 735.82. Such deposit shall be in an amount fixed by the cotton examiner or board of cotton examiners, and shall be in the form of a check, certified if required by the Administrator or a post office or express money order, payable to the order of ''Treasurer of the United States.'' As soon as possible after the determination of an appeal in connection with which any such advance deposit shall have been made, the Administrator shall furnish the Treasurer of the United States with a statement of the expenses, if any, chargeable against such advance deposit. Thereupon the Treasurer of the United States shall return to the person making the advance deposit as much thereof as shall not be required for the payment of such expenses.

**§ 735.84 New warehouse receipt.**

Upon demand by the lawful holder of a receipt for cotton involved in an appeal under §§ 735.75 through 735.85, the licensed warehouseman shall surrender to such holder the original cotton appeal certificate issued in such appeal, and, if the grade or other class shown by such certificate be different from that shown by the receipt, shall, upon the return of the old receipt, issue a new receipt stating the grade or other class shown by such cotton appeal certificate.

**§ 735.85 Disposition of samples.**

Samples submitted in appeals under this part may be used for the purposes of the Department or disposed of in accordance with the property regulations of the Department, and the proceeds, if any, covered into the Treasury of the United States as miscellaneous receipts, or may, at any time, in the discretion of the Administrator, be returned to the complainant at his expense.

MISCELLANEOUS

**§ 735.86 Bonds required.**

Every person applying for a license, or licensed, under section 9 of the act, shall, as such, be subject to all portions of these regulations so far as they may relate to warehousemen. In case there is a law of any State providing for a system of warehouses owned, operated, or leased by such State, a person applying for a license under section 9 of the act, to accept the custody of cotton and to store the same in any of said warehouses may, in lieu of a bond or bonds, complying with §§ 735.11 and 735.12, file with the Secretary a single bond meeting the requirements of the act and regulations in such form, and in such amount not less than $5,000, as he shall prescribe, to insure the performance by such person, with respect to the acceptance of the custody of cotton and its storage in the warehouses in such system for which licenses are or may be issued, of his obligations arising during the periods of such licenses, and in addition, if desired by the applicant, during the periods of any

renewals or extensions thereof. In fixing the amount of such bond, consideration shall be given, among other appropriate factors, to the character of the warehouses involved, their actual or contemplated capacity, the bonding requirements of the State, and its liability with respect to such warehouses. If the Secretary, or his designated representative, shall find the existence of conditions warranting such action, there shall be added to the amount of the bond so fixed, a further amount, fixed by him, to meet such conditions.

### § 735.87 Publications.

Publications under the act and the regulations in this part shall be made in such media as may be deemed proper by the Administrator.

[62 FR 33540, June 20, 1997]

### § 735.88 Information of violations.

Every person licensed under the act shall immediately furnish the Service any information which comes to the knowledge of such person tending to show that any provision of the act or the regulations in this part has been violated.

### § 735.89 Procedure in hearings.

Hearings under the Act or the regulations in this part, except those relating to appeals or arbitrations shall be conducted in accordance with the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary under various statutes (7 CFR 1.130 through 1.151).

[45 FR 6775, Jan. 30, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 735.90 One document and one license to cover several products.

A license may be issued for the storage of two or more agricultural products in a single warehouse. Where such a license is desired, a single application, inspection, bond, record, report or other paper, document or proceeding relating to such warehouse, shall be sufficient unless otherwise directed by the Administrator.

### § 735.91 Assets and bond; combination warehouses.

Where such license is desired, the amount of the bond, net assets, and inspection and license fees shall be determined by the Administrator in accordance with the regulations applicable to the particular agricultural product which would require the largest bond and the greatest amount of net assets and of fees if the full capacity of the warehouse was used for its storage.

### § 735.92 Amendments.

Any amendment to, or revision of this part, unless otherwise stated therein, shall apply in the same manner to persons holding licenses at the time it becomes effective as it applies to persons thereafter licensed under the act.

### § 735.93 OMB control number assigned pursuant to Paperwork Reduction Act.

The information collection requirements contained in these regulations (7 CFR part 735) have been approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. Chapter 35 and have been assigned OMB control number 0560–0120.

[53 FR 27151, July 19, 1988]

### §§ 735.94–735.99 [Reserved]

ELECTRONIC WAREHOUSE RECEIPTS

### § 735.100 General statement.

The regulations in §§ 735.100 through 735.105 give a USWA licensed warehouseman the option of issuing EWRs instead of paper warehouse receipts for the cotton stored in its facility. EWRs may only be created through a provider who is approved by the Service.

[59 FR 15038, Mar. 31, 1994, as amended at 62 FR 33540, June 20, 1997]

### § 735.101 Electronic warehouse receipts.

(a) EWRs issued pursuant to this part establish the same rights and obligations with respect to a bale of cotton as a paper receipt. With the exception of the requirement that warehouse receipts be issued on paper (§ 735.19), all other requirements applicable to paper

warehouse receipts shall apply to EWRs, unless otherwise specified. The person identified as the ''holder'' of an EWR shall be entitled to the same rights and privileges as the holder of a paper warehouse receipt.

(b) EWRs may only be issued through a provider.

(c) Warehousemen must notify all holders of cotton receipted by inclusion in the CFS at least 30 calendar days before changing providers, unless otherwise required or allowed by the Secretary.

(d) Licensed warehousemen may cancel EWRs only when they are the holder of such receipts.

(e) Licensed warehousemen, only as holder, may correct information on the EWR.

(f) Only the holder of the receipt may transfer the receipt to a new holder.

(g) The identity of the holder must be included as additional information for every EWR.

(h) An EWR shall only designate one entity as a holder at any one time.

(i) An EWR shall not be issued for a bale of cotton if another receipt, paper or electronic, on such bale is outstanding. No two warehouse receipts issued by a licensed warehouse may have the same receipt number.

(j) Prior to issuing EWRs, each warehouseman shall request and receive from the Service a range of consecutive warehouse receipt numbers which the warehouseman shall use for the EWRs it issues.

(k) If a warehouseman has a contract with a provider, all warehouse receipts issued by the warehouseman shall initially be issued as EWRs.

(l) An EWR may only be issued to replace a paper receipt if the current holder of the warehouse receipt agrees.

(m) Licensed warehousemen must inform the Secretary of the identity of their approved provider 60 calendar days in advance of issuing warehouse receipts through that provider. The Secretary may waive or modify this 60 day requirement.

(n) Holders and licensed warehousemen may authorize any other user of a provider to act on their behalf with respect to their activities with such provider. Such authorization must be in writing, acknowledged, and retained by the provider.

(o) Provisions of § 735.18 shall be applicable to lost or destroyed EWRs.

[59 FR 15038, Mar. 31, 1994, as amended at 62 FR 33540, June 20, 1997; 64 FR 54511, Oct. 7, 1999]

### § 735.102 Provider requirements and standards for applicants.

(a) *Financial requirements*. All providers to be approved under this part must meet the following requirements:

(1) Have a net worth of at least $25,000, and

(2) Maintain two insurance policies; one for ''errors and omissions'' and another for ''fraud and dishonesty''. Each policy must have a minimum coverage of $2 million.

(b) *User fee charges*. Providers shall pay to the Service user fees set by the Service and announced annually prior to April of each calendar year.

(c) *Provider agreement*. The provider agreement shall contain, but not be limited to, the following basic elements:

(1) *Records*. The retention period for records.

(2) *Liability*. The liability of the provider.

(3) *Transfer of records*. The requirements for transferring EWRs to another provider.

(d) *Suspension and termination*. (1) The Secretary may suspend or terminate a provider's agreement for cause at any time.

(2) Hearings and appeals will be conducted in accordance with procedures that are contained in §§ 735.7 and 735.89.

(3) Without specific written authority by the Secretary, suspended or terminated providers may not accept, transfer, or execute any other function pertaining to EWRs during the pendency of any appeal or subsequent to such appeal if the appeal is denied.

(4) The provider or the Service may terminate the provider agreement without cause solely by giving the other party written notice 60 calendar days prior to termination.

(e) *Renewal*. Each provider agreement will be automatically renewed annually on April 30th as long as the provider complies with the terms contained in the provider agreement, the

regulations in §§ 735.100 through 735.105 and the Act.

(f) *Application form.* Application for a provider agreement shall be made to the Secretary on forms prescribed and furnished by the Service.

[59 FR 15039, Mar. 31, 1994, as amended at 62 FR 33540, June 20, 1997; 64 FR 54511, Oct. 7, 1999]

### § 735.103 Audits.

(a) The provider must submit to the Secretary an annual audit level financial statement that meets the requirements of § 735.5 with the exception of §§ 735.5(d)(1), (e), (g), and (h); and an electronic data processing audit. These audits shall encompass the provider's fiscal year. The completed audits shall be submitted to the Secretary no later than four calendar months following the end of the provider's fiscal year. The electronic data processing audit shall result in an evaluation as to current computer operations, security, disaster recovery capabilities of the system, and other systems.

(b) The provider will grant the Secretary or his designees unlimited, free access at any time to all records under the provider's control relating to activities conducted under this part and as specified in the provider agreement.

[59 FR 15039, Mar. 31, 1994]

### § 735.104 Provider-user relationship.

(a) The provider shall not discriminate among its users regarding use of and access to its CFS and must charge fees on an equal basis to all users for its services.

(b) The provider must furnish the Secretary with copies of its current schedule of fees for all services and charges as they become effective.

(c) Fees charged any user by the provider must be in effect for a minimum period of one year.

(d) Providers must furnish the Secretary and all users a 60 calendar day advance notice of their intent to change any fee.

[59 FR 15039, Mar. 31, 1994]

### § 735.105 Security.

(a) Security must be in accordance with the standards set out in the provider agreement.

(b) Security copies of the system are to be maintained off-site. Both on-site and off-site record security must be maintained.

[59 FR 15039, Mar. 31, 1994]

### §§ 735.106–735.199 [Reserved]

## DELIVERY AND SHIPPING

SOURCE: 65 FR 63767, Oct. 25, 2000, unless otherwise noted.

### § 735.200 Applicability.

The cotton shipping standard set forth in § 735.201 is applicable to all cotton warehousemen licensed under the Act and to all warehousemen that issue electronic warehouse receipts through an authorized electronic warehouse receipt provider in accordance with part 735 regardless of whether the warehouse is licensed under the Act.

### § 735.201 Cotton shipping standard.

Unless prevented from doing so by force majeure, a warehouseman identified in § 735.200 shall deliver stored cotton without unnecessary delay. A warehouseman shall be considered to have delivered cotton without unnecessary delay, if for the week in question, the warehouseman has delivered or staged for scheduled delivery at least 4.5 percent of either their licensed storage capacity or Commodity Credit Corporation-approved storage capacity or other storage capacity as determined by the Secretary to be in effect during the relevant week of shipment.

### § 735.202 Compliance and dispute resolution.

(a) Any claim for noncompliance with the cotton shipping standard may be resolved by the parties involved through established industry, professional, or mutually agreed upon arbitration procedures. The arbitration procedures shall be nondiscriminatory and provide each person equal access and protection relating to the cotton shipping standard.

(b) No arbitration determination or award resulting from noncompliance with the shipping standard shall affect, obligate, or restrict the Service's authority to provide, administer, and regulate the issuance of a license, receipt,

contractual agreement, or authorized electronic warehouse receipt provider system in accordance with the Act.

(c) The Service shall not settle unresolved disputes involving the cotton shipping standard or associated damages.

(d) In the event a party requests assistance from or initiates the involvement of the Service in a matter relating to the cotton shipping standard, the initiating party shall be responsible for all costs incurred by the Service. Before any such assistance is provided, the initiating party shall make payment to the Service in an amount equal to the Service's good faith estimate of costs and expenses that will be incurred in fulfilling the request. Costs incurred that exceed the Service's good faith estimate will be the responsibility of the initiating party.

## PART 736—GRAIN WAREHOUSES

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AUTHORITY: 7 U.S.C. 241 *et seq.*

SOURCE: 29 FR 15730, Nov. 24, 1964, unless otherwise noted. Redesignated at 50 FR 1814, Jan. 14, 1985.

EDITORIAL NOTE: Nomenclature changes to part 736 appear at 62 FR 33540, June 20, 1997.

CROSS REFERENCE: For official grain standards of the United States, see chapter VIII, part 810 of this title.

DEFINITIONS

### § 736.1 Meaning of words.

Words used in this part in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

### § 736.2 Terms defined.

For the purposes of this part, unless the context otherwise requires, the following terms shall be construed, respectively, to mean:

(a) *The act*. The United States Warehouse Act, approved August 11, 1916 (39 Stat. 486; 7 U.S.C. 241–273), as amended.

(b) *Person*. An individual, corporation, partnership, or two or more persons having a joint or common interest.

(c) *Department*. The United States Department of Agriculture.

(d) *Secretary*. The Secretary of Agriculture of the United States or any officer or employee of the Department to whom authority has heretofore been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(e) *Designated representative*. The Administrator.

(f) *Administrator*. The Administrator of the Service or any other officer or employee to whom authority has heretofore lawfully been delegated, or may hereafter lawfully be delegated, to act in his stead.

(g) *Service*. The Farm Service Agency of the U.S. Department of Agriculture.

(h) *Regulations*. Rules and regulations made under the act by the Secretary.

(i) *Dockage*. Dockage in grain as defined by the official grain standards of the United States.

(j) *Grain*. All products commonly classed as grain such as wheat, corn, oats, barley, rye, flaxseed, rough, brown, and milled rice, sunflower seeds, field peas, soybeans, emmer, sorghum, safflower seed, triticale, millet and such other products as are ordinarily stored in grain warehouses, subject to the disapproval of the Administrator.

(k) *Nonstorage grain*. Grain received temporarily into a warehouse for conditioning, transferring, assembling for shipment, or lots of grain moving through a warehouse for current merchandising or milling use, against which no receipts are issued and no storage charges assessed: *Provided*, That merchandising or milling stocks held in storage as reserve stocks, or stored for use at an indefinite future date, may not be treated as nonstorage grain.

(l) *Warehouse*. Unless the context otherwise clearly indicates, any building, structure, or other protected inclosure licensed or to be licensed under the act, in which grain is or may be stored for interstate or foreign commerce, or, if located within any place under the exclusive jurisdiction of the United States, in which grain is or may be stored.

(m) *Bin*. A bin, tank, interstice, or other container in a warehouse in which bulk grain may be stored.

(n) *Warehouseman*. Any person lawfully engaged in the business of storing grain, who holds an effective warehouseman's license under the act, or who has applied for such a license.

(o) *License*. A license issued under the act by the Secretary, or his designated representative.

(p) *Warehouseman's bond*. The bond required by the act to be given by a warehouseman.

(q) *Inspector*. (1) A person licensed under the provisions of section 11 of the U.S. Warehouse Act, section 8 of the U.S. Grain Standards Act, or the provisions of the Agricultural Marketing Act of 1946 and (2) a Federal employee authorized under section 8 of the U.S. Grain Standards Act, or under the provisions of the Agricultural Marketing Act of 1946 to inspect, grade and/or certificate the grade of grain stored or to be stored in a warehouse licensed under the U.S. Warehouse Act (the terms ''duly licensed to inspect'' and ''licensed inspector'' shall be defined accordingly).

(r) *Weigher*. (1) A person licensed under the provisions of section 11 of the U.S. Warehouse Act, section 8 of the U.S. Grain Standards Act, or the provisions of the Agricultural Marketing Act of 1946 and (2) a Federal employee authorized under section 8 of the U.S. Grain Standards Act, or under the provisions of the Agricultural Marketing Act of 1946, to weigh and/or certificate the weight of grain stored or to be stored in a warehouse licensed under the U.S. Warehouse Act (the terms ''duly licensed to weigh'' and ''licensed weigher'' shall be defined accordingly).

(s) *Grain Standards Act*. The United States Grain Standards Act, approved August 11, 1916 (39 Stat. 482; 7 U.S.C. 71–87) as amended.

(t) *Agricultural Marketing Act of 1946*. The Agricultural Marketing Act of 1946 (7 U.S.C. 1621–1627) as amended.

(u) *Official Standards of the United States*. The standards of the quality or condition for grain, fixed and established under the U.S. Grain Standards Act or the Agricultural Marketing Act of 1946.

(v) *Receipt*. A licensed warehouse receipt issued under the act.

(w) *Net assets*. The difference remaining when liabilities are subtracted from allowable assets as determined by the Secretary after review of the warehouseman's financial statement. In determining total net assets, credit may be given for insurable property such as buildings, machinery, equipment, and merchandise inventory only to the extent that such property is protected by insurance against loss or damage by fire, lightning, and tornado. Such insurance shall be in the form of lawful insurance policies issued by insurance companies authorized to do such business and subject to service of process in suits brought in the State in which the warehouse is located.

(x) *Warehouse capacity*. Warehouse capacity is defined as the maximum number of bushels of grain that the warehouse could accommodate when stored in the manner customary to the grain for the warehouse, as determined by the Secretary.

(y) *Current assets*. Assets, including cash, that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business or within one year if the operating cycle is shorter than one year.

(z) *Current liabilities*. Those financial obligations which are expected to be satisfied during the normal operating cycle of the business or within one year if the operating cycle is shorter than one year.

(aa) *Storage grain*. All grain received into, stored in, or delivered out of the warehouse which is not classified as

nonstorage grain under § 736.19(c) of this part.

[29 FR 15730, Nov. 24, 1964, as amended at 41 FR 7751, Feb. 20, 1976; 42 FR 12143, Mar. 3, 1977; 43 FR 14006, Apr. 4, 1978; 45 FR 5661, Jan. 24, 1980. Redesignated and amended at 50 FR 1814, Jan. 14, 1985; further amended at 52 FR 37126, Oct. 5, 1987; 56 FR 40220, Aug. 14, 1991]

WAREHOUSE LICENSES

### § 736.3 Application form.

Applications for licenses and for amendments of licenses under the act shall be made to the Secretary upon prescribed forms furnished by the Service, shall be in English, shall truly state the information therein contained, and shall be signed by the applicant. The applicant shall at any time furnish such additional information as the Secretary, or his designated representative, shall find to be necessary to the consideration of his application.

### § 736.3a All facilities to be licensed or exempted.

All facilities within the same city or town used for the storage of grain by an applicant for a warehouse license must qualify for a license and be licensed under the act if the applicant is to be licensed to operate as a grain warehouseman in such city or town, unless the facilities which are not to be covered by a license are exempted by the Secretary or his designated representative upon a finding that, due to the exercise of adequate controls by some independent agency over the operation of the nonfederally licensed facilities, there would be no likelihood of interchange, substitution, or commingling of grain stored in such facilities with grain stored in the federally licensed facilities. If all such facilities do not qualify for a license or for an exemption under this section, the applicant shall not be licensed under the act as a grain warehouseman in the city or town in which the facilities in question are located. Each applicant for a grain warehouse license must apply for a license covering all facilities operated by him for the storage of grain within the same city or town or for exemption as provided in this section. If a licensed grain warehouseman acquires any additional grain storage facilities within the same city or town in which his licensed warehouse is located, he shall file promptly an application for a license or an exemption of the additional facilities. No grain storage facility acquired by a licensed grain warehouseman, subsequent to the issuance of his license, in the same city or town as his licensed facilities, shall be used for the storage of grain until it qualifies for license and is licensed or is exempted as provided in this section. If any one of the licensed grain storage facilities operated by a warehouseman in the same city or town becomes ineligible for a license at any time for any reason, it shall not thereafter be used for the storage of grain until the condition making it ineligible is removed or an exemption is granted as provided in this section. The use for the storage of grain by a licensed warehouseman of a facility which is in the same city or town as his licensed facilities and is neither licensed nor exempted, or other violation of the provisions of this section, shall be cause for suspension or revocation of any license issued to the warehouseman for the storage of grain.

### § 736.4 Scales; bin numbers.

(a) Each warehouse must be equipped with suitable scales in good order, and so arranged that all grain, whether for storage or for nonstorage purposes, can be weighed in and out of the warehouse. The scales in any warehouse shall be subject to examination by representatives of the Department and to disapproval by the Administrator. If he disapproves any weighing apparatus, it shall not thereafter be used in ascertaining the weight of grain for the purposes of this act, until such disapproval be withdrawn.

(b) Both bulk grain bins and compartments for sacked grain of all warehouses licensed under the act shall be identified by means of clearly discernible numbers securely affixed thereto. The series of numbers to be used shall be approved by the Service. Bulk grain bins shall be numbered so as to be easily identified at the openings on top and also on or near the outlet valves underneath. Compartments shall be

numbered in such a manner as to clearly show the space covered by each number.

**§ 736.5 [Reserved]**

**§ 736.6 Financial requirements.**

(a) Each warehouseman conducting a warehouse licensed, or for which application for a license has been made under the regulations in this part, shall maintain complete, accurate and current financial records.

(b) Each warehouseman conducting a warehouse for which application for license is made shall provide with this application and each warehouseman licensed under these regulations annually, or more frequently if required, shall furnish to the Secretary financial statements from the records required in paragraph (a) of this section prepared according to generally accepted accounting principles. Such statements shall include but not be limited to: (1) Balance sheet, (2) statement of income (profit and loss), (3) statement of retained earnings, and (4) statement of changes in financial position. The chief executive officer for the warehouseman shall certify under penalties of perjury that the statements as prepared accurately reflect the financial condition of the warehouseman as of the date named and fairly represent the results of operations for the period named.

(c) Each warehouseman conducting a warehouse licensed under these regulations shall have the financial statements required in paragraph (b) of this section audited by an independent certified public accountant. Alternatively, financial statements audited or reviewed by an independent public accountant will be accepted with the understanding that the warehouseman will be subject to an additional on-site examination by the Secretary and to an audit by the Secretary. Audits and reviews by independent certified public accountants and independent public accountants specified in this section shall be made in accordance with standards established by the American Institute of Certified Public Accountants. The accountant's certification, assurances, opinion, comments, and notes on such statements, if any, shall be furnished along with the statements. Licensees who cannot immediately meet these requirements may apply to the Secretary for a temporary waiver of this provision. The Secretary may grant such waiver for a temporary period not to exceed 180 days if the licensee can furnish evidence of good and substantial reasons therefor.

(d) Each warehouseman conducting a warehouse which is licensed under the regulations in this part, or for which application for such a license has been made, shall have and maintain:

(1) Total net assets liable and available for the payment of any indebtedness arising from the conduct of the warehouse of at least 25 cents multiplied by the warehouse capacity in bushels, however, no person may be licensed or remain licensed as a warehouseman under this part unless that person has allowable net assets of at least $50,000, (Any deficiency in net assets above the $50,000 minimum may be supplied by an increase in the amount of the warehouseman's bond in accordance with § 736.14(c) of this part); and

(2) Total current assets equal to or exceeding total current liabilities or assurance that funds will be available to meet current obligations.

(e) In case a warehouseman is licensed or is applying for licenses to operate two or more warehouses under the regulations in this part, the maximum number of bushels which all such warehouses will accommodate when stored in the manner customary to the warehouses, as determined by the Administrator, shall be considered in determining whether the warehouseman meets the net assets requirements specified in paragraph (d) of this section.

(f) Subject to such terms and conditions as the Secretary may prescribe and for the purposes of determining allowable assets and liabilities under paragraphs (d) and (e) of this section:

(1) Capital stock shall not be considered a liability;

(2) Appraisals of the value of fixed assets in excess of the book value claimed in the financial statement submitted by warehousemen to conform with paragraphs (b) and (c) of this section may be allowed by the Secretary if prepared by independent appraisers acceptable to the Secretary;

(3) Financial statements of a parent company which separately identifies the financial position of a wholly owned subsidiary and which meets the requirements of paragraphs (b), (c), and (d) of this section may be accepted by the Secretary in lieu of the warehouseman meeting such requirements; and

(4) Guaranty agreements from a parent company submitted on behalf of a wholly owned subsidiary may be accepted by the Secretary as meeting the requirements of paragraphs (b), (c), and (d) of this section, if the parent company submits a financial statement which qualifies under this section.

(g) In case a State agency licensed or applying for a license as provided in Section 9 of the Act has funds of not less than $500,000 guaranteeing the performance of obligations of the agency as a warehouseman, such funds shall be considered sufficient to meet the net assets requirements of this section.

(h) In case a warehouseman files a bond in the form of a certification of participation in an indemnity or insurance fund as provided for in § 736.13(b), the licensed warehouseman shall have and maintain a minimum of $25,000 in allowable net assets and any deficiency in assets above the $25,000 minimum shall be covered by an acceptable and valid certificate.

(i) When a warehouseman files a bond in the form of either a deposit of public debt obligations of the United States or other obligations which are unconditionally guaranteed as to both interest and principal by the United States as provided for in § 736.13(c):

(1) The obligation deposited shall not be considered a part of the warehouseman's assets for purposes of § 736.6(d), (1) and (2);

(2) A deficiency in total allowable net and current assets as computed for § 736.6(d), (1) and (2) may be offset by the licensed warehouseman furnishing a corporate surety bond for the difference;

(3) The deposit may be replaced or continued in the required amount from year to year; and

(4) The deposit shall not be released until one year after termination (cancellation or revocation) of the license whch it supports or until satisfaction of any claim against the deposit, whichever is later.

Nothing in these regulations shall prohibit a person other than the licensed warehouseman from furnishing such bond or additions thereto on behalf of and in the name of the licensed warehouseman subject to provisions of § 736.13(c).

[29 FR 15730, Nov. 24, 1964, as amended at 39 FR 41824, Dec. 3, 1974; 47 FR 23910, June 1, 1982; 49 FR 12667, Mar. 30, 1984. Redesignated at 50 FR 1814, Jan. 14, 1985; further amended at 52 FR 37126, Oct. 5, 1987]

### § 736.7 Grounds for not issuing license.

A license for the conduct of a warehouse, or any amendment to a license, under the regulations in this part, shall not be issued if it is found by the Secretary, or his designated representative, that the warehouse is not suitable for the proper storage of grain; that the warehouseman does not possess a good reputation, or does not have a net worth of at least $50,000.00, or is incompetent to conduct such warehouse in accordance with the act and the regulations in this part; or that there is any other sufficient reason within the intent of the act for not issuing such license. If all the facilities operated for the storage of grain by the applicant within the same city or town are not to be licensed under the act, the applicant shall not be licensed as a grain warehouseman with respect to any of such facilities, unless an exemption of the facilities which are not to be licensed is granted as provided in § 736.3a.

[29 FR 15730, Nov. 24, 1964, as amended at 47 FR 23911, June 1, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985 and further amended at 52 FR 37127, Oct. 5, 1987]

### § 736.8 Posting of license.

Immediately upon receipt of his license or of any modification or extension thereof under the act, the warehouseman shall post same, and thereafter, except as otherwise provided in the regulations in this part, keep it posted until suspended or terminated, in a conspicuous place in the principal office where receipts issued by such warehouseman are delivered to depositors.

**§ 736.9 Warehouse license; suspension; revocation.**

Pending investigation, the Secretary, or his designated representative, whenever he deems necessary, may suspend a warehouseman's license temporarily without hearing. Upon written request and a satisfactory statement of reasons therefor, submitted by a warehouseman, the Secretary, or his designated representative, may, without hearing, suspend or revoke the license issued to such warehouseman. The Secretary, or his designated representative, may, after opportunity for hearing has been afforded in the manner prescribed in this section, suspend or revoke a license issued to a warehouseman when such warehouseman—

(a) Does not have a net worth of at least $50,000;

(b) Has parted, in whole or in part, with his control over the licensed warehouse;

(c) Is in process of dissolution or has been dissolved;

(d) Has ceased to operate such licensed warehouse;

(e) Has in any other manner become nonexistent or incompetent or incapacitated to conduct the business of the warehouse;

(f) Has made unreasonable or exorbitant charges for services rendered;

(g) Is operating in the same city or town in which his licensed warehouse facilities are located, any facility for storage of grain which is not covered by a license or an exemption as provided in § 736.3a; or

(h) Has in any other manner violated or failed to comply with any provision of the act or the regulations in this part. Whenever any of the conditions mentioned in paragraphs (a) through (h) of this section shall come into existence, it shall be the duty of the warehouseman to notify the Administrator immediately of the existing condition. Before a license is revoked or suspended (other than temporarily pending investigation) for any violation of, or failure to comply with, any provision of the act or of the regulations in this part, or upon the ground that unreasonable or exorbitant charges have been made for services rendered, the warehouseman involved shall be furnished by the Secretary, or his designated representative, a written statement, specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 736.99.

[29 FR 15730, Nov. 24, 1964, as amended at 47 FR 23911, June 1, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985 and further amended at 52 FR 37127, Oct. 5, 1987; 53 FR 2477, Jan. 28, 1988]

**§ 736.10 Return of suspended or revoked license.**

In case a license issued to a warehouseman terminates or is suspended or revoked by the Secretary or his designated representative, such license shall be immediately returned to the Secretary. At the expiration of any period of suspension of such license, unless it be in the meantime revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, it shall be returned to the warehouseman to whom it was originally issued and it shall be posted as prescribed in § 736.8: *Provided,* That in the discretion of the Secretary, or his designated representative, a new license may be issued without reference to the suspension.

**§ 736.11 Lost or destroyed warehouse license.**

Upon satisfactory proof of the loss or destruction of a license issued to a warehouseman, a duplicate thereof, or a new license may be issued under the same number.

**§ 736.12 Unlicensed warehousemen must not represent themselves as licensed.**

No warehouse or its warehouseman shall be designated as licensed under the act, and no name or description conveying the impression that it or he is so licensed shall be used, either in a receipt or otherwise, unless such warehouseman holds an unsuspended and unrevoked license for the conduct of such warehouse.

WAREHOUSE BONDS

### § 736.13 Bond required; time of filing.

Each warehouseman applying for a warehouse license under the Act shall, before such license is granted, file with the Secretary or his designated representative a bond either:

(a) In the form of a bond containing the following conditions and such other terms as the Secretary or his designated representative may prescribe in the approved bond forms, with such changes as may be necessary to adapt the forms to the type of legal entity involved:

Now, therefore, if the said license(s) or any amendments thereto be granted and said principal, and its successors and assigns operating said warehouse(s), shall faithfully perform during the period of this bond all obligations of a licensed warehouseman under the terms of the Act and regulations thereunder relating to the above-named products;

Then this obligation shall be null and void and of no effect, otherwise to remain in full force. For purposes of this bond, the aforesaid obligations under the Act and regulations and contracts include obligations under any and all modifications of the Act, the regulations, and the contracts that may hereafter be made, notice of which modifications to the surety being hereby waived.

This obligation shall be and remain in full force and effect for a minimum of one year beginning with the effective date and shall be considered a continuous bond thereafter until terminated as herein provided. The total liability of the surety is limited to the penal amount hereof, for liabilities that accrue during the term hereof.

This obligation shall be and remain in full force and effect from date of issue until one hundred twenty (120) days after notice in writing of cancellation shall have been received by the Secretary from the principal or surety. If said notice shall be given by the surety, a copy thereof shall be mailed on the same day to the principal. Cancellation of this bond and cancellation of any of its provisions shall not affect any liability accrued thereon at the time of said notice or which may accrue thereon during the one hundred twenty (120) days after such notice.

A bond in this form shall be subject to 7 CFR 736.6, and 736.14 through 736.17, and 31 CFR part 225, or

(b) In the form of a certificate of participation in and coverage by an indemnity or insurance fund as approved by the Secretary, established and maintained by a State, backed by the full faith and credit of the applicable State, and which guarantees depositors of the licensed warehouse full indemnification for the breach of any obligation of the licensed warehouseman under the terms of the Act and regulations. A certificate of participation and coverage in such fund shall be furnished to the Secretary annually. If administration or application of the fund shall change after being approved by the Secretary, the Secretary may revoke his approval. Such revocation shall not affect a depositor's rights which have arisen prior to such revocation. Upon such revocation the licensed warehouseman then must comply with paragraph (a). Such certificate of participation shall not be subject to §§ 736.14 and 736.15, or

(c) In the form of a deposit with the Secretary as security, United States, bonds, Treasury notes, or other public debt obligations of the United States or obligations which are unconditionally guaranteed as to both interest and principal by the United States, in a sum equal at their par value to the amount of the penal bond required to be furnished, together with an irrevocable power of attorney and agreement in the form prescribed, authorizing the Secretary to collect or sell, assign and transfer such bonds or notes so deposited in case of any default in the performance of any of the conditions or stipulations of such penal bond. Obligations posted in accordance with this paragraph may not be withdrawn by the warehouseman until one year after license termination or until satisfaction of any claims against the obligations whichever is later. A bond in this form shall be subject to 7 CFR 736.6 and 736.14 through 736.17 and 31 CFR part 225.

[52 FR 37127, Oct. 5, 1987]

### § 736.14 Amount of bond; additional amounts.

(a) The amount of bond to be furnished for each warehouse under the regulations in this part shall be fixed at a rate of 20 cents per bushel for the first 1,000,000 bushels of licensed capacity; 15 cents per bushel for the next 1,000,000 bushels of licensed capacity; and 10 cents per bushel for all licensed capacity over 2,000,000 bushels: *Provided*, That in any case the amount of

bond shall not be less than $20,000 nor more than $500,000, except as prescribed in paragraph (c) of this section. The licensed capacity shall be the maximum number of bushels of grain that the warehouse could accommodate as determined under § 736.6(d).

(b) In case a warehouseman is licensed or is applying for licenses to operate two or more warehouses in the same State he may give a single bond meeting the requirements of the Act and the regulations in this part to cover all his warehouses within the State. In such case the warehouses to be covered by the bond shall be deemed to be one warehouse only for purposes of determining the amount of bond required under paragraph (a) of this section.

(c) In case of a deficiency in net assets above the $50,000 minimum required under § 736.6(d)(1), there shall be added to the amount of bond determined in accordance with paragraph (a) of this section an amount equal to such deficiency or a letter of credit in the amount of the deficiency issued to the Secretary for a period of not less than two years to coincide with the period of any deposit of obligation under 7 CFR 736.13(c). Any letter of credit must be clean, irrevocable, issued by a commerical bank, payable to the Secretary by sight draft and insured as a deposit by the Federal Deposit Insurance Corporation. If the Secretary, or his designated representative, finds that conditions exist which warrant requiring additional bond, there shall be added to the amount of bond as determined under the other provisions of this section, a further amount to meet such conditions.

[29 FR 15730, Nov. 24, 1964, as amended at 39 FR 41824, Dec. 3, 1974; 47 FR 23911, June 1, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985, and further amended at 52 FR 37127, Oct. 5, 1987]

### § 736.15 Amendment to license.

In case an application is made for an amendment to a license and no bond previously filed by the warehouseman under §§ 736.13 through 736.17 covers obligations arising during the period covered by such amendment, the warehouseman shall, when notice has been given by the Secretary, or his designated representative, that his application for such amendment will be granted upon compliance by such warehouseman with the act, file with the Secretary, within a time, if any, fixed in such notice, a bond complying with the act. In the discretion of the Secretary, or his designated representative, a properly executed instrument in form approved by him, amending, extending, or continuing in force and effect the obligations of a valid bond previously filed by the warehouseman and otherwise complying with the act and the regulations in this part, may be filed in lieu of a new bond.

### § 736.16 New bond required each year.

A continuous form of license shall remain in force for more than one year from its effective date or any subsequent extension thereof, provided that the warehouseman has on file with the Secretary a bond meeting the terms and conditions as outlined in 7 CFR 736.13. Such bond must be in the amount required by the Secretary and approved by him or his designated representative. Failure to provide or renew a bond shall result in immediate and automatic termination of the warehouseman's license.

[52 FR 37127, Oct. 5, 1987]

### § 736.17 Approval of bond.

No bond, amendment, or continuation thereof shall be accepted for the purposes of the act and the regulations in this part until it has been approved by the Secretary, or his designated representative.

WAREHOUSE RECEIPTS

### § 736.18 Form.

(a) Every receipt, whether negotiable or nonnegotiable, issued for grain stored in a licensed warehouse shall, in addition to complying with the requirements of section 18 of the act, embody within its written or printed terms the following:

(1) The name of the warehouseman and the designation, if any, of the warehouse,

(2) A statement whether the warehouseman is incorporated or unincorporated, and if incorporated, under what laws,

(3) In event the relationship existing between the warehouseman and any depositor is not that of strictly disinterested custodianship, a statement setting forth the actual relationship,

(4) A statement conspicuously placed, whether or not the grain is insured, and, if insured, to what extent, by the warehouseman against loss by fire, lightning, tornado, or otherwise,

(5) The net weight, including dockage, if any, of the grain,

(6) In the case of grain the identity of which is to be preserved, its identification or location in accordance with § 736.45,

(7) The words ''Not Negotiable,'' or ''Negotiable,'' according to the nature of the receipt, clearly and conspicuously printed or stamped thereon, and

(8) That the holder of the receipt or the depositor of the grain shall demand the delivery of the grain not later than the expiration of one year from the date of the receipt.

(b) Every receipt, whether negotiable or nonnegotiable, issued for grain stored in a warehouse shall specify a period, not exceeding one year, for which the grain is accepted for storage under the Act and the regulations in this part. Upon demand for issuance of a new receipt, surrender of the old receipt by the lawful holder thereof at or before the expiration of the period specified therein and an offer to satisfy the warehouseman's lien, the warehouseman, upon such lawful terms and conditions as may be granted by him to other depositors of grain in his warehouse, shall, in the absence of some lawful excuse, issue a new receipt for a further specified period, not exceeding one year.

(c) Every negotiable receipt issued shall, in addition to conforming with the requirements of paragraph (a) of this section, embody within its written or printed terms, a form of indorsement which may be used by the depositor, or his authorized agent, for showing the ownership of, and liens, mortgages, or other encumbrances on the grain covered by the receipt.

(d) The grade stated in a receipt shall be stated in accordance with § 736.76 as determined by the inspector who last inspected and graded the grain or if an appeal has been taken, the grade shall be stated on such receipt in accordance with the grade as finally determined in such appeal.

(e) If a warehouseman issues a receipt omitting the statement of grade on request of the depositor as permitted by section 18 of the act, such receipt shall have clearly and conspicuously stamped or written in the space provided for the statement of grade the words ''Not graded on request of depositor.''

(f) If a warehouseman issues a receipt under the act omitting any information not required to be stated, for which a blank space is provided in the form of the receipt, a line shall be drawn through such space to show that such omission has been made purposely by the warehouseman.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15730, Nov. 24, 1964, as amended at 45 FR 5661, Jan. 24, 1980; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.19 Grain must be inspected and weighed.

(a) Except in case of identity-preserved grain, when the grading is omitted at request of depositor, all storage and nonstorage grain received into the warehouse shall be inspected, graded and weighed by a licensed inspector and/or weigher—and no receipt may be issued under the Act or the regulations in this part until the grain covered by such receipt has been so inspected, graded and weighed.

(b) When requested by the depositor of grain the identity of which is to be preserved, a receipt omitting statement of grade but not weight may be issued.

(c) Except as provided in § 736.27 of this part, all storage grain delivered out of a warehouse must be inspected, graded, and weighed by a licensed inspector or weigher, as applicable.

[40 FR 19011, May 1, 1975. Redesignated at 50 FR 1814, Jan. 14, 1985; amended at 56 FR 40220, Aug. 14, 1991]

### § 736.20 Copies of receipts.

At least one actual or skeleton copy of all receipts shall be made, and all copies, except skeleton copies, shall have clearly and conspicuously printed

or stamped thereon the words ''Copy—Not Negotiable.'' A copy of each receipt issued shall be retained by the warehouseman for a period of one year after December 31 of the year in which the corresponding original receipt is canceled.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15730, Nov. 24, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.21 Lost or destroyed receipts; bond.

(a) In the case of lost or destroyed receipts, if there be no statute of the United States or law of a State applicable thereto a new receipt upon the same terms, subject to the same conditions, and bearing on its face the number and the date of the receipt in lieu of which it is issued and a plain and conspicuous statement that it is a duplicate receipt issued in lieu of a lost or destroyed receipt, may be issued upon compliance with the conditions set out in paragraph (b) of this section.

(b) Before issuing such new or duplicate negotiable receipt the warehouseman shall require the depositor or other person applying therefor to make and file with him (1) an affidavit showing that the applicant is lawfully entitled to the possession of the original receipt, that he has not negotiated or assigned it, how the original receipt was lost or destroyed, and if lost, that diligent effort has been made to find the receipt without success, and (2) a bond in an amount double the value, at the time the bond is given, of the grain represented by the lost or destroyed receipt. Such bond shall be in a form approved for the purpose by the Secretary, or his designated representative, shall be conditioned to indemnify the warehouseman against any loss sustained by reason of the issuance of such receipt, and shall have a surety thereon a surety company which is authorized to do business, and is subject to service of process in a suit on the bond, in the state in which the warehouse is located or at least two individuals who are residents of such state and each of whom owns real property therein having a value, in excess of all exemptions and encumbrances, equal to the amount of the bond.

(c) Before issuing such new or duplicate non-negotiable receipt, obtain a written statement from the holder that the original non-negotiable receipt is lost and requires the issuance of a duplicate non-negotiable receipt.

[29 FR 15730, Nov. 24, 1964. Redesignated at 50 FR 1814, Jan. 14, 1985, and amended at 57 FR 57648, Dec. 7, 1992]

### § 736.22 Printing of receipts.

No receipt shall be issued by a licensed warehouseman unless it is:

(a) In a form prescribed by the Administrator,

(b) Upon distinctive paper or card stock specified by the Administrator,

(c) Printed by a printer with whom the United States has a subsisting agreement and bond for such printing, and

(d) On paper and/or card stock tinted with ink in the manner prescribed by the agreement under paragraph (c) of this section.

[62 FR 33540, June 20, 1997]

### § 736.23 Partial delivery of grain.

If a warehouseman delivers a part only of a lot of grain for which he has issued a negotiable receipt under the act, he shall take up and cancel such receipt and issue a new receipt in accordance with the regulations in this part for the undelivered portion of the grain. The new receipt shall show the date of issuance and also indicate the number and date of the receipt first issued.

### § 736.24 Return of receipts before delivery of grain.

Except as permitted by law or by the regulations in this part, a warehouseman shall not deliver any grain for which he has issued a negotiable receipt until the receipt has been returned to him and canceled; and shall not deliver grain for which he has issued a non-negotiable receipt until such receipt has been returned, or he has obtained from the depositor or the depositor's agent, a written order therefore and a receipt upon delivery.

[57 FR 57649, Dec. 7, 1992]

### § 736.25 Nonnegotiable receipts.

Each person to whom a nonnegotiable receipt is issued shall furnish the warehouseman with a statement in writing indicating the person or persons having power to authorize delivery of grain covered by such receipt, together with the bona fide signature of such person or persons. No licensed warehouseman shall honor an order for the release of grain covered by a nonnegotiable receipt until he has first ascertained that the person issuing the order has authority to order such release, and that the signature of the releasing party is genuine.

### § 736.26 Omission of grade; no compulsion by warehouseman.

No warehouseman shall, directly or indirectly by any means whatsoever, compel or attempt to compel the depositor of any grain stored or offered for storage in his warehouse to request the issuance of a receipt omitting the statement of grade.

### § 736.27 Loading out without weighing.

(a) When the lawful owner of an entire lot of identity preserved grain or a mass of grain stored in a single bin requests the warehouseman to deliver said lot or mass without reweighing said grain, the warehouseman may make such delivery if there is an accurate record of the weight of such grain when received. Such deliveries shall be made only when the lawful owner agrees to assume all shortages and other risks incidental thereto, and after the warehouse receipts covering all of the grain in the container have been surrendered to the warehouseman and canceled. After the receipts covering such grain have been surrendered for cancellation no other grain shall be placed in the bin until the entire lot has been delivered.

(b)(1) When the lawful owner of fungible grain requests the warehouseman to deliver grain out of the warehouse without weighing, the warehouseman may, but is not compelled to, make such delivery provided the grain is to be moved into another warehouse in the United States where weights can be established. The weights established at the receiving warehouse must be supervised by an independent weighing agency unless the shipping warehouse and the receiving warehouse are operated by the same warehouseman, or unless destination weights are available within 24 hours of shipment. Whenever a warehouseman delivers fungible grain out of a warehouse without weighing, the weight of the grain unloaded at the receiving warehouse shall be the weight used to determine fulfillment of the shipping warehouseman's delivery obligations.

(2) When fungible grain is delivered out of the warehouse without weighing, the warehouseman shall estimate as accurately as possible the weight of the grain delivered out and shall promptly obtain destination weights from the receiving warehouse. Should the Administrator determine that such estimated weights are not reasonably accurate, or that destination weights are not promptly obtained, or that destination weights are not supervised by an independent weighing agency when required, he may thereafter require the warehouseman to weigh all fungible grain delivered out of the warehouse.

(3) Any weight certificate issued covering grain delivered out of the warehouse without being weighed must state in bold letters on the face of the certificate the fact that the weight is an estimated weight.

[40 FR 19011, May 1, 1975. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.28 Persons authorized to sign receipts.

Each warehouseman shall file with the Department the name and genuine signature of each person authorized to sign warehouse receipts for the warehouseman, and shall promptly notify the Department of any changes as to persons authorized to sign and shall file the signatures of such persons, and each warehouseman shall be bound by such signatures the same as if he had personally signed the receipt.

### § 736.29 Receipts; basis for issuance.

Before issuing any receipt under the Act each warehouseman shall, unless he personally weighed, inspected, and graded, if graded, a lot of grain, first obtain either a copy of, or the original weight certificate, and inspection certificate, if any, covering said lot of

grain. The warehouse records shall clearly identify the certificate(s) used as a basis for issuance of each warehouse receipt, and said weight and grade certificates shall be kept on file as a record in the warehouseman's office; provided that said filing requirements shall be deemed satisfied if copies of the certificates upon which warehouse receipts are based are filed in the office of a U.S. Registrar or in the office of an independent inspection or weighing agency which issued them, and are readily accessible for examination purposes. Such certificates shall be retained for a period of three years after December 31 of the year in which issued.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15730, Nov. 24, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.30 Receipts for stored grain.

Receipts must be issued for all grain stored in a warehouse. Receipts need not be issued against nonstorage grain, but each warehouseman shall keep accurate records of the weights, kinds, and grades of all lots of nonstorage grain received into and delivered from his warehouse. Whenever the purpose for which any lot of nonstorage grain was received into a warehouse is changed so that its approximate delivery period from the warehouse becomes indeterminate, receipts shall be issued to cover such grain. Records required under this section with respect to nonstorage grain shall be retained, as a part of the records of the warehouse, for a period of one year after December 31 of the year in which the lot of nonstorage grain is delivered from the warehouse.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15730, Nov. 24, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.31 No receipts for screenings.

No receipt shall be issued for any product or byproduct which would fall under the term ''screenings.''

### § 736.32 Canceled receipts; auditing.

Each warehouseman, if requested by the Service, shall forward canceled receipts for auditing to an entity or office of the Service as may be designated from time to time.

[62 FR 33540, June 20, 1997]

DUTIES OF WAREHOUSEMAN

### § 736.33 Insurance; requirements.

(a) Each warehouseman, when so requested in writing as to any grain by the depositor thereof or lawful holder of the receipt covering such grain, shall, to the extent to which, in the exercise of due diligence, he is able to procure such insurance, keep such grain while in his custody as a warehouseman insured in his own name or arrange for its insurance otherwise to the extent so requested, against loss or damage by fire, lightning, and/or tornado. When insurance is not carried in the warehouseman's name, the receipts shall show that the grain is not insured by the warehouseman. Such insurance shall be covered by lawful policies issued by one or more insurance companies authorized to do such business, and subject to service of process in suits brought in the State where the warehouse is located. If the warehouseman is unable to procure such insurance to the extent requested, he shall, orally or by telegraph or by telephone immediately notify the person making the request of the fact. Nothing in this section shall be construed to prevent the warehouseman from adopting a rule that he will insure all grain stored in his warehouse.

(b) Each warehouseman shall comply fully with the terms of insurance policies or contracts covering his licensed warehouse and all products stored therein, and shall not commit any acts, nor permit his employees to do anything, which might impair or invalidate such insurance.

(c) Each warehouseman shall keep exposed conspicuously in the place prescribed by § 736.8, and at such other place as the Administrator or his representative may from time to time designate, a notice stating briefly the conditions under which the grain will be

insured against loss or damage by fire, lightning, and tornado.

(d) Each warehouseman shall, in accordance with his contracts with insurance and bonding companies for the purpose of meeting the insurance and bonding requirements of the regulations in this part, pay such premiums, permit such reasonable inspections and examinations, and make such reasonable reports as may be provided for in such contracts.

(e) Each warehouseman shall promptly take such steps as may be necessary and proper to collect any moneys which may become due under contracts of insurance entered into by him for the purpose of meeting the requirements of the regulations in this part, and shall, as soon as collected, promptly pay to the persons concerned any portion of such moneys which they may be entitled to receive from him.

(f) If at any time a fire occurs at or within any licensed warehouse, it shall be the duty of the warehouseman to report immediately the occurrence of such fire and the extent of damage to the Administrator.

[29 FR 15730, Nov. 24, 1964, as amended at 62 FR 33540, June 20, 1997]

### § 736.34 Records; safe keeping.

Each warehouseman shall provide a fireproof safe, vault, or compartment in which he shall keep, when not in actual use, all records, books, and papers pertaining to the licensed warehouse, including his current receipt book, copies of issued and canceled receipts, except that with the written consent of the Service, upon a showing by such warehouseman that it is not practicable to provide such fireproof safe, vault, or compartment, he may keep such records, books and papers in some other place of safety, approved by the Service. Each canceled receipt shall be retained by warehouseman for a period of six years after December 31 of the year in which the receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the act. Canceled receipts shall be arranged by the warehouseman in numerical order and otherwise in such manner as shall be directed, for purposes of audit, by authorized officers or agents of the Department of Agriculture.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15730, Nov. 24, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.35 Warehouse charges.

A warehouseman shall not make any unreasonable or exorbitant charge for services rendered. Before a license to conduct a warehouse is granted under the act the warehouseman shall file with the Department a copy of his rules and a schedule of charges to be made by him if licensed. Before making any change in such rules or schedule of charges he shall file with the Department a statement in writing showing the proposed change and the reasons therefor. Each warehouseman shall keep exposed conspicuously in the place prescribed by § 736.8, and at such other place, accessible to the public, as the Service may from time to time designate, a copy of his current rules and schedule of charges.

### § 736.36 Business hours.

(a) Each warehouse shall be kept open for the purpose of receiving grain for storage and delivering grain out of storage every business day for a period of not less than six hours between the hours of 8 a.m. and 6 p.m. except as provided in paragraph (b) of this section. The warehouseman shall keep conspicuously posted on the door of the public entrance to his office and to his licensed warehouse a notice showing the hours during which the warehouse will be kept open, except when such warehouse is kept open continuously from 8 a.m. to 6 p.m.

(b) In case the warehouse is not to be kept open as required by paragraph (a) of this section, the notice posted as prescribed in that paragraph shall state the period during which the warehouse is to be closed and the name of an accessible person, with the address where he is to be found, and the telephone number, if any, who shall be authorized to deliver grain stored in such warehouse, upon lawful demand by the

depositor thereof or the holder of the receipt therefor, as the case may be.

### § 736.37 System of accounts.

Each warehouseman shall have and maintain a system of accounts, approved for the purpose by the Service. This shall include a stock record showing for each lot of grain received for storage its net weight including dockage, if any, its grade when its grade is required to be, or is, ascertained, its location, the dates received for and delivered out of storage, the receipts issued and canceled, also a separate record for each depositor of his grain, which shall include a detailed record of all moneys received and disbursed and of all insurance policies taken out and canceled on request of each depositor. The warehouseman shall further keep a general insurance account showing the policy number, issuing company, amount, binding, and expiration dates of all fire, tornado, and other insurance policies taken out by him and in each instance show the property covered by such policies. These records shall also show similar information concerning any nonstorage grain handled through the warehouse. Such records shall be retained by the warehouseman for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15730, Nov. 24, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.38 Reports required.

(a) Each warehouseman shall, from time to time, if requested by the Service, make such reports, on forms prescribed and furnished for the purpose by the Service, concerning the condition, contents, operation, and business of the warehouse.

(b) Each warehouseman shall keep on file, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which submitted, an exact copy of each report submitted by such warehouseman under the regulations in this part.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15730, Nov. 24, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.39 Inspections; examination of warehouse.

Each warehouseman shall permit any officer or agent of the Department, authorized by the Secretary, or his designated representative, for the purpose, to enter and inspect or examine on any business day during the usual hours of business, any warehouse for the conduct of which such warehouseman holds a license, the office thereof, the books, records, papers, and accounts relating thereto, and the contents thereof and such warehouseman shall furnish such officer or agent the assistance necessary to enable him to make any inspection or examination under this section.

### § 736.40 Care of grain in licensed warehouses.

Each warehouseman shall at all times, including any period of suspension of his license, exercise such care in regard to grain in his custody as a reasonably careful owner would exercise under the same circumstances and conditions.

### § 736.41 Care of other grain and other commodities.

If, at any time, a warehouseman shall handle or store grain otherwise than as a licensed warehouseman, or shall handle or store any other commodity, he shall so protect the same, and otherwise exercise care with respect to it, as not to endanger the grain in his custody as a warehouseman or impair the insurance thereof or his ability to meet his obligations and perform his duties under the act and the regulations in this part.

### § 736.42 Excess storage.

(a) If at any time a warehouseman shall store grain in his warehouse in excess of the capacity for which it is licensed, such warehouseman shall immediately notify the Secretary of such

excess storage, the reason therefor, and the location thereof.

(b) A warehouseman who lacks sufficient space and desires to transfer stored grain for which receipts have been issued to another licensed warehouse may do so either by physical movement or by other methods accepted as standard industry practice subject to the following terms and conditions:

(1) The transferring (shipping) warehouseman's accepted rules or schedule of charges must contain notice that the warehouseman may forward grain deposited on a commingled basis under such terms and conditions as the Secretary may prescribe.

(2) For purposes of this section of the regulations a licensed warehouse means a warehouse operated by a warehouseman who holds an unsuspended, unrevoked license under the U.S. Warehouse Act for grain, or a warehouse operated by a warehouseman who holds an effective warehouse license for the public storage of grain and/or rice issued by a State that has financial, bonding and examination requirements for the benefit of all depositors.

(3) Non-negotiable warehouse receipts shall be obtained promptly by the shipping warehouseman from the receiving warehouseman for all transferred grain. Such recipts shall have printed or stamped in large bold or outline letters diagonally across the face and covering the face from corner to corner the words ''NOT NEGOTIABLE''. Receipts are not valid for collateral purposes. They shall be retained by the shipping warehouseman to be presented to and used by Department examiners in lieu of an on-site inventory. The grain covered by such receipts is not the property of either the receiving or shipping warehouseman but held in trust by both solely for the benefit of the depositors whose bailed grain was transferred individually or collectively and the depositor or the depositor's transferee retains title thereto.

(4) The shipping warehouseman's bond shall be increased to consider the addition of the transferred grain to the licensed capacity of the warehouse with the net asset requirements based on the total of the licensed capacity and the forwarded grain. The bond amount need not be more than $500,000 unless necessary to cover a deficiency in net assets to meet requirements. The receiving warehouseman shall not incur storage obligations that exceed the licensed capacity of his warehouse.

(5) The shipping warehouseman continues to retain storage obligation to the owners of all grain deposited in the warehouse for a storage whether forwarded or retained and is, except as otherwise agreed upon under paragraph (b)(6) of this section, required to redeliver the grain upon demand to the depositor or the depositor's transferee at the warehouse where the grain was first deposited for storage.

(6) The owner of grain deposited for storage at the warehouse must make settlement and take delivery at the warehouse where the grain was first deposited for storage, unless the owner of the commodity, with the consent of both the shipping warehouseman and the receiving warehouseman, elects to take delivery at the warehouse to which grain was transferred under this section.

(7) Nothing in this section shall in any way diminish the right of the owner of the grain to receive on delivery, or the obligation of the warehouseman of a licensed warehouse from which the product is transferred, to deliver to the owner, grain in the amount, and of the kind, quality, and grade, called for by the warehouse receipts or other evidence of storage.

(8) Recording and retention of non-negotiable warehouse receipts received as a result of forwarding a commodity under this section shall be subject to the requirements for warehouse receipts specified elsewhere in these regulations.

(9) If it is the shipping warehouseman's obligation by terms of the warehouse receipt or otherwise to insure the grain subject to the transfer, he must in accordance with 7 CFR 736.33 keep such grain insured in his own name or transfer the grain only to a warehouse where the grain is fully insured.

(c) A warehouseman may transfer stored grain for which receipts have not and are not to be issued to another

licensed warehouse for continued storage by complying with the provisions of paragraphs (b)(1), (2), (5), (6), (7), and (9) of this section. However, in no event shall the warehouseman's total storage obligations to others (not including stored receipted grain shipped under provisions of paragraph (b) of this section) exceed the shipping warehouseman's licensed capacity.

[52 FR 8057, Mar. 16, 1987]

### § 736.43 Removal of specially stored grain.

Except as may be required by law or the regulations in this part, a warehouseman shall not remove any grain for storage from the licensed warehouse or a part thereof in which it may be specially binned or stored for insurance purposes, and transfer the grain to another bin without first obtaining the receipt, canceling the same and issuing a new receipt for said grain following its transfer.

### § 736.44 Grades and weights; bulk grain.

Except as provided in § 736.27 each warehouseman shall accept all storage and nonstorage grain and shall deliver out all storage and nonstorage grain, other than specially binned grain, in accordance with the grades of such grain as determined by a person duly licensed to inspect and grade such grain and to certificate the grade thereof and in accordance with the weights of such grain as determined by a person duly licensed to weigh such grain and to certificate the weight thereof, under the Act, and the regulations in this part; or if an appeal from the determination of an inspector has been taken, such grain shall be accepted for and delivered out of storage in accordance with the grades as finally determined in such appeal.

[45 FR 5661, Jan. 24, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.45 Storage of identity-preserved grain.

Upon acceptance for storage of bulk grain the identity of which is to be preserved, the warehouseman shall store such grain in a bin or bins, a compartment or compartments, or other container or containers identified by clearly distinguishable identification insignia permanently and securely affixed thereto, subject to such control by the Department as may seem administratively necessary to protect depositors or holders of receipts. If the grain is received in bags or other suitable containers, such bags or containers shall be so marked and so placed in the warehouse that the identity of the grain will not be lost while in storage. The warehouseman's records shall at all times clearly show the location of all identity-preserved grain stored in the warehouse.

### § 736.46 Sacked grain.

Each warehouseman shall keep sacked grain stored in an orderly manner so as to permit easy access to all lots and to facilitate inspecting, sampling, counting, and identification of each lot.

### § 736.47 Warehouses to be kept clean.

Each warehouseman shall keep his warehouse reasonably clean at all times and free from straw, rubbish, or accumulations of materials that will increase the fire hazard or interfere with the handling of grain.

### § 736.48 Delivery of fungible grain.

Except as may be provided by law or the regulations in this part, each warehouseman: (a) Upon proper presentation of a receipt for any grain other than identity-stored grain, and which grain has not at the request of the depositor or lawful holder of the receipt covering such grain or otherwise as permitted by law or the regulations in this part, been dried or otherwise conditioned by such warehouseman, and upon payment or tender of all advances and legal charges, shall deliver to such depositor or lawful holder of such receipt grain of the grade and quantity named in such receipt; and (b) upon proper presentation of a receipt for any grain the identity of which was to have been preserved during the storage period, and upon payment or tender of all advances and legal charges, shall deliver to the person lawfully entitled thereto, the identical grain so stored in his warehouse.

**§ 736.49 Cleaning of grain.**

Each warehouseman whose warehouse is equipped with machinery suitable for the purpose, shall clean all bulk grain, received for storage in such warehouse, on which the inspector at the request of the depositor or lawful holder of the receipt covering such grain has set dockage for cleaning.

**§ 736.50 Grades; separate in storage.**

A warehouseman may not mix lots of different grades of grain stored or received for storage except when the identity of the grain to be stored is to be preserved or when a depositor surrenders receipts covering two or more lots and requests the warehouseman to deliver the amount of grain represented by the canceled receipts in such a manner that they will become one lot. The balance, if any, of grain resulting from this operation, after weighing and inspecting, is to be stored with grain of like grade or its identity preserved.

**§ 736.51 Stocks to be in balance by grades.**

Warehousemen must keep stocks of grain in storage by grades in balance with the grades of grain represented by outstanding storage obligations for which receipts have been or are to be issued, except when the grain has unavoidably improved or deteriorated through natural causes. In case the grades of stored grain should get out of balance with grades represented by outstanding storage obligations for which receipts have been or are to be issued, the warehouseman shall effect proper adjustments.

**§ 736.52 Out-of-condition and damaged grain.**

(a) If the condition of any grain offered for storage is such that it probably will affect the condition of grain in the licensed warehouse, the warehouseman shall not receive such grain for storage or store such grain in his licensed warehouse, but, if the warehouse has separate bins or is equipped with proper conditioning apparatus, he may receive such grain for storage in such separate bins or he may condition it and then store it in such manner as will not lower the grade of other grain.

(b) In case the warehouseman or the Department shall find that storage of grain in direct contact with any part of the structure of the warehouse results, or is likely to result, in damage to the grain, the warehouseman shall not store grain in such part of the warehouse except in such manner and by the use of such material as will keep the grain in the same condition as when stored.

**§ 736.53 Reconditioning grain.**

In case the warehouseman considers that any portion of the grain in his warehouse is out of condition, or becoming so, he shall direct the inspector to examine the grain in question. If the inspector finds such grain to be out of condition or becoming so and he is of the opinion that by re-elevating, screening, blowing, cooling, or drying the grain can be brought back into condition or that further deterioration can be prevented, such warehouseman shall give immediate notice of the fact to the persons and in the manner specified in § 736.54. If, within 24 hours after the giving of such notice, the owners of such grain have not otherwise directed as to the disposition of same, such warehouseman, with the approval of the inspector, shall, in his warehouse to the extent to which it is equipped with machinery suitable for the purpose, or may in another warehouse or elevator so equipped to the extent to which his warehouse is not equipped with suitable machinery, subject the grain to any or all of the above-mentioned processes.

**§ 736.54 Notice of condition of grain.**

(a) If the warehouseman with the approval of the inspector, shall determine that the further deterioration of any grain can not be prevented by reconditioning, or after treating it in accordance with § 736.53, it is still out of condition, the warehouseman shall give immediate notice of the fact, in accordance with paragraphs (b) and (c) of this section.

(b) Such notice shall state:

(1) The warehouse in which the grain is stored,

(2) The quantity, kind, and grade, if determined, of the grain at the time the notice is given,

(3) The actual condition of the grain as nearly as can be ascertained, and the reason, if known, for such condition,

(4) The oldest outstanding receipts covering the amount of grain out of condition, other than sacked or specially binned grain, upon which the grain will be delivered, giving the number and date of each such receipt and the quantity, the kind, and grade of the grain as stated in such receipts, or

(5) The outstanding receipts covering the grain out of condition the identity of which was to have been preserved, giving the number and date of each such receipt and the designation of the bin, container or location of such grain as stated in the receipt therefor, and

(6) That such grain will be delivered upon the return and cancellation of the receipts therefor.

(c) A copy of such notice shall be delivered in person or shall be sent by mail:

(1) To the persons holding the oldest receipts covering the grain in question mentioned in paragraphs (b)(4) and (5) of this section if known to the warehouseman,

(2) To any other person, including the persons mentioned in paragraph (d) of this section, known by the warehouseman to be interested in the grain,

(3) To the grain exchange, board of trade, or chamber of commerce, if any, in the city or town in or nearest to which the warehouse is located, and

(4) To the Administrator.

If the holders of the receipts and the owners of the grain are known to the warehouseman and cannot, in the regular course of the mails, be reached within 12 hours, the warehouseman shall, whether or not requested so to do in accordance with paragraph (d) of this section, also immediately notify such persons by telegraph or telephone at their expense. Public notice shall also be given by posting a copy of such notice in a conspicuous place in the main office of the warehouse where receipts are issued. A copy of such notice shall be kept as a record of the warehouse.

(d) Any person, interested in any grain or the receipt covering such grain stored in a warehouse, may, in writing, notify the warehouseman conducting such warehouse, of the fact and nature of his interest, and such warehouseman shall keep a record of the fact. If such person requests, in writing, that he be notified regarding the condition of any such grain and agrees to pay the cost of any telegraph or telephone toll charge, such warehouseman shall notify such person in accordance with such request.

(e) Nothing contained in this section shall be construed as relieving the warehouseman from properly caring for any grain after notification of its condition in accordance with this section.

(f) Records required to be kept by this section shall be retained, as a part of the records of the warehouse, for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 15730, Nov. 24, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.55 Sale of grain at public auction.

If the grain, advertised in accordance with the requirements of § 736.54 has not been removed from storage by the owner thereof, within 10 days from the date of notice of its being out of condition, the warehouseman in whose warehouse such grain is stored may sell the same at public auction at the expense and for the account of the owner after giving 10 days' notice in the manner specified in § 736.54(c).

### § 736.56 Identity-preserved grain; acceptance.

Subject to the provisions of section 13 of the act (39 Stat. 488; 7 U.S.C. 254), a licensed warehouseman may elect not to receive grain for storage the identity of which is to be preserved while in storage.

FEES

### § 736.57 License fees.

(a) Fees are collected in advance for each original, amended, modified, extended, reinstated, or duplicate warehouseman's license; and for each original, duplicate, or modified license issued to inspect, sample, grade, classify, or weigh commodities.

(b) Fee changes, if applicable, will be announced by Notice in the FEDERAL REGISTER on or before July 1, and effective the following October 1.

[59 FR 51358, Oct. 11, 1994]

### § 736.58 Warehouse annual and inspection fees.

Warehousemen must pay:

(a) An annual fee which will be determined by computing the capacity for each warehouse location under a single license and adding those amounts together to determine the total due. The fee will be assessed and payable when the warehouse bond is furnished in accordance with these regulations, for acceptance by the Secretary and annually thereafter on the bond renewal date. The capacity for each identifiable location will be determined by the Secretary. The total capacity of all locations may not exceed the capacity stated in the current license. An identifiable location is a fully functional public warehouse as determined by the Secretary. The annual fee a licensed warehouseman is assessed may be adjusted by the amount Commodity Credit Corporation (CCC) pays, if CCC has a storage contract or agreement with the warehouseman.

(b) An inspection fee for each original and amendment inspection.

(c) An inspection fee at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement, in all cases where the license has been suspended and the warehouseman has requested reinstatement. No fee will be charged if the Secretary determines that the suspension was not justified.

(d) A fee for each inspection requested by the warehouseman at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement.

[59 FR 51358, Oct. 11, 1994]

### § 736.59 Advance deposit.

Before any license is granted, or an original examination or inspection is made, or reexamination or reinspection for modification of an existing license is made, or when the annual fee for the licensed warehouse is assessed, pursuant to the regulation in this part, the applicant or licensee shall deposit with the Service the amount of the fee prescribed. Such deposit shall be made in the form of a check, certified if required by the Service, draft, or post office or express money order, payable to the order of the Service.

[46 FR 63199, Dec. 30, 1981. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 62 FR 33540, June 20, 1997]

### § 736.60 Return of excess deposit.

The Treasurer of the United States shall hold in his custody each advance deposit made under § 736.59 until the fee, if any, is assessed and he is furnished by the Service with a statement showing the amount thereof and against whom assessed. Any part of such advance deposit which is not required for the payment of any fee assessed shall be returned to the party depositing same.

INSPECTORS AND WEIGHERS

### § 736.61 Inspectors' and weighers' applications.

(a) Application for licenses to inspect and grade or to weigh grain under section 11 of the act (46 Stat. 1464; 7 U.S.C. 252) shall be made to the Administrator on forms furnished for the purpose by him. Each application shall be in English, shall be signed by the applicant, and shall contain or be accompanied by a statement from the warehouseman for whom the applicant will inspect, grade, or weigh grain under the act, showing whether the applicant is competent and is acceptable to such warehouseman for the purpose.

(b) Each inspectors' application shall contain:

(1) Evidence that he can correctly grade grain in accordance with the official standards of the United States, or

in the absence of such standards in accordance with any standards approved by the Administrator, and

(2) Satisfactory evidence that he will be provided with such means or facilities for inspecting and grading grain as may be deemed necessary, for use in the locality in which the applicant expects to perform services as a licensed inspector.

(c) Applications for licenses to weigh grain shall be on forms furnished for the purpose by the Administrator and shall give such information as will show the applicant's experience in weighing grain.

(d) A single application may be made by any person for a license as both inspector and weigher upon complying with the requirements of this section.

(e) An applicant shall at any time furnish such additional information as the Department shall find to be necessary to the consideration of his application.

[29 FR 15730, Nov. 24, 1964, as amended at 34 FR 12426, July 30, 1969; 40 FR 5347, Feb. 5, 1975; 43 FR 14006, Apr. 4, 1978. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.62 Examination.

Each applicant for license as an inspector or weigher and each inspector or weigher shall, whenever requested by an authorized agent of the Department, submit to an examination or test to show his ability properly to inspect and grade or to weigh grain.

### § 736.63 Posting of license.

Each inspector or weigher shall keep his license conspicuously posted in a place designated for the purpose by the Service unless authorized by the Service not to do so.

[43 FR 14006, Apr. 4, 1978. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.64 Duties of inspector and weigher.

Each inspector and each weigher whose license remains in effect shall, without discrimination, as soon as practicable, and upon reasonable terms, inspect and grade or weigh and certificate the grade or weight of grain, stored or to be stored in a warehouse, for which he holds a license, if such grain be offered to him under such conditions as permit proper inspection and weighing and the determination of the grade or weight thereof. No inspector shall issue a certificate of grade for any grain unless the inspection and grading thereof be based upon a correct and representative sample of the grain.

### § 736.65 Inspection certificate; form.

(a) Except as provided in paragraph (b) of this section, each inspection certificate issued under the act by an inspector shall be in a form approved for the purpose by the Department, and shall embody the following information within its written or printed terms:

(1) The caption ''United States Warehouse Act, Grain Inspection Certificate'',

(2) Whether it is an original, a duplicate, or other copy, and that it is not negotiable,

(3) The name and location of the warehouse in which the grain is or is to be stored,

(4) A statement showing whether the inspection covers grain moving into or out of the warehouse,

(5) The date of the certificate,

(6) The consecutive number of the certificate,

(7) The approximate amount of grain covered by the certificate,

(8) The kind of grain covered by the certificate,

(9) The grade of the grain, as determined by such duly licensed inspector, in accordance with § 736.76, and, in the case of grain for which no official standards of the United States are in effect, the standards or description in accordance with which such grain is graded.

(10) A statement that the certificate is issued by an inspector licensed under the United States Warehouse Act and the regulations thereunder,

(11) A statement conspicuously placed to the effect that the certificate is not valid for the purposes of the United States Grain Standards Act, and

(12) The signature of the inspector who inspected and graded the grain.

In addition, the inspection certificate may include any other matter not inconsistent with the Act or the regulations in this part, provided the approval of the Service is first secured.

(b) In lieu of an inspection certificate in the form prescribed in paragraph (a) of this section an official inspection certificate issued pursuant to the provisions of the United States Grain Standards Act, as amended (7 U.S.C. 71 *et seq.*) or the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 *et seq.*) on grain which is stored or to be stored in a warehouse licensed under the U.S. Warehouse Act will be acceptable for purposes of the Act and the regulations in this part.

[29 FR 15730, Nov. 24, 1964, as amended at 42 FR 12143, Mar. 3, 1977; 45 FR 5662, Jan. 24, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.66 Copies of certificate to be accessible.

Each inspector shall, as soon as possible after grading any grain and not later than the close of business on the next following business day, make accessible to the parties interested in a transaction in which the grain is involved at the place designated in § 736.63 a true copy of the inspection certificate issued by him for such grain, or a record of each lot or parcel of grain inspected and graded by such licensed inspector showing the information contained on such inspection certificate.

### § 736.67 Weight certificate.

(a) Each weight certificate issued under the Act by a weigher shall be in a form approved for the purpose by the Service, and shall embody the following information within its written or printed terms:

(1) The caption ''United States Warehouse Act, Grain Weight Certificate'',

(2) Whether it is an original, a duplicate, or other copy, and that it is not negotiable,

(3) The name and location of the warehouse in which the grain is or is to be stored,

(4) Whether the grain is weighed into or out of the warehouse,

(5) The date of the certificate,

(6) The consecutive number of the certificate,

(7) The net weight, including dockage, if any, of the grain except as provided in § 736.27(b).

(8) A statement that the certificate is issued by a weigher licensed under the United States Warehouse Act and the regulations thereunder, and

(9) The signature of the weigher.

In addition, the weight certificate may include any other matter not inconsistent with the Act or the regulations in this part provided the approval of the Service is first secured.

(b) In lieu of a weight certificate in the form prescribed in paragraph (a) of this section, an official weight certificate issued pursuant to the provisions of the U. S. Grain Standards Act, or an official weight certificate issued pursuant to the Agricultural Marketing Act of 1946 on grain which is stored or to be stored in a warehouse licensed under the U.S. Warehouse Act is acceptable for purposes of the Act and the regulations in this part.

[42 FR 12143, Mar. 3, 1977, as amended at 43 FR 14006, Apr. 4, 1978. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.68 Certificate; grade and weight.

The grade and weight of any grain, ascertained by an inspector and a weigher, may be stated on a certificate meeting the combined requirements of §§ 736.65, 736.67, if the form of such certificate shall have been approved for the purpose by the Service.

### § 736.69 Copies of certificates to be kept.

Each inspector and each weigher shall keep for a period of 1 year in a place accessible to interested parties a copy of each certificate issued by him under the regulations in this part, and shall file a copy of each such certificate with the warehouse in which the grain covered by the certificates is stored.

### § 736.70 Inspections.

Each inspector and each weigher shall permit any authorized officer or agent of the Department to inspect or examine, on any business day during the usual hours of business, his books, papers, records, and accounts relating

to the performance of his duties under the act and this part, and shall, with the consent of the warehouseman concerned, assist any such officer or agent in the inspection or examination mentioned in § 736.39 as far as any such inspection or examination relates to the performance of the duties of such inspector or weigher under the Act and the regulations in this part.

**§ 736.71 Reports.**

Each inspector and each weigher shall, from time to time, if requested by the Service, make reports, on forms approved for the purpose by the Service, bearing upon his activities as such inspector or weigher.

**§ 736.72 Licenses; suspension or revocation.**

Pending investigation, the Secretary, or his designated representative, may, whenever he deems necessary, suspend the license of an inspector or weigher temporarily without hearing. Upon a written request or a satisfactory statement of reasons therefor, submitted by the inspector or weigher, the Secretary, or his designated representative, may, without hearing, suspend or revoke the license issued to such inspector or weigher. The Secretary, or his designated representative, may, after opportunity for hearing has been afforded in the manner prescribed in this section, suspend or revoke a license issued to an inspector or a weigher when such licensee: (a) Has ceased to perform services as such inspector or weigher, or (b) has in any other manner become incompetent or incapacitated to perform the duties of such inspector or weigher. As soon as it shall come to the attention of a warehouseman that either of the conditions mentioned under paragraph (a) or (b) of this section exists, it shall be the duty of such warehouseman to notify the Service in writing. Before the license of any inspector or weigher is permanently suspended or revoked pursuant to section 12 of the Act, such inspector or weigher shall be furnished by the Secretary, or his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 736.99.

**§ 736.73 Suspended or revoked license; termination of license.**

(a) In case a license issued to an inspector or a weigher is suspended or revoked by the Secretary, or his designated representative, such license shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless in the meantime it be revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, it shall be returned to the inspector or weigher to whom it was originally issued and it shall be posted as prescribed in § 736.63.

(b) Any license issued under the Act and the regulations in this part to an inspector or weigher shall automatically be suspended as to any warehouse whenever the license of such warehouse shall be suspended and shall automatically terminate as to any warehouse whenever the license of such warehouse shall be revoked. Upon either suspension or termination of any inspector's or weigher's license under this paragraph, such license shall be returned to the Department. In case such license shall apply to other warehouses, the Secretary, or his designated representative, shall issue to the licensee a new license, omitting the names of the warehouses for which licenses have been revoked or suspended. Such new license shall be posted as prescribed in § 736.63.

**§ 736.74 Lost or destroyed licenses.**

Upon satisfactory proof of the loss or destruction of a license issued to an inspector or weigher, a duplicate thereof may be issued under the same number, in the discretion of the Secretary, or his designated representative.

**§ 736.75 Unlicensed inspectors and weighers.**

No person shall in any way represent himself to be an inspector or weigher for purposes of the U.S. Warehouse Act unless he holds an unsuspended and unrevoked license or authorization in

accordance with the provisions of paragraphs (q) and (r) of § 736.2.

[42 FR 12144, Mar. 3, 1977. Redesignated at 50 FR 1814, Jan. 14, 1985]

GRAIN GRADING

### § 736.76 Grade; statement.

Whenever the grade of grain is required to be or is stated for the purpose of the act or the regulations in this part, it shall be stated in accordance with §§ 736.77 through 736.79.

### § 736.77 Official Standards of the United States.

The Official Standards of the United States are hereby adopted as the official grain standards for the purposes of the Act and the regulations in this part.

[45 FR 5662, Jan. 24, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.78 Standards of grades for other grain.

Until official standards of the United States are fixed and established for the kind of grain to be inspected, the grade of the grain shall be stated, subject to the approval of the Administrator: (a) In accordance with the State standards, if any, established in the State in which the warehouse is located, (b) in the absence of any State standards, in accordance with the standards, if any, adopted by the local board of trade, chamber of commerce, or by the grain trade generally in the locality in which the warehouse is located, or (c) in the absence of the standards mentioned in paragraphs (a) and (b) of this section, in accordance with any standards approved for the purpose by the Service.

[45 FR 5662, Jan. 24, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.79 Grades based on inspection and sample.

Whenever the grade of grain is required to be or is stated for the purposes of the act or the regulations in this part, it shall be based upon a correct and representative sample of the grain and the inspection and grading thereof shall be made under conditions which permit the determination of its true grade.

GRAIN APPEALS

SOURCE: Sections 736.80 to 736.85 appear at 45 FR 5662, Jan. 24, 1980, unless otherwise noted. Redesignated at 50 FR 1814, Jan. 14, 1985.

### § 736.80 Appeal procedure.

The depositor, holder of receipt or the warehouseman may make an appeal as to the grade of a lot of grain stored or to be stored in a licensed warehouse. If the original grade certificate was issued by an inspector licensed under, or authorized by, the U.S. Grain Standards Act or the Agricultural Marketing Act, the appeal, including the amount of fees, shall be governed by the regulations issued under those Acts respectively; otherwise the appeal, including fees shall be governed by §§ 736.81 through 736.83.

### § 736.81 Request for appeal.

A request for an appeal inspection by a depositor or holder of receipt must be made by written notice to the warehouseman before the identity of the lot of grain has been lost and not later than the close of business on the first business day following furnishing of the statement of original grade or if the appeal is requested by the warehouseman, notice must be given promptly to the owner of the grain. Oral notice may be made if followed by written notice. Where is it not practical for a warehouseman to maintain the identity of all grain being received for storage until depositors receive a statement of grade and consequently opportunity for appeal, any depositor or his agent before or at the time of delivery of his grain may request the warehouseman to retain the identity of such lot until said depositor has been furnished with a statement of grade for the lot and has waived or requested and received an appeal inspection grade. The warehouseman need not preserve the identity of the lot in the original carrier; but with the knowledge and consent of the depositor or agent may use other means to preserve such identity. Further, if compliance with such request would adversely affect receiving, storing or delivering the grain of other depositors, the warehouseman may defer unloading such grain until

such time as would not disrupt service to other depositors but without unnecessary delay to the party making such request.

**§ 736.82 Appeal sample—obtaining, preservation, delivery and examination.**

(a) The lot of grain for which an appeal is requested shall be resampled in such manner and quantity as the depositor or holder of receipt and the warehouseman agree results in a representative sample of the lot acceptable to each for appeal purposes. Should they be unable to agree on such a sample, a sample drawn by a duly licensed inspector in the presence of both shall be deemed binding. In no case shall the sample be of less than 2000 grams by weight.

(b) The sample shall be packaged, to the satisfaction of the interested parties, so as to preserve its original condition.

(c) For grains for which there are official U.S. Standards the sample shall be secured and delivered to the nearest office charged with providing official inspection service under the U.S. Grain Standards Act and/or the Agricultural Marketing Act of 1946. At this point procedures as set forth in regulations issued under the U.S. Grain Standards Act or under the Agricultural Marketing Act of 1946 shall govern. For grain for which there are no official U.S. Standards the party requesting the appeal shall apply directly to the Administrator for relief. The Administrator or delegate thereof shall promptly determine the appeal based on approved standards and set the required fees. Such determination shall be binding on all concerned parties.

(d) The sample shall be accompanied by: (1) A copy of the written request for appeal, (2) the grain inspection certificate originally issued, and (3) an agreement to pay the costs of such inspection as prescribed by the U.S. Grain Standards Act, the Agricultural Marketing Act or the Administrator.

(e) The sample of the grain involved in the appeal shall be examined as soon as possible. Such tests shall be applied as are necessary; and, unless the appeal is dismissed, a grade certificate shall be issued by the person determining the grade, showing the grade assigned by him to such grain. This certificate shall supersede the inspection certificate originally issued for the grain involved. The original or a copy of the new grade certificate shall be sent to the depositor or holder of receipt, the licensed warehouseman and the licensed inspector making the original determination of grade.

**§ 736.83 Dismissal of appeal.**

The departmental agency to whom the appeal has been made may dismiss such appeal without its determination upon request of the party initiating the appeal or for noncompliance with the regulations in this part.

**§ 736.84 Freedom of appeal.**

(a) No person licensed under the Act, shall, directly or indirectly by any means whatsoever, deter or prevent or attempt to deter or prevent any party from taking an appeal.

(b) No rule, regulation, bylaw, or custom of any market, board of trade, chamber of commerce, exchange, inspection department or similar organization nor any contract, agreement, or understanding, shall be ground for refusing to determine any appeal.

**§ 736.85 Owner not compelled to store.**

Nothing in these regulations shall require the owner or his agent to store such grain with the licensed warehouseman after the appeal inspection, but if the grain is stored it shall be accepted for and delivered out of storage in accordance with the grade as finally determined in such appeal.

**§§ 736.86–736.95 [Reserved]**

MISCELLANEOUS

**§ 736.96 Bonds required; re State warehouses.**

Every person applying for a license, or licensed under section 9 of the act shall, as such, be subject to all portions of the regulations in this part, so far as they may relate to warehousemen. In case there is a law of any State providing for a system of warehouses owned, operated or leased by such State, a person applying for a license under section 9 of the act, to accept the

custody of grain and to store the same in any of said warehouses, may, in lieu of a bond or bonds, complying with §§ 736.13 and 736.14, file with the Secretary, or his designated representative, a single bond meeting the requirements of the act and this part, in such form, and in such amount not less than $5,000 as he shall prescribe, to insure the performance by such person, with respect to the acceptance of the custody of grain and its storage in the warehouses in such system for which licenses are or may be issued, of his obligations arising during the periods of such licenses, and in addition, if desired by the applicant, during the periods of any amendments thereto. In fixing the amount of such bond, consideration shall be given, among other appropriate factors, to the character of the warehouses involved, their actual or contemplated capacity, the bonding requirements of the State and its liability with respect to such warehouses. If the Secretary, or his designated representative, shall find the existence of conditions warranting such action, there shall be added to the amount of the bond, so fixed, a further amount, fixed by him, to meet such conditions.

### § 736.97 Publications.

Publications under the act and the regulations in this part shall be made in such media as may be deemed proper by the Administrator.

### § 736.98 Information of violations.

Every person licensed under the act shall immediately furnish the Department any information which comes to the knowledge of such person tending to show that any provision of the act or the regulations in this part has been violated.

### § 736.99 Procedure in hearings.

Hearings under the Act or the regulations in this part, except those relating to appeals or arbitrations shall be conducted in accordance with the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary under various statutes (7 CFR 1.130 through 1.151).

[45 FR 6775, Jan. 30, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 736.100 One document and one license to cover several products.

A license may be issued for the storage of two or more agricultural products in a single warehouse. Where such a license is desired, a single application, inspection, bond, record, report or other paper, document or proceeding relating to such warehouse, shall be sufficient unless otherwise directed by the Administrator.

### § 736.101 Assets and bond; combination warehouses.

Where such license is desired, the amount of the bond, net assets, and inspection and license fees shall be determined by the Administrator in accordance with the regulations applicable to the particular agricultural product which would require the largest bond and the greatest amount of net assets and of fees if the full capacity of the warehouse was used for its storage.

### § 736.102 Amendments.

Any amendment to this part, unless otherwise stated, shall apply in the same manner to persons holding licenses at the time it becomes effective as it applies to persons thereafter licensed under the act.

## TERMINAL AND FUTURES CONTRACT MARKETS

### § 736.103 Futures contract markets defined.

For the purpose of §§ 736.103 through 736.111 a futures contract market is any grain market designated as a futures contract market under authority of the Commodity Exchange Act (49 Stat. 1491, as amended; 7 U.S.C. 1–17a).

[29 FR 15730, Nov. 24, 1964. Redesignated at 50 FR 1814, Jan. 14, 1985, and amended at 53 FR 2477, Jan. 28, 1988]

### § 736.104 Licenses to weigh grain; futures markets.

Licenses to weigh grain into, out of, and within licensed warehouses, receipts of which are deliverable in satisfaction of futures contracts may be issued to the weighmaster and his deputies of such contract market.

**§ 736.105 Registrar of warehouse receipts; futures contract market.**

The Administrator may approve as registrar of warehouse receipts issued for grain in licensed elevators operating in any terminal market or in any futures contract market the official designated by the State in which such market is located, if such an official position has been created by law, or any other individual, provided such individual is not an employee of, or the owner of, any such licensed elevator, or the owner of, or an employee of the owner of, grain deposited in any such licensed elevator.

**§§ 736.106—736.107 [Reserved]**

**§ 736.108 Additional bonding required.**

In addition to the financial responsibility and the bonding requirements of §§ 736.6, 736.13 through 736.17, such additional bond shall be required for the protection of the public as will make the bonded responsibility of each licensed warehouseman equal to the maximum amount of bond required of nonlicensed warehousemen by the exchange, board of trade, or other agency within said market in which the licensed warehouseman is operating.

**§ 736.109 Examination of warehouses; board of trade interest.**

Annually or more frequently if desired, a duly authorized committee of any exchange or board of trade that has been designated as a contract market may enter any warehouse operating under the regulations in this part, when accompanied by U.S. warehouse examiners, to observe the official examination of the warehouse; or such committee may participate in the making of such examination, under the supervision and direction of the U.S. warehouse examiner in charge. The committee shall be afforded full knowledge of the quantities, kinds, grades, and condition of all grain in the warehouse. The committee may also with the warehouse examiners have access to the warehouseman's records of receipts, fire insurance, weights and grades. In lieu of an examination by any committee of the exchange or board of trade the Department will furnish if desired to the secretary of the exchange or board of trade a summarized statement of its findings of conditions at each licensed warehouse operating within the market.

**§ 736.110 Registration of public warehouse receipts; protection.**

When a contract market designates any agency for the registration of public warehouse receipts and such agency is approved as provided for in § 736.105, all warehouse receipts shall be registered with the registrar and any change in ownership of a warehouse receipt shall be reported to the registrar by the owner thereof, giving his name and address to the registrar. All registered receipts shall be entitled to the following protection:

(a)(1) Whenever any licensed warehouseman considers that any grain stored in his warehouse is out of condition, or becoming so, and should be loaded out in order to protect the interests of the parties concerned, such warehouseman shall notify the registrar and the Administrator, giving the location, approximate quantity, grades, and condition of such grain, and the specific reason which makes loading out necessary. The registrar shall immediately notify the chief sampler, if there be one, otherwise the chief inspector, of the contract market who shall at once proceed to the warehouse in which the grain is stored and examine it, in conjunction with the licensed warehouseman. If the chief sampler, or chief inspector, agrees with the warehouseman that the grain should be loaded out, he shall so notify the registrar and the Administrator. If the chief sampler does not agree with the warehouseman, the latter shall have the right to appeal to the Administrator who shall appoint an appeals committee as provided in § 736.107. If, on such appeal, the warehouseman is sustained, the registrar shall be notified and such warehouse receipts as are selected as provided in this section shall no longer be regular for delivery in satisfaction of futures contracts made under the rules and regulations of such contract market.

(2) The registrar shall thereupon select the oldest registered warehouse receipt for grain of the grade involved

and such additional next oldest registered warehouse receipts in the order of their issuance as may be necessary to equal the total quantity of the grain involved, unless such grain has been stored identity preserved, and shall notify such holder or holders or their agents and the president of the contract market of the condition of the grain and the necessity for its being loaded out. When this information reaches the president of the contract market he shall appoint a committee consisting of five disinterested handlers of cash grain, and notify the Administrator of the appointment of said committee giving the name, address, and business of each member. Each member of said committee shall be subject to disapproval by the Administrator. If no exception is taken to the committee membership during the same business day by the Administrator, the committee shall meet at once, and after taking into consideration various factors that establish the value of the grade of grain called for by the receipts held by such owner or owners, shall determine the fair value of the grain on the basis of the market quotations for grain of the grade called for by the receipts on the day of the finding of the appeals committee that the grain should be loaded out, which price shall be paid to the owner or holder of each such receipt by the licensed warehouseman. If the price offered is not satisfactory to any such owner or holder, a committee appointed by the president of such contract market at the request of such owner or holder shall procure other offers for such grain and such offers shall be immediately reported to such owner or holder or to his agent. If the owner refuses to accept any such offers he shall have the 2 following business days to order and furnish facilities for loading such grain out of store and during this period the warehouseman shall be obliged to deliver the grain covered by the warehouse receipts, but not more than 3 days shall elapse after notification by the registrar to the holder of the receipts before satisfactory disposition shall have been made of the grain either by sale or by ordering out and furnishing facilities to load same, provided the amount of such grain does not exceed 100,000 bushels in any one elevator. If the amount of grain in question exceeds 100,000 bushels, the owner or owners of the warehouse receipts shall be allowed 48 hours of grace over and above the aforementioned 3 days for each 100,000 bushels or fraction thereof in excess of the first 100,000 bushels.

(b) In the event that the holder of the warehouse receipt or his agent fails to remove the grain or make other satisfactory disposition of same within the prescribed time it shall be held for his account and any loss in grade sustained shall likewise be for his account.

(c) Nothing in this section shall be construed as prohibiting the warehouseman from fulfilling contracts from other stocks under his control, subject to the U.S. Warehouse Act and regulations thereunder.

### § 736.111 Terminal markets.

Sections 736.103 through 736.111 apply only to warehousemen operating in such markets as may have been heretofore or may be hereafter designated as futures contract markets, and §§ 736.103 through 736.107 apply also to warehousemen operating in such markets as the Department may view as terminal markets, and the appointment heretofore or hereafter of a registrar of warehouse receipts, as provided in § 736.105 is conclusive that the Department views such market as a terminal market for purposes of the Warehouse Act. All other regulations issued under the act and applicable to grain warehousemen shall apply to warehousemen operating in such terminal or futures contract markets except as such regulations may conflict with §§ 736.103 through 736.111.

[29 FR 15730, Nov. 24, 1964. Redesignated at 50 FR 1814, Jan. 14, 1985, and amended at 53 FR 2477, Jan. 28, 1988]

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AUTHORITY: 7 U.S.C. 241 *et seq.*

SOURCE: SRA, BAE 129, Revised, 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, unless otherwise noted. Redesignated at 50 FR 1814, Jan. 14, 1985.

EDITORIAL NOTE: Nomenclature changes to part 737 appear at 62 FR 33540, June 20, 1997.

CROSS REFERENCE: For regulations under the Tobacco Inspection Act, see 7 CFR part 29 of this chapter.

DEFINITIONS

### § 737.1 Meaning of words.

Words used in this part in the singular form shall be deemed to import the plural and vice versa, as the case may demand.

### § 737.2 Terms defined.

For the purposes of this part, unless otherwise provided, the following terms shall mean:

(a) *The act*. The United States Warehouse Act, approved August 11, 1916 (39 Stat. 486; 7 U.S.C. 241–273), as amended.

(b) *Person*. An individual, corporation, partnership, or two or more persons having a joint or common interest.

(c) *Secretary*. ''Secretary'' means the Secretary of Agriculture of the United States or any officer or employee of the Department to whom authority has heretofore been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(d) *Designated representative*. The Administrator.

(e) *Department*. The United States Department of Agriculture.

(f) *Service*. The Farm Service Agency of the U.S. Department of Agriculture.

(g) *Administrator*. The Administrator of the Service, or any other officer or employee of the Service to whom authority has heretofore lawfully been delegated, or may hereafter lawfully be delegated, to act in his stead.

(h) *Regulations*. Rules and regulations made under the act by the Secretary.

(i) *Warehouse*. Unless otherwise clearly indicated by the context, any suitable building, structure, or other protected inclosure in which tobacco is or may be stored for interstate or foreign commerce, or, if located within any place under the exclusive jurisdiction of the United States, in which tobacco is or may be stored and for which a license has been issued under the act.

(j)*Warehouseman*. Any person lawfully engaged in the business of storing tobacco and holding a warehouse license.

(k)*License*. A license issued under the act by the Secretary.

(l)*Type*. Any one of the main classes of tobacco having certain peculiar characteristics which will permit of its being divided into a single system of grades.

(m)*Grade*. Any one of the divisions of a type, which may be a combination of any or all of the four factors, group, quality, color, and length.

(n)*Form*. The designation of the stage of preparation of tobacco, such as unstemmed, stemmed, stems, etc.

(o)*Condition*. Any state of tobacco which is not covered by form or grade and which has a material bearing on its value, including its keeping quality.

(p)*Sampler*. A person licensed under the act by the Secretary to sample and to certificate or tag and seal samples of tobacco drawn by him under the act.

(q)*Inspector*. A person licensed under the act by the Secretary to inspect and to certificate the keeping quality of the tobacco in addition to the performance of the duties of a sampler.

(r)*Grader*. A person licensed under the act by the Secretary to grade and to certificate the type, grade, form, and condition of tobacco.

(s)*Weigher*. A person licensed under the act by the Secretary to weigh and certificate the weight of tobacco.

(t)*Package*. A hogshead, tierce, case, or other unit.

(u)*Official sample*. A sample of a package of tobacco drawn, tagged, and prepared by a sampler in accordance with §§ 737.55 through 737.56.

(v)*Receipt*. A warehouse receipt.

(w)*State*. A State, Territory, or District of the United States.

[SRA, BAE 129, rev., 7 FR 6806, Aug. 29, 1942, as amended at 13 FR 8729, Dec. 30, 1948. Redesignated and amended at 50 FR 1814, Jan. 14, 1985; 63 FR 60204, Nov. 9, 1998]

WAREHOUSE LICENSES

### § 737.3 Application form.

Applications for licenses and for amendments to licenses under the act shall be made to the Secretary upon forms prescribed for the purpose and furnished by the Service, shall truly state the information therein contained, and shall be signed by the applicant. The applicant shall at any time furnish such additional information as the Department may find necessary to a proper consideration of his application.

### § 737.4 Grounds for not issuing license.

A license for the conduct of a warehouse shall not be issued if it be found by the Secretary, or his designated representative, that the warehouse is not suitable for the proper storage of tobacco, that the warehouseman is insolvent or is incompetent to conduct such warehouse in accordance with the act and the regulations in this part, or that there is any other sufficient reason within the purposes of the act for not issuing such license. Further, a license shall not be issued for any place to which tobacco is delivered by the producers or their agents for the purposes of obtaining CCC price support advances and for the display and auction of tobacco.

[63 FR 60204, Nov. 9, 1998]

### § 737.5 Net assets.

Each warehouseman conducting a warehouse licensed, or for which application for license has been made, shall have and maintain, above all exemptions and liabilities, net assets liable for the payment of any indebtedness arising from the conduct of the warehouse, to the extent of at least $5 per 1,000 pounds of the maximum number of pounds of tobacco that the warehouse will accommodate when stored in the manner customary to the warehouse, as determined by the Administrator, except that the amount of such assets shall not be less than $5,000 and need not be more than $100,000. In case such warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, such warehouses shall be deemed to be one warehouse for the purposes of the assets required under this section. For the purposes of this section only, paid-in capital stock, as such, shall not be considered a liability. A deficiency in such assets may be supplied by an increase in the amount of the licensed warehouseman's bond in accordance with § 737.12(b).

### § 737.6 Posting license.

Immediately upon receipt of his license or of any amendment thereto under the act, the warehouseman shall post the same, and thereafter, except as otherwise provided in the regulations in this part, keep it posted until suspended or terminated, in a conspicuous place in the principal office where receipts issued by such warehouseman are delivered to depositors.

### § 737.7 Suspension or revocation of license.

Pending investigation, the Secretary, or his designated representative, whenever he deems necessary, may suspend a warehouseman's license temporarily without hearing. Upon written request and a satisfactory statement of reasons therefor, submitted by a warehouseman, the Secretary or his designated representative, may, without hearing, suspend or revoke the license issued to such warehouseman. The Secretary, or his designated representative, may, after opportunity for hearing has been afforded in the manner prescribed in this section, revoke a license issued to a warehouseman when such warehouseman (a) is bankrupt or insolvent, (b) has parted, in whole or in part, with his control over the licensed warehouse, (c) is in process of dissolution or has been dissolved, (d) has ceased to conduct such licensed warehouse, or (e) has in any other manner become nonexistent or incompetent or incapacitated to conduct the business of the warehouse. Whenever any of the conditions mentioned in paragraphs (a) through (e) of this section shall come into existence it shall be the duty of the warehouseman to notify immediately the Administrator of the existing condition. Before a license is revoked for any violation of or failure to comply with any provision of the act or of the regulations in this part or upon the ground that unreasonable or exorbitant charges have been made for services rendered, the warehouseman involved shall be furnished by the Secretary, or by his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 737.78.

### § 737.8 Return of suspended or revoked license.

If a license issued to a warehouseman terminates or is suspended or revoked by the Secretary or by his designated representative it shall be returned to the Secretary when requested. At the expiration of any period of suspension of such license, unless it be in the meantime revoked, the dates of the beginning and termination of the suspension shall be endorsed thereon, it shall be returned to the licensed warehouseman to whom it was originally issued, and it shall be posted as prescribed in § 737.6.

### § 737.9 Lost or destroyed warehouse license.

Upon satisfactory proof of the loss or destruction of a license issued to a warehouseman, a duplicate thereof may be issued under the same or a new number.

### § 737.10 Unlicensed warehousemen must not represent themselves as licensed.

No warehouse or its warehouseman shall be designated as licensed under the act and no name or description conveying the impression that it or he is so licensed shall be used either in a receipt or otherwise, unless such warehouseman holds an unsuspended and unrevoked license for the conduct of such warehouse.

## WAREHOUSE BONDS

### § 737.11 Bond required; time of filing.

Each warehouseman applying for a warehouse license under the act shall, before such license is granted, file with the Secretary or his designated representative a bond containing the following conditions and such other terms as the Secretary or his designated representative may prescribe in the approved bond forms, with such changes as may be necessary to adapt the forms to the type of legal entity involved:

Now, therefore, if the said license(s) or any amendments thereto be granted and said principal, and its successors and assigns operating said warehouse(s), shall:

Faithfully perform during the period of 1 year commencing _____, or until the termination of said license(s) in the event of termination prior to the end of the 1-year period, all obligations of a licensed warehouseman under the terms of the Act and regulations thereunder relating to the above-named products; and

Faithfully perform during said 1-year period and thereafter, whether or not said warehouse(s) remain(s) licensed under the Act, such delivery obligations and further obligations as a warehouseman as exist at the beginning of said 1-year period or are assumed during said period and prior to termination of said license(s) under contracts with the respective depositors of such products in the warehouse(s);

Then this obligation shall be null and void and of no effect, otherwise to remain in full force. For purposes of this bond, the aforesaid obligations under the Act and regulations and contracts shall include obligations under any and all modifications of the Act, the regulations, and the contracts that may hereafter be made, notice of which modifications to the surety being hereby waived.

[28 FR 5637, June 8, 1963. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 737.12 Basis of amount of bond; additional amounts.

(a) Exclusive of any amount which may be added in accordance with paragraphs (b) and (c) of this section, the amount of such bond shall be at the rate of $5 per 1,000 pounds of the maximum number of pounds of tobacco that the warehouse will accommodate when stored in the manner customary to the warehouse, as determined by the Administrator, but not less than $5,000 nor more than $50,000. In case a warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, and shall desire to give a single bond meeting the requirements of the act and the regulations in this part for the said warehouses, such warehouses shall be deemed to be one warehouse for the purposes of the bond required under §§ 737.11 through 737.15.

(b) In case of a deficiency in net assets under § 737.5 there shall be added to the amount ascertained in accordance with paragraph (a) of this section an amount equal to such deficiency.

(c) If the Secretary, or his designated representative finds the existence of conditions warranting such action, there shall be added to the amount

ascertained in accordance with paragraphs (a) and (b) of this section a further amount, fixed by him to meet such conditions.

### § 737.13 Amendment to license.

If an application is made under § 737.3 for an amendment to a license and no bond previously filed by the warehouseman under §§ 737.11 through 737.15 covers obligations arising during the period of such amendment, the warehouseman shall, when notice has been given by the Secretary, or his designated representative that his application for such modification or extension will be granted upon compliance by such warehouseman with the act, file with the Secretary, within a time, if any, fixed in such notice, a bond complying with the act, unless bond in sufficient amount has been filed since the filing of such application. In the discretion of the Secretary, or his designated representative, a properly executed instrument in form approved by him, amending, extending, or continuing in force and effect the obligations of a valid bond previously filed by the warehouseman and otherwise complying with the act and the regulations in this part, may be filed in lieu of a new bond.

### § 737.14 New bond required each year.

Whenever, a license has been issued for a longer period than 1 year, such license shall not be effective beyond 1 year from its effective date unless the warehouseman shall have filed a new bond in the required amount with, and such bond shall have been approved by the Secretary or his designated representative prior to the date on which that license would have expired had it been issued for but 1 year, subject to the provisions of § 737.13.

### § 737.15 Approval of bond.

No bond, amendment, or continuation thereof shall be deemed accepted for the purposes of the act and the regulations in this part until it has been approved by the Secretary or his designated representative.

WAREHOUSE RECEIPTS

### § 737.16 Form.

(a) Every receipt, whether negotiable or nonnegotiable, issued for tobacco stored in a licensed warehouse shall, in addition to complying with the requirements of section 18 of the act, embody within its written or printed terms the following: (1) The name of the warehouseman and the designation, if any, of the warehouse, (2) the license number of the warehouseman, (3) the number of the bonded compartment, if any, in which the tobacco is stored, (4) a statement whether the warehouseman is incorporated or unincorporated, and if incorporated, under what laws, (5) in the event the relationship existing between the warehouseman and any depositor is not that of strictly disinterested custodianship, a statement setting forth the actual relationship, (6) the identification number given to each package in accordance with § 737.33, (7) a statement, conspicuously placed, indicating whether the tobacco is insured by the warehouseman, and, if insured, to what extent against loss or damage by fire, lightning, or tornado, and (8) the words ''Negotiable'' or ''Not negotiable'', according to the nature of the receipt, clearly and conspicuously printed or stamped thereon.

(b) Every receipt, whether negotiable or nonnegotiable, issued for tobacco stored in a warehouse shall specify a period, not exceeding 3 years, for which the tobacco is accepted for storage under the act and the regulations in this part, but upon demand and the surrender of the receipt by the lawful holder thereof at or before the expiration of the specified period, the warehouseman, so far as the available capacity of his warehouse then permits and upon such lawful terms and conditions as may be granted by him at such time to other depositors of tobacco in the warehouse, if he then continues to act as a licensed warehouseman, may either extend the original receipt by making an appropriate notation thereon or issue a new receipt for a further specified period not exceeding 3 years, provided it is actually determined by a licensed inspector that the tobacco has

not deteriorated and that it is in proper condition for further storage.

(c) Every negotiable receipt issued for tobacco stored in a licensed warehouse shall, in addition to complying with the requirements of paragraphs (a) and (b) of this section, embody within its written or printed terms a form of indorsement which may be used by the depositor, or his authorized agent, for showing the ownership of, and liens, mortgages, or other encumbrances on the tobacco covered by the receipt.

(d) Whenever the type, grade, form, or condition is required to be or is stated in a receipt for tobacco stored in a licensed warehouse, it shall be stated in accordance with § 737.69. Whenever the grade is stated in such receipt, the type, form, and condition also must be stated.

(e) If a warehouseman issues a receipt under the act omitting any information, not required to be stated, for which a blank space is provided in the form of the receipt, a line shall be drawn through such space to show that such omission has been made.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 129, rev.; 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 737.17 Copies of receipts.

At least one actual or skeleton copy of all receipts shall be made, and all copies, except skeleton copies, shall have clearly and conspicuously printed or stamped thereon the words ''Copy—Not Negotiable.'' A copy of each receipt issued shall be retained by the warehouseman for a period of one year after December 31 of the year in which the corresponding original receipt is canceled.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 13369, Sept. 26, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 737.18 Lost or destroyed receipts; bond.

(a) In the case of a lost or destroyed receipt, if there be no statute of the United States or law of a State applicable thereto, a new receipt upon the same terms, subject to the same conditions, and bearing on its face the number and the date of the receipt in lieu of which it is issued and a plain and conspicuous statement that it is a duplicate issued in lieu of a lost or destroyed receipt, may be issued upon compliance with the conditions set out in paragraph (b) of this section.

(b) Before issuing such duplicate receipt the warehouseman shall require the depositor or other person applying therefor to make and file with the warehouseman: (1) An affidavit showing that he is lawfully entitled to the possession of the original receipt, that he has not negotiated or assigned it, how the original receipt was lost or destroyed, and, if lost, that diligent effort has been made to find the receipt without success, and (2) a bond in an amount double the value, at the time the bond is given, of the tobacco represented by the lost or destroyed receipt. Such bond shall be in a form approved for the purpose by the Secretary, or his designated representative, shall be conditioned to indemnify the warehouseman against any loss sustained by reason of the issuance of such duplicate receipt, and shall have as surety thereon preferably a surety company which is authorized to do business and is subject to service of process in a suit on the bond in the State in which the warehouse is located, or at least two individuals who are residents of such State and each of whom owns real property therein having a value in excess of all exemptions and encumbrances, equal to the amount of the bond.

### § 737.19 Printing of receipts.

No receipt shall be issued by a licensed warehouseman unless it is:

(a) In a form prescribed by the Administrator,

(b) Upon distinctive paper or card stock specified by the Administrator,

(c) Printed by a printer with whom the United States has a subsisting agreement and bond for such printing, and

(d) On paper and/or card stock tinted with ink in the manner prescribed by

the agreement under paragraph (c) of this section.

[62 FR 33540, June 20, 1997]

### § 737.20 Partial delivery of tobacco.

If a warehouseman delivers a part only of a lot of tobacco for which he has issued a negotiable receipt under the act, he shall take up and cancel such receipt and issue a new receipt in accordance with the regulations in this part for the undelivered portion of the tobacco. The new receipt shall show the date of issuance and also indicate the number and date of the receipt first issued.

### § 737.21 Return of receipts before delivery of tobacco.

Except as permitted by law or by the regulations in this part, a warehouseman shall not deliver tobacco for which he has issued a negotiable receipt until the receipt has been returned to him and canceled; and shall not deliver tobacco for which he has issued a nonnegotiable receipt until such receipt has been returned to him or he has obtained from the person lawfully entitled to such delivery, or his authorized agent, a written acknowledgment thereof. Before delivery is made of the last portion of a lot of tobacco covered by a nonnegotiable receipt, the receipt itself shall be surrendered.

### § 737.22 Nonnegotiable receipts.

Each person to whom a nonnegotiable receipt is issued shall furnish the warehouseman with a statement in writing indicating the person or persons having power to authorize delivery of tobacco covered by such receipt, together with the bona fide signature of such person or persons. No licensed warehouseman shall honor an order for the release of tobacco covered by a nonnegotiable receipt until he has first ascertained that the person issuing the order has authority to order such release, and that the signature of the releasing party is genuine.

### § 737.23 Persons authorized to sign receipts.

Each warehouseman shall file with the Department the name and genuine signature of each person authorized to sign warehouse receipts for the warehouseman, and shall promptly notify the Department of any changes as to persons authorized to sign and shall file the signatures of such persons, and each warehouseman shall be bound by such signatures the same as if he had personally signed the receipt.

### § 737.24 Receipts; basis for issuance.

Before issuing any receipt under the act each warehouseman shall, unless he has personally weighed, inspected and graded, if graded, a lot of tobacco, first obtain either a copy of or the original weight certificate, and inspection and/or grade certificate, if any, covering said lot of tobacco and said weight, inspection and grade certificate shall be filed as a permanent record in the warehouseman's office when the receipt is issued. The number of the warehouse receipt issued for the tobacco covered by such certificate or certificates shall be written on the certificate or certificates before filing. Such certificates shall be retained, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which the certificates are issued.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 129, rev.; 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 737.25 Omission of grade; no compulsion by warehouseman.

No licensed warehouseman shall, directly or indirectly, by any means whatsoever compel or attempt to compel the depositor of any tobacco stored in his licensed warehouse to request the issuance of a receipt omitting the statement of grade.

DUTIES OF LICENSED WAREHOUSEMAN

### § 737.26 Insurance; requirements.

(a) Each warehouseman, when so requested in writing by the depositor of or the lawful holder of the receipt for any tobacco, shall, to the extent to which, in the exercise of due diligence, he is able to procure such insurance, keep such tobacco while in his custody insured in his own name, or arrange for

its insurance otherwise, to the extent so requested against loss or damage by fire, lightning, or tornado. When insurance is not carried in the warehouseman's name, the receipts shall show that the tobacco is not insured by him. Such insurance shall be covered by lawful policies issued by one or more insurance companies authorized to do such business, and subject to service of process in suits brought, in the State where the warehouse is located. If the warehouseman is unable to procure such insurance to the extent requested, he shall, orally or by telegraph or by telephone and at his own expense, immediately notify the person making the request. Nothing in this section shall be construed to prevent a warehouseman from adopting a rule that he will insure all tobacco.

(b) Each warehouseman shall keep exposed conspicuously in the place prescribed by § 737.6 and at such other place as the Administrator or his representative may from time to time designate, a notice stating briefly the conditions under which tobacco will be insured against loss or damage by fire, lightning, or tornado.

(c) Each warehouseman shall promptly take such steps as may be necessary and proper to collect any moneys which may become due under contracts of insurance entered into by him upon tobacco stored in his warehouse, and shall, as soon as collected, promptly pay to the persons concerned any portion of such moneys which they may be entitled to receive from him.

### § 737.27 Duties re insurance and bonding companies.

Each warehouseman, in accordance with his contracts with insurance and bonding companies for the purpose of meeting the insurance and bonding requirements of the regulations in this part, shall pay such premiums, permit such reasonable inspections and examinations, and make such reasonable reports as may be provided for in such contracts.

### § 737.28 Records; safe keeping.

Each warehouseman shall provide a metal fireproof safe, a fireproof vault, or a fireproof compartment in which he shall keep, when not in actual use, all records, books, and papers pertaining to the licensed warehouse, including his current receipt books, unissued receipt blanks, copies of receipts issued, and canceled receipts, except that with the written approval of the Administrator, or his representative, upon a showing by such warehouseman that it is not practicable to provide such fireproof safe, vault, or compartment, he may keep such records, books, and papers in some other place of safety. Each canceled receipt shall be retained by the warehouseman for a period of six years after December 31 of the year in which the receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the act. Canceled receipts shall be arranged by the warehouseman in numerical order and otherwise in such manner as shall be directed, for purposes of audit, by authorized officers or agents of the Department of Agriculture.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 129, rev.; 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 22 FR 1629, Mar. 14, 1957; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 737.29 Warehouse charges.

A warehouseman shall not make any unreasonable or exorbitant charge for services rendered. Before a license to conduct a warehouse is granted the warehouseman shall file with the Service a copy of his rules and a schedule of charges to be made by him if licensed. Before making any change in such rules or schedule of charges he shall file with the Service a statement in writing showing the proposed change and the reasons therefor. Each warehouseman shall keep exposed conspicuously in the place prescribed by § 737.6, and at such other place, accessible to the public, as the Administrator or his representative may from time to time designate, a copy of his current rules and schedules of charges.

**§ 737.30 Business hours.**

(a) Each warehouse shall be kept open for the purpose of receiving tobacco for storage and delivering tobacco out of storage every business day for a period of not less than 6 hours between the hours of 8 a.m. and 6 p.m., except as provided in paragraph (b) of this section. The warehouseman shall keep conspicuously posted on the door of the public entrance to his office and to his warehouse a notice showing the hours during which the warehouse will be kept open, except when such warehouse is kept open continuously from 8 a.m. to 6 p.m.

(b) In case the warehouse is not to be kept open as required by paragraph (a) of this section, the notice posted as prescribed in that paragraph shall state the period during which the warehouse is to be closed and the name of an accessible person, with the address where he may be found, who shall be authorized to deliver tobacco stored in such warehouse, upon lawful demand and proper compliance with the regulations in this part.

**§ 737.31 Packaging tobacco.**

(a) A warehouseman shall not receive for storage in his warehouse any tobacco that is not properly packaged.

(b) A warehouseman shall return to the package from which it is taken all the tobacco drawn for the selection of a sample, except the portion used for such sample.

**§ 737.32 Clean warehouse.**

(a) Each warehouseman shall keep his warehouse clean and free from trash, rubbish, and scattered tobacco. He shall also exercise every precaution to keep his warehouse free of rats or other pests.

(b) When in the opinion of the Administrator or his representatives it may appear necessary, it shall be the duty of each licensed warehouseman to fumigate thoroughly his licensed warehouse with such chemicals as may be approved by the Administrator for that purpose.

**§ 737.33 Package identification.**

A warehouseman shall mark, stencil, or tag each package of tobacco received for storage in his warehouse with a number by which the identity of such package will be preserved. Such numbers shall be in numerical sequence or any series of numerical sequences approved by the Administrator or his representative, shall be made with some durable substance, and shall be clear and legible. If tags are used they shall be made of substantial material and securely attached to the packages.

**§ 737.34 Package arrangement.**

(a) Each warehouseman shall arrange the packages of tobacco so that the identification number thereon as required by § 737.33 is visible, readily accessible, and arranged so as to permit an accurate check thereof, unless waived in writing by the Administrator.

(b) If, at any time, a warehouseman shall be offered tobacco in such quantity for storage so as to exceed the capacity of this warehouse, as shown in his license, he shall not accept such tobacco until he has first secured authority through an amended license, and after such authority has been granted the warehouseman shall continue to arrange the tobacco in accordance with paragraph (a) of this section.

[63 FR 60204, Nov. 9, 1998]

**§ 737.35 Care of stock and equipment.**

Each warehouseman shall at all times, including any period of suspension of his license, exercise such care in regard to tobacco in his custody as a reasonably careful owner would exercise under the same circumstances and conditions. He shall see that the sprinkler or other fire protection equipment, if any, provided for his warehouse is maintained in proper working order.

**§ 737.36 Care of other commodities.**

If, at any time, a warehouseman shall handle tobacco other than for storage, or shall handle or store any other commodity, he shall so protect the same, and otherwise exercise such care with respect to it, as not to endanger the tobacco in his custody as a warehouseman or impair his ability to meet his obligations and perform his

duties under the act and the regulations in this part. If the warehouseman shall store commodities other than those for which he is licensed, a nonlicensed receipt shall be issued, which shall contain in its terms a provision that such commodities are accepted for storage only until such time as the space which they may occupy may be needed for products for the storage of which the warehouseman is licensed. Under no circumstances shall any commodities for the storage of which the warehouseman is not licensed be stored if the storage of such commodities might adversely affect the commercial value of, or impair the insurance on, tobacco covered by licensed receipts.

### § 737.37 Removal of tobacco in storage.

Except as permitted by law or the regulations in this part, a warehouseman shall not remove any tobacco in storage from the part of the warehouse shown in the receipt to another part covered by the license, or to any other licensed warehouse, without first securing the receipt and indorsing on it the fact and date of such removal and making an identical indorsement on the copy of the original receipt. If the insurance on any tobacco would be affected by such removal, prior to removal the warehouseman shall obtain the consent in writing of the holder of the receipt. In the event it should be necessary for purposes of proper sampling and inspecting to move temporarily tobacco from the licensed warehouse, or licensed compartment shown on the outstanding receipt to another licensed warehouse or licensed compartment, removal for such purpose may be made without recalling the outstanding receipt upon compliance with the following conditions:

(a) That such tobacco will be moved only upon specific instructions of the depositor of the tobacco when title to the tobacco remains in him, or of the holder of the receipt, such instructions to be reduced to writing and filed by the warehouseman with his other warehouse records. Said instructions shall show by marks or numbers the specific tobacco to be moved, the warehouse or compartment from and to which the tobacco is to be moved, the date of removal and upon return to the warehouse or compartment from which removed the warehouseman shall indicate the date of return.

(b) That said tobacco so removed shall be fully covered by insurance against loss by fire, lightning, tornado, or theft both while in transit to and from the licensed warehouse or licensed compartment shown in the outstanding receipt and while in the warehouse in which it is being sampled and inspected.

(c) That no such removal from one licensed warehouse or licensed compartment to another licensed warehouse or licensed compartment shall take place while Department examiners are engaged in making inspections except as the chief of the inspection party may approve.

Under no other circumstances, unless it becomes absolutely necessary to protect the tobacco, shall tobacco covered by receipts issued under the act be removed from a warehouse, except as provided in § 737.21. In case it becomes necessary to remove tobacco from a warehouse prior to the surrender of the receipts, the warehouseman immediately upon such removal, shall notify the Service of such removal and the necessity therefor.

### § 737.38 Handling and storing; care.

A warehouseman shall not handle or store tobacco in such a manner as will injure or damage the tobacco or the packages containing the tobacco.

### § 737.39 Tobacco out of condition.

(a) If the warehouseman, with the approval of a licensed inspector or grader shall determine that any tobacco is deteriorating and that such deterioration can not be stopped, the warehouseman shall give immediate notice of the fact in accordance with paragraphs (b) and (c) of this section.

(b) Such notice shall state: (1) The warehouse in which the tobacco is stored; (2) the actual condition of the tobacco as nearly as can be ascertained, and the reason, if known, for such condition; (3) the outstanding receipts covering the tobacco out of condition, giving the number and date of each such receipt and the type, grade, form, condition, and weight of

the tobacco as stated in each such receipt; and (4) that such tobacco will be delivered upon the return and surrender of the receipts therefor.

(c) A copy of such notice shall be delivered in person or shall be sent by mail (1) to the persons holding the receipts, if known to the warehouseman; (2) to the person who originally deposited the tobacco; (3) to any other persons known by the warehouseman to be interested in the tobacco; and (4) to the Administrator. Public notice shall also be given by posting a copy of such notice at the place where the warehouseman is required to post his license. A copy of such notice shall be kept as a record of the warehouse. If the holders of the receipts and the owners of the tobacco are known to the warehouseman and cannot, in the regular course of the mails, be reached within 36 hours, the warehouseman shall, whether or not requested so to do, also immediately notify such persons by telegraph or telephone at their expense.

(d) Any person financially interested in any tobacco or the receipt covering such tobacco stored in a licensed warehouse may, in writing, notify the warehouseman of the fact of his interest, and such warehouseman shall keep a record of that fact. If such person request in writing that he be notified regarding the condition of any such tobacco and agree to pay the cost of any telegraph or telephone toll charge the warehouseman shall notify such person in accordance with his request.

(e) If the tobacco advertised in accordance with the requirements of this section has not been removed from storage by the owner thereof within seven days from the date of notice of its being out of condition, the warehouseman in whose warehouse such tobacco is stored may sell the same at public auction at the expense and for the account of the owner, after giving seven days' notice of such proposed sale in the manner specified in paragraphs (b) and (c) of this section.

(f) Nothing contained in this section shall be construed as relieving the warehouseman from properly caring for any tobacco after notification of its condition has been given in accordance with this section.

(g) Records required to be kept by this section shall be retained, as a part of the records of the warehouse, for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 129, rev.; 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 737.40 System of accounts.

A warehouseman shall use for his licensed warehouse a system of accounts, approved for the purpose by the Administrator or his representative, which shall show for each package of tobacco the name of the depositor, the identification number mentioned in § 737.33, its weight, type, grade, form, and condition when same is required to be or is ascertained, its location, the dates received and delivered out of storage, the receipts issued and canceled, and a separate record for each depositor of his tobacco, and such accounts shall include a detailed record of all moneys received and disbursed and of all insurance policies taken out and canceled. Such records shall be retained by the warehouseman for a period of six years after December 31, of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 129, rev.; 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 737.41 Reports; copies.

(a) Each warehouseman shall, from time to time, when requested by the Administrator or his representative,

make reports, on forms prescribed and furnished for the purpose by the Service, concerning the condition, contents, operation, and business of the warehouse.

(b) Each warehouseman shall keep on file, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which submitted, an exact copy of each report submitted by such warehouseman under the regulations in this part.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 129, rev.; 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 737.42 Canceled receipts; auditing.

Each warehouseman, if requested by the Service, shall forward canceled receipts for auditing to an entity or office of the Service as may be designated from time to time.

[62 FR 33540, June 20, 1997]

### § 737.43 Examination of warehouses.

Each warehouseman shall permit any officer or agent of the Department, authorized by the Secretary, or his designated representative, for the purpose, to enter and inspect or examine, at any time, any warehouse for the conduct of which such warehouseman has been licensed, the office thereof, the books, records, papers, and accounts relating thereto, and the contents thereof, and such warehouseman shall furnish such officer or agent the assistance necessary to enable him to make any inspection or examination under this section.

### § 737.44 Weighing apparatus.

The weighing apparatus used for ascertaining the weight stated in a receipt or certificate, issued for tobacco stored in a licensed warehouse, shall be subject to examination by any officer or agent of the Department employed for the purpose. If the Service shall disapprove such weighing apparatus, it shall not thereafter, unless such disapproval is withdrawn, be used in ascertaining the weight of tobacco for the purposes of the act and the regulations in this part.

### § 737.45 Licensee preferred for service.

(a) Except as authorized by the Administrator, a warehouseman shall not have any tobacco stored or to be stored in his warehouse, sampled, inspected, graded, or weighed for the purpose of his record or receipts by any person not licensed under the act to perform such services, if there be a person so licensed for such warehouse.

(b) When a grade or weight certificate has been issued by a grader or weigher and delivered to the warehouseman with the first copy of such certificate, the warehouseman shall fill in the identification numbers required in § 737.33, on each certificate, and shall mail or deliver the original certificate to the depositor and file the copy of such certificate as a part of the records of the warehouse.

### § 737.46 Reporting fire losses.

If at any time a fire occurs at or within any licensed warehouse, it shall be the duty of the warehouseman to report immediately the occurrence of such fire and the extent of damage to the Administrator.

[62 FR 33540, June 20, 1997]

### § 737.47 [Reserved]

FEES

### § 737.48 License fees.

(a) Fees are collected in advance for each original, amended, modified, extended, reinstated, or duplicate warehouseman's license; and for each original, duplicate, or modified license issued to inspect, sample, grade, classify, or weigh commodities.

(b) Fee changes, if applicable, will be announced by Notice in the FEDERAL REGISTER on or before July 1, and effective the following October 1.

[59 FR 51358, Oct. 11, 1994]

### § 737.49 Warehouse annual and inspection fees.

Warehousemen must pay:

(a) An annual fee which will be determined by computing the capacity for each warehouse location under a single

license and adding those amounts together to determine the total due. The fee will be assessed and payable when the warehouse bond is furnished in accordance with these regulations, for acceptance by the Secretary and annually thereafter on the bond renewal date. The capacity for each identifiable location will be determined by the Secretary. The total capacity of all locations may not exceed the capacity stated in the current license. An identifiable location is a fully functional public warehouse as determined by the Secretary. The annual fee a licensed warehouseman is assessed may be adjusted by the amount Commodity Credit Corporation (CCC) pays, if CCC has a storage contract or agreement with the warehouseman.

(b) An inspection fee for each original and amendment inspection.

(c) An inspection fee at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement, in all cases where the license has been suspended and the warehouseman has requested reinstatement. No fee will be charged if the Secretary determines that the suspension was not justified.

(d) A fee for each inspection requested by the warehouseman at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement.

[59 FR 51358, Oct. 11, 1994]

### § 737.50 Advance deposit.

Before any license is granted, or an original examination or inspection is made, or reexamination or reinspection for modification of an existing license is made, or when the annual fee for the licensed warehouse is assessed, pursuant to the regulation in this part, the applicant or licensee shall deposit with the Service the amount of the fee prescribed. Such deposit shall be made in the form of a check, certified if required by the Service, draft, or post office or express money order, payable to the order of the Service.

[46 FR 63200, Dec. 30, 1981. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 62 FR 33541, June 20, 1997]

### § 737.51 Return of excess deposit.

The Treasurer of the United States shall hold in his custody each advance deposit made under § 737.50 until the fee, if any, is assessed and he is furnished by the Service with a statement showing the amount thereof and against whom assessed. Any part of such advance deposit which is not required for the payment of any fee assessed shall be returned to the party depositing the same.

[SRA, BAE 129, rev., as amended at 3 FR 1400, June 14, 1938. Redesignated at 50 FR 1814, Jan. 14, 1985]

## LICENSED SAMPLERS, INSPECTORS, GRADERS, AND WEIGHERS

### § 737.52 Applications; samplers', inspectors', graders', and weighers'.

(a) Applications for licenses to sample, to inspect, and to grade or to weigh tobacco under the act shall be made to the Administrator on forms furnished for the purpose by him.

(b) Each such application shall be signed by the applicant, shall be verified by him under oath or affirmation administered by a duly authorized officer, and shall contain or be accompanied by: (1) The name and location of a warehouse or warehouses licensed, or for which application for license has been made under the act in which tobacco sought to be sampled, inspected, graded, or weighed under such license is or may be stored, (2) a statement from the warehouseman conducting such warehouse showing whether the applicant is competent and is acceptable to such warehouseman for the purpose, (3) satisfactory evidence that he has had at least one year's experience in the kind of service for which a license is sought or the equivalent of such experience, and that he is competent to perform such services, except in the case of applicants for weighers' licenses one month's experience will be sufficient, (4) a statement by the applicant that he agrees to comply with and abide by the terms of the act and the regulations in this part so far as the same may relate to him, and (5) such other information as the Service may deem necessary: *Provided,* That when an application for a license to sample,

to inspect, to grade, or to weigh tobacco is filed by a person who does not intend to sample, to inspect, to grade, or to weigh for any particular licensed warehouseman but who does intend to sample, to inspect, to grade, or to weigh tobacco stored or to be stored in a licensed warehouse and to issue certificates therefor, as provided for by the Act and the regulations in this part, independent of the warehouse receipt, issued to cover such tobacco, it shall not be necessary to furnish such statement as is required by paragraph (b)(2) of this section.

(c) The applicant shall at any time furnish such additional information as the Secretary or his designated representative shall find to be necessary to the consideration of his application.

(d) A single application may be made by any person for a license to sample, to inspect, to grade, and to weigh upon complying with all the requirements of this section.

[SRA, BAE 129, rev.; 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 41 FR 34005, Aug. 12, 1976. Redesignated at 50 FR 1814, Jan. 14, 1985]

CROSS REFERENCE: For inspectors, samplers, and weighers regulations under the Tobacco Inspection Act, see 7 CFR 29.106 through 29.113 of this chapter.

### § 737.53 Examination.

Each applicant for license as a sampler, inspector, grader, or weigher, and each sampler, inspector, grader, or weigher, whenever requested by an authorized agent of the Department, shall submit to an examination or test to show his ability properly to perform the duties for which he is applying for license or for which he has been licensed, and each such applicant, or licensee shall furnish the Service any information requested, at any time, in regard to his sampling, inspecting, grading, or weighing of tobacco.

### § 737.54 Posting of license.

Each sampler, inspector, grader, or weigher shall keep his license conspicuously posted at the place or office where he functions as a sampler, inspector, grader, or weigher, or in such other place as may be designated for the purpose by the Service.

### § 737.55 Proper discharge of duties.

Each sampler, inspector, grader, or weigher, according to the nature of his license, when requested shall, without discrimination, as soon as practicable, and upon reasonable terms, sample, inspect, grade, or weigh tobacco stored or to be stored in a licensed warehouse for which he holds a license, if such tobacco be offered to him under such conditions as will permit proper sampling, inspecting, grading, or weighing. Each such licensee shall give preference to persons who request his services as such other persons who request his services in any other capacity. No official sample shall be drawn and no inspection, grade, or weight certificate shall be issued under the act for tobacco not stored or to be stored in a licensed warehouse.

### § 737.56 Official samples; sample tags and seals.

(a) Each licensed sampler shall provide himself, unless provided by the warehouseman, with a sufficient quantity of tags of a kind and quality approved by the Administrator or his representative for identifying the samples of tobacco drawn by him. There shall be clearly written or printed on the face of each tag (1) the number of the tag, (2) the caption ''Official Tobacco Sample Drawn under the United States Warehouse Act'', (3) the name and location of the licensed warehouse in which the tobacco is or is to be stored, (4) the identification number, in accordance with § 737.33, of the package from which the sample was drawn, except when sampled before being stored, in which case the private number and marks of the package shall be shown and a blank space left for said identification number, (5) the date on which the sample was drawn, and (6) a statement to the effect that the sample was drawn by a sampler licensed in accordance with the United States Warehouse Act and the regulations thereunder. One such tag shall be attached to each official sample of tobacco so as to preserve the identity of the sample.

(b) Each sampler shall seal each official sample of tobacco drawn by him so as to prevent the removal of the tag mentioned in paragraph (a) of this section, or the separation of the sample

into parts without breaking the seal. Such seal shall show (1) the name of the sampler, (2) the license number of such sampler, and (3) the insignia ''U.S.W.A.''

(c) Each official sample taken from a package of tobacco stored or to be stored in a licensed warehouse shall be of such size and drawn and prepared in such manner as may be required by the Administrator or his representative.

**§ 737.57 Inspection certificate; form.**

Each inspection certificate issued under the act by an inspector shall be in a form approved for the purpose by the Service and shall embody within its written or printed terms (a) the caption ''Tobacco Inspection Certificate Issued under the United States Warehouse Act'', (b) whether it is an original, first, second, or other copy, (c) the number of the certificate, (d) the name and location of the warehouse in which the tobacco is or is to be stored, (e) the date of the certificate, (f) the location of the tobacco at the time of inspecting, (g) a blank space for the purpose of showing the identification number of each package of tobacco, in accordance with § 737.33, (h) the keeping quality or condition of each package of tobacco at the time of inspecting, (i) a blank space designated for the purpose in which may be stated any condition that, in the opinion of the inspector, may affect the keeping quality of the tobacco, (j) that the certificate is issued by a licensed inspector under the United States Warehouse Act and the regulations thereunder, and (k) the signature of the inspector. In addition, the inspection certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

**§ 737.58 Grade certificate; form.**

Each grade certificate issued under the act by a grader shall be in a form approved for the purpose by the Service and shall embody within its written or printed terms (a) the caption ''Tobacco Grade Certificate Issued under the United States Warehouse Act'', (b) whether it is an original, first, second, or other copy, (c) the number of the certificate, (d) the name and location of the warehouse in which the tobacco is or is to be stored, (e) the date of the certificate, (f) the location of the tobacco at the time of grading, (g) a blank space for the purpose of showing the identification number of each package, in accordance with § 737.33, (h) the grade, type, form, and condition of each package of tobacco at the time of grading, (i) the number of each official sample, if graded upon sample, (j) that the certificate is issued by a licensed grader, under the United States Warehouse Act and regulations thereunder, (k) a blank space designated for the purpose in which may be stated any general remarks on the condition of the tobacco, and (l) the signature of such licensed grader. In addition, the grade certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

**§ 737.59 Weight certificate; form.**

Each weight certificate issued under the act by a weigher shall be in a form approved for the purpose by the Service, and shall embody within its written or printed terms (a) the caption ''Tobacco Weight Certificate Issued under the United States Warehouse Act'', (b) whether it is an original, first, second, or other copy, (c) the number of the certificate, (d) the name and location of the warehouse in which the tobacco is or is to be stored, (e) the date of the certificate, (f) the location of the tobacco at the time of weighing, (g) a blank space for the purpose of showing the identification number of each package, in accordance with § 737.33, (h) the gross, tare, and net weight of each package of tobacco, (i) a blank space designated for the purpose in which may be stated any condition that in the opinion of the weigher may affect the weight of the tobacco, (j) that the certificate is issued by a licensed weigher, under the United States Warehouse Act and the regulations thereunder, and (k) the signature of the weigher. In addition, the weight certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

**§ 737.60 Combined certificate.**

A combined certificate of inspection, grade, and weight may be issued if such certificate meets all the requirements of §§ 737.57 through 737.61.

**§ 737.61 Issuance of certificates.**

Each licensed inspector, grader, or weigher shall, as soon as possible after inspecting, grading, or weighing any tobacco stored or to be stored in a licensed warehouse, issue an original and a first copy inspection, grade, or weight certificate, as the case may be, for such tobacco, and deliver both the original and first copy of the certificate to the warehouseman, in whose warehouse the tobacco is or is to be stored, except, when the functions of warehouseman, inspector, grader, and weigher are all performed by the same person, with the approval of the Administrator, inspection, grade, and weight certificates need not be issued.

**§ 737.62 Type, grade, form, or condition; statement.**

Whenever the type, grade, form, or condition of tobacco is required to be or is stated for the purposes of the act and the regulations in this part, it shall be stated in accordance with §§ 737.69 through 737.73.

**§ 737.63 Licensees to permit and assist in examinations.**

Each sampler, inspector, grader, or weigher shall permit any authorized officer or agent of the Department to inspect or examine at any time his books, papers, records, and accounts relating to the performance of his duties under the act and the regulations in this part, and shall, when requested, assist any such officer or agent in the inspection or examination mentioned in § 737.43, as far as any such inspection or examination relates to the performance of his duties as a licensee.

**§ 737.64 Suspension or revocation of licenses.**

Pending investigation the Secretary or his designated representative may, whenever he deems necessary, suspend the license of a sampler, inspector, grader, or weigher temporarily without hearing. Upon a written request and a satisfactory statement of reasons therefor submitted by the licensee, or when the licensee has ceased to perform the services for which licensed, the Secretary or his designated representative may, without hearing, suspend or revoke the license issued to such licensee. The Secretary, or his designated representative may, after opportunity for hearing, when possible, has been afforded in the manner prescribed in this section, suspend or revoke a license issued to a sampler, inspector, grader, or weigher when such licensee has, in any manner, become incompetent or incapacitated to perform his duties as such licensee. As soon as it shall come to the attention of a licensed warehouseman that any of the conditions in this section exist, it shall be his duty to notify in writing the Service. Before the license of any sampler, inspector, grader, or weigher is permanently suspended or revoked, pursuant to section 12 of the act, such licensee shall be furnished by the Secretary or his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 737.78.

[SRA, BAE, 129, rev.; 7 FR 6806, Aug. 29, 1942, as amended at 13 FR 8730, Dec. 30, 1948. Redesignated at 50 FR 1814, Jan. 14, 1985]

**§ 737.65 Return of suspended, revoked, terminated licenses.**

In case a license issued to a sampler, inspector, grader, or weigher is suspended or revoked by the Secretary or by his designated representative, such license shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless in the meantime it is revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, it shall be returned to the person to whom it was originally issued, and it shall be posted as prescribed in § 737.54. Any license issued to a sampler, inspector, grader, or weigher shall automatically terminate as to any warehouse whenever the license of such warehouse is suspended, expires, or is revoked, and the license of such sampler, inspector, grader, or weigher shall be returned to the Secretary. In case such

license shall apply to more than one warehouse, the Secretary or his designated representative shall issue a new license, omitting the names of the warehouses for which licenses have been suspended, terminated, or revoked. Such new license shall be posted as prescribed in § 737.54.

**§ 737.66 Lost or destroyed licenses.**

Upon satisfactory proof of the loss or destruction of a license issued to a sampler, inpector, grader, or weigher a duplicate thereof or a new license may be issued under the same or a new number.

**§ 737.67 Reports.**

Each sampler, inspector, grader, or weigher shall, from time to time, when requested by the Department, make reports on forms furnished for the purpose by the Service bearing upon his activities as such licensee.

**§ 737.68 Unlicensed persons; misrepresentation.**

No person shall in any way represent himself to be a sampler, inspector, grader, or weigher licensed under the act unless he holds an unsuspended or unrevoked license issued under the act.

TOBACCO CLASSIFICATION

**§ 737.69 Type, grade, form, or condition; statement.**

Whenever the type, grade, form, or condition of tobacco is required to be or is stated for the purposes of the act and the regulations in this part, it shall be stated in accordance with §§ 737.69 through 737.73.

**§ 737.70 Standards to be used.**

Until such time as official tobacco standards of the United States are in effect, the type, grade, form, and condition of tobacco shall be stated: (a) In accordance with such standards, if any, as may be approved for the purpose by the Administrator, or his representative, or (b) in the absence of any such standards, in accordance with the standards adopted by any tobacco organization or by the tobacco trade generally in the locality in which the warehouse is located, subject to disapproval by the Administrator.

**§ 737.71 Type, grade, form, or condition.**

Whenever the type, grade, form, or condition of tobacco is stated for the purposes of the act and the regulations in this part, the terms used shall be correctly applied and shall be so selected as not to convey a false impression of the tobacco. In determining the type, grade, form, or condition of a package of tobacco, the package as a whole shall be considered rather than parts of it which do not materially affect the value of the entire package and minor irregularities in the tobacco shall be overlooked.

**§ 737.72 Type, grade, and form; statement.**

Whenever the type, grade, or form of tobacco is stated for the purposes of the act and the regulations in this part, it shall be based upon a careful and thorough examination of the package of tobacco or an official sample thereof. In case the tobacco in one part of a package or sample is inferior to that in other parts of the package or sample, the grade assigned to the tobacco shall be an average, considering the proportion that each part bears to the whole, and in case of a question as to which grade of two or more grades should be assigned to the tobacco, the lowest grade in question shall be assigned.

**§ 737.73 Statement of condition.**

Whenever the condition of tobacco is stated for the purpose of the act and the regulations in this part, it shall be based upon a careful and thorough examination of the package of tobacco. In case any portion of a package of tobacco is found to be in a tangled, doubtful keeping, or nested condition, the condition stated for the whole package shall be based upon such tangled, doubtful keeping, or nested portion.

APPEAL ON SAMPLING OR CLASSIFICATION OF TOBACCO

**§ 737.74 New receipts; expenses.**

If a question arises as to the accuracy of an official sample, or whether the type, grade, form, or condition of the tobacco was correctly stated in a

receipt or certificate issued under the act or the regulations in this part, the warehouseman concerned or any person financially interested in the tobacco involved may, after reasonable notice to the other party, submit the question to such committee as the Administrator may appoint. The decision of the committee shall be final, unless the Administrator shall direct a review of the question. Immediately upon making their decision, the committee shall issue a certificate embodying their findings to the appellants and the licensee or licensees involved. If the decision of the committee be that the sample was not representative of the package of tobacco, or that the type, grade, form, or condition was not correctly stated, the receipt or certificate involved shall be returned to and canceled by the licensee who issued it and the licensee shall issue in lieu thereof a new receipt or certificate embodying therein the statement of type, grade, form, or condition in accordance with the findings of the committee. All necessary and reasonable expense of such appeal shall be borne by the losing party, unless the Administrator shall decide that the expense should be prorated between the parties.

MISCELLANEOUS

### § 737.75 Bonds required; re State warehouses.

Every person applying for a license or licensed under section 9 of the act shall, as such, be subject to all portions of the regulations in this part, except § 737.5, so far as they may relate to warehousemen. If there is a law of any State providing for a system of warehouses owned, operated, or leased by such State, a person applying for a license under section 9 of the act, to accept the custody of tobacco and to store the same in any of said warehouses, may, in lieu of a bond or bonds, complying with § 737.12, file with the Secretary a single bond meeting the requirements of the act and the regulations in this part, in such form, and in such amount not less than $5,000 as he shall prescribe, to insure the performance by such person, with respect to the acceptance of the custody of tobacco and its storage in the warehouses in such system for which licenses are or may be issued, of his obligations arising during the periods of such licenses, and in addition, if desired by the applicant, during the periods of any modifications or extensions thereof. In fixing the amount of such bond, consideration shall be given, among other appropriate factors, to the character of the warehouses involved, their actual or contemplated capacity, the bonding requirements of the State, and its liability with respect to such warehouses. If the Secretary shall find the existence of conditions warranting such action, there shall be added to the amount of the bond so fixed a further amount, fixed by him, to meet such conditions.

### § 737.76 Publications.

Publications under the act and the regulations in this part shall be made in such media as may be deemed proper by the Administrator.

[62 FR 33541, June 20, 1997]

### § 737.77 Violations to be reported.

Every person licensed under the act shall immediately furnish the Service any information which comes to the knowledge of such person tending to show that any provision of the act or the regulations in this part has been violated.

### § 737.78 Procedure in hearings.

Hearings under the Act or the regulations in this part, except those relating to appeals or arbitrations shall be conducted in accordance with the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary under various statutes (7 CFR 1.130 through 1.151).

[45 FR 6775, Jan. 30, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 737.79 One document and one license to cover several products.

A license may be issued for the storage of two or more agricultural products in a single warehouse. Where such a license is desired, a single application, inspection, bond, record, report, or other paper, document, or proceeding relating to such warehouse,

shall be sufficient unless otherwise directed by the Administrator.

### § 737.80 Assets and bond; combination warehouses.

Where such license is desired, the amount of the bond, net assets, and inspection and license fees shall be determined by the Administrator in accordance with the regulations applicable to the particular agricultural product which would require the largest bond and the greatest amount of net assets and of fees if the full capacity of the warehouse was used for its storage.

### § 737.81 Amendments.

Any amendment to, or revision of, the regulations in this part, unless otherwise stated therein, shall apply in the same manner to persons holding licenses at the time it becomes effective as it applies to persons thereafter licensed under the act.

## PART 738—WOOL WAREHOUSES

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AUTHORITY: 7 U.S.C. 241 *et seq.*.

SOURCE: 5 FR 3607, Sept. 10, 1940, unless otherwise noted. Redesignated at 50 FR 1814, Jan. 14, 1985.

EDITORIAL NOTE: Nomenclature changes to part 738 appear at 62 FR 33540, June 20, 1997.

DEFINITIONS

### § 738.1 Words in singular form.

Words used in the regulations in this part in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

### § 738.2 Terms defined.

For the purposes of the regulations in this part, unless the context otherwise require, the following terms shall be construed, respectively, to mean:

(a) *The act*. The United States Warehouse Act, approved August 11, 1916 (39 Stat. 486; 7 U.S.C. 241–274), as amended.

(b) *Person*. An individual, corporation, partnership, or two or more persons having a joint or common interest.

(c) *Secretary*. ''Secretary'' means the Secretary of Agriculture of the United States or any officer or employee of the Department to whom authority has heretofore been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(d) *Designated representative*. The Administrator.

(e) *Administrator*. The Administrator of the Service or any other officer or employee of the Service to whom authority has heretofore lawfully been delegated, or may hereafter lawfully be delegated, to act in his stead.

(f) *Department*. The United States Department of Agriculture.

(g) *Service*. The Farm Service Agency of the U.S. Department of Agriculture.

(h) *Regulations*. Rules and regulations made under the act by the Secretary.

(i) *Warehouse*. Any suitable building, structure, or other protected inclosure in which wool is or may be stored for interstate or foreign commerce, or, if located within any place under the exclusive jurisdiction of the United States, in which wool is or may be stored and for which a license has been issued under the act.

(j) *Warehouseman*. Any person lawfully engaged in the business of storing wool.

(k) *License*. A license issued under the act by the Secretary or his designated representative.

(l) *Grader*. A person licensed under the act by the Secretary or his designated representative, to grade and to certificate the grade of wool stored or to be stored in a licensed warehouse.

(m) *Weigher*. A person licensed under the act by the Secretary or his designated representative, to weigh and to certificate the weight of wool stored or to be stored in a licensed warehouse.

(n) *Receipt*. A warehouse receipt.

(o) *Kind of wool*. Grease, scoured, or pulled, and sorted or unsorted wool, or sorted or unsorted mohair.

(p) *State*. A State, Territory, or District of the United States.

[5 FR 3607, Sept. 10, 1940, as amended at 13 FR 8729, Dec. 30, 1948. Redesignated and amended at 50 FR 1814, Jan. 14, 1985]

WAREHOUSE LICENSES

### § 738.3 Application form.

Applications for licenses and amendments to licenses under the act shall be made to the Secretary upon forms prescribed for the purpose and furnished by the Service, shall be in English, shall truly state the information therein contained, and shall be signed by the applicant. The applicant shall at any time furnish such additional information as the Secretary or the Administrator may find to be necessary to the proper consideration of his application.

### § 738.4 Grounds for not issuing license.

A license for the conduct of a warehouse shall not be issued if it be found by the Secretary, or his designated representative, that the warehouse is not suitable for the proper storage of wool, that the warehouseman is incompetent to conduct such warehouse in accordance with the act and the regulations in this part, or that there is any other sufficient reason within the intent of the act for not issuing such license.

**§ 738.5 Net assets.**

Any warehouseman conducting a warehouse licensed or for which application for license has been made under the act shall have and maintain above all exemptions and liabilities net assets liable for the payment of any indebtedness arising from the conduct of the warehouse, to the extent of at least $15 per 1,000 pounds or fraction thereof of the maximum number of pounds of wool that the warehouse will accommodate when stored in the manner customary to the warehouse as determined by the Administrator: *Provided,* That the amount of such assets shall not be less than $5,000 and need not be more than $100,000. If such warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, such warehouses shall be deemed to be one warehouse for the purposes of the assets required under this section. For the purposes of this section only, paid-in capital stock shall not be considered a liability. Any deficiency in the required net assets may be supplied by an increase in the amount of the warehouseman's bond in accordance with § 738.12(b).

**§ 738.6 Posting license.**

Immediately upon receipt of his license or of any amendment thereto under the act, the warehouseman shall post the same, and thereafter, except as otherwise provided in the regulations in this part, keep it posted, until suspended or revoked, in a conspicuous place in the principal office where receipts issued by the warehouseman are delivered to depositors.

**§ 738.7 Suspension or revocation of license.**

Pending investigation, the Secretary, or his designated representative, whenever he deems necessary, may suspend a warehouseman's license temporarily without hearing. Upon written request and a satisfactory statement of reasons therefor submitted by a warehouseman, the Secretary, or his designated representative may, without hearing, suspend or revoke the license issued to such warehouseman. The Secretary or his designated representative may, after opportunity for hearing has been afforded in the manner prescribed in this section, revoke a license issued to a warehouseman when such warehouseman (a) is bankrupt or insolvent; (b) has parted, in whole or in part, with his control over the warehouse; (c) is in process of dissolution or has been dissolved; (d) has ceased to conduct such licensed warehouse; or (e) has in any other manner become non-existent or incompetent or incapacitated to conduct the business of the warehouse. Whenever any of the conditions mentioned in paragraphs (a) to (e) of this section shall come into existence, it shall be the duty of the warehouseman to notify immediately the Administrator of the existing condition. Before a license is permanently suspended or revoked for any violation of, or failure to comply with, any provision of the act or of the regulations in this part, or upon the ground that unreasonable or exorbitant charges have been made for services rendered, the warehouseman involved shall be furnished by the Secretary, or his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 738.72.

**§ 738.8 Return of terminated, suspended, or revoked license.**

When a license issued to a warehouseman terminates or is suspended or revoked by the Secretary or his designated representative, it shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless it be in the meantime revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, it shall be returned to the warehouseman to whom it was originally issued, and it shall be posted as prescribed in § 738.6: *Provided,* That in the discretion of the Secretary or his designated representative a new license may be issued without reference to the suspension.

### § 738.9 Lost or destroyed warehouse license.

Upon satisfactory evidence of the loss or destruction of a license issued to a warehouseman, a duplicate thereof may be issued under the same number.

### § 738.10 Unlicensed warehousemen must not represent themselves as licensed.

No warehouse or its warehouseman or any other person shall be designated or represented as licensed under the act, and no name or description conveying the impression that it or he is so licensed shall be used, either in a receipt or otherwise, unless such person or warehouseman holds an unsuspended and unrevoked license for the conduct of such warehouse.

WAREHOUSE BONDS

### § 738.11 Bond required; time of filing.

Each warehouseman applying for a warehouse license under the act shall, before such license is granted, file with the Secretary or his designated representative a bond containing the following conditions and such other terms as the Secretary or his designated representative may prescribe in the approved bond forms, with such changes as may be necessary to adapt the forms to the type of legal entity involved:

Now, therefore, if the said license(s) or any amendments thereto be granted and said principal, and its successors and assigns operating said warehouse(s), shall:

Faithfully perform during the period of 1 year commencing _____, or until the termination of said license(s) in the event of termination prior to the end of the 1 year period, all obligations of a licensed warehouseman under the terms of the act and regulations thereunder relating to the above-named products; and

Faithfully perform during said 1 year period and thereafter, whether or not said warehouse(s) remain(s) licensed under the Act, such delivery obligations and further obligations as a warehouseman as exist at the beginning of said 1 year period or are assumed during said period and prior to termination of said license(s) under contracts with the respective depositors of such products in the warehouse(s);

Then this obligation shall be null and void and of no effect, otherwise to remain in full force. For purposes of this bond, the aforesaid obligations under the act and regulations and contracts shall include obligations under any and all modifications of the Act, the regulations, and the contracts that may hereafter be made, notice of which modifications to the surety being hereby waived.

[28 FR 5637, June 8, 1963. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 738.12 Basis of amount of bond; additional amounts.

(a) Exclusive of any amount which may be added in accordance with paragraphs (b) and (c) of this section, the amount of such bond shall be at the rate of $15 per 1,000 pounds or fraction thereof of the maximum number of pounds of wool that the warehouse will accommodate when stored in the manner customary to the warehouse for which such bond is required, as determined by the Administrator but not less than $5,000 nor more than $50,000. If such warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, and shall desire to give a single bond meeting the requirements of the act and the regulations in this part for the said warehouses, such warehouses shall be deemed to be one warehouse for the purposes of the bond required under §§ 738.11 through 738.15.

(b) In case of a deficiency in net assets as required by § 738.5, there shall be added to the amount of the bond fixed in accordance with paragraph (a) of this section, an amount equal to such deficiency.

(c) If the Secretary or his designated representative finds the existence of conditions warranting such action, there shall be added to the amount fixed in accordance with paragraphs (a) and (b) of this section a further amount fixed by him to meet such conditions.

### § 738.13 Amendment of license.

If application is made under § 738.3 for an amendment of a license, and no bond previously filed by the warehouseman under §§ 738.11 through 738.15 covers obligations arising under such amendment, the warehouseman shall, when notice has been given by the Secretary, or his designated representative, that such amendment will be granted upon compliance by such warehouseman with the act, file with the

Secretary, within a time, if any, fixed in such notice a bond complying with the act, unless bond in sufficient amount has been filed since the filing of such application. In the discretion of the Secretary, or his designated representative, a properly executed instrument in form approved by him, amending, extending, or continuing in force and effect the obligations of a valid bond previously filed by the warehouseman and otherwise complying with the act and the regulations in this part may be filed in lieu of a new bond.

**§ 738.14 New bond required each year.**

Whenever a license has been issued for a period longer than 1 year, such license shall not be effective beyond 1 year from its effective date unless the warehouseman shall have filed a new bond in the required amount with, and such bond shall have been approved by, the Secretary or his designated representative, prior to the date on which that license would have expired had it been issued for but 1 year, subject to the provisions of § 738.13.

**§ 738.15 Approval of bond.**

No bond, amendment, or continuation thereof shall be deemed accepted for the purposes of the act and the regulations in this part until it has been approved by the Secretary or his designated representative.

WAREHOUSE RECEIPTS

**§ 738.16 Form.**

(a) Every receipt, whether negotiable or nonnegotiable, issued for wool stored in a warehouse, shall, in addition to complying with the requirements of section 18 of the act, embody within its written or printed terms of the following:

(1) The name of the warehouseman and the designation, if any, of the warehouse; (2) the number of the license issued to the warehouseman (3) a statement whether the warehouseman is incorporated or unincorporated, and, if incorporated, under what laws; (4) in the event the relationship existing between the warehouseman and any depositor is not that of strictly disinterested custodianship, a statement setting forth the actual relationship; (5) a statement, conspicuously placed, whether the wool is insured by the warehouseman and, if insured, to what extent and whether against fire, lightning, or otherwise; (6) the kind of wool; (7) a blank space designated for the purpose in which, if the wool is not commingled, a careful estimate of the shrinkage of the wool may be stated, or in which, if the wool is commingled, a careful estimate of the shrinkage of the wool shall be stated; (8) if the wool is not commingled, its identification in accordance with § 738.34; (9) if the wool is commingled, a clear and conspicuous notation to that effect, and the designation of the lot or pile of which it is a part on the face of the receipt; and (10) the words ''Negotiable'' or ''Nonnegotiable'' and ''Original'' or ''Copy'' according to the nature of the receipt, clearly and conspicuously printed thereon.

(b) Every receipt, whether negotiable or nonnegotiable, issued for wool stored in a warehouse shall specify a period, not exceeding 1 year, for which the wool is accepted for storage under the act and the regulations in this part. Upon demand and surrender of the old receipt, by the lawful holder thereof, at or before the expiration of the specified period, and cancelation of the receipt, the warehouseman, upon such lawful terms and conditions as he may grant at such time to other depositors of wool in his warehouse, if he then continues to act as a licensed warehouseman, shall issue a new receipt for a further specified period not exceeding 1 year and shall indicate thereon the date when the wool was first received.

(c) Every negotiable receipt issued for wool stored in a warehouse shall, in addition to complying with the requirements of paragraph (a) of this section, embody within its written or printed terms the following: (1) If the wool covered by such receipt was graded by a licensed grader or weighed by a licensed weigher, a statement to that effect; (2) a form of indorsement which may be used by the depositor or the lawful holder of the receipt, or the authorized agent of either, for showing the ownership of, and liens, mortgages, or other encumbrances on, the wool covered by the receipt.

(d) Whenever the grade is stated in a receipt issued for wool stored in a warehouse, such grade shall be stated in accordance with §§ 738.64 through 738.67.

(e) If a warehouseman issues a receipt omitting the statement of grade on request of the depositor, as permitted by section 18 of the act, such receipt shall have clearly and conspicuously stamped or written on the face thereof the words ''Not graded on request of depositor.''

(f) If a warehouseman issues a receipt under the act omitting any information not required to be stated, and for which a blank space is provided in the form of the receipt, a line shall be drawn through such space to show that such omission has been made by the warehouseman.

(Approved by the Office of Management and Budget under control number 0560–0120)

[5 FR 3607, Sept. 10, 1940; 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 738.17 Copies of receipts.

At least one actual or skeleton copy of all receipts shall be made, and all copies, except skeleton copies, shall have clearly and conspicuously printed or stamped thereon the words ''Copy—Not Negotiable.'' A copy of each receipt issued shall be retained by the warehouseman for a period of one year after December 31 of the year in which the corresponding original receipt is canceled.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 13369, Sept. 26, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 738.18 Lost or destroyed receipts; bond.

(a) In the case of a lost or destroyed receipt, if there be no statute of the United States or a law of a State applicable thereto, a new receipt upon the same terms, subject to the same conditions, and bearing on its face the number and the date of the receipt in lieu of which it is issued and a plain and conspicuous statement that it is a duplicate issued in lieu of a lost or destroyed receipt, may be issued upon compliance with the conditions set out in paragraph (b) of this section.

(b) Before issuing such new or duplicate receipt the warehouseman shall require the depositor or other person applying therefor to make and file with the warehouseman:

(1) An affidavit showing that he is lawfully entitled to the possession of the orginal receipt, that he has not negotiated or assigned it, how the original receipt was lost or destroyed, and if lost, that diligent effort has been made to find the receipt without success, and (2) a bond in an amount double the value at the time the bond is given of the wool represented by the lost or destroyed receipt. Such bond shall be in a form approved for the purpose by the Secretary or his designated representative, shall be conditioned to indemnify the warehouseman against any loss sustained by reason of the issuance of such duplicate receipt, and shall have as surety thereon preferably a surety company which is authorized to do business, and is subject to service of process in a suit on the bond, in the State in which the warehouse is located, or at least two individuals who are residents of such State and each of whom owns real property therein having a value, in excess of all exemptions and encumbrances, equal to the amount of the bond.

(Approved by the Office of Management and Budget under control number 0560–0120)

[5 FR 3607, Sept. 10, 1940; 7 FR 6806, Aug. 29, 1942; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

CROSS REFERENCE: For surety companies authorized to do business with the United States, see 31 CFR part 223.

### § 738.19 Printing of receipts.

No receipt shall be issued by a licensed warehouseman unless it is:

(a) In a form prescribed by the Administrator,

(b) Upon distinctive paper or card stock specified by the Administrator,

(c) Printed by a printer with whom the United States has a subsisting agreement and bond for such printing, and

(d) On paper and/or card stock tinted with ink in the manner prescribed by

the agreement under paragraph (c) of this section.

[62 FR 33541, June 20, 1997]

### § 738.20 Grade, weight, shrinkage of commingled wool.

The grade, weight, and approximate shrinkage stated in a receipt for wool that is or is to be commingled shall be as determined by a grader and weigher duly licensed to grade and weigh and to certificate the grade and weight thereof under the act and the regulations in this part.

### § 738.21 Cancellation of receipts; delivery of wool.

Except as otherwise provided in the regulations in this part all receipts shall be canceled by the warehouseman when the wool covered by such receipts is to be delivered, is to be graded, sorted, or scoured, or its identity is to be disturbed in any manner.

### § 738.22 Partial delivery of wool.

If a warehouseman delivers a part only of a lot of wool for which he has issued a negotiable receipt, he shall take up and cancel such receipt and issue a new receipt in accordance with the regulations in this part for the undelivered portion of the wool.

### § 738.23 Receipts; return and cancellation.

Except as permitted by law or by the regulations in this part a warehouseman shall not deliver wool for which he has issued a negotiable receipt until such receipt has been returned to him and canceled, and shall not deliver wool for which he has issued his nonnegotiable receipt until such receipt has been returned to him or he has obtained from the person lawfully entitled to such delivery or his authorized agent a written order for delivery and a signed acknowledgment thereof. Such order shall specify the receipt involved, the grade of the wool if stated on the receipt, and the amount of wool to be delivered.

### § 738.24 Nonnegotiable receipts.

Each person to whom a nonnegotiable receipt is issued or the holder thereof shall furnish the warehouseman with a statement in writing indicating the person or persons having power to authorize delivery of wool covered by such receipt together with the genuine bona fide signature of such person or persons. No licensed warehouseman shall honor an order for the release of wool covered by a nonnegotiable receipt until he has first ascertained that the person issuing the order has authority to order such release and that the signature of the releasing party is genuine.

### § 738.25 Omission of grade; no compulsion by warehouseman.

No licensed warehouseman shall, directly or indirectly by any means whatsoever, compel or attempt to compel the depositor of any wool in his warehouse to request the issuance of a receipt omitting the statement of grade.

DUTIES OF LICENSED WAREHOUSEMAN

### § 738.26 Method of storing wool.

(a) Each warehouseman shall, subject to the provisions of section 13 of the act, receive for storage in his warehouse all wool offered for storage the identity of which is to be preserved during the storage period, and also, if he so elects, as provided elsewhere in this part, all wool which is to be commingled. Each warehouseman who has elected to store in his warehouse wool which is to be commingled shall, when so requested in writing as to any wool by the depositor thereof, mingle such wool with other wool, if any, of the same kind, grade, and approximate shrinkage: *Provided*, That no wool may be commingled for which a receipt is outstanding unless the receipt clearly indicates that such wool is or is to be commingled. No warehouseman shall commingle with wool belonging to any depositor wool which is owned by him solely, jointly, or in common with others.

(b) Before making any change in his policy as to whether he will store in his warehouse wool which is to be commingled, each warehouseman shall file with the Administrator a statement in writing showing the proposed change, the effective date thereof, and the reasons therefor.

**§ 738.27 Insurance; requirements.**

(a) Each warehouseman, when so requested in writing as to any wool by the depositor thereof or lawful holder of the receipt covering such wool, shall, to the extent to which in the exercise of due diligence he is able to procure such insurance, keep such wool while in his custody as a warehouseman insured in his own name or arrange for its insurance otherwise to the extent so requested against loss or damage by fire or lightning. When insurance is not carried in the warehouseman's name the receipts shall show that the wool is not insured by the warehouseman. Such insurance shall be covered by lawful policies issued by one or more insurance companies authorized to do such business and subject to service of process in suits brought in the State where the warehouse is located. If the warehouseman is unable to procure such insurance to the extent requested, he shall, orally, or by telegraph, or by telephone immediately notify the person making the request of the fact. Nothing in this section shall be construed to prevent the warehouseman from adopting a rule that he will insure all wool stored in his warehouse.

(b) Each warehouseman shall keep exposed conspicuously in the place prescribed by § 738.6 and at such other place as the Administrator or his representative may from time to time designate, a notice stating briefly the conditions under which the wool will be insured against loss or damage by fire or lightning.

(c) Each warehouseman shall, in accordance with his contracts with insurance and bonding companies for the purpose of meeting the insurance and bonding requirements of the regulations in this part, pay such premiums, permit such reasonable inspections and examinations, and make such reasonable reports as may be provided for in such contracts.

(d) Each warehouseman shall promptly take such steps as may be necessary and proper to collect any moneys which may become due under contracts of insurance entered into by him for the purpose of meeting the requirements of the regulations in this part, and shall, as soon as collected, promptly pay over to the persons concerned any portion of such moneys which they may be entitled to receive from him.

**§ 738.28 System of accounts.**

(a) Each warehouseman shall use for his warehouse a system of accounts, approved for the purpose by the Department, which shall show for each lot of wool received, its weight, the number of bags or bales, its grade when its grade is required to be, or is, ascertained, its location in the warehouse, the dates received for and delivered out of storage, the receipt issued and canceled, and a separate record for each depositor of wool, and such accounts shall include a detailed report of all moneys received and disbursed and of all insurance policies taken out and canceled. In addition, for wool the identity of which is to be preserved, the accounts shall show its identification in accordance with § 738.34, and for wool the identity of which is not preserved the accounts shall show the designation of the lot or pile of which it is a part and the estimate of the shrinkage of such wool stated on the receipt therefor. Such records shall be retained by the warehouseman for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(b) Each warehouseman shall provide a metal fireproof safe, a fireproof vault, or a fireproof compartment in which he shall keep, when not in actual use, all records, books, and papers pertaining to the warehouse, including his current receipt book, copies of receipts issued, and canceled receipts, except that, with the written approval of the Department upon a showing by such warehouseman that it is not practicable to provide such fireproof safe, vault, or compartment, he may keep such records, books, and papers in some other place of safety approved by the Administrator or his representatives. Each canceled receipt shall be retained by the warehouseman for a period of six years after December 31 of

the year in which the receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the act. Canceled receipts shall be arranged by the warehouseman in numerical order and otherwise in such manner as shall be directed, for purposes of audit, by authorized officers or agents of the Department of Agriculture.

(Approved by the Office of Management and Budget under control number 0560–0120)

[5 FR 3607, Sept. 10, 1940, as amended at 22 FR 1629, Mar. 14, 1957; 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 738.29 Reports; copies.

(a) Each warehouseman shall from time to time make such reports as the Administrator or his representative may require, on forms furnished for the purpose by the Service, concerning the condition, contents, operation, and business of the warehouse.

(b) Each warehouseman shall keep on file, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which submitted, an exact copy of each report submitted by such warehouseman under the regulations in this part. Copies of grade and weight certificates as are required to be filed by him by § 738.57 shall be retained, as a part of the records of the warehouse, for a period of one year after December 31 of the year in which the receipt based on such certificates is canceled.

(Approved by the Office of Management and Budget under control number 0560–0120)

[5 FR 3607, Sept. 10, 1940, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 738.30 Canceled receipts; auditing.

Each warehouseman, if requested by the Service, shall forward canceled receipts for auditing to an entity or office of the Service as may be designated from time to time.

[62 FR 33541, June 20, 1997]

### § 738.31 Warehouse charges.

A warehouseman shall not make any unreasonable or exorbitant charge for services rendered. Before a license to conduct a warehouse is granted the warehouseman shall file with the Service a copy of his rules and a schedule of charges to be made by him if licensed. Before making any change in such rules or schedule of charges he shall file with the Service a statement in writing showing the proposed change and the reasons therefor. Each warehouseman shall keep exposed conspicuously, in the place prescribed by § 738.6 and at such other place, accessible to the public, as the Department may from time to time designate, a copy of his current rules and schedule of charges.

### § 738.32 [Reserved]

### § 738.33 Examination of warehouses.

Each warehouseman shall permit any officer or agent of the Department, authorized by the Secretary, or his designated representative, for the purpose, to enter and inspect or examine at any time any warehouse for the conduct of which such warehouseman holds a license, the office thereof, the books, records, papers, and accounts relating thereto, and the contents thereof, and shall furnish such officer or agent the assistance necessary to enable him to make any such inspection or examination under this section.

### § 738.34 Identity-preserved wool.

Upon the acceptance by a warehouseman for storage in his warehouse of any lot of wool, the identity of which is to be preserved, he shall store, or cause to be stored, such wool in an individual section or space designated by lot numbers, or by letters, or other clearly distinguishing words or signs, permanently and securely affixed thereto, or shall so mark the container or containers of such wool or so place the wool in the warehouses that its identity will not be lost during the storage period.

### § 738.35 Arrangement of wool.

Each warehouseman shall arrange the bags or bales of wool in his warehouse so that each lot can be identified

and the bags or bales in each lot readily checked. If tiered the bags or bales may be stored in double rows but one end of each bag so tiered shall face an aisle. Bulk wool shall be so stored that it may readily be measured and the quantity therein estimated. To each lot whether of bagged, baled, or bulk wool shall be secured a tag, which shall always be accessible and plainly visible, showing the lot or pile number and the number of bags or bales and, if bulk wool, the pounds of wool therein. For any wool which has been temporarily removed from a lot for display, sampling, or other purposes proper notation shall be made on the reverse side of the lot tag showing the quantity so removed and its location. Such notation shall be stricken out upon the return of the wool to its lot.

### § 738.36 Wet or fire-damaged wool.

A warehouseman shall not store any wool that is excessively wet in contact with any other wool in the warehouse. A warehouseman shall not store in the same compartment with wool that has not been damaged by fire any bag or lot of wool that has been damaged by fire until the fire-damaged wool has been removed from the bag or lot, and then he shall not store it in contact with wool that has not been so damaged.

### § 738.37 Care of wool and other commodities.

(a) Each warehouseman shall at all times, including any period of suspension of his license, exercise such care in regard to wool in his custody as a reasonably careful owner would exercise under the same circumstances and conditions. The warehouseman shall not handle or store wool in such manner as may tend to injure or damage the wool.

(b) If, at any time, a warehouseman shall handle or receive wool otherwise than as a licensed warehouseman, or shall handle or store any other commodity, he shall so protect the same and otherwise exercise such care with respect to it as not to endanger the wool in his custody as a licensed warehouseman or impair the insurance thereon or his ability to meet his obligations and perform his duties under the act and the regulations in this part.

### § 738.38 Warehouse to be kept clean.

Each warehouseman shall keep his warehouse clean and free from trash, dust, rubbish, and scattered wool. He shall also exercise every precaution to keep his warehouse free of moths and other pests.

### § 738.39 Business hours.

(a) Each warehouse shall be kept open for the purpose of receiving wool for storage and delivering wool out of storage every business day, excepting Saturdays when the period may be shorter, for a period of not less than 6 hours between the hours of 8 a.m. and 6 p.m., except as provided in paragraph (b) of this section.

(b) If the warehouse is not kept open regularly as required in paragraph (a) of this section, the warehouseman shall keep conspicuously posted on the door of the public entrance to his office and to his warehouse a notice showing the hours during which the warehouse will be kept open and the name of an accessible person, with the address where he is to be found, who shall be authorized to deliver wool stored in such warehouse, upon lawful demand by the depositor thereof or the holder of the receipt therefor.

### § 738.40 Excess storage.

If at any time a warehouseman is offered wool in such quantity that to store it would result in exceeding his licensed capacity, he shall so arrange the wool as not to obstruct free access thereto and the proper use of sprinkler or other fire protection equipment provided for such warehouse and shall immediately apply to the Administrator to have the licensed capacity increased. Until such increase is granted, no receipt shall be issued for such wool.

### § 738.41 Removal of wool from warehouse.

Unless it becomes absolutely necessary to protect the wool, no wool covered by receipts issued under the act shall be removed from a warehouse, except as provided in § 738.42, and immediately upon any such removal the

warehouseman shall notify the Administrator of such removal and the necessity therefor.

### § 738.42 Delivery of wool.

Except as may be provided by law or by the regulations in this part, each warehouseman (a) upon proper presentation of a receipt for commingled wool and upon payment or tender of all advances and legal charges shall deliver to the lawful holder of such receipt wool of the kind, grade, quantity, and approximate shrinkage named in such receipt or in the grade certificate covering the particular lot of wool specified by the receipt, and (b) upon proper presentation of a receipt for any wool, the identity of which was to be preserved during the storage period, and upon payment or tender of all advances and legal charges, shall deliver to the person lawfully entitled thereto the identical wool so stored in his warehouse.

### § 738.43 Signers of warehouse receipts; filing names.

Each warehouseman shall file with the Department the name and genuine signature of each person authorized to sign warehouse receipts for the warehouseman, and shall promptly notify the Department of any changes as to person authorized to sign and shall file the signatures of such persons, and each warehouseman shall be bound by such signatures the same as if he had personally signed the receipt.

### § 738.44 Weighing apparatus; examination.

Any weighing apparatus used for ascertaining the weight stated in a receipt or certificate issued for wool stored in a warehouse shall be subject to examination by any officer or agent of the Department. If the Department shall disapprove any such weighing apparatus, it shall not thereafter, unless such disapproval be withdrawn, be used in ascertaining the weight of any wool for the purposes of the act and the regulations in this part.

### § 738.45 Reporting fire losses.

If at any time a fire occurs at or within any licensed warehouse, it shall be the duty of the warehouseman to report immediately the occurrence of such fire and the extent of damage to the Administrator.

[62 FR 33541, June 20, 1997]

## FEES

### § 738.46 License fees.

(a) Fees are collected in advance for each original, amended, modified, extended, reinstated, or duplicate warehouseman's license; and for each original, duplicate, or modified license issued to inspect, sample, grade, classify, or weigh commodities.

(b) Fee changes, if applicable, will be announced by Notice in the FEDERAL REGISTER on or before July 1, and effective the following October 1.

[59 FR 51358, Oct. 11, 1994]

### § 738.47 Warehouse annual and inspection fees.

Warehousemen must pay:

(a) An annual fee which will be determined by computing the capacity for each warehouse location under a single license and adding those amounts together to determine the total due. The fee will be assessed and payable when the warehouse bond is furnished in accordance with these regulations, for acceptance by the Secretary and annually thereafter on the bond renewal date. The capacity for each identifiable location will be determined by the Secretary. The total capacity of all locations may not exceed the capacity stated in the current license. An identifiable location is a fully functional public warehouse as determined by the Secretary. The annual fee a licensed warehouseman is assessed may be adjusted by the amount Commodity Credit Corporation (CCC) pays, if CCC has a storage contract or agreement with the warehouseman.

(b) An inspection fee for each original and amendment inspection.

(c) An inspection fee at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement, in all cases where the license has been suspended and the warehouseman has requested reinstatement. No fee will be charged if the Secretary determines that the suspension was not justified.

(d) A fee for each inspection requested by the warehouseman at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement.

[59 FR 51358, Oct. 11, 1994]

### § 738.48 Advance deposit.

Before any license is granted, or an original examination or inspection is made, or reexamination or reinspection for modification of an existing license is made, or when the annual fee for the licensed warehouse is assessed, pursuant to the regulation in this part, the applicant or licensee shall deposit with the Service the amount of the fee prescribed. Such deposit shall be made in the form of a check, certified if required by the Service, draft, or post office or express money order, payable to the order of the Service.

[46 FR 63200, Dec. 30, 1981. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 62 FR 33541, June 20, 1997]

### § 738.49 Return of excess deposit.

The Treasurer of the United States shall hold in a special deposit account each advance deposit made under § 738.48 until the fee, if any, is assessed and he is furnished by the Service with a statement showing the amount thereof and against whom assessed. Any part of such advance deposit which is not required for the payment of any fee assessed shall be returned to the party depositing the same.

## GRADERS AND WEIGHERS

### § 738.50 Applications.

(a) Applications for licenses to grade or to weigh wool under the act shall be made to the Department on forms furnished for the purpose.

(b) Each such application shall be signed by the applicant, shall be verified by him under oath or affirmation administered by a duly authorized officer, and shall contain or be accompanied by (1) the name and location of the warehouse or warehouses licensed, or for which application for license has been made, under the act, in which wool sought to be graded or weighed under such license is or may be stored; (2) a statement from the warehouseman conducting such warehouse showing whether the applicant is competent and is acceptable to such warehouseman for the purpose; (3) satisfactory evidence that he is competent to perform the kind of service for which a license is sought; (4) a statement by the applicant that he agrees to comply with and abide by the terms of the act and the regulations so far as the same may relate to him; and (5) such other information as the Department may deem necessary.

(c) A single application may be made by any person for a license to grade and weigh upon complying with the requirements of this section.

### § 738.51 Examination.

Each applicant for a license as a grader or weigher and each grader or weigher shall, whenever requested by an authorized agent of the Department designated by the Administrator for the purpose, submit to an examination or test to show his ability properly to perform the duties of a licensed grader or weigher.

### § 738.52 Posting of license.

Each grader or weigher shall keep his license conspicuously posted in the office of the warehouse where most of the grading or weighing is done.

### § 738.53 Proper discharge of duties.

Each grader and each weigher, when requested, shall, without discrimination, as soon as practicable, and upon reasonable terms, grade or weigh and certificate the grade or weight of wool stored or to be stored in a warehouse for which he holds a license, if such wool be offered to him under such conditions as permit proper grading or weighing and the determination of the grade or weight thereof. In every case when the graded wool is to be commingled the grader shall make a careful estimate of its shrinkage. Each such grader or weigher shall give preference to persons who request his services as such over persons who request his services in any other capacity. No grade certificate or weight certificate shall be issued under the act for wool not stored or not to be stored in a licensed warehouse.

**§ 738.54 Grade certificate; form.**

Each grade certificate issued under the act by a grader shall be in a form approved for the purpose by the Department, and shall embody within its written or printed terms: (a) The caption ''United States Warehouse Act, Wool Grade Certificate''; (b) whether it is an original, a duplicate, or other copy; (c) the name and location of the warehouse in which the wool is or is to be stored; (d) the date of the certificate; (e) the location of the wool at the time of grading; (f) the designation of the lot from which the wool was taken; (g) if the wool is not to be commingled, its identification in accordance with § 738.34; (h) The consecutive number of the certificate; (i) the pounds of each grade of wool covered by the certificate; (j) a blank space designated for the purpose in which, if the identity of the wool is to be preserved, a careful estimate of the shrinkage of the wool may be stated or in which, if the wool is to be commingled, a careful estimate of the shrinkage of the wool shall be stated; (k) the grade of the wool as determined by such grader in accordance with §§ 738.64 through 738.67; (l) the lot or pile number assigned to the grade; (m) the kind of wool (n) that the certificate is issued by a licensed grader under the United States Warehouse Act and the regulations thereunder; and (o) the signature of the grader who graded the wool. In addition the grade certificate may include any other matter not inconsistent with the Act or the regulations in this part, provided the approval of the Service is first secured.

**§ 738.55 Weight certificate; form.**

Each weight certificate issued under the act by a weigher shall be in a form approved for the purpose by the Department and shall embody within its written or printed terms: (a) The caption ''United States Warehouse Act, Wool Weight Certificate''; (b) whether it is an original, a duplicate, or other copy; (c) the name and location of the warehouse in which the wool is or is to be stored; (d) the date of the certificate; (e) if the identity of the wool is to be preserved its identification in accordance with § 738.34; (f) the consecutive number of the certificate; (g) the weight of the wool and, if the wool be excessively wet or otherwise of a condition materially affecting its weight, a statement of such fact; (h) that the certificate is issued by a licensed weigher, under the United States Warehouse Act and the regulations thereunder; and (i) the signature of such weigher. In addition the weight certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

**§ 738.56 Combined certificate.**

The grade and weight of any wool, ascertained by a grader and weigher, may be stated on a certificate meeting the combined requirements of §§ 738.54 and 738.55, if the form of such certificate shall have been approved for the purpose by the Department.

**§ 738.57 Copies of certificates.**

Each grader and each weigher shall keep for a period of 1 year in a place accessible to persons financially interested, a copy of each certificate issued by him under the regulations in this part and shall file a copy of each such certificate with the warehouse in which the wool covered by the certificate is stored.

**§ 738.58 Inspections.**

Each grader and each weigher shall permit any duly authorized officer or agent of the Department to inspect or examine, on any business day during the usual hours of business, his books, papers, records, and accounts relating to the performance of his duties under the act and the regulations in this part, and shall, with the consent of the warehouseman concerned, assist any such officer or agent in the inspection or examination mentioned in § 738.33, as far as any such inspection or examination relates to the performance of his duties as a licensed grader or licensed weigher.

**§ 738.59 Reports.**

Each grader and each weigher shall, from time to time, when requested by the Department, make reports on forms furnished for the purpose by the Service bearing upon his activities as such grader or weigher.

**§ 738.60 Suspension or revocation of licenses.**

Pending investigation, the Secretary, or his designated representative, may, whenever he deems necessary, suspend the license of a grader or weigher temporarily without hearing. Upon a written request and a satisfactory statement of reasons therefor submitted by the licensee, or when the licensee has ceased to perform the services for which licensed, the Secretary, or his designated representative, may without hearing, suspend or revoke the license issued to such licensee. The Secretary, or his designated representative, may, after opportunity for hearing has been afforded in the manner prescribed in this section, suspend or revoke a license issued to a grader or weigher when such licensee has, in any manner, become incompetent or incapacitated to perform his duties as such licensee. As soon as it shall come to the attention of a licensed warehouseman that any of the conditions in this section exist, it shall be his duty to notify in writing the Administrator. Before the license of any grader or weigher is permanently suspended or revoked pursuant to section 12 of the act, such licensee shall be furnished by the Secretary, or by his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 738.72.

**§ 738.61 Return of suspended, revoked, terminated licenses.**

(a) In case a license issued to a grader or weigher is suspended or revoked by the Secretary, or his designated representative, such license shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless in the meantime it be revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, it shall be returned to the grader or weigher to whom it was originally issued, and it shall be posted as prescribed in § 738.52.

(b) Any license issued under the act and the regulations in this part to a grader or weigher shall automatically terminate as to any warehouse whenever the license of such warehouse shall expire or be suspended or revoked. Thereupon the license of such grader or weigher shall be returned to the Secretary. In case such license shall apply to other warehouses, the Secretary, or his designated representative, shall issue to him a new license, omitting the names of the warehouses the licenses of which have been suspended or revoked. Such new license shall be posted as prescribed in § 738.52.

**§ 738.62 Lost or destroyed licenses.**

Upon satisfactory proof of the loss or destruction of a license issued to a grader or weigher, a duplicate thereof may be issued under the same number.

**§ 738.63 Unlicensed persons; misrepresentation.**

No person shall in any way represent himself to be a grader or weigher licensed under the act if his license is in suspension or has been revoked.

WOOL GRADING

**§ 738.64 Statement of grades.**

Whenever the grade of wool is required to be or is stated for the purposes of the act or the regulations in this part, it shall be stated in accordance with §§ 738.64 through 738.67.

**§ 738.65 Wool grades; adoption; terms defined.**

(a) The official wool grades of the United States within their scope are hereby adopted as the official wool standards for the purposes of the act and the regulations in this part.

(b) Factors other than those included in the official grades and for which no standards of the United States are in effect shall be stated in accordance with any standards approved for the purpose by the Service.

(c) Wool which is reduced in value because of the presence of extraneous matter, or irregularity, or other defect not affecting its grade, such as wrapped with sisal or binder twine, excessively wrapped, dead, cotted, burry, seedy, black, gray, or colored, damaged, carbonizing, kempy, or false packed, shall be so designated.

(d) For the purpose of this section the following terms used in connection with or to describe wool, shall be construed respectively to mean:

(1) *Excessively wrapped*. Wool tied with more wrappings of twine than is necessary to bundle properly folded and rolled fleeces.

(2) *Dead wool*. Wool from dead sheep.

(3) *Cotted wool*. Wool that has felted or matted on the sheep's back.

(4) *Burry wool*. Wool containing burrs removable by hand or mechanical means.

(5) *Seedy wool*. Wool containing seeds, chaff, or other vegetable matter.

(6) *Black, gray, or colored wool*. Entire fleeces or portions of fleeces of black, gray, or colored wool.

(7) *Damaged wool*. Wool damaged by fire, water, moisture, or moths.

(8) *Carbonizing wool*. Wool from which the burrs or other substances can be removed only by carbonizing.

(9) *Kempy wool*. Wool containing kemps, opaque, white fibers, found generally in the fleeces of old or sick sheep.

(10) *False packed*. A fleece so packed as fraudulently to conceal substances entirely foreign to wool.

(11) *Lamb's wool*. The first fleeces shorn from young sheep.

(12) *Buck's*. The heavy, oily fleeces shorn from male sheep.

(13) *Bright*. Bright, white lustrous wool.

(14) *Semibright*. Lustrous wool dulled in color by the foreign matter it contains.

### § 738.66 Examination; basis of grade.

Whenever the grade of wool is required to be or is stated for the purposes of the act or the regulations in this part, it shall be based upon a careful and thorough examination of the wool, and the grading thereof shall be made under conditions which permit the determination of its true grade.

### § 738.67 Wool standard forms.

Each warehouseman and grader shall keep himself provided with, or have access to, a set of practical forms of the official wool standards of the United States.

CROSS REFERENCES: For official wool standards of the United States, and for forms of the official standards, see 7 CFR part 31 of this chapter.

ARBITRATION

### § 738.68 Wool arbitration.

(a) Except when agreements have been made in accordance with the United States Arbitration Act (43 Stat. 883; 9 U.S.C. 1–14), in case a question arises as to whether the condition, grade, or shrinkage of the wool was correctly stated in a receipt, or grade certificate issued under the act and the regulations in this part, the licensed warehouseman or the lawful holder of the receipt or certificate concerned, after reasonable notice to the other interested party, may submit the question to an arbitration committee for determination in accordance with this section.

(b) Such arbitration committee shall be composed of three or more disinterested persons who are competent to pass upon the questions involved. If there be a local trade organization such as a board of trade, chamber of commerce, exchange, or inspection department which provides such a committee under a rule or practice acceptable to the Administrator for the purpose, such as committee may determine the question. In the absence of such committee, or if for any good reason not inconsistent with the act and the regulations in this part such committee is not acceptable to either of the parties interested, the complainant and the other party shall each name a member, and the two members so named shall select a third member, who shall constitute the arbitration committee. Each member of any such committee shall at all times be subject, for good cause to the disapproval of the Administrator, and in case any member is so disapproved he shall not thereafter act on an arbitration committee which is considering any questions relating to the same lot of wool unless such disapproval be withdrawn.

(c) It shall be the duty of the interested parties to acquaint the arbitration committee with the exact nature of the question to be determined and all the necessary facts and to permit the committee to examine the receipt,

certificate, or wool involved or any papers or records needed for the determination of the question. The committee shall make a written finding setting forth the question involved, the necessary facts, and its determination. Such findings or a true copy thereof shall be filed as a part of the records of the licensed warehouseman involved. It may dismiss the matter without determination upon the request of the complainant, or for noncompliance by the complainant with the law or the regulations in this part, or because it is without sufficient evidence to determine the question, in which case the decision shall be deemed to be against the complainant. Except as otherwise provided by law, its decision shall be final for the purposes of the act and the regulations in this part, unless the Administrator shall direct a review of the question. Any necessary and reasonable expense of such arbitration shall be borne by the losing party, unless the committee shall decide that such expense shall be prorated between the parties.

(d) If the decision of the arbitration committee by that the grade, condition, or shrinkage was not correctly stated, the receipt or certificate involved shall be returned to and canceled by the licensee who issued it, and he shall substitute therefor one conforming to the decision of the committee.

[5 FR 3607, Sept. 10, 1940, as amended at 13 FR 8729, Dec. 30, 1948. Redesignated at 50 FR 1814, Jan. 14, 1985]

MISCELLANEOUS

### § 738.69 Bonds required of State warehouses.

Every person applying for a license under section 9 of the act, or licensed thereunder, shall, as such, be subject to all portions of the regulations in this part, except § 738.5, so far as they relate to warehousemen. If there is a law of any State providing for a system of warehouses owned, operated, or leased by such State, a person applying for a license under section 9 of the act to accept the custody of wool and to store the same in any of said warehouses may, in lieu of a bond or bonds, complying with §§ 738.11 and 738.12, file with the Secretary a single bond meeting the requirements of the act and the regulations in this part, in such form and in such amount, not less than $5,000, as he shall prescribe, to insure the performance by such person with respect to the acceptance of the custody of wool and its storage in the warehouses in such system for which licenses are or may be issued of his obligations arising during the periods of such licenses, and in addition, if desired by the applicant, during the periods of any amendments thereto. In fixing the amount of such bond, consideration shall be given among other appropriate factors, to the character of the warehouses involved, their actual or contemplated capacity, the bonding requirements of the State, and its liability with respect to such warehouses. If the Secretary, or his designated representative, shall find the existence of conditions warranting such action, there shall be added to the amount of the bond so fixed, a further amount, fixed by him, to meet such conditions.

### § 738.70 Publications.

Publications under the act and the regulations in this part shall be made in such media as may be deemed proper by the Administrator.

[62 FR 33541, June 20, 1997]

### § 738.71 Violations to be reported.

Every person licensed under the act shall immediately furnish the Department any information which comes to the knowledge of such person tending to show that any provision of the act or the regulations in this part has been violated.

### § 738.72 Procedure in hearings.

Hearings under the Act or the regulations in this part, except those relating to appeals or arbitrations shall be conducted in accordance with the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary under various statutes (7 CFR 1.130—1.151).

[45 FR 6775, Jan. 30, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 738.73 One document and one license to cover several products.

(a) A license may be issued for the storage of two or more agricultural products in a single warehouse. Where such license is desired, a single application, inspection, bond, record, report, or other paper, document, or proceeding relating to such warehouse shall be sufficient unless otherwise directed by the Service.

(b) Where such license is desired, the amount of the bond, net assets, and inspection and license fees shall be determined by the Administrator in accordance with the regulations applicable to the particular agricultural product which would require the largest bond and the greatest amount of net assets and of fees if the full capacity of the warehouse was used for its storage.

### § 738.74 Amendments.

Any amendment to, or revision of, the regulations in this part, unless otherwise stated therein, shall apply in the same manner to persons holding licenses at the time it becomes effective as it applies to persons thereafter licensed under the act.

## PART 739—DRY BEAN WAREHOUSES

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AUTHORITY: 7 U.S.C. 241 *et seq.*.

SOURCE: 10 FR 4964, May 4, 1945, unless otherwise noted. Redesignated at 50 FR 1814, Jan. 14, 1985.

EDITORIAL NOTE: Nomenclature changes to part 739 appear at 62 FR 33540, June 20, 1997.

## DEFINITIONS

### § 739.1 Meaning of words.

Words used in the regulations in this part in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

### § 739.2 Terms defined.

When used in the regulations in this part, unless otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(a) *Beans* means only dry edible beans used for human consumption.

(b) *The act* means the United States Warehouse Act, approved August 11, 1916 (39 Stat. 486; 7 U.S.C. 241–273), as amended.

(c) *Person* means an individual, corporation, partnership, or two or more persons having a joint or common interest.

(d) *Department* means the United States Department of Agriculture.

(e) *Secretary* means the Secretary of Agriculture of the United States or any officer or employee of the Department to whom authority has heretofore been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(f) *Administrator* means the Administrator of the Service or any other officer or employee of the Service to whom authority has heretofore lawfully been delegated, or may hereafter lawfully be delegated, to act in his stead.

(g) *Designated representative* means the Administrator.

(h) *Service* means the Farm Service Agency of the U.S. Department of Agriculture.

(i) *Regulations* means rules and regulations made under the act by the Secretary.

(j) *Warehouse* means, unless otherwise clearly indicated by the context, any building, structure, or other protected inclosure in which beans are or may be stored for interstate or foreign commerce, or, if located within any place under the exclusive jurisdiction of the United States, in which beans are or may be stored and for which a license has been issued under the act.

(k) *Warehouseman* means, unless otherwise clearly indicated by the context, any person lawfully engaged in the business of storing beans and holding a warehouse license.

(l) *License* means a license issued under the act by the Secretary.

(m) *Licensed warehouseman's bond* means a bond required to be given under the act by a licensed warehouseman.

(n) *Licensed inspector* means a person licensed under the act by the Secretary to sample, to inspect, and to grade and to certificate the condition for storage and the grade of beans.

(o) *Licensed weigher* means a person licensed under the act by the Secretary to weigh and to certificate the weight of beans stored or to be stored under the act.

(p) *Receipt* means a warehouse receipt as prescribed by the act and regulations.

(q) *Dockage*. See ''Pick.''

(r) *Pick* includes any material other than beans, together with undeveloped, shriveled, discolored, damaged, split, and small pieces of beans which are picked by hand or eliminated by mechanical means from the lot. The pick shall be calculated in terms of percentage based on the total weight of the beans including the material to be eliminated.

[10 FR 4964, May 4, 1945, as amended at 13 FR 8729, Dec. 30, 1948; 14 FR 681, Feb. 16, 1949. Redesignated and amended at 50 FR 1814, Jan. 14, 1985]

WAREHOUSE LICENSES

**§ 739.3 Application forms.**

Applications for licenses under sections 4 and 9 of the act and for amendments thereto shall be made to the Secretary upon forms prescribed for the purpose and furnished by the Service, shall be in English, shall truly state the information therein contained, and shall be signed by the applicant. The applicant shall at any time furnish such additional information as the Secretary or his designated representative shall find to be necessary to the consideration of his application.

**§ 739.4 Grounds for not issuing license.**

A license for the conduct of a warehouse shall not be issued if it be found by the Secretary, or his designated representative, that the warehouse is not suitable for the proper storage of beans, that the warehouseman is incompetent to conduct such warehouse in accordance with the act and the regulations in this part, or that there is any other sufficient reason within the intent of the act for not issuing such license.

**§ 739.5 Net assets required.**

Any warehouseman conducting a warehouse licensed, or for which application for license has been made, under the act shall have and maintain, above all exemptions and liabilities, net assets liable for the payment of any indebtedness arising from the conduct of the warehouse, to the extent of at least 40 cents per hundredweight for the maximum number of hundredweight that the warehouse will accommodate, when stored in the manner customary to the warehouse, as determined by the Administrator, except that the amount of such assets shall not be less than $10,000. If such warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, such warehouses shall be deemed to be one warehouse for the purposes of the assets required under this section. For the purposes of this section only, paid-in capital stock, as such, shall not be considered a liability. Any deficiency in the required net assets may be supplied by an increase in the amount of the warehouseman's bond in accordance with § 739.12(b).

[39 FR 41825, Dec. 3, 1974. Redesignated at 50 FR 1814, Jan. 14, 1985]

**§ 739.6 License shall be posted.**

Immediately upon receipt of his license or of any amendment thereto under the act, the warehouseman shall post the same and thereafter, except as otherwise provided in the regulations in this part, keep it posted until suspended or terminated, in a conspicuous place in the principal office where receipts issued by such warehouseman are delivered to depositors.

**§ 739.7 Suspension or revocation of warehouse licenses.**

Pending investigation, the Secretary, or his designated representative, whenever he deems it necessary, may suspend a warehouseman's license temporarily without hearing. Upon written request and a satisfactory statement of reasons therefor submitted by a warehouseman, the Secretary, or his designated representative, may, without hearing suspend or revoke the license issued to such warehouseman. The Secretary, or his designated representative, may, after opportunity for hearing has been afforded in the manner prescribed in this section, cancel a license issued to a warehouseman when such warehouseman (a) is bankrupt or insolvent, (b) has parted in whole or in part with his control over the licensed warehouse, (c) is in process of dissolution or has been dissolved, (d) has ceased to conduct such licensed warehouse, or (e) has in any other manner

become nonexistent or incompetent or incapacitated to conduct the business of the warehouse. Whenever any of the conditions mentioned in paragraphs (a) to (e) of this section shall come into existence it shall be the duty of the warehouseman to notify the Administrator immediately of the existing condition. Before a license is revoked for any violation of, or failure to comply with, any provision of the act or of the regulations in this part, or upon the ground that unreasonable or exorbitant charges have been made for services rendered, the warehouseman involved shall be furnished by the Secretary, or his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 739.80.

### § 739.8 Return of suspended or revoked warehouse licenses.

When a license issued to a warehouseman terminates, or is suspended, or revoked by the Secretary or his designated representative, it shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless it be in the meantime revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, it shall be returned to the licensed warehouseman to whom it was originally issued, and it shall be posted as prescribed in § 739.6.

### § 739.9 Lost or destroyed warehouse licenses.

Upon satisfactory proof of the loss or destruction of a license issued to a warehouseman, a duplicate thereof or a new license may be issued under the same number.

### § 739.10 Unlicensed warehousemen must not represent themselves as licensed.

No warehouse or its warehouseman shall be designated as licensed under the act and no name or description conveying the impression that it or he is so licensed shall be used, either in a receipt or otherwise, unless such warehouseman holds an unsuspended and unrevoked license for the conduct of such warehouse.

## WAREHOUSE BONDS

### § 739.11 Bond required; time of filing.

Each warehouseman applying for a warehouse license under the act shall, before such license is granted, file with the Secretary or his designated representative a bond containing the following conditions and such other terms as the Secretary or his designated representative may prescribe in the approved bond forms, with such changes as may be necessary to adapt the forms to the type of legal entity involved:

Now, therefore, if the said license(s) or any amendments thereto be granted and said principal, and its successors and assigns operating said warehouse(s), shall:

Faithfully perform during the period of 1 year commencing _____, or until the termination of said license(s) in the event of termination prior to the end of the 1 year period, all obligations of a licensed warehouseman under the terms of the Act and regulations thereunder relating to the above-named products; and

Faithfully perform during said 1 year period and thereafter, whether or not said warehouse(s) remain(s) licensed under the Act, such delivery obligations and further obligations as a warehouseman as exist at the beginning of said 1 year period or are assumed during said period and prior to termination of said license(s) under contracts with the respective depositors of such products in the warehouse(s);

Then this obligation shall be null and void and of no effect, otherwise to remain in full force. For purposes of this bond, the aforesaid obligations under the Act and regulations and contracts shall include obligations under any and all modifications of the Act, the regulations, and the contracts that may hereafter be made, notice of which modifications to the surety being hereby waived.

[28 FR 5637, June 8, 1963. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.12 Basis of amount of bond; additional amounts.

(a) Exclusive of any amount which may be added in accordance with paragraphs (b) and (c) of this section, the amount of such bond shall be at the rate of 40 cents per hundredweight for the maximum number of hundredweight that the warehouse will accommodate, when stored in the manner customary to the warehouse for which

such bond is required, as determined by the Administrator, but not less than $20,000 nor more than $200,000. If such warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, and shall desire to give a single bond meeting the requirements of the act and the regulations in this part for said warehouses, such warehouses shall be deemed to be one warehouse for the purposes of the bond required under this section.

(b) In case of a deficiency in net assets under § 739.5 there shall be added to the amount of the bond, fixed in accordance with paragraph (a) of this section, an amount equal to such deficiency.

(c) If the Secretary, or his designated representative, finds the existence of conditions warranting such action, there shall be added to the amount fixed in accordance with paragraphs (a) and (b) of this section a further amount, fixed by him, to meet such conditions.

[10 FR 4964, May 4, 1945, as amended at 24 FR 3692, May 7, 1959; 39 FR 41825, Dec. 3, 1974. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.13 Amendment to license.

If application is made under § 739.3 for an amendment to a license and no bond previously filed by the warehouseman under the regulations in this part covers obligations arising during the period of such amendment, the warehouseman shall, when notice has been given by the Secretary, or his designated representative, that his application for such amendment will be granted upon compliance by such warehouseman with the act, file with the Secretary, within a time, if any, fixed in such notice, a bond complying with the act, unless bond in sufficient amount has been filed since the filing of such application. In the discretion of the Secretary, a properly executed instrument in form approved by him, amending, extending or continuing in force and effect the obligations of a valid bond previously filed by the warehouseman and otherwise complying with the act and these regulations may be filed in lieu of a new bond.

### § 739.14 New bond required each year.

A continuous form of license shall not remain in force for more than one year from its effective date, or any subsequent extension thereof, unless each year not more than 30 days before the date on which the license would expire, the warehouseman files a bond in the required amount with the Secretary and such bond has been approved by him or his designated representative.

### § 739.15 Approval of bond.

No bond, amendment or continuation thereof shall be deemed accepted for the purposes of the act and the regulations in this part until it has been approved by the Secretary, or by his designated representative.

WAREHOUSE RECEIPTS

### § 739.16 Form.

(a) Every receipt, whether negotiable or nonnegotiable, issued for beans stored in a warehouse shall, in addition to complying with the requirements of section 18 of the act, embody within its written or printed terms the following: (1) The name of the licensed warehouseman and the designation, if any, of the warehouse, (2) the license number of the warehouse, (3) a statement whether the warehouseman is incorporated or unincorporated, and if incorporated, under what laws. (4) in the event the relationship between the warehouseman and any depositor is not that of strictly disinterested custodianship, a statement setting forth the actual relationship, (5) the tag number given to each lot of beans in accordance with § 739.33, (6) a statement conspicuously placed, whether or not the beans are insured, and, if insured, to what extent, by the warehouseman against loss by fire, lightning, or tornado, (7) a blank space designated for the purpose in which the condition of the beans shall be stated, (8) a blank space designated for the purpose in which the variety of the beans shall be stated, (9) the net weight, as well as the dockage or pick, if any, (10) the words ''Negotiable,'' or ''Nonnegotiable,'' according to the nature of the receipt, clearly and conspicuously printed or stamped thereon, and (11) a statement indicating the amount of

shrinkage and/or pickage agreed upon between the depositor and the warehouseman, in the case of nonidentity preserved beans.

(b) Every receipt, whether negotiable or nonnegotiable, issued for beans stored in a warehouse shall specify a period, not exceeding one year, for which the beans are accepted for storage under the act and the regulations in this part, but, upon demand and surrender of the old receipt by the lawful holder thereof at or before the expiration of the specified period, the warehouseman, upon such lawful terms and conditions as may be granted by him at such time to other depositors of beans in the warehouse, may issue a new receipt for a further specified period not exceeding one year: *Provided:* (1) In the case of beans stored identity preserved it is first actually determined by a licensed inspector that the beans have not deteriorated and are in proper condition for further storage; and (2) in the case of beans stored on a fungible basis that the warehouseman determines the total quantity of beans covered by outstanding receipts calling for the same grade of beans as called for by the surrendered receipt, that the licensed inspector determines that all beans of the grade in question and stored on a fungible basis are in proper condition for further storage, and that the warehouseman determines that he has sufficient quantity of beans of the proper grade as determined by the licensed inspector to cover all outstanding receipts including the surrendered receipt.

(c) The grade stated in a receipt issued for beans the identity of which is not to be preserved shall be stated as determined by the licensed grader who last graded the beans before the issuance of such receipt; and such receipt shall embody within its written or printed terms the following: (1) That the beans covered by the receipt were inspected and graded by a licensed inspector, and (2) a form of indorsement which may be used by the depositor, or his authorized agent, for showing the ownership of, and liens, mortgages or other encumbrances on the beans covered by the receipt.

(d) Whenever the grade or other class of beans is stated in a receipt issued for beans stored in a warehouse, such grade or other class shall be stated in the receipt in accordance with §§ 739.73 through 739.75.

(e) If a warehouseman issues a receipt omitting the statement of grade on request of the depositor as permitted by section 18 of the act, such receipt shall have clearly and conspicuously stamped or written on the face thereof the words ''Not graded on request of depositor.''

(f) If a warehouseman issues a receipt under the act omitting any information not required to be stated for which a blank space is provided in the form of the receipt, a line shall be drawn through such space to show that such omission has been made by the warehouseman.

(Approved by the Office of Management and Budget under control number 0560–0120)

[10 FR 4964, May 4, 1945; 13 FR 8729, 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.17 Copies of receipts.

At least one actual or skeleton copy of all receipts shall be made, and all copies, except skeleton copies, shall have clearly and conspicuously printed or stamped thereon the words ''Copy—Not Negotiable.'' A copy of each receipt issued shall be retained by the warehouseman for a period of one year after December 31 of the year in which the corresponding original receipt is canceled.

[29 FR 13369, Sept. 26, 1964. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.18 Lost or destroyed receipts; bond.

(a) In the case of a lost or destroyed receipt, a new receipt upon the same terms, subject to the same conditions, and bearing on its face the number and the date of the receipt in lieu of which it is issued and a plain and conspicuous statement that it is a duplicate issued in lieu of a lost or destroyed receipt, may be issued upon compliance with the conditions set out in paragraph (b) of this section.

(b) Before issuing such new or duplicate receipt, the warehouseman shall require the depositor or other person

applying therefor to make and file with the warehouseman (1) an affidavit showing that he is lawfully entitled to the possession of the original receipt, that he has not negotiated or assigned it, how the original receipt was lost or destroyed, and if lost, that diligent effort has been made to find the receipt without success and (2) a bond in an amount double the value, at the time the bond is given, of the beans represented by the lost or destroyed receipt. Such bond shall be in the form approved for the purpose by the Secretary, or his designated representative, shall be conditioned to indemnify the warehouseman against any loss sustained by reason of the issuance of such duplicate receipt, and shall have as surety thereon preferably a surety company which is authorized to do business, and is subject to service of process in a suit on the bond in the State in which the warehouse is located, or at least two individuals who are residents of such State and each of whom owns real property therein having a value, in excess of all exemptions and encumbrances, equal to the amount of the bond.

### § 739.19 Printing of receipts.

No receipt shall be issued by a licensed warehouseman unless it is:

(a) In a form prescribed by the Administrator,

(b) Upon distinctive paper or card stock specified by the Administrator,

(c) Printed by a printer with whom the United States has a subsisting agreement and bond for such printing, and

(d) On paper and/or card stock tinted with ink in the manner prescribed by the agreement under paragraph (c) of this section.

[62 FR 33541, June 20, 1997]

### § 739.20 Partial delivery of beans.

If a warehouseman delivers a part only of a lot of beans for which he has issued a negotiable receipt under the act, he shall take up and cancel such receipt and issue a new receipt in accordance with these regulations for the undelivered portion of the beans. The new receipt shall show the date of issuance and also indicate the number and date of the old receipt.

### § 739.21 Return of receipts before delivery of beans.

Except as permitted by law or by the regulations in this part, a warehouseman shall not deliver beans for which he has issued a negotiable receipt until the receipt has been returned to him and canceled, and shall not deliver beans for which he has issued a nonnegotiable receipt until such receipt has been returned to him or he has obtained from the person lawfully entitled to such delivery, or his authorized agent, a written order therefor.

### § 739.22 Nonnegotiable receipts; releases.

Each person to whom a nonnegotiable receipt is issued shall furnish the warehouseman with a statement in writing indicating the person or persons having power to authorize delivery of beans covered by such receipt, together with the bona fide signature of such person or persons. No licensed warehouseman shall honor an order for the release of beans covered by a nonnegotiable receipt until he has first ascertained that the person issuing the order has authority to order such release, and that the signature of the releasing party is genuine.

### § 739.23 Omission of grade; no compulsion by warehouseman.

No warehouseman shall, directly or indirectly, by any means whatsoever, compel or attempt to compel the depositor of any beans stored in his licensed warehouse to request the issuance of a receipt omitting the statement of grade.

DUTIES OF LICENSED WAREHOUSEMAN

### § 739.24 Beans must be inspected.

No warehouseman shall accept beans for storage or any other purpose until they have been inspected and approved by a licensed inspector, nor store beans the identity of which is not to be preserved until their grade has been determined by a licensed inspector.

### § 739.25 Insurance; requirements.

(a) Each warehouseman, when so requested in writing by the depositor of beans, or the lawful holder of the receipt for any beans, shall, to the extent

to which, in the exercise of due diligence, he is able to procure such insurance, keep such beans while in his custody insured in his own name, to the extent so requested, against loss or damage by fire, lightning, or tornado. When insurance is not carried in the warehouseman's name, the receipt shall show that the beans are not insured by him. Such insurance shall be covered by lawful policies issued by one or more insurance companies authorized to do such business and subject to service of process in suits brought in the State where the warehouse is located. If the warehouseman is unable to procure such insurance to the extent requested, he shall, orally, or by telegraph or by telephone and at his own expense, immediately notify the person making the request. Nothing in this section shall be construed to prevent a warehouseman from adopting a rule that he will insure all beans.

(b) Each warehouseman shall keep exposed conspicuously in the place prescribed by § 739.6 and at such other place as the Administrator or his representative may from time to time designate, a notice stating briefly the conditions under which beans will be insured against loss or damage by fire, lightning, or tornado.

(c) Each warehouseman shall take promptly such steps as may be necessary and proper to collect any moneys which may become due under contracts of insurance entered into by him for the purpose of meeting the requirements of the regulations in this part, and shall, as soon as collected, pay promptly to the persons concerned any portion of such moneys which they may be entitled to receive from him.

### § 739.26 Premiums; inspections; reports.

Each warehouseman shall, in accordance with his contracts with insurance and bonding companies for the purpose of meeting the insurance and bonding requirements of the regulations in this part, pay such premiums, permit such reasonable inspections and examinations, and make such reasonable reports as may be provided for in such contracts.

### § 739.27 Shrinkage of beans.

When beans are received for storage, the warehouseman and the depositor shall agree upon an amount to be allowed for natural shrinkage and loss caused by rodents while the beans are in storage, and the amount so agreed upon shall be clearly stated in the warehouse receipt.

### § 739.28 Care of beans in storage.

Each warehouseman shall at all times exercise such care in regard to beans in his custody as a reasonably careful owner would exercise under the same circumstances and conditions.

### § 739.29 Care of nonlicensed beans or other commodities.

If at any time a warehouseman shall handle beans other than for storage, or shall handle or store any other commodity, he shall so protect the same and otherwise exercise such care with respect to them as not to endanger the beans in his custody as a warehouseman or impair his ability to meet his obligations and perform his duties under the act and the regulations in this part. If the warehouseman shall store commodities other than those for which he is licensed, a nonlicensed receipt shall be issued, which shall contain in its terms a provison that said commodities are accepted for storage only until such time as the space which they may occupy may be needed for products for the storage of which the warehouseman is licensed. Under no circumstances shall any commodities for the storage of which the warehouseman is not licensed be stored if the storage of such commodities might adversely affect the commercial value, or the insurance on beans covered by licensed receipts.

### § 739.30 Records to be kept in safe place.

Each warehouseman shall provide a metal fireproof safe, a fireproof vault, or a fireproof compartment in which he shall keep, when not in actual use, all records, books, and papers pertaining to the warehouse, including his current receipt book, copies of receipts issued, and canceled receipts, except that with the written consent of the Administrator, or his representative, upon a

showing by such warehouseman that it is not practicable to provide such fireproof safe, vault, or compartment, he may keep such records, books, and papers in some other place of safety approved by the Administrator or his representative. Each canceled receipt shall be retained by the warehouseman for a period of six years after December 31 of the year in which the receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the act. Canceled receipts shall be arranged by the warehouseman in numerical order and otherwise in such manner as shall be directed, for purposes of audit, by authorized officers or agents of the Department of Agriculture.

(Approved by the Office of Management and Budget under control number 0560–0120)

[10 FR 4964, May 4, 1945, as amended at 22 FR 1629, Mar. 14, 1957; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.31 Warehouse charges.

A warehouseman shall not make any unreasonable or exorbitant charge for services rendered. Before a license to conduct a warehouse is granted under the act, the warehouseman shall file with the Service a dated copy of his rules and schedule of charges to be made by him if licensed. Before making any change in such rules or schedule of charges he shall file with the Service a statement in writing showing the proposed change and the reasons therefor. Each warehouseman shall keep exposed conspicuously in the place prescribed by § 739.6, and at such other places, accessible to the public, as the Administrator or his representative may from time to time designate, a copy of his current rules and schedule of charges.

### § 739.32 Business hours.

(a) Each warehouse shall be kept open for the purpose of receiving beans for storage and delivering beans out of storage every business day for a period of not less than six hours between the hours of 8 a.m. and 6 p.m., except as provided in paragraph(b) of this section. The warehouseman shall keep conspicuously posted on the door of the public entrance to his office and to his warehouse a notice showing the hours during which the warehouse will be kept open, except when such office or warehouse is kept open continuously from 8 a.m. to 6 p.m.

(b) If the warehouse is not to be kept open as above required, the notice shall state the period during which it is to be closed and the name and address of an accessible person authorized to make delivery upon lawful demand and surrender of the receipt.

### § 739.33 Tagging identity-preserved beans.

Each warehouseman shall, upon acceptance for storage of any lot of sacked beans or of bulk beans to be specially binned, attach to such lot or bin an identification tag of good quality, or stencil a sufficient number of sacks in the lot in such manner as will readily make possible the identification of the lot at all times. Such tags shall show the lot number, the number of the receipt issued to cover such beans, the number of sacks in the lot, the variety or type of the beans, their grade, if determined, their net weight when they entered storage, and the date they entered storage.

### § 739.34 Arrangement and tagging of stored beans.

Each warehouseman shall so store each lot of beans for which a receipt under the act has been issued that the tag or stencil identification marks thereon, required in § 739.33, are visible and readily accessible, and shall arrange all bags in his warehouse so as to permit making a determination of the number of bags in storage at any time.

### § 739.35 Nonidentity-preserved beans; grading; weighing.

All beans the identity of which is not to be preserved or has not been preserved shall be accepted for and delivered out of storage only on the basis of grades and weights determined by licensed inspectors and weighers.

### § 739.36 Delivery of beans from storage.

Except as may be provided by law or the regulations in this part, each warehouseman, (a) upon proper presentation of a receipt for any beans, other than bulk beans specially binned, and upon payment or tender of all advances and legal charges, shall deliver to such depositor or lawful holder of such receipt beans of the grade and quantity specified in such receipt, after making due allowance for such shrinkage as the receipt stipulates, or (b) upon proper presentation of a receipt for any beans the identity of which was to have been preserved during the storage period, and upon payment or tender of all advances and legal charges, shall deliver to the person lawfully entitled thereto the identical beans stored in his warehouse.

### § 739.37 System of accounts.

Each warehouseman shall use for his warehouse a system of accounts, approved for the purpose by the Administrator, or his authorized representative, which shall show for each bag or lot of beans the name of the depositor, the weight of the beans, the number of bags in each lot, the grade when grade is required to be, or is ascertained, the location in the warehouse, the dates received for and delivered out of storage, the receipts issued and canceled, a separate record for each depositor; and such accounts shall include a detailed record of all moneys received and disbursed and of all effective insurance policies. In the case of beans the identity of which is to be preserved the tag number or stencil identification mark mentioned in § 739.33 shall be shown. Such records shall be retained by the warehouseman for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[10 FR 4964, May 4, 1945, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.38 Reports.

Each warehouseman shall, from time to time, make such reports as the Service may require, on forms prescribed and furnished for the purpose by the Service, concerning the condition, contents, operation, and business of the warehouse.

### § 739.39 Copies of reports to be kept.

Each warehouseman shall keep on file, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which submitted, an exact copy of each report submitted by such warehouseman under the regulations in this part.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 13369, Sept. 26, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.40 Canceled receipts; auditing.

Each warehouseman, if requested by the Service, shall forward canceled receipt for auditing to an entity or office of the Service as may be designated from time to time.

[62 FR 33541, June 20, 1997]

### § 739.41 Inspection and examination of warehouses.

Each warehouseman shall permit any officer or agent of the Department, authorized by the Secretary for the purpose, to enter and inspect or examine at any time any warehouse for the conduct of which such warehouseman holds a license, the office thereof, the books, records, papers, and accounts relating thereto, and the contents thereof, and shall furnish such officer or agent, when he so requests, the assistance necessary to enable him to

make any inspection or examination under this section.

### § 739.42 Weighing apparatus; inspection.

The weighing apparatus used for ascertaining the weight stated in a receipt or certificate shall be subject to examination by an officer or agent of the Department employed for such purpose. If the Service shall disapprove such weighing apparatus, it shall not thereafter, unless such disapproval be withdrawn, be used in ascertaining the weight of any beans for the purposes of the act and the regulations in this part.

### § 739.43 Warehouse to be kept clean.

Each warehouseman shall keep his warehouse clean and free from trash, excessive dirt, rubbish, and scattered beans. He shall also exercise every precaution to keep his warehouse free of rats or other pests that might cause damage or injury to beans in storage. The warehouseman shall not under any circumstances accept for storage in his warehouse beans showing the presence of weevil or the larvae of weevil, nor continue to keep in storage beans so affected, without treating them in such manner as will destroy such weevil and larvae or with such chemicals as may be approved by the Service for that purpose.

### § 739.44 Fumigation of warehouse.

When necessary, in the opinion of the Administrator or his representative, the warehouseman shall fumigate thoroughly his warehouse with chemicals approved by the Service.

### § 739.45 Damp, dirty, frosted beans; no storage.

A warehouseman shall not, under any circumstances, accept for storage any beans with moisture content in excess of 17 percent and which contain foreign material likely to injure the keeping qualities of the beans or adversely affect their commercial value, or that are otherwise of a condition rendering them unsuitable for storage, but he may accept such beans for conditioning purposes and for storage after conditioning.

### § 739.46 Care in storage of beans.

A warehouseman shall so handle and so store beans as not to injure or damage them in any manner.

### § 739.47 Reconditioning deteriorated beans.

If the warehouseman considers that any beans in his warehouse are out of condition, or becoming so, he shall direct the licensed inspector to examine the beans in question, and, if such inspector finds such beans to be out of condition or becoming so, and he is of the opinion that such beans can be brought back into condition by mechanical or other means, or that further deterioration can be prevented, the warehouseman shall give immediate notice of the facts to the persons and in the manner specified in § 739.48 (b) and (c). If, within 24 hours after the giving of such notice, the owners of such beans have not otherwise directed as to the disposition of same, such warehouseman, with the approval of the licensed inspector, shall subject the beans to the proper reconditioning process in his licensed warehouse to the extent to which it is equipped with machinery suitable for the purpose, otherwise in any other warehouse so equipped.

### § 739.48 Procedure in handling deteriorated beans.

(a) If a warehouseman, with the approval of the licensed inspector, shall determine that any beans are deteriorating and that such deterioration can not be stopped, he shall give immediate notice thereof in accordance with paragraphs (b) and (c) of this section.

(b) Such notice shall state (1) the name of the warehouse in which the beans are stored, (2) the quantity, kind, and grade of the beans at the time the notice is given, (3) the actual condition of the beans as nearly as can be ascertained, and the reason, if known, for such condition, and (4) the outstanding receipts covering the beans out of condition, giving the number and date of each such receipt and the quantity, the kind and grade of the beans as stated in each such receipt.

(c) A copy of such notice shall be delivered in person or shall be sent by

mail (1) to the persons holding the receipts if known to the warehouseman, (2) to the person who originally deposited the beans, (3) to any other persons known by the licensed warehouseman to be interested in the beans, (4) to the Administrator, and (5) public notice shall also be given by posting a copy of such notice at the place where the warehouseman is required to post his license. A copy of such notice shall be kept as a record of the warehouse. If the holders of the receipts and the owners of the beans are known to the warehouseman and cannot, in the regular course of the mails, be reached within 12 hours, the warehouseman shall, whether or not requested to do so, also immediately notify such persons by telegraph or telephone at their expense.

(d) Any person interested in any beans or the receipt covering such beans stored in a licensed warehouse may notify the warehouseman of his interest in writing, and such warehouseman shall keep a record of that fact. If such person requests in writing that he be notified regarding the condition of any such beans and agrees to pay the cost of any telegraph or telephone toll charge, such warehouseman shall notify such person in accordance with such request.

(e) If the beans advertised in accordance with the requirements of this section have not been removed from storage by the owner thereof within seven days from the date of notice of their being out of condition, the warehouseman may sell the same at public auction at the expense and for the account of the owner, after giving seven days' notice of such proposed sale in the manner specified in paragraphs (b) and (c) of this section.

(f) Nothing contained in this section shall be construed as relieving the warehouseman from properly caring for any beans after sending notification of their condition in accordance with this section.

(g) Records required to be kept by this section shall be retained, as a part of the records of the warehouse, for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[10 FR 4964, May 4, 1945, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.49 Excess storage.

If at any time a warehouseman shall be offered for storage in his warehouse beans in excess of the licensed capacity as shown on his license, he shall not accept such beans until he has first secured authority through an amended license, and after such authority has been granted, the warehouseman shall continue to so arrange the beans as not to obstruct free access thereto and the proper use of sprinklers or other fire protection equipment provided for such warehouse.

### § 739.50 Removal of beans from storage.

Except as may be permitted by law or the regulations in this part, a warehouseman shall not remove any beans from the warehouse or the part thereof designated in the receipt, unless such receipt is first surrendered and canceled. Under no circumstances, unless it becomes absolutely necessary to protect the interests of holders of receipts, shall beans be removed from the warehouse before the surrender of receipts, and immediately upon any such removal the warehouseman shall notify the Administrator of such removal and the necessity therefor.

### § 739.51 Signatures of persons signing receipts.

Each warehouseman shall file with the Department the name and genuine signature of each person authorized to sign warehouse receipts for the licensed warehouseman, and shall promptly notify the Department of any changes as to persons authorized to sign, and shall file signatures of such persons.

**§ 739.52 [Reserved]**

**§ 739.53 Reporting fire losses.**

If at any time a fire occurs at or within any licensed warehouse, it shall be the duty of the warehouseman to report immediately the occurrence of such fire and the extent of damage to the Administrator.

[62 FR 33541, June 20, 1997]

**§ 739.54 Copies of certificates to be filed with warehouseman.**

When an inspection or weight certificate has been issued by a licensed inspector or weigher, a copy of such certificate shall be filed with the warehouseman in whose warehouse the beans covered by such certificate are stored, and such certificate shall become a part of the records of the warehouseman. Such certificates shall be retained, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which the certificates are issued.

(Approved by the Office of Management and Budget under control number 0560–0120)

[10 FR 4964, May 14, 1945, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

FEES

**§ 739.55 License fees.**

(a) Fees are collected in advance for each original, amended, modified, extended, reinstated, or duplicate warehouseman's license; and for each original, duplicate, or modified license issued to inspect, sample, grade, classify, or weigh commodities.

(b) Fee changes, if applicable, will be announced by Notice in the FEDERAL REGISTER on or before July 1, and effective the following October 1.

[59 FR 51358, Oct. 11, 1994]

**§ 739.56 Warehouse annual and inspection fees.**

Warehousemen must pay:

(a) An annual fee which will be determined by computing the capacity for each warehouse location under a single license and adding those amounts together to determine the total due. The fee will be assessed and payable when the warehouse bond is furnished in accordance with these regulations, for acceptance by the Secretary and annually thereafter on the bond renewal date. The capacity for each identifiable location will be determined by the Secretary. The total capacity of all locations may not exceed the capacity stated in the current license. An identifiable location is a fully functional public warehouse as determined by the Secretary. The annual fee a licensed warehouseman is assessed may be adjusted by the amount Commodity Credit Corporation (CCC) pays, if CCC has a storage contract or agreement with the warehouseman.

(b) An inspection fee for each original and amendment inspection.

(c) An inspection fee at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement, in all cases where the license has been suspended and the warehouseman has requested reinstatement. No fee will be charged if the Secretary determines that the suspension was not justified.

(d) A fee for each inspection requested by the warehouseman at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement.

[59 FR 51358, Oct. 11, 1994]

**§ 739.57 Advance deposit.**

Before any license is granted, or an original examination or inspection is made, or reexamination or reinspection for modification of an existing license is made, or when the annual fee for the licensed warehouse is assessed, pursuant to the regulation in this part, the applicant or licensee shall deposit with the Service the amount of the fee prescribed. Such deposit shall be made in the form of a check, certified if required by the Service, draft, or post office or express money order, payable to the order of the Service.

[46 FR 63200, Dec. 30, 1981. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 62 FR 33541, June 20, 1997]

**§ 739.58 Return of excess deposit.**

Advance deposits made under the regulations in this part shall be forwarded to the Treasurer of the United

States for holding until the fee, if any, is assessed and he is furnished by the Service with a statement showing the amount thereof and against whom assessed. Any part of such advance deposit which is not required for the payment of any fee assessed shall be returned to the party depositing the same.

LICENSED INSPECTORS AND WEIGHERS

### § 739.59 Inspector's and weigher's application.

(a) Applications for licenses to inspect and grade or to weigh beans under the act shall be made to the Administrator on forms furnished for the purpose by him.

(b) Each such application shall be in English, shall be signed by the applicant, shall be verified by him under oath or affirmation administered by a duly authorized officer, and shall contain or be accompanied by: (1) The name and location of a warehouse or warehouses licensed, or for which application for license has been made, under the Act, in which beans sought to be inspected and weighed under such license are or may be stored, (2) a statement from the warehouseman conducting such warehouse showing whether the applicant is competent and is acceptable to such warehouseman for the purpose, (3) satisfactory evidence that he has had at least one year's experience in the kind of service for which a license is sought or the equivalent of such experience, and that he is competent to perform such services, except in the case of applicants for weigher's licenses one month's experience will be sufficient, (4) a statement by the applicant that he agrees to comply with and abide by the terms of the Act and the regulations in this part so far as the same may relate to him, and (5) such other information as the Service may deem necessary; *Provided,* That when an application for a license to inspect beans is filed by a person who does not intend to inspect for any particular licensed warehouseman but who does intend to inspect beans stored or to be stored in a licensed warehouse and to issue inspectors' certificates therefor, as provided for by the Act and the regulations in this part, independent of the warehouse receipts issued to cover such beans, it shall not be necessary to furnish such statement as is required by paragraph (b)(2) of this section.

(c) The applicant shall at any time furnish such additional information as the Secretary, or his designated representative, shall find to be necessary to the consideration of his application.

(d) A single application may be made by any person for a license to inspect and to weigh upon complying with all the requirements of this section.

(e) In lieu of compliance with the requirements of paragraph (b) of this section, the license applied for may be granted whenever such applicant furnishes satisfactory evidence that he holds an effective license under the Agricultural Marketing Act of 1946 and regulations thereunder, to inspect and grade such beans and to certificate the grade thereof.

[10 FR 4964, May 4, 1945, as amended at 13 FR 8729, 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954; 40 FR 6475, Feb. 12, 1975; 41 FR 34005, Aug. 12, 1976. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.60 Examination of applicant.

Each applicant for a license as an inspector or as a weigher and each licensed inspector or licensed weigher shall, whenever requested by an authorized agent of the Department designated by the Administrator for the purpose, submit to an examination or test to show his ability properly to perform the duties for which he is applying for license or for which he has been licensed.

### § 739.61 Posting of license.

Each licensed inspector shall keep his license conspicuously posted in the office where all or most of the inspecting is done, and each licensed weigher shall keep his license conspicuously posted in the warehouse office or in such place as may be designated for the purpose by the Service.

### § 739.62 Duties of licensees.

Each inspector and each weigher, when requested, shall without discrimination, as soon as practicable, and upon reasonable terms, inspect or weigh and certificate the condition,

grade, or weight for storage of beans stored or to be stored in a licensed warehouse, if such beans be offered to him under such conditions as permit proper inspection and the determination of the condition, grade, or weight thereof, as the case may be. Each such licensee shall give preference to persons who request his services as such over persons who request his services in any other capacity. No inspection or weight certificate shall be issued under the act for beans not stored or not to be stored in a licensed warehouse.

**§ 739.63 Inspection certificate; form.**

Each inspection certificate issued under the act by a licensed inspector shall be in a form approved for the purpose by the Service and shall embody within its written or printed terms: (a) The caption ''United States Warehouse Act, Bean Inspection Certificate,'' (b) whether it is an original, a duplicate, or other copy, (c) the name and location of the warehouse in which the beans are or are to be stored, (d) the date of the certificate, (e) the location of the beans at the time of inspection, (f) the identification number or mark of each lot of beans the identity of which is or is to be preserved, given in accordance with § 739.33, (g) the grade, dockage, or pick and condition of the beans for storage at the time of inspection, (h) a statement that the certificate is issued by a licensed inspector, under the United States warehouse act and regulations thereunder, (i) a blank space designated for the purpose in which may be stated any general remarks on the condition of the beans, (j) the signature of such licensed inspector. In addition, the inspection certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

**§ 739.64 Weight certificate; form.**

Each weight certificate issued under the act by a licensed weigher shall be in a form approved for the purpose by the Administration, and shall embody within its written or printed terms: (a) The caption ''United States Warehouse Act, Bean Weight Certificate,'' (b) whether it is an original, a duplicate, or other copy, (c) the name and location of the warehouse in which the beans are to be stored, (d) the date of the certificate, (e) the location of the beans at the time of weighing, (f) the identification number or mark of each lot of beans, the identity of which is or is to be preserved, given in accordance with § 739.33, (g) the net weight of the beans, (h) a statement that the certificate is issued by a licensed weigher under the United States Warehouse Act and the regulations thereunder, and (i) the signature of such licensed weigher. In addition, the weight certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

**§ 739.65 Combined inspection and weight certificate.**

The weight, grade, and condition of any beans ascertained by a licensed inspector or a licensed weigher may be stated on a certificate meeting the combined requirements of §§ 739.63 and 739.64, if the form of such certificate shall have been approved for the purpose by the Service.

**§ 739.66 Copies of certificates to be kept.**

Each licensed inspector and each licensed weigher shall keep for a period of one year in a place accessible to persons financially interested in the beans a copy of each certificate issued by him under the regulations in this part and shall file a copy of each such certificate with the warehouse in which the beans covered by the certificate are stored.

**§ 739.67 Licensees to permit and assist in examination.**

Each licensed inspector and each licensed weigher shall permit any officer or agent of the Department authorized by the Secretary or his designated representative for the purpose to inspect or examine at any time, his books, papers, records, and accounts relating to the performance of his duties under the act and the regulations in this part, and shall, with the consent of the warehouseman concerned, assist any such officer or agent in the inspection or examination of records mentioned in § 739.37 as far as any such inspection or

examination relates to the performance of the duties of such licensed inspector or licensed weigher under the act and the regulations in this part.

### § 739.68 Reports.

Each licensed inspector and each licensed weigher shall, from time to time, when requested by the Service, make reports on forms furnished for the purpose by the Service, bearing upon his activities as such licensed inspector or licensed weigher.

### § 739.69 Licenses; suspension or revocation.

Pending investigation, the Secretary, or his designated representative, may, whenever he deems necessary, suspend the license of an inspector or of a weigher temporarily without hearing. Upon a written request and a satisfactory statement of reasons therefor, submitted by the inspector or weigher, or when the inspector or weigher has ceased to perform such services at the warehouse, the Secretary, or his designated representative, may, without hearing, suspend or revoke the license issued to such inspector or weigher. The Secretary, or his designated representative, may, after opportunity for hearing, when possible, has been afforded in the manner prescribed in this section, suspend or revoke a license issued to an inspector or a weigher when such inspector or weigher has in any manner become incompetent or incapacitated to perform the duties of a licensed inspector or licensed weigher. As soon as it shall come to the attention of a warehouseman that any of the conditions mentioned in this section exist, it shall be his duty to notify the Administrator in writing. Before the license of any inspector or weigher is permanently suspended or revoked pursuant to section 12 of the act, such licensee shall be furnished by the Secretary or his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 739.80.

[13 FR 8729, Dec. 30, 1948; 14 FR 121, Jan. 11, 1949. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.70 Suspended or revoked license; return; termination of license.

(a) If a license issued to an inspector or to a weigher is suspended or revoked, by the Secretary, or by his designated representative, it shall be returned to the Secretary. At the expiration of any period of suspension of a license, unless in the meantime it be revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, and it shall be returned to the inspector or weigher to whom it was originally issued, and it shall be posted as prescribed in § 739.61.

(b) Any license issued to an inspector or weigher shall automatically be suspended or terminated as to any warehouse whenever the license of such warehouse shall be suspended or revoked. Thereupon the license of such inspector or weigher shall be returned to the Secretary. If such license is applicable to warehouses other than those for which the licenses have been suspended or revoked, the Secretary, or his designated representative, shall issue a new license to the inspector or weigher, omitting the names of the warehouses for which licenses have been so suspended or revoked. Such new licenses shall be posted as prescribed in § 739.61.

### § 739.71 Lost or destroyed licenses.

Upon satisfactory proof to the loss or destruction of a license issued to an inspector or weigher, a duplicate thereof or a new license may be issued under the same or a new number.

### § 739.72 Unlicensed inspector or weigher; misrepresentation.

No person shall in any way represent himself to be an inspector or weigher licensed under the act unless he holds an unsuspended and unrevoked license issued under the act.

BEAN INSPECTION AND CLASSIFICATION

**§ 739.73 Statement of classification.**

Whenever the variety, grade, or condition of beans is required to be or is stated for the purposes of this act and the regulations in this part, it shall be stated in accordance with §§ 739.74 and 739.75.

**§ 739.74 Standards to be used.**

The official bean standards of the United States are hereby adopted as the official beans standards for the purposes of the act and regulations.

**§ 739.75 Statement of variety, grade, condition.**

Whenever the variety, grade or condition of beans is stated for the purpose of this act and the regulations in this part, the terms used shall be correctly applied and shall be so stated as not to convey a false impression of the beans. In case of doubt as to the variety, grade or condition of a given lot of beans, a determination shall be made of such facts by drawing samples fairly representative of the contents of the lot of beans offered for storage. These samples shall be thoroughly mixed, and after being so mixed, from this mixture by quartering a sufficient quantity shall be taken which shall constitute the sample for the purpose of determining the grade.

APPEAL OF GRADES

**§ 739.76 Conditions and procedure of appeal.**

(a) If a question arises as to whether the variety, grade or condition of the beans was correctly stated in a receipt or inspection certificate issued under the act or the regulations in this part, the warehouseman concerned or any person financially interested in the beans involved may, after reasonable notice to the other party, submit the question to such representatives of the Service as the Administrator may appoint. The decision of such representatives shall be final, unless the Administrator shall direct a review of the question. Immediately upon making their decision, these representatives shall issue a certificate embodying their findings to the appellants and the licensee or licensees involved.

(b) If the decision of the representatives of the Service be that the variety, grade, or condition was not correctly stated, the receipt or certificate involved shall be returned to and canceled by the licensee who issued it, and the licensee shall issue in lieu thereof a new receipt or certificate embodying therein the statement of variety, grade, or condition, in accordance with the findings of the aforesaid representatives.

(c) All necessary and reasonable expense of such arbitration shall be borne by the losing party, unless the Administrator or his representative shall decide that the expense should be prorated between the parties.

MISCELLANEOUS

**§ 739.77 Bonds required.**

Every person applying for a license, or licensed under section 9 of the act, shall, as such, be subject to all portions of the regulations in this part except § 739.5, so far as they may relate to warehousemen. If there is a law of any State providing for a system of warehouses owned, operated, or leased by such State, a person applying for a license under section 9 of the act, to accept the custody of beans and to store the same in any of said warehouses, may, in lieu of a bond or bonds complying with §§ 739.11 and 739.12, file with the Secretary a single bond meeting the requirements of the act and the regulations in this part, in such form and in such amount not less than $5,000 as he shall prescribe, to insure the performance by such person, with respect to the acceptance of the custody of beans and their storage in the warehouses in such system for which licenses are or may be issued, of his obligations arising during the periods of such licenses, or amendments thereto. In fixing the amount of such bond, consideration shall be given, among other appropriate factors, to the character of the warehouses involved, their actual or contemplated capacity, the bonding requirements of the State and its liability with respect to such warehouses. If the Secretary, or his designated representative, shall find the

existence of conditions warranting such action, there shall be added to the amount of the bond so fixed a further amount, fixed by him, to meet such conditions.

### § 739.78 Publications.

Publications under the act and the regulations in this part shall be made in such media as may be deemed proper by the Administrator.

[62 FR 33541, June 20, 1997]

### § 739.79 Information of violations.

Every person licensed under the act shall immediately furnish the Service any information which comes to the knowledge of such person tending to show that any provision of the act or the regulations in this part has been violated.

### § 739.80 Procedure in hearings.

Hearings under the Act or the regulations in this part, except those relating to appeals or arbitrations shall be conducted in accordance with the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary under various statutes (7 CFR 1.130 through 1.151).

[45 FR 6776, Jan. 30, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 739.81 One document and one license to cover several products.

A license may be issued for the storage of two or more agricultural products in a single warehouse. Where such a license is desired, a single application, inspection, bond, record, report, or other paper, document or proceeding relating to such warehouse, shall be sufficient unless otherwise directed by the Administrator.

### § 739.82 Bond for combination warehouse.

Where such license is desired, the amount of the bond, net assets, and inspection and license fees shall be determined by the Administrator in accordance with the regulations applicable to the particular agricultural product which would require the largest bond and the greatest amount of net assets and of fees if the full capacity of the warehouse were used for its storage.

### § 739.83 Amendments.

Any amendment to, or revision of, the regulations in this part, unless otherwise stated therein, shall apply in the same manner to persons holding licenses at the time it becomes effective as it applies to persons thereafter licensed under the act.

## PART 740—NUT WAREHOUSES

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AUTHORITY: 7 U.S.C. 241 *et seq.*.

SOURCE: 41 FR 31163, July 27, 1976, unless otherwise noted. Redesignated at 50 FR 1814, Jan. 14, 1985.

EDITORIAL NOTE: Nomenclature changes to part 740 appear at 62 FR 33540, June 20, 1997.

DEFINITIONS

### § 740.1 Meaning of words.

Words used in this part in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

### § 740.2 Terms defined.

For the purposes of the regulations in this part, unless the context otherwise require, the following terms shall be construed, respectively, to mean:

(a) *Nuts*. Unshelled nuts of the following kinds: American-grown peanuts, pecans, filberts, and English or Persian walnuts; and shelled American-grown peanuts.

(b) *The Act*. The United States Warehouse Act, approved August 11, 1916 (39 Stat. 486; (7 U.S.C. 241–273)) as amended.

(c) *Person*. An individual, corporation, partnership, or two or more persons having a joint or common interest.

(d) *Department*. The United States Department of Agriculture.

(e) *Secretary*. The Secretary of Agriculture of the United States, or any officer or employee of the Department to whom authority has heretofore been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(f) *Service*. The Farm Service Agency of the U.S. Department of Agriculture.

(g) *Administrator*. The Administrator of the Service or any other officer or employee of that Service to whom authority has heretofore lawfully been delegated, or to whom authority may

hereafter lawfully be delegated, to act in his stead.

(h) *Regulations*. Rules and regulations made under the Act by the Secretary.

(i) *Warehouse*. Unless the context otherwise clearly indicates, any building, structure, or other protected enclosure licensed or to be licensed under the Act, in which nuts are or may be stored for interstate or foreign commerce, or, if located within any place under the exclusive jurisdiction of the United States, in which nuts are or may be stored.

(j) *Warehouseman*. Any person lawfully engaged in the business of storing nuts, who holds an effective warehouseman's license under the Act, or who has applied for such a license.

(k) *License*. A license issued under the Act by the Secretary.

(l) *Warehouseman's bond*. The bond required by the Act to be given by a warehouseman.

(m) *Licensed inspector*. (1) A person licensed under provisions of section 11 of the United States Warehouse Act (7 U.S.C. 241 et seq.), or (2) a Federal employee authorized under provisions of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.), or (3) a person licensed under the provisions of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.) to inspect, grade, and certificate the grade or other class and/or condition of nuts stored or to be stored in a warehouse licensed under the U.S. Warehouse Act (the terms ''persons duly licensed to inspect'' or ''licensed inspector'' shall be defined accordingly).

(n) *Licensed weigher*. A person licensed under the provisions of section 11 of the Unites States Warehouse Act (7 U.S.C. 241 et seq.), to weigh and certificate the weight of nuts stored or to be stored in a warehouse licensed under the U.S. Warehouse Act (the terms ''persons duly licensed to weigh'' or ''licensed weigher'' shall be defined accordingly).

(o) *Receipt*. A licensed warehouse receipt issued under the Act.

(p) *Package*. A bag, sack, box, or other container.

(q) *Ton*. (Short ton) 2,000 pounds.

[41 FR 31163, July 27, 1976, as amended at 42 FR 26646, May 25, 1977. Redesignated and amended at 50 FR 1814, Jan. 14, 1985]

WAREHOUSE LICENSES

### § 740.3 Application form.

Applications for licenses and for amendments of licenses under the Act shall be made to the Administrator upon prescribed forms furnished by the Service, shall be in English, shall truly state the information therein contained, and shall be signed by the applicant. The applicant shall at any time furnish such additional information as the Administrator shall find to be necessary to the consideration of his application.

### § 740.4 All facilities to be licensed or exempted.

All facilities within the same city or town used for the storage of nuts by an applicant for a warehouse license must qualify for a license and be licensed under the Act if the applicant is to be licensed to operate as a nut warehouseman in such city or town, unless the facilities which are not to be covered by a license are exempted by the Administrator upon a finding that, due to the exercise of adequate controls by some independent agency over the operation of the nonfederally licensed facilities, there would be no likelihood of the interchange, substitution, or commingling of nuts stored in such facilities with nuts stored in the federally licensed facilities. If all such facilities do not qualify for a license or for an exemption under this section, the applicant shall not be licensed under the Act as a nut warehouseman in the city or town in which the facilities in question are located. Each applicant for a nut warehouse license must apply for a license covering all facilities operated by him for the storage of nuts within the same city or town or for exemption as provided in this section. If a licensed nut warehouseman acquires any additional nut storage facilities within the same city or town in which his licensed warehouse is located he shall file promptly an application for a license or an exemption of the additional facilities. No nut storage facility acquired by a licensed nut warehouseman, subsequent to the issuance of his license, in the same city or town as his licensed facilities, shall be used for the

storage of nuts until it qualifies for license and is licensed or is exempted as provided in this section. If any one of the licensed nut storage facilities operated by a warehouseman in the same city or town becomes ineligible for a license at any time for any reason, it shall not thereafter be used for the storage of nuts, until the condition making it ineligible is removed or an exemption is granted as provided in this section. The use for the storage of nuts by a licensed warehouseman of a facility which is in the same city or town as his licensed facilities and is neither licensed nor exempted, or other violation of the provisions of this section, shall be cause for suspension or revocation of any license issued to the warehouseman for the storage of nuts.

### § 740.5 Scales; bin and compartment numbers.

(a) Each warehouse must be equipped with suitable scales in good order, and so arranged that all nuts, whether for storage or for nonstorage purposes, can be weighed in and out of the warehouse. The scales in any warehouse shall be subject to examination by representatives of the Department and to disapproval by the Administrator. If he disapproves any weighing apparatus, it shall not thereafter be used in ascertaining the weight of nuts for the purposes of this Act, until such disapproval be withdrawn.

(b) Both bulk bins and compartments for sacked nuts of all warehouses licensed under the Act shall be identified by means of clearly discernible numbers securely affixed thereto. The series of numbers to be used shall be approved by the Service. Bulk bins shall be numbered so as to be easily identified at the openings on top and also on or near the outlets. Compartments shall be numbered in such a manner as to clearly show the space covered by each number.

### § 740.6 Net assets.

(a) Each warehouseman conducting a warehouse licensed, or for which application for a license has been made under the regulations in this part, shall have and maintain above all exemptions and liabilities, total net assets liable for the payment of any indebtedness arising from the conduct of the warehouse, to the extent of at least $25 per ton for the maximum number of tons of peanuts, 2 cents per pound for the maximum number of pounds of walnuts or filberts, and/or 3 cents per pound for the maximum number of pounds of pecans, that the warehouse could accommodate when stored in the manner customary to the warehouse as determined by the Administrator: *Provided*, That no person may be licensed as a warehouseman under the regulations in this part unless he has allowable net assets of at least $10,000: *And provided further*, That any deficiency in net assets required above the $10,000 minimum may be supplied by an increase in the amount of the warehouseman's bond in accordance with § 740.14(c). In determining total net assets, credit may be given for insurable property such as buildings, machinery, equipment, and merchandise inventory, only to the extent that such property is protected by insurance against loss or damage by fire. Such insurance shall be in the form of lawful policies issued by one or more insurance companies authorized to do such business and subject to service of process in suits brought in the State in which the warehouse is located.

(b) In case a warehouseman is licensed or is applying for licenses to operate two or more warehouses under the regulations in this part, the maximum quantity of nuts which all such warehouses will accommodate when stored in the manner customary to the warehouse, as determined by the Administrator, shall be considered in determining whether the warehouseman meets the net assets requirements specified in paragraph (a) of this section.

(c) For the purposes of paragraphs (a) and (b) of this section only, capital stock as such shall not be considered a liability.

### § 740.7 Grounds for not issuing license.

A license for the conduct of a warehouse, or any amendment to a license, under the regulations in this part, shall not be issued if it is found by the Secretary that the warehouse is not suitable for the proper storage of nuts;

that the warehouseman does not possess a good reputation, or does not have a net worth of at least $10,000, or is incompetent to conduct such warehouse in accordance with the Act and the regulations in this part; or that there is any other sufficient reason within the intent of the Act for not issuing such license. If all the facilities operated for the storage of nuts by the applicant within the same city or town are not to be licensed under the Act, the applicant shall not be licensed as a nut warehouseman with respect to any of such facilities, unless an exemption of the facilities which are not to be licensed is granted as provided in § 740.4.

### § 740.8 License shall be posted.

Immediately upon receipt of his license of any modification or extension thereof under the Act, the warehouseman shall post the same, and thereafter, except as otherwise provided in the regulations in this part, keep it posted until suspended or terminated, in a conspicuous place in the principal office where receipts issued by such warehouseman are delivered to depositors.

### § 740.9 Suspension, cancellation or revocation of warehouse licenses.

(a) Pending investigation, the Secretary, whenever he deems necessary, may suspend a warehouseman's license temporarily without hearing. Upon written request and a satisfactory statement of reasons therefor, submitted by a warehouseman, the Secretary may, without hearing, suspend or cancel the license issued to such warehouseman. The Secretary may, after opportunity for hearing has been afforded in the manner prescribed in this section, suspend or revoke a license issued to a warehouseman when he determines that such warehouseman:

(1) Does not have a net worth of at least $10,000;

(2) Has parted, in whole or in part, with his control over the licensed warehouse;

(3) Is in process of dissolution or has been dissolved;

(4) Has ceased to operate such licensed warehouse;

(5) Has in any other manner become nonexistent or incompetent or incapacitated to conduct the business of the warehouse;

(6) Has made unreasonable or exorbitant charges for services rendered;

(7) Is operating in the same city or town in which his licensed warehouse facilities are located, any facility for storage of nuts which is not covered by a license or an exemption as provided in § 740.4, or

(8) Has in any other manner violated or failed to comply with any provision of the Act or the regulations in this part.

(b) Whenever any of the conditions mentioned in paragraphs (a)(1) through (8) of this section shall come into existence, it shall be the duty of the warehouseman to notify the Administrator immediately of the existing condition. Before a license is revoked or suspended (other than temporarily pending investigation) for any violation of, or failure to comply with, any provision of the Act or of the regulations in this part, or upon the ground that unreasonable or exorbitant charges have been made for services rendered, the warehouseman involved shall be furnished by the Secretary a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 740.81.

### § 740.10 Return of suspended or revoked warehouse license.

In case a license issued to a warehouseman terminates or is suspended, revoked, or canceled by the Secretary, it shall be returned immediately to the Secretary. At the expiration of any period of suspension of such license, unless it be in the meantime revoked or canceled, the dates of the beginning and termination of the suspension shall be indorsed thereon, and it shall be returned to the licensed warehouseman to whom it was originally issued, and it shall be posted as required in § 740.8: *Provided,* That in the discretion of the Administrator a new license may be issued without reference to such suspension.

### § 740.11 Lost or destroyed warehouse license.

Upon satisfactory proof of the loss or destruction of a license issued to a warehouseman, a duplicate thereof or a new license may be issued under the same or a new number at the discretion of the Administrator.

### § 740.12 Unlicensed warehousemen must not represent themselves as licensed.

No warehouse or its warehouseman shall be designated as licensed under the Act and no name or description conveying the impression that it or he is so licensed shall be used, either in a receipt or otherwise unless such warehouseman holds an unsuspended, unrevoked, and uncanceled license for the conduct of such warehouse.

WAREHOUSE BONDS

### § 740.13 Bond required; time of filing.

Each warehouseman applying for a warehouse license under the Act shall, before such license is granted, file with the Secretary a bond containing the following conditions and such other terms as the Secretary may prescribe in the approved bond forms, with such changes as may be necessary to adapt the forms to the type of legal entity involved:

Now, therefore, if the said license(s) or any amendments thereto be granted and said principal, and its successors and assigns operating said warehouse(s), shall:

Faithfully perform during the period of 1 year commencing _____, or until the termination of said license(s) in the event of termination prior to the end of the 1 year period, all obligations of a licensed warehouseman under the terms of the Act and regulations thereunder relating to the above-named products; and

Faithfully perform during said 1 year period and thereafter, whether or not said warehouse(s) remain(s) licensed under the Act, such delivery obligations and further obligations as a warehouseman as exist at the beginning of said 1 year period or are assumed during said period and prior to termination of said license(s) under contracts with the respective depositors of such products in the warehouse(s);

Then this obligation shall be null and void and of no effect, otherwise to remain in full force. For purposes of this bond, the aforesaid obligations under the Act and regulations and contracts shall include obligations under any and all modifications of the Act, the regulations, and the contracts that may hereafter be made, notice of which modifications to the surety being hereby waived.

### § 740.14 Amount of bonds; additional amounts.

(a) The amount of bond to be furnished for each warehouse under the regulations in this part for peanuts shall be fixed at a rate of $25 per ton for the first 10,000 tons of licensed capacity and $20 per ton for all tons of licensed capacity over 10,000 tons; for walnuts and filberts the bond shall be fixed at a rate of 2 cents per pound for the licensed capacity; and for pecans the bond shall be fixed at a rate of 3 cents per pound for the licensed capacity: *Provided*, That in any case the amount of bond shall not be less than $20,000 nor more than $500,000, except as prescribed in paragraph (c) of this section. The licensed capacity shall be the maximum quantity of nuts that the warehouse will accommodate when stored in the manner customary to the warehouse as determined by the Administrator.

(b) In case a warehouseman is licensed or is applying for licenses to operate two or more warehouses in the same State he may give a single bond meeting the requirements of the Act and the regulations in this part to cover all his warehouses within the State. In such case the warehouses to be covered by the bond shall be deemed to be one warehouse only for purposes of determining the amount of bond required under paragraph (a) of this section.

(c) In case of a deficiency in net assets above the $10,000 minimum required under § 740.6, there shall be added to the amount of bond determined in accordance with paragraph (a) of this section an amount equal to such deficiency. In any other case in which the Administrator finds that conditions exist which warrant requiring additional bond, there shall be added to the amount of bond as determined under the other provisions of this section, a further amount to meet such conditions.

### § 740.15 Amendment to license; bond.

In case an application is made for an amendment to a license and no bond

previously filed by the warehouseman under §§ 740.13 through 740.17 covers obligations arising during the period covered by such amendment, the warehouseman shall, when notice has been given by the Secretary, that his application for such amendment will be granted upon compliance by such warehouseman with the Act, file with the Secretary, within a time, if any, fixed in such notice, a bond complying with the Act. In the discretion of the Secretary, a properly executed instrument in form approved by him, amending, extending, or continuing in force and effect the obligations of a valid bond previously filed by the warehouseman and otherwise complying with the Act and the regulations in this part, may be filed in lieu of a new bond.

### § 740.16 New bond required each year.

A continuous form of license shall not remain in force for more than one year from its effective date, or any subsequent extension thereof, unless each year prior to the date on which the license would expire, the warehouseman files a bond in the required amount with the Secretary and such bond has been approved by him.

### § 740.17 Approval of bond.

No bond, amendment, or continuation thereof shall be accepted for the purposes of the Act and the regulations in this part until it has been approved by the Secretary.

WAREHOUSE RECEIPTS

### § 740.18 Form.

(a) Every receipt, whether negotiable or nonnegotiable, issued for nuts stored in a licensed warehouse shall, in addition to complying with the requirements of section 18 of the Act, embody within its written or printed terms the following:

(1) The name of the warehouseman and the designation, if any, of the warehouse.

(2) The license number of the warehouse.

(3) A statement whether the warehouseman is incorporated or unincorporated, and if incorporated, under what laws.

(4) In the event the relationship existing between the warehouseman and and any depositor is not that of strictly disinterested custodianship, a statement setting forth the actual relationship.

(5) A statement conspicuously placed, whether or not the nuts are insured, and, if insured, to what extent, by the warehouseman against loss by fire, lightning, tornado, or otherwise.

(6) The kind and type of nut.

(7) The net weight of the nuts.

(8) In the case of nuts the identity of which are to be preserved, the identification or location in accordance with §§ 740.35, 740.36, and 740.38; and

(9) The words ''Not Negotiable,'' or ''Negotiable,'' according to the nature of the receipt, clearly and conspicuously printed or stamped thereon.

(b) Every receipt, whether negotiable or nonnegotiable, issued for unshelled peanuts stored in a licensed warehouse shall specify that the unshelled peanuts are accepted for storage under the Act and the regulations in this part, for a period not to extend beyond July 1 following the year in which harvested. Upon demand and the surrender of the old receipt by the lawful holder thereof on or before July 1, the warehouseman, upon such lawful terms and conditions as may be granted by him at such time to other depositors of unshelled peanuts in the warehouse, if he then continues to act as a licensed warehouseman, may issue a new receipt for a further specified period not to extend beyond March 31 of the year following the date of surrender of the old receipt: *Provided*, That the farmers' stock peanuts are first reinspected by a licensed inspector and found to be in proper condition for further storage and the grade or other class, as determined by the licensed inspector is shown on the new receipt.

(c) Every receipt, whether negotiable or nonnegotiable, issued for shelled peanuts stored in dry storage space in a licensed warehouse shall specify a period, for which the peanuts are to be stored under the Act and the regulations in this part, not to extend beyond May 31 following the year in which harvested. Every receipt, whether negotiable or nonnegotiable, issued for peanuts stored in cold storage space in a

licensed warehouse shall specify a period, not exceeding one year, for which the peanuts are accepted for storage under the Act and regulations in this part. Upon demand for issuance of a new receipt, surrender of the old receipt by the lawful holder thereof at or before the expiration of the period specified therein and an offer to satisfy the warehouseman's lien, the warehouseman, upon such lawful terms and conditions as may be granted by him to other depositors of peanuts in his warehouse, shall, in the absence of some lawful excuse, issue a new receipt for a further specified period, not exceeding one year.

(d) Every receipt, whether negotiable or nonnegotiable, issued for walnuts, filberts, or pecans stored in a licensed warehouse under ordinary dry storage conditions shall specify a period for which the walnuts, filberts, or pecans are accepted for storage under the Act and the regulations in this part not to extend beyond March 31 following the year in which harvested. Upon demand by the lawful holder and surrender of this receipt on or before March 31, the warehouseman, upon such lawful terms and conditions as may be granted by him at such time to other depositors of walnuts, filberts, or pecans in his warehouse, if he then continues to act as a licensed warehouseman may issue a new receipt for a further specified period not to extend beyond December 31 of the year following the date of surrender of the old receipt: *Provided,* That the walnuts, filberts, or pecans are first reinspected by a licensed inspector and found to be in proper condition for further storage and the grade and condition as determined by the licensed inspector and the year in which the walnuts, filberts, or pecans were harvested are shown on the new receipt: *And provided further,* That such nuts are placed in licensed cold storage space before or immediately following inspection thereof and before the issuance of receipts.

(e) The grade or other class stated in a receipt issued for nuts, shall be stated in such receipt in accordance with § 740.77 as determined by the licensed inspector who last inspected the nuts before the issuance of such reciept, and such receipt shall embody within its written or printed terms the following: (1) That the nuts covered by the receipt were weighed by a licensed weigher, and inspected by a licensed inspector; (2) a form of indorsement which may be used by the depositor or his authorized agent, for showing the ownership of, and liens, mortgages, or other encumbrances on the nuts covered by the receipt.

(f) If a warehouseman issues a receipt omitting the statement of grade or other class on request of the depositor as permitted by section 18 of the Act, such receipt shall have clearly and conspicuously stamped or written on the face thereof the words ''not graded on request of depositor.''

(g) If a warehouseman issues a receipt under the Act omitting any information not required to be stated, for which a blank space is provided in the form of the receipt, a line shall be drawn through such space to show that such omission has been made by the warehouseman.

(Approved by the Office of Management and Budget under control number 0560–0120)

[41 FR 31163, July 27, 1976, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 740.19 Copies of receipts.

At least one actual or skeleton copy of all receipts shall be made, and all copies, except skeleton copies, shall have clearly and conspicuously printed or stamped thereon the words ''Copy—Not Negotiable.'' A copy of each receipt issued shall be retained by the warehouseman for a period of one year after December 31 of the year in which the corresponding original receipt is canceled.

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[41 FR 31163, July 27, 1976, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 740.20 Lost or destroyed receipts; bond.

(a) In the case of a lost or destroyed receipt, if there be no statute of the United States or law of a State applicable thereto, a new receipt upon the

same terms, subject to the same conditions, and bearing on its face the number and the date of the receipt in lieu of which it is issued and a plain and conspicuous statement that it is a duplicate receipt issued in lieu of a lost or destroyed receipt, may be issued upon compliance with the conditions set out in paragraph (b) of this section.

(b) Before issuing such new or duplicate receipt the licensed warehouseman shall require the depositor or other person applying therefor to make and file with the warehouseman: (1) An affidavit showing that the applicant is lawfully entitled to the possession of the original receipt, that he has not negotiated or assigned it, how the original receipt was lost or destroyed, and if lost, that diligent effort has been made to find the receipt without success, and (2) a bond in an amount double the value, at the time the bond is given, of the nuts represented by the lost or destroyed receipt. Such bond shall be in a form approved for the purpose by the Secretary, shall be conditioned to indemnify the warehouseman against any loss sustained by reason of the issuance of such duplicate receipt, and shall have as surety thereon (i) preferably a surety company which is authorized to do business, and is subject to service of process in a suit on the bond, in the State in which the warehouse is located, or (ii) at least two individuals other than the applicant who are residents of such State and each of whom owns real property therein having a value, in excess of all exemptions and encumbrances, equal to the extent of the amount of the bond.

### § 740.21 Printing of receipts.

No receipt shall be issued by a licensed warehouseman unless it is:

(a) In a form prescribed by the Administrator,

(b) Upon distinctive paper or card stock specified by the Administrator,

(c) Printed by a printer with whom the United States has a subsisting agreement and bond for such printing, and

(d) On paper and/or card stock tinted with ink in the manner prescribed by the agreement under paragraph (c) of this section.

[62 FR 33541, June 20, 1997]

### § 740.22 Return of receipts before delivery of nuts.

Except as permitted by law or by this part, a warehouseman shall not deliver nuts for which he has issued a negotiable receipt until the receipt has been returned to him and canceled; and shall not deliver nuts for which he has issued a nonnegotiable receipt until such receipt has been returned to him, or he has obtained from the person lawfully entitled to such delivery, or his authorized agent, a written order therefor.

### § 740.23 Partial delivery of nuts.

Before delivery is made of the last portion of a lot of nuts covered by a nonnegotiable receipt, the receipt itself shall be surrendered. If a warehouseman delivers a part only of a lot of nuts for which he has issued a negotiable receipt under the Act, he shall take up and cancel such receipt and issue a new receipt bearing the same lot number for the undelivered portion of the nuts. In addition to showing the information required by § 740.18, the new receipt shall also indicate the date and number of the receipt which it supersedes.

### § 740.24 Authority for delivery of nuts on nonnegotiable receipts.

Each person to whom a nonnegotiable receipt is issued shall furnish the warehouseman with a statement in writing indicating the person or persons having power to authorize delivery of nuts covered by such receipt, together with the bona fide signature of such person or persons. No licensed warehouseman shall honor an order for the release of nuts covered by a nonnegotiable receipt until he has first ascertained that the person issuing the order has authority to order such release and that the signature of the releasing party is genuine: *Provided*, That if the holder of such nonnegotiable receipts agrees in writing to hold blameless both the warehouseman and bondsman for any loss that might result from improper delivery through receipt of an unauthorized telegram, deliveries may be made on receipt of telegraphic orders to be followed immediately with usual confirmation order.

### § 740.25 Omission of grade; no compulsion by warehouseman.

No warehouseman shall, directly or indirectly, by any means whatever, compel or attempt to compel the depositor of any nuts stored in his licensed warehouse to request the issuance of a receipt omitting the statement of grade or other class.

### § 740.26 Persons authorized to sign receipts.

Each warehouseman shall file with the Department the name and genuine signature of each person authorized to sign warehouse receipts for the warehouseman, and shall promptly notify the Department of any changes as to persons authorized to sign and shall file the signatures of such persons, and each warehouseman shall be bound by such signatures the same as if he had personally signed the receipt.

DUTIES OF LICENSED WAREHOUSEMEN

### § 740.27 Canceled receipts; auditing.

Each warehouseman, if requested by the Service, shall forward canceled receipts for auditing to an entity or office of the Service as may be designated from time to time.

[62 FR 33541, June 20, 1997]

### § 740.28 Nuts must be inspected and weighed.

(a) Except in case of identity preserved nuts when grade or other class is omitted at request of depositor, all nuts received into the warehouse shall be inspected and weighed by a licensed inspector and/or weigher and no receipt may be issued under the Act and the regulations in this part until the nuts covered by such receipt have been so inspected and weighed.

(b) When requested by the depositor of nuts the identity of which is to be preserved, a receipt omitting statement of grade or other class but not weight may be issued.

(c) Except as provided in § 740.41, all nuts delivered out of a warehouse must be weighed by a licensed weigher.

(d) Warehousemen must keep stocks of nuts in storage by grades or other class in balance with the grades or other class of nuts represented by outstanding storage obligations for which receipts have been or are to be issued, except when the nuts have unavoidably improved or deteriorated through natural causes. In the case the grades or other class of stored nuts should get out of balance with grades or other class represented by outstanding storage obligations for which receipts have been or are to be issued, the warehouseman shall effect proper adjustments.

### § 740.29 Receipts; basis for issuance.

Before issuing any receipt under the Act each warehouseman shall, unless he personally weighed, inspected, and graded, if graded, a lot of nuts, first obtain either a copy of, or the original weight certificate, and inspection certificate, if any, covering said lot of nuts. The warehouse records shall clearly identify the certificate(s) used as a basis of issuance of each warehouse receipt, and said inspection and weight certificate shall be kept on file as a record in the warehouseman's office. Such certificates shall be retained for a period of three years after December 31 of the year in which issued.

### § 740.30 Insurance requirements.

(a) Each licensed warehouseman, when so requested in writing as to any nuts by the depositor thereof or lawful holder of the receipt covering such nuts, shall, to the extent to which in the exercise of due diligence he is able to procure such insurance, keep such nuts while in his custody as a licensed warehouseman insured in his own name or arrange for insurance otherwise to the extent so requested against loss or damage by fire, lightning and tornado. When insurance is not carried in the warehouseman's name the receipts shall show that the nuts are not insured by the warehouseman. Such insurance shall be covered by lawful policies issued by one or more insurance companies authorized to do such business, and subject to service of process in suits brought, in the State where the warehouse is located. If the warehouseman is unable to procure such insurance to the extent requested, he shall, by telegraph or orally in person or by telephone and with subsequent confirmation in writing, and at his own expense, immediately notify the person

making the request of the fact. Nothing in this section shall be construed to prevent the warehouseman from adopting a rule that he will insure all nuts stored in his warehouse.

(b) Each warehouseman shall comply fully with the terms of insurance policies or contracts covering his licensed warehouse and all products stored therein, and shall not commit any acts, nor permit his employees to do anything, which might impair or invalidate such insurance.

(c) Each warehouseman shall keep exposed conspicuously in the place prescribed by § 740.8, and at such other place as the Administrator or his representative may from time to time designate, a notice stating briefly the conditions under which the nuts will be insured against loss or damage by fire, lightning, and tornado.

(d) Each warehouseman shall, in accordance with his contracts with insurance and bonding companies for the purpose of meeting the insurance and bonding requirements of the regulations in this part, pay such premiums, permit such reasonable inspections and examinations, and make such reasonable reports as may be provided for in such contracts.

(e) Each warehouseman shall promptly take such steps as may be necessary and proper to collect any moneys which may become due under contracts of insurance entered into by him for the purpose of meeting the requirements of the regulations in this part, and shall, as soon as collected, promptly pay to the persons concerned any portion of such moneys which they may be entitled to receive from him.

### § 740.31 Care of nuts in warehouses.

Each warehouseman shall at all times exercise such care in regard to nuts in his custody as a reasonably careful owner would exercise under the same circumstances and conditions. Walnuts, filberts, and/or pecans stored under licensed receipts between March 31 and December 31, of the year following the year in which such walnuts, filberts, and/or pecans were harvested must be stored in a licensed cold-storage warehouse or room. Unless otherwise authorized by the Administrator, the warehouseman shall maintain even temperature and humidity in licensed cold-storage space, with temperature not higher than 37° F., nor less than 32° F., and relative humidity not higher than 70 percent nor less than 55 percent at any time while nuts of any kind subject to this Act are in storage. Such licensed cold-storage warehouse or room shall be equipped with automatic recording instruments for temperature and relative humidity approved by the Administrator. Continuous records or charts of temperature and relative humidity shall be kept by the warehouseman.

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[41 FR 31163, July 27, 1976, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 740.32 Care of nonlicensed nuts, or other commodities.

If, at any time, a warehouseman shall handle or store nuts otherwise than as a licensed warehouseman, or shall handle or store any other commodity, he shall so protect the same, and otherwise exercise care with respect to it, as not to endanger the nuts in his custody as a warehouseman or impair the insurance thereof or his ability to meet his obligations and perform his duties under the act and the regulations in this part. If the warehouseman stores commodities other than those for which he is licensed, licensed receipts shall not be issued therefor.

### § 740.33 Records to be kept in safe place.

Each warehouseman shall provide a fireproof safe, vault, or compartment in which he shall keep, when not in actual use, all records, books, and papers pertaining to the licensed warehouse, including his current receipt book, copies of issued and canceled receipts, except that with the written consent of the Administrator, upon a showing by such warehouseman that it is not practicable to provide such fireproof safe, vault, or compartment, he may keep such records, books, and papers in some other place of safety approved by the Administrator. Each canceled receipt shall be retained by the warehouseman for a period of 6 years after

December 31, of the year in which the receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act. Canceled receipts shall be arranged by the warehouseman in numerical order and otherwise in such manner as shall be directed, for purposes of audit, by authorized officers or agents of the Department of Agriculture.

(Approved by the Office of Management and Budget under control number 0560–0120)

[41 FR 31163, July 27, 1976, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 740.34 Warehouse charges.

A warehouseman shall not make any unreasonable or exorbitant charge for service rendered. Before a license to conduct a warehouse is granted under the Act, the warehouseman shall file with the Service a copy of his rules and a schedule of charges to be made by him if licensed. Before making any change in such rules or schedule of charges, he shall file with the Service a statement in writing showing the proposed change and the reasons therefor. Each warehouseman shall keep exposed conspicuously in the place prescribed by § 740.8, and at such other places, accessible to the public, as the Administrator or his representative may from time to time designate, a copy of his current rules and schedule of charges.

### § 740.35 Numbered tags to be attached to packaged nuts.

Each warehouseman shall, upon acceptance of any lot of nuts in packages or sacks for storage, immediately stencil or mark an identification number or mark on each such package in the lot and attach to such lot a tag of good quality which shall identify the lot. Such tag shall show the lot number, the identification mark on each package, the number of the receipt issued to cover such nuts, the number of packages or sacks in the lot, the kind of nuts, the grade or other class if determined, and the gross weight of the nuts at the time they entered storage.

### § 740.36 Identification tag on stored nuts.

Each warehouseman shall so store each lot of nuts for which a receipt under the Act has been issued that the tag thereon, required by § 740.35 is visible and readily accessible, and shall arrange all packages in his licensed warehouse so as to permit an accurate count thereof and to facilitate sampling of the nuts and inspection for condition.

### § 740.37 Bulk nuts; grade or other class and weights.

Each licensed warehouseman shall accept all nuts for storage and shall deliver out of storage all bulk nuts, other than specially binned or sacked nuts, in accordance with the grade or other class of such nuts as determined by a person duly licensed to inspect such nuts and to certificate the grade or other class thereof, and in accordance with the weights of such nuts as determined by a person duly licensed to weigh such nuts and to certificate the weight thereof, under the Act and the regulations in this part.

### § 740.38 Identity-preserved nuts; bulk storage.

Upon the acceptance for storage in his licensed warehouse of any lot of bulk nuts the identity of which is to be preserved, the warehouseman shall store such nuts in an individual bin or compartment designated by lot or cargo numbers, or by letters, numbers or other clearly distinguishable words or signs, permanently and securely affixed thereto, or shall so mark the container or containers of such nuts, or so place the nuts in the warehouse, that their identity will not be lost during the storage period.

### § 740.39 Delivery of nuts.

Except as may be provided by law or the regulations in this part, each licensed warehouseman: (a) Upon proper presentation of a receipt for any nuts, other than identity-preserved nuts, and upon payment or tender of all advances and legal charges, shall deliver to such depositor or lawful holder of such receipt nuts of the grade or other class and quantity specified in such receipt, and (b) upon proper presentation of a

receipt for any nuts, the identity of which was to have been preserved during the storage period, and upon payment or tender of all advances and legal charges, shall deliver to the person lawfully entitled thereto, the identical nuts stored in his licensed warehouse.

### § 740.40 Removal of nuts from storage; conditions.

Except as may be permitted by law or the regulations in this part, a licensed warehouseman shall not remove any nuts for storage from the licensed warehouse until such receipt is first surrendered and canceled. If it becomes absolutely necessary to remove the nuts prior to the surrender of the receipts in order to protect the interests of holders of the receipts, the warehouseman shall promptly notify the Administrator of such removal and the necessity therefor.

### § 740.41 Loading out without weighing.

When the lawful owner of an entire lot of identity preserved nuts requests the warehouseman to deliver said lot without reweighing said nuts, the warehouseman may make such delivery if there is an accurate record of the weight of such nuts when received. Such deliveries shall be made only when the lawful owner agrees to assume all shortages and other risks incidental thereto, and after the warehouse receipts covering all of the nuts in the lot have been surrendered to the warehouseman and canceled.

### § 740.42 Business hours.

(a) Each licensed warehouse shall be kept open for the purpose of receiving nuts for storage and delivering nuts out of storage every business day for a period of not less than six hours between the hours of 8 a.m. and 6 p.m., except as provided in paragraph (b) of this section. The warehouseman shall keep conspicuously posted on the door of the public entrance to his office and to his warehouse a notice showing the hours during which the warehouse will be kept open, except when such warehouse is kept open continuously for eight hours between 8 a.m. and 6 p.m.

(b) In case the warehouse is not to be kept open as required by paragraph (a) of this section, the notice posted as prescribed in that paragraph shall state the period during which the warehouse is to be closed and the name of an accessible person, with the telephone number and address where he is to be found, who shall be authorized to deliver nuts stored in such warehouse, upon lawful demand by the depositor thereof or the holder of the receipt therefor, as the case may be.

### § 740.43 System of accounts.

Each licensed warehouseman shall have and maintain a system of accounts, approved for the purpose by the Service, which shall include but is not limited to a stock record showing for each lot of nuts, the name of the depositor, the weight of the nuts, the number of packages in each lot, the grade or other class when grade or other class is required to be, or is, ascertained, the location, the dates received for and delivered out of storage and the receipts issued and canceled, a separate record for each depositor and such accounts shall include a detailed record of all moneys received and disbursed and of all effective insurance policies. In the case of nuts stored in packages, the tag number mentioned in § 740.35 shall be shown. Such rec- ords shall be retained by the warehouseman for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

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[41 FR 31163, July 27, 1976, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 740.44 Reports.

Each licensed warehouseman shall, from time to time, when requested by the Administrator, make such reports, on forms prescribed and furnished for the purpose by the Service, concerning the condition, contents, operation, and business of the warehouse as the Administrator may require.

### § 740.45 Copies of reports to be kept.

Each warehouseman shall keep on file, as a part of the records of the warehouse, for a period of 3 years after December 31 of the year in which submitted, an exact copy of each report submitted by such warehouseman under the regulations in this part.

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[41 FR 31163, July 27, 1976, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 740.46 Inspections; examinations of warehouses.

Each licensed warehouseman shall permit any officer or agent of the Department of Agriculture, authorized by the Secretary for the purpose, to enter and inspect or examine, on any business day during the usual hours of business, any warehouse for the conduct of which such warehouseman holds a license, the office thereof, the books, records, papers, and accounts relating thereto, and the contents thereof, and such warehouseman shall furnish such officer or agent the assistance necessary to enable him to make any inspection or examination under this section.

### § 740.47 Weighing, testing, measuring apparatus; inspection.

The apparatus used for determining the weight, quantity, or quality stated in a receipt or certificate shall be subject to examination by the Service. If the Service shall disapprove such apparatus, it shall not thereafter, unless such disapproval be withdrawn, be used in ascertaining the weight, quantity, or quality of nuts for the purposes of the Act and the regulations in this part.

### § 740.48 Warehouse to be kept clean.

Each licensed warehouseman shall keep his warehouse clean and free from trash, dust, rubbish, or accumulations of materials that will increase the fire hazard or interfere with the handling of nuts.

### § 740.49 [Reserved]

### § 740.50 Excess storage.

If at any time a warehouseman shall store nuts in his warehouse in excess of the capacity for which it is licensed, such warehouseman shall immediately notify the Service of such excess storage, the reason therefor, and the location thereof.

### § 740.51 Deteriorating nuts; handling.

(a) If the licensed warehouseman, with the approval of the licensed inspector, shall determine that any nuts are deteriorating and that such deterioration cannot be stopped, the licensed warehouseman shall give immediate notice of the fact, in accordance with paragraphs (b) and (c) of this section.

(b) Such notice shall state: (1) The warehouse in which the nuts are stored; (2) the quantity, kind, and grade or other class of the nuts at the time the notice is given; (3) the actual condition of the nuts as nearly as can be ascertained, and the reason, if known, for such condition; (4) the outstanding receipts covering the amount of nuts out of condition, giving the number and date of each such receipt and the quantity, the kind, and grade or other class of the nuts as stated in each such receipt; and (5) that such nuts will be delivered upon the return and cancellation of the receipts therefor.

(c) A copy of such notice shall be delivered in person or shall be sent by mail: (1) To the person holding the receipts, if known to the licensed warehouseman; (2) to the person who originally deposited the nuts; (3) to any other persons known by the licensed warehouseman to be interested in the nuts; and (4) to the Administrator. If the holders of the receipts and owners of the nuts are known to the licensed warehouseman and cannot, in the regular course of the mails, be reached within 12 hours, the licensed warehouseman shall, whether or not requested so to do, also immediately notify such persons by telegraph or telephone at their expense. Public notice shall also be given by posting a copy of

such notice at the place where the warehouseman is required to post his license and keeping such notice posted so long as the condition exists. A copy of such notice shall be kept as a record of the warehouse.

(d) Any person, interested in any nuts or the receipt covering such nuts stored in a licensed warehouse, may, in writing, notify the licensed warehouseman conducting such licensed warehouse, of the fact of his interest, and such licensed warehouseman shall keep a record of the fact. If such person requests in writing that he be notified regarding the condition of any such nuts and agree to pay the cost of any telegraph or telephone toll charge, such licensed warehouseman shall notify such person in accordance with such request.

(e) Nothing contained in this section shall be construed as relieving the licensed warehouseman from properly caring for any nuts after notification of their condition in accordance with this section.

(f) Records required to be kept by this section shall be retained, as a part of the records of the warehouse, for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[41 FR 31163, July 27, 1976, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 740.52 Sale at public auction.

If the nuts, advertised in accordance with the requirements of § 740.51 have not been removed from storage by the owner thereof within 5 days from the date of notice of their being out of condition, the licensed warehouseman in whose licensed warehouse such nuts are stored may sell the same at public auction at the expense and for the account of the owner after giving 10 days' notice in the manner specified in § 740.51(c).

### § 740.53 Compliance with contracts.

Each warehouseman shall faithfully perform such obligations as a warehouseman as may be assumed by him under contracts with depositors of nuts in his warehouse.

### § 740.54 Reporting fire losses.

If at any time a fire occurs at or within any licensed warehouse, it shall be the duty of the warehouseman to report immediately the occurrence of such fire and the extent of damage to the Administrator.

[62 FR 33541, June 20, 1997]

### § 740.55 Grade-weight certificate; filing.

When an inspection or weight certificate has been issued by a licensed inspector or weigher, a copy of such certificate shall be filed with the warehouseman in whose warehouse the nuts covered by such certificate are stored, and such certificate shall become a part of the records of the licensed warehouseman. Such certificates shall be retained, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which the certificates are issued.

(Approved by the Office of Management and Budget under control number 0560–0120)

[41 FR 31163, July 27, 1976, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

## FEES

### § 740.56 License fees.

(a) Fees are collected in advance for each original, amended, modified, extended, reinstated, or duplicate warehouseman's license; and for each original, duplicate, or modified license issued to inspect, sample, grade, classify, or weigh commodities.

(b) Fee changes, if applicable, will be announced by Notice in the FEDERAL REGISTER on or before July 1, and effective the following October 1.

[59 FR 51358, Oct. 11, 1994]

### § 740.57 Warehouse annual and inspection fees.

Warehousemen must pay:

(a) An annual fee which will be determined by computing the capacity for each warehouse location under a single license and adding those amounts together to determine the total due. The fee will be assessed and payable when the warehouse bond is furnished in accordance with these regulations, for acceptance by the Secretary and annually thereafter on the bond renewal date. The capacity for each identifiable location will be determined by the Secretary. The total capacity of all locations may not exceed the capacity stated in the current license. An identifiable location is a fully functional public warehouse as determined by the Secretary. The annual fee a licensed warehouseman is assessed may be adjusted by the amount Commodity Credit Corporation (CCC) pays, if CCC has a storage contract or agreement with the warehouseman.

(b) An inspection fee for each original and amendment inspection.

(c) An inspection fee at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement, in all cases where the license has been suspended and the warehouseman has requested reinstatement. No fee will be charged if the Secretary determines that the suspension was not justified.

(d) A fee for each inspection requested by the warehouseman at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement.

[59 FR 51358, Oct. 11, 1994]

### § 740.58 Advance deposit.

Before any license is granted, or an original examination or inspection is made, or reexamination or reinspection for modification of an existing license is made, or when the annual fee for the licensed warehouse is assessed, pursuant to the regulation in this part, the applicant or licensee shall deposit with the Service the amount of the fee prescribed. Such deposit shall be made in the form of a check, certified if required by the Service, draft, or post office or express money order, payable to the order of the Service.

[46 FR 63201, Dec. 30, 1981. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 62 FR 33541, June 20, 1997]

### § 740.59 Return of excess deposit.

The Treasurer of the United States shall hold in his custody each advance deposit made under § 740.58 until the fee, if any, is assessed and he is furnished by the Service with a statement showing the amount thereof and against whom assessed. Any part of such advance deposit which is not required for the payment of any fee assessed shall be returned to the party depositing the same.

INSPECTORS AND WEIGHERS

### § 740.60 Inspectors' and weighers' applications.

(a) Application for licenses to inspect and grade or to weigh nuts under section 11 of the Act shall be made to the Administrator on forms furnished for the purpose by him. Each application shall be in English, shall be signed by the applicant, and shall contain or be accompanied by a statement from the warehouseman for whom the applicant will inspect, grade, or weigh nuts under the Act, showing whether the applicant is competent and is acceptable to such warehouseman for the purpose.

(b) Each inspector's application shall contain:

(1) Evidence that he can correctly grade nuts in accordance with the official standards of the United States, or in the absence of such standards in accordance with any standards approved by the Administrator, and

(2) Satisfactory evidence that he will be provided with such means or facilities for inspecting and grading nuts as may be deemed necessary, for use in the locality in which the applicant expects to perform services as a licensed inspector.

(c) Applications for licenses to weigh nuts shall be on forms furnished for the purpose by the Administrator and shall give such information as will show the applicant's experience in weighing nuts.

(d) A single application may be made by any person for a license as both inspector and weigher upon complying with the requirements of this section.

(e) An applicant shall at any time furnish such additional information as the Department shall find to be necessary to the consideration of his application.

[41 FR 31163, July 27, 1976, as amended at 42 FR 26646, May 25, 1977. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 740.61 Examination of applicant.

Each applicant for license as an inspector or weigher and each inspector or weigher shall, whenever requested by an authorized agent of the Department, submit to an examination or test to show his ability properly to inspect and grade or to weigh nuts.

### § 740.62 Posting of license.

Each inspector or weigher shall keep his license conspicuously posted in a place designated for the purpose by the Service unless authorized by the Service not to do so.

### § 740.63 Duties of inspectors and weighers.

Each inspector and each weigher whose license remains in effect shall, without discrimination, as soon as practicable, and upon reasonable terms, inspect, grade or weigh and certificate the grade or other class or weight of nuts, stored or to be stored, in a warehouse, for which he holds a license, if such nuts be offered to him under conditions as permit proper inspection and weighing and the determination of the grade or other class or weight thereof. No inspector shall issue a certificate of grade or other class for any nuts unless the inspection thereof be based upon a correct and representative sample of the nuts.

### § 740.64 Inspection certification; form.

(a) Except as provided in paragraph (b) of this section, each inspection certificate issued under the Act by an inspector shall be in a form approved for the purpose by the Department, and shall embody the following information within its written or printed terms:

(1) The caption ''United States Warehouse Act, Nut Inspection Certificate.''

(2) Whether it is an original, a duplicate, or other copy, and that it is not negotiable.

(3) The name and location of the warehouse in which the nuts are or are to be stored.

(4) A statement showing whether the inspection covers nuts moving into or out of the warehouse.

(5) The date of the certificate.

(6) The consecutive number of the certificate.

(7) The approximate amount of nuts covered by the certificate.

(8) The kind of nuts covered by the certificate.

(9) The grade or other class of the nuts, as determined by such licensed inspector, in accordance with § 740.77, and, in the case of nuts for which no official nut standards of the United States are in effect, the standard or description in accordance with which such nuts are graded.

(10) A statement that the certificate is issued by an inspector licensed under the United States Warehouse Act and the regulations thereunder.

(11) The signature of the inspector who inspected and graded the nuts.

In addition, the inspection certificate may include any other matter not inconsistent with the Act or the regulations in this part, provided the approval of the Service is first secured.

(b) In lieu of the inspection certificate provided for in the preceding paragraph, each inspector, who holds an unsuspended and unrevoked license under the Agricultural Marketing Act of 1946 and regulations thereunder to inspect and grade any nuts and to certificate the grade or other class thereof for shipment or delivery for shipment in interstate or foreign commerce, shall, unless otherwise requested as to any such nuts by the owner or depositor thereof, issue a certificate of grade or other class covering such nuts in accordance with the Agricultural Marketing Act of 1946 and regulations thereunder. Such nuts shall be deemed to be inspected and graded and such certificate of grade or other class shall be deemed to be an inspection certificate for the purposes of the Act and the regulations in this part.

**§ 740.65 Copies of inspection certificates to be accessible.**

Each inspector shall, as soon as possible after inspecting any nuts and not later than the close of business on the next following business day, make accessible to the parties interested in a transaction in which the nuts are involved at the place designated in § 740.62 a true copy of the inspection certificate issued by him for such nuts or a record of each lot or parcel of nuts inspected or graded by such licensed inspector showing the information contained on such inspection certificate.

**§ 740.66 Weight certificate; form.**

Each weight certificate issued under the Act by a weigher shall be in a form approved for the purpose by the Service, and shall embody the following information within its written or printed terms:

(a) The caption ''United States Warehouse Act, Nut Weight Certificate.''

(b) Whether it is an original, a duplicate, or other copy, and that it is not negotiable.

(c) The name and location of the warehouse in which the nuts are or are to be stored.

(d) Whether the nuts are weighed into or out of the warehouse.

(e) The date of the certificate.

(f) The consecutive number of the certificate.

(g) The gross weight of the nuts.

(h) A statement that the certificate is issued by a weigher licensed under the United States Warehouse Act and the regulations thereunder, and

(i) The signature of the weigher.

In addition, the weight certificate may include any other matter not inconsistent with the Act or the regulations in this part provided the approval of the Service is first secured.

**§ 740.67 Combination grade and weight certificate.**

The grade or other class and weight of any nuts ascertained by an inspector and a weigher may be stated on a certificate meeting the combined requirements of §§ 740.64 through 740.66, if the form of such certificate shall have been approved for the purpose by the Service.

**§ 740.68 Copies of certificates to be kept.**

Each inspector and each weigher shall keep for a period of one year in a place accessible to interested parties a copy of each certificate issued by him under the regulations in this part, and shall file a copy of each such certificate with the warehouse in which the nuts covered by the certificates are stored.

**§ 740.69 Licensees to permit examination of records.**

Each inspector and each weigher shall permit any authorized officer or agent of the Department to inspect or examine on any business day during the usual hours of business, his books, papers, records, and accounts relating to the performance of his duties under the Act and this part, and shall, with the consent of the warehouseman concerned, assist any such officer or agent in the inspection or examination mentioned in § 740.46 as far as any such inspection or examination relates to the performance of the duties of such inspector or weigher under the Act and the regulations in this part.

**§ 740.70 Reports by licensees.**

Each inspector and each weigher shall, from time to time, if requested by the Service, make reports, on forms approved for the purpose by the Service, bearing upon his activities as such inspector or weigher.

**§ 740.71 Licenses; suspension, cancellation or revocation.**

Pending investigation, the Secretary may, whenever he deems necessary, suspend the license of an inspector or weigher temporarily without hearing. Upon a written request or a satisfactory statement of reasons therefor, submitted by the inspector or weigher, the Secretary or his designated representative may, without hearing, suspend or cancel the license issued to such inspector or weigher. The Secretary may, after opportunity for hearing has been afforded in the manner prescribed in this section, suspend or revoke a license issued to an inspector or a weigher when such licensee: (a) Has ceased to perform services as such inspector or weigher, or (b) Has in any

other manner become incompetent or incapacitated to perform the duties of such inspector or weigher. As soon as it shall come to the attention of a warehouseman that either of the conditions mentioned under (a) or (b) of this section exists, it shall be the duty of such warehouseman to notify the Service in writing. Before the license of any inspector or weigher is permanently suspended or revoked pursuant to section 12 of the Act, such inspector or weigher shall be furnished by the Secretary a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 740.81.

### § 740.72 Suspended or revoked license; termination of license.

(a) In case a license issued to an inspector or weigher is suspended or revoked by the Secretary, such license shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless in the meantime it be revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, it shall be returned to the inspector or weigher to whom it was originally issued and it shall be posted as prescribed in § 740.62.

(b) Any license issued under the Act and the regulations in this part to an inspector or weigher shall automatically be suspended as to any warehouse whenever the license of such warehouse shall be suspended and shall automatically terminate as to any warehouse whenever the license of such warehouse shall be revoked. Upon either suspension or termination of any inspector's or weigher's license under this paragraph, such license shall be returned to the Department. In case such license shall apply to other warehouses, the Secretary shall issue to the licensee a new license, omitting the names of the warehouses for which licenses have been revoked or suspended. Such new license shall be posted as prescribed in § 740.62.

### § 740.73 Lost or destroyed licenses.

Upon satisfactory proof of the loss or destruction of a license issued to an inspector or weigher, a duplicate thereof may be issued under the same number, in the discretion of the Secretary.

### § 740.74 Unlicensed inspectors and weighers.

No person shall in any way represent himself to be an inspector or weigher licensed under the Act unless he is a licensed inspector or licensed weigher as defined in accordance with the provisions of paragraphs (m) and (n) of § 740.2

[42 FR 26646, May 25, 1977. Redesignated at 50 FR 1814, Jan. 14, 1985]

## NUT GRADING

### § 740.75 Classification; statement.

Whenever the type or grade or other class of nuts is required to be or is stated for the purposes of the Act and the regulations in this part, it shall be stated in accordance with § 740.77.

### § 740.76 Grades based on inspection and sample.

Whenever the grade or other class of nuts is required to be or is stated for the purposes of the Act or the regulations in this part, it shall be based upon a correct and representative sample of the nuts and the inspection and grading thereof shall be made under conditions which permit the determination of its true grade or other class.

### § 740.77 Standards to be used.

Official Nut Grading Standards of the United States are hereby adopted as the official nut grading standards of the Act and the regulations in this part; *Provided*, That, the grade of nuts for which no official nut standards of the United States are in effect, shall be stated: (a) In accordance with the standards, if any, adopted by the local board of trade, chamber of commerce, or by the nut trade generally in the locality in which the warehouse is located, subject to the approval of the Service, or (b) in the absence of the standards mentioned in (a) of this section, in accordance with any standards approved for the purpose by the Service.

### § 740.78 Conditions and procedure for appeal of grades or other class.

(a) If a question arises as to whether the kind, grade or other class, or condition of nuts was correctly stated in a receipt or inspection certificate issued under the Act or the regulations in this part, the warehouseman concerned or any person financially interested in the nuts involved may, after reasonable notice to the other party, submit the question to the Administrator, who may appoint a committee to make a determination. The decision of the committee shall be final unless the Administrator shall direct a review of the question. Immediately upon making its decision, the committee shall issue a certificate embodying its findings to the appellants and to the licensee or licensees involved.

(b) If the decision of the committee be that the kind, grade or other class or condition of any identifiable lot was not correctly stated, a new receipt or certificate embodying therein the statement of kind, grade or other class or condition in accordance with the findings of the committee.

(c) All necessary and reasonable expenses of such determination shall be borne by the losing party, unless the Administrator or his representative shall decide that the expense shall be prorated between the parties.

MISCELLANEOUS

### § 740.79 Publications.

Publications under the Act and the regulations in this part, shall be made in such media as deemed proper by the Administrator.

### § 740.80 Information of violations.

Every person licensed under the Act shall immediately furnish the Administrator any information which comes to the knowledge of such persons tending to show that any provision of the Act or the regulations in this part has been violated.

### § 740.81 Procedure in hearings.

Hearings under the Act or the regulations in this part, except those relating to appeals or arbitrations shall be conducted in accordance with the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary under various statutes (7 CFR 1.130 through 1.151).

[45 FR 6776, Jan. 30, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 740.82 One document and one license to cover several products.

A license may be issued for the storage of two or more agricultural products in a single warehouse. Where such a license is desired, a single application, inspection, bond, record, report or other paper, document or proceeding relating to such warehouse, shall be sufficient unless otherwise directed by the Administrator.

### § 740.83 Bond, assets, and fees for combination warehouse.

Where such license is desired, the amount of the bond, net assets, and inspection and license fees shall be determined by the Administrator in accordance with the regulations applicable to the particular agricultural product which would require the largest bond and the greatest amount of net assets and of fees if the full capacity of the warehouse was used for its storage.

### § 740.84 Amendments.

Any amendment to, or revision of, the regulations in this part, unless otherwise stated therein, shall apply in the same manner to persons holding licenses at the time it becomes effective as it applies to persons thereafter licensed under the Act.

## PART 741—SIRUP WAREHOUSES

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AUTHORITY: 7 U.S.C. 241 *et seq.*.

SOURCE: 4 FR 4834, Dec. 13, 1939, unless otherwise noted. Redesignated at 50 FR 1814, Jan. 14, 1985.

EDITORIAL NOTE: Nomenclature changes to part 741 appear at 62 FR 33540, June 20, 1997.

## DEFINITIONS

### § 741.1 Words in singular form.

Words used in this part in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

### § 741.2 Terms defined.

For the purpose of the regulations in this part, unless the context otherwise require, the following terms shall be construed, respectively, to mean:

(a) *Sirups*. Sugarcane sirup, maple sirup, or extracted honey, as defined in Service and Regulatory Announcement, Food, Drug and Cosmetic No. 2, Issued July 1944, by the Food and Drug Administration, Department of Health, Education, and Welfare.

(b) *The act*. The United States Warehouse Act, approved August 11, 1916 (39 Stat. 486, 7 U.S.C. 241–273), as amended.

(c) *Person*. An individual, corporation, partnership, or two or more persons having a joint or common interest.

(d) *Secretary*. The Secretary of Agriculture of the United States or any officer or employee of the Department to whom authority has heretofore been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(e) *Administrator*. The Administrator of the Service or any other officer or employee of the Service to whom authority has heretofore lawfully been delegated, or to whom authority may hereafter lawfully be delegated, to act in his stead.

(f) *Designated representative*. The Administrator.

(g) *Regulations*. Regulations made under the act by the Secretary.

(h) *Service*. The Farm Service Agency of the U.S. Department of Agriculture.

(i) *Warehouse*. Unless otherwise clearly indicated by the context, any suitable building, structure, or other protected inclosure in which sirup is or may be stored for interstate or foreign commerce, or, if located within any place under the exclusive jurisdiction of the United States, in which sirup is or may be stored, and for which a license has been issued under the act.

(j) *Warehouseman*. Unless otherwise clearly indicated by the context, any person lawfully engaged in the business of storing sirup and holding a warehouse license.

(k) *License*. A license issued under the act by the Secretary.

(l) *Licensed warehouseman's bond*. A bond required to be given under the act by a licensed warehouseman.

(m) *Licensed inspector*. A person licensed under the act by the Secretary to inspect, to sample, to grade, and to certificate the grade and condition for storage of sirup.

(n) *Licensed weigher*. A person licensed under the act by the Secretary to weigh and to certificate the weight for storage of sirup.

(o) *Receipt*. A warehouse receipt.

[4 FR 4834, Dec. 13, 1939, as amended at 7 FR 6807, Aug. 29, 1942; 13 FR 8730, Dec. 30, 1948. Redesignated and amended at 50 FR 1814, Jan. 14, 1985]

WAREHOUSE LICENSES

### §741.3 Application forms.

Applications for licenses and for modifications or extensions of licenses under the act shall be made to the Secretary upon forms prescribed for the purpose and furnished by the Service, shall truly state the information therein contained, and shall be signed by the applicant. The applicant shall at any time furnish such additional information as the Secretary or the Administrator shall find to be necessary to the consideration of his application.

### §741.4 Grounds for not issuing license.

A license for the conduct of a warehouse shall not be issued if it be found by the Secretary or his designated representative, that the warehouse is not suitable for the proper storage of sirup, that the warehouseman is incompetent to conduct such warehouse in accordance with the act and this part, or that there is any other sufficient reason within the purposes of the act for not issuing such license.

### §741.5 Net assets required.

The warehouseman conducting a warehouse licensed or for which application for license has been made under the act shall have and maintain above all exemptions and liabilities net assets liable for the payment of any indebtedness arising from the conduct of the warehouse, to the extent of at least 5 cents per gallon of sugarcane sirup and 10 cents per gallon of maple sirup or honey, of the maximum number of gallons that the warehouse will accommodate when stored in the manner customary to the warehouse as determined by the Administrator, except that the amount of such assets shall not be less than $5,000, and need not be more than $100,000. If such warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, such warehouses shall be

deemed to be one warehouse for the purposes of the assets required under this section. For the purposes of this section only, paid-in capital stock, as such, shall not be considered a liability. Any deficiency in the required net assets may be supplied by an increase in the amount of the warehouseman's bond in accordance with § 741.12.

### § 741.6 License shall be posted.

Immediately upon receipt of his license or of any modification or extension thereof under the act, the warehouseman shall post the same, and thereafter, except as otherwise provided in this part, keep it posted until suspended or terminated, in a conspicuous place in the principal office where receipts issued by such warehouseman are delivered to depositors.

### § 741.7 Suspension or revocation of warehouse licenses.

Pending investigation, the Secretary, or his designated representative, whenever he deems necessary, may suspend a warehouseman's license temporarily without hearing. Upon written request and a satisfactory statement of reasons therefor, submitted by a warehouseman, the Secretary, or his designated representative, may, without hearing, suspend or revoke the license issued to such warehouseman. The Secretary, or his designated representative, may, after opportunity for hearing when possible has been afforded in the manner prescribed in this section, revoke a license issued to a warehouseman when such ware- houseman (a) is bankrupt or insolvent; (b) has parted, in whole or in part, with his control over the licensed warehouse; (c) is in process of dissolution or has been dissolved; (d) has ceased to conduct such licensed warehouse; or (e) has in any other manner become incompetent or incapacitated to conduct the business of the warehouse. Whenever any of the conditions mentioned in paragraphs (a) to (e) of this section shall come into existence it shall be the duty of the warehouseman to notify immediately the Administrator of the existing condition. Before a license is revoked for any violation of, or failure to comply with, any provision of the act or of this part, or upon the ground that unreasonable or exorbitant charges have been made for services rendered, the warehouseman involved shall be furnished by the Secretary, or his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 741.73.

### § 741.8 Return of terminated, suspended, or revoked warehouse license.

When a license issued to a warehouseman terminates or is suspended, or revoked, by the Secretary, or his designated representative, it shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless it be in the meantime revoked, the dates of the beginning and termination of the suspension shall be endorsed thereon, it shall be returned to the licensed warehouseman to whom it was originally issued, and it shall be posted as prescribed in § 741.6: *Provided*, That in the discretion of the Administrator a new license may be issued without reference to the suspension.

### § 741.9 Lost or destroyed warehouse license.

Upon satisfactory proof of the loss or destruction of a license issued to a warehouseman, a duplicate thereof may be issued under the same number.

### § 741.10 Unlicensed warehousemen must not represent themselves as licensed.

No warehouse or its warehouseman shall be designated as licensed under the act and no name or description conveying the impression that it is or he is so licensed shall be used, either in a receipt or otherwise, unless such warehouseman holds an unsuspended or unrevoked license, for the conduct of such warehouse.

## WAREHOUSE BONDS

### § 741.11 Bond required; time of filing.

Each warehouseman applying for a warehouse license under the act shall, before such license is granted, file with

the Secretary or his designated representative a bond containing the following conditions and such other terms as the Secretary or his designated representative may prescribe in the approved bond forms, with such changes as may be necessary to adapt the forms to the type of legal entity involved:

Now, therefore, if the said license(s) or any amendments thereto be granted and said principal, and its successors and assigns operating said warehouse(s), shall:

Faithfully perform during the period of 1 year commencing _____, or until the termination of said license(s) in the event of termination prior to the end of the 1 year period, all obligations of a licensed warehouseman under the terms of the Act and regulations thereunder relating to the abovenamed products; and

Faithfully perform during said 1 year period and thereafter, whether or not said warehouse(s) remain(s) licensed under the Act, such delivery obligations and further obligations as a warehouseman as exist at the beginning of said 1 year period or are assumed during said period and prior to termination of said license(s) under contracts with the respective depositors of such products in the warehouse(s);

Then this obligation shall be null and void and of no effect, otherwise to remain in full force. For purposes of this bond, the aforesaid obligations under the Act and regulations and contracts shall include obligations under any and all modifications of the Act, the regulations, and the contracts that may hereafter be made, notice of which modifications to the surety being hereby waived.

[28 FR 5637, June 8, 1963. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.12 Basis of amount of bond; additional amounts.

(a) Exclusive of any amount which may added in accordance with paragraphs (b) and (c) of this section, the amount of such bond shall be at the rate of 5 cents per gallon of sugarcane sirup and 10 cents per gallon of maple sirup or honey, of the maximum number of gallons that the warehouse will accommodate when stored in the manner customary to the warehouse for which such bond is required, as determined by the Administrator, but not less than $5,000 nor more than $50,000. If such warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, and shall desire to give a single bond meeting the requirements of the act and this part for said warehouses, such warehouses shall be deemed to be one warehouse for the purposes of the bond required under §§ 741.11 through 741.15.

(b) In case of a deficiency in net assets under § 741.5, there shall be added to the amount of the bond fixed in accordance with paragraph (a) of this section, an amount equal to such deficiency.

(c) If the Secretary, or his designated representative, finds the existence of conditions warranting such action, there shall be added to the amount fixed in accordance with paragraphs (a) and (b) of this section a further amount, fixed by him, to meet such conditions.

### § 741.13 Amendment of license.

If application is made under § 741.3, for an amendment of a license, and no bond previously filed by the warehouseman under §§ 741.11 through 741.15 covers obligations incurred during the period of such amendment, the warehouseman shall, when notice has been given by the Secretary, or his designated representative, that such amendment will be granted upon compliance by such warehouseman with the act, file with the Secretary, within a time, if any, fixed in such notice, a bond complying with the act, unless bond in sufficient amount has been filed since the filing of such application. In the discretion of the Secretary, a properly executed instrument in form approved by him, amending, extending, or continuing in force and effect the obligations of a valid bond previously filed by the warehouseman and otherwise complying with the act and this part, may be filed in lieu of a new bond.

### § 741.14 New bond required each year.

Whenever a license has been issued for a period longer than 1 year, such license shall not be effective beyond 1 year from its effective date unless the warehouseman shall have filed a new bond in the required amount with, and such bond shall have been approved by the Secretary, or his designated representative, prior to the date on which that license would have expired had it

been issued for but 1 year, subject to the provisions of § 741.13.

### § 741.15 Approval of bond.

No bond, amendment, or continuation thereof, shall be deemed accepted for the purposes of the act and this part until it has been approved by the Secretary, or his designated representative.

WAREHOUSE RECEIPTS

### § 741.16 Form.

(a) Every receipt, whether negotiable or nonnegotiable, issued for sirups stored in a warehouse, shall, in addition to complying with the requirements of section 18 of the act, embody within its written or printed terms the following: (1) The name of the licensed warehouseman and the designation, if any, of the warehouse; (2) the license number of the warehouse; (3) a statement whether the ware- houseman is incorporated or unincorporated, and if incorporated, under what laws; (4) in the case of identity-preserved sirup, the lot number given to each lot of sirup, in accordance with § 741.32; (5) a statement conspicuously placed, whether or not the sirup is insured, and if insured, to what extent, by the warehouseman against loss by fire, lightning, or tornado; (6) a blank space, designated for the purpose, in which the kind of sirup shall be stated; (7) a blank space, designated for the purpose, in which the locality in which the sirup was produced shall be stated, if known; (8) a blank space, designated for the purpose, in which the condition of the sirup shall be stated; (9) if the sirup is in barrels, drums or jackets, the gross, tare, and net weight, or number of gallons; (10) if in cases, the number of cases and size of containers; (11) if in bulk for storage in tanks, the weight and/or the number of gallons; (12) the word ''negotiable'' or ''nonnegotiable,'' according to the nature of the receipt, clearly and conspicuously printed or stamped thereon; (13) in the event the relationship existing between the warehouseman and any depositor is not that of strictly disinterested custodianship, a statement setting forth the actual relationship.

(b) Every receipt, whether negotiable or nonnegotiable, issued for sirup stored in a warehouse, shall specify a period, not exceeding 1 year, for which the sirup is accepted for storage under the act and this part: *Provided, however,* That no receipt shall be issued for sugarcane sirup stored without refrigeration in barrels for a period extending beyond March 1, following the year in which produced. Upon demand and surrender of the old receipt by the lawful holder thereof at or before the expiration of the period specified, the warehouseman, upon such lawful terms and conditions as may be granted by him to other depositors of sirup in his warehouse, if he then continues to act as a licensed warehouseman, shall issue a new receipt for a further specified period not exceeding 1 year: *Provided,* It is actually determined by a licensed inspector that the sirup has not deteriorated and that it is in proper condition for storage for another year: *And provided further,* That this provision shall not relate to sirup stored in wooden barrels. If the warehouseman continues to act as a public, but not as a licensed warehouseman, he may issue a new non-licensed receipt.

(c) The grade stated in a receipt issued for sirup stored in a warehouse, shall be stated as determined by the licensed inspector who last inspected the sirup before the issuance of such receipt, and such receipt shall embody within its written or printed terms the following: (1) That the sirup covered by the receipt was inspected by a licensed inspector, and (2) a form of indorsement which may be used by the depositor or his authorized agent, for showing the ownership of, and liens, mortgages, or other encumbrances on the sirup covered by the receipt.

(d) Whenever the grade of sirup is stated in a receipt issued for sirup stored in a warehouse, such grade shall be stated in accordance with §§ 741.66 through 741.68.

(e) If a warehouseman issues a receipt omitting the statement of grade on request of the depositor as permitted by section 18 of the act, such receipt shall have clearly and conspicuously stamped or written on the face thereof the words ''Not graded on request of depositor''.

(f) If a warehouseman issues a receipt under the act omitting any information not required to be stated, for which a blank space is provided in the form of the receipt, a line shall be drawn through such space to show that such omission has been made by the warehouseman.

(Approved by the Office of Management and Budget under control number 0560–0120)

[4 FR 4834, Dec. 13, 1939, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.17 Copies of receipts.

At least one actual or skeleton copy of all receipts shall be made, and all copies, except skeleton copies, shall have clearly and conspicuously printed or stamped thereon the words ''Copy—Not Negotiable.'' A copy of each receipt issued shall be retained by the warehouseman for a period of one year after December 31 of the year in which the corresponding original receipt is canceled.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 13369, Sept. 26, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.18 Lost or destroyed receipts; bond.

(a) In the case of a lost or destroyed receipt, if there be no statute of the United States or law of a State applicable thereto, a new receipt upon the same terms, subject to the same conditions and bearing on its face the number and the date of the receipt in lieu of which it is issued and a plain and conspicuous statement that it is a duplicate issued in lieu of a lost or destroyed receipt, may be issued upon compliance with the conditions set out in paragraph (b) of this section.

(b) Before issuing such duplicate receipt the warehouseman shall require the depositor or other person applying therefor to make and file with the warehouseman (1) an affidavit showing that he is lawfully entitled to the possession of the original receipt, that he has not negotiated or assigned it, how the original receipt was lost or destroyed, and if lost, that diligent effort has been made to find the receipt without success and (2) a bond in amount double the value, at the time the bond is given, of the sirup represented by the lost or destroyed receipt. Such bond shall be in the form approved for the purpose by the Secretary, or his designated representative, shall be conditioned to indemnify the warehouseman against any loss sustained by reason of the issuance of such duplicate receipt, and shall have as surety thereon (i) preferably a surety company which is authorized to do business, and is subject to service of process in a suit on the bond, in the State in which the warehouse is located, or (ii) at least two individuals who are residents of such State and each of whom owns real property therein having a value in excess of all exemptions and encumbrances, to the extent of double the amount of the bond.

### § 741.19 Printing of receipts.

No receipt shall be issued by a licensed warehouseman unless it is:

(a) In a form prescribed by the Administrator, (b) Upon distinctive paper or card stock specified by the Administrator, (c) Printed by a printer with whom the United States has a subsisting agreement and bond for such printing, and

(d) On paper and/or card stock tinted with ink in the manner prescribed by the agreement under paragraph (c) of this section.

[62 FR 33541, June 20, 1997]

### § 741.20 Partial delivery of sirup.

If a warehouseman delivers a part only of a lot of sirup for which he has issued a negotiable receipt under the act, he shall take up and cancel such receipt and issue a new receipt in accordance with this part for the undelivered portion of the sirup. The new receipt shall show the date of issuance and also indicate the number and date of the old receipt.

### § 741.21 Return of receipt before delivery of sirup.

Except as permitted by law or by this part, a warehouseman shall not deliver sirup for which he was issued a negotiable receipt until the receipt has been returned to him and canceled, and shall not deliver sirup for which he has

issued a nonnegotiable receipt until such receipt has been returned to him or he has obtained from the person lawfully entitled to such delivery, or his authorized agent, a written order therefor.

### § 741.22 Signatures of persons authorized to direct delivery to be filed with warehouseman.

Each person to whom a nonnegotiable receipt is issued shall furnish the warehouseman with a statement in writing indicating the person or persons having power to authorize delivery of sirup covered by such receipt, together with the bona fied signature of such person or persons. No licensed warehouseman shall honor an order for the release of sirup covered by a nonnegotiable receipt until he has first ascertained that the person issuing the order has authority to order such release and that the signature of the releasing party is genuine: *Provided*, That if the holder of such nonnegotiable receipt agrees in writing to hold blameless both the warehouseman and bondsman for any loss that might result from improper delivery through receipt of an unauthorized telegram, deliveries may be made on receipt of telegraphic orders to be followed immediately with usual confirmation order.

### § 741.23 Omission of grade; no compulsion by warehouseman.

No warehouseman shall, directly or indirectly, by any means whatsoever, compel or attempt to compel the depositor of any sirup stored in his licensed warehouse to request the issuance of a receipt omitting the statement of grade.

DUTIES OF LICENSED WAREHOUSEMAN

### § 741.24 Sirup must be inspected.

(a) No warehouseman shall accept sirup for storage until it has been inspected and approved by a licensed inspector.

(b) All sirup, the identity of which is not to be preserved, or has not been preserved, shall be accepted for and delivered out of storage only on the basis of grades and weights or quantities determined by licensed inspectors and weighers.

### § 741.25 Insurance requirements.

(a) Each warehouseman, when so requested in writing by the depositor of or the lawful holder of the receipt for any sirup, shall, to the extent to which, in the exercise of due diligence, he is able to procure such insurance, keep such sirup while in his custody fully insured in his own name against loss or damage by fire, lightning, or tornado. When insurance is not carried in the warehouseman's name, the receipts shall show that the sirup is not insured by him. Such insurance shall be covered by lawful policies issued by one or more insurance companies authorized to do such business in the State where the warehouse is located. If the warehouseman is unable to procure such insurance, he shall, orally, or by telegraph or by telephone and at his own expense, immediately notify the person making the request. Nothing in this section shall be construed to prevent a warehouseman from adopting a rule that he will insure all sirup.

(b) Each warehouseman shall keep exposed conspicuously in the place prescribed by § 741.6, and at such other place as the Administrator, or his representative may from time to time designate, a notice stating briefly the conditions under which sirup will be insured against loss or damage by fire, lightning, or tornado.

(c) Each warehouseman shall take promptly such steps as may be necessary and proper to collect any moneys which may become due under contracts of insurance entered into by him for the purpose of meeting the requirements of this part, and shall, as soon as collected, pay promptly to the persons concerned any portion of such moneys which they may be entitled to receive from him.

### § 741.26 Premiums; inspections; reports.

Each warehouseman shall, in accordance with his contracts with insurance and bonding companies for the purpose of meeting the insurance and bonding requirements of this part, pay such premiums, permit such reasonable inspections and examinations, and make such reasonable reports as may be provided for in such contracts.

### § 741.27 Care of sirup in storage.

Each warehouseman shall at all times exercise such care in regard to sirup in his custody as a reasonably careful owner would exercise under the same circumstances and conditions. If sirup is stored under refrigeration a temperature not in excess of 38° Fahrenheit shall be maintained at all times in the licensed rooms or compartments and temperature records or charts showing correct temperature readings made at least four times daily shall be kept. Such records or charts shall be in such form as the Service may approve.

(Approved by the Office of Management and Budget under control number 0560–0120)

[4 FR 4834, Dec. 13, 1939, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.28 Care of nonlicensed sirup or other commodities.

If at any time a warehouseman shall handle sirup other than for storage, or shall handle or store any other commodity, he shall so protect the same and otherwise exercise such care with respect to it as not to endanger the sirup in his custody as a warehouseman or impair his ability to meet his obligations and perform his duties under the Act and this part. If the warehouseman shall store commodities other than those for which he is licensed, a nonlicensed receipt shall be issued, which shall contain in its terms a provision that said commodities are accepted for storage only until such time as the space which they may occupy may be needed for products for the storage of which the warehouseman is licensed. Under no circumstances shall any commodities for the storage of which the warehouseman is not licensed be stored if the storage of such commodities might adversely affect the commercial value of, or impair the insurance on sirup covered by licensed receipts.

### § 741.29 Records to be kept in safe places.

Each warehouseman shall provide a metal fireproof safe, a fireproof vault, or a fireproof compartment in which he shall keep, when not in actual use, all records, books, and papers pertaining to the warehouse, including his current receipt books, copies of receipts issued, and canceled receipts, except that with the written consent of the Administrator, or his representative, upon a showing by such warehouseman that it is not practicable to provide such fireproof safe, vault, or compartment, he may keep such records, books, and papers in some other place of safety, approved by the Administrator or his representative. Each canceled receipt shall be retained by the warehouseman for a period of six years after December 31 of the year in which the receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the act. Canceled receipts shall be arranged by the warehouseman in numerical order and otherwise in such manner as shall be directed, for purposes of audit, by authorized officers or agents of the Department of Agriculture.

(Approved by the Office of Management and Budget under control number 0560–0120)

[4 FR 4834, Dec. 13, 1939, as amended at 22 FR 1629, Mar. 14, 1957; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.30 Warehouse charges.

A warehouseman shall not make any unreasonable or exorbitant charge for service rendered. Before a license to conduct a warehouse is granted under the act, the warehouseman shall file with the Service a copy of his rules and a schedule of charges to be made by him if licensed. Before making any change in such rules or schedule of charges he shall file with the Service a statement in writing showing the proposed change and the reasons therefor. Each warehouseman shall keep exposed conspicuously in the place prescribed by § 741.6, and at such other places, accessible to the public, as the Administrator or his representative, may from time to time designate, a copy of his current rules and schedule of charges.

### § 741.31 Business hours.

(a) Each warehouse shall be kept open for the purpose of receiving sirup for storage and delivering sirup out of

storage every business day for a period of not less than 6 hours between the hours of 8 a.m. and 6 p.m., except as provided in paragraph (b) of this section. The warehouseman shall keep conspicuously posted on the door to the public entrance to his office and to his warehouse a notice showing the hours during which the warehouse will be kept open, except when such office or warehouse is kept open continuously from 8 a.m. to 6 p.m.

(b) If the warehouse is not to be kept open as required by paragraph (a) of this section, the notice shall state the period during which it is to be closed and the name and address of an accessible person authorized to make delivery upon lawful demand and surrender of the receipt.

### § 741.32 Numbered tags to be attached to each lot of sirup.

Each warehouseman shall, upon acceptance for storage of any lot of sirup the identity of which is to be preserved, take such action as will result in preserving the identity of the product while in storage. He shall immediately assign a lot number to each such lot, and shall plainly and indelibly stamp, stencil, print, or otherwise appropriately mark the lot number on all packages in the lot. He shall attach to such lot a tag of good quality, which shall at all times be clearly visible and shall identify the lot. Such tag shall show the lot number, the number of the receipt issued covering the sirup, the number of packages in the lot, the type or style of packages, the kind of sirup, the grade, if determined, the net weight or number of gallons of sirup in the lot, and the date it entered storage.

### § 741.33 System of accounts.

Each warehouseman shall use for his warehouse a system of accounts, approved for the purpose by the Administrator, or his authorized representative, which shall show for each lot of sirup the name and address of the depositor, the lot number mentioned in § 741.32, the gross, tare, and net weight of sirup if in barrels, drums, or jackets, the number of cases and size of containers, if in cases, the grade, when grade is required to be or is ascertained, the dates received for and delivered out of storage, the receipts issued and canceled, a separate record for each depositor, and such accounts shall include a detailed record of all moneys received and disbursed and of all effective insurance policies. Such records shall be retained by the warehouseman for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[4 FR 4834, Dec. 13, 1939, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.34 Reports.

Each warehouseman shall, from time to time, make such reports as the Administrator may require, on forms prescribed and furnished for the purpose by the Service, concerning the condition, contents, operation, and business of the warehouse.

### § 741.35 Copies of reports to be kept.

Each warehouseman shall keep on file, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which submitted, an exact copy of each report submitted by such warehouseman under the regulations in this part.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 13369, Sept. 26, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.36 Canceled receipts; auditing.

Each warehouseman, if requested by the Service, shall forward canceled receipts for auditing to an entity or office of the Service as may be designated from time to time.

[62 FR 33542, June 20, 1997]

### § 741.37 Inspections and examinations of warehouses.

Each warehouseman shall permit any officer or agent of the Department of

Agriculture, authorized by the Secretary for the purpose, to enter and inspect or examine at any time any warehouse for the conduct of which such warehouseman holds a license, the office thereof, the books, records, papers, and accounts relating thereto, and the contents thereof, and shall furnish such officer or agent the assistance necessary to enable him to make any inspection or examination under this section.

**§ 741.38 Inspection of weighing, testing, and measuring apparatus.**

The apparatus used for determining the weight, quantity, or quality stated in a receipt or certificate shall be subject to examination by any officer or agent of the Department of Agriculture employed for such purpose. If the Service shall disapprove such apparatus, it shall not thereafter, unless such disapproval be withdrawn, be used in ascertaining the weight, quantity, or quality of sirup for the purposes of the act and this part.

**§ 741.39 Care in storage.**

Each warehouseman shall keep the stock stored in his licensed warehouse in an orderly manner, shall provide sufficient aisle space so as to permit easy and ready access to any and all lots of sirup stored therein, and shall so store each lot of sirup as to facilitate sampling of sirup and inspection for condition. The warehouseman shall at all times keep his warehouse clean and free from all litter.

**§ 741.40 Water or ash in sirup.**

The warehouseman shall not accept for storage in his warehouse any sugarcane sirup which contains more than 30 percent by weight of water or more than 2.5 percent by weight of ash; nor shall he accept maple sirup containing in excess of 35 percent by weight of water or which weighs less than 11 pounds to the gallon; nor shall he accept honey weighing less than 11 pounds 12 ounces to the gallon, or containing in excess of 25 percent of water, or more than 0.25 percent of ash or 8 percent of sucrose.

**§ 741.41 Procedure to follow prior to reconditioning deteriorating sirup.**

If the warehouseman considers that any sirup in his warehouse is out of condition, or becoming so, he shall direct the licensed inspector to examine the sirup in question, and, if such inspector finds such sirup to be out of condition or becoming so, and he is of the opinion that such sirup can be brought back into condition by reprocessing or other means, or that further deterioration can be prevented, the warehouseman shall give immediate notice of the facts to the persons, and in the manner, specified in § 741.42 (b) and (c). If, within 24 hours after the dispatch of such notice, the owners of such sirup have not otherwise directed as to the disposition of same, such warehouseman, with the approval of the licensed inspector, shall subject the sirup to the proper reconditioning process in his licensed warehouse to the extent to which it is equipped with apparatus suitable for the purpose, otherwise in any other warehouse so equipped.

**§ 741.42 Deteriorating sirup; handling.**

(a) If a warehouseman, with the approval of the licensed inspector, shall determine that any sirup is deteriorating and that such deterioration cannot be stopped by processing or otherwise, he shall give immediate notice thereof in accordance with paragraphs (b) and (c) of this section.

(b) Such notice shall state (1) the warehouse in which the sirup is stored; (2) the quantity, kind, and grade of the sirup at the time the notice is given; (3) the actual condition of the sirup as nearly as can be ascertained, and the reason, if known, for such condition; and (4) the outstanding receipts covering the sirup out of condition, giving the number and the date of each such receipt and the quantity, the kind and grade of the sirup as stated in each such receipt.

(c) A copy of such notice shall be delivered in person or shall be sent by mail (1) to the persons holding the receipts if known to the warehouseman; (2) to the person who originally deposited the sirup; (3) to any other persons known by the licensed warehouseman to be interested in the sirup; (4) to the

Administrator; and (5) public notice shall also be given by posting a copy of such notice at the place where the warehouseman is required to post his license. A copy of such notice shall be kept as a record of the warehouse. If the holders of the receipts and the owners of the sirup are known to the warehouseman and cannot, in the regular course of the mails, be reached within 12 hours, the warehouseman shall, whether or not requested to do so, also immediately notify such persons by telegraph or telephone at their expense.

(d) Any person, interested in any sirup or the receipt covering such sirup stored in a licensed warehouse, may, in writing, notify the warehouseman of his interest, and such ware- houseman shall keep a record of that fact. If such person requests in writing that he be notified regarding the condition of any such sirup and agrees to pay the cost of any telegraph or telephone toll charge, such warehouseman shall notify such person in accordance with such request.

(e) If the sirup advertised in accordance with the requirements of this section has not been removed from storage by the owner thereof within seven days from the dispatch of notice of its being out of condition, the warehouseman may sell the same at public auction at the expense and for the account of the owner, after giving 7 days' notice of such proposed sale in the manner specified in paragraphs (b) and (c) of this section.

(f) Nothing contained in this section shall be construed as relieving the warehouseman from properly caring for any sirup after sending notification of its condition in accordance with this section.

(g) Records required to be kept by this section shall be retained, as a part of the records of the warehouse, for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[4 FR 4834, Dec. 13, 1939, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.43 Excess storage.

If at any time a warehouseman shall be offered for storage in his warehouse sirup in excess of the licensed capacity as shown on his license, he shall not accept such sirup until he has first secured authority through an amended license, and after such authority has been granted, the warehouseman shall continue to so arrange the sirup as not to obstruct free access thereto and the proper use of sprinklers or other fire-protection equipment provided for such warehouse.

### § 741.44 Removal of sirup from storage.

Except as may be provided by law or this part, each warehouseman, (a) upon proper presentation and surrender of a receipt for sirup stored other than as identity preserved and upon payment or tender of all advances and legal charges, shall deliver to such depositor or lawful holder of such receipt sirup of the same grade and quantity specified in such receipt; and, (b) upon proper presentation and surrender of a receipt for sirup the identity of which was to have been preserved during the storage period and upon payment or tender of all advances and legal charges, shall deliver to the person lawfully entitled thereto the identical sirup covered by the surrendered receipt. Should it become necessary to remove sirup from the warehouse to protect the interests of depositors prior to the return and cancellation of receipts, the warehouseman shall immediately notify the Administrator of such removal and of the necessity therefor.

### § 741.45 Signatures of persons to sign receipts to be filed with Department.

Each warehouseman shall file with the Department the name and genuine signature of each person authorized to

sign warehouse receipts for the licensed warehouseman, and shall promptly notify the Department of any changes as to persons authorized to sign, and shall file signatures of such persons.

[4 FR 4834, Dec. 13, 1939; 14 FR 681, Feb. 16, 1949. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.46 Reporting fire losses.

If at any time a fire occurs at or within any licensed warehouse, it shall be the duty of the warehouseman to report immediately the occurrence of such fire and the extent of damage to the Administrator.

[62 FR 33542, June 20, 1997]

### § 741.47 Copies of inspection or weight certificates to be filed.

When an inspection or weight certificate has been issued by a licensed inspector or weigher, a copy of such certificate shall be filed with the warehouseman in whose warehouse the sirup covered by such certificate is stored, and such certificate shall become a part of the records of the warehouseman. Such certificates shall be retained, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which the certificates are issued.

(Approved by the Office of Management and Budget under control number 0560–0120)

[4 FR 4834, Dec. 13, 1939, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

## FEES

### § 741.48 License fees.

(a) Fees are collected in advance for each original, amended, modified, extended, reinstated, or duplicate warehouseman's license; and for each original, duplicate, or modified license issued to inspect, sample, grade, classify, or weigh commodities.

(b) Fee changes, if applicable, will be announced by Notice in the FEDERAL REGISTER on or before July 1, and effective the following October 1.

[59 FR 51358, Oct. 11, 1994]

### § 741.49 Warehouse annual and inspection fees.

Warehousemen must pay:

(a) An annual fee which will be determined by computing the capacity for each warehouse location under a single license and adding those amounts together to determine the total due. The fee will be assessed and payable when the warehouse bond is furnished in accordance with these regulations, for acceptance by the Secretary and annually thereafter on the bond renewal date. The capacity for each identifiable location will be determined by the Secretary. The total capacity of all locations may not exceed the capacity stated in the current license. An identifiable location is a fully functional public warehouse as determined by the Secretary. The annual fee a licensed warehouseman is assessed may be adjusted by the amount Commodity Credit Corporation (CCC) pays, if CCC has a storage contract or agreement with the warehouseman.

(b) An inspection fee for each original and amendment inspection.

(c) An inspection fee at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement, in all cases where the license has been suspended and the warehouseman has requested reinstatement. No fee will be charged if the Secretary determines that the suspension was not justified.

(d) A fee for each inspection requested by the warehouseman at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement.

[59 FR 51358, Oct. 11, 1994]

### § 741.50 Advance deposit.

Before any license is granted, or an original examination or inspection is made, or reexamination or reinspection for modification of an existing license is made, or when the annual fee for the licensed warehouse is assessed, pursuant to the regulation in this part, the applicant or licensee shall deposit with the Service the amount of the fee prescribed. Such deposit shall be made in

the form of a check, certified if required by the Service, draft, or post office or express money order, payable to the order of the Service.

[46 FR 63201, Dec. 30, 1981. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 62 FR 33542, June 20, 1997]

### § 741.51 Return of excess deposit.

The Treasurer of the United States shall hold in his custody each advance deposit made under § 741.50 until the fee, if any, is assessed and he is furnished by the Service with a statement showing the amount thereof and against whom assessed. Any part of such advance deposit which is not required for the payment of any fee assessed shall be refunded to the party depositing same.

LICENSED INSPECTORS AND WEIGHERS

### § 741.52 Inspector's and weigher's application.

(a) Application for licenses to inspect and grade or to weigh sirup under the act shall be made to the Administrator on forms furnished for the purpose by him.

(b) Each such application shall be signed by the applicant, shall be verified by him under oath or affirmation administered by a duly authorized officer, and shall contain or be accompanied by (1) the name and location of a warehouse or warehouses licensed, or for which application for license has been made, under the Act, in which sirup sought to be inspected and weighed under such license is or may be stored; (2) a statement from the warehouseman conducting such warehouse showing whether the applicant is competent and is acceptable to such warehouseman for the purpose; (3) satisfactory evidence that he has had at least one year's experience in the kind of service for which a license is sought or the equivalent of such experience, and that he is competent to perform such services, except in the case of applicants for weighers' licenses one month's experience will be sufficient; (4) a statement by the applicant that he agrees to comply with and abide by the terms of the Act and this part so far as the same may relate to him; and (5) such other information as the Service may deem necessary: *Provided*, That when an application for a license to inspect sirup is filed by a person who does not intend to inspect for any particular licensed warehouseman but who does intend to inspect sirup stored or to be stored in a licensed warehouse or warehouses and to issue inspector's certificates therefor, as provided for by the Act and this part, independent of the warehouse receipts issued to cover such sirup, it shall not be necessary to furnish such statement as is required by paragraph (b)(2) of this section.

(c) The applicant shall at any time furnish such additional information as the Secretary or the Administrator shall find to be necessary to the consideration of his application.

(d) A single application may be made by any person for a license to inspect and to weigh upon complying with all the requirements of this section.

[4 FR 4834, Dec. 13, 1939, as amended at 41 FR 34006, Aug. 12, 1976. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.53 Examination of applicant.

Each applicant for a license as an inspector or as a weigher and each licensed inspector or licensed weigher shall, whenever requested by an authorized agent of the Department of Agriculture designated by the Administrator for the purpose, submit to an examination or test to show his ability properly to perform the duties for which he is applying for license or for which he has been licensed.

### § 741.54 Posting of license.

Each licensed inspector shall keep his license conspicuously posted in the office where all or most of the inspecting is done, and each licensed weigher shall keep his license conspicuously posted in the warehouse office or in such place as may be designated for the purpose by the Service.

### § 741.55 Duties of licensees.

Each inspector and each weigher, when requested, shall, without discrimination, as soon as practicable, and upon reasonable terms, inspect or weigh and certificate the condition, grade, or weight for storage of sirup stored or to be stored in a licensed warehouse if such sirup be offered to

him under such conditions as permit proper inspection and the determination of the condition, grade, or weight thereof, as the case may be. Each such licensee shall give preference to persons who request his services as such over persons who request his services in any other capacity. No inspection or weight certificate shall be issued under the act for sirup not stored or not to be stored in a licensed warehouse.

**§ 741.56 Inspection certificate; form.**

Each inspection certificate issued under the act by a licensed inspector shall be in a form approved for the purpose by the Service and shall embody within its written or printed terms (a) the caption ''United States Warehouse Act Sirup Inspection Certificate''; (b) whether it is an original, a duplicate, or other copy; (c) the name and location of the warehouse in which the sirup is or is to be stored; (d) the date of the certificate; (e) the location of the sirup at the time of inspection; (f) the identification number of each lot of sirup, given in accordance with § 741.32; (g) the grade and condition of the sirup for storage at the time of inspection; (h) the name of the locality in which produced, if known; (i) that the certificate is issued by a licensed inspector, under the United States Warehouse Act and regulations thereunder; (j) a blank space designated for the purpose in which may be stated any general remarks on the condition of the sirup; and (k) the signature of such licensed inspector. In addition, the inspection certificate may include any other matter not inconsistent with the act or this part, provided the approval of the Service is first secured.

**§ 741.57 Weight certificate; form.**

Each weight certificate issued under the act by a licensed weigher shall be in a form approved for the purpose by the Service, and shall embody within its written or printed terms (a) the caption ''United States Warehouse Act Sirup Weight Certificate''; (b) whether it is an original, a duplicate, or other copy; (c) the name and location of the warehouse in which the sirup is or is to be stored; (d) the date of the certificate; (e) the location of the sirup at the time of weighing; (f) the identification mark of each lot of sirup given in accordance with § 741.32; (g) the gross, tare, and net weight of the sirup if in barrels, drums, or jackets; or the number of cases and sizes of cans if in cases; (h) that the certificate is issued by a licensed weigher, under the United States Warehouse Act and the regulations thereunder; and (i) the signature of such licensed weigher. In addition, the weight certificate may include any other matter not inconsistent with the act or this part, provided the approval of the Service is first secured.

**§ 741.58 Combined inspection and weight certificate.**

The grade, condition, and weight of any sirup ascertained by a licensed inspector and/or licensed weigher may be stated on a certificate meeting the combined requirements of §§ 741.56 and 741.57, if the form of such certificate shall have been approved for the purpose by the Service.

**§ 741.59 Copies of certificates to be kept.**

Each licensed inspector and each licensed weigher shall keep for a period of 1 year in a place accessible to persons financially interested in the sirup, a copy of each certificate issued by him under this part and shall file a copy of each such certificate with the warehouse in which the sirup covered by the certificate is stored.

**§ 741.60 Licensees to permit and assist in examination.**

Each licensed inspector and each licensed weigher shall permit any officer or agent of the Department of Agriculture, authorized by the Secretary for the purpose, to inspect or examine at any time his books, papers, records, and accounts relating to the performance of his duties under the act and this part, and shall, with the consent of the warehouseman concerned, assist any such officer or agent in the inspection or examination of records mentioned in § 741.33 as far as any such inspection or examination relates to the performance of the duties of such licensed inspector or licensed weigher under the act and the regulations in this part.

### § 741.61 Reports.

Each licensed inspector and licensed weigher shall, from time to time, when requested by the Service, make reports on forms furnished for the purpose by the Service, bearing upon his activities as such licensed inspector or licensed weigher.

### § 741.62 Licenses; suspensions; revocation.

Pending investigation, the Secretary or his designated representative may, whenever he deems necessary, suspend the license of an inspector or of a weigher temporarily without hearing. Upon a written request and a satisfactory statement of reasons therefor, submitted by the inspector or weigher, or when the inspector or weigher has ceased to perform such services at the warehouse, the Secretary or his designated representative may, without hearing, suspend or revoke the license issued to such inspector or weigher. The Secretary or his designated representative may, after opportunity for hearing, when possible, has been afforded in the manner prescribed in this section, suspend or revoke a license issued to an inspector or a weigher when such inspector or weigher has in any manner become incompetent or incapacitated to perform the duties of a licensed inspector or licensed weigher. As soon as it shall come to the attention of a warehouseman that any of the conditions mentioned in this section exist, it shall be his duty to notify in writing the Service. Before the license of any inspector or weigher is permanently suspended or revoked pursuant to section 12 of the act, such licensee shall be furnished by the Secretary, or by his designated representative, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 741.73.

[4 FR 4834, Dec. 13, 1939, as amended at 13 FR 8730, Dec. 30, 1948. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.63 Return of suspended or revoked licenses; termination of license.

(a) If a license issued to an inspector or to a weigher is suspended or revoked by the Secretary, it shall be returned to the Secretary. At the expiration of any period of suspension of a license, unless in the meantime it be revoked, the dates of the beginning and termination of the suspension shall be indorsed thereon, and it shall be returned to the inspector or weigher to whom it was originally issued, and it shall be posted as prescribed in § 741.54.

(b) Any license issued to an inspector or weigher shall automatically be suspended or terminated as to any warehouse whenever the license of such warehouse shall expire or be suspended or revoked. Thereupon the license of such inspector or weigher shall be returned to the Secretary. If such license is applicable to warehouses other than those for which the licenses have been suspended or revoked, the Secretary or his designated representative shall issue a new license to the inspector or weigher, omitting the names of the warehouses for which licenses have been so suspended or revoked. Such new licenses shall be posted as prescribed in § 741.54.

### § 741.64 Lost or destroyed licenses.

Upon satisfactory proof of the loss or destruction of a license issued to an inspector or a weigher, a duplicate thereof may be issued under the same number.

### § 741.65 Unlicensed inspector or weigher; misrepresentation.

No person shall in any way represent himself to be an inspector or weigher licensed under the act unless he holds an unsuspended, unrevoked, and uncanceled license issued under the act.

## SIRUP INSPECTION AND CLASSIFICATION

### § 741.66 Classification; statement.

Whenever the kind, grade, or other class or condition of sirup is required to be or is stated for the purposes of

this act and this part, it shall be stated in accordance with §§ 741.67 and 741.68.

### § 741.67 Standards to be used.

Until such time as official sirup grades of the United States are in effect, the kind, grade, and condition of sirup shall be stated as far as applicable (a) in accordance with the State standards, if any, established in the State in which the warehouse is located; (b) in the absence of any State standards, in accordance with the standards, if any, adopted by any sirup organization or by the sirup trade generally in the locality in which the warehouse is located, subject to the disapproval of the Administrator; or (c) in the absence of the aforesaid standards in accordance with any standards approved by the Administrator.

### § 741.68 Statement of kind, grade, condition.

Whenever the kind, grade, or other class or condition of sirup is stated for the purposes of this act and this part, the terms used shall be correctly applied and shall be so selected as not to convey a false impression of the sirup. In case of doubt as to the kind, grade, or condition of a given lot of sirup, a determination shall be made of such facts by drawing samples fairly representative of the contents of the lot of sirup offered for storage.

## APPEAL OF GRADES

### § 741.69 Appeal of grades.

(a) If a question arises as to whether the kind, grade, or condition of the sirup was correctly stated in a receipt or inspection certificate issued under the act or this part the warehouseman concerned or any person financially interested in the sirup involved may, after reasonable notice to the other party, submit the question to the Administrator, who may appoint a committee to make a determination. The decision of the committee shall be final, unless the Administrator shall direct a review of the question. Immediately upon making its decision, the committee shall issue a certificate embodying its findings to the appellants and the licensee or licensees involved.

(b) If the decision of the committee be that the kind, grade, or condition was not correctly stated, the receipt or certificate involved shall be returned to and be canceled by the licensee who issued it, and the licensee shall issue in lieu thereof a new receipt or certificate embodying therein the statement of kind, grade, or condition in accordance with the findings of the committee.

(c) All necessary and reasonable expenses of such determination shall be borne by the losing party, unless the Administrator or his representative shall decide that the expense should be prorated between the parties.

## MISCELLANEOUS

### § 741.70 Bonds required.

Every person applying for a license, or licensed under section 9 of the act shall, as such, be subject to all portions of this part except § 741.5 so far as they may relate to warehousemen. If there is a law of any State providing for a system of warehouses owned, operated, or leased by such State, a person applying for a license under section 9 of the act, to accept the custody of sirup and to store the same in any of said warehouses, may, in lieu of a bond or bonds, complying with §§ 741.11 and 741.12, file with the Secretary a single bond meeting the requirements of the act and this part, in such form and in such amount not less than $5,000, as he shall prescribe, to insure the performance by such person, with respect to the acceptance of the custody of sirup and its storage in the warehouses in such system for which licenses are or may be issued, of his obligations arising during the periods of such licenses, and in addition, if desired by the applicant, during the periods of any modifications or extensions thereof. In fixing the amount of such bond, consideration shall be given, among other appropriate factors, to the character of the warehouses involved, their actual or contemplated capacity, the bonding requirements of the State, and its liability with respect to such warehouses. If the Secretary shall find the existence of conditions warranting such action, there shall be added to the amount of the bond so fixed a further amount, fixed by him, to meet such conditions.

### § 741.71 Publications.

Publications under the act and the regulations in this part shall be made in such media as may be deemed proper by the Administrator.

[62 FR 33542, June 20, 1997]

### § 741.72 Information of violations.

Every person licensed under the act shall immediately furnish the Administrator any information which comes to the knowledge of such person tending to show that any provision of the act or this part has been violated.

### § 741.73 Procedure in hearings.

Hearings under the Act or the regulations in this part, except those relating to appeals or arbitrations shall be conducted in accordance with the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary under various statutes (7 CFR 1.130–1.151).

[45 FR 6776, Jan. 30, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 741.74 One document and one license to cover several products.

A license may be issued for the storage of two or more agricultural products in a single warehouse. Where such a license is desired, a single application, inspection, bond, record, report or other paper, document, or proceeding relating to such warehouse, shall be sufficient unless otherwise directed by the Administrator.

[4 FR 4834, Dec. 13, 1939. Redesignated at 13 FR 8730, Dec. 30, 1948, and at 50 FR 1814, Jan. 14, 1985]

### § 741.75 Amount of assets and bond needed for combination warehouses.

Where such a license is desired, the amount of the bond, net assets, and inspection and license fees shall be determined by the Administrator in accordance with the sections applicable to the particular agricultural product which would require the largest bond and the greatest amount of net assets and of fees if the full capacity of the warehouse was used for its storage.

[4 FR 4834, Dec. 13, 1939. Redesignated at 13 FR 8730, Dec. 30, 1948, and at 50 FR 1814, Jan. 14, 1985]

### § 741.76 Amendments.

Any amendment or revision of this part, unless otherwise stated therein, shall apply in the same manner to persons holding licenses at the time it becomes effective as it applies to persons thereafter licensed under the act.

[4 FR 4834, Dec. 13, 1939. Redesignated at 13 FR 8730, Dec. 30, 1948, and at 50 FR 1814, Jan. 14, 1985]

## PART 742—COTTONSEED WAREHOUSES

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AUTHORITY: 7 U.S.C. 241 *et seq.*.

SOURCE: SRA, BAE 102; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, unless otherwise noted. Redesignated at 50 FR 1814, Jan. 14, 1985.

EDITORIAL NOTE: Nomenclature changes to part 742 appear at 62 FR 33540, June 20, 1997.

## DEFINITIONS

### § 742.1 Meaning of words.

Words used in this part in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

### § 742.2 Terms defined.

For the purpose of this part, unless the context otherwise require, the following terms shall be construed, respectively, to mean:

(a) *The act*. The United States Warehouse Act, approved August 11, 1916 (39 Stat. 486; 7 U.S.C. 241–273), as amended.

(b) *Person*. An individual, corporation, partnership, or two or more persons having a joint or common interest.

(c) *Secretary*. The Secretary of Agriculture of the United States or any officer or employee of the Department to whom authority has heretofore been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(d) *Administrator*. The Administrator of the Service or any other officer or

employee of the Service to whom authority has heretofore lawfully been delegated, or may hereafter lawfully be delegated, to act in his stead.

(e) *Regulations*. Rules and regulation made under the act by the Secretary.

(f) *Service*. The Farm Service Agency of the U.S. Department of Agriculture.

(g) *Warehouse*. Any building, structure, or other protected inclosure in which cottonseed is or may be stored for interstate or foreign commerce, or, if located within any place under the exclusive jurisdiction of the United States, in which cottonseed is or may be stored.

(h) *Warehouseman*. Any person lawfully engaged in the business of storing cottonseed.

(i) *Cottonseed*. Prime cottonseed, cool, clean and not containing in excess of 1 percent foreign matter nor in excess of 10 percent moisture; sound and not containing in excess of 6 percent damaged or immature seed, and shall be untreated by chemical process: *Provided*, That if the warehouse is equipped with such cooling and conditioning equipment as may be acceptable to the Department, or if the cottonseed is in sacks containing not more than 100 pounds to the sack and stored in such manner as the Administrator, or his representatives, may approve, the cottonseed may have a moisture content not in excess of 12 percent.

(j) *License*. A license issued under the act by the Secretary.

(k) *Licensed warehouse*. A warehouse for the conduct of which a license has been issued.

(l) *Licensed warehouseman's bond*. A bond required to be given under the act by a licensed warehouseman.

(m) *Licensed grader*. A person licensed under the act by the Secretary to grade and to certificate the grade or other class of cottonseed stored or to be stored in a licensed warehouse.

(n) *Licensed weigher*. A person licensed under the act by the Secretary to weigh and certificate the weight of cottonseed stored or to be stored in a licensed warehouse.

(o) *Licensed inspector*. A person licensed under the act by the Secretary to inspect, to sample, and to certificate the condition for storage of cottonseed.

(p) *Receipt*. A warehouse receipt.

(q) *Bag*. A sack or other package.

(r) *State*. A State, Territory, or District of the United States.

[SRA, BAE 102, as amended July 14, 1931, and at 13 FR 8730, Dec. 30, 1948. Redesignated and amended at 50 FR 1814, Jan. 14, 1985]

WAREHOUSE LICENSES

### § 742.3 Application form.

Applications for licenses under sections 4 and 9 of the act and for modifications or extensions of licenses under section 5 of the act shall be made to the Secretary upon forms prescribed for the purpose and furnished by the Service, shall be in English, shall truly state the information therein contained, and shall be signed by the applicant. The applicant shall at any time furnish such additional information as the Secretary or the Administrator shall find to be necessary to the consideration of his application by the Secretary.

### § 742.4 Issuance of license; conditions.

(a) A license for the conduct of a warehouse shall not be issued if it be found by the Secretary that the warehouse is not suitable for the proper storage of cottonseed, that the warehouseman is incompetent to conduct such warehouse in accordance with the act and the regulations in this part, or that there is any other sufficient reason within the purposes of the act for not issuing such license.

(b) A building acceptable for storage of cottonseed shall be of sound construction, with sound floors, and, if the seed is not stored in accordance with either paragraphs (e), (f), or (g) of this section, it shall be separated into bins or compartments.

(c) An extra licensed bin or compartment shall be maintained at all times with a storage capacity equal to the greatest number of tons that can be stored in any one bin or compartment, except as otherwise provided in paragraphs (e), (f), and (g) of this section. No cottonseed shall be stored in this extra bin or compartment except when necessary to move seed from another bin or compartment to prevent the seed from going out of condition.

(d) A conveying system must be provided throughout the entire warehouse, passing through or accessible to each bin or compartment in such a way that the cottonseed can be moved rapidly when deemed necessary to maintain it in proper condition.

(e) A system of air cooling may be installed in the warehouse. If, in the discretion of the Administrator or his representative, it shall be determined that a warehouse equipped with a cooling system does not need bins, it shall not be necessary to construct bins in such warehouse.

(f) If tanks are used for the storage of cottonseed both a conveying system and an approved air cooling system must be installed and maintained in good working order.

(g) If cottonseed is stored in bags no special type of building is required other than one of sound construction, and with sound floors and of such character as to keep the cottonseed dry. No system of conveying or air cooling is required in bag storage.

[SRA, BAE 102, as amended July 11, 1929. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.5 Net assets required.

The warehouseman conducting a warehouse licensed, or for which application for license has been made under the act, shall have and maintain above all exemptions and liabilities net assets liable for the payment of any indebtedness arising from the conduct of the warehouse, to the extent of at least $5 per ton of the maximum number of tons that the warehouse will accommodate when stored in the manner customary to the warehouse as determined by the Administrator, except that the amount of such assets shall not be less than $5,000, and need not be more than $100,000. In case such warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, such warehouses shall be deemed to be one warehouse for the purposes of the assets required under this section. For the purposes of this section only, paid-in capital stock, as such, shall not be considered a liability. Any deficiency in the required net assets may be supplied by an increase in the amount of the warehouseman's bond in accordance with § 742.13(b).

### § 742.6 Modification or extension of license.

Each application for a modification or extension of a license under section 5 of the act shall be made to the Secretary, upon a form prescribed for the purpose and furnished by the Administrator, shall be in English, shall be signed by the applicant, and shall be filed with the Secretary not less than 30 days before the date of the termination of the license then in effect.

### § 742.7 License shall be posted.

Immediately upon receipt of his license or of any modification or extension thereof under the act, the warehouseman shall post the same, and thereafter, except as otherwise provided in the regulations in this part, keep it posted until suspended or terminated, in a conspicuous place in the principal office where receipts issued by such warehouseman are delivered to depositors.

### § 742.8 Suspension or revocation of warehouse licenses.

Pending investigation, the Secretary, whenever he deems necessary, may suspend a warehouseman's license temporarily without hearing. Upon written request and a satisfactory statement of reasons therefor, submitted by a warehouseman, the Secretary may, without hearing, suspend or cancel the license issued to such warehouseman. The Secretary may, after opportunity for hearing has been afforded in the manner prescribed in this section, suspend or cancel a license issued to a warehouseman when such warehouseman (a) is bankrupt or insolvent; (b) has parted, in whole or in part, with his control over the licensed warehouse; (c) is in process of dissolution or has been dissolved; (d) has ceased to conduct such licensed warehouse; or (e) has in any other manner become nonexistent or incompetent or incapacitated to conduct the business of the warehouse. Whenever any of the conditions mentioned in paragraphs (a) to (e) of this section shall come into existence, it shall be the duty of the warehouseman

to notify immediately the Administrator of the existing condition. Before a license is permanently suspended, revoked, or canceled for any violation of, or failure to comply with, any provision of the act or of the regulations in this part or upon the ground that unreasonable or exorbitant charges have been made for services rendered, the warehouseman involved shall be furnished by the Secretary, or by an official of the Department of Agriculture designated for the purpose, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 742.84.

[SRA, BAE 102, as amended Sept. 1926, and at 13 FR 8730, Dec. 30, 1948. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.9 Return of suspended or revoked warehouse license.

In case a license issued to a warehouseman terminates or is suspended, revoked, or canceled by the Secretary, such license shall be immediately returned to the Secretary. At the expiration of any period of suspension of such license, unless it be in the meantime revoked or canceled, the dates of the beginning and termination of the suspension shall be indorsed thereon, it shall be returned to the licensed warehouseman to whom it was originally issued and it shall be posted as prescribed in § 742.7: *Provided*, That in the discretion of the Administrator a new license may be issued without reference to the suspension.

### § 742.10 Lost or destroyed warehouse license.

Upon satisfactory proof of the loss or destruction of a license issued to a warehouseman a duplicate thereof may be issued under the same or a new number at the discretion of the Secretary.

### § 742.11 Unlicensed warehousemen must not represent themselves as licensed.

No warehouse or its warehouseman shall be designated as licensed under the act, and no name or description conveying the impression that it or he is so licensed shall be used, either in a receipt or otherwise, unless such warehouseman holds an unsuspended, unrevoked, and uncanceled license for the conduct of such warehouse.

## WAREHOUSE BOND

### § 742.12 Bond required; time of filing.

Each warehouseman applying for a warehouse license under the act shall, before such license is granted, file with the Secretary or his designated representative a bond containing the following conditions and such other terms as the Secretary or his designated representative may prescribe in the approved bond forms, with such changes as may be necessary to adapt the forms to the type of legal entity involved:

Now, therefore, if the said license(s) or any amendments thereto be granted and said principal, and its successors and assigns operating said warehouse(s), shall:

Faithfully perform during the period of 1 year commencing _____, or until the termination of said license(s) in the event of termination prior to the end of the 1 year period, all obligations of a licensed warehouseman under the terms of the Act and regulations thereunder relating to the above-named products; and

Faithfully perform during said 1 year period and thereafter, whether or not said warehouse(s) remain(s) licensed under the Act, such delivery obligations and further obligations as a warehouseman as exist at the beginning of said 1 year period or are assumed during said period and prior to termination of said license(s) under contracts with the respective depositors of such products in the warehouse(s);

Then this obligation shall be null and void and of no effect, otherwise to remain in full force. For purposes of this bond, the aforesaid obligations under the Act and regulations and contracts shall include obligations under any and all modifications of the Act, the regulations, and the contracts that may hereafter be made, notice of which modifications to the surety being hereby waived.

[28 FR 5637, June 8, 1963. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.13 Basis of amount of bond; additional amounts.

(a) Exclusive of any amount which may be added in accordance with paragraphs (b) and (c) of this section, the amount of such bond shall be at the rate of $5 per ton or fractional part thereof of the maximum number of

tons that the warehouse will accommodate when stored in the manner customary to the warehouse for which such bond is required, as determined by the Administrator, but not less than $5,000 nor more than $50,000. If such warehouseman has applied for licenses to conduct two or more warehouses in the same State, the assets applicable to all of which shall be subject to the liabilities of each, and shall desire to give a single bond meeting the requirements of the act and the regulations in this part for said warehouses, such warehouses shall be deemed to be one warehouse for the purposes of the bond required, under §§ 742.12 through 742.16, but the maximum amount of the bond shall be raised to $100,000.

(b) In case of a deficiency in net assets under § 742.5, there shall be added to the amount of the bond, fixed in accordance with paragraph (a) of this section, an amount equal to such deficiency.

(c) In case the Secretary finds the existence of conditions warranting such action, there shall be added to the amount fixed in accordance with paragraphs (a) and (b) of this section, a further amount, fixed by him, to meet such conditions.

### § 742.14 Extension bond.

In case an application is made under § 742.3 for a modification or an extension of a license and no bond previously filed by the warehouseman under §§ 742.12 through 742.16 covers obligations arising during the period of such modification or extension, the warehouseman shall, when notice has been given by the Secretary that his application for such modification or extension will be granted upon compliance by such warehouseman with the act, file with the Secretary, within a time, if any, fixed in such notice, a bond complying with the act. In the discretion of the Secretary, a properly executed instrument in form approved by him, amending, extending or continuing in force and effect the obligations of a valid bond previously filed by the warehouseman and otherwise complying with the act and the regulations in this part, may be filed in lieu of a new bond.

### § 742.15 New bond required each year.

Whenever a continuous form of license has been issued such license shall not be effective beyond one year from its effective date unless the warehouseman shall have filed a new bond in the required amount with, and such bond shall have been approved by, the Secretary prior to the date on which that license would have expired had it been issued for but one year, subject to the provisions of § 742.14.

### § 742.16 Approval of bond.

No bond, amendment, or continuation thereof shall be accepted for the purposes of the act and the regulations in this part until it has been approved by the Secretary.

## WAREHOUSE RECEIPTS

### § 742.17 Form.

(a) Every receipt, whether negotiable or nonnegotiable, issued for cottonseed stored in a licensed warehouse shall, in addition to complying with the requirements of section 18 of the act embody within its written or printed terms the following:

(1) The name of the licensed warehouseman and the designation, if any, of the warehouse; (2) the license number of the warehouse; (3) a statement whether the warehouseman is incorporated or unincorporated, and, if incorporated, under what laws; (4) the tag number given to each bag or lot of cottonseed in accordance with § 742.36; (5) a statement, conspicuously placed, whether or not the cottonseed is insured, and, if insured, to what extent, by the warehouseman against loss by fire, lightning, tornado, or flood; (6) a blank space designated for the purpose in which the condition of the cottonseed shall be stated; (7) the moisture content of the cottonseed at the time of storage; (8) the bin or compartment number in which the cottonseed is stored, if stored in bulk; (9) the words ''Not Negotiable'', or ''Negotiable'', according to the nature of the receipt, clearly and conspicuously printed or stamped thereon; and (10) a statement indicating the amount of shrinkage agreed upon between the depositor and the warehouseman.

(b) Every receipt, whether negotiable, or nonnegotiable, issued for cottonseed stored in a licensed warehouse shall specify a period, for which the cottonseed is accepted for storage under the Act and the regulations in this part not to extend beyond July 1 following the year in which harvested. Upon demand and the surrender of the old receipt by the lawful holder thereof on or before July 1, the warehouseman, upon such lawful terms and conditions as may be granted by him at such time to other depositors of cottonseed in the warehouse, if he then continues to act as a licensed warehouseman, may either extend the old receipt by making a proper notation thereon or issue a new receipt for a further specified period not exceeding 3 months: *Provided*, That receipts covering seed stored in sacks as specified in § 742.2(i) may be extended or new receipts issued for a further period not extending beyond June 30 following the second crop year in which the seeds were harvested, and provided it is actually determined in either case that the quality of the cottonseed has not been impaired, but in no event shall cottonseed of two different crop years be stored in the same bin, lot, or compartment. If receipts are extended by endorsements, such endorsement shall be made across the face of the receipt, shall be signed and dated by the licensed warehouseman as of the date of the extension, and shall read as follows: ''This receipt extended in accordance with the act and regulations not to extend beyond _____.''

(c) The grade stated in a receipt issued for cottonseed, stored in a licensed warehouse, shall be stated in such receipt as determined by the licensed grader who last graded the cottonseed before the issuance of such receipt, and such receipt shall embody within its written or printed terms the following: (1) That the cottonseed was inspected by a licensed inspector, graded by a licensed grader, and weighed by a licensed weigher; (2) a form of indorsement which may be used by the depositor or his authorized agent, for showing the ownership of, and liens, mortgages, or other encumbrances on the cottonseed covered by the receipt.

(d) Whenever the grade or other class of the cottonseed is stated in a receipt issued for cottonseed stored in a licensed warehouse, such grade or other class shall be stated in the receipt in accordance with §§ 742.77 through 742.79.

(e) If a warehouseman issues a receipt omitting the statement of grade on request of the depositor as permitted by section 18 of the act, such receipt shall have clearly and conspicuously stamped or written on the face thereof the words ''Not graded on request of depositor.''

(f) If a warehouseman issues a receipt under the Act omitting any information not required to be stated, for which a blank space is provided in the form of the receipt, a line shall be drawn through such space to show that such omission has been made by the warehouseman.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 102, as amended July 14, 1931, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.18 Copies of receipts.

At least one actual or skeleton copy of all receipts shall be made, and all copies, except skeleton copies, shall have clearly and conspicuously printed or stamped thereon the words ''Copy—Not Negotiable.'' A copy of each receipt issued shall be retained by the warehouseman for a period of one year after December 31 of the year in which the corresponding original receipt is canceled.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 13369, Sept. 26, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.19 Lost or destroyed receipts; bond.

(a) In the case of a lost or destroyed receipt, if there be no statute of the United States or law of a State applicable thereto, a new receipt upon the same terms, subject to the same conditions, and bearing on its face the number and the date of the receipt in lieu of which it is issued and a plain and conspicuous statement that it is a duplicate receipt issued in lieu of a lost or destroyed receipt, may be issued

upon compliance with the conditions set out in paragraph (b) of this section.

(b) Before issuing such duplicate receipt the licensed warehouseman shall require the depositor or other person applying therefor to make and file with the warehouseman (1) an affidavit showing that he is lawfully entitled to the possession of the original receipt, that he has not negotiated or assigned it, how the original receipt was lost or destroyed, and if lost, that diligent effort has been made to find the receipt without success, and (2) a bond in an amount double the value, at the time the bond is given, of the cottonseed represented by the lost or destroyed receipt. Such bond shall be in a form approved for the purpose by the Secretary, shall be conditioned to indemnify the warehouseman against any loss sustained by reason of the issuance of such duplicate receipt, and shall have as surety thereon (i) a surety company which is authorized to do business, and is subject to service or process in a suit on the bond, in the State in which the warehouse is located, or (ii) at least two individuals who are residents of such State and each of whom owns real property therein having a value, in excess of its exemptions and encumbrances, to the extent of double the amount of the bond.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.20 Printing of receipts.

No receipt shall be issued by a licensed warehouseman unless it is:

(a) In a form prescribed by the Administrator,

(b) Upon distinctive paper or card stock specified by the Administrator,

(c) Printed by a printer with whom the United States has a subsisting agreement and bond for such printing, and

(d) On paper and/or card stock tinted with ink in the manner prescribed by the agreement under paragraph (c) of this section.

[62 FR 33542, June 20, 1997]

### § 742.21 Partial delivery of cottonseed.

(a) If a warehouseman is requested to deliver a part only of cottonseed stored in one bin or compartment for which he has issued negotiable receipts under the act, and such delivery is made in such a manner that no accurate record of the weight of the portion delivered can be ascertained, he shall take up and cancel all receipts covering the entire contents of the bin or compartment before making such partial delivery and no receipt shall be issued for the undelivered portion until the weight of such undelivered seed has been determined.

(b) If a warehouseman is requested to deliver a part only of a lot of cottonseed for which he has issued a negotiable receipt under the act, and he can by actual accurate weight ascertain the amount to be delivered, he shall take up and cancel such receipt and issue a new receipt in accordance with the regulations in this part for the undelivered portion of the cottonseed. The new receipt shall show the date of issuance and also indicate the number and date of the old receipt.

### § 742.22 Return of receipts before delivery of cottonseed.

Except as permitted by law or by the regulations in this part, a warehouseman shall not deliver cottonseed for which he has issued a negotiable receipt until the receipt has been returned to him and canceled, and shall not deliver cottonseed for which he has issued a nonnegotiable receipt until such receipt has been returned to him or he has obtained from the person lawfully entitled to such delivery, or his authorized agent, a written acknowledgment thereof.

### § 742.23 Authority for delivery of cottonseed on nonnegotiable receipt.

Each person to whom a nonnegotiable receipt is issued shall furnish the warehouseman with a statement in writing indicating the person or persons having power to authorize delivery of cottonseed covered by such receipt, together with the bona fide genuine signature of such person or persons. No licensed warehouseman shall

honor an order for the release of cottonseed covered by a nonnegotiable receipt until he has first ascertained that the person issuing the order has authority to order such release and that the signature of the releasing party is genuine.

### § 742.24 Receipts for storage; one bin; several bins.

Any number of receipts may be issued for cottonseed in any one bin or compartment but a receipt shall not be issued for a lot of seed, a part of which is stored in one bin or compartment and a part in another bin or compartment.

### § 742.25 Omission of grade; no compulsion by warehouseman.

No licensed warehouseman shall, directly or indirectly by any means whatsoever, compel or attempt to compel the depositor of any cottonseed stored in his licensed warehouse to request the issuance of a receipt omitting the statement of grade.

DUTIES OF LICENSED WAREHOUSEMAN

### § 742.26 Cottonseed must be inspected.

No licensed warehouseman shall receive into his licensed warehouse for storage cottonseed other than as defined in § 742.2(i). Neither shall he receive such seed for storage until it has been inspected by an inspector licensed under this act and found by him to be in proper condition and suitable for storage.

[SRA, BAE 102, as amended Sept. 2, 1927. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.27 Insurance requirements.

(a) Each licensed warehouseman when so requested in writing as to any cottonseed by the depositor thereof or lawful holder of the receipt covering such cottonseed shall, to the extent to which in the exercise of due diligence he is able to procure such insurance, keep such cottonseed while in his custody as a licensed warehouseman insured in his own name or arrange for its insurance otherwise to the extent so requested against loss or damage by fire, lightning, tornado, or flood. When insurance is not carried in the warehouseman's name the receipts shall show that the cottonseed is not insured by the warehouseman. Such insurance shall be covered by lawful policies issued by one or more insurance companies authorized to do such business, and subject to service of process in suits brought in the State where the warehouse is located. If the warehouseman is unable to procure such insurance to the extent requested, he shall, orally or by telegraph or by telephone and at his own expense, immediately notify the person making the request of the fact. Nothing in this section shall be construed to prevent the warehouseman from adopting a rule that he will insure all cottonseed stored in his warehouse.

(b) Each warehouseman shall keep exposed conspicuously in the place prescribed by § 742.7 and at such other place as the Administrator or his representative may from time to time designate, a notice stating briefly the conditions under which the cottonseed will be insured against loss or damage by fire, lightning, tornado, or flood.

### § 742.28 Premiums; inspections; reports.

Each warehouseman shall, in accordance with his contracts with insurance and bonding companies for the purpose of meeting the insurance and bonding requirements of this part, pay such premium, permit such reasonable inspections and examinations, and make such reasonable reports as may be provided for in such contracts.

### § 742.29 Insurance; collection and payment.

Each warehouseman shall promptly take such steps as may be necessary and proper to collect any moneys which may become due under contracts of insurance entered into by him for the purpose of meeting the requirements of this part, and shall, as soon as collected, promptly pay over to the persons concerned, any portion of such moneys which they may be entitled to receive from him.

### § 742.30 Shrinkage; agreement.

At the time cottonseed is received for storage the warehouseman and the depositor shall agree upon an amount to

be allowed for shrinkage while the cottonseed is in storage, such shrinkage to include loss caused by natural drying out of the cottonseed, but in no event shall the total amount of shrinkage exceed 5 percent of the weight of the cottonseed at the time it entered storage. In case no agreement as to shrinkage has been made, the difference in the moisture content of the cottonseed at the beginning of the storage period and at the time of delivery shall form a basis for calculating shrinkage.

### § 742.31 Care of cottonseed in storage.

Each warehouseman shall at all times exercise such care in regard to cottonseed in his custody as a reasonably careful owner would exercise under the same circumstances and conditions. He shall also equip his warehouse with thermometers to determine the temperature of the cottonseed while in storage and shall make readings of the thermometers with such frequency as the Administrator or his representatives may direct, and permanently record the same, but in no event shall such readings be made less frequently than every third working day. If the cottonseed attains a temperature of 110° F. the warehouseman shall immediately take such action as is necessary to lower the temperature. If the depositor of the cottonseed or any other person to whom he may have transferred title or interest in the cottonseed desires to make temperature determinations he shall be permitted to do so in company with the warehouseman or the warehouseman's representative.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.32 Care of nonlicensed cottonseed, or other commodities.

If, at any time, a warehouseman shall handle or store cottonseed otherwise than as a licensed warehouseman, or shall handle or store any other commodity, he shall so protect the same, and otherwise exercise such care with respect to it, as not to endanger the cottonseed in his custody as a licensed warehouseman or impair his ability to meet his obligations and perform his duties under the act and the regulations in this part.

### § 742.33 Records to be kept in safe place.

Each warehouseman shall provide a metal fireproof safe, a fireproof vault or a fireproof compartment in which he shall keep, when not in actual use, all records, books, and papers pertaining to the licensed warehouse, including his current receipt book, copies of receipts issued and canceled receipts, except that with the written consent of the Administrator, or his representative, upon a showing by such warehouseman that it is not practicable to provide such fireproof safe, vault, or compartment, he may keep such records, books, and papers in some other place of safety, approved by the Administrator or his representative. Each canceled receipt shall be retained by the warehouseman for a period of six years after December 31 of the year in which the receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the act. Canceled receipts shall be arranged by the warehouseman in numerical order and otherwise in such manner as shall be directed, for purposes of audit, by authorized officers or agents of the Department of Agriculture.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 22 FR 1629, Mar. 14, 1957; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.34 Warehouse charges.

A warehouseman shall not make any unreasonable or exorbitant charge for services rendered. Before a license to conduct a warehouse is granted under the act the warehouseman shall file with the Administrator a copy of his rules and a schedule of charges to be made by him if licensed. Before making any change in such rules or schedule of charges he shall file with the Administrator a statement in writing showing the proposed change and the reasons

therefor. Each licensed warehouseman shall keep exposed conspicuously in the place prescribed by § 742.7, and at such other place, accessible to the public, as the Administrator or his representative may from time to time designate, a copy of his current rules and schedule of charges.

### § 742.35 Business hours.

(a) Each licensed warehouse shall be kept open for the purpose of receiving cottonseed for storage and delivering cottonseed out of storage every business day for a period of not less than six hours between the hours of 8 a.m. and 6 p.m., except as provided in paragraph (b) of this section. The warehouseman shall keep conspicuously posted on the door of the public entrance to his office and to his warehouse a notice showing the hours during which the warehouse will be kept open, except when such warehouse is kept open continuously from 8 a.m. to 6 p.m.

(b) In case the warehouse is not to be kept open as required by paragraph (a) of this section, the notice posted as prescribed in that paragraph shall state the period during which the warehouse is to be closed and the name of an accessible person, with the address where he is to be found, who shall be authorized to deliver cottonseed stored in such warehouse, upon lawful demand by the depositor thereof or the holder of the receipt therefor, as the case may be.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.36 Numbered tags to be attached to cottonseed.

Each warehouseman shall, upon acceptance for storage of any lot of sacked cottonseed, immediately attach to such lot a tag of good quality which shall identify the lot. Such tag shall show the lot number, the identification mark on each bag, the number of the receipt issued to cover such cottonseed, the number of sacks in the lot, the grade, if determined, and the gross weight of the cottonseed at the time it entered storage.

[SRA, BAE 102, as amended July 14, 1931. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.37 Identification tag.

Each warehouseman shall so store each lot of cottonseed for which a receipt under the act has been issued that the tag thereon, required by § 742.36, is visible and readily accessible, and shall arrange all bags in his licensed warehouse so as to permit an accurate count thereof.

### § 742.38 Grade and weight determinations.

Each licensed warehouseman shall accept all cottonseed for storage and shall deliver out of storage all bulk cottonseed, other than specially binned or sacked cottonseed, in accordance with the grade of such cottonseed as determined by a person duly licensed to grade such cottonseed and to certificate the grade thereof, and in accordance with the weights of such cottonseed as determined by a person duly licensed to weigh such cottonseed and to certificate the weight thereof, under the act and the regulations in this part, and in accordance with the agreement regarding shrinkage as shown by the terms of the receipt or in the absence of such agreement in accordance with § 742.30.

### § 742.39 Bulk storage of identity-preserved cottonseed.

Upon the acceptance by a licensed warehouseman, for storage in his licensed warehouse, of any lot of bulk cottonseed the identity of which is to be preserved, he shall store, or cause to be stored, such cottonseed in an individual bin or compartment designated by lot numbers or letters, or other clearly distinguishable words or signs, permanently and securely affixed thereto, or shall so mark the container or containers of such cottonseed or so place the cottonseed in the warehouse that its identity will not be lost during the storage period.

### § 742.40 Delivery of cottonseed; conditions.

Except as may be provided by law or the regulations in this part, each licensed warehouseman, (a) upon proper presentation of a receipt for any bulk, other than specially binned cottonseed, and upon payment or tender of all advances and legal charges, shall deliver to such depositor or lawful holder of such receipt cottonseed of the grade and quantity specified in such receipt, after making due allowance for shrinkage as provided in the regulations in this part, and (b) upon proper presentation of a receipt for any cottonseed the identity of which was to have been preserved during the storeage period, and upon payment or tender of all advances and legal charges, shall deliver to the person lawfully entitled thereto, the identical cottonseed stored in his licensed warehouse.

### § 742.41 System of accounts.

Each licensed warehouseman shall use for his licensed warehouse a system of accounts, approved for the purpose by the Administrator, which shall show for each bag or lot of cottonseed, the name of the depositor, the weight of the cottonseed, the number of bags in each lot, the grade when grade is required to be, or is ascertained, the location, the dates received for and delivered out of storage and the receipts issued and canceled, and a separate record for each depositor, and such accounts shall include a detailed record of all moneys received and disbursed and of all effective insurance policies. In the case of cottonseed stored in bags, the tag number mentioned in § 742.36 shall be shown. There shall also be kept a record or chart for each bin, showing the temperature of cottonseed in storage as determined by the readings required by § 742.31, and such other information as the Administrator may require. Such records shall be retained by the warehouseman for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.42 Reports.

Each licensed warehouseman shall, from time to time, when requested by the Administrator, make such reports, on forms prescribed and furnished for the purpose by the Service, concerning the condition, contents, operation, and business of the warehouse as the Administrator may require.

### § 742.43 Canceled receipts; auditing.

Each warehouseman, if requested by the Service, shall forward canceled receipts for auditing to an entity or office of the Service as may be designated from time to time.

[62 FR 33542, June 20, 1997]

### § 742.44 Copies of reports to be kept.

Each warehouseman shall keep on file, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which submitted, an exact copy of each report submitted by such warehouseman under the regulations in this part.

(Approved by the Office of Management and Budget under control number 0560–0120)

[29 FR 13369, Sept. 26, 1964, as amended at 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.45 Inspection and examination of warehouse.

Each licensed warehouseman shall permit any officer or agent of the Department of Agriculture, authorized by the Secretary for the purpose, to enter and inspect or examine, on any business day during the usual hours of business, any warehouse for the conduct of which such warehouseman holds a license, the office thereof, the books, records, papers, and accounts relating thereto, and the contents thereof, and such warehouseman shall furnish such

officer or agent the assistance necessary to enable him to make any inspection or examination under this section.

### § 742.46 Weighing apparatus; inspection.

The weighing apparatus used for ascertaining the weight stated in a receipt or certificate, issued for cottonseed stored in a licensed warehouse, shall be subject to examination by the officer or agent of the Department of Agriculture designated by the Administrator for the purpose. If the Service shall disapprove such weighing apparatus, it shall not thereafter, unless such disapproval be withdrawn, be used in ascertaining the weight of any cottonseed for the purposes of the act and the regulations in this part.

### § 742.47 Warehouse to be kept clean.

Each licensed warehouseman shall keep his warehouse clean and free from trash, dust, rubbish, and scattered cottonseed.

### § 742.48 Excess storage.

A warehouseman shall not store cottonseed in his licensed warehouse in excess of the capacity thereof determined in accordance with § 742.13(a).

### § 742.49 Removal from storage.

Except as may be permitted by law or the regulations in this part, a licensed warehouseman shall not remove any cottonseed for storage from the licensed warehouse or the part thereof designated in the receipt, if by such removal the insurance thereon will be impaired, without first obtaining the consent in writing of the holder of the receipt, and endorsing on such receipt the fact of such removal. Under no circumstances, unless it becomes absolutely necessary to protect the interests of holders of receipts, shall cottonseed be removed from the licensed warehouse, and immediately upon any such removal the warehouseman shall notify the Administrator of such removal and the necessity therefor.

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954. Redesignated at 50 FR 1814, Jan. 14, 1985. Reinstated at 62 FR 33339, June 19, 1997]

EDITORIAL NOTE: Section 742.49 was erroneously omitted in the Jan. 1, 1995, through Jan. 1, 1997, revisions of the CFR.

### § 742.50 Storage of wet cottonseed prohibited.

A warehouseman shall not under any circumstances accept for storage any cottonseed in his licensed warehouse that is wet or otherwise of a condition rendering it unsuitable for storage.

### § 742.51 Storage to prevent damage.

A warehouseman shall not handle or store cottonseed in such manner as will injure or damage it or in any part of the warehouse in which it is likely to be injured or damaged by excessive moisture, or otherwise. If a licensed warehouseman accepts cottonseed for storage in bulk, unless his warehouse is equipped with both a conveyor and a cooling system, he shall not store such seed in an amount greater than 500 tons in any one bin or compartment.

### § 742.52 Deteriorating cottonseed; handling; notice.

(a) If the licensed warehouseman, with the approval of the licensed inspector, shall determine that any cottonseed is deteriorating and that such deterioration cannot be stopped, the licensed warehouseman shall give immediate notice of the fact, in accordance with paragraphs (b) and (c) of this section.

(b) Such notice shall state (1) the warehouse in which the cottonseed is stored; (2) the quantity, kind, and grade of the cottonseed at the time the notice is given; (3) the actual condition of the cottonseed as nearly as can be ascertained, and the reason, if known, for such condition; (4) the oldest outstanding receipts covering the amount of cottonseed out of condition, giving the number and date of each such receipt and the quantity, the kind, and grade of the cottonseed as stated in each such receipt; and (5) that such cottonseed will be delivered upon the return and cancellation of the receipt therefor.

(c) A copy of such notice shall be delivered in person or shall be sent by

mail (1) to the persons holding the receipts, if known to the licensed warehouseman; (2) to the person who originally deposited the cottonseed; (3) to any other persons known by the licensed warehouseman to be interested in the cottonseed; and (4) to the Administrator. If the holders of the receipts and the owners of the cottonseed are known to the licensed warehouseman and cannot, in the regular course of the mails, be reached within 12 hours, the licensed warehouseman shall, whether or not requested to do so, also immediately notify such persons by telegraph or telephone at their expense. Public notice shall also be given by posting a copy of such notice at the place where the warehouseman is required to post his license. A copy of such notice shall be kept as a record of the warehouse.

(d) Any person, interested in any cottonseed or the receipt covering such cottonseed stored in a licensed warehouse, may, in writing, notify the licensed warehouseman, conducting such licensed warehouse, of the fact of his interest, and such licensed warehouseman shall keep a record of the fact. If such person requests in writing that he be notified regarding the condition of any such cottonseed and agrees to pay the cost of any telegraph or telephone charge, such licensed warehouseman shall notify such person in accordance with such request.

(e) Nothing contained in this section shall be construed as relieving the licensed warehouseman from properly caring for any cottonseed after notification of its condition in accordance with this section.

(f) Records required to be kept by this section shall be retained, as a part of the records of the warehouse, for a period of six years after December 31 of the year in which created, and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.53 Sale of deteriorating cottonseed.

Subject to State law, if the cottonseed advertised in accordance with the requirements of § 742.52 has not been removed from storage by the owner thereof within five days from the date of notice of its being out of condition, the licensed warehouseman in whose licensed warehouse such cottonseed is stored may immediately sell the same at public auction at the expense and for the account of the owner. Before such public sale is determined upon, the warehouseman shall immediately notify the Administrator by wire.

### § 742.54 Compliance with contracts.

Each warehouseman shall faithfully perform such obligations as a warehouseman as may be assumed by him under contracts with depositors of cottonseed in his warehouse.

[14 FR 3829, July 13, 1949. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.55 Reporting fire losses.

If at any time a fire occurs at or within any licensed warehouse, it shall be the duty of the warehouseman to report immediately the occurrence of such fire and the extent of damage to the Administrator.

[62 FR 33542, June 20, 1997]

### § 742.56 Grade or weight certificate; filing.

When a grade or weight certificate has been issued by a licensed grader or weigher, a copy of such certificate shall be filed with the warehouseman in whose warehouse the cottonseed covered by such certificate is stored, and such certificate shall become a

part of the records of the licensed warehouseman. Such certificates shall be retained, as a part of the records of the warehouse, for a period of 3 years after December 31 of the year in which the certificates are issued.

(Approved by the Office of Management and Budget under control number 0560–0120)

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 29 FR 13369, Sept. 26, 1964; 47 FR 745, Jan. 7, 1982. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.57 Identity-preserved cottonseed; nonstorage.

Subject to the provisions of section 13 of the act, a licensed warehouseman may elect not to receive cottonseed for storage the identity of which is to be preserved while in storage.

FEES

### § 742.58 License fees.

(a) Fees are collected in advance for each original, amended, modified, extended, reinstated, or duplicate warehouseman's license; and for each original, duplicate, or modified license issued to inspect, sample, grade, classify, or weigh commodities.

(b) Fee changes, if applicable, will be announced by Notice in the FEDERAL REGISTER on or before July 1, and effective the following October 1.

[59 FR 51358, Oct. 11, 1994]

### § 742.59 Warehouse annual and inspection fees.

Warehousemen must pay:

(a) An annual fee which will be determined by computing the capacity for each warehouse location under a single license and adding those amounts together to determine the total due. The fee will be assessed and payable when the warehouse bond is furnished in accordance with these regulations, for acceptance by the Secretary and annually thereafter on the bond renewal date. The capacity for each identifiable location will be determined by the Secretary. The total capacity of all locations may not exceed the capacity stated in the current license. An identifiable location is a fully functional public warehouse as determined by the Secretary. The annual fee a licensed warehouseman is assessed may be adjusted by the amount Commodity Credit Corporation (CCC) pays, if CCC has a storage contract or agreement with the warehouseman.

(b) An inspection fee for each original and amendment inspection.

(c) An inspection fee at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement, in all cases where the license has been suspended and the warehouseman has requested reinstatement. No fee will be charged if the Secretary determines that the suspension was not justified.

(d) A fee for each inspection requested by the warehouseman at the rate of 100 percent of the annual fee charged warehouses without a CCC storage contract or agreement.

[59 FR 51358, Oct. 11, 1994]

### § 742.60 Advance deposit.

Before any license is granted, or an original examination or inspection is made, or reexamination or reinspection for modification of an existing license is made, or when the annual fee for the licensed warehouse is assessed, pursuant to the regulation in this part, the applicant or licensee shall deposit with the Service the amount of the fee prescribed. Such deposit shall be made in the form of a check, certified if required by the Service, draft, or post office or express money order, payable to the order of the Service.

[46 FR 63201, Dec. 30, 1981. Redesignated at 50 FR 1814, Jan. 14, 1985, as amended at 62 FR 33542, June 20, 1997]

### § 742.61 Return of excess deposit.

The Treasurer of the United States shall hold in his custody each advance deposit made under § 742.60 until the fee, if any, is assessed and he is furnished by the Service with a statement showing the amount thereof and against whom assessed. Any part of such advance deposit which is not required for the payment of any fee assessed shall be returned to the party depositing the same.

[SRA, BAE 102, as amended Sept. 1926, and at 3 FR 1400, June 14, 1938. Redesignated at 50 FR 1814, Jan. 14, 1985]

LICENSED INSPECTORS, LICENSED GRADERS, AND LICENSED WEIGHERS

### § 742.62 Inspector's, grader's, weigher's application.

(a) Application for licenses to inspect, to grade, or to weigh cottonseed under the act shall be made to the Administrator on forms furnished for the purpose by him.

(b) Each such application shall be in English, shall be signed by the applicant, shall be verified by him under oath or affirmation administered by a duly authorized officer, and shall contain or be accompanied by (1) the name and location of a warehouse or warehouses licensed, or for which application for license has been made, under the Act in which cottonseed sought to be inspected, graded, and weighed under such license is or may be stored; (2) a statement from the warehouseman conducting such warehouse showing whether or not the applicant is competent and is acceptable to such warehouseman for the purpose; (3) satisfactory evidence that he has had at least one year's experience in the kind of service for which a license is sought or the equivalent of such experience, and that he is competent to perform such services, except in the case of applicants for weighers' licenses one month's experience will be sufficient; (4) a statement by the applicant that he agrees to comply with and abide by the terms of the Act and the regulations in this part so far as the same may relate to him; and (5) such other information as the Administrator may deem necessary: *Provided,* That when an application for a license to grade cottonseed is filed by a person who does not intend to grade cottonseed for any particular licensed warehouseman but who does intend to grade cottonseed stored or to be stored in a licensed warehouse and to issue grade certificates therefor, as provided for by the Act and the regulations in this part, independent of the warehouse receipts issued to cover such cottonseed, it shall not be necessary to furnish such statement as is required by paragraph (b)(2) of this section.

(c) The applicant shall at any time furnish such additional information as the Secretary or the Administrator shall find to be necessary to the consideration of his application by the Secretary.

(d) A single application may be made by any person for a license to inspect, to grade, and to weigh upon complying with all the requirements of this section.

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948; 19 FR 57, Jan. 6, 1954, as amended at 41 FR 34006, Aug. 12, 1976. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.63 Examination of applicant.

Each applicant for a license as an inspector, a grader, or a weigher, and each licensed inspector, licensed grader, or licensed weigher shall, whenever requested by an authorized agent of the Department of Agriculture designated by the Administrator for the purpose, submit to an examination or test to show his ability properly to perform the duties for which he is applying for license or for which he has been licensed.

### § 742.64 Posting of license.

Each licensed grader shall keep his license conspicuously posted in the office where all or most of the grading is done and each licensed inspector or weigher shall keep his license conspicuously posted in the warehouse office or in such place as may be designated for the purpose by the Administrator.

### § 742.65 Duties of licensees.

Each licensed inspector, each licensed grader, and each licensed weigher when requested, shall, without discrimination, as soon as practicable, and upon reasonable terms inspect, grade, or weigh and certificate the condition for storage, grade, or weight of cottonseed stored or to be stored in a licensed warehouse for which he holds a license, if such cottonseed be offered to him under such conditions as permit proper inspection and the determination of the condition, grade, or weight thereof, as the case may be. Each such inspector, grader, or weigher shall give preference to persons who request his services as such over persons who request his services in any other capacity. No inspection, grade, or weight certificate shall be issued under the act

for cottonseed not stored or not to be stored in a licensed warehouse.

### § 742.66 Inspection certificate; form.

Each inspection certificate issued under the act by a licensed inspector shall be in a form approved for the purpose by the Administrator, and shall embody within its written or printed terms (a) the caption ''United States Warehouse Act, Cottonseed Inspection Certificate''; (b) whether it is an original, a duplicate, or other copy; (c) the name and location of the licensed warehouse in which the cottonseed is or is to be stored; (d) the date of the certificate; (e) the location of the cottonseed at the time of inspection; (f) the identification number or mark of each bag of cottonseed, if in bags, given in accordance with § 742.36; (g) the condition of the cottonseed for storage at the time of inspection; (h) that the certificate is issued by a licensed inspector, under the United States Warehouse Act and regulations thereunder; (i) a blank space designated for the purpose in which may be stated any general remarks on the condition of the cottonseed; (j) the signature of such licensed inspector. In addition, the inspection certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

### § 742.67 Grade certificate; form.

Each grade certificate issued under the act by a licensed grader shall be in a form approved for the purpose by the Administrator and shall embody within its written or printed terms (a) the caption ''United States Warehouse Act, Cottonseed Grade Certificate''; (b) whether it is an original, a duplicate, or other copy; (c) the name and location of the licensed warehouse in which the cottonseed is or is to be stored; (d) the date of the certificate; (e) the location of the cottonseed at the time of grading; (f) the identification number or mark of each bag of cottonseed, if in bags, given in accordance with § 742.36; (g) the grade or other class of each bag or lot of cottonseed covered by the certificate, in accordance with §§ 742.77 through 742.79 as far as applicable, and the standard or description in accordance with which the grade is made; (h) the approximate amount of cottonseed covered by the certificate; (i) that the certificate is issued by a licensed grader under the United States Warehouse Act and regulations thereunder; and (j) the signature of the licensed grader. In addition, the grade certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

### § 742.68 Weight certificate; form.

Each weight certificate issued under the act by a licensed weigher shall be in a form approved for the purpose by the Administrator, and shall embody within its written or printed terms (a) the caption ''United States Warehouse Act, Cottonseed Weight Certificate''; (b) whether it is an original, a duplicate, or other copy; (c) the name and location of the licensed warehouse in which the cottonseed is or is to be stored; (d) the date of the certificate; (e) the location of the cottonseed at the time of weighing; (f) the identification number or mark of each bag of cottonseed, if in bags, given in accordance with § 742.36; (g) the gross weight of the cottonseed; (h) that the certificate is issued by a licensed weigher, under the United States Warehouse Act and the regulations thereunder; and (i) the signature of such licensed weigher. In addition, the weight certificate may include any other matter not inconsistent with the act or the regulations in this part, provided the approval of the Service is first secured.

### § 742.69 Combination certificate; form.

The condition, grade, and weight of any cottonseed, ascertained by a licensed inspector, a licensed grader, and a licensed weigher may be stated on a certificate meeting the combined requirements of §§ 742.66 through 742.68, if the form of such certificate shall have been approved for the purpose by the Administrator.

### § 742.70 Copies of certificates to be kept.

Each licensed inspector, each licensed grader, and each licensed weigher shall keep for a period of one year in

a place accessible to persons financially interested a copy of each certificate issued by him under the regulations in this part and shall file a copy of each such certificate with the warehouse in which the cottonseed covered by the certificate is stored.

### § 742.71 Licensees to permit and assist in examination.

Each licensed inspector, each licensed grader, and each licensed weigher shall permit any officer or agent of the Department of Agriculture, authorized by the Secretary for the purpose, to inspect or examine, on any business day during the usual hours of business, his books, papers, records, and accounts relating to the performance of his duties under the act and the regulations in this part, and shall, with the consent of the licensed warehouseman concerned, assist any such officer or agent in the inspection or examination of records mentioned in § 742.41, as far as any such inspection or examination relates to the performance of the duties of such licensed inspector, licensed grader, or licensed weigher under the act and the regulations in this part.

### § 742.72 Reports.

Each licensed inspector, each licensed grader, and each licensed weigher shall, from time to time, when requested by the Administrator, make reports on forms furnished for the purpose by the Service, bearing upon his activities as such licensed inspector, licensed grader, or licensed weigher.

### § 742.73 Licenses; suspension; revocation.

Pending investigation the Secretary may, whenever he deems necessary, suspend the license of a licensed inspector, licensed grader, or licensed weigher temporarily, without hearing. Upon a written request and a satisfactory statement of reasons therefor, submitted by the licensed inspector, licensed grader, or licensed weigher, the Secretary may, without hearing, suspend or cancel the license issued to such licensed inspector, licensed grader, or licensed weigher. The Secretary may, after opportunity for hearing has been afforded in the manner prescribed in this section, suspend or cancel a license issued to a licensed inspector, licensed grader, or licensed weigher when such licensee, (a) has ceased to perform services as such inspector, grader, or weigher, or (b) has in any other manner become incompetent or incapacitated to perform the duties of such licensed inspector, licensed grader, or licensed weigher. As soon as it shall come to the attention of a licensed warehouseman that either of the conditions mentioned under paragraphs (a) and (b) of this section exist, it shall be the duty of such warehouseman to notify in writing the Administrator. Before the license of any licensed inspector, licensed grader, or licensed weigher is permanently suspended or revoked pursuant to section 12 of the Act, such licensed inspector, licensed grader, or licensed weigher shall be furnished by the Secretary, or by an official of the Department of Agriculture designated for the purpose, a written statement specifying the charges and shall be allowed a reasonable time within which he may answer the same in writing and apply for a hearing, an opportunity for which shall be afforded in accordance with § 742.84.

[SRA, BAE 102, as amended Sept. 1926, and at 13 FR 8730, Dec. 30, 1948. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.74 Suspended or revoked license; return; termination of license.

(a) In case a license issued to a licensed inspector, licensed grader, or licensed weigher is suspended, revoked, or canceled by the Secretary, such license shall be returned to the Secretary. At the expiration of any period of suspension of such license, unless in the meantime it be revoked or canceled, the dates of the beginning and termination of the suspension shall be indorsed thereon, and it shall be returned to the licensed inspector, licensed grader, or licensed weigher to whom it was originally issued, and it shall be posted as prescribed in § 742.64.

(b) Any license issued under the act and the regulations in this part to an inspector, a grader, or a weigher shall automatically terminate as to any licensed warehouse whenever the license of such warehouse shall be revoked or canceled. Thereupon the license of such inspector, grader, or weigher shall be

returned to the Secretary. In case such license shall apply to other warehouses the Secretary shall issue him a new license, omitting the names of the warehouses covering which licenses have been revoked or canceled. Such new license shall be posted as prescribed in § 742.64.

### § 742.75 Lost or destroyed licenses.

Upon satisfactory proof of the loss or destruction of a license issued to a licensed inspector, licensed grader, or licensed weigher, a duplicate thereof may be issued under the same or a new number, in the discretion of the Secretary.

### § 742.76 Unlicensed inspectors, graders, weighers; misrepresentation.

No person shall in any way represent himself to be an inspector, grader, or weigher licensed under the act unless he holds an unsuspended, unrevoked, and uncanceled license issued under the act.

COTTONSEED GRADING

### § 742.77 Classification; statement.

Whenever the grade or condition of cottonseed is required to be or is stated for the purposes of this act and the regulations in this part, it shall be stated in accordance with §§ 742.78 and 742.79.

### § 742.78 Standards to be used.

Until such time as official cottonseed grades of the United States are in effect, the grade and condition of cottonseed shall be stated as far as applicable (a) in accordance with the State standards, if any, established in the State in which the warehouse is located, (b) in the absence of any State standards, in accordance with the standards, if any, adopted by any cottonseed organization or by the cottonseed trade generally in the locality in which the warehouse is located, subject to the disapproval of the Administrator, or (c) in the absence of the aforesaid standards in accordance with any standards approved by the Administrator.

### § 742.79 Statement of grade; condition.

Whenever the grade or condition of the cottonseed is stated for the purposes of this act and this part, the terms used shall be correctly applied and shall be so selected as not to convey a false impression of the cottonseed. In case of doubt as to the grade or condition of a given lot of cottonseed a determination shall be made of such facts by drawing at least six samples of five (5) pounds each, fairly representative of the contents of the car, or two samples of two (2) pounds each fairly representative of the contents of the wagon from the various parts of the carload or wagonload of cottonseed offered for storage. These samples shall be thoroughly mixed and after being so mixed, from this mixture by quartering, not less than 100 grams shall be taken, which shall constitute the sample for the purpose of determining the grade.

ARBITRATION

### § 742.80 Arbitration.

(a) Except when agreements have been made in accordance with the ''United States Arbitration Act'' (43 Stat. 883; 9 U.S.C. 1–14), in case a question arises as to whether the condition, grade, or weight of cottonseed was correctly stated in a receipt, inspection certificate, grade certificate, or weight certificate issued under the act and the regulations in this part or as to whether an official sample was properly drawn by a licensed inspector in accordance with the regulations in this part, the licensed warehouseman concerned or any person financially interested in the cottonseed involved may, after reasonable notice to the other interested party, submit the question to an arbitration committee for determination in accordance with this section.

(b) Such arbitration committee shall be composed of three or more disinterested persons who are competent to pass upon the questions involved. If there be a local trade organization such as a board of trade, chamber of commerce, exchange, or inspection department which provides such a committee under a rule or practice acceptable to the Administrator for the purpose, such a committee may determine the question. In the absence of such a committee, or if for any good reason not inconsistent with the act and the

regulations in this part such committee is not acceptable to either of the parties interested the complainant and the other party shall each name a member and the two members so named shall select a third member, who shall constitute the arbitration committee. Each member of any such committee shall at all times be subject, for good cause, to the disapproval of the Administrator, and in case any member is so disapproved he shall not thereafter act on an arbitration committee which is considering any questions relating to the same lot of cottonseed unless such disapproval be withdrawn.

(c) It shall be the duty of the interested parties to acquaint the arbitration committee with the exact nature of the question to be determined and all the necessary facts and to permit the committee to examine the receipt, certificate, sample, or cottonseed involved or any papers or records needed for the determination of the question. The committee shall make a written finding setting forth the question involved, the necessary facts, and its determination. Such findings or a true copy thereof, shall be filed as a part of the records of the licensed warehouseman involved. It may dismiss the matter without determination upon the request of the complainant, or for noncompliance by the complainant with the law or the regulations in this part, or because it is without sufficient evidence to determine the question, in which case the decision shall be deemed to be against the complainant. Except as otherwise provided by law, its decision shall be final for the purposes of the act and the regulations in this part, unless the Administrator shall direct a review of the question. Any necessary and reasonable expense of such arbitration shall be borne by the losing party, unless the committee shall decide that such expense shall be prorated between the parties.

(d) If the decision of the arbitration committee be that the grade, condition, or weight was not correctly stated, the receipt or certificate involved shall be returned to and canceled by the licensee who issued it and he shall substitute therefor one conforming to the decision of the committee. If the decision of the committee be that a sample was not properly drawn in accordance with the regulations in this part, it shall cease to be an official sample for the purposes of regulations in this part, and the licensed inspector, at the request of any of the parties of the arbitration, shall draw and substitute a new sample, complying with this part with respect to such sample.

[SRA, BAE 102, as amended Sept. 1926. Redesignated at 50 FR 1814, Jan. 14, 1985]

MISCELLANEOUS

### § 742.81 Bonds required.

Every person applying for a license, or licensed under section 9 of the act shall as such, be subject to all portions of the regulations in this part except § 742.5, so far as they may relate to warehousemen. In case there is a law of any State providing for a system of warehouses owned, operated, or leased by such State, a person applying for a license under section 9 of the act, to accept the custody of cottonseed and to store the same in any of said warehouses, may, in lieu of a bond or bonds, complying with §§ 742.12 and 742.13, file with the Secretary a single bond meeting the requirements of the act and the regulations in this part, in such form, and in such amount not less than $5,000 as he shall prescribe, to insure the performance by such person, with respect to the acceptance of the custody of cottonseed and its storage in the warehouse in such system for which licenses are or may be issued, of his obligations arising during the periods of such licenses, and in addition, if desired by the applicant, during the periods of any modifications or extensions thereof. In fixing the amount of such bond, consideration shall be given, among other appropriate factors, to the character of the warehouses involved, their actual or contemplated capacity, the bonding requirements of the State, and its liability with respect to such warehouses. If the Secretary shall find the existence of conditions warranting such action, there shall be added to the amount of the bond so fixed, a further amount, fixed by him, to meet such conditions.

### § 742.82 Publications.

Publications under the act and the regulations in this part shall be made in such media as may be deemed proper by the Administrator.

[62 FR 33542, June 20, 1997]

### § 742.83 Information of violations.

Every person licensed under the act shall immediately furnish the Administrator any information which comes to the knowledge of such person tending to show that any provision of the act or the regulations in this part has been violated.

### § 742.84 Procedure in hearings.

Hearings under the Act or the regulations in this part, except those relating to appeals or arbitrations shall be conducted in accordance with the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary under various statutes (7 CFR 1.130—1.151).

[45 FR 6776, Jan. 30, 1980. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.85 One document and one license to cover several products.

A license may be issued for the storage of two or more agricultural products in a single warehouse. Where such a license is desired, a single application, inspection, bond, record, report or other paper, document or proceeding relating to such warehouse, shall be sufficient unless otherwise directed by the Administrator.

[14 FR 3829, July 13, 1949. Redesignated at 50 FR 1814, Jan. 14, 1985]

### § 742.86 Bond, assets, and fees for combination warehouse.

Where such license is desired, the amount of the bond, net assets, and inspection and license fees shall be determined by the Administrator in accordance with the regulations applicable to the particular agricultural product which would require the largest bond and the greatest amount of net assets and of fees if the full capacity of the warehouse was used for its storage.

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948. Redesignated at 14 FR 3829, July 13, 1949, and at 50 FR 1814, Jan. 14, 1985]

### § 742.87 Amendments.

Any amendment to, or revision of, the regulations in this part, unless otherwise stated therein, shall apply in the same manner to persons holding licenses at the time it becomes effective as it applies to persons thereafter licensed under the act.

[SRA, BAE 102; 13 FR 8731, Dec. 30, 1948. Redesignated at 14 FR 3829, July 13, 1949, and at 50 FR 1814, Jan. 14, 1985]

# SUBCHAPTER D—SPECIAL PROGRAMS

## PART 743 [RESERVED]

## PART 750—SOIL BANK

EDITORIAL NOTE: Part 750 (formerly part 485 of title 6), published at 21 FR 6289, Aug. 22, 1956, and redesignated at 26 FR 5788, June 29, 1961, is no longer carried in the Code of Federal Regulations. This deletion does not relieve any person of any obligation or liability incurred under these regulations, nor deprive any person of any rights received or accrued under the provisions of this part. For FEDERAL REGISTER citations affecting this part, see the ''List of CFR Sections Affected, 1949–1963, 1964–1972, and 1973–1985,'' published in seven separate volumes.

## PART 752—WATER BANK PROGRAM

Sec.

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AUTHORITY: Secs. 2–12, 84 Stat. 1468–1471, as amended (16 U.S.C. 1301–1311).

SOURCE: 48 FR 45528, Oct. 6, 1983, unless otherwise noted.

### § 752.1 Program objective.

(a) The regulations in this part set forth the terms and conditions for the Water Bank Program. The Secretary is authorized to enter into agreements and make payments to eligible persons in important migratory waterfowl nesting and breeding areas. Specified wetlands identified for the conservation of water or related uses on a conservation plan shall be developed in cooperation with the Soil and Water Conservation District in which the lands are located.

(b) The objective of the Water Bank Program (hereinafter referred to in this part as the ''program'') is to preserve, restore, and improve the wetlands of the Nation, and thereby: (1) Conserve surface waters, (2) preserve and improve habitat for migratory waterfowl and other wildlife resources, (3) reduce runoff, soil and wind erosion, (4) contribute to flood control, (5) contribute to improved water quality and reduce stream sedimentation, (6) contribute to improved subsurface moisture, (7) reduce acres of new land coming into production and to retire lands now in agricultural production, (8) enhance the natural beauty of the landscape, and (9) promote comprehensive and total water management planning.

### § 752.2 Definitions.

(a) *Adjacent land* means land on a farm which adjoins designated types 1 through 7 wetlands and is considered essential for the protection of the wetland or for the nesting, breeding, or feeding of migratory waterfowl. Adjacent land need not be contiguous to the land designated as wetland, but cannot be located more than one quarter of a mile away. Types 1 and 2 wetlands may be designated as adjacent land rather than wetland if located not more than one quarter mile from types 3 through 7 wetlands.

(b) *Administrator* means the Administrator or Acting Administrator of the

Farm Service Agency (FSA), U.S. Department of Agriculture.

(c) *Agreement* means a water bank agreement.

(d) *Conservation plan* means a written record of the land user's decisions on the use and management of the wetland and adjacent areas covered by the agreement. The conservation plan is the basis for the agreement. It includes a schedule of conservation treatment and management required to improve, protect, or restore the wetland and to maintain the wetland and adjacent land as a functional wetland unit for the life of the agreement. Conservation treatment and management of the vegetation for wetland protection, wildlife habitat, or other authorized objectives are consistent with the program objectives and priorities.

(e) *Wetlands* means the inland fresh areas described as types 1 through 7 in Circular 39, Wetlands of the United States, as published by the United States Department of the Interior.

(f) In the regulations in this part and in all instructions, forms, and documents in connection therewith, all other words and phrases specifically relating to FSA operation shall, unless the context of subject matter otherwise requires, have the meanings assigned to them in the regulations governing reconstitution of farms, allotments and bases, part 719 of this chapter, as amended.

[48 FR 45528, Oct. 6, 1983, as amended at 50 FR 7744, Feb. 26, 1985]

### § 752.3 Administration.

(a) The program will be administered under the general supervision of the Administrator, in consultation with the Secretary of the Interior or his designee, and shall be carried out in the field by FSA State and county committees.

(b) Members of county committees are authorized to approve water bank agreements on behalf of the Secretary of Agriculture.

(c) State and county committees do not have authority to modify or waive any of the provisions of these regulations, or any amendment, supplement, or revision thereto. They do not have authority to modify or waive any of the provisions of any agreement entered into hereunder except to the extent specifically authorized in this part.

[48 FR 45528, Oct. 6, 1983, as amended at 50 FR 7744, Feb. 26, 1985]

### § 752.4 Geographical applicability.

The program will be applicable in States and counties designated by the Deputy Administrator, State and County Operations, FSA (hereinafter referred to as the ''Deputy Administrator'') after consultation with the United States Fish and Wildlife Service, United States Department of the Interior.

### § 752.5 Eligible farm.

A farm is eligible for participation in the program if: (a) At the time the request for an agreement is filed, land on the farm is not covered by a Water Bank Program agreement; (b) the farm contains at least one of the types 3 through 7 wetlands which are identified in a conservation plan developed in cooperation with the Soil and Water Conservation District in which the farm is located; and (c) the farm meets the other requirements specified in this part.

### § 752.6 Land eligible for designation.

(a) Land placed under an agreement shall be specifically identified and designated for the period of the agreement.

(b) Land eligible for designation must be: (1) Privately owned inland fresh wetland areas of types 1 through 7 of which at least 2 acres must be types 3 through 7 wetlands with respect to which, in the absence of inclusion in the program, destruction of the wetland character could reasonably be expected; (2) privately owned inland fresh wetland areas of types 1 through 7, which are under a drainage easement with the U.S. Department of the Interior or with a State government which permits agricultural use; or (3) other privately owned land which is adjacent to or within one quarter mile of designated types 1 through 7 wetlands and which is determined by the county committee to be essential for the nesting, breeding, or feeding of migratory waterfowl, or for the protection of wetland.

(c) The following land is not eligible for designation: (1) Land on which the ownership has changed during the 2-year period preceding the first year of the agreement period unless: (i) The new ownership was acquired by will or succession as a result of the death of the previous owner, or (ii) the land was acquired by the owner or operator to replace eligible land from which he was displaced because of its acquisition by any Federal, State, or other agency having the right of eminent domain. However a new owner shall not be prohibited from entering into an agreement if the person has operated the land to be designated for as long as 2 years preceding the first year of the agreement and has control of such land for the agreement period. The provisions of this subparagraph shall not prohibit the continuation of an agreement by a new owner after an agreement has once been entered into under this part.

(2) Land which is set aside or diverted under any other program administered by the Department of Agriculture.

(3) Land which is owned by the United States or a State or local government or political subdivision thereof.

(4) Land which is harvested in the first year of the agreement period prior to being designated, except for land on which timber is harvested in accordance with § 752.7(g).

(5) Types 1 through 7 wetlands which are common to more than one farm unless the portion of a wetland area located on the farm which controls the potential outlet for drainage is placed under agreement. After an agreement has been approved for the farm controlling the outlet for drainage, an agreement may be entered into with any or all other farms for other portions of the common wetland area if all agreements have the same beginning date as the farm controlling the outlet for drainage.

[48 FR 45528, Oct. 6, 1983, as amended at 50 FR 7744, Feb. 26, 1985]

### § 752.7 Use of designated acreage.

(a) The acreage designated under an agreement shall be maintained for the agreement period in a manner which will preserve, restore or improve the wetland character of the land. Persons entering into an agreement shall devote the adjacent land to conservation uses as specified in the agreement.

(b) The designated acreage shall not be drained, burned, filled, or otherwise used in a manner which would destroy the wetland character of the acreage, except that the provisions of this paragraph shall not prohibit the carrying out of management practices which are specified in a conservation plan for the farm which is developed in cooperation with the Soil and Water Conservation District in which the farm is located.

(c) The designated acreage shall not be used as a dumping area for draining other wetlands. However, the county committee may authorize the use of the designated area to receive limited drainage waters upon a determination that such use is consistent with the sound management of wetlands and is specified in the conservation plan for the farm.

(d) The designated acreage shall not be used: (1) As a source of irrigation water or as acreage for a set-aside, land diversion, acreage reduction or other program, or (2) to meet the conserving base acreage requirement for any other program.

(e) No crop shall be harvested from the designated acreage and such acreage shall not be grazed, except as may be specified in the conservation plan for the farm except that the designated acreage may be grazed in the first year of the agreement period prior to the date the agreement is approved.

(f) During periods of severe drought, haying of the designated acreage may be approved under specified conditions which are prescribed by the Deputy Administrator in consultation with the Secretary of Interior or his designee.

(g) The harvesting of timber products may be permitted but only in accordance with a Forest Management Plan which is included in the conservation plan and which is approved by the State forester or equivalent State official.

[48 FR 45528, Oct. 6, 1983, as amended at 50 FR 7744, Feb. 26, 1985]

**§ 752.8 Water bank program agreement.**

(a) An agreement shall be executed for each participating farm. The agreement shall be signed by the owner of the designated acreage and any other person who, as landlord, tenant, or share cropper, will share in the payment or has an interest in the designated acreage.

(b) There may be more than one agreement for a farm.

(c) Each agreement shall be signed by a member of the county committee on behalf of the Secretary.

[48 FR 45528, Oct. 6, 1983, as amended at 50 FR 7744, Feb. 26, 1985]

**§ 752.9 Agreement period.**

(a) The agreement period shall be 10 years. The agreement shall become effective on January 1 of the year in which the agreement is approved except that the agreement shall become effective on January 1 of the next succeeding year in cases where, at the time the agreement is approved, the county committee determines that the agreement signers will be unable to comply with the provisions of § 752.7 relating to the use of designated acreage in the year in which such agreement is approved.

(b) Subject to a modification of payment rates and such other provisions which may be determined to be desirable, agreements may be renewed for additional periods of 10 years each.

**§ 752.10 Awarding water bank agreements.**

(a) Persons wishing to be considered for an agreement shall file a request with the county committee indicating the acreage which is to be designated under the agreement. In order to be eligible for participation in the program, such persons must agree to designate: (1) 2 or more acres of types 3 through 7 wetlands, and (2) a total of at least 10 acres consisting of types 1 through 7 wetlands or adjacent land, or any combination thereof, identified in a conservation plan developed in cooperation with the Soil and Water Conservation District in which the farm is located. In addition, the Soil Conservation Service (SCS) must certify that the designated acreage constitutes a viable wetland unit, contains sufficient adjacent land to protect the wetland, and provides essential habitat for the nesting, breeding or feeding of migratory waterfowl. An acreage of less than 10 acres may be designated if the SCS representative recommends acceptance of the acreage and certifies that the area offered for agreement is a good, viable wetland unit and that the acceptance of the acreage would be in accord with the purposes of the program.

(b) Persons desiring to participate in the program may agree to designate any additional amount to types 1 through 7 wetlands and adjacent land. However, the maximum acreage of adjacent land which is designated under the agreement with respect to which payment shall be based cannot exceed four times the total acreage of types 3 through 7 wetlands which is designated under the agreement. This maximum acreage restriction may be waived by the State committee if such waiver would further the program objectives.

(c) Where funds allocated to the county do not permit accepting all requests which are filed, the county committee may limit the approval of requests for agreements in accordance with instructions issued by the Deputy Administrator.

**§ 752.11 Responsibility of agreement signers.**

(a) The owner of the designated acreage is responsible for compliance with the agreement and for any refunds or deductions for failure to comply fully with the terms of the agreement while a party to such agreement.

(b) Each other person signing the agreement is jointly and severally responsible with the owner for compliance with the agreement and for any refunds or payment reductions which may be required for failure to comply fully with the terms of the agreement while a party to such agreement.

**§ 752.12 Provisions relating to tenants and sharecroppers.**

(a) No agreement shall be approved if it appears that the owner, landlord, or

operator has (1) not afforded the tenants and sharecroppers having an interest in the designated acreage an opportunity to participate in the program, or (2) adopted any device or scheme for the purpose of depriving any tenant or sharecropper of their payment or any other right under the program.

(b) The agreement shall be deemed to be in noncompliance if any of the conditions set forth in paragraph (a) of this section occur after the approval of the agreement.

**§ 752.13 Determination of compliance.**

(a) Determination of the acreage designated under the agreement shall be made in accordance with part 718 of this chapter, as amended.

(b) A representative of the county or State committee or any authorized representative of the Secretary shall have the right at any reasonable time to enter a farm concerning which representations have been made on any forms filed under the program in order to measure the designated acreage, to examine any records pertaining thereto, and to otherwise determine the accuracy of any representations and the performance of any obligations by the signatories of a WBP agreement.

**§ 752.14 Annual payments.**

(a) Persons on the farm having an interest in the designated acreage shall be eligible for an annual payment.

(b) The annual per acre payment rates for wetlands and for adjacent land shall be those rates which are recommended by the county and State committee and approved for each county by the Deputy Administrator. If the wetlands are subject to a drainage easement with the United States Department of the Interior or a state governmental entity, the payment rates for such wetlands will be 80 percent of the approved county rates which are applicable to wetlands in the county. A listing of all approved rates shall be available for inspection at the county FSA office.

(c) The payment shall be divided among the owner of the designated acreage and any other person having an interest in such acreage, including tenants and sharecroppers, in the manner agreed upon by them as representing their respective contributions to compliance with the agreement. The county committee shall refuse to approve an agreement if it determines that the proposed division of payment is not fair and equitable. The annual payment and the division of the payment shall be specified in the agreement.

**§ 752.15 Adjustment of annual rates.**

(a) The county committee shall reexamine the payment rates with respect to each agreement at the beginning of the fifth year of any ten-year initial or renewal period and before the renewal period expires.

(b) An adjustment in the payment rates shall be made for any initial or renewal period taking into consideration the current land rental rates and crop values in the area. No adjustment shall be made in a payment rate which will result in a reduction of an annual payment rate from the rate which is specified in the initial agreement.

**§ 752.16 Refunds or forfeitures for noncompliance.**

(a) Except as otherwise provided in paragraph (b) of this section, no payment shall be made to any person for any year with respect to any agreement for which it is determined that for such year:

(1) There has been a failure to maintain the wetland character of the designated acreage and devote the adjacent land to the use specified in the agreement as provided in § 752.7. (a);

(2) There has been a failure to comply with the prohibition against draining, burning, filling, or otherwise using the designated acreage in a manner which would destroy the wetland character of the acreage as provided in § 752.7 (b);

(3) There has been a failure to comply with the prohibition against using the designated acreage as a dumping area for draining other wetlands as provided in § 752.7 (c);

(4) There has been a failure to comply with the prohibition against using the designated acreage as a source of irrigation water or as acreage for a set-aside, land diversion, acreage reduction or other program, or to meet the conserving base acreage requirement for

any other program as provided in § 752.7 (d);

(5) There has been a failure to comply with the prohibition against harvesting a crop from or grazing the designated acreage as provided in § 752.7(e);

(6) There has been a failure to comply with the provisions relating to haying the designated acreage during periods of severe drought as provided in § 752.7(f);

(7) There has been a failure to comply with the provisions relating to the harvesting of timber products as provided in § 752.7(g); or

(8) There has been a failure to comply with the provisions relating to tenants and sharecroppers as provided in § 752.12.

(b) The regulations governing the making of payments when there has been a failure to comply fully with the provisions of the program, part 791 of this chapter, are applicable to the WBP.

(c) The agreement shall be terminated in any case in which the failure to comply with the provisions of this part requires a refund or forfeiture of the entire annual payment under the agreement for the year and it is determined that the failure to comply is of such a nature as to warrant termination of the agreement. If an agreement is terminated, the persons signing the agreement shall forfeit all rights to further payments under the agreement and shall refund all payments received under the agreement.

### § 752.17 Actions defeating purposes of program.

If the county committee with the concurrence of the State committee, or the State committee, finds that any person has taken any action which tends to defeat the purposes of the program, all or any part of the annual payment which otherwise would be due under the program may be withheld or be required to be refunded.

### § 752.18 Filing of false claims.

The making of a fraudulent representation by a person in the payment documents or otherwise for the purpose of obtaining a payment from the county committee shall render the person liable, in addition to any liability under applicable Federal criminal and civil fraud statutes, for a refund of any payments received by such person as the result of the fraudulent representation.

### § 752.19 Depriving others of payments.

If the State committee finds that any person has employed any scheme or device (including coercion, fraud, or misrepresentation) which deprives any other person of a payment to which such person is otherwise entitled under the program, the State committee may withhold or require a refund of all or any part of the program payment which otherwise would be due to the person who employed such scheme or device.

### § 752.20 Modification of an agreement.

(a) Any reconstitution of farms shall be made in accordance with the regulations governing reconstitution of farms, part 719 of this chapter, as amended.

(b) If the farm is reconstituted because of purchase, sale, change of operation, or otherwise, the agreement shall be modified in accordance with instructions issued by the Deputy Administrator with respect to any reconstituted farm which contains all or any part of the original designated acreage. The modified agreement or agreements shall reflect the changes in the number of acres in any reconstituted farm, the designated acreage, interested persons, and division of payments. If persons who were not signatories to the original agreement are required to execute such modified agreement or agreements in accordance with the provisions of § 752.8, but such persons are not willing to become parties to the modified agreement or for any other reason a modified agreement is not executed, the agreement shall be terminated with respect to the designated acreage which is not continued in the program, and all unearned payments shall be forfeited or refunded to FSA. The annual payment for the year in which a reconstitution occurs shall not be considered earned unless the designated acreage is continued in the program and there is a compliance with the agreement for the full agreement year. The persons on the farm prior to the reconstitution who were signatories to the agreement

shall be jointly and severally responsible for refunding the unearned payments previously made.

(c) Except with respect to a farm which is reconstituted, if the ownership or operation of the farm changes in such a manner that the agreement no longer contains the signatures of persons required to sign the agreement in accordance with § 752.8, the agreement shall be modified in accordance with instructions issued by the Deputy Administrator to reflect the new interested persons and new divisions of payments. If such persons are not willing to become parties to the modified agreement or for any other reason a modified agreement is not executed, the agreement shall be terminated and all unearned payments shall be forfeited or refunded. The annual payment for the year in which the change of ownership or operation occurs shall not be considered to have been earned unless the designated acreage is continued in the program and there is compliance with the agreement for the full agreement year. The persons on the farm prior to the change of ownership or operation who were signatories to the agreement shall be jointly and severally responsible for refunding the unearned payments previously made.

(d) The Deputy Administrator may authorize other agreement modifications which are determined to be desirable to carry out the purposes of the program or to facilitate its administration.

### § 752.21 Termination of agreements.

The Deputy Administrator may, by mutual agreement with the parties to the agreement, consent to the termination of an agreement where: (a) The operator of the farm is physically handicapped and could not reasonably be expected to comply with the terms and conditions of the agreement; (b) the operator is or was mentally unstable at the time of the signing of the agreement and could not reasonably be expected to comply with the terms and conditions of the agreement; (c) the parties to the agreement are unable to comply with the terms of the agreement as the result of conditions beyond their control; (d) compliance with the terms of the agreement would work a severe hardship on the parties to the agreement; or (e) termination of the agreement would be in the public interest. If an agreement is terminated in accordance with the provisions of this section, the annual payment for the year in which the agreement is terminated shall not be considered to have been earned unless there is compliance with the terms and conditions of the agreement for the entire calendar year.

### § 752.22 Transfer of interest in an agreement.

(a) If a person acquires an interest in the designated acreage during the period covered by an agreement, such person may, with the consent of the other parties to the agreement and with approval of the county committee, become a party to the agreement and share in payments thereunder. A person, by becoming a party to the agreement, shall be jointly and severally responsible with the other signatories to the agreement for compliance with the terms and conditions of the agreement. In addition, such person shall be liable for any payment reductions or refunds which may be required as the result of the failure to comply with the terms and conditions of such agreement after becoming a party to the agreement.

(b) If a signatory to an agreement ceases to have an interest in the designated acreage, such person thereby ceases to be a party to the agreement. However, such person will not be relieved of any liability for deductions and refunds for failure to comply with the terms and conditions of the agreement while a party to the agreement.

### § 752.23 Successors-in-interest.

In case of death, incompetency, or disappearance of any person, any payment due shall be paid to the successor as determined in accordance with provisions of the regulations in part 707 of this chapter, as amended.

### § 752.24 Agreement not in comformity with regulations.

If, after an agreement is approved by the county committee, it is discovered

that such agreement is not in conformity with the regulations as the result of a misunderstanding of the program procedures by a signatory to the agreement, a modification of the agreement may be made by mutual agreement. If persons who are currently eligible to execute the corrected agreement are unwilling to do so, the agreement shall be terminated and all payments paid or payable under the agreement shall be forfeited or refunded, except as may be allowed by the Deputy Administrator in accordance with the provisions of § 752.25.

### § 752.25 Performance based upon advice or action of county or State committee.

The provisions of part 790 of this chapter, as amended, relating to performance based upon action or advice of an authorized representative of the Secretary shall be applicable to this program.

### § 752.26 Setoffs and withholdings.

The regulations issued by the Secretary governing setoffs and withholdings, part 13 of this title, as amended, shall be applicable to this program.

### § 752.27 Debt collection.

Any debts arising under this program are governed with respect to their collection by the Federal Claims Collection Act of 1966 (31 U.S.C. 3701) and the regulations found at chapter II of 4 CFR.

### § 752.28 Appeals.

Any person may obtain review of determinations affecting participation in this program in accordance with part 614 of this title.

[60 FR 67316, Dec. 29, 1995]

### § 752.29 Payments not subject to claims.

Any payments due any person shall be determined and allowed without regard to State law and without regard to any claim or lien against any crop, or proceeds thereof, which may be asserted by any creditor, except as provided in § 752.26.

### § 752.30 Prohibition against payments.

The regulations in part 796 of this chapter prohibiting the making of payments to program participants who harvest or knowingly permit to be harvested for illegal use marijuana or other such prohibited drug-producing plants on any part of the lands owned or controlled by them are applicable to this program.

### § 752.31 Delegation of authority.

No delegation herein to a State or county committee shall preclude the Administrator, or his designee, from determining any question arising under the program or from reversing or modifying any determination made by a State or county committee.

### § 752.32 Paperwork Reduction Act assigned numbers.

The Office of Management and Budget has approved the information collection requirements contained in these Regulations (§§ 752.8, 752.10 and 752.13) under the provisions of 44 U.S.C. Chapter 35 and OMB number 0560–0062 has been assigned.

## PART 755—REGIONAL PROGRAMS

### Subpart—Appalachian Land Stabilization and Conservation Program

Sec.

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AUTHORITY: Sec. 208, 79 Stat. 5, 12; 40 U.S.C. App. 1, 2, 203.

SOURCE: 30 FR 8669, July 9, 1965, unless otherwise noted.

## Subpart—Appalachian Land Stabilization and Conservation Program

### § 755.1 Definitions.

As used in this subpart the following terms shall have the following meanings:

(a) *Act* means the Appalachian Regional Development Act of 1965.

(b) *Appalachian Region* or *the Region* means that area of the Eastern United States consisting of the following counties (including any political subdivision located within such area):

In Alabama, the counties of Bibb, Blount, Calhoun, Chambers, Cherokee, Chilton, Clay, Cleburne, Colbert, Coosa, Cullman, De Kalb, Elmore, Etowah, Fayette, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan, Pickens, Randolph, Saint Clair, Shelby, Talladega, Tallapoosa, Tuscaloosa, Walker, and Winston;

In Georgia, the counties of Banks, Barrow, Bartow, Carroll, Catoosa, Chattooga, Cherokee, Dade, Dawson, Douglas, Fannin, Floyd, Forsyth, Franklin, Gilmer, Gordon, Gwinnett, Habersham, Hall, Haralson, Heard, Jackson, Lumpkin, Madison, Murray, Paulding, Pickens, Polk, Rabun, Stephens, Towns, Union, Walker, White, and Whitfield;

In Kentucky, the counties of Adair, Bath, Bell, Boyd, Breathitt, Carter, Casey, Clark, Clay, Clinton, Cumberland, Elliott, Estill, Fleming, Floyd, Garrard, Green, Greenup, Harlan, Jackson, Johnson, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, McCreary, Madison, Magoffin, Martin, Menifee, Monroe, Montgomery, Morgan, Owsley, Perry, Pike, Powell, Pulaski, Rockcastle, Rowan, Russell, Wayne, Whitley, and Wolfe;

In Maryland, the counties of Allegany, Garrett, and Washington;

In Mississippi, the counties of Alcorn, Benton, Chickasaw, Choctaw, Clay, Itawamba, Kemper, Lee, Lowndes, Marshall, Monroe, Noxubee, Oktibbeha, Pontotoc, Prentiss, Tippah, Tishomingo, Union, Webster, and Winston;

In New York, the counties of Allegany, Broome, Cattaraugus, Chautauqua, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Schuyler, Steuben, Tioga, and Tompkins;

In North Carolina, the counties of Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Cherokee, Clay, Davie, Forsyth, Graham, Haywood, Henderson, Jackson, McDowell, Macon, Madison, Mitchell, Polk, Rutherford, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin, and Yancey;

In Ohio, the counties of Adams, Athens, Belmont, Brown, Carroll, Clermont, Coshocton, Gallia, Guernsey, Harrison, Highland, Hocking, Holmes, Jackson, Jefferson, Lawrence, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Pike, Ross, Scioto, Tuscarawas, Vinton, and Washington;

In Pennsylvania, the counties of Allegheny, Armstrong, Beaver, Bedford, Blair, Bradford, Butler, Cambria, Cameron, Carbon, Centre, Clarion, Clearfield, Clinton, Columbia, Crawford, Elk, Erie, Fayette, Forest, Fulton, Greene, Huntingdon, Indiana, Jefferson, Juniata, Lackawanna, Lawrence, Luzerne, Lycoming, McKean, Mercer, Mifflin, Monroe, Montour, Northumberland, Perry, Pike, Potter, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Venango, Warren, Washington, Wayne, Westmoreland, and Wyoming;

In South Carolina, the counties of Anderson, Cherokee, Greenville, Oconee, Pickens, and Spartanburg;

In Tennessee, the counties of Anderson, Bledsoe, Blount, Bradley, Campbell, Cannon, Carter, Claiborne, Clay, Cocke, Coffee, Cumberland, DeKalb, Fentress, Franklin, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hawkins, Jackson, Jefferson, Johnson, Knox, Loudon, McMinn, Macon, Marion, Meigs, Monroe, Morgan, Overton, Pickett, Polk, Putnam, Rhea, Roane, Scott, Sequatchie, Sevier, Smith, Sullivan, Unicoi, Union, Van Buren, Warren, Washington, and White;

In Virginia, the counties of Alleghany, Bath, Bland, Botetourt, Buchanan, Carroll, Craig, Dickenson, Floyd, Giles, Grayson, Highland, Lee, Pulaski, Russell, Scott, Smyth, Tazewell, Washington, Wise, and Wythe;

All the counties of West Virginia.

(c) *Secretary* means the Secretary of Agriculture of the United States or any officer or employee of the United States Department of Agriculture to whom authority has been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(d) *Administrator* means the Administrator or Acting Administrator of the Farm Service Agency, United States Department of Agriculture.

(e) *Deputy Administrator* means the Deputy Administrator or Acting Deputy Administrator for State and County Operations, Farm Service Agency, United States Department of Agriculture.

(f) *Director* means the Director or Acting Director of the Farmer Programs Division, Farm Service Agency, United States Department of Agriculture.

(g) *State* means any one of the States in the Appalachian Region.

(h) *State committee* means the persons in a State designated by the Secretary as the Agricultural Stabilization and Conservation State Committee under section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended.

(i) *County* means a political subdivision of a State identified as a county.

(j) *County committee* means the persons elected within a county as the county committee pursuant to regulations governing the selection and functions of Agricultural Stabilization and Conservation county and community committees under section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended.

(k) *Operator* means the person who is in charge of the supervision and conduct of the farming operations on the entire farm.

(l) *Occupier* means any person other than the owner or operator who has an interest as tenant or sharecropper in the acreage covered by the contract.

(m) *Farm* means that area of land defined as a farm under the regulations governing Reconstitution of Farms, Allotments, and Bases, part 719 of this chapter, as amended, or, for purposes of contracts entered into pursuant to § 755.20, the land covered by the contract.

(n) *Cropland* means that land considered as cropland under the regulations governing Reconstitution of Farms, Allotments, and Bases, part 719 of this chapter, as amended.

(o) *Contract* means a Cost-Share Contract, Appalachian Land Stabilization and Conservation Program.

(p) *Commission* means the Appalachian Regional Commission which is composed of one Federal member (Federal Cochairman) and one member from each participating State in the Appalachian region.

(q) *Federal Cochairman* means the Federal Cochairman of the Appalachian Regional Commission.

(r) *State Cochairman* means the State Cochairman of the Appalachian Regional Commission as elected by the State members of the Commission from among their number.

[30 FR 8669, July 9, 1965, as amended by Amdt. 2, 30 FR 14099, Nov. 9, 1965; Amdt. 4, 33 FR 16141, Nov. 5, 1968; Amdt. 5, 35 FR 8442, May 29, 1970]

### § 755.2 Purposes and objectives.

The general purposes and objectives of the Appalachian Land Stabilization and Conservation Program are to promote economic growth of the Region and to promote the conservation and development of the Region's soil and water resources. This program is a long-term program designed to carry out the policy of the Act by assisting landowners, operators, or occupiers through contracts providing for land stabilization, erosion and sediment control, reclamation through changes in land use, and the establishment of practices and measures for the conservation and development of the Region's soil, water, woodland, wildlife, and recreation resources.

### § 755.3 Geographical applicability.

The Appalachian Land Stabilization and Conservation Program will be limited to the States and counties designated as part of the Appalachian Region as defined in § 755.1 of the regulations of this part, and then only in counties or areas specifically approved in the State program developed hereunder.

### § 755.4 General.

(a) The Appalachian Land Stabilization and Conservation Program will be administered in the field by State and county committees under the general direction and supervision of the Administrator. Members of county committees are hereby authorized to sign contracts on behalf of the Secretary. State and county committees do not have authority to modify or waive any of the provisions of these regulations, or any amendment, supplement, or revision thereto.

(b) Landowners, operators, and occupiers desiring to share in the accomplishment of the purposes and objectives of the program will be given an

opportunity to participate in the program in accordance with the provisions of the program as set forth in this subpart. An applicant, as a part of his application for assistance, will file an acceptable conservation and development plan for the acreage to be included in his contract, and the measures specified in the plan must be carried out irrespective of whether cost-sharing is offered. The county committee will determine the practices and extent of such practices to be approved for cost-sharing to assist the applicant in carrying out his acceptable plan. A contract shall be entered into setting forth the extent of the approved assistance. An acceptable conservation and development plan will be a plan developed for the land proposed to be placed under contract, on a form prescribed by the Administrator, with technical planning assistance by technicians of the Soil Conservation Service, except in cases where the proposed treatment involves only a single practice of pasture renovation or timber stand improvement or conversion of less than 10 acres of land to grass or trees and such use does not involve critical areas or unusual costs and the conservation and development plan is acceptable to the county committee. In approving contracts, the county committees shall give preference to needy landowners, operators, and occupiers to the extent that such preference is consistent with the development of land treatment programs in the project area.

(c) Detailed information concerning the program as it applies to an individual farm may be obtained from the county FSA office for the county in which the farm is located or from the State FSA office.

[30 FR 8669, July 9, 1965, as amended by Amdt. 4, 33 FR 16141, Nov. 5, 1968]

### § 755.5 State programs.

(a) The State program shall be developed by the State or a political subdivision thereof in accordance with the regulations contained in this subpart. The Farm Service Agency and other applicable agencies of the Department of Agriculture shall cooperate with the State governmental officials in the development of the program. The chairman of the State committee as the chairman of the State Agricultural Conservation Program Development Group shall be the point of contact with the State governmental officials. The State Agricultural Conservation Program Development Group, which consists of the State ASC Committee (including the State Director of Extension), the State conservationist of the Soil Conservation Service, and the Forest Service official having jurisdiction over farm forestry in the State, shall consult with organizations and agencies within the State that have conservation interests and responsibilities. Upon request of the Governor of the State, a person selected as a direct representative of the Governor may be designated by the Secretary as an additional member of the ACP Development Group with equal authority with other members of the Group in the development of the State program.

(b) The State program shall include the following provisions: (1) Identification of program objectives and areas in the State where the program will be applicable; (2) the designation of practices for which cost-share assistance is requested for each designated area, including specifications for each proposed practice; and (3) the proposed cost-share rates for each practice.

(c) Minimum specifications which practices must meet to be eligible for Federal cost-sharing shall be set forth in the State program, or be incorporated therein by specific reference to a standard publication or other written document containing such specifications. For practices involving the establishment or improvement of vegetative cover, the specifications shall include, where appropriate, liming fertilization, and seeding rates, eligible seeds and mixtures, seeding dates, requirements for cultural operations and inoculation, and other steps essential to the successful establishment or improvement of the vegetative cover. For mechanical or construction type practices, the specifications shall include, where appropriate, the types and sizes of material, installation or construction requirements, and other steps essential to the proper functioning of the structure. For other practices, the specifications shall include those steps essential to the successful performance

of the practice. Practice specifications may provide minimum performance requirements which will qualify the practice for cost-sharing and maximum limits of performance which will be eligible for cost-sharing. For practices which authorize Federal cost-sharing for applications of liming materials and commercial fertilizers, the minimum applications and maximum applications on which cost-sharing is authorized shall be determined on the basis of a current soil test: *Provided, however*, That if available facilities are not adequate to permit the desired use of soil tests under the program, an alternative basis for determination by the county committee of such application shall be authorized to the extent necessary.

(d) The following practices and uses are authorized:

(1) Establishment of permanent sod waterways to dispose of excess water without causing erosion.

(2) Establishment of a permanent vegetative cover for soil protection or as a needed land use adjustment.

(3) Constructing terraces to detain or control the flow of water and check soil erosion.

(4) Constructing diversion terraces, ditches, or dikes to intercept runoff and divert excess water to protected outlets.

(5) Constructing erosion control, detention, or sediment retention dams, pits, or ponds to prevent or heal gullying or to retard or reduce runoff of water.

(6) Constructing channel lining, chutes, drop spillways, pipe drops, drop inlets, or similar structures for the protection of outlets and water channels that dispose of excess water.

(7) Streambank or shore protection, channel clearance, enlargement or realinement, or construction of floodways, levees, or dikes, to prevent erosion or flood damage to farmland.

(8) Establishment of a stand of trees or shrubs to prevent erosion.

(9) Establishment of a stand of forest trees or shrubs on farmland for purposes other than the prevention of erosion.

(10) Improvement of a stand of forest trees.

(11) Establishment of contour stripcropping to protect soil from erosion.

(12) Constructing or sealing dams, pits, or ponds as a means of protecting vegetative cover or to make practicable the utilization of the land for vegetative cover.

(13) Developing springs or seeps for livestock water as a means of protecting vegetative cover or to make practicable the utilization of the land for vegetative cover.

(14) Controlling competitive shrubs to permit growth of adequate desirable vegetative cover.

(15) Improvement of an established vegetative cover for soil or watershed protection.

(16) Treatment of farmland to permit the use of legumes and grasses for soil improvement and protection.

(17) Construction of water facilities for wildlife habitat or protection.

(18) Establishment of vegetative cover to provide habitat, food, or shelter for wildlife.

(19) Conservation practices to develop recreation resources—establishment of picnic and sports area; establishment of camping and nature recreation areas; establishment of hunting and shooting preserve area; establishment of fishing area; establishment of summer water sports area; establishment of winter sports area.

(20) Other practices not covered above which are determined to be needed to accomplish the purpose of the program.

(e) The Soil Conservation Service shall have the same technical responsibility for Appalachian Land Stabilization and Conservation Program practices as it has for the same or similar Agricultural Conservation Program Practices including applicable components of approved recreation practices. The Forest Service is responsible for the technical phases of forestry practices.

(f) Each proposed State program shall be submitted to the Commission by the member thereof representing such State. The estimated amount of funds needed to accomplish the objectives of such program shall be stated in the submission of the proposed program to the Commission. If approved by the Commission, the proposed State

program shall be submitted to the Secretary by the Federal Cochairman. Responsibility is assigned to the Farmer Programs Division, FSA for review and recommendation for approval or disapproval by the Secretary.

(g) Copies of bulletins setting forth the State program as approved by the Secretary shall be available in the office of the county committee.

[30 FR 8669, July 9, 1965, as amended by Amdt. 2, 30 FR 14099, Nov. 9, 1965]

### § 755.6 Cost-share contract.

(a) *Filing requests.* (1) Landowners, operators, or occupiers in eligible counties shall be furnished information with respect to the program and afforded an opportunity to request a cost-share contract covering those practices which would accomplish the objectives of the program on the farm.

(2) The request shall be on a form and in accordance with instructions prescribed by the Administrator.

(b) *Entering into a contract.* (1) The county committee is authorized to approve the contract on behalf of the Secretary.

(2) The contract must be signed by the owner of the land on which cost-share payments are provided under the contract and by the operator of the farm. The contract shall also be signed by any occupiers who will share in payments in one or more years of the contract period.

(3) There shall be only one contract for a farm.

(4) The final date for signing the contract shall be the date announced by the Administrator.

(c) *Contract period.* (1) The period to be covered by a contract shall be not less than 3 years or longer than 10 years as agreed to by the contract signers and the county committee.

(2) The first year of the contract period shall begin on the date of the approval of the contract and shall end on December 31 of such year. Each subsequent year of the contract period shall be on a calendar year basis.

### § 755.7 Cost-share payments.

(a) Subject to the conditions and limitations in this subpart, cost-sharing may be authorized for practices needed during the period of the contract to conserve and develop soil, water, woodland, wildlife, and recreation resources. Payment of the cost-shares shall be made only upon application submitted on a form prescribed by the Administrator. Practices required to be established under the contract which are started after a request for a contract is filed shall be considered as started during the contract period.

(b) Cost-share rates shall not exceed 80 per centum of the average cost of carrying out the land treatment measures or such lower rate as the county committee determines will accomplish the objectives of the program. As a further limitation, cost-sharing may not be authorized in excess of a total amount computed by multiplying the number of acres designated under contract times $50, unless a representative of the State committee approves an amount in excess of this limitation on the basis that the income potential and benefits derived from expenditures of the additional money warrant the higher limit.

(c) Cost-sharing shall not be approved for more than 50 acres per farm.

(d) The total acreage with respect to which any landowner, operator, or occupier receives cost-sharing payments shall not exceed 50 acres under all contracts in which he has an interest.

(e) Cost-sharing for the practices or components thereof contained in the approved State program is conditioned upon the establishment, maintenance, and performance of the practices in accordance with all applicable specifications and program provisions. The county committee shall specify on the practice approval the date by which the practice must be completed. Subject to the availability of funds, cost-sharing may be authorized for the restoration or replacement of any needed conservation measure if during the contract period the original conservation use is destroyed or rendered unsuitable through no fault of the contract signers.

(f) In addition to the provisions contained in this subpart, cost-sharing payments shall also be subject to the following regulations of the Agricultural Conservation Program (7 CFR 701.1–701.93, as amended):

Section 701.24 *Failure to meet minimum requirements*,
Section 701.25 *Conservation materials and services*,
Section 701.26 *Practices carried out with aid for ineligible persons*,
Section 701.27 *Division of Federal cost-share*,
Section 701.33 *Compliance with regulatory measures*,
Section 701.36 *Depriving others of Federal cost-sharing*,
Section 701.38 *Misuse of purchase orders*,
Section 701.39 *Federal cost-shares not subject to claims*, and
Section 701.40 *Assignments*.

The Agricultural Conservation Program regulations referred to above shall mean the Agricultural Conservation Program regulations applicable to the year in which the contract is approved.

(g) Cost-share payments shall not be made under the program with respect to land owned by the Federal Government, a State, or a political subdivision thereof.

[30 FR 8669, July 9, 1965, as amended by Amdt. 1, 30 FR 9758, Aug. 5, 1965; Amdt. 4, 33 FR 16141, Nov. 5, 1968]

### § 755.8 Modification of contract.

(a) If the farm is reconstituted in accordance with the regulations governing Reconstitution of Farms, Allotments, and Bases, part 719 of this chapter, as amended, or if there is any change in the land covered by a contract entered into pursuant to § 755.20, because of purchase, sale, change of operation, or otherwise, the contract shall be modified. Such modified contract or contracts shall reflect the changes in the number of acres in any resulting farm, the acreage covered by the contract, interested persons, and practices called for under the original contract. If persons who were not signatories to the original contract are eligible and required to sign such modified contract or contracts but are not willing to become parties to the modified contract or for any other reason a modified contract is not entered into, cost-share payments for practices which have not been carried out shall be forfeited with respect to acreage not continued in the program. In addition, with respect to acreage not continued in the program, cost-share payments paid for practices (or components thereof) which have been carried out shall be refunded by the owner of such acreage prior to reconstitution unless the county committee with the approval of the State committee determines that the failure to carry out all of the practices called for by the original contract will not impair the practices which have been carried out and the completed practices will provide conservation benefits consistent with the cost-shares which have been paid. Notwithstanding the foregoing, if control of land was lost through eminent domain proceedings or to an agency having the right of eminent domain, any cost-share payments paid under the contract with respect to such land are not required to be refunded.

(b) Except in cases covered by paragraph (a) of this section, if the ownership or operation of the farm or the land covered by the contract changes in such a manner that the contract no longer contains the signatures of persons required to sign the contract as provided in § 755.6, the contract shall be modified to reflect the new interested persons. If such persons are not willing to become parties to the modified contract, or for any other reason a modified contract is not entered into, cost-share payments shall be forfeited and refunded in accordance with the rules in paragraph (a) of this section.

(c) Upon request of the contract signers and approval of the county committee, a contract may be modified to change or add practices, or to make other changes which are consistent with this subpart, the State program, and the conservation and development plan.

(d) Upon request of the contract signers, a contract which would otherwise be in a noncompliance status at the end of the contract period under the provisions of § 755.10(a) of these regulations may be modified to extend the contract period not to exceed a total period of 10 years if the county committee determines that failure to establish the practices specified in the contract was not the result of the fault or negligence of the contract signers.

[30 FR 8669, July 9, 1965, as amended by Amdt. 5, 35 FR 8442, May 29, 1970]

### § 755.9 Termination of contracts.

The Deputy Administrator may consent to the termination of a contract in cases where the parties to the contract are unable to comply with the terms of the contract due to conditions beyond their control, in cases where compliance with the terms of the contract would work a severe hardship on the parties to the contract, or in cases where termination of the contract would be in the public interest, provided the parties to the contract refund such part of the cost-share payments made under the contract as the Deputy Administrator determines appropriate.

### § 755.10 Noncompliance.

(a) Failure to establish the practices specified in the contract within the time specified by the county committee shall be a violation of the contract and all payments under the contract shall be forfeited and refunded.

(b) Failure to maintain a practice for the contract period or the normal lifespan of the practice, whichever is shorter, in accordance with good farming practices shall be a violation of the contract and any payment made in connection with such practice shall be refunded unless the practice is restored within the time prescribed by the county committee. The normal lifespan of a practice shall be determined by the county committee.

(c) If the county committee finds that any person has adopted or participated in any practice which tends to defeat the purposes of the program, it may withhold, or require to be refunded, all or any part of cost-share payments paid or payable under the program. It shall be considered a practice defeating the purposes of the program if the contract signers do not make available for public use a recreation resource development for which costs are shared. The regulations governing nondiscrimination in federally assisted programs of the Department of Agriculture, part 15 of this title, shall be applicable to this program.

[30 FR 8669, July 9, 1965, as amended by Amdt. 3, 32 FR 12938, Sept. 12, 1967]

### § 755.11 Signatures.

Signatures to contracts and related forms shall be in conformity with the instructions on signatures and authorizations applicable to the Agricultural Conservation Program.

### § 755.12 Filing of false claims.

The making of a fraudulent representation by a person in the payment documents or otherwise for the purpose of obtaining a payment from the county committee shall render the person liable, aside from any additional liability under criminal and civil frauds statutes, for a refund of the payments received by him with respect to which the fraudulent representation was made.

### § 755.13 Delegation of authority.

No delegation in this subpart to a State or county committee shall preclude the Administrator, or his designee, from determining any question arising under the program or reversing or modifying any determinations made by a State or county committee.

### § 755.14 Reporting performance.

The Operator of the farm, in accordance with instructions issued by the Deputy Administrator, shall report to the county committee on Form ACP–245 the extent of compliance with the terms of the contract.

### § 755.15 Handling exceptional cases.

The Deputy Administrator may allow payment for performance not meeting all program requirements, where not prohibited by statute, if in his judgment such action is needed to permit a proper disposition of the case. Such action may be taken only where the person acted in good faith and in reasonable reliance on any instruction or commitment of any member, or employee of the State or county committee or representatives of other Federal agencies assigned responsibility under the program, in meeting his obligations under the contract and in so doing reasonably accomplished the purposes of the contract. The amount of the payment shall be based on the actual performance and shall not exceed the amount to which the person

would have been entitled if the performance rendered had met all requirements.

### § 755.16 Access to farms and to farm records.

County committeemen or their authorized representatives, or any authorized representative of the Secretary of Agriculture, shall have such access to farms and to records pertaining thereto as is necessary to make acreage determinations and to determine the extent of compliance with the terms of the contract.

### § 755.17 Preservation of cropland, crop acreage and allotment history.

The cropland, crop acreage, and allotment history applicable to the designated acreage shall be preserved, for any Federal program under which such history is used as a basis for an allotment or other limitation on the production of such crop, for the period covered by the contract and an equal period thereafter so long as the approved practice is maintained on the land.

### § 755.18 Appeals.

Any person may obtain reconsideration and review of determinations made under this subpart in accordance with the Appeal Regulations, part 780 of this chapter (29 FR 8200), as amended.

### § 755.19 Availability of funds.

The provisions of this program are necessarily subject to such legislation as the Congress of the United States may hereafter enact; the payments provided for in this subpart are contingent upon such appropriations as the Congress has or may hereafter provide for such purpose, and the amount of such payments must necessarily be within the limits finally determined by such appropriations.

### § 755.20 Rural community development projects.

(a) Notwithstanding any other provision of this subpart, the county committee, in accordance with instructions issued by the Deputy Administrator, may enter into a contract with a State, county, city, town, or subdivision thereof, or a group acting for such a body, which owns, operates, or occupies land in the Appalachian Region. The contracts approved under this section shall be for projects which promote rural community development and conservation of the soil and water resources of the region.

(b) Cost-sharing approved under this section shall not exceed 80 per centum of the cost of carrying out the approved land uses and conservation treatment on 50 acres of land occupied by such owner, operator, or occupier.

[35 FR 8442, May 29, 1970]

## PART 759—SMALL HOG OPERATION PAYMENT PROGRAM

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759.12 Refunds; joint and several liability.

AUTHORITY: 7 U.S.C. 612c.

SOURCE: 64 FR 6496, Feb. 10, 1999, unless otherwise noted. Redesignated at 64 FR 62565, Nov. 17, 1999.

### § 759.1 Applicability.

This part establishes the Small Hog Operations Program. The purpose of this program is to provide benefits to hog operations under clause (3) of section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) in order to reestablish their purchasing power in connection with the normal production of hogs for domestic consumption.

### § 759.2 Administration.

(a) This part shall be administered by the Farm Service Agency (FSA) under the general direction and supervision of the Deputy Administrator for Farm Programs, FSA. The program shall be carried out in the field by FSA State and county committees (State and county committees).

(b) State and county committees, and representatives and employees thereof, do not have the authority to modify or waive any of the provisions of the regulations in this part, as amended or supplemented.

(c) The State committee shall take any action required by this part which has not been taken by the county committee. The State committee shall also:

(1) Correct, or require a county committee to correct, any action taken by such county committee which is not in accordance with the regulations of this part; or

(2) Require a county committee to withhold taking any action which is not in accordance with the regulations of this part.

(d) No delegation herein to a State or county committee shall preclude the Deputy Administrator for Farm Programs, FSA, or a designee, from determining any question arising under the program or from reversing or modifying any determination made by a State or county committee.

(e) The Deputy Administrator for Farm Programs, FSA, may authorize State and county committees to waive or modify deadlines and other program requirements in cases where timeliness or failure to meet such other requirements does not adversely affect the operation of the program.

### § 759.3 Definitions.

The definitions set forth in this section shall be applicable for all purposes of administering the Small Hog Operation Payment Program established by this part.

*Application* means the Small Hog Operation Payment Program Application, FSA-1042.

*Cost-plus contract* means an agreement between a hog operation and a purchaser which bases payment to the hog operation on the estimated cost of production of a hog plus a profit margin.

*Department* means the United States Department of Agriculture.

*Eligible hogs* means feeder pigs and slaughter hogs.

*Farm Service Agency* or FSA means the Farm Service Agency of the Department.

*Feeder pigs* means young pigs that are sold to another person for further feeding for a period of more than 1 month.

*Fixed-price contract* means an agreement between a hog operation and a purchaser which bases payment at a negotiated fixed price and includes contracts that may specify the duration and minimum and/or maximum number of hogs to be delivered during the contract period.

*Hog operation* means any person or group of persons who as a single unit raises hogs and whose production and facilities are located in the United States.

*Marketing period* means the period beginning on July 1, 1998, and ending on December 31, 1998.

*Negotiated cash sales* means a sale in which the price is determined by interactions between the hog operation and the purchaser during the current day, for delivery within the next 7 slaughter days, and does not include hogs which are sold under contract.

*Person* means any individual, group of individuals, partnership, corporation, estate, trust, association, cooperative, or other business enterprise or other legal entity who is, or whose members are, a citizen or citizens of, or legal resident alien or aliens in the United States.

*Secretary* means the Secretary of the United States Department of Agriculture or any other officer or employee of the Department who has been delegated the authority to act in the Secretary's stead with respect to the program established in this part.

*Slaughter hogs* means barrows, gilts, sows, and boars that are sold for immediate slaughter.

*United States* means the 50 States of the United States of America, the District of Columbia, and the Commonwealth of Puerto Rico.

### § 759.4 Time and method for application.

(a) Hog operations may obtain an application, Form FSA–1042 (Small Hog Operation Payment Program Application), in person, by mail, by telephone, or by facsimile from any county FSA office. In addition, applicants may download a copy of the FSA–1042 at http://www.fsa.usda.gov/dafp/psd/.

(b) A request for benefits under this part must be submitted on a completed Form FSA–1042. The Form FSA–1042 should be submitted to the FSA county office serving the county where the hog operation is located but, in any case, must be received by the FSA County Office by the close of business on September 24, 1999. Applications not received by the close of business on September 24, 1999, will be returned as not having been timely filed and the hog operation will not be eligible for benefits under this program.

(c) The hog operation requesting benefits under this part must certify with respect to the accuracy and truthfulness of the information provided in their application for benefits. All information provided is subject to verification and spot checks by FSA. Refusal to allow FSA or any other agency of the Department of Agriculture to verify any information provided will result in a determination of ineligibility. Data furnished by the applicant will be used to determine eligibility for program benefits. Furnishing the data is voluntary; however, without it program benefits will not be approved. Providing a false certification to the Government is punishable by imprisonment, fines and other penalties.

[64 FR 6497, Feb. 10, 1999, as amended at 64 FR 47099, Aug. 30, 1999]

### § 759.5 Eligibility.

(a) If a hog operation is owned by one or more individuals or entities who have an annual gross revenue of $2.5 million or more in farming and ranching operations in calendar year 1998, the payment to the operation will be reduced by a pro rata share based upon the ownership interest of such entity or individual.

(b) To be eligible to receive cash payments under this part, a hog operation must:

(1) Have sold fewer than 2,500 hogs (produced in the United States) during the period of July 1, 1998, through December 31, 1998;

(2) Have sold hogs on a negotiated cash basis or under a contract other than a fixed-price or cost-plus contract during the marketing period;

(3) Be engaged in the business of producing and marketing agricultural products at the time of filing the application; and

(4) Apply for payments during the application period.

(c) Hogs marketed during the marketing period under fixed-price contracts, cost-plus contracts, or under any circumstance not equivalent to be eligible for benefits under this part with respect to hogs subject to such sales.

(d) A hog operation must submit a timely application and comply with all other terms and conditions of this part and those that are otherwise contained in the application to be eligible for benefits under this part.

[64 FR 6497, Feb. 10, 1999, as amended at 64 FR 47099, Aug. 30, 1999]

### § 759.6 Rate of payment and limitations on funding.

(a) Benefits under this part may be made to hog operations for the quantity of eligible slaughter hogs and feeder pigs actually marketed during the marketing period in accordance with the limitations set forth in this section. Payments will be calculated by operation and shall be made in an amount determined by:

(1) Multiplying $3.60 by the number of eligible feeder pigs marketed during the marketing period; plus

(2) Multiplying $10 by the number of eligible slaughter hogs marketed during the marketing period;

(3) Limiting the payment per hog operation otherwise calculated under paragraphs (a)(1) and (2) of this section to $5,000; and

(4) Reducing the amount due as calculated under paragraphs (a)(1) through (3) of this section by amounts previously paid under this part based on marketings in the same period and, for claims filed after February 12, 1999, by reducing the payment further to zero as necessary to insure subject to paragraph (c), that the total payments under this part do not exceed $175 million.

(b) Producers who filed an application under this part prior to February 12, 1999, do not need to file another application in order to receive benefits at the increased rates announced in the

FEDERAL REGISTER published on August 30, 1999. A producer who wishes to amend an application filed prior to February 12, 1999, may file an amended application by the deadline for new applications specified in § 759.4 of this part.

(c) To the extent that $175 million is not sufficient to cover all claims under this part, claims filed on or before February 12, 1999, shall be paid in full for the eligible hogs and feeder pigs which were the subject of that claim. For claims filed after that date, the claims will be paid in the manner deemed appropriate by FSA to assure, to the extent practicable, that the claims are paid in the order in which they are filed, until the available funds are expended at which point no additional claims will be paid.

[64 FR 47099, Aug. 30, 1999]

### § 759.7 Appeals.

Any hog operation which is dissatisfied with a determination made with respect to this part may make a request for reconsideration or appeal of such determination in accordance with the appeal regulations set forth at part 11 of this title and part 780 of this title.

### § 759.8 Misrepresentation and scheme or device.

(a) A hog operation shall be ineligible to receive assistance under this program if it is determined by the State committee or the county committee to have:

(1) Adopted any scheme or device which tends to defeat the purpose of this program;

(2) Made any fraudulent representation; or

(3) Misrepresented any fact affecting a program determination.

(b) Any funds disbursed pursuant to this part to a hog operation engaged in a misrepresentation, scheme, or device, or to any other person as a result of the hog operation's actions, shall be refunded with interest together with such other sums as may become due. Any hog operation or person engaged in acts prohibited by this section and any hog operation or person receiving payment under this part shall be jointly and severally liable for any refund due under this section and for related charges. The remedies provided in this part shall be in addition to other civil, criminal, or administrative remedies which may apply.

### § 759.9 Estates, trusts, and minors.

(a) Program documents executed by persons legally authorized to represent estates or trusts will be accepted only if such person furnishes evidence of the authority to execute such documents.

(b) A minor who is an otherwise eligible operator of a hog operation shall be eligible for assistance under this part only if such operation meets one of the following requirements:

(1) The minor establishes that the right of majority has been conferred on the minor by court proceedings or by statute;

(2) A guardian has been appointed to manage the minor's property and the applicable program documents are executed by the guardian; or

(3) A bond is furnished under which the surety guarantees any loss incurred for which the minor would be liable had the minor been an adult.

### § 759.10 Death, incompetency, or disappearance.

In the case of death, incompetency, disappearance or dissolution of a hog operation that is eligible to receive benefits in accordance with this part, such hog operation may receive such benefits.

### § 759.11 Maintaining records.

Hog operations making application for benefits under this program must maintain accurate records and accounts that will document that they meet all eligibility requirements specified herein and the number of head of slaughter hogs and feeder pigs sold during the marketing period. Such records and accounts must be retained for at least 3 years after the date of the cash payment to hog operations under this program.

### § 759.12 Refunds; joint and several liability.

(a) In the event there is a failure to comply with any term, requirement, or condition for payment arising under the application, or this part, and if any

refund of a payment to FSA shall otherwise become due in connection with the application, or this part, all payments made under this part to any hog operation shall be refunded to FSA together with interest as determined in accordance with paragraph (c) of this section and late-payment charges as provided for in part 1403 of this chapter.

(b) All persons listed on a hog operation's application shall be jointly and severally liable for any refund, including related charges, which is determined to be due for any reason under the terms and conditions of the application or this part.

(c) Interest shall be applicable to refunds required of the hog operation if FSA determines that payments or other assistance were provided to the producer was not eligible for such assistance. Such interest shall be charged at the rate of interest which the United States Treasury charges the Commodity Credit Corporation (CCC) for funds, as of the date FSA made such benefits available. Such interest shall accrue from the date such benefits were made available to the date of repayment or the date interest increases as determined in accordance with applicable regulations. FSA may waive the accrual of interest if FSA determines that the cause of the erroneous determination was not due to any action of the hog operation.

(d) Interest determined in accordance with paragraph (c) of this section shall not be applicable to refunds required of the hog operation because of unintentional misaction on the part of the hog operation, as determined by FSA.

(e) Late payment interest shall be assessed on all refunds in accordance with the provisions of, and subject to the rates prescribed in, 7 CFR part 792.

(f) Hog operations must refund to FSA any excess payments made by FSA with respect to such application.

(g) In the event that a benefit under this subpart was provided as the result of erroneous information provided by any person, the benefit must be repaid with any applicable interest.

# PART 760—INDEMNITY PAYMENT PROGRAMS

## Subpart—Dairy Indemnity Payment Program

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## Subpart—Beekeeper Indemnity Payment Program (1978–80) [Reserved]

## Subpart—Dairy Indemnity Payment Program

AUTHORITY: Dairy Indemnity Program, Pub. L. 105–277, 112 Stat. 2681 and Pub. L. 106–78, 113 Stat. 1135.

SOURCE: 43 FR 10535, Mar. 14, 1978, unless otherwise noted.

PROGRAM OPERATIONS

**§ 760.1 Administration.**

This indemnity payment program will be carried out by FSA under the direction and supervision of the Deputy Administrator. In the field, the program will be administered by the State and county committees.

**§ 760.2 Definitions.**

For purposes of this subject, the following terms shall have the meanings specified:

(a) *Secretary* means the Secretary of Agriculture of the United States or any officer or employee of the U.S. Department of Agriculture to whom he has delegated, or to whom he may hereafter delegate, authority to act in his stead.

(b) *FSA* means the Farm Service Agency, U.S. Department of Agriculture.

(c) *Deputy Administrator* means the Deputy Administrator, State and County Operations, FSA.

(d) *State committee* means the Agricultural Stabilization and Conservation State committee.

(e) *County committee* means the Agricultural Stabilization and Conservation county committee.

(f) *Pesticide* means an economic poison which was registered pursuant to the provisions of the Federal Insecticide, Fungicide, and Rodenticide Act, as amended (7 U.S.C. 135 through 135k), and approved for use by the Federal Government.

(g) *Chemicals or Toxic Substances* means any chemical substance or mixture as defined in the Toxic Substances Control Act (15 U.S.C. 2602).

(h) *Nuclear Radiation or Fallout* means contamination from nuclear radiation or fallout from any source.

(i) *Violating Substance* means one or more of the items defined in paragraphs (f), (g), and (h) of this section.

(j) *Public agency* means any Federal, State or local public regulatory agency.

(k) *Affected farmer* means a person who produces whole milk which is removed from the commerical market any time from:

(1) Pursuant to the direction of a public agency because of the detection of pesticide residues in such whole milk by tests made by a public agency or under a testing program deemed adequate for the purpose by a public agency, or

(2) Pursuant to the direction of a public agency because of the detection of other residues of chemicals or toxic substances residues, or contamination from nuclear radiation or fallout in such whole milk by tests made by a public agency or under a testing program deemed adequate for the purpose by a public agency.

(l) *Affected manufacturer* means a person who manufactures dairy products which are removed from the commercial market pursuant to the direction of a public agency because of the detection of pesticide residue in such dairy products by tests made by a public agency or under a testing program deemed adequate for the purpose by a public agency.

(m) *Milk handler* means the marketing agency to or through which the affected dairy farmer marketed his whole milk at the time he was directed by the public agency to remove his whole milk from the commercial market.

(n) *Person* means an individual, partnership, association, corporation, trust, estate, or other legal entity.

(o) *Application period* means any period during which an affected farmer's whole milk is removed from the commercial market pursuant to direction of a public agency for a reason specified in paragraph (k) of this section and for which application for payment is made.

(p) *Pay period* means (1) in the case of an affected farmer who markets his whole milk through a milk handler, the period used by the milk handler in settling with the affected farmer for his whole milk, usually biweekly or monthly, or (2) in the case of an affected farmer whose commercial market consists of direct retail sales to consumers, a calendar month.

(q) *Whole milk* means milk as it is produced by cows.

(r) *Commercial market* means (1) the market to which the affected farmer normally delivers his whole milk and from which it was removed because of

detection therein of a residue of a violating substance(s) or (2) the market to which the affected manufacturer normally delivers his dairy products and from which they were removed because of detection therein of pesticide residue.

(s) *Removed from the commercial market* means (1) produced and destroyed or fed to livestock, (2) produced and delivered to a handler who destroyed it or disposed of it as salvage (such as separating whole milk, destroying the fat, and drying the skim milk), or (3) produced and otherwise diverted to other than the commercial market.

(t) *Payment subject to refund* means a payment which is made by a milk handler to an affected farmer, and which such farmer is obligated to refund to the milk handler.

(u) *Base period* means the calendar month or 4-week period immediately preceding removal of milk from the market.

[43 FR 10535, Mar. 14, 1978, as amended by Amdt. 1, 44 FR 36360, July 22, 1979; 52 FR 17935, May 13, 1987; 53 FR 44001, Nov. 1, 1988; 56 FR 1358, Jan. 14, 1991; 61 FR 18485, Apr. 26, 1996]

PAYMENTS TO DAIRY FARMERS FOR MILK

### § 760.3 Indemnity payments on milk.

An indemnity payment for milk may be made to an affected farmer who is determined by the county committee to be in compliance with all the terms and conditions of this subpart in the amount of the fair market value of his normal marketings for the application period, as determined in accordance with §§ 760.4 and 760.5, less (a) any amount he received for whole milk marketed during the applications period, and (b) any payment not subject to refund which he received from a milk handler with respect to whole milk removed from the commercial market during the application period.

[43 FR 10535, Mar. 14, 1978, as amended at 47 FR 24689, June 8, 1982]

### § 760.4 Normal marketings of milk.

(a) The county committee shall determine the affected farmer's normal marketings which, for the purposes of this subpart, shall be the sum of the quantities of whole milk which such farmer would have sold in the commercial market in each of the pay periods in the application period but for the removal of his whole milk from the commercial market because of the detection of a residue of a violating substance.

(b) Normal marketings for each pay period are based on the average daily production during the base period.

(c) Normal marketings determined in paragraph (b) of this section are adjusted for any change in the daily average number of cows milked during each pay period the milk is off the market compared with the average number of cows milked daily during the base period.

(d) If only a portion of a pay period falls within the application period, normal marketings for such pay period shall be reduced so that they represent only that part of such pay period which is within the application period.

[43 FR 10535, Mar. 14, 1978, as amended by Amdt. 1, 44 FR 36360, July 22, 1979]

### § 760.5 Fair market value of milk.

(a) The county committee shall determine the fair market value of the affected farmer's normal marketings, which, for the purposes of this subpart, shall be the sum of the net proceeds such farmer would have received for his normal marketings in each of the pay periods in the application period.

(b) The county committee shall determine the net proceeds the affected farmer would have received in each of the pay periods in the application period (1) in the case of an affected farmer who markets his whole milk through a milk handler, by multiplying the affected farmer's normal marketings for each such pay period by the average net price per hundred-weight of whole milk paid during the pay period by such farmer's milk handler in the same area for whole milk similar in quality and butterfat test to that marketed by the affected farmer in the base period used to determine his normal marketings, or (2) in the case of an affected farmer whose commercial market consists of direct retail sales to consumers, by multiplying the affected farmer's normal marketings for each such pay period by the average net price per hundredweight of whole milk,

as determined by the county committee, which other producers in the same area who marketed their whole milk through milk handlers received for whole milk similar in quality and butterfat test to that marketed by the affected farmer during the base period used to determine his normal marketings.

(c) In determining the net price for whole milk, the county committee shall deduct from the gross price therefor any transportation, administrative, and other costs of marketing which it determines are normally incurred by the affected farmer but which were not incurred because of the removal of his whole milk from the commercial market.

### § 760.6 Information to be furnished.

The affected farmer shall furnish to the county committee complete and accurate information sufficient to enable the county committee or the Deputy Administrator to make the determinations required in this subpart. Such information shall include, but is not limited to:

(a) A copy of the notice from, or other evidence of action by, the public agency which resulted in the removal of the affected farmer's whole milk from the commercial market.

(b) The specific name of the violating substance causing the removal of his whole milk from the commercial market, if not included in the notice or other evidence of action furnished under paragraph (a) of this section.

(c) The quantity and butterfat test of whole milk produced and marketed during the base period. This information must be a certified statement from the affected farmer's milk handler or any other evidence the county committee accepts as an accurate record of milk production and butterfat tests during the base period.

(d) The average number of cows milked during the base period and during each pay period in the application.

(e) If the affected farmer markets his whole milk through a milk handler, a statement from the milk handler showing, for each pay period in the application period, the average price per hundred-weight of whole milk similar in quality to that marketed by the affected farmer during the base period used to determine his normal marketings. If the milk handler has information as to the transportation, administrative, and other costs of marketing which are normally incurred by producers who market through the milk handler but which the affected farmer did not incur because of removal of his whole milk from the market, the average price stated by the milk handler shall be the average gross price paid producers less any such costs. If the milk handler does not have such information, the affected farmer shall furnish a statement setting forth such costs, if any.

(f) The amount of proceeds, if any, received by the affected farmer from the marketing of whole milk produced during the application period.

(g) The amount of any payments not subject to refund made to the affected farmer by the milk handler with respect to the whole milk produced during the application period and remove from the commercial market.

(h) To the extent that such information is available to the affected farmer, the name of any pesticide, chemical, or toxic substance used on the farm within 24 months prior to the application period, the use made of the pesticide, chemical, or toxic substance, the approximate date of such use, and the name of the manufacturer and the registration number, if any, on the label on the container of the pesticide, chemical, or toxic substance.

(i) To the extent possible, the source of the pesticide, chemical, or toxic substance that caused the contamination of the whole milk, and the results of any laboratory tests on the feed supply.

(j) Such other information as the county committee may request to enable the county committee or the Deputy Administrator to make the determinations required in this subpart.

[43 FR 10535, Mar. 14, 1978, as amended by Amdt. 1, 44 FR 36360, June 22, 1979]

### § 760.7 Other requirements for affected farmers.

An indemnity payment for milk may be made under this subpart to an affected farmer only under the following conditions:

(a) If the pesticide, chemical, or toxic substance, contaminating the milk was used by the affected farmer, he established each of the following:

(1) That the pesticide, chemical or toxic substance, when used, was registered (if applicable) and approved for use as provided in § 760.2(f);

(2) That the contamination of his milk was not the result of his failure to use the pesticide, chemical, or toxic substance, according to the directions and limitations stated on the label;

(3) That the contamination of his milk was not otherwise his fault.

(b) If the pesticide, chemical, or toxic substance contaminating the milk was not used by the affected farmer, he establishes each of the following:

(1) He did not know or have reason to believe that any feed which he purchased and which contaminated his milk contained a harmful residue of a pesticide, a chemical, or a toxic substance or was contaminated by nuclear radiation or fallout.

(2) None of the milk was produced by dairy cattle which he knew, or had reason to know at the time he acquired them, were contaminated with residues of pesticides, chemicals or toxic substances, or by nuclear radiation or fallout.

(3) The contamination of his milk was not otherwise his fault.

(c) The affected farmer has adopted recommended practices for eliminating residues of pesticides, chemicals, or toxic substances or contamination from nuclear radiation or fallout from his milk as soon as practicable following the discovery of the initial contamination.

[43 FR 10535, Mar. 14, 1978, as amended at 47 FR 24689, June 8, 1982]

### § 760.8 Application for payments for milk.

The affected farmer or his legal representative, as provided in §§ 760.25 and 760.29, must sign and file an application for payment on a form which is approved for that purpose by the Deputy Administrator. The form must be filed with the county FSA office for the county where the farm headquarters are located no later than December 31 following the end of the fiscal year in which the loss occurred, or such later date as the Deputy Administrator may specify. The application for payment shall cover application periods of at least 28 days, except that, if the entire application period, or the last application period, is shorter than 28 days, applications for payment may be filed for such shorter period. The application for payment shall be accompanied by the information required by § 760.6 as well as any other information which will enable the county committee to determine whether the making of an indemnity payment is precluded for any of the reasons set forth in § 760.7. Such information shall be submitted on forms approved for the purpose by the Deputy Administrator.

[43 FR 10535, Mar. 14, 1978, as amended at 51 FR 12986, Apr. 17, 1986; 52 FR 17935, May 13, 1987]

### § 760.9 Other legal recourse.

(a) No indemnity payment shall be made for contaminated milk resulting from residues of chemicals or toxic substances if, within 30 days after receiving a complete application, the Deputy Administrator determines that other legal recouse is available to the farmer. An application shall not be deemed complete unless it contains all information necessary to make a determination as to whether other legal recourse is available to the farmer. However, notwithstanding such a determination, the Deputy Administrator may reopen the case at a later date and make a new determination on the merits of the case as may be just and equitable.

(b) In the event that a farmer receives an indemnity payment under this subpart, and such farmer is later compensated for the same loss by the person (or the representative or successor in interest of such person) responsible for such loss, the indemnity payment shall be refunded by the farmer to the Department of Agriculture: *Provided*, That the amount of such refund shall not exceed the amount of other compensation received by the farmer.

[Amdt. 1, 44 FR 36361, June 22, 1979]

PAYMENTS TO MANUFACTURERS AFFECTED BY PESTICIDES

### § 760.20 Payments to manufacturers of dairy products.

An indemnity payment may be made to the affected manufacturer who is determined by the Deputy Administrator to be in compliance with all the terms and conditions of this subpart in the amount of the fair market value of the product removed from the commercial market because of pesticide residues, less any amount the manufacturer receives for the product in the form of salvage.

NOTE: Manufacturers are not eligible for payment when dairy products are contaminated by chemicals, toxic substances (other than pesticides) or nuclear radiation or fallout.

[43 FR 10535, Mar. 14, 1978, as amended at 47 FR 24689, June 8, 1982]

### § 760.21 Application for payments by manufacturers.

The affected manufacturer, or his legal representatives, shall file an application for payment with the Deputy Administrator, FSA, Washington, D.C., through the county office serving the county where the contaminated product is located. The application for payment may be in the form of a letter or memorandum. Such letter or memorandum, however, must be accompanied by acceptable documentation to support such application for payment.

### § 760.22 Information to be furnished by manufacturer.

The affected manufacturer shall furnish the Deputy Administrator, through the county committee, complete and accurate information sufficient to enable him to make the determination as to the manufacturer's eligibility to receive an indemnity payment. Such information shall include, but is not limited to:

(a) A copy of the notice or other evidence of action by the public agency which resulted in the product being removed from the commerical market.

(b) The name of the pesticide causing the removal of the product from the commerical market and, to the extent possible, the source of the pesticide.

(c) A record of the quantity of milk or butterfat used to produce the product for which an indemnity payment is requested.

(d) The identity of any pesticide used by the affected manufacturer.

(e) Such other information as the Deputy Administrator may request to enable him to make the determinations required in this subpart.

### § 760.23 Other requirements for manufacturers.

An indemnity payment may be made under this subpart to an affected manufacturer only under the following conditions:

(a) If the pesticide contaminating the product was used by the affected manufacturer, he establishes each of the following: (1) That the pesticide, when used, was registered and recommended for such use as provided in § 760.2(f); (2) that the contamination of his product was not the result of his failure to use the pesticide in accordance with the directions and limitations stated on the label of the pesticide; and (3) that the contamination of his product was not otherwise his fault.

(b) If the pesticide contaminating the product was not used by the affected manufacturer: (1) He did not know or have reason to believe that the milk from which the product was processed contained a harmful level of pesticide residue, and (2) the contamination of his product was not otherwise his fault.

(c) In the event that a manufacturer receives an indemnity payment under this subpart, and such manufacturer is later compensated for the same loss by the person (or the representative or successor in interest of such person) responsible for such loss, the indemnity payment shall be refunded by the manufacturer to the Department of Agriculture: *Provided*, That the amount of such refund shall not exceed the amount of other compensation received by the manufacturer.

[43 FR 10535, Mar. 14, 1978, as amended at 47 FR 24689, June 8, 1982; 51 FR 12987, Apr. 17, 1986; 52 FR 17935, May 13, 1987]

GENERAL PROVISIONS

### § 760.24 Limitation of authority.

(a) County executive directors and State and county committees do not have authority to modify or waive any of the provisions of the regulations in this subpart.

(b) The State committee may take any action authorized or required by the regulations in this subpart to be taken by the county committee when such action has not been taken by the county committee. The State committee may also:

(1) Correct, or require a county committee to correct, any action taken by such county committee which is not in accordance with the regulations in this subpart, or (2) require a county committee to withhold taking any action which is not in accordance with the regulations in this subpart.

(c) No delegation herein to a State or county committee shall preclude the Deputy Administrator or his designee from determining any question arising under the regulations in this subpart or from reversing or modifying any determination made by a State or county committee.

### § 760.25 Estates and trusts; minors.

(a) A receiver of an insolvent debtor's estate and the trustee of a trust estate shall, for the purpose of this subpart, be considered to represent an insolvent affected farmer or manufacturer and the beneficiaries of a trust, respectively, and the production of the receiver or trustee shall be considered to be the production of the person or manufacturer he represents. Program documents executed by any such person will be accepted only if they are legally valid and such person has the authority to sign the applicable documents.

(b) An affected dairy farmer or manufacturer who is a minor shall be eligible for indemnity payments only if he meets one of the following requirements:

(1) The right of majority has been conferred on him by court proceedings or by statute; (2) a guardian has been appointed to manage his property and the applicable program documents are signed by the guardian; or (3) a bond is furnished under which the surety guarantees any loss incurred for which the minor would be liable had he been an adult.

(2) [Reserved]

### § 760.26 Appeals.

The appeal regulations issued by the Administrator, FSA, part 780 of this chapter, shall be applicable to appeals by dairy farmers or manufacturers from determinations made pursuant to the regulations in this subpart.

### § 760.27 Setoffs.

(a) If the affected farmer or manufacturer is indebted to any agency of the United States and such indebtedness is listed on the county debt record, indemnity payments due the affected farmer or manufacturer under the regulations in this part shall be applied, as provided in the Secretary's setoff regulations, part 13 of this title, to such indebtedness.

(b) Compliance with the provisions of this section shall not deprive the affected farmer or manufacturer of any right he would otherwise have to contest the justness of the indebtedness involved in the setoff action, either by administrative appeal or by legal action.

### § 760.28 Overdisbursement.

If the indemnity payment disbursed to an affected farmer or to a manufacturer exceeds the amount authorized under the regulations in this subpart, the affected farmer or manufacturer shall be personally liable for repayment of the amount of such excess.

### § 760.29 Death, incompetency, or disappearance.

In the case of the death, incompetency, or disappearance of any affected farmer or manufacturer who would otherwise receive an indemnity payment, such payment may be made to the person or persons specified in the regulations contained in part 707 of this chapter. The person requesting such payment shall file Form FSA–325, ''Application for Payment of Amounts Due Persons Who Have Died, Disappeared, or Have Been Declared Incompetent,'' as provided in that part.

[43 FR 10535, Mar. 14, 1978, as amended at 47 FR 24689, June 8, 1982]

### § 760.30 Records and inspection thereof.

(a) The affected farmer, as well as his milk handler and any other person who furnished information to such farmer or to the county committee for the purpose of enabling such farmer to receive a milk indemnity payment under this subpart, shall maintain any existing books, records, and accounts supporting any information so furnished for 3 years following the end of the year during which the application for payment was filed. The affected farmer, his milk handler, and any other person who furnishes such information to the affected farmer or to the county committee shall permit authorized representatives of the Department of Agriculture and the General Accounting Office, during regular business hours, to inspect, examine, and make copies of such books, records, and accounts.

(b) The affected manufacturer or any other person who furnishes information to the Deputy Administrator for the purposes of enabling such manufacturer to receive an indemnity payment under this subpart shall maintain any books, records, and accounts supporting any information so furnished for 3 years following the end of the year during which the application for payment was filed. The affected manufacturer or any other person who furnishes such information to the Deputy Administrator shall permit authorized representatives of the Department of Agriculture and the General Accounting Office, during regular business hours, to inspect, examine, and make copies of such books, records, and accounts.

### § 760.31 Assignment.

No assignment shall be made of any indemnity payment due or to come due under the regulations in this subpart. Any assignment or attempted assignment of any indemnity payment due or to come due under this subpart shall be null and void.

### § 760.32 Instructions and forms.

The Deputy Administrator shall cause to be prepared such forms and instructions as are necessary for carrying out the regulations in this subpart. Affected farmers and manufacturers may obtain information necessary to make application for a dairy indemnity payment from the county FSA office. Form FSA–373—Application for Indemnity Payment, is available at the county ASC office.

[43 FR 10535, Mar. 14, 1978, as amended at 47 FR 24689, June 8, 1982]

### § 760.33 Availability of funds.

Payment of indemnity claims will be contingent upon the availability of funds to the Department to pay such claims. With respect to claims filed after October 1, 1982, if the Department determines that the amount of claims to be filed under the program will exceed the funds available to the Department, to pay such claims payments will be made so that each eligible claimant will receive a pro rata share of the remaining funds available to the Department to pay dairy indemnity claims.

(Approved by the Office of Management and Budget under control number 0560–0045)

[48 FR 40367, Sept. 7, 1983 and 49 FR 8906, Mar. 9, 1984]

### § 760.34 Paperwork Reduction Act assigned numbers.

The information collection requirements contained in these regulations (7 CFR part 760) have been approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. Chapter 35 and have been assigned OMB control number 0560–0045.

[49 FR 29564, July 23, 1984]

## Subpart—Beekeeper Indemnity Payment Program (1978–80) [Reserved]

# PART 761—GENERAL AND ADMINISTRATIVE

## Subpart A—General Provisions

Sec.

761.1–761.6 [Reserved]
761.7 Appraisals.

AUTHORITY: 7 U.S.C. 1989.

SOURCE: 64 FR 62567, Nov. 17, 1999, unless otherwise noted.

**§§ 761.1–761.6 [Reserved]**

**§ 761.7 Appraisals.**

(a) *General.* This section describes requirements for:

(1) real estate and chattel appraisals made in connection with the making and servicing of direct Farm Loan Program and nonprogram loans; and,

(2) appraisal reviews conducted on appraisals made in connection with the making and servicing of direct and guaranteed Farm Loan Program and nonprogram loans.

(b) *Definitions.*

*Administrative appraisal review* means a review of an appraisal to determine if the appraisal:

(1) Meets applicable Agency requirements; and

(2) Is accurate outside the requirements of standard 3 of USPAP.

*Agency* means the Farm Service Agency, including its employees and state and area committee members, and any successor agency.

*Farm Loan Programs (FLP) loans* refers to Farm Ownership (FO), Soil and Water (SW), Recreation (RL), Economic Opportunity (EO), Operating (OL), Emergency (EM), Economic Emergency (EE), Softwood Timber (ST), and Rural Housing loans for farm service buildings (RHF).

*Technical appraisal review* means a review of an appraisal to determine if such appraisal meets the requirements of USPAP pursuant to standard 3 of USPAP.

*USPAP (Uniform Standards of Professional Appraisal Practice)* means standards governing the preparation, reporting, and reviewing of appraisals established by the Appraisal Foundation pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

(c) *Appraisal standards.* (1) *Real estate.* Real estate appraisals, technical appraisal reviews of real estate appraisals, and their respective forms must comply with the standards contained in USPAP, as well as applicable Agency regulations and procedures for the specific Farm Loan Program activity involved. A current copy of USPAP along with other applicable appraisal procedures and regulations is available for review in each Agency State Office.

(2) *Chattel.* An appraisal of chattel property may be completed on an applicable Agency form (available in each Agency State Office) or other format containing the same information.

(d) *Use of an existing real estate appraisal.* The Agency may use an existing real estate appraisal to reach a loan making or servicing decision under either of the following conditions:

(1) The appraisal was completed within the previous 12 months and the Agency determines that:

(i) The appraisal meets the provisions of this section and the applicable Agency loan making or servicing requirements, and

(ii) Current market values have remained stable since the appraisal was completed; or

(2) The appraisal was not completed in the previous 12 months, but has been updated by the appraiser or appraisal firm that completed the appraisal, and both the update and original appraisal were completed in accordance with USPAP.

(e) *Appraisal reviews.* (1) *Real estate appraisals.* With respect to a real estate appraisal, the Agency may conduct a technical appraisal review or an administrative appraisal review, or both.

(2) *Chattel appraisals.* With respect to a chattel appraisal, the Agency may conduct an administrative appraisal review.

[64 FR 62567, Nov. 17, 1999; 64 FR 69322, Dec 10, 1999; 65 FR 14433, Mar. 17, 2000]

## PART 762—GUARANTEED FARM LOANS

Sec.

762.1–762.100 [Reserved]
762.101 Introduction.
762.102 Abbreviations and definitions.
762.103 Full faith and credit.
762.104 Appeals.
762.105 Eligibility and substitution of lenders.
762.106 Preferred and certified lender programs.
762.107–762.109 [Reserved]
762.110 Loan application.
762.111–762.119 [Reserved]
762.120 Loan applicant eligibility.
762.121 Loan purposes.
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762.125 Financial feasibility.
762.126 Security requirements.
762.127 Appraisal requirements.
762.128 Environmental and special laws.
762.129 Percent of guarantee and maximum loss.
762.130 Loan approval and issuing the guarantee.
762.131–762.139 [Reserved]
762.140 General servicing responsibilities.
762.141 Reporting requirements.
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762.145 Restructuring guaranteed loans.
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762.147 Servicing shared appreciation agreements.
762.148 Bankruptcy.
762.149 Liquidation.
762.150 Interest assistance program.
762.151–762.159 [Reserved]
762.160 Sale, assignment and participation.

AUTHORITY: 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

SOURCE: 64 FR 7378, Feb. 12, 1999, unless otherwise noted.

## §§ 762.1–762.100 [Reserved]

## § 762.101 Introduction.

(a) *Scope*. This subpart contains regulations governing Operating Loans and Farm Ownership loans guaranteed by the Farm Service Agency. This subpart applies to lenders, holders, borrowers, Agency personnel, and other parties involved in making, guaranteeing, holding, servicing, or liquidating such loans.

(b) *Policy*. The Agency issues guarantees on loans made to qualified loan applicants without regard to race, color, religion, sex, national origin, marital status, or age, provided the loan applicant can enter into a legal and binding contract, or whether all or part of the applicant's income derives from any public assistance program or whether the applicant, in good faith, exercises any rights under the Consumer Protection Act.

(c) *Lender list and classification*. (1) The Agency maintains a current list of lenders who express a desire to participate in the guaranteed loan program. This list is made available to farmers upon request.

(2) Lenders who participate in the Agency guaranteed loan program will be classified into one of the following categories:

(i) Standard Eligible Lender under § 762.105,

(ii) Certified Lender, or

(iii) Preferred Lender under § 762.106.

(3) Lenders may continue to make loans under Approved Lender Program (ALP) agreements until they expire; however, these agreements will not be renewed when they expire. All ALP agreements with farm credit institutions will expire on February 12, 2001.

(d) *Type of guarantee*. Guarantees are available for both a loan note or a line of credit. A loan note is used for a loan of fixed amount and term. A line of credit has a fixed term, but no fixed amount. The principal amount outstanding at any time, however, may not exceed the line of credit ceiling contained in the contract. Both guarantees are evidenced by the same loan guarantee form.

(e) *Termination of loan guarantee*. The loan guarantee will automatically terminate as follows:

(1) Upon full payment of the guaranteed loan. A zero balance within the period authorized for advances on a line of credit will not terminate the guarantee;

(2) Upon payment of a final loss claim; or

(3) Upon written notice from the lender to the Agency that a guarantee is no longer desired provided the lender holds all of the guaranteed portion of the loan. The loan guarantee will be returned to the Agency office for cancellation within 30 days of the date of the notice by the lender.

## § 762.102 Abbreviations and definitions.

(a) *Abbreviations*.

ALP—Approved lender program

CLP—Certified lender program

CONACT—Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.)

EPA—Environmental Protection Agency

EIS—Environmental impact statement

EM—Emergency loans

FO—Farm ownership loans

FSA—Farm Service Agency
OL—Operating loans
PLP—Preferred lender program
SW—Soil and water
USDA—United States Department of Agriculture

(b) *Definitions.*

*Additional security.* Collateral in excess of that needed to fully secure the loan.

*Agency.* The Farm Service Agency, including its employees and state and area committee members, and any successor agency.

*Allonge.* An attachment or an addendum to a note.

*Applicant.* For guaranteed loans, the lender requesting a guarantee is the applicant. The party applying to the lender for a loan will be considered the loan applicant.

*Aquaculture.* The husbandry of aquatic organisms in a controlled or selected environment. An aquatic organism is any fish, amphibian, reptile, or aquatic plant. An aquaculture operation is considered to be a farm only if it is conducted on the grounds which the loan applicant owns, leases, or has an exclusive right to use. An exclusive right to use must be evidenced by a permit issued to the loan applicant and the permit must specifically identify the waters available to be used by the loan applicant only.

*Assignment of guaranteed portion.* A process by which the lender transfers the right to receive payments or income on the guaranteed loan to another party, usually in return for payment in the amount of the loan's guaranteed principal. The lender retains the unguaranteed portion in its portfolio and receives a fee from the purchaser or assignee to service the loan, and receive and remit payments according to a written assignment agreement. This assignment can be reassigned or sold multiple times.

*Average farm customers.* Those conventional farm borrowers who are required to pledge their crops, livestock, and other chattel and real estate security for the loan. This does not include those high-risk farmers with limited security and management ability who are generally charged a higher interest rate by conventional agricultural lenders. Also, this does not include those low-risk farm customers who obtain financing on a secured or unsecured basis, who have as collateral such items as savings accounts, time deposits, certificates of deposit, stocks and bonds, and life insurance, which they are able to pledge for the loan.

*Basic Security.* All farm machinery, equipment, vehicles, foundation and breeding livestock herds and flocks, including replacements, and real estate which serves as security for a loan guaranteed by the Agency.

*Beginning farmer or rancher.* A beginning farmer or rancher is an individual or entity who:

(1) Meets the loan eligibility requirements for OL or FO assistance, as applicable, in accordance with this subpart;

(2) Has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 years. This requirement applies to all members of an entity;

(3) Will materially and substantially participate in the operation of the farm or ranch:

(i) In the case of a loan made to an individual, individually or with the immediate family, material and substantial participation requires that the individual provide substantial day-to-day labor and management of the farm or ranch, consistent with the practices in the county or State where the farm is located.

(ii) In the case of a loan made to an entity, all members must materially and substantially participate in the operation of the farm or ranch. Material and substantial participation requires that the individual provide some amount of the management, or labor and management necessary for day-to-day activities, such that if the individual did not provide these inputs, operation of the farm or ranch would be seriously impaired;

(4) Agrees to participate in any loan assessment and financial management programs required by Agency regulations;

(5) Does not own real farm or ranch property or who, directly or through interests in family farm entities owns real farm or ranch property, the aggregate acreage of which does not exceed 25 percent of the average farm or ranch

acreage of the farms or ranches in the county where the property is located. If the farm is located in more than one county, the average farm acreage of the county where the loan applicant's residence is located will be used in the calculation. If the applicant's residence is not located on the farm or if the loan applicant is an entity, the average farm acreage of the county where the major portion of the farm is located will be used. The average county farm or ranch acreage will be determined from the most recent Census of Agriculture developed by the U.S. Department of Commerce, Bureau of the Census or USDA;

(6) Demonstrates that the available resources of the loan applicant and spouse (if any) are not sufficient to enable the loan applicant to enter or continue farming or ranching on a viable scale; and

(7) In the case of an entity:

(i) All the members are related by blood or marriage; and

(ii) All the stockholders in a corporation are beginning farmers or ranchers.

*Borrower*. An individual or entity which has outstanding obligations to the lender under any Agency loan or loan guarantee program. A borrower includes all parties liable for Agency debt, including collection-only borrowers, except those whose total loan and accounts have been voluntarily or involuntarily foreclosed or liquidated, or who have been discharged of all Agency debt.

*Capital leases*. Agreements under which the lessee effectively acquires ownership of the asset being leased. A lease is a capital lease if it meets any one of the following criteria:

(1) The lease transfers ownership of the property to the lessee at the end of the lease term.

(2) The lessee has the right to purchase the property for significantly less than its market value at the end of the lease.

(3) The term of the lease is at least 75 percent of the estimated economic life of the leased property.

(4) The present value of the minimum lease payments equals or exceeds 90 percent of the fair market value of the leased property.

*Cash flow budget*. A projection listing all anticipated cash inflows (including all farm income, nonfarm income and all loan advances) and all cash outflows (including all farm and nonfarm debt service and other expenses) to be incurred by the borrower during the period of the budget. Cash flow budgets for loans under $50,000 do not require income and expenses itemized by categories. A cash flow budget may be completed either for a 12 month period, a typical production cycle or the life of the loan, as appropriate. It may also be prepared with a breakdown of cash inflows and outflows for each month of the review period and includes the expected outstanding operating credit balance for the end of each month. The latter type is referred to as a ''monthly cash flow budget''.

*Collateral*. Property pledged as security for a loan to ensure repayment of an obligation.

*Conditional commitment*. The Agency's commitment to the lender that the material it has submitted is approved subject to the completion of all conditions and requirements contained therein.

*Consolidation*. The combination of outstanding principal and interest balance of two or more OL loans.

*Controlled*. When a director or employee has more than a 50 percent ownership in the entity or, the director or employee, together with relatives of the director or employee, have more than a 50 percent ownership.

*Cooperative*. An entity which has farming as its purpose and whose members have agreed to share the profits of the farming enterprise. The entity must be recognized as a farm cooperative by the laws of the State in which the entity will operate a farm.

*Cosigner*. A party who joins in the execution of a promissory note to assure its repayment. The cosigner becomes jointly and severally liable to comply with the terms of the note. In the case of an entity applicant, the cosigner cannot be a member, partner, joint operator, or stockholder of the entity.

*County average yield*. The historical average yield for a commodity in a particular political subdivision, as determined or published by a government entity or other recognized source.

*Debt writedown.* To reduce the amount of the borrower's debt to that amount that is determined to be collectible based on an analysis of the security value and the borrower's ability to pay.

*Deferral.* A postponement of the payment of interest or principal or both. Principal may be deferred in whole or in part, interest may only be partially deferred.

*Depreciation and amortization expenses.* An annual allocation of the cost or other basic value of tangible capital assets, less salvage value, over the estimated life of the unit (which may be a group of assets), in a systematic and rational manner.

*Direct loan.* A loan serviced by the Agency as lender.

*Entity.* Cooperatives, corporations, partnerships, or joint operations.

*Family farm.* A farm which:

(1) Produces agricultural commodities for sale in sufficient quantities so that it is recognized in the community as a farm rather than a rural residence;

(2) Provides enough agricultural income by itself, including rented land, or together with any other dependable income to enable the borrower to:

(i) Pay necessary family living and operating expenses;

(ii) Maintain essential chattel and real property; and

(iii) Pay debts;

(3) Is managed by:

(i) The borrower when a loan is made to an individual; or,

(ii) The members, stockholders, partners, or joint operators responsible for operating the farm when a loan is made to an entity;

(4) Has a substantial amount of the labor requirement for the farm and nonfarm enterprise provided by:

(i) The borrower and the borrower's immediate family for a loan made to an individual; or

(ii) The members, stockholders, partners, or joint operators responsible for operating the farm, along with the families of these individuals, for a loan made to an entity; and

(5) May use a reasonable amount of full-time hired labor and seasonal labor during peak load periods.

*Family living expenses.* Any withdrawals from income to provide for needs of family members.

*Family members.* The immediate members of the family residing in the same household with the individual borrower, or, in the case of an entity, with the operator.

*Farm.* A tract or tracts of land, improvements, and other appurtenances which are used or will be used in the production of crops, livestock, or aquaculture products for sale in sufficient quantities so that the property is recognized as a farm rather than a rural residence. The term ''farm'' also includes any such land and improvements and facilities used in a nonfarm enterprise. It may also include the residence which, although physically separate from the farm acreage, is ordinarily treated as part of the farm in the local community.

*Feasible plan.* A plan for loan servicing purposes which shows the elements of ''positive cash flow'' except that the minimum acceptable ''Term Debt and Capital Lease Coverage Ratio'' is 1.0 rather than 1.1 required for ''positive cash flow.''

*Financially viable operation.* An operation which, with Agency assistance, is projected to improve its financial condition over a period of time to the point that the operator can obtain commercial credit without further Agency direct or guaranteed assistance. A borrower that will meet the Agency classification of ''commercial,'' as defined in Agency Instruction 2006–W, available in any Agency office, will be considered to be financially viable. Such an operation must generate sufficient income to:

(1) Meet annual operating expenses and debt payments as they become due;

(2) Meet basic family living expenses to the extent they are not met by dependable nonfarm income;

(3) Provide for replacement of capital items; and

(4) Provide for long-term financial growth.

*Fish.* Any aquatic, gilled animal commonly known as ''fish'' as well as mollusks, or crustaceans (or other invertebrates) produced under controlled conditions (that is, feeding, tending, harvesting, and such other activities as

are necessary to properly raise and market the products) in ponds, lakes, streams, artificial enclosures, or similar holding areas.

*Fixture*. An item of personal property attached to real estate in such a way that it cannot be removed without defacing or dismantling the structure, or substantially damaging the structure itself.

*Graduation*. The Agency's determination that a borrower of a direct loan, is financially stable enough to refinance that loan with a commercial lender with or without a guarantee.

*Guaranteed loan*. A loan made and serviced by a lender for which the Agency has entered into a lenders agreement and for which the Agency has issued a loan note guarantee. This term also includes lines of credit except where otherwise indicated.

*Hazard insurance*. Includes fire, windstorm, lightning, hail, explosion, riot, civil commotion, aircraft, vehicles, smoke, builder's risk, public liability, property damage, flood or mudslide, workers compensation, or any similar insurance that is available and needed to protect the security, or that is required by law.

*Holder*. The person or organization other than the lender who holds all or a part of the guaranteed portion of an Agency guaranteed loan but who has no servicing responsibilities. When the lender assigns a part of the guaranteed loan to an assignee by way of execution of an assignment form, the assignee becomes a holder.

*In-house expenses*. Expenses associated with credit management and loan servicing by the lender and the lender's contractor. In-house expenses include, but are not limited to: employee salaries, staff lawyers, travel, supplies, and overhead.

*Interest assistance agreement*. The signed agreement between the Agency and the lender setting forth the terms and conditions of the interest assistance.

*Interest assistance anniversary date*. Date on which interest assistance reviews and claims will be effective. This date is established by the lender. Once established, it will not change unless the loan is restructured.

*Interest assistance review*. The yearly review process which includes an analysis of the borrower or applicant's farming operation and need for continued interest assistance, completion of the needs test and request for continuation of interest assistance.

*Joint operation*. Individuals that have agreed to operate a farm or farms together as a business unit. The real and personal property is owned separately or jointly by the individuals. Joint operations include limited liability companies having more than one member.

*Land development*. Items such as terracing, clearing, leveling, fencing, drainage and irrigation systems, ponds, forestation, permanent pastures, perennial hay crops, basic soil amendments, and other items of land improvements which conserve or permanently enhance productivity.

*Lender*. The organization making and servicing the loan or advancing and servicing the line of credit which is guaranteed under the provisions of Agency regulations. The lender is also the party requesting a guarantee.

*Lender's agreement*. The appropriate Agency form executed by the Agency and the lender setting forth the loan responsibilities of the lender and agency when the loan guarantee is issued.

*Lien*.A legally enforceable hold or claim on the property of another obtained as security for the repayment of indebtedness or an encumbrance on property to enforce payment of an obligation.

*Liquidation expenses*. The cost of an appraisal, due diligence evaluation, environmental assessment, outside attorney fees and other costs incurred as a direct result of liquidating the security for the guaranteed loan. Liquidation fees do not include in-house expenses.

*Loan or line of credit agreement*. A document which contains certain lender and borrower agreements, conditions, limitations, and responsibilities for credit extension and acceptance in a loan format where loan principal balance may fluctuate throughout the term of the document.

*Loan applicant*. The party applying to a lender for a guaranteed loan or line of credit.

*Loan transaction*. Any loan approval or servicing action.

*Loss claim.* A request made to the Agency by a lender to receive a reimbursement based on a percentage of the lender's loss on a loan covered by an Agency guarantee.

*Loss rate.* The net amount of guaranteed OL, FO, and SW loss claims paid on loans made in the past 7 years divided by the total loan amount of OL, FO, and SW made in the past 7 years.

*Major deficiency.* A deficiency that directly affects the soundness of the loan.

*Majority interest.* Any individual or a combination of individuals owning more than a 50 percent interest in a cooperative, corporation, joint operation, or partnership.

*Market value.* The amount which an informed and willing buyer would pay an informed and willing, but not forced, seller in a completely voluntary sale.

*Minor deficiency.* A deficiency that violates Agency regulations, but does not affect the soundness of a loan.

*Mortgage.* A legal instrument giving the lender a security interest or lien on real or personal property of any kind.

*Negligent servicing.* The failure to perform those services which would be considered normal industry standards of loan management or failure to comply with any servicing requirement of this subpart or the lenders agreement or the guarantee. The term includes the concept of a failure to act or failure to act timely consistent with actions of a reasonable lender in loan making, servicing, and collection.

*Net farm operating income.* The gross income generated by a farming operation annually, minus all yearly operating expenses (including withdrawals from entities for living expenses), operating loan interest, interest on term debt and capital lease payments, and depreciation and amortization expenses. Net farm operating income does not include off-farm income and social security taxes, carryover debt and delinquent interest.

*Net recovery value.* The market value of the security property assuming that it will be acquired by the lender, and sold for its highest and best use, less the lender's costs of property acquisition, retention, maintenance, and liquidation.

*Nonessential asset.* Assets in which the borrower has an ownership interest that do not contribute an income to pay essential family living expenses or maintain a sound farming operation, and are not exempt from judgment creditors.

*Normal income security.* All security not considered basic security.

*Participation.* A loan arrangement where a primary or lead lender is typically the lender of record but the loan funds may be provided by one or more other lenders due to loan size or other factors. Typically, participating lenders share in the interest income or profit on the loan based on the relative amount of the loan funds provided after deducting the servicing fees of the primary or lead lender.

*Partnership.* Any entity consisting of two or more individuals who have agreed to operate a farm as one business unit. The entity must be recognized as a partnership by the laws of the State in which the entity will operate and must be authorized to own both real estate and personal property and to incur debts in its own name.

*Positive cash flow.* The ability of a borrower's operation to demonstrate: a term debt and capital lease coverage ratio of at least 1.1; and a capital replacement and term debt repayment margin equal to or greater than any planned capital asset purchases not financed. The term debt and capital lease coverage ratio and the capital replacement and term debt repayment margin are calculated as follows:

(1) Add projected net farm operating income, projected annual nonfarm income, projected capital depreciation and amortization expenses, scheduled annual interest on term debt, and scheduled annual interest on capital leases.

(2) Subtract from this sum projected annual income and social security tax payments, including any delinquent taxes, and family living expenses. The difference is the balance available for term debt repayment.

(3) Divide the balance available for term debt repayment by the sum of the annual scheduled principal and interest payments on term debt, plus the annual scheduled principal and interest payments on capital leases, excluding

delinquent installments. The quotient is the term debt and capital lease coverage ratio.

(4) Add the balance available for term debt repayment to any cash carryover from the preceding year.

(5) Subtract from this sum the amount of the total annual scheduled term debt and capital lease payments, and any debt carried over from the previous year. The difference is the capital replacement and term debt repayment margin.

*Potential liquidation value.* The amount of the lender's protective bid at the foreclosure sale. Potential liquidation value is determined by an independent appraiser using comparables from other forced liquidation sales.

*Present value.* The present worth of a future stream of payments discounted to the current date.

*Primary security.* The minimum amount of collateral needed to fully secure a proposed loan.

*Principals of borrowers.* Includes owners, officers, directors, entities and others directly involved in the operation and management of a business.

*Protective advances.* Advances made by a lender to protect or preserve the collateral itself from loss or deterioration. Protective advances include but are not limited to:

(1) Payment of delinquent taxes,

(2) Annual assessments,

(3) Ground rents,

(4) Hazard or flood insurance premiums against or affecting the collateral,

(5) Harvesting costs,

(6) Other expenses needed for emergency measures to protect the collateral.

*Recapture.* The amount that a guaranteed lender is entitled to recover from a guaranteed loan borrower in consideration for the lender writing down a portion of their guaranteed loan debt when that loan was secured by real estate and that real estate increases in value. Also, the act of collecting shared appreciation.

*Related by blood or marriage.* Individuals who are connected to one another as husband, wife, parent, child, brother, or sister.

*Relative.* An individual or spouse and anyone having the following relationship to either: parent, son, daughter, sibling, stepparent, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, uncle, aunt, nephew, niece, grandparent, granddaughter, grandson, and the spouses of the foregoing.

*Rescheduling.* To rewrite the rates and terms of a single note or line of credit agreement.

*Restructuring.* Changing terms of a debt through either a rescheduling, deferral, or writedown or a combination thereof.

*Sale of guaranteed portion.* See assignment of guaranteed portion.

*Security.* Property of any kind subject to a real or personal property lien. Any reference to ''collateral'' or ''security property'' shall be considered a reference to the term ''security.''

*Shared appreciation agreement.* An agreement between a guaranteed lender and borrower that requires a borrower that has received a write down on a guaranteed loan secured by real estate to repay the lender some or all of the writedown received, based on a percentage of any increase in the value of that real estate at some future date, if certain conditions exist.

*State.* The major political subdivision of the United States and the organization of program delivery for the Agency.

*Subordination.* A document executed by a lender to relinquish their priority of lien in favor of another lender that provides the other lender with a priority right to collect a debt of a specific dollar amount from the sale of the same collateral.

*Subsequent loans.* Any loans processed by the Agency after an initial loan has been made to the same borrower.

*Transfer and assumption.* The conveyance by a debtor to an assuming party of the assets, collateral, and liabilities of the loan in return for the assuming party's binding promise to pay the debt outstanding.

*Typical plan.* A projected income and expense statement listing all anticipated cash flows for a typical 12-month production cycle; including all farm and nonfarm income and all expenses

(including debt service) to be incurred by the borrower during such period.

*Unaccounted for security*. Items, as indicated on the lender's loan application, request for guarantee, or any interim agreements provided to the Agency, that are security for the guaranteed loan that were misplaced, stolen, sold, or otherwise missing, where replacement security was not obtained or the proceeds from their sale have not been applied to the loan.

*United States*. The United States itself, each of the several States, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

*Veteran*. Any person who served in the military, naval, or air service during any war as defined in section 101(12) of title 38, United States Code.

### § 762.103 Full faith and credit.

(a) *Fraud and misrepresentation*. The loan guarantee constitutes an obligation supported by the full faith and credit of the United States. The Agency may contest the guarantee only in cases of fraud or misrepresentation by a lender or holder, in which:

(1) The lender or holder had actual knowledge of the fraud or misrepresentation at the time it became the lender or holder, or

(2) The lender or holder participated in or condoned the fraud or misrepresentation.

(b) *Lender violations*. The loan guarantee cannot be enforced by the lender, regardless of when the Agency discovers the violation, to the extent that the loss is a result of:

(1) Violation of usury laws;

(2) Negligent servicing;

(3) Failure to obtain the required security; or,

(4) Failure to use loan funds for purposes specifically approved by the Agency.

(c) *Enforcement by holder*. The guarantee and right to require purchase will be directly enforceable by the holder even if:

(1) The loan guarantee is contestable based on the lender's fraud or misrepresentation; or

(2) The loan note guarantee is unenforceable by the lender based on a lender violation.

### § 762.104 Appeals.

(a) The loan applicant or borrower and lender must jointly execute the written request for review of an alleged adverse decision made by the Agency. However, in cases where the Agency has denied or reduced the amount of the final loss payment, the decision may be appealed by the lender only.

(b) A decision made by the lender adverse to the borrower is not a decision by the Agency, whether or not concurred in by the Agency, and may not be appealed.

(c) The lender or Agency may request updated information from the borrower to implement an appeal decision.

(d) Appeals will be handled in accordance with parts 11 and 780 of this title.

### § 762.105 Eligibility and substitution of lenders.

(a) *General*. To participate in FSA guaranteed farm loan programs, a lender must meet the eligibility criteria in this part. The standard eligible lender must demonstrate eligibility and provide such evidence as the Agency may request.

(b) *Standard eligible lender eligibility criteria*. (1) A lender must have experience in making and servicing agricultural loans and have the capability to make and service the loan for which a guarantee is requested;

(2) The lenders must not have losses or deficiencies in processing and servicing guaranteed loans above a level which would indicate an inability to properly process and service a guaranteed agricultural loan.

(3) A lender must be subject to credit examination and supervision by an acceptable State or Federal regulatory agency;

(4) The lender must maintain an office near enough to the collateral's location so it can properly and efficiently discharge its loan making and loan servicing responsibilities or use Agency approved agents, correspondents, branches, or other institutions or persons to provide expertise to assist in carrying out its responsibilities. The lender must be a local lender unless it:

(i) normally makes loans in the region or geographic location in which the loan applicant's operation being financed is located, or

(ii) demonstrates specific expertise in making and servicing loans for the proposed operation.

(5) The lender, its officers, or agents must not be debarred or suspended from participation in Government contracts or programs or be delinquent on a Government debt.

(c) *Substitution of lenders.* A new eligible lender may be substituted for the original lender, upon the original lender's concurrence, under the following conditions:

(1) The Agency approves of the substitution in writing;

(2) The new lender agrees in writing to:

(i) Assume all servicing and other responsibilities of the original lender and to acquire the unguaranteed portion of the loan;

(ii) Execute a lender's agreement if one is not in effect;

(iii) Execute a modification of the guarantee provided by the Agency to identify the new lender, and contain the amount of debt at the time of the substitution and the new loan terms if applicable; and,

(iv) Give any holder written notice of the substitution. If the rate and terms are changed, written concurrence from the holder is required.

(3) The original lender will:

(i) Assign their promissory note, lien instruments, loan agreements, and other documents to the new lender.

(ii) If the loan is subject to an existing interest assistance agreement, submit a request for subsidy for the partial year that it has owned the loan.

(d) *Lender name or ownership changes.*

(1) When a lender begins doing business under a new name or undergoes an ownership change the lender will notify the Agency.

(2) The lender's CLP or PLP status is subject to reconsideration when ownership changes.

(3) The lender will execute a new lender's agreement when ownership changes.

**§ 762.106 Preferred and certified lender programs.**

(a) *General.* (1) Lenders who desire PLP or CLP status must prepare a written request addressing:

(i) The States in which they desire to receive PLP or CLP status and their branch offices which they desire to be considered by the Agency for approval; and

(ii) Each item of the eligibility criteria for PLP or CLP approval in this section, as appropriate.

(2) The lender may include any additional supporting evidence or other information the lender believes would be helpful to the Agency in making its determination.

(3) The lender must send its request to the Agency State office for the State in which the lender's headquarters is located.

(4) The lender must provide any additional information requested by the Agency to process a PLP or CLP request if the lender continues with the approval process.

(b) *CLP criteria.* The lender must meet the following requirements to obtain CLP status:

(1) Qualify as a standard eligible lender under § 762.105;

(2) Have a lender loss rate not in excess of the maximum CLP loss rate established by the Agency and published periodically in a FEDERAL REGISTER Notice. The Agency may waive the loss rate criteria for those lenders whose loss rate was substantially affected by a disaster as defined in part 1945, subpart A, of this title.

(3) Have proven an ability to process and service Agency guaranteed loans by showing that the lender:

(i) Submitted substantially complete and correct guaranteed loan applications; and

(ii) Serviced all guaranteed loans according to Agency regulations;

(4) Have made the minimum number of guaranteed OL, FO, or Soil and Water (SW) loans established by the Agency and published periodically in a FEDERAL REGISTER Notice.

(5) Not be under any regulatory enforcement action such as a cease and desist order, written agreement, or an appointment of conservator or receiver, based upon financial condition;

(6) Designate a qualified person or persons to process and service Agency guaranteed loans for each of the lender offices which will process CLP loans. To be qualified, the person must meet the following conditions:

(i) Have attended Agency sponsored training in the past 12 months or will attend training in the next 12 months; and

(ii) Agree to attend Agency sponsored training each year;

(7) Use forms acceptable to the Agency for processing, analyzing, securing, and servicing Agency guaranteed loans and lines of credit;

(8) Submit to the Agency copies of financial statements, cash flow plans, budgets, promissory notes, analysis sheets, collateral control sheets, security agreements and other forms to be used for farm loan processing and servicing;

(c) *PLP criteria.* The lender must meet the following requirements to obtain PLP status:

(1) Meet the CLP eligibility criteria under this section.

(2) Have a credit management system, satisfactory to the Agency, based on the following:

(i) The lender's written credit policies and underwriting standards;

(ii) Loan documentation requirements;

(iii) Exceptions to policies;

(iv) Analysis of new loan requests;

(v) Credit file management;

(vi) Loan funds and collateral management system;

(vii) Portfolio management;

(viii) Loan reviews;

(ix) Internal credit review process;

(x) Loan monitoring system; and

(xi) The board of director's responsibilities.

(3) Have made the minimum number of guaranteed OL, FO, or SW loans established by the Agency and published periodically in a FEDERAL REGISTER Notice.

(4) Have a lender loss rate not in excess of the rate of the maximum PLP loss rate established by the Agency and published periodically in a FEDERAL REGISTER Notice. The Agency may waive the loss rate criteria for those lenders whose loss rate was substantially affected by a disaster as defined in part 1945, subpart A, of this title.

(5) Show a consistent practice of submitting applications for guaranteed loans containing accurate information supporting a sound loan proposal.

(6) Show a consistent practice of processing Agency guaranteed loans without recurring major or minor deficiencies.

(7) Demonstrate a consistent, above average ability to service guaranteed loans based on the following:

(i) Borrower supervision and assistance;

(ii) Timely and effective servicing; and

(iii) Communication with the Agency.

(8) Designate a person or persons, approved by the Agency, to process and service PLP loans for the Agency.

(d) *CLP and PLP approval.* (1) If a lender applying for CLP or PLP status is or has recently been involved in a merger or acquisition, all loans and losses attributed to both lenders will be considered in the eligibility calculations.

(2) The Agency will determine which branches of the lender have the necessary experience and ability to participate in the CLP or PLP program based on the information submitted in the lender application and on Agency experience.

(3) Lenders who meet the criteria will be granted CLP or PLP status for a period not to exceed 5 years.

(4) PLP status will be conditioned on the lender carrying out its credit management system as proposed in its request for PLP status and any additional loan making or servicing requirements agreed to and documented the PLP lender's agreement. If the PLP lender's agreement does not specify any agreed upon process for a particular action, the PLP lender will act according to regulations governing CLP lenders.

(e) *Monitoring CLP and PLP lenders.* CLP and PLP lenders will provide information and access to records upon Agency request to permit the Agency to audit the lender for compliance with these regulations.

(f) *Renewal of CLP or PLP status.* (1) PLP or CLP status will expire within a

period not to exceed 5 years from the date the lender's agreement is executed, unless a new lender's Agreement is executed.

(2) Renewal of PLP or CLP status is not automatic. A lender must submit a written request for renewal of a lender's agreement with PLP or CLP status which includes information:

(i) Updating the material submitted in the initial application; and,

(ii) Addressing any new criteria established by the Agency since the initial application.

(3) PLP or CLP status will be renewed if the applicable eligibility criteria under this section are met, and no cause exists for denying renewal under paragraph (g) of this section.

(g) *Revocation of PLP or CLP status.* (1) The Agency may revoke the lender's PLP or CLP status at any time during the 5 year term for cause.

(2) Any of the following instances constitute cause for revoking or not renewing PLP or CLP status:

(i) Violation of the terms of the lender's agreement;

(ii) Failure to maintain PLP or CLP eligibility criteria;

(iii) Knowingly submitting false or misleading information to the Agency;

(iv) Basing a request on information known to be false;

(v) Deficiencies that indicate an inability to process or service Agency guaranteed farm loan programs loans in accordance with this subpart;

(vi) Failure to correct cited deficiencies in loan documents upon notification by the Agency;

(vii) Failure to submit status reports in a timely manner;

(viii) Failure to use forms, or follow credit management systems (for PLP lenders) accepted by the Agency; or

(ix) Failure to comply with the reimbursement requirements of § 762.144(c)(7).

(3) A lender which has lost PLP or CLP status must be reconsidered for eligibility to continue as a Standard Eligible Lender (for former PLP and CLP lenders), or as a CLP lender (for former PLP lenders) in submitting loan guarantee requests. They may reapply for CLP or PLP status when the problem causing them to lose their status has been resolved.

[64 FR 7378, Feb. 12, 1999; 64 FR 38298, July 16, 1999]

### §§ 762.107–762.109 [Reserved]

### § 762.110 Loan application.

(a) *Loans for $50,000 or less.* All lenders except PLP lenders will submit the following items:

(1) A complete application for loans of $50,000 or less must, at least, consist of:

(i) The application form;

(ii) Loan narrative;

(iii) Balance sheet;

(iv) Cash flow budget;

(v) Credit report;

(vi) A plan for servicing the loan.

(2) In addition to the minimum requirements, the lender will perform at least the same level of evaluation and documentation for a guaranteed loan that the lender typically performs for non-guaranteed loans of a similar type and amount.

(3) The $50,000 threshold includes any single loan, or package of loans submitted for consideration at any one time. A lender must not split a loan into two or more parts to meet the threshold thereby avoiding additional documentation.

(4) The Agency may require lenders with a lender loss rate in excess of the rate for CLP lenders to assemble additional documentation from paragraph (b) of this section.

(b) *Loans over $50,000.* A complete application for loans over $50,000 will consist of the items required in paragraph (a) of this section plus the following:

(1) Verification of income;

(2) Verification of debts over $1,000;

(3) Three years financial history;

(4) Three years of production history (for standard eligible lenders only);

(5) Proposed loan agreements; and,

(6) If construction or development is planned, a copy of the plans, specifications, and development schedule.

(c) *Applications from PLP lenders.* Notwithstanding paragraphs (a) and (b) of this section, a complete application for PLP lenders will consist of at least:

(1) An application form;

(2) A loan narrative; and

(3) Any other items agreed to during the approval of the PLP lender's status and contained in the PLP lender agreement.

(d) *Submitting applications.* (1) All lenders must compile and maintain in their files a complete application for each guaranteed loan. See paragraphs (a), (b), and (c) of this section.

(2) The Agency will notify CLP lenders which items to submit to the Agency.

(3) PLP lenders will submit applications in accordance with their agreement with the Agency for PLP status.

(4) CLP and PLP lenders must certify that the required items, not submitted, are in their files.

(5) The Agency may request additional information from any lender or review the lender's loan file as needed to make eligibility and approval decisions.

(e) *Incomplete applications.* If the lender does not provide the information needed to complete its application by the deadline established in an Agency request for the information, the application will be considered withdrawn by the lender.

(f) *Conflict of interest.* (1) When a lender submits the application for a guaranteed loan, the lender will inform the Agency in writing of any relationship which may cause an actual or potential conflict of interest.

(2) Relationships include:

(i) The lender or its officers, directors, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners having a financial interest (other than lending relationships in the normal course of business) in the loan applicant or borrower.

(ii) The loan applicant or borrower, a relative of the loan applicant or borrower, anyone residing in the household of the loan applicant or borrower, any officer, director, stockholder or other owner of the loan applicant or borrower holds any stock or other evidence of ownership in the lender.

(iii) The loan applicant or borrower, a relative of the loan applicant or borrower, or anyone residing in the household of the loan applicant or borrower is an Agency employee.

(iv) The officers, directors, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners of the lender have substantial business dealings (other than in the normal course of business) with the loan applicant or borrower.

(v) The lender or its officers, directors, principal stockholders, or other principal owners have substantial business dealings with an Agency employee.

(3) The lender must furnish additional information to the Agency upon request.

(4) The Agency will not approve the application until the lender develops acceptable safeguards to control any actual or potential conflicts of interest.

**§§ 762.111–762.119 [Reserved]**

**§ 762.120 Loan applicant eligibility.**

Loan applicants must meet all of the following requirements to be eligible for a guaranteed OL or a guaranteed FO:

(a) *Agency loss.* The loan applicant, and anyone who will execute the promissory note, have not caused the Agency a loss by receiving debt forgiveness on more than three occasions on or prior to April 4, 1996, or on any occasion after April 4, 1996, on all or a portion of any direct or guaranteed loan made under the authority of the CONACT by debt write-down, write-off, compromise under the provisions of section 331 of the CONACT, adjustment, reduction, charge-off, or discharge in bankruptcy or through any payment of a guaranteed loss claim under the same circumstances. Notwithstanding the preceding sentence, applicants who receive a write-down under section 353 of the CONACT, or are current on payments under a confirmed bankruptcy reorganization plan, may receive direct and guaranteed OL loans to pay annual farm and ranch operating expenses, which include family subsistence, if the applicant meets all other requirements for the loan.

(b) *Delinquent Federal debt.* The loan applicant, and anyone who will execute the promissory note, is not delinquent

on any Federal debt, other than a debt under the Internal Revenue Code of 1986. (Any debt under the Internal Revenue Code of 1986 may be considered by the lender in determining cash flow and creditworthiness.)

(c) *Outstanding judgments.* The loan applicant, and anyone who will execute the promissory note, have no outstanding unpaid judgment obtained by the United States in any court. Such judgments do not include those filed as a result of action in the United States Tax Courts.

(d) *Citizenship.* (1) The loan applicant is a citizen of the United States or an alien lawfully admitted to the United States for permanent residence under the Immigration and Nationalization Act. Indefinite parolees are not eligible. For an entity applicant, all members of an entity must meet this citizenship test.

(2) Aliens must provide the appropriate Immigration and Naturalization Service forms to document their permanent residency.

(e) *Legal capacity.* The loan applicant and all borrowers on the loan must possess the legal capacity to incur the obligations of the loan.

(f) *False or misleading information.* The loan applicant, in past dealings with the Agency, must not have provided the Agency with false or misleading documents or statements.

(g) *Credit history.* (1) The individual or entity loan applicant and all entity members must have acceptable credit history demonstrated by debt repayment.

(2) A history of failures to repay past debts as they came due when the ability to repay was within their control will demonstrate unacceptable credit history.

(3) Unacceptable credit history will not include:

(i) Isolated instances of late payments which do not represent a pattern and were clearly beyond their control; or,

(ii) Lack of credit history.

(h) *Test for credit.* (1) The loan applicant is unable to obtain sufficient credit elsewhere without a guarantee to finance actual needs at reasonable rates and terms.

(2) The potential for sale of any significant nonessential assets will be considered when evaluating the availability of other credit.

(3) Ownership interests in property and income received by an individual or entity loan applicant, and any entity members as individuals will be considered when evaluating the availability of other credit to the loan applicant.

(i) *For OLs:*

(1) The individual or entity loan applicant must be an operator of not larger than a family farm after the loan is closed.

(2) In the case of an entity borrower:

(i) The entity must be authorized to operate, and own if the entity is also an owner, a farm in the State or States in which the farm is located; and

(ii) If the entity members holding a majority interest are related by marriage or blood, at least one member of the entity must operate the family farm; or,

(iii) If the entity members holding a majority interest are not related by marriage or blood, the entity members holding a majority interest must also operate the family farm.

(j) *For FOs:*

(1) The individual must be the operator and owner of not larger than a family farm after the loan is closed.

(2) In the case of an entity borrower:

(i) The entity must be authorized to own and operate a farm in the state or states in which the farm is located; and

(ii) If the entity members holding a majority interest are related by marriage or blood, at least one member of the entity also must operate the family farm and at least one member of the entity or the entity must own the family farm; or,

(iii) If the entity members holding a majority interest are not related by marriage or blood, the entity members holding a majority interest must operate the family farm and the entity members holding a majority interest or the entity must own the family farm.

(k) *For entity loan applicants.* Entity loan applicants must meet the following additional eligibility criteria:

(1) Each entity member's ownership interest may not exceed the family farm definition limits;

(2) The collective ownership interest of all entity members may exceed the family farm definition limits only if the following conditions are met:

(i) All of the entity members are related by blood or marriage;

(ii) All of the members are or will be operators of the entity; and,

(iii) The majority interest holders of the entity must meet the requirements of paragraphs (d), (f), (g), and (i) through (j) of this section;

(3) The entity must be controlled by farmers or ranchers engaged primarily and directly in farming or ranching in the United States after the loan is made; and

(4) The entity members are not themselves entities.

(l) Neither the applicant nor any entity member has been convicted of planting, cultivating, growing, producing, harvesting, or storing a controlled substance under Federal or state law within the last five crop years. ''Controlled substance'' is defined at 21 CFR 1308. Applicants must certify on the application that it and its members, if an entity, have not been convicted of such a crime within the relevant period. If the lender uses the lender's Agency approved forms, the certification may be an attachment to the form.

**§ 762.121 Loan purposes.**

(a) *Operating Loan purposes.* (1) Loan funds disbursed under an OL guarantee may only be used for the following purposes:

(i) Payment of costs associated with reorganizing a farm or ranch to improve its profitability;

(ii) Purchase of livestock, including poultry, and farm or ranch equipment or fixtures, quotas and bases, and cooperative stock for credit, production, processing or marketing purposes;

(iii) Payment of annual farm or ranch operating expenses, examples of which include feed, seed, fertilizer, pesticides, farm or ranch supplies, repairs and improvements which are to be expensed, cash rent and family subsistence;

(iv) Payment of scheduled principal and interest payments on term debt provided the debt is for authorized FO or OL purposes;

(v) Other farm and ranch needs;

(vi) Payment of costs associated with land and water development for conservation or use purposes;

(vii) Refinancing indebtedness incurred for any authorized OL purpose, when the lender and loan applicant can demonstrate the need to refinance;

(viii) Payment of loan closing costs;

(ix) Payment of costs associated with complying with Federal or State-approved standards under the Occupational Safety and Health Act of 1970 (29 U.S.C. 655, 667). This purpose is limited to applicants who demonstrate that compliance with the standards will cause them substantial economic injury; and

(x) Payment of training costs required or recommended by the Agency.

(2) Loan funds under a line of credit may be advanced only for the following purposes:

(i) Payment of annual operating expenses, family subsistence, and purchase of feeder animals;

(ii) Payment of current annual operating debts advanced for the current operating cycle; (Under no circumstances can carry-over operating debts from a previous operating cycle be refinanced);

(iii) Purchase of routine capital assets, such as replacement of livestock, that will be repaid within the operating cycle;

(iv) Payment of scheduled, non-delinquent, term debt payments provided the debt is for authorized FO or OL purposes.

(v) Purchase of cooperative stock for credit, production, processing or marketing purposes; and

(vi) Payment of loan closing costs.

(b) *Farm ownership loan purposes.* Guaranteed FO are authorized only to:

(1) Acquire or enlarge a farm or ranch; examples include, but are not limited to, providing down payments, purchasing easements for the loan applicant's portion of land being subdivided, and participating in the beginning farmer downpayment FO program under part 1943, subpart A, of this title;

(2) Make capital improvements; examples include, but are not limited to, the construction, purchase, and improvement of a farm dwelling, service buildings and facilities that can be

made fixtures to the real estate, (Capital improvements to leased land may be financed subject to the limitations in § 762.122);

(3) Promote soil and water conservation and protection; examples include the correction of hazardous environmental conditions, and the construction or installation of tiles, terraces and waterways;

(4) Pay closing costs, including but not limited to, purchasing stock in a cooperative and appraisal and survey fees; and

(5) Refinancing indebtedness incurred for authorized FO and OL purposes, provided the lender and loan applicant demonstrate the need to refinance the debt.

(c) *Highly erodible land or wetlands conservation*. Loans may not be made for any purpose which contributes to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity. A decision by the Agency to reject an application for this reason may be appealable. An appeal questioning whether the presence of a wetland, converted wetland, or highly erodible land on a particular property must be filed directly with the USDA agency making the determination in accordance with the agency's appeal procedures.

(d) *Judgment debts*. Loans may not be used to satisfy judgments obtained in the United States District courts. However, Internal Revenue Service judgment liens may be paid with loan funds.

**§ 762.122 Loan limitations.**

(a) *Dollar limits*. Guaranteed loans are limited to the following:

(1) The total outstanding combined guaranteed FO and OL principal balance cannot exceed $700,000 and,

(2) The total outstanding direct and guaranteed FO principal balance cannot exceed $700,000 and,

(3) The total outstanding direct and guaranteed OL principal balance cannot exceed $700,000 and,

(4) The total combined outstanding direct and guaranteed FO and OL principal balance cannot exceed $900,000.

(b) *Line of credit advances*. The total dollar amount of line of credit advances and income releases cannot exceed the total estimated expenses, less interest expense, as indicated on the borrower's cash flow budget, unless the cash flow budget is revised and continues to reflect a feasible plan.

(c) *OL term limitations*. (1) No guaranteed OL shall be made to any loan applicant after the 15th year that a loan applicant, or any individual signing the promissory note, received a direct or guaranteed OL.

(2) Notwithstanding paragraph (c)(1) of this section, if a borrower had any combination of direct or guaranteed OL closed in 10 or more prior calendar years prior to October 28, 1992, eligibility to receive new guaranteed OL is extended for 5 additional years from October 28, 1992, and the years need not run consecutively. However, in the case of a line of credit, each year in which an advance is made after October 28, 1992, counts toward the 5 additional years. Once determined eligible, a loan or line of credit may be approved for any authorized term.

(d) *Leased land*. When FO funds are used for improvements to leased land the terms of the lease must provide reasonable assurance that the loan applicant will have use of the improvement over its useful life, or provide compensation for any unexhausted value of the improvement if the lease is terminated.

(e) *Tax-exempt transactions*. The Agency will not guarantee any loan made with the proceeds of any obligation the interest on which is excluded from income under section 103 of the Internal Revenue Code of 1986. Funds generated through the issuance of tax-exempt obligations may not be used to purchase the guaranteed portion of any Agency guaranteed loan. An Agency guaranteed loan may not serve as collateral for a tax-exempt bond issue.

(f) *Floodplain restrictions*. The Agency will not guarantee any loan to purchase, build, or expand buildings located in a special 100 year floodplain as defined by FEMA flood hazard area maps unless flood insurance is available and purchased.

[64 FR 7378, Feb. 12, 1999; 64 FR 38298, July 16, 1999]

**§ 762.123 Insurance and farm inspection requirements.**

(a) *Insurance.* (1) Lenders must require borrowers to maintain adequate property, public liability, and crop insurance to protect the lender and Government's interests.

(2) By loan closing, loan applicants must either:

(i) Obtain at least the catastrophic risk protection (CAT) level of crop insurance coverage, if available, for each crop of economic significance, as defined by part 402 of this title, or

(ii) Waive eligibility for emergency crop loss assistance in connection with the uninsured crop. EM loan assistance under part 1945, subpart D, of this title is not considered emergency crop loss assistance for purposes of this waiver and execution of the waiver does not render the borrower ineligible for EM loans.

(3) Loan applicants must purchase flood insurance if buildings are or will be located in a special flood hazard area as defined by FEMA flood hazard area maps and if flood insurance is available.

(4) Insurance, including crop insurance, must be obtained as required by the lender or the Agency based on the strengths and weaknesses of the loan.

(b) *Farm inspections.* Before submitting an application the lender must make an inspection of the farm to assess the suitability of the farm and to determine any development that is needed to make it a suitable farm.

**§ 762.124 Interest rates, terms, charges, and fees.**

(a) *Interest rates.* (1) The interest rate on a guaranteed loan or line of credit may be fixed or variable as agreed upon between the borrower and the lender. The lender may charge different rates on the guaranteed and the non-guaranteed portions of the note. The guaranteed portion may be fixed while the unguaranteed portion may be variable, or vice versa. If both portions are variable, different bases may be used.

(2) If a variable rate is used, it must be tied to a rate specifically agreed to between the lender and borrower in the loan instruments. Variable rates may change according to the normal practices of the lender for its average farm customers, but the frequency of change must be specified in the loan or line of credit instrument.

(3) Neither the interest rate on the guaranteed portion nor the unguaranteed portion may exceed the rate the lender charges its average agricultural loan customer. At the request of the Agency, the lender must provide evidence of the rate charged the average agricultural loan customer. This evidence may consist of average yield data, or documented administrative differential rate schedule formulas used by the lender.

(4) Interest must be charged only on the actual amount of funds advanced and for the actual time the funds are outstanding. Interest on protective advances made by the lender to protect the security will be charged at the note rate but limited to paragraph (a)(3) of this section.

(5) The lender and borrower may collectively obtain a temporary reduction in the interest rate through the interest assistance program in accordance with § 762.150.

(b) *OL terms.* (1) Loan funds or advances on a line of credit used to pay annual operating expenses will be repaid when the income from the year's operation is received, except when the borrower is establishing a new enterprise, developing a farm, purchasing feed while feed crops are being established, or recovering from disaster or economic reverses.

(2) The final maturity date for each loan cannot exceed 7 years from the date of the promissory note or line of credit agreement. Advances for purposes other than for annual operating expenses will be scheduled for repayment over the minimum period necessary considering the loan applicant's ability to repay and the useful life of the security, but not in excess of 7 years.

(3) All advances on a line of credit must be made within 5 years from the date of the Loan Guarantee.

(c) *FO terms.* Each loan must be scheduled for repayment over a period not to exceed 40 years from the date of the note or such shorter period as may be necessary to assure that the loan will be adequately secured, taking into

account the probable depreciation of the security.

(d) *Balloon installments under loan note guarantee.* Balloon payment terms are permitted on FO or OL subject to the following:

(1) Extended repayment schedules may include equal, unequal, or balloon installments if needed on any guaranteed loan to establish a new enterprise, develop a farm, or recover from a disaster or an economical reversal.

(2) Loans with balloon installments must have adequate collateral at the time the balloon installment comes due. Crops, livestock other than breeding livestock, or livestock products produced are not sufficient collateral for securing such a loan.

(3) The borrower must be projected to be able to refinance the remaining debt at the time the balloon payment comes due based on the expected financial condition of the operation, the depreciated value of the collateral, and the principal balance on the loan.

(e) *Charges and Fees.* (1) The lender may charge the loan applicant and borrower fees for the loan provided they are no greater than those charged to unguaranteed customers for similar transactions. Similar transactions are those involving the same type of loan requested (for example, operating loans or farm real estate loans).

(2) Late payment charges (including default interest charges) are not covered by the guarantee. These charges may not be added to the principal and interest due under any guaranteed note or line of credit. However, late payment charges may be made outside of the guarantee if they are routinely made by the lender in similar types of loan transactions.

(3) Lenders may not charge a loan origination and servicing fee greater than 1 percent of the loan amount for the life of the loan when a guaranteed loan is made in conjunction with a down payment FO for beginning farmers under part 1943, subpart A, of this title.

### § 762.125 Financial feasibility.

(a) *General.* (1) Notwithstanding any other provision of this section, PLP lenders will follow their internal procedures on financial feasibility as agreed to by the Agency during PLP certification.

(2) The loan applicant's proposed operation must project a positive cash flow.

(3) For standard eligible lenders, the projected income and expenses of the borrower and operation used to determine positive cash flow must be based on the loan applicant's proven record of production and financial management.

(4) For CLP lenders, the projected income and expenses of the borrower and the operation must be based on the loan applicant's financial history and proven record of financial management.

(5) For those farmers without a proven history, a combination of any actual history and any other reliable source of information that are agreeable with the lender, the loan applicant, and the Agency will be used.

(6) The cash flow budget analyzed to determine positive cash flow must represent the predicted cash flow of the operating cycle.

(7) Lenders must use price forecasts that are reasonable and defensible. Sources must be documented by the lender and acceptable to the Agency.

(8) When positive cash flow depends on income from other sources in addition to income from owned land, the income must be dependable and likely to continue.

(9) The lender will analyze business ventures other than the farm operation to determine their soundness and contribution to the operation. Guaranteed loan funds will not be used to finance a nonfarm enterprise. Nonfarm enterprises include, but are not limited to: raising earthworms, exotic birds, tropical fish, dogs, or horses for nonfarm purposes; welding shops; boarding horses; and riding stables.

(10) When the loan applicant has or will have a cash flow budget developed in conjunction with a proposed or existing Agency direct loan, the two cash flow budgets must be consistent.

(b) *Estimating production.* (1) Standard eligible lenders must use the best sources of information available for estimating production in accordance with this subsection when developing cash flow budgets.

(2) Deviations from historical performance may be acceptable, if specific to changes in operation and adequately justified and acceptable to the Agency.

(3) For existing farmers, actual production for the past 3 years will be utilized.

(4) For those farmers without a proven history, a combination of any actual history and any other reliable source of information that are agreeable with the lender, the loan applicant, and the Agency will be used.

(5) When the production of a growing commodity can be estimated, it must be considered when projecting yields.

(6) When the loan applicant's production history has been so severely affected by a declared disaster that an accurate projection cannot be made, the following applies:

(i) County average yields are used for the disaster year if the loan applicant's disaster year yields are less than the county average yields. If county average yields are not available, State average yields are used. Adjustments can be made, provided there is factual evidence to demonstrate that the yield used in the farm plan is the most probable to be realized.

(ii) To calculate a historical yield, the crop year with the lowest actual or county average yield may be excluded, provided the loan applicant's yields were affected by disasters at least 2 of the previous 5 consecutive years.

(c) *Refinancing.* Loan guarantee requests for refinancing must ensure that a reasonable chance for success still exists. The lender must demonstrate that problems with the loan applicant's operation that have been identified, can be corrected, and the operation returned to a sound financial basis.

**§ 762.126 Security requirements.**

(a) *General.* (1) The lender is responsible for ensuring that proper and adequate security is obtained and maintained to fully secure the loan, protect the interest of the lender and the Agency, and assure repayment of the loan or line of credit.

(2) The lender will obtain a lien on additional security when necessary to protect the Agency's interest.

(b) *Guaranteed and unguaranteed portions.* (1) All security must secure the entire loan or line of credit. The lender may not take separate security to secure only that portion of the loan or line of credit not covered by the guarantee.

(2) The lender may not require compensating balances or certificates of deposit as means of eliminating the lender's exposure on the unguaranteed portion of the loan or line of credit. However, compensating balances or certificates of deposit as otherwise used in the ordinary course of business are allowed for both the guaranteed and unguaranteed portions.

(c) *Identifiable security.* The guaranteed loan must be secured by identifiable collateral. To be identifiable, the lender must be able to distinguish the collateral item and adequately describe it in the security instrument.

(d) *Type of security.* (1) Guaranteed loans may be secured by any property if the term of the loan and expected life of the property will not cause the loan to be undersecured.

(2) For loans with terms greater than 7 years, a lien must be taken on real estate.

(3) Loans can be secured by a mortgage on leasehold properties if the lease has a negotiable value and is subject to being mortgaged.

(4) The lender or Agency may require additional personal and corporate guarantees to adequately secure the loan. These guarantees are separate from, and in addition to, the personal obligations arising from members of an entity signing the note as individuals.

(e) *Lien position.* All guaranteed loans will be secured by the best lien obtainable. Provided that:

(1) When the loan is made for refinancing purposes, the guaranteed loan must hold a security position no lower than on the refinanced loan.

(2) Any chattel-secured guaranteed loan must have a higher lien priority (including purchase money interest) than an unguaranteed loan secured by the same chattels and held by the same lender.

(3) Junior lien positions are acceptable only if the equity position is strong. Junior liens on crops, or livestock products will not be relied upon for security unless the lender is involved in multiple guaranteed loans to

the same borrower and also has the first lien on the collateral.

(4) When taking a junior lien, prior lien instruments will not contain future advance clauses (except for taxes, insurance, or other reasonable costs to protect security), or cancellation, summary forfeiture, or other clauses that jeopardize the Government's or the lender's interest or the borrower's ability to pay the guaranteed loan, unless any such undesirable provisions are limited, modified, waived or subordinated by the lienholder for the benefit of the Agency and the lender.

(f) Additional security, or any loan of $10,000 or less may be secured by the best lien obtainable on real estate without title clearance or legal services normally required, provided the lender believes from a search of the county records that the loan applicant can give a mortgage on the farm and provided that the lender would, in the normal course of business, waive the title search. This exception to title clearance will not apply when land is to be purchased.

(g) *Multiple owners*. If security has multiple owners, all owners must execute the security documents for the loan.

(h) *Exceptions*. The Deputy Administrator for Farm Loan Programs has the authority to grant an exception to any of the requirements involving security, if the proposed change is in the best interest of the Government and the collection of the loan will not be impaired.

### § 762.127 Appraisal requirements.

(a) *General*. The Agency may require a lender to obtain an appraisal based on the type of security, loan size, and whether it is primary or additional security. Except for authorized liquidation expenses, the lender is responsible for all appraisal costs, which may be passed on to the borrower, or a transferee in the case of a transfer and assumption.

(b) *Exception*. Notwithstanding other provisions of this section, an appraisal is not required for any additional security, or for loans of $50,000 or less if a strong equity position exists.

(c) *Chattel appraisals*. A current appraisal (not more than 12 months old) of primary chattel security is generally required on all loans. An appraisal for loans or lines of credit for annual production purposes that are secured by crops is only required when a guarantee is requested late in the current production year and actual yields can be reasonably estimated. The appraised value of chattel property will be based on public sales of the same, or similar, property in the market area. In the absence of such public sales, reputable publications reflecting market values may be used. Appraisal reports may be on the Agency's appraisal of chattel property form or on any other appraisal form containing at least the same information. Chattel appraisals will be performed by appraisers who possess sufficient experience or training to establish market (not retail) values as determined by the Agency.

(d) *Real estate appraisals*. A current real estate appraisal is required when real estate will be primary security. Agency officials may accept an appraisal that is not current if there have been no significant changes in the market or on the subject real estate and the appraisal was either completed within the past 12 months or updated by a qualified appraisal if not completed within the past 12 months.

(1) Appraiser qualifications. On loan transactions of $250,000 or less, the lender must demonstrate to the Agency's satisfaction that the appraiser possesses sufficient experience or training to estimate the market value of agricultural property. On loan transactions greater than $250,000, which includes principal plus accrued interest through the closing date, the appraisal must be completed by a State certified general appraiser.

(2) Appraisals. Real estate appraisals must be completed in accordance with the Uniform Standards of Professional Appraisal Practice. Appraisals may be either a complete or limited appraisal provided in a self-contained or summary format. Restricted reports, as defined in the Uniform Standards of Professional Appraisal Practice, are not acceptable.

[64 FR 7378, Feb. 12, 1999, as amended at 64 FR 62568, Nov. 17, 1999; 65 FR 14433, Mar. 17, 2000]

**§ 762.128 Environmental and special laws.**

(a) *Environmental requirements.* The requirements found in part 1940, subpart G, of this title must be met for guaranteed OL and FO. CLP and PLP lenders may certify that they have documentation in their file to demonstrate compliance with paragraph (c) of this section. Standard eligible lenders must submit evidence supporting compliance with this section.

(b) *Determination.* The Agency determination of whether an environmental problem exists will be based on:

(1) The information supplied with the application;

(2) The Agency Official's personal knowledge of the operation;

(3) Environmental resources available to the Agency including, but not limited to, documents, third parties, and governmental agencies;

(4) A visit to the farm operation when the available information is insufficient to make a determination;

(5) Other information supplied by the lender or loan applicant upon Agency request. If necessary, information not supplied with the application will be requested by the Agency.

(c) *Special requirements.* Lenders will assist in the environmental review process by providing environmental information. In all cases, the lender must retain documentation of their investigation in the loan applicant's case file.

(1) A determination must be made as to whether there are any potential impacts to a 100 year floodplain as defined by Federal Emergency Management Agency floodplain maps, Natural Resources Conservation Service data, or other appropriate documentation.

(2) The lender will assist the borrower in securing any applicable permits or waste management plans. The lender may consult with the Agency for guidance on activities which require consultation with State regulatory agencies, special permitting or waste management plans.

(3) The lender will examine the security property to determine if there are any structures or archeological sites which are listed or may be eligible for listing in the National Register of Historic Places. The lender may consult with the Agency for guidance on which situations will need further review in accordance with the National Historical Preservation Act and part 1940, subpart G, and part 1901, subpart F, of this title.

(4) The loan applicant must certify they will not violate the provisions of § 363 of the CONACT, the Food Security Act of 1985, and Executive Order 11990 relating to Highly Erodible Land and Wetlands.

(5) All lenders are required to ensure that due diligence is performed in conjunction with a request for guarantee of a loan involving real estate. Due diligence is the process of evaluating real estate in the context of a real estate transaction to determine the presence of contamination from release of hazardous substances, petroleum products, or other environmental hazards and determining what effect, if any, the contamination has on the security value of the property. The Agency will accept as evidence of due diligence the most current version of the American Society of Testing Materials (ASTM) transaction screen questionnaire available from 100 Barr Harbor Drive, West Conshohocken, Pennsylvania 19428–2959, or similar documentation, approved for use by the Agency, supplemented as necessary by the ASTM phase I environmental site assessments form.

(d) *Equal opportunity and nondiscrimination.* (1) With respect to any aspect of a credit transaction, the lender will not discriminate against any applicant on the basis of race, color, religion, national origin, sex, marital status, or age, provided the applicant can execute a legal contract. Nor will the lender discriminate on the basis of whether all or a part of the applicant's income derives from any public assistance program, or whether the applicant in good faith, exercises any rights under the Consumer Protection Act.

(2) Where the guaranteed loan involves construction, the contractor or subcontractor must file all compliance reports, equal opportunity and nondiscrimination forms, and otherwise comply with all regulations prescribed by the Secretary of Labor pursuant to Executive Orders 11246 and 11375.

(e) *Other Federal, State and local requirements.* Lenders are required to coordinate with all appropriate Federal, State, and local agencies and comply with special laws and regulations applicable to the loan proposal.

**§ 762.129 Percent of guarantee and maximum loss.**

(a) *General.* The percent of guarantee will not exceed 90 percent based on the credit risk to the lender and the Agency both before and after the transaction. The Agency will determine the percentage of guarantee.

(b) *Exceptions.* The guarantee will be issued at 95 percent in any of the following circumstances:

(1) The sole purpose of a guaranteed FO or OL is to refinance an Agency direct farm loan. When only a portion of the loan is used to refinance a direct Agency farm credit program loan, a weighted percentage of a guarantee will be provided;

(2) When the purpose of an FO guarantee is to participate in the down payment loan program; or

(3) When a guaranteed OL is made to a farmer or rancher who is participating in the Agency's down payment loan program. The guaranteed OL must be made during the period that a borrower has the down payment loan outstanding.

(c) *CLP and PLP guarantees.* All guarantees issued to CLP or PLP lenders will not be less than 80 percent.

(d) *Maximum loss.* The maximum amount the Agency will pay the lender under the loan guarantee will be any loss sustained by such lender on the guaranteed portion including:

(1) The pro rata share of principal and interest indebtedness as evidenced by the note or by assumption agreement;

(2) Any loan subsidy due and owing;

(3) The pro rata share of principal and interest indebtedness on secured protective and emergency advances made in accordance with this subpart; and

(4) Principal and interest indebtedness on recapture debt pursuant to a shared appreciation agreement. Provided that the lender has paid the Agency its pro rata share of the recapture amount due.

**§ 762.130 Loan approval and issuing the guarantee.**

(a) *Processing timeframes.* (1) Standard Eligible Lenders. Complete applications from Standard Eligible Lenders will be approved or rejected, and the lender notified in writing, no later than 30 calendar days after receipt.

(2) CLP and PLP lenders.

(i) Complete applications from CLP or PLP lenders will be approved or rejected not later than 14 calendar days after receipt.

(ii) For PLP lenders, if this time frame is not met, the proposed guaranteed loan will automatically be approved, subject to funding, and receive an 80 or 95 percent guarantee, as appropriate.

(3) Complete applications. For purposes of determining the application processing timeframes, an application will be not be considered complete until all information required to make an approval decision, including the information for an environmental review, is received by the Agency.

(4) The Agency will confirm the date an application is received with a written notification to the lender.

(b) *Funding preference.* Loans are approved subject to the availability of funding. When it appears that there are not adequate funds to meet the needs of all approved loan applicants, applications that have been approved will be placed on a preference list according to the date of receipt of a complete application. If approved applications have been received on the same day, the following will be given priority:

(1) An application from a veteran

(2) An application from an Agency direct loan borrower

(3) An application from a loan applicant who:

(i) Has a dependent family,

(ii) Is an owner of livestock and farm implements necessary to successfully carry out farming operations, or

(iii) Is able to make down payments.

(4) Any other approved application.

(c) *Conditional commitment.* (1) The lender must meet all of the conditions specified in the conditional commitment to secure final Agency approval of the guarantee.

(2) The lender, after reviewing the conditions listed on the conditional

commitment, will complete, execute, and return the form to the Agency. If the conditions are not acceptable to the lender, the Agency may agree to alternatives or inform the lender and the loan applicant of their appeal rights.

(d) *Lender requirements prior to issuing the guarantee.* (1) Lender certification. The lender will certify as to the following on the appropriate Agency form:

(i) No major changes have been made in the lender's loan or line of credit conditions and requirements since submission of the application (except those approved in the interim by the Agency in writing);

(ii) Required hazard, flood, crop, worker's compensation, and personal life insurance (when required) are in effect;

(iii) Truth in lending requirements have been met;

(iv) All equal employment and equal credit opportunity and nondiscrimination requirements have been or will be met at the appropriate time;

(v) The loan or line of credit has been properly closed, and the required security instruments have been obtained, or will be obtained, on any acquired property that cannot be covered initially under State law;

(vi) The borrower has marketable title to the collateral owned by the borrower, subject to the instrument securing the loan or line of credit to be guaranteed and subject to any other exceptions approved in writing by the Agency. When required, an assignment on all USDA crop and livestock program payments has been obtained;

(vii) When required, personal, joint operation, partnership, or corporate guarantees have been obtained;

(viii) Liens have been perfected and priorities are consistent with requirements of the conditional commitment;

(ix) Loan proceeds have been, or will be disbursed for purposes and in amounts consistent with the conditional commitment and as specified on the loan application. In line of credit cases, if any advances have occurred, advances have been disbursed for purposes and in amounts consistent with the conditional commitment and line of credit agreements;

(x) There has been no material adverse change in the borrower's condition, financial or otherwise, since submission of the application; and

(xi) All other requirements specified in the conditional commitment have been met.

(2) Inspections. The lender must notify the Agency of any scheduled inspections during construction and after the guarantee has been issued. The Agency may attend these field inspections. Any inspections or review performed by the Agency, including those with the lender, are solely for the benefit of the Agency. Agency inspections do not relieve any other parties of their inspection responsibilities, nor can these parties rely on Agency inspections for any purpose.

(3) Execution of lender's agreement. The lender must execute the Agency's lender's agreement and deliver it to the Agency.

(4) Closing report and guarantee fees.

(i) The lender must complete an Agency closing report form and return it to the Agency along with any guarantee fees.

(ii) Guarantee fees are 1 percent and are calculated as follows: Fee = Loan Amount x % Guaranteed x .01. The nonrefundable fee is paid to the Agency by the lender. The fee may be passed on to the borrower and included in loan funds.

(iii) The following guaranteed loan transactions are not charged a fee:

(A) Loans involving interest assistance;

(B) Loans where a majority of the funds are used to refinance an Agency direct loan; and

(C) Loans to beginning farmers or ranchers involved in the direct beginning farmer downpayment program.

(e) *Promissory notes, line of credit agreements, mortgages, and security agreements.* The lender will use its own promissory notes, line of credit agreements, real estate mortgages (including deeds of trust and similar instruments), and security agreements (including chattel mortgages in Louisiana and Puerto Rico), provided:

(1) The forms meet Agency requirements;

(2) Documents comply with State law and regulation;

(3) The principal and interest repayment schedules are stated clearly in the notes and are consistent with the conditional commitment;

(4) The note is executed by the individual liable for the loan. For entities, the note is executed by the member who is authorized to sign for the entity, and by all members of the entity as individuals. Individual liability can be waived by the Agency for members holding less than 10 percent ownership in the entity if the collectability of the loan will not be impaired; and

(5) When the loan purpose is to refinance or restructure the lender's own debt, the lender may continue to use the existing debt instrument and attach an allonge that modifies the terms of the original note.

(f) *Replacement of loan guarantee, or assignment guarantee agreement.* If the guarantee or assignment guarantee agreements are lost, stolen, destroyed, mutilated, or defaced, except where the evidence of debt was or is a bearer instrument, the Agency will issue a replacement to the lender or holder upon receipt of acceptable documentation including a certificate of loss and an indemnity bond.

**§§ 762.131–762.139 [Reserved]**

**§ 762.140 General servicing responsibilities.**

(a) *General.* (1) Lenders are responsible for servicing the entire loan in a reasonable and prudent manner, protecting and accounting for the collateral, and remaining the mortgagee or secured party of record.

(2) The lender cannot enforce the guarantee to the extent that a loss results from a violation of usury laws or negligent servicing.

(b) *Borrower supervision.* The lender's responsibilities regarding borrower supervision include, but are not limited to the following:

(1) Ensuring loan funds are not used for unauthorized purposes.

(2) Ensuring borrower compliance with the covenants and provisions contained in the promissory note, loan agreement, mortgage, security instruments, any other agreements, and this part. Any violations which indicate non-compliance on the part of the borrower must be reported, in writing, to both the Agency and the borrower.

(3) Ensuring the borrower is in compliance with all laws and regulations applicable to the loan, the collateral, and the operations of the farm.

(4) Receiving all payments of principal and interest on the loan as they fall due and promptly disbursing to any holder its pro-rata share according to the amount of interest the holder has in the loan, less only the lender's servicing fee.

(5) Performing an annual analysis of the borrower's financial condition to determine the borrower's progress. The annual analysis will include:

(i) For loans secured by real estate only, the analysis for standard eligible lenders must include an analysis of the borrower's balance sheet. CLP lenders will determine the need for the annual analysis based on the financial strength of the borrower and document the file accordingly. PLP lenders will perform an annual analysis in accordance with the requirements established in the lender's agreement.

(ii) For loans secured by chattels, all lenders will review the borrower's progress regarding business goals, trends and changes in financial performance, and compare actual to planned income and expenses for the past year.

(iii) An account of the whereabouts or disposition of all collateral.

(iv) A discussion of any observations about the farm business with the borrower.

(c) *Monitoring of development.* The lender's responsibilities regarding the construction, repairs, or other development include, but are not limited to:

(1) Determining that all construction is completed as proposed in the loan application;

(2) Making periodic inspections during construction to ensure that any development is properly completed within a reasonable period of time; and

(3) Verification that the security is free of any mechanic's, materialmen's, or other liens which would affect the lender's lien or result in a different lien priority from that proposed in the request for guarantee.

(d) The guaranteed loan installments will be paid before unguaranteed loans held by the same lender.

### § 762.141 Reporting requirements.

Lenders are responsible for providing the local Agency credit officer with all of the following information on the loan and the borrower:

(a) When the guaranteed loan becomes 30 days past due, and following the lender's meeting or attempts to meet with the borrower, all lenders will submit the appropriate Agency form showing guaranteed loan borrower default status. The form will be resubmitted every 60 days until the default is cured either through restructuring or liquidation.

(b) All lenders will submit the appropriate guaranteed loan status reports as of March 31 and September 30 of each year;

(c) CLP lenders also must provide the following:

(1) A written summary of the lender's annual analysis of the borrower's operation. This summary should describe the borrower's progress and prospects for the upcoming operating cycle. This annual analysis may be waived or postponed if the borrower is financially strong. The summary will include a description of the reasons an analysis was not necessary.

(2) For lines of credit, an annual certification stating that a cash flow projecting at least a feasible plan has been developed, that the borrower is in compliance with the provisions of the line of credit agreement, and that the previous year income and loan funds and security proceeds have been accounted for.

(d) In addition to the requirements of paragraphs (a), (b), and (c) of this section, the standard eligible lender also will provide:

(1) Borrower's balance sheet, and income and expense statement for the previous year.

(2) For lines of credit, the cash flow for the borrower's operation that projects a feasible plan or better for the upcoming operating cycle. The standard eligible lender must receive approval from the Agency before advancing future years' funds.

(3) An annual farm visit report or collateral inspection.

(e) PLP lenders will submit additional reports as required in their lender's agreement.

(f) A lender receiving a final loss payment must complete and return an annual report on its collection activities for each unsatisfied account for 3 years following payment of the final loss claim.

### § 762.142 Servicing related to collateral.

(a) *General.* The lender's responsibilities regarding servicing collateral include, but are not limited to, the following:

(1) Obtain income and insurance assignments when required.

(2) Ensure the borrower has or obtains marketable title to the collateral.

(3) Inspect the collateral as often as deemed necessary to properly service the loan.

(4) Ensure the borrower does not convert loan security.

(5) Ensure the proceeds from the sale or other disposition of collateral are accounted for and applied in accordance with the lien priorities on which the guarantee is based or used for the purchase of replacement collateral.

(6) Ensure the loan and the collateral are protected in the event of foreclosure, bankruptcy, receivership, insolvency, condemnation, or other litigation.

(7) Ensure taxes, assessments, or ground rents against or affecting the collateral are paid.

(8) Ensure adequate insurance is maintained.

(9) Ensure that insurance loss payments, condemnation awards, or similar proceeds are applied on debts in accordance with lien priorities on which the guarantee was based, or used to rebuild or acquire needed replacement collateral.

(b) *Partial releases.* (1) A lender may release guaranteed loan security without FSA concurrence as follows:

(i) When the security item is being sold for market value and the proceeds will be applied to the loan in accordance with lien priorities. In the case of term loans, proceeds will be applied as

extra payments and not as a regular installment on the loan.

(ii) The security item will be used as a trade–in or source of down payment funds for a like item that will be taken as security.

(iii) The security item has no present or prospective value.

(2) A partial release of security may be approved in writing by the Agency upon the lender's request when:

(i) Proceeds will be used to make improvements to real estate that increase the value of the security by an amount equal to or greater than the value of the security being released.

(ii) Security will be released outright with no consideration, but the total unpaid balance of the guaranteed loan is less than or equal to 75 percent of the value of the security for the loan after the release, excluding the value of growing crops or planned production, based on a current appraisal of the security.

(iii) Significant income generating property will not be released unless it is being replaced and business assets will not be released for use as a gift or any similar purpose.

(iv) Agency concurrence is provided in writing to the lender's written request. Standard eligible lenders and CLP lenders will submit the following to the Agency:

(A) A current balance sheet on the borrower; and

(B) A current appraisal of the security. Based on the level of risk and estimated equity involved, the Agency will determine what security needs to be appraised. Any required security appraisals must meet the requirements of § 762.127; and

(C) A description of the purpose of the release; and

(D) Any other information requested by the Agency to evaluate the proposed servicing action.

(3) The lender will provide the Agency copies of any agreements executed to carry out the servicing action.

(4) PLP lenders will request servicing approval in accordance with their agreement with the Agency at the time of PLP status certification.

(c) *Subordinations.* (1) The Agency may subordinate its security interest on a direct loan when a guaranteed loan is being made if the requirements of the regulations governing Agency direct loan subordinations are met and only in the following circumstances:

(i) To permit a guaranteed lender to advance funds and perfect a security interest in crops, feeder livestock, livestock offspring, or livestock products;

(ii) When the lender requesting the guarantee needs the subordination of the Agency's lien position to maintain its lien position when servicing or restructuring;

(iii) When the lender requesting the guarantee is refinancing the debt of another lender and the Agency's position on real estate security will not be adversely affected; or

(iv) To permit a line of credit to be advanced for annual operating expenses.

(2) The Agency may subordinate its basic security in a direct loan to permit guaranteed line of credit only when both of the following additional conditions are met:

(i) The total unpaid balance of the direct loans is less than or equal to 75 percent of the value of all of the security for the direct loans, excluding the value of growing crops or planned production, at the time of the subordination. The direct loan security value will be determined by an appraisal. The lender requesting the subordination and guarantee is responsible for providing the appraisal and may charge the applicant a reasonable appraisal fee.

(ii) The applicant cannot obtain sufficient credit through a conventional guaranteed loan without a subordination.

(3) The lender may not subordinate its interest in property which secures a guaranteed loan except as follows:

(i) The lender may subordinate its security interest in crops, feeder livestock, livestock offspring, or livestock products when no funds have been advanced from the guaranteed loan for their production, so a lender can make a loan for annual production expenses; or

(ii) The Agency's national office may provide an exception to the subordination prohibition if such action is in the Agency's best interest. However, in no

case can the loan made under the subordination include tax exempt financing.

(d) *Transfer and assumption*. Transfers and assumptions are subject to the following conditions:

(1) For standard eligible and CLP lenders, the servicing action must be approved by the Agency in writing.

(2) For standard eligible and CLP lenders, the transferee must apply for a loan in accordance with § 762.110, including a current appraisal, unless the lien position of the guaranteed loan will not change, and any other information requested by the Agency to evaluate the transfer and assumption.

(3) PLP lenders may process transfers and assumptions in accordance with their agreement with the Agency.

(4) Any required security appraisals must meet the requirements of § 762.127.

(5) The Agency will review, approve or reject the request in accordance with the time frames in § 762.130.

(6) The transferee must meet the eligibility requirements and loan limitations for the loan being transferred, all requirements relating to loan rates and terms, loan security, feasibility, and environmental and other laws applicable to a loan applicant under this part.

(7) The lender will use its own assumption agreements or conveyance instruments, providing they are legally sufficient to obligate the transferee for the total outstanding debt. The lender will provide the Agency copies of any agreements executed to carry out the servicing action.

(8) The lender must execute a modification of the guarantee provided by the Agency to designate the party that assumed the guaranteed debt, the amount of debt at the time of the assumption (including interest that being capitalized), and the new loan terms, if applicable.

(9) The lender must give any holder notice of the transfer. If the rate and terms are changed, written concurrence from the holder is required.

(10) The Agency will agree to releasing the transferor or any guarantor from liability only if the requirements of § 762.146(c) are met.

**§ 762.143 Servicing distressed accounts.**

(a) A borrower is in default when 30 days past due on a payment or in violation of provisions of the loan documents.

(b) In the event of a borrower default, SEL and CLP lenders will:

(1) Report to the Agency in accordance with § 762.141.

(2) Determine whether it will repurchase the guaranteed portion from the holder in accordance with § 762.144, if the guaranteed portion of the loan was sold on the secondary market.

(3) Arrange a meeting with the borrower within 15 days of default (45 days after payment due date for monetary defaults) to identify the nature of the delinquency and develop a course of action that will eliminate the delinquency and correct the underlying problems. Non-monetary defaults will be handled in accordance with the lender's note, loan agreements and any other applicable loan documents.

(i) The lender and borrower will prepare a current balance sheet and cash flow projection in preparation for the meeting. If the borrower refuses to cooperate, the lender will compile the best financial information available.

(ii) The lender or the borrower may request the attendance of an Agency credit officer. If requested, the Agency credit officer will assist in developing solutions to the borrower's financial problems.

(iii) The lender will summarize the meeting and proposed solutions on the Agency form for guaranteed loan borrower default status completed after the meeting. The lender will indicate the results on this form for the lender's consideration of the borrower for interest assistance in conjunction with rescheduling under § 762.145(b).

(iv) The lender must decide whether to restructure or liquidate the account within 90 days of default, unless the lender can document circumstances that justify an extension by the Agency.

(v) The lender may not initiate foreclosure action on the loan until 60 days after eligibility of the borrower to participate in the interest assistance programs has been determined by the Agency. If the lender or the borrower

does not wish to consider servicing options under this section, this should be documented, and liquidation under § 762.149 should begin.

(vi) If a borrower is current on a loan, but will be unable to make a payment, a restructuring proposal may be submitted in accordance with § 762.145 prior to the payment coming due.

(c) PLP lenders will service defaulted loans according to their lender's agreement.

**§ 762.144 Repurchase of guaranteed portion from a secondary market holder.**

(a) *Request for repurchase*. The holder may request the lender to repurchase the unpaid guaranteed portion of the loan when:

(1) The borrower has not made a payment of principal and interest due on the loan for at least 60 days; or

(2) The lender has failed to remit to the holder its pro-rata share of any payment made by the borrower within 30 days of receipt of a payment.

(b) *Repurchase by the lender*. (1) When a lender is requested to repurchase a loan from the holder, the lender must consider the request according to the servicing actions that are necessary on the loan. In order to facilitate servicing and simplified accounting of loan transactions, lenders are encouraged to repurchase the loan upon the holder's request.

(2) The repurchase by the lender will be for an amount equal to the portion of the loan held by the holder plus accrued interest.

(3) The guarantee will not cover separate servicing fees that the lender accrues after the repurchase.

(c) *Repurchase by the Agency*. (1) If the lender does not repurchase the loan, the holder must inform the Agency in writing that demand was made on the lender and the lender refused. Following the lender's refusal, the holder may continue as holder of the guaranteed portion of the loan or request that the Agency purchase the guaranteed portion. Within 30 days after written demand to the Agency from the holder with required attachments, the Agency will forward to the holder payment of the unpaid principal balance, with accrued interest to the date of repurchase. If the holder does not desire repurchase or purchase of a defaulted loan, the lender must forward the holder its pro–rata share of payments, liquidation proceeds and Agency loss payments.

(2) With its demand on the Agency, the holder must include:

(i) A copy of the written demand made upon the lender.

(ii) Originals of the guarantee and note properly endorsed to the Agency, or the original of the assignment of guarantee.

(iii) A copy of any written response to the demand of the holder by the lender.

(iv) An account to which the Agency can forward the purchase amount via electronic funds transfer.

(3) The amount due the holder from the Agency includes unpaid principal, unpaid interest to the date of demand, and interest which has accrued from the date of demand to the proposed payment date.

(i) Upon request by the Agency, the lender must furnish upon Agency request a current statement, certified by a bank officer, of the unpaid principal and interest owed by the borrower and the amount due the holder.

(ii) Any discrepancy between the amount claimed by the holder and the information submitted by the lender must be resolved by the lender and the holder before payment will be approved by the Agency. The Agency will not participate in resolution of any such discrepancy. When there is a discrepancy, the 30 day Agency payment requirement to the holder will be suspended until the discrepancy is resolved.

(iii) In the case of a request for Agency purchase, the government will only pay interest that accrues for up to 90 days from the date of the demand letter to the lender requesting the repurchase. However, if the lender requested repurchase from the Agency within 60 days of the request to the holder and for any reason not attributable to the holder and the lender, the Agency cannot make payment within 30 days of the holder's demand to the Agency, the holder will be entitled to interest to the date of the payment.

(4) At the time of purchase by the Agency, the original assignment of guarantee will be assigned by the holder to the Agency without recourse, including all rights, title, and interest in the loan.

(5) Purchase by the Agency does not change, alter, or modify any of the lender's obligations to the Agency specified in the lender's agreement or guarantee; nor does the purchase waive any of the Agency's rights against the lender.

(6) The Agency succeeds to all rights of the holder under the Guarantee including the right of set-off against the lender.

(7) Within 180 days of the Agency's purchase, the lender will reimburse the Agency the amount of repurchase, with accrued interest, through one of the following ways:

(i) By liquidating the loan security and paying the Agency its pro-rata share of liquidation proceeds; or

(ii) Paying the Agency the full amount the Agency paid to the holder plus any accrued interest.

(8) The lender will be liable for the purchase amount and any expenses incurred by the Agency to maintain the loan in its portfolio or liquidate the security. While the Agency holds the guaranteed portion of the loan, the lender will transmit to the Agency any payment received from the borrower, including the pro-rata share of liquidation or other proceeds.

(9) If the borrower files for reorganization under the provisions of the bankruptcy code or pays the account current while the purchase by the Government is being processed, the Agency may hold the loan as long it determines this action to be in the Agency's interest. If the lender is not proceeding expeditiously to collect the loan or reimbursement is not waived under this paragraph, the Agency will demand payment by the lender and collect the purchase amount through administrative offset of any claims due the lender.

(10) The Agency may sell a purchased guaranteed loan on a non-recourse basis if it determines that selling the portion of the loan that it holds is in the Government's best interest. A non-recourse purchase from the Agency requires a written request to the Agency from the party that wishes to purchase it, and written concurrence from the lender;

(d) *Repurchase for servicing.* (1) If, due to loan default or imminent loan restructuring, the lender determines that repurchase is necessary to adequately service the loan, the lender may repurchase the guaranteed portion of the loan from the holder, with the written approval of the Agency.

(2) The lender will not repurchase from the holder for arbitrage purposes. With its request for Agency concurrence, the lender will notify the Agency of its plans to resell the guaranteed portion following servicing.

(3) The holder will sell the guaranteed portion of the loan to the lender for an amount agreed to between the lender and holder.

### § 762.145 Restructuring guaranteed loans.

(a) *General.* (1) To restructure guaranteed loans standard eligible lenders must:

(i) Obtain prior written approval of the Agency for all restructuring actions; and,

(ii) Provide the items in paragraph (b) and (e) of this section to the Agency for approval.

(2) If the standard eligible lender's proposal for servicing is not agreed to by the Agency, the Agency approval official will notify the lender in writing within 14 days of the lender's request.

(3) To restructure guaranteed loans CLP lenders must:

(i) Obtain prior written approval of the Agency only for debt write down under this section.

(ii) Submit all calculations required in paragraph (e) of this section for debt writedown.

(iii) For restructuring other than write down, provide FSA with a certification that each requirement of this section has been met, a narrative outlining the circumstances surrounding the need for restructuring, and copies of any applicable calculations.

(4) PLP lenders will restructure loans in accordance with their lender's agreement.

(5) All lenders will submit copies of any restructured notes or lines of credit to the Agency.

(b) *Requirements*. For any restructuring action, the following conditions apply:

(1) The borrower meets the eligibility criteria of § 762.120, except the provisions regarding prior debt forgiveness and delinquency on a federal debt do not apply.

(2) The borrower's ability to make the amended payment is documented by the following:

(i) A feasible plan (see § 762.102(b)). If interest assistance is required to achieve a feasible plan, the items required by § 762.150(d) must be submitted with a restructuring request. Feasible plan is defined in § 762.102(b).

(ii) Current financial statements from all liable parties.

(iii) Verification of nonfarm income.

(iv) Verification of all debts of $1,000 or more.

(v) Applicable credit reports.

(vi) Financial history (and production history for standard eligible lenders) for the past 3 years to support the cash flow projections.

(3) A final loss claim may be reduced, adjusted, or rejected as a result of negligent servicing after the concurrence with a restructuring action under this section.

(4) Balloon payments are prohibited; however, the loan can be restructured with unequal installments, provided that, in addition to a feasible plan for the upcoming operating cycle, a feasible plan can be reasonably projected after the installments increase. Feasible plan is defined in § 762.102(b).

(5) If a borrower is current on a loan, but will be unable to make a payment, a restructuring proposal may be submitted prior to the payment coming due.

(6) The lender may capitalize the outstanding interest when restructuring the loan as follows:

(i) As a result of the capitalization of interest, a rescheduled promissory note may increase the amount of principal which the borrower is required to pay. However, in no case will such principal amount exceed the statutory loan limits contained in § 762.122.

(ii) When accrued interest causes the loan amount to exceed the statutory loan limits, rescheduling may be approved without capitalization of the amount that exceeds the limit. Noncapitalized interest may be scheduled for repayment over the term of the rescheduled note.

(iii) Only interest that has accrued at the rate indicated on the borrower's original promissory notes may be capitalized. Late payment fees or default interest penalties that have accrued due to the borrower's failure to make payments as agreed are not covered under the guarantee and may not be capitalized.

(iv) The Agency will provide the lender with a modification of guarantee form to identify the new loan principal and the guaranteed portion if greater than the original loan amounts, and to waive the restriction on capitalization of interest, if applicable, to the existing guarantee documents. The modification form will be attached to the original guarantee as an addendum.

(v) Approved capitalized interest will be treated as part of the principal and interest that accrues thereon, in the event that a loss should occur.

(7) The lender's security position will not be adversely affected because of the restructuring. New security instruments may be taken if needed, but a loan does not have to be fully secured in order to be restructured.

(8) Any holder agrees in writing to any changes in the original loan terms, including the approval of interest assistance. If the holder does not agree, the lender must repurchase the loan from the holder for any loan restructuring to occur.

(9) After a guaranteed loan is restructured, the lender must provide the Agency with a copy of the restructured promissory note.

(c) *Rescheduling*. The following conditions apply when a guaranteed loan is rescheduled or reamortized:

(1) Payments will be rescheduled within the following terms:

(i) FO and existing SW may be amortized over the remaining term of the note or rescheduled with an uneven payment schedule. The maturity date cannot exceed 40 years from the date of the original note.

(ii) OL notes must be rescheduled over a period not to exceed 15 years from the date of the rescheduling. An

OL line of credit may be rescheduled over a period not to exceed 7 years from the date of the rescheduling or 10 years from the date of the original note, whichever is less. Advances cannot be made against a line of credit loan that has had any portion of the loan rescheduled.

(2) The interest rate for a rescheduled loan is the negotiated rate agreed upon by the lender and the borrower at the time of the action, subject to the loan limitations for each type of loan.

(3) A new note is not necessary when rescheduling occurs. However, if a new note is not taken, the existing note or line of credit agreement must be modified by attaching an allonge or other legally effective amendment, evidencing the revised repayment schedule and any interest rate change. If a new note is taken, the new note must reference the old note and state that the indebtedness evidenced by the old note or line of credit agreement is not satisfied. The original note or line of credit agreement must be retained.

(d) *Deferrals*. The following conditions apply to deferrals:

(1) Payments may be deferred up to 5 years, but the loan may not be extended beyond the final due date of the note.

(2) The principal portion of the payment may be deferred either in whole or in part.

(3) Interest may be deferred only in part. Payment of a reasonable portion of accruing interest as indicated by the borrower's cash flow projections is required for multi-year deferrals.

(4) There must be a reasonable prospect that the borrower will be able to resume full payments at the end of the deferral period.

(e) *Debt writedown*. The following conditions apply to debt writedown:

(1) A lender may only write down a delinquent guaranteed loan or line of credit in an amount sufficient to permit the borrower to develop a feasible plan as defined in § 762.102(b).

(2) The lender will request other creditors to negotiate their debts before a writedown is considered.

(3) The borrower cannot develop a feasible plan after consideration is given to rescheduling and deferral under this section.

(4) The present value of the loan to be written down, based on the interest rate of the rescheduled loan, will be equal to or exceed the net recovery value of the loan collateral.

(5) The loan will be restructured with regular payments at terms no shorter than 5 years for a line of credit and OL note and no shorter than 20 years for FO, unless required to be shorter by § 762.145(c)(1)(i) and (ii).

(6) No further advances may be made on a line of credit that is written down.

(7) Loans may not be written down with interest assistance. If a borrower's loan presently on interest assistance requires a writedown, the writedown will be considered without interest assistance.

(8) The writedown is based on writing down the shorter-term loans first.

(9) When a lender requests approval of a writedown for a borrower with multiple loans, the security for all of the loans will be cross-collateralized and continue to serve as security for the loan that is written down. If a borrower has multiple loans and one loan is written off entirely through debt writedown, the security for that loan will not be released and will remain as security for the other written down debt. Additional security instruments will be taken if required to cross-collateralize security and maintain lien priority.

(10) The writedown will be evidenced by an allonge or amendment to the existing note or line of credit reflecting the writedown.

(11) The borrower executes an Agency shared appreciation agreement for loans which are written down and secured by real estate.

(i) The lender will attach the original agreement to the restructured loan document.

(ii) The lender will provide the Agency a copy of the executed agreement, and

(iii) Security instruments must ensure future collection of any appreciation under the agreement.

(12) The lender will prepare and submit the following to the Agency:

(i) A current appraisal of all security in accordance with § 762.127.

(ii) A completed report of loss on the appropriate Agency form for the proposed writedown loss claim.

(iii) Detailed writedown calculations as follows:

(A) Calculate the present value.

(B) Determine the net recovery value.

(C) If the net recovery value exceeds the present value, writedown is unavailable; liquidation becomes the next servicing consideration. If the present value equals or exceeds the net recovery value, the debt may be written down to the present value.

(iv) The lender will make any adjustment in the calculations as requested by the Agency.

[64 FR 7378, Feb. 12, 1999; 64 FR 38298, July 16, 1999]

### § 762.146 Other servicing procedures.

(a) *Additional loans and advances.* (1) Notwithstanding any provision of this section, the PLP lender may make additional loans or advances in accordance with the lender's agreement with the Agency.

(2) SEL and CLP lenders must not make additional loans or advances without prior written approval of the Agency, except as provided in the borrower's loan or line of credit agreement.

(3) In cases of a guaranteed line of credit, lenders may make an emergency advance when a line of credit has reached its ceiling. The emergency advance will be made as an advance under the line and not as a separate note. The lender's loan documents must contain sufficient language to provide that any emergency advance will constitute a debt of the borrower to the lender and be secured by the security instrument. The following conditions apply:

(i) The loan funds to be advanced are for authorized operating loan purposes;

(ii) The financial benefit to the lender and the Government from the advance will exceed the amount of the advance; and

(iii) The loss of crops or livestock is imminent unless the advance is made.

(4) Protective advance requirements are found in § 762.149.

(b) *Release of liability upon withdrawal.* An individual who is obligated on a guaranteed loan may be released from liability by a lender, with the written consent of the Agency, provided the following conditions have been met:

(1) The individual to be released has withdrawn from the farming or ranching operation;

(2) A divorce decree or final property settlement does not hold the withdrawing party responsible for the loan payments;

(3) The withdrawing party's interest in the security is conveyed to the individual or entity with whom the loan will be continued;

(4) The ratio of the amount of debt to the value of the remaining security is less than or equal to .75, or the withdrawing party has no income or assets from which collection can be made; and

(5) Withdrawal of the individual does not result in legal dissolution of the entity to which the loans are made. Individually liable members of a general or limited partnership may not be released from liability.

(6) The remaining liable party projects a feasible plan (see § 762.102(b)).

(c) *Release of liability after liquidation.* After a final loss claim has been paid on the borrower's account, the lender may release the borrower or guarantor from liability if;

(1) The Agency agrees to the release in writing;

(2) The lender documents its consideration of the following factors concerning the borrower or guarantors:

(i) The likelihood that the borrower or guarantor will have a sufficient level of income in the reasonably near future to contribute to a meaningful reduction of the debt;

(ii) The prospect that the borrower or guarantor will inherit assets in the near term that may be attached by the Agency for payment of a significant portion of the debt;

(iii) Whether collateral has been properly accounted for, and whether liability should be retained in order to take action against the borrower or a third party for conversion of security;

(iv) The availability of other income or assets which are not security;

(v) The possibility that assets have been concealed or improperly transferred;

(vi) The effect of other guarantors on the loan; and

(vii) Cash consideration or other collateral in exchange for the release of liability.

(3) The lender will use its own release of liability documents.

(d) *Interest rate changes.* (1) The lender may change the interest rate on a performing (nondelinquent) loan only with the borrower's consent.

(2) If the loan has been sold on the secondary market, the lender must repurchase the loan or obtain the holder's written consent.

(3) To change a fixed rate of interest to a variable rate of interest or vice versa, the lender and the borrower must execute a legally effective allonge or amendment to the existing note.

(4) If a new note is taken, it will be attached to and refer to the original note.

(5) The lender will inform the Agency of the rate change.

(e) *Consolidation.* Two or more Agency guaranteed loans may be consolidated, subject to the following conditions:

(1) The borrower must project a feasible plan after the consolidation. See § 762.102(b) for definition of feasible plan.

(2) Only OL may be consolidated.

(3) Existing lines of credit may only be consolidated with a new line of credit if the final maturity date and conditions for advances of the new line of credit are made the same as the existing line of credit.

(4) Guaranteed OL may not be consolidated with a line of credit, even if the line of credit has been rescheduled.

(5) Guaranteed loans made prior to October 1, 1991, cannot be consolidated with those loans made on or after October 1, 1991.

(6) OL secured by real estate or with an outstanding interest assistance agreement or shared appreciation agreement cannot be consolidated.

(7) A new note or line of credit agreement will be taken. The new note or line of credit agreement must describe the note or line of credit agreement being consolidated and must state that the indebtedness evidenced by the note or line of credit agreement is not satisfied. The original note or line of credit agreement must be retained.

(8) The interest rate for a consolidated OL loan is the negotiated rate agreed upon by the lender and the borrower at the time of the action, subject to the loan limitations for each type of loan.

(9) A modification of guarantee will be executed. The modification will indicate the consolidated loan amount, new terms, and percentage of guarantee, and will be attached to the originals of the guarantees being consolidated. If loans with a different guarantee percentage are consolidated, the new guarantee will be at the lowest percentage of guarantee being consolidated.

(10) Any holders must consent to the consolidation, or the guaranteed portion must be repurchased by the lender.

**§ 762.147 Servicing shared appreciation agreements.**

(a) *Lender responsibilities.* The lender is responsible for:

(1) Monitoring the borrower's compliance with the shared appreciation agreement;

(2) Notifying the borrower of the amount of recapture due; and,

(3) Beginning October 1, 1999, a notice of the agreement's provisions not later than 12 months before the end of the agreement; and

(4) Reimbursing the Agency for its pro-rata share of recapture due.

(b) *Recapture.* (1) Recapture of any appreciation of real estate security will take place at the end of the term of the agreement, or sooner if the following occurs:

(i) On the conveyance of the real estate security (or a portion thereof) by the borrower.

(A) If only a portion of the real estate is conveyed, recapture will only be triggered against the portion conveyed. Partial releases will be handled in accordance with § 762.141(b).

(B) Transfer of title to the spouse of the borrower on the death of such borrower will not be treated as a conveyance under the agreement.

(ii) On repayment of the loan; or

(iii) If the borrower ceases farming.

(2) Calculating recapture.

(i) The amount of recapture will be based on the difference between the value of the security at the time recapture is triggered and the value of the security at the time of writedown, as shown on the shared appreciation agreement.

(ii) Security values will be determined through appraisals obtained by the lender and meeting the requirements of § 762.127.

(iii) All appraisal fees will be paid by the lender.

(iv) The amount of recapture will not exceed the amount of writedown shown on the shared appreciation agreement.

(v) If recapture is triggered within 4 years of the date of the shared appreciation agreement, the lender shall recapture 75 percent of any positive appreciation in the market value of the property securing the loan or line of credit agreement.

(vi) If recapture is triggered after 4 years from the date of the shared appreciation agreement, the lender shall recapture 50 percent of any positive appreciation in the market value of the property securing the loan or line of credit agreement.

(3) Servicing recapture debt.

(i) If recapture is triggered under the shared appreciation agreement and the borrower is unable to pay the recapture in a lump sum, the lender may:

(A) Reschedule the recapture debt with the consent of the Agency, provided the lender can document the borrower's ability to make amortized payments on the recapture debt, plus pay all other obligations. In such case, the recapture debt will not be covered by the guarantee;

(B) Pay the Agency its pro rata share of the recapture due. In such case, the recapture debt of the borrower will be covered by the guarantee; or

(C) Service the account in accordance with § 762.149.

(ii) If recapture is triggered, and the borrower is able but unwilling to pay the recapture in a lump sum, the lender will service the account in accordance with § 762.149.

(4) Paying the Agency. Any shared appreciation recaptured by the lender will be shared on a pro-rata basis between the lender and the Agency.

**§ 762.148 Bankruptcy.**

(a) *Lender responsibilities*. The lender must protect the guaranteed loan debt and all collateral securing the loan in bankruptcy proceedings. The lender's responsibilities include, but are not limited to:

(1) Filing a proof of claim where required and all the necessary papers and pleadings;

(2) Attending, and where necessary, participating in meetings of the creditors and court proceedings;

(3) Protecting the collateral securing the guaranteed loan and resisting any adverse changes that may be made to the collateral;

(4) Seeking a dismissal of the bankruptcy proceeding when the operation as proposed by the borrower to the bankruptcy court is not feasible;

(5) When permitted by the bankruptcy code, requesting a modification of any plan of reorganization if it appears additional recoveries are likely.

(6) Monitor confirmed plans under chapters 11, 12 and 13 of the bankruptcy code to determine borrower compliance. If the borrower fails to comply, the lender will seek a dismissal of the reorganization plan; and

(7) Keeping the Agency regularly informed in writing on all aspects of the proceedings.

(i) The lender will submit a default status report when the borrower defaults and every 60 days until the default is resolved or a final loss claim is paid.

(ii) The default status report will be used to inform the Agency of the bankruptcy filing, the reorganization plan confirmation date and effective date, when the reorganization plan is complete, and when the borrower is not in compliance with the reorganization plan.

(b) *Bankruptcy expenses*. (1) Reorganization.

(i) Expenses, such as legal fees and the cost of appraisals incurred by the lender as a direct result of the borrower's chapter 11, 12, or 13 reorganization, are covered under the guarantee, provided they are reasonable, customary, and provide a demonstrated economic benefit to the lender and the Agency.

(ii) Lender's in-house expenses, which are those expenses which would normally be incurred for administration of the loan, including in–house lawyers, are not covered by the guarantee.

(2) Liquidation expenses in bankruptcy.

(i) Reasonable and customary liquidation expenses may be deducted from the proceeds of the collateral in liquidation bankruptcy cases.

(ii) In-house expenses are not considered customary liquidation expenses, may not be deducted from collateral proceeds, and are not covered by the guarantee.

(c) *Estimated loss claims in reorganization.* (1) *At confirmation.* The lender may submit an estimated loss claim upon confirmation of the reorganization plan in accordance with the following:

(i) The estimated loss payment will cover the guaranteed percentage of the principal and accrued interest written off, plus any allowable costs incurred as of the effective date of the plan.

(ii) The lender will submit supporting documentation for the loss claim, and any additional information requested by the Agency, including justification for the legal fees included on the claim.

(iii) The estimated loss payment may be revised as consistent with a court-approved reorganization plan.

(iv) Protective advances made and approved in accordance with § 762.149 may be included in an estimated loss claim associated with a reorganization, if:

(A) They were incurred in connection with the initiation of liquidation action prior to bankruptcy filing; or

(B) The advance is required to provide repairs, insurance, etc. to protect the collateral as a result of delays in the case, or failure of the borrower to maintain the security.

(2) Interest only losses. The lender may submit an estimated loss claim for interest only after confirmation of the reorganization plan in accordance with the following:

(i) The loss claims may cover interest losses sustained as a result of a court-ordered, permanent interest rate reduction.

(ii) The loss claims will be processed annually on the anniversary date of the effective date of the reorganization plan.

(iii) If the borrower performs under the terms of the reorganization plan, annual interest reduction loss claims will be submitted on or near the same date, beyond the period of the reorganization plan.

(3) Actual loss.

(i) Once the reorganization plan is complete, the lender will provide the Agency with documentation of the actual loss sustained.

(ii) If the actual loss sustained is greater than the prior estimated loss payment, the lender may submit a revised estimated loss claim to obtain payment of the additional amount owed by the Agency under the guarantee.

(iii) If the actual loss is less than the prior estimated loss, the lender will reimburse the Agency for the overpayment plus interest at the note rate from the date of the payment of the estimated loss.

(4) Payment to holder. In reorganization bankruptcy, if a holder makes demand upon the Agency, the Agency will pay the holder interest to the plan's effective date. Accruing interest thereafter will be based upon the provisions of the reorganization plan.

(d) *Liquidation under the bankruptcy code.* (1) Upon receipt of notification that a borrower has filed for protection under Chapter 7 of the bankruptcy code, or a liquidation plan under chapter 11, the lender must proceed according to the liquidation procedures of this part.

(2) If the property is abandoned by the trustee, the lender will conduct the liquidation according to § 762.149.

(3) Proceeds received from partial sale of collateral during bankruptcy may be used by the lender to pay reasonable costs, such as freight, labor and sales commissions, associated with the partial sale. Reasonable use of proceeds for this purpose must be documented with the final loss claim in accordance with § 762.149(a)(vi).

### § 762.149 Liquidation.

(a) *Mediation.* When it has been determined that default cannot be cured through any of the servicing options available, or if the lender does not wish

to utilize any of the authorities provided in this part, the lender must:

(1) Participate in mediation according to the rules and regulations of any State which has a mandatory farmer-creditor mediation program;

(2) Consider private mediation services in those States which do not have a mandatory farmer-creditor mediation program; and

(3) Not agree to any proposals to rewrite the terms of a guaranteed loan which do not comply with this part. Any agreements reached as a result of mediation involving defaults and or loan restructuring must have written concurrence from the Agency before they are implemented.

(b) *Liquidation plan.* If a default cannot be cured after considering servicing options and mediation, the lender will proceed with liquidation of the collateral in accordance with the following:

(1) Within 30 days of the decision to liquidate, standard eligible and CLP lenders will submit a written liquidation plan to the Agency which includes:

(i) Current balance sheets from all liable parties or, if the parties are not cooperative, the best information available, or in liquidation bankruptcies, a copy of the bankruptcy schedules or discharge notice;

(ii) A proposed method of maximizing the collection of debt which includes specific plans to collect any remaining loan balances on the guaranteed loan after loan collateral has been liquidated, including possibilities for judgment;

(A) If the borrower has converted loan security, the lender will determine whether litigation is cost effective. The lender must address, in the liquidation plan, whether civil or criminal action will be pursued. If the lender does not pursue the recovery, the reason must be documented when an estimated loss claim is submitted.

(B) Any proposal to release the borrower from liability will be addressed in the liquidation plan in accordance with §762.146(c)(2);

(iii) An independent appraisal report on all collateral securing the loan that meets the requirements of §762.127 and a calculation of the net recovery value of the security as defined in §762.102. The appraisal requirement may be waived by the Agency in the following cases:

(A) The bankruptcy trustee is handling the liquidation and the lender has submitted the trustee's determination of value;

(B) The lender's proposed method of liquidation rarely results in receipt of less than market value for livestock and used equipment; or

(C) A purchase offer has already been received for more than the debt;

(iv) An estimate of time necessary to complete the liquidation;

(v) An estimated loss claim if the liquidation period is expected to exceed 90 days.

(vi) An estimate of reasonable liquidation expenses; and

(vii) An estimate of any protective advances.

(2) PLP lenders will submit a liquidation plan as required by their lender's agreement.

(c) *Agency approval of the liquidation plan.* (1) CLP lender's or standard eligible lender's liquidation plan, and any revisions of the plan, must be approved by the Agency.

(2) If, within 20 calendar days of the Agency's receipt of the liquidation plan, the Agency fails to approve it or fails to request that the lender make revisions, the lender may assume the plan is approved. The lender may then proceed to begin liquidation actions at its discretion as long as it has been at least 60 days since the borrower's eligibility for interest assistance was considered.

(3) At its option, the Agency may liquidate the guaranteed loan as follows:

(i) Upon Agency request, the lender will transfer to the Agency all rights and interests necessary to allow the Agency to liquidate the loan. The Agency will not pay the lender for any loss until after the collateral is liquidated and the final loss is determined; and

(ii) If the Agency conducts the liquidation, interest accrual will cease on the date the Agency notifies the lender in writing that it assumes responsibility for the liquidation.

(d) *Estimated loss claims.* An estimated loss claim will be submitted by the lender with the liquidation plan if the

liquidation is expected to exceed 90 days. The estimated loss will be based on the following:

(1) The Agency will pay the lender the guaranteed percentage of the total outstanding debt, less the net recovery value of the remaining security, less any unaccounted for security; and

(2) The lender will discontinue interest accrual on the defaulted loan at the time the estimated loss claim is paid by the Agency. If the lender estimates that there will be no loss after considering the costs of liquidation, interest accrual will cease 90 days after the decision to liquidate or an estimated loss of zero will be submitted.

(e) *Protective advances.* (1) Prior written authorization from the Agency is required for all protective advances in excess of $5,000 for CLP lenders and $3,000 for standard eligible lenders. The dollar amount of protective advances allowed for PLP lenders will be specified when PLP status is awarded by the Agency or as contained in the lender's agreement.

(2) The lender may claim recovery for the guaranteed portion of any loss of monies advanced as protective advances as allowed in this part, plus interest that accrues on the protective advances.

(3) Payment for protective advances is made by the Agency when the final loss claim is approved, except in bankruptcy actions.

(4) Protective advances are used only when the borrower is in liquidation, liquidation is imminent, or when the lender has taken title to real property in a liquidation action.

(5) Legal fees are not a protective advance.

(6) Protective advances may only be made when the lender can demonstrate the advance is in the best interest of the lender and the Agency.

(7) Protective advances must constitute a debt of the borrower to the lender and be secured by the security instrument.

(8) Protective advances must not be made in lieu of additional loans.

(f) *Unapproved loans or advances.* The amount of any payments made by the borrower on unapproved loans or advances outside of the guarantee will be deducted from any loss claim submitted by the lender on the guaranteed loan, if that loan or advance was paid prior to, and to the detriment of, the guaranteed loan.

(g) *Acceleration.* (1) If the borrower is not in bankruptcy, the lender shall send the borrower notice that the loan is in default and the entire debt has been determined due and payable immediately after other servicing options have been exhausted.

(2) The loan cannot be accelerated until after the borrower has been considered for interest assistance and the conclusion of mandatory mediation in accordance with § 762.149.

(3) The lender will submit a copy of the acceleration notice or other document to the Agency.

(h) *Foreclosure.* (1) The lender is responsible for determining the necessary parties to any foreclosure action, or who should be named on a deed of conveyance taken in lieu of foreclosure.

(2) When the property is liquidated, the lender will apply the net proceeds to the guaranteed loan debt.

(3) When it is necessary to enter a bid at a foreclosure sale, the lender may bid the amount that it determines is reasonable to protect its and the Agency's interest. At a minimum, the lender will bid the lesser of the net recovery value or the unpaid guaranteed loan balance.

(i) *Final loss claims.* (1) Lenders may submit a final loss claim when the security has been liquidated and all proceeds have been received and applied to the account.

(2) If a lender acquires title to property either through voluntary conveyance or foreclosure proceeding, the lender will submit a final loss claim after disposing of the property. The lender may pay reasonable maintenance expenses to protect the value of the property while it is owned by the lender. These may be paid as protective advances or deducted as liquidation expenses from the sales proceeds when the lender disposes of the property. The lender must obtain Agency written concurrence before incurring maintenance expenses which exceed the amounts allowed in § 762.149(e)(1).

(3) The lender will make its records available to the Agency for the Agency's audit of the propriety of any loss payment.

(4) All lenders will submit the following documents with a final loss claim:

(i) An accounting of the use of loan funds;

(ii) An accounting of the disposition of loan security and its proceeds;

(iii) A copy of the loan ledger indicating loan advances, interest rate changes, protective advances, and application of payments, rental proceeds, and security proceeds, including a running outstanding balance total; and

(iv) Documentation, as requested by the Agency, concerning the lender's compliance with the requirements of this part.

(5) The Agency will notify the lender of any discrepancies in the final loss claim or, approve or reject the claim within 40 days.

(6) The Agency will reduce a final loss claim based on its calculation of the dollar amount of loss caused by the lender's negligent servicing of the account. Loss claims may be reduced or rejected as a result of the following:

(i) A loss claim may be reduced by the amount caused by the lender's failure to secure property after a default, and will be reduced by the amount of interest that accrues when the lender fails to contact the borrower or takes no action to cure the default, once it occurs. Losses incurred as a result of interest accrual during excessive delays in collection, as determined by the Agency, will not be paid.

(ii) Unauthorized release of security proceeds, failure to verify ownership or possession of security to be purchased, or failure to inspect collateral as often required so as to ensure its maintenance.

(7) Losses will not be reduced for the following:

(i) Servicing deficiencies that did not contribute materially to the dollar amount of the loss.

(ii) Unaccounted security, as long as the lender's efforts to locate and recover the missing collateral was equal to that which would have been expended in the case of an unguaranteed loan in the lender's portfolio.

(8) Default interest, late charges, and loan servicing fees are not payable under the loss claim.

(9) The final loss will be the remaining outstanding balance after application of the estimated loss payment and the application of proceeds from the liquidation of the security.

(10) If the final loss is less than the estimated loss, the lender will reimburse the Agency for the overpayment, plus interest at the note rate from the date of the estimated loss payment.

(11) The lender will return the original guarantee marked paid after receipt of a final loss claim.

(j) *Future Recovery*. The lender will remit any recoveries made on the account after the Agency's payment of a final loss claim to the Agency in proportion to the percentage of guarantee, in accordance with the lender's agreement, until the account is paid in full or otherwise satisfied.

(k) *Overpayments*. The lender will repay any final loss overpayment determined by the Agency upon request.

(l) *Electronic funds transfer*. The lender will designate one or more financial institutions to which any Agency payments will be made via electronic funds transfer.

### § 762.150 Interest assistance program.

(a) *Requests for interest assistance*. (1) To apply for interest assistance in conjunction with a new request for guarantee, the lender will submit the following:

(i) A completed cash flow projection and interest assistance needs analysis portion of the application form. Interest assistance can be applied to each loan, only to one loan or any distribution the lender selects; however, interest assistance is only available on as many loans as necessary to achieve a positive cash flow.

(ii) For loans with unequal payments, a proposed debt repayment schedule which shows principal and interest payments for the subject loan, in each year of the loan.

(2) To request interest assistance on an existing guaranteed loan, the lender must submit to the Agency the following:

(i) A completed cash flow projection and interest assistance needs analysis

portion of the application form. Interest assistance can be applied to each loan, only to one loan or any distribution the lender selects as required to achieve a feasible plan.

(ii) For loans with unequal payments, a proposed debt repayment schedule which shows scheduled payments for the subject loan in each of the remaining years of the loan.

(iii) Cash flow budgets and supporting justification to document that the request meets the requirements outlined in paragraph (b) of this section. This will include a typical cash flow if the projected cash flow budget is atypical.

(3) Requests for interest assistance on lines of credit or loans made for annual operating purposes must be accompanied by a projected monthly cash flow budget.

(b) *Requirements*. (1) The typical term of scheduled loan repayment will not be reduced solely for the purpose of maximizing eligibility for interest assistance. To be eligible for interest assistance, a loan must be scheduled over the maximum terms typically used by lenders for similar type loans within the limits set by § 762.124 of this part. At a minimum, loans will be scheduled for repayment over the terms listed below, but for OL not to exceed the life of the security:

(i) An OL for the purpose of providing annual operating and living expenses will be scheduled for repayment when the income is scheduled to be received from the sale of the crops, livestock, and livestock products which will serve as security for the loan.

(ii) OL for purposes other than annual operating and living expenses (i.e. equipment, livestock, refinancing of existing debt) will be scheduled over 7 years from the effective date of the proposed interest assistance agreement.

(iii) FO and SW secured by real estate will be scheduled for 20 years from the closing date of the original note covered by the guarantee.

(2) The lender must document that positive cash flow, as defined in § 762.102(b), is not possible without reducing the interest rate on the borrower's loan and with the debt restructured over the term of repayment cited above.

(3) The lender must determine whether the borrower, including members of an entity, owns any significant assets which do not contribute directly to essential family living or farm operations. The lender must determine the market value of these assets and prepare a cash flow budget based on the assumption that the value of these assets will be used for debt reduction. If a positive cash flow can then be achieved, the borrower is not eligible for interest assistance. All interest assistance calculations will be based on the cash-flow budget which assumes that the assets will be sold.

(4) A borrower's new guaranteed loan is eligible for interest assistance if all the following conditions are met:

(i) The applicant needs interest assistance in order to achieve a positive cash flow as defined in § 762.102(b).

(ii) If significant changes in the borrower's cash flow budget are anticipated after the initial 12 months, then the typical cash flow budget must demonstrate that the borrower will still have a feasible plan, as defined in § 762.102(b), following the anticipated changes, with or without interest assistance.

(iii) If a positive cash flow cannot be achieved, even with other creditors voluntarily adjusting their debts and with the interest assistance, the interest assistance request will not be approved.

(5) An existing guaranteed loan is eligible for interest assistance if the borrower needs interest assistance to achieve a feasible plan as defined in § 762.102(b), and the borrower meets the eligibility criteria of § 762.120, except the provision regarding prior debt forgiveness. If a feasible plan cannot be achieved, even with other creditors voluntarily adjusting their debts and with the interest assistance, the interest assistance request will not be approved. If a borrower has multiple loans, interest assistance may be provided on one or each loan, as available, to the extent necessary to achieve a feasible plan.

(6) The term of the interest assistance agreement under this section shall not exceed 10 years from the date

of the first interest assistance agreement signed by the loan applicant, including entity members, or the outstanding term of the loan, as limited by this section, whichever is less.

(7) The lender may charge a fixed or variable interest rate. The type of rate must be the same as the type of rate in the underlying note or line of credit agreement. The lender will reduce the interest rate charged the borrower's account by at least the amount of interest assistance.

(8) The borrower must be an operator of not larger than a family size farm.

(c) *Interest assistance closing.* (1) Initial guaranteed loans will be closed in accordance with § 762.130.

(2) The lender will then prepare and deliver to the Agency a closing report for each initial and existing guaranteed loan which has been granted interest assistance.

(3) When all requirements have been met, the lender and the Agency will execute an interest assistance agreement.

(d) *Interest assistance claims and payments.* (1) The interest assistance claim will be prepared by the lender. The following conditions apply to the claims process:

(i) No claim period can exceed 12 months. The initial and final claim periods may be less than 12 months. In such claims, the 4 percent payment will be prorated over the number of months in the claim period. The period for all other claims must be 12 months.

(ii) To permit the borrower to prepare for the upcoming year, a claim should be filed within 60 days of each anniversary date. Claims not filed within 1 year of the anniversary date will not be paid and the amount due the lender is permanently forfeited.

(iii) If a claim is submitted without an interest assistance review in accordance with § 762.102, when it is required, the claim will not be processed until the review is submitted by the lender.

(iv) Upon full payment of the note or line of credit, the lender will immediately prepare the request for interest assistance payment and submit it to the Agency.

(v) Interest assistance payments shall cease upon the assumption and transfer of the loan if the transferee was not liable for the debt on the effective date of the interest assistance agreement. The lender shall request payment through the date of the transfer or assumption. The claim must be submitted within 1 year or it will be denied and the payment permanently forfeited.

(vi) All claims will be supported by detailed calculations of average daily principal balances during the claim period.

(vii) The Agency will review the claim and the supporting documentation. If the information and the supporting documentation is not complete and correct, the reviewing official will notify the lender in writing, of the actions needed to correct the request.

(viii) If there is a substitution of lender, a claim for the first lender's interest assistance, through the effective date of the substitution, will be submitted by the first lender and processed at the time of the substitution.

(ix) Interest assistance claims shall be submitted concurrently with the submission of estimated loss claims where interest accrual ceases, or final loss claims that are not preceded by an estimated loss claim.

(2) [Reserved]

(e) *Request for continuation of interest assistance.* (1) For all interest assistance agreements exceeding 12 months, the lender will perform an analysis of the applicant's farming operation and need for continued interest assistance. The following information will be submitted to the Agency:

(i) A summary of the operation's actual financial performance in the previous year, including a detailed income and expense statement.

(ii) A narrative description of the causes of any major differences between the previous year's projections and actual performance.

(iii) A current balance sheet.

(iv) A cash flow budget for the period being planned. A monthly cash flow budget is required for all lines of credit and operating loans made for annual operating purposes. All other loans may include either an annual or monthly cash flow budget.

(v) A copy of the interest assistance needs analysis portion of the application form which has been completed

based on the planned period's cash flow budget.

(2) The loan will be eligible for continuation of interest assistance if the cash flow budget projects a feasible plan with interest assistance applied. However, interest assistance can be applied only to as many loans as necessary to achieve a positive cash flow for the plan period. If the cash flow budget indicates that the borrower requires a level of interest assistance greater than 4 percent to project a feasible plan, then the Agency will deny the continuation of interest assistance. Interest assistance will be reduced to zero during that period. See § 762.102(b) for the definition of feasible plan.

(3) The documentation listed above will be provided to the Agency concurrently with the lender's submission of its request for interest assistance payment. This information will be provided to the Agency within 60 days after the review date specified on the interest assistance agreement.

(4) A request for continuation of interest assistance will be completed for 12 month periods, effective on the anniversary date.

(5) The initial review may be submitted in conjunction with any claim within the initial 12 month period. The anniversary date and length of the review period will be stated on the interest assistance agreement. Any request for interest assistance adjustment submitted effective any time other than the review date will be denied, except for those cases where it is necessary to service the loan with rescheduling, reamortization, deferral or writedown.

(6) If the review is not completed and submitted to the Agency within 1 year of the review date, no claim will be paid for that period.

(f) *Notification of Adverse Action*. The lender will be notified in writing of all Agency decisions in which a request for interest assistance, a request for continuation of interest assistance or lender's claim for interest assistance are denied. The notification letter will provide specific reasons for the decision and appeals will be handled in accordance with parts 11 and 780 of this title.

(g) *Servicing of loans covered by an interest assistance agreement*.

(1) Loans covered by interest assistance agreements cannot be consolidated.

(2) The loan will be transferred with the interest assistance agreement only in cases where the transferee was liable for the debt at the time interest assistance was granted. Under no other circumstances will the interest assistance be transferred. If interest assistance is necessary for the transferee to achieve a positive cash flow, the lender may request such assistance, which may be approved if interest assistance funds are available and the applicant is eligible. The maximum length of the agreement will be 10 years from the date of the first agreement covering a loan for which the transferee was liable. If interest assistance is necessary for a positive cash flow and funds are not available, the request for assumption of the Agency guaranteed debt will be denied.

(3) When consideration is given to using a debt writedown to service a delinquent account, the subsidy level will be recalculated prior to any writedown. If a feasible plan can be obtained using interest assistance and funds are available, then the interest assistance will be authorized and no writedown will be approved. If a feasible plan cannot be achieved using 4 percent interest assistance, all further calculations for determining debt writedown eligibility and amounts to be written down will be based on the borrower receiving no interest assistance. If debt writedown is approved, the interest assistance claim for the previous review period will be processed in conjunction with the writedown loss claim. The interest assistance agreement will not be canceled and the anniversary date can remain the same or be re-established under the same guidelines that it was originally established. If the lender determines through its annual analysis that interest assistance is necessary for a feasible plan, a request to reinstate the subsidy in a subsequent review period may be submitted in accordance with paragraph (e) of this section.

(4) In the event of rescheduling or deferral of loans with interest assistance, interest assistance will remain available for that loan under the terms of

the existing interest assistance agreement. Additional years of interest assistance and/or increases in the restructured loan amount will require additional funding. If the additional interest assistance is needed in order to produce a feasible plan throughout the life of the rescheduled loan and funds are not available for the additional interest assistance, then the rescheduling will not be approved by the Agency. In no case will the subsidy be extended more than 10 years from the effective date of the first interest assistance agreement signed by the loan applicant or by anyone who signed the note or line of credit agreement.

(5) In cases where the interest on a loan covered by an interest assistance agreement is reduced by court order in a reorganization plan under the bankruptcy code, interest assistance agreement will be terminated effective on the date of the court ordered interest reduction. The lender will file a claim due through the effective date of the court ordered interest reduction. Guaranteed loans which have had their interest reduced by bankruptcy court order are not eligible to receive interest assistance.

(6) For Loan Guarantees held by holders, Agency purchase of the guaranteed portion of a loan will stop interest assistance payments on that portion. Interest assistance payments will cease upon termination of the Loan Guarantee, upon reaching the expiration date contained in the agreement or upon cancellation by the Agency.

(7) When a borrower defaults on a loan, interest assistance may be considered in conjunction with a rescheduling action in accordance with § 762.145(b). After the meeting required by § 762.143(b)(3) and consideration of actions to correct the delinquency, the lender will notify the Agency of the results of the meeting. If the restructuring proposal includes interest assistance, the lender will provide the items required by paragraph (d) of this section in addition to those items required by § 762.145. Liquidation must not be initiated, except in accordance with § 762.143(b)(3)(v).

(h) *Cancellation of interest assistance agreement*. The interest assistance agreement is incontestable except for fraud or misrepresentation, of which the lender and borrower have actual knowledge at the time that the interest assistance agreement is executed, or which the lender or borrower participates in or condones.

(i) *Adjustment of assistance level between review dates*. After the initial or renewal request for interest assistance is processed, no adjustments can be made until the next review or adjustment date except when necessary to service the loan with a rescheduling or deferral.

(j) *Excessive interest assistance*. Upon written notice to the lender, borrower and any holder, the Agency may amend or cancel the interest assistance agreement and collect from the lender any amount of interest Assistance granted which resulted from incomplete or inaccurate information, an error in computation, or any other reason which resulted in payment that the lender was not entitled to receive.

(k) The Deputy Administrator for Farm Loan Programs has the authority to grant an exception to any requirement involving interest Assistance if it is in the best interest of the Government.

[64 FR 7378, Feb. 12, 1999; 64 FR 38298, July 16, 1999]

### §§ 762.151–762.159 [Reserved]

### § 762.160 Sale, assignment and participation.

(a) The following general requirements apply to selling, assigning or participating guaranteed loans.

(1) Subject to Agency concurrence, the lender may sell, assign or participate all or part of the guaranteed portion of the loan to one or more holders at or after loan closing, only if the loan is not in default. However, a line of credit can be participated, but not sold or assigned.

(2) The Agency may refuse to execute the Assignment of Guarantee and prohibit the sale in case of the following:

(i) The Agency purchased and is holder of a loan that was sold by the lender that is requesting the assignment.

(ii) The lender has not complied with the reimbursement requirements of § 762.144(c)(7), except when the 180 day

reimbursement or liquidation requirement has been waived by the Agency.

(3) The lender will provide the Agency with copies of all appropriate forms used in the sale or assignment.

(4) The guaranteed portion of the loan may not be sold or assigned by the lender until the loan has been fully disbursed to the borrower, except a line of credit may be participated prior to being fully advanced.

(5) The lender is not permitted to sell, assign or participate any amount of the guaranteed or unguaranteed portion of loan to the loan applicant or borrower, or members of their immediate families, their officers, directors, stockholders, other owners, or any parent, subsidiary, or affiliate.

(6) Upon the lender's sale or assignment of the guaranteed portion of the loan, or participation of the line of credit, the lender will remain bound to all obligations indicated in the Guarantee, lender's agreement, the Agency program regulations, and to future program regulations not inconsistent with the provisions of the Lenders agreement. The lender retains all rights under the security instruments for the protection of the lender and the United States.

(b) The following will occur upon the lender's sale or assignment of the guaranteed portion of the loan:

(1) The holder will succeed to all rights of the Guarantee pertaining to the portion of the loan purchased.

(2) The lender will send the holder the borrower's executed note attached to the Guarantee.

(3) The holder, upon written notice to the lender and the Agency, may assign the unpaid guaranteed portion of the loan. The holder must sell the guaranteed portion back to the original lender if requested for servicing or liquidation of the account.

(4) The guarantee or assignment of guarantee in the holder's possession does not cover:

(i) Interest accruing 90 days after the holder has demanded repurchase by the lender, except as provided in the assignment of guarantee and §762.144(c)(3)(iii).

(ii) Interest accruing 90 days after the lender or the Agency has requested the holder to surrender evidence of debt repurchase, if the holder has not previously demanded repurchase.

(c) In a participation, the lender sells an interest in a loan but retains the note, the collateral securing the note, and all responsibility for loan servicing and liquidation. The guarantee does not encompass the participant.

(1) The lender must retain at least 10 percent of the total guaranteed loan amount from the unguaranteed portion of the loan in its portfolio, except when the loan guarantee exceeds 90 percent, the lender must retain the total unguaranteed portion.

(2) Participation with a lender by any entity does not make that entity a holder or a lender as defined in this part.

(d) Negotiations concerning premiums, fees, and additional payments for loans are to take place between the holder and the lender. The Agency will participate in such negotiations only as a provider of information.

[64 FR 7358, Feb. 12, 1999; 64 FR 38298, July 16, 1999]

# PART 773—SPECIAL APPLE LOAN PROGRAM

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AUTHORITY: Pub. L. 106–224.

SOURCE: 65 FR 76117, Dec. 6, 2000, unless otherwise noted.

## §773.1 Introduction.

This part contains the terms and conditions for loans made under the Special Apple Loan Program. These

regulations are applicable to applicants, borrowers, and other parties involved in making, servicing, and liquidating these loans. The program objective is to assist producers of apples suffering from economic loss as a result of low apple prices.

**§ 773.2 Definitions.**

As used in this part, the following definitions apply:

*Agency* is the Farm Service Agency, its employees, and any successor agency.

*Apple producer* is a farmer in the United States or its territories that produced apples, on not less than 10 acres, for sale in 1999 or 2000.

*Applicant* is the individual or business entity applying for the loan.

*Business entity* is a corporation, partnership, joint operation, trust, limited liability company, or cooperative.

*Cash flow budget* is a projection listing all anticipated cash inflows (including all farm income, nonfarm income and all loan advances) and all cash outflows (including all farm and nonfarm debt service and other expenses) to be incurred by the borrower during the period of the budget. A cash flow budget may be completed either for a 12 month period, a typical production cycle or the life of the loan, as appropriate.

*Domestically owned enterprise* is an entity organized in the United States under the law of the state or states in which the entity operates and a majority of the entity is owned by members meeting the citizenship test.

*False information* is information provided by an applicant, borrower, or other source to the Agency which information is known by the provider to be incorrect, and was given to the Agency in order to obtain benefits for which the applicant or borrower would not otherwise have been eligible.

*Feasible plan* is a plan that demonstrates that the loan will be repaid as agreed, as determined by the Agency.

*Security* is real or personal property pledged as collateral to assure repayment of a loan in the event there is a default on the loan.

*USPAP* is Uniform Standards of Professional Appraisal Practice.

**§ 773.3 Appeals.**

A loan applicant or borrower may request an appeal or review of an adverse decision made by the Agency in accordance with 7 CFR part 11.

**§§ 773.4–773.5 [Reserved]**

**§ 773.6 Eligibility requirements.**

Loan applicants must meet all of the following requirements to be eligible for a Special Apple Program Loan:

(a) The loan applicant must be an apple producer;

(b) The loan applicant must be a citizen of the United States or an alien lawfully admitted to the United States for permanent residence under the Immigration and Nationalization Act. For a business entity applicant, the majority of the business entity must be owned by members meeting the citizenship test or, other entities that are domestically owned. Aliens must provide the appropriate Immigration and Naturalization Service forms to document their permanent residency;

(c) The loan applicant and anyone who will execute the promissory note must possess the legal capacity to enter into contracts, including debt instruments;

(d) At loan closing the loan applicant and anyone who will execute the promissory note must not be delinquent on any Federal debt, other than a debt under the Internal Revenue Code of 1986;

(e) At loan closing the loan applicant and anyone who will execute the promissory note must not have any outstanding unpaid judgments obtained by the United States in any court. Such judgments do not include those filed as a result of action in the United States Tax Courts;

(f) The loan applicant, in past or present dealings with the Agency, must not have provided the Agency with false information; and

(g) The individual or business entity loan applicant and all entity members must have acceptable credit history demonstrated by debt repayment. A history of failure to repay past debts as they came due (including debts to the Internal Revenue Service) when the ability to repay was within their control will demonstrate unacceptable

credit history. Unacceptable credit history will not include isolated instances of late payments which do not represent a pattern and were clearly beyond the applicant's control or lack of credit history.

**§ 773.7 Loan uses.**

Loan funds may be used for any of the following purposes related to the production or marketing of apples:

(a) Payment of costs associated with reorganizing a farm to improve its profitability;

(b) Payment of annual farm operating expenses;

(c) Purchase of farm equipment or fixtures;

(d) Acquiring, enlarging, or leasing a farm;

(e) Making capital improvements to a farm;

(f) Refinancing indebtedness;

(g) Purchase of cooperative stock for credit, production, processing or marketing purposes; or

(h) Payment of loan closing costs.

**§ 773.8 Limitations.**

(a) The maximum loan amount any individual or business entity may receive under the Special Apple Loan Program is limited to $500,000.

(b) The maximum loan is further limited to $300 per acre of apple trees in production in 1999 or 2000, whichever is greater.

(c) Loan funds may not be used to pay expenses incurred for lobbying or related activities.

(d) Loans may not be made for any purpose which contributes to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

**§ 773.9 Environmental compliance.**

(a) Except as otherwise specified in this section, prior to approval of any loan, an environmental evaluation will be completed by the Agency to determine if the proposed action will have any adverse impacts on the human environment and cultural resources. Loan applicants will provide all information necessary for the Agency to make its evaluation.

(b) The following loan actions were reviewed for the purpose of compliance with the National Environmental Policy Act (NEPA), 40 CFR parts 1500 through 1508, and determined not to have a significant impact on the quality of the human environment, either individually or cumulatively. Therefore the following loan actions are categorically excluded from the requirements of an environmental evaluation:

(1) Payment of legal costs associated with reorganizing a farm to improve its profitability as long as there will be no changes in the land's use or character;

(2) Purchase of farm equipment which will not be affixed to a permanent mount or position;

(3) Acquiring or leasing a farm;

(4) Refinancing an indebtedness not greater than $30,000;

(5) Purchase of stock in a credit association or in a cooperative which deals with the production, processing or marketing of apples; and

(6) Payment of loan closing costs.

(c) The loan actions listed in paragraph (b) of this section were also reviewed in accordance with section 106 of the National Historic Preservation Act (NHPA). It was determined that these loan actions are non-undertakings with no potential to affect or alter historic properties and therefore, will not require consultation with the State Historic Preservation Officer, Tribal Historic Preservation Officer, or other interested parties.

(d) If adverse environmental impacts, either direct or indirect, are identified, the Agency will complete an environmental assessment in accordance with the Council on Environmental Quality's Regulations for Implementing the Procedural Provisions of NEPA to the extent required by law.

(e) In order to minimize the financial risk associated with contamination of real property from hazardous waste and other environmental concerns, the Agency will complete an environmental risk evaluation of the environmental risks to the real estate collateral posed by the presence of hazardous substances and other environmental concerns.

(1) The Agency will not accept real estate as collateral which has significant environmental risks.

(2) If the real estate offered as collateral contains significant environmental risks, the Agency will provide the applicant with the option of properly correcting or removing the risk, or offering other non-contaminated property as collateral.

**§ 773.10 Other Federal, State, and local requirements.**

Borrowers are required to comply with all applicable:

(a) Federal, State, or local laws;

(b) Regulatory commission rules; and

(c) Regulations which are presently in existence, or which may be later adopted including, but not limited to, those governing the following:

(1) Borrowing money, pledging security, and raising revenues for repayment of debt;

(2) Accounting and financial reporting; and

(3) Protection of the environment.

**§§ 773.11–773.17 [Reserved]**

**§ 773.18 Loan application.**

(a) A complete application will consist of the following:

(1) A completed Agency application form;

(2) If the applicant is a business entity, any legal documents evidencing the organization and any State recognition of the entity;

(3) Documentation of compliance with the Agency's environmental regulations contained in 7 CFR part 1940, subpart G;

(4) A balance sheet on the applicant;

(5) The farm's operating plan, including the projected cash flow budget reflecting production, income, expenses, and loan repayment plan;

(6) The last 3 years of production and income and expense information;

(7) Payment to the Agency for ordering a credit report; and

(8) Any additional information required by the Agency to determine the eligibility of the applicant, the feasibility of the operation, or the adequacy and availability of security.

(b) Except as required in § 773.19(e), the Agency will waive requirements for a complete application, listed in paragraphs (a)(5) and (a)(6) of this section, for requests of $30,000 or less.

**§ 773.19 Interest rate, terms, security requirements, and repayment.**

(a) *Interest rate*. The interest rate will be fixed for the term of the loan. The rate will be established by the Agency and available in each Agency Office, based upon the cost of Government borrowing for loans of similar maturities.

(b) *Terms*. The loan term will be for up to 3 years, based upon the useful life of the security offered.

(c) *Security requirements*. The Agency will take a lien on the following security, if available, as necessary to adequately secure the loan:

(1) Real estate;

(2) Chattels;

(3) Crops;

(4) Other assets owned by the applicant; and

(5) Assets owned and pledged by a third party.

(d) *Documentation of security value*.

(1) For loans that are for $30,000 or less, collateral value will be based on the best available, verifiable information.

(2) For loans of greater than $30,000 where the applicant's balance sheet shows a net worth of three times the loan amount or greater, collateral value will be based on tax assessment of real estate and depreciation schedules of chattels, as applicable, less any existing liens.

(3) For loans of greater than $30,000 where the applicant's balance sheet shows a net worth of less than three times the loan amount, collateral value will be based on an appraisal. Such appraisals must be obtained by the applicant, at the applicant's expense and acceptable to the Agency. Appraisals of real estate must be completed in accordance with USPAP.

(e) *Repayment*. (1) All loan applicants must demonstrate that the loan can be repaid.

(2) For loans that are for $30,000 or less where the applicant's balance sheet shows a net worth of three times the loan amount or greater, repayment ability will be considered adequate without further documentation.

(3) For loans that are for $30,000 or less where the applicant's balance sheet shows a net worth of less than

three times the loan amount, repayment ability must be demonstrated using the farm's operating plan, including a projected cash flow budget based on historical performance. Such operating plan is required notwithstanding § 773.18 of this part.

(4) For loans that are for more than $30,000, repayment ability must be demonstrated using the farm's operating plan, including a projected cash flow budget based on historical performance.

(f) *Creditworthiness*. All loan applicants must have an acceptable credit history demonstrated by debt repayment. A history of failure to repay past debts as they came due (including debts to the Internal Revenue Service) when the ability to repay was within their control will demonstrate unacceptable credit history. Unacceptable credit history will not include isolated instances of late payments which do not represent a pattern and were clearly beyond the applicant's control or lack of credit history.

### § 773.20 Funding applications.

Loan requests will be funded based on the date the Agency approves the application. Loan approval is subject to the availability of funds.

### § 773.21 Loan decision, closing, and fees.

(a) *Loan decision*. (1) The Agency will approve a loan if it determines that:

(i) The loan can be repaid;

(ii) The proposed use of loan funds is authorized;

(iii) The applicant has been determined eligible;

(iv) All security requirements have been, or will be met at closing;

(vi) All other pertinent requirements have been, or will be met at closing.

(2) The Agency will place conditions upon loan approval as necessary to protect its interest.

(b) *Loan closing*. (1) The applicant must meet all conditions specified by the loan approval official in the notification of loan approval prior to loan closing;

(2) There must have been no significant changes in the plan of operation or the applicant's financial condition since the loan was approved; and

(2) The applicant will execute all loan instruments and legal documents required by the Agency to evidence the debt, perfect the required security interest in property securing the loan, and protect the Government's interests, in accordance with applicable State and Federal laws. In the case of an entity applicant, all officers or partners and any board members also will be required to execute the promissory notes as individuals.

(c) *Fees*. The applicant will pay all loan closing fees including credit report fees, fees for appraisals, fees for recording any legal instruments determined to be necessary, and all notary, lien search, and similar fees incident to loan transactions. No fees will be assessed for work performed by Agency employees.

EDITORIAL NOTE: At 65 FR 76119, Dec. 6, 2000, § 773.21 was added with two paragraphs designated (b)(2).

### § 773.22 Loan servicing.

Loans will be serviced in accordance with subpart J of part 1951, or its successor regulation, during the term of the loan. If the loan is not paid in full during this term, servicing will proceed in accordance with § 1951.468 of that part.

### § 773.23 Exception.

The Agency may grant an exception to the security requirements of this section, if the proposed change is in the best financial interest of the Government and not inconsistent with the authorizing statute or other applicable law.

## PART 774—Emergency Loan for Seed Producers Program

Sec.

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774.22 Loan closing.
774.23 Loan servicing.
774.24 Exception.

AUTHORITY: Pub. L. 106–224

SOURCE: 65 FR 76119, Dec. 6, 2000, unless otherwise noted.

### § 774.1 Introduction.

The regulations of this part contain the terms and conditions under which loans are made under the Emergency Loan for Seed Producers Program. These regulations are applicable to applicants, borrowers, and other parties involved in making, servicing, and liquidating these loans. The program objective is to assist certain seed producers adversely affected by the bankruptcy filing of AgriBiotech.

### § 774.2 Definitions.

As used in this part, the following definitions apply:

*Agency* is the Farm Service Agency, its employees, and any successor agency.

*Applicant* is the individual or business entity applying for the loan.

*Business entity* is a corporation, partnership, joint operation, trust, limited liability company, or cooperative.

*Domestically owned enterprise* is an entity organized in the United States under the law of the state or states in which the entity operates and a majority of the entity is owned by members meeting the citizenship test.

*False information* is information provided by an applicant, borrower or other source to the Agency that the borrower knows to be incorrect, and that the borrower or other source provided in order to obtain benefits for which the borrower would not otherwise have been eligible.

*Seed producer* is a farmer that produced a 1999 crop of grass, forage, vegetable, or sorghum seed for sale to AgriBiotech under contract.

### § 774.3 Appeals.

A loan applicant or borrower may request an appeal or review of an adverse decision made by the Agency in accordance with 7 CFR part 11.

### §§ 774.4–774.5 [Reserved]

### § 774.6 Eligibility requirements.

Loan applicants must meet all of the following requirements to be eligible under the Emergency Loan for Seed Producers Program;

(a) The loan applicant must be a seed producer;

(b) The individual or entity loan applicant must have a timely filed proof of claim in the Chapter XI bankruptcy proceedings involving AgriBiotech and the claim must have arisen from acontract to grow seeds in the United States;

(c) The loan applicant must be a citizen of the United States or an alien lawfully admitted to the United States for permanent residence under the Immigration and Nationalization Act. For a business entity applicant, the majority of the business entity must be owned by members meeting the citizenship test or, other entities that are domestically owned. Aliens must provide the appropriate Immigration and Naturalization Service forms to document their permanent residency;

(d) The loan applicant and anyone who will execute the promissory note must possess the legal capacity to enter into contracts, including debt instruments;

(e) At loan closing, the applicant and anyone who will execute the promissory note must not be delinquent on any Federal debt, other than a debt under the Internal Revenue Code of 1986;

(f) At loan closing, the applicant and anyone who will execute the promissory note must not have any outstanding unpaid judgments obtained by the United States in any court. Such judgments do not include those filed as a result of action in the United States Tax Courts;

(g) The loan applicant, in past and current dealings with the Agency, must not have provided the Agency with false information.

### § 774.7 [Reserved]

### § 774.8 Limitations.

(a) The maximum loan amount any individual or business entity may receive will be 65% of the value of the

timely filed proof of claim against AgriBiotech in the bankruptcy proceeding as determined by the Agency.

(b) Loan funds may not be used to pay expenses incurred for lobbying or related activities.

(c) Loans may not be made for any purpose which contributes to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

### § 774.9 Environmental requirements.

The loan actions in this part were reviewed for the purpose of compliance with the National Environmental Policy Act (NEPA), 40 CFR parts 1500 through 1508, and determined not to have a significant impact on the quality of the human environment, either individually or cumulatively. These loan actions are categorically excluded from the requirements of an environmental evaluation due to the fact that the loan funds would be utilized to replace operating capital the applicant would have had if AgriBiotech had not filed bankruptcy.

### § 774.10 Other Federal, State, and local requirements.

Borrowers are required to comply with all applicable:

(a) Federal, State, or local laws;

(b) Regulatory commission rules; and

(c) Regulations which are presently in existence, or which may be later adopted including, but not limited to, those governing the following:

(1) Borrowing money, pledging security, and raising revenues for repayment of debt;

(2) Accounting and financial reporting; and

(3) Protection of the environment.

### § 774.11–774.16 [Reserved]

### § 774.17 Loan application.

A complete application will consist of the following:

(a) A completed Agency application form;

(b) Proof of a bankruptcy claim in the AgriBiotech bankruptcy proceedings;

(c) If the applicant is a business entity, any legal documents evidencing the organization and any State recognition of the entity;

(d) Documentation of compliance with the Agency's environmental regulations contained in 7 CFR part 1940, subpart G;

(e) A balance sheet on the applicant; and

(f) Any other additional information the Agency needs to determine the eligibility of the applicant and the application of any Federal, State or local laws.

### § 774.18 Interest rate, terms and security requirements.

(a) *Interest rate.* (1) The interest rate on the loan will be zero percent for 18 months or until the date of settlement of, completion of, or final distribution of assets in the bankruptcy proceeding involving AgriBiotech, whichever comes first.

(2) Thereafter interest will begin to accrue at the regular rate for an Agency Farm operating-direct loan (available in any Agency office).

(b) *Terms.* (1) Loans shall be due and payable upon the earlier of the settlement of the bankruptcy claim or 18 months from the date of the note.

(2) However, any principal remaining thereafter will be amortized over a term of 7 years at the Farm operating-direct loan interest rate (available in any Agency office). If the loan is not paid in full during this term and default occurs, servicing will proceed in accordance with § 1951.468 of this title.

(c) *Security Requirements.* (1) The Agency will require a first position pledge and assignment of the applicant's monetary claim in the AgriBiotech bankruptcy estate to secure the loan.

(2) If the applicant has seed remaining in their possession that was produced under contract to AgriBiotech, the applicant also will provide the Agency with a first lien position on this seed. It is the responsibility of the applicant to negotiate with any existing lienholders to secure the Agency's first lien position.

### § 774.19 Processing applications.

Applications will be processed until such time that funds are exhausted, or

all claims have been paid and the bankruptcy involving AgriBiotech has been discharged. When all loan funds have been exhausted or the bankruptcy is discharged, no further applications will be accepted and any pending applications will be considered withdrawn.

### § 774.20 Funding applications.

Loan requests will be funded based on the date the Agency approves an application. Loan approval is subject to the availability of funds.

### § 774.21 [Reserved]

### § 774.22 Loan closing.

(a) *Conditions*. The applicant must meet all conditions specified by the loan approval official in the notification of loan approval prior to closing.

(b) *Loan instruments and legal documents*. The applicant will execute all loan instruments and legal documents required by the Agency to evidence the debt, perfect the required security interest in the bankruptcy claim, and protect the Government's interest, in accordance with applicable State and Federal laws. In the case of an entity applicant, all officers or partners and any board members also will be required to execute the promissory notes as individuals.

(c) *Fees*. The applicant will pay all loan closing fees for recording any legal instruments determined to be necessary and all notary, lien search, and similar fees incident to loan transactions. No fees will be assessed for work performed by Agency employees.

### § 774.23 Loan servicing.

Loans will be serviced in accordance with subpart J of part 1951 of this title, or its successor regulation. If the loan is not repaid as agreed and default occurs, servicing will proceed in accordance with section 1951.468 of that part.

### § 774.24 Exception.

The Agency may grant an exception to any of the requirements of this section, if the proposed change is in the best financial interest of the Government and not inconsistent with the authorizing statute or other applicable law.

## PART 777—DISASTER PAYMENT PROGRAM FOR 1990 CROP OF SUGARCANE, SUGAR BEETS, SOYBEANS AND PEANUTS

Sec.
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777.2 Administration.
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777.4 Availability of disaster payments.
777.5 Disaster benefits.
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777.9 Misrepresentation, scheme and device, and fraud.
777.10 Refunds to CCC.
777.11 Cumulative liability.
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777.14 Other regulations.
777.15 OMB control numbers assigned pursuant to the Paperwork Reduction Act.

AUTHORITY: 7 U.S.C. 1446.

SOURCE: 56 FR 25346, June 4, 1991, unless otherwise noted.

### § 777.1 General statement.

This part implements a Disaster Payment Program for the 1990 crop year as provided by section 201(k) of the Agricultural Act of 1949, as amended, and Dire Emergency Supplemental Appropriations Act for Fiscal year 1990. The purpose of the program is to make disaster payments to eligible producers of sugarcane, sugar beets, peanuts and soybeans who have suffered a loss of production of their 1990 crop as the result of a natural disaster in 1989.

### § 777.2 Administration.

(a) The program will be administered under the general supervision of the Administrator, Farm Service Agency (FSA), and shall be carried out in the field by State and county Agricultural Stabilization and Conservation (ASC) committees.

(b) State and county ASC committees and representatives and employees thereof do not have the authority to modify or waive any of the provisions of this part as amended or supplemented.

(c) The State ASC committee shall take any action required by this part which has not been taken by a county

ASC committee. The State ASC committee shall also:

(1) Correct or require a county ASC committee to correct, any action taken by such county ASC committee which is not in accordance with this part, or

(2) Require a county ASC committee to withhold taking any action which is not in accordance with this part.

(d) FSA shall determine all yields and prices under this part and may utilize any agency of the Department of Agriculture in making such determinations. To the extent practicable, FSA will use data provided by the National Agricultural Statistical Service (NASS). Any reference in this part to NASS shall not restrict FSA from using data from other sources.

(e) No delegation herein to a State or county ASC committee shall preclude the Administrator, FSA, or a designee, from determining any question arising under the program or from reversing or modifying any determination made by a State or county ASC committee.

### § 777.3 Definitions.

In determining the meanings of the provisions of this part, unless the context indicates otherwise, words imparting the singular include and apply to several persons or things, words imparting the plural include the singular, words imparting the masculine gender include the feminine as well, and words used in the present tense include the past and future as well as the present. The following terms shall have the following meanings and all other words and phrases shall have the meanings assigned to them in the regulations governing the reconstitution of farms in part 719 of this chapter.

*Actual production* means the quantity of soybeans and peanuts actually harvested and in the case of sugar beets and sugarcane the quantity of sugar produced from such crop, or which could have been harvested or produced as determined by the county ASC committee in accordance with instructions issued by the Deputy Administrator, State and County Operations (Deputy Administrator), (FSA). Such quantity includes all harvest acreages including sugarcane harvested for seed.

*Disaster payment yield* means as applicable, the average of actual yields for the years 1987 through 1989 in accordance with instructions issued by the Deputy Administrator or the county average yield for the crop, established by FSA. Such county average yield shall be the average of the county average yields, including seed cane production, for the years 1985 through 1989 as determined by NASS, excluding the year in which the yield was the highest and the year in which the yield was the lowest.

*Eligible crop* means the 1990 crop of sugarcane, sugar beets, soybeans and peanuts.

*Eligible disaster* means a December 1989 frost or freeze.

*Eligible producer* means, with respect to an eligible crop for which an application for disaster payment has been made under this part, a person who as owner, landlord, tenant, or sharecropper is entitled to share in such crops, or the proceeds therefrom, available for marketing from the farm or would have been if such crop had been produced. Such person includes the producer who was on the farm at the time of the 1989 freeze and who may or may not have been the producer who harvested the 1990 crop.

*Expected production* means the disaster yield times the sum of the 1990 planted acreage of the crop and the 1990 prevented planted acreage of the crop.

### § 777.4 Availability of disaster payments.

Disaster payments will be made available to eligible producers of 1990 crop of an eligible crop who suffered losses because of the occurrence of an eligible disaster in 1989.

### § 777.5 Disaster benefits.

(a) Disaster payments for low yield losses on 1990 crop of sugarcane are authorized to be made to producers who file a CCC–441SU, Application for 1990 Disaster Benefits, if:

(1) The farm operator submits an Application for Disaster Credit (Form FSA–574), in accordance with instructions issued by the Deputy Administrator;

(2) The farm operator submits a record of Production and Yield (Form FSA–658) in accordance with §1477.7; and

(3) The county ASC committee determines that because of an eligible disaster condition, producers on a farm were able to harvest less than 60 percent of the expected production of an eligible crop in 1990.

(b) Each eligible producer's share of a disaster payment shall be based on the eligible producer's share of the crop or the proceeds therefrom or, if no crop was produced, the share which the eligible producer would have otherwise received if the crop had been produced.

### § 777.6 Filing application for payment.

(a) Applications for payment shall be filed by the applicant with the county FSA office serving the county where the producer's farm is located for administrative purposes.

(b) An application for payment shall be filed as soon as practicable after the producer's eligibility has been established in accordance with § 777.5(a). Applications for payment must be filed no later than June 28, 1991.

### § 777.7 Report of acreage, production disposition, and indemnity payments.

(a) Eligible producers shall report, in accordance with instructions issued by the Deputy Administrator, the acreage, production, and disposition of all eligible crops produced in 1990 on an acreage for which an application for a disaster payment is filed. Such production reports must be filed no later than the date established by the Deputy Administrator.

(b) If there has been a disposition of crop production through commercial channels, the eligible producer must furnish documentary evidence of such disposition or provide FSA the authority necessary in order to verify the information provided on the report. Such authority includes access to producers' disposition documents of warehousemen and processors. Acceptable evidence shall include, but not limited to, such items as the original or a copy of commercial receipts, CCC loan documents, settlement sheets, or records of sugar production.

(c) If there has been a disposition of crop production other than through commercial channels, such as seed cane, the eligible producer must furnish such documentary evidence as the county ASC committee determines to be necessary in order to verify the information provided by the producer.

### § 777.8 Availability of funds.

In the event the total amount of all claims submitted exceeds $11 million, each payment shall be reduced by a uniform percentage.

### § 777.9 Misrepresentation, scheme and device, and fraud.

(a) If FSA determines that any producer has erroneously represented any fact or has adopted, participated in, or benefited from, any scheme or device which has the effect of defeating, or is designed to defeat the purpose of this part, such producer shall not be eligible for disaster payments under this part and all payments previously made to any such producer shall be refunded to FSA. The amount paid to FSA shall include any interest and other amounts as determined in accordance with this part.

(b) If any misrepresentation, scheme or device, or practice has been employed for the purpose of causing FSA to make a payment which FSA under this part otherwise would not make, all amounts paid by FSA to any such producer shall be refunded to FSA together with interest and other amounts as determined in accordance with this part, and no further disaster payments shall be made to such producer by FSA.

(c) If the county ASC committee determines that any producer has adopted or participated in any practice which tends to defeat the purpose of the program established in accordance with this part, the county committee shall withhold or require to be refunded all or part of the payments which otherwise would be due the producer under this part.

### § 777.10 Refunds to CCC.

(a) In the event that there is a failure to comply with any term, requirement, or condition for payment made in accordance with this part, all such payments made to the producer shall be refunded to FSA, together with interest.

(b) Producers must refund to FSA any excess payments made by FSA.

(c) In the event that the loss of production was established as a result of erroneous information provided by any person to the county FSA office or was erroneously computed by such office, the loss of production shall be re-computed and the payment due shall be corrected as necessary. Any refund of payments which are determined to be required as a result of such re-computation shall be remitted to FSA.

### § 777.11 Cumulative liability.

The liability of any producer for any payment or refund which is determined in accordance with this part to be due to FSA shall be in addition to any other liability of such producer under any civil or criminal fraud statute or any other statute or provision of law including, but not limited to, 18 U.S.C. 286, 287, 371, 641, 1001; and 31 U.S.C. 3729.

### § 777.12 Appeals.

Reconsideration and review of all determinations made in accordance with this part with respect to a farm or an individual producer shall be made in accordance with part 780 of this chapter.

### § 777.13 Liens.

Any payment which is due any person shall be made without regard to questions of title under State law and without regard to any claim or lien against the crop, and the proceeds thereof, which may be asserted by any creditor, except agencies of the United States Government.

### § 777.14 Other regulations.

The following regulations and amendments thereto shall also be applicable to this part:

(a) 7 CFR part 3, Debt Management.

(b) 7 CFR part 12, Highly Erodible Land and Wetland Conservation.

(c) 7 CFR part 707, Payments Due Persons Who Have Died, Disappeared or Have Been Declared Incompetent.

(d) 7 CFR part 719, Reconstitution of Farms, Allotments, Normal Crop Acreage and Preceding Year Planted Acreage.

(e) 7 CFR part 780, Appeal Regulations.

(f) 7 CFR part 790, Incomplete Performance Based Upon Action or Advice of an Authorized Representative of the Secretary.

(g) 7 CFR part 796, Denial of Program Eligibility for Controlled Substance Violation.

### § 777.15 OMB control numbers assigned pursuant to the Paperwork Reduction Act.

The information collection requirements of this part shall be submitted to the Office of Management and Budget (OMB) for purposes of the Paperwork Reduction Act and it is anticipated that an OMB Number will be assigned.

## PART 780—APPEAL REGULATIONS

Sec.

780.1 Definitions.
780.2 Applicability.
780.3–780.5 [Reserved]
780.6 Mediation.
780.7 Reconsideration and appeals with the county and State committees and reconsideration with the regional service offices.
780.8 Time limitations for filing requests for reconsideration or appeal.
780.9 Appeals of NRCS technical determinations.
780.10 Other finality provisions.
780.11 Reservation of authority.

AUTHORITY: 5 U.S.C. 301; 15 U.S.C. 714b and 714c; 16 U.S.C. 590h.

SOURCE: 60 FR 67316, Dec. 29, 1995, unless otherwise noted.

### § 780.1 Definitions.

For purposes of this part:

*1994 Act* means the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Public Law 103–354).

*Agency* means FSA and its county and State committees and their personnel, CCC, NRCS, FCIC, and any other agency or office of the Department which the Secretary may designate, or any successor agency.

*Appeal* means a written request by a participant asking the next level reviewing authority to review a decision.

*CCC* means the Commodity Credit Corporation, a wholly owned Government corporation within the U.S. Department of Agriculture.

*County committee* means an FSA county or area committee established in accordance with section 8(b) of the

Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)).

*FCIC* means the Federal Crop Insurance Corporation, a wholly owned Government corporation within the U.S. Department of Agriculture.

*Final decision* means the program decision rendered by the county or State committee or the FCIC Regional Service Office upon written request of the participant. A decision that is otherwise final shall remain final unless the decision is timely appealed to the State committee or NAD. A decision of FSA or FCIC made by personnel subordinate to the county committee is considered ''final'' for the purpose of appeal to NAD only after that decision has been appealed to the county committee under the provisions of this part.

*FSA* means the Farm Service Agency.

*NAD* means the National Appeals Division, established pursuant to the 1994 Act.

*NAD regulations* means the National Appeals Division (NAD) rules of procedure published by the Secretary at 7 CFR part 11 implementing title II, subtitle H of the 1994 Act.

*NRCS* means the Natural Resource Conservation Service of the United States Department of Agriculture, formerly the Soil Conservation Service.

*Reconsideration* is a subsequent consideration of a prior decision by the same reviewing authority.

*Regional Service Office* means the regional offices established by FSA and FCIC for the purpose of making determinations for private insurance companies reinsured by FCIC under the Federal Crop Insurance Act and for FSA for insurance contracts delivered through county FSA offices (including underwriting decisions), the applicability of provisions under chapter IV of 7 CFR, and decisions as to insurability and rating of acreage.

*Reviewing authority* means a person or committee assigned the responsibility of making a decision on the appeal filed by the participant in accordance with this part.

*State committee* means an FSA State committee established in accordance with section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) including, where appropriate, the Director of the Caribbean Area FSA office for Puerto Rico and the Virgin Islands.

*Technical determination of NRCS* means a decision by NRCS concerning the status and condition of the natural resources based on science and on the best professional judgment of natural resource professionals within NRCS.

**§ 780.2 Applicability.**

(a)(1) Except as provided in other regulations, this part applies to decisions made under programs and by agencies, as set forth herein:

(i) Decisions in those domestic programs administered by the Farm Service Agency (FSA), and programs administered by FSA on behalf of the Commodity Credit Corporation (CCC) through State and county committees, which are generally set forth in chapters VII and XIV of this title;

(ii) Technical decisions made by the Natural Resources Conservation Service (NRCS) under title XII of the Food Security Act of 1985, as amended;

(iii) Decisions made by personnel of the Federal Crop Insurance Corporation (''FCIC'') or FSA with respect to contracts of insurance insured by FCIC and the noninsured crop disaster assistance program;

(iv) Decisions made by personnel of FCIC or FSA with respect to contracts of insurance provided by private insurance carriers and reinsured by FCIC under the provisions of the Federal Crop Insurance Act; and

(v) Other programs to which this part is made applicable by individual program regulations.

(2) For covered programs, this part is applicable to any decision made by FSA and its State and county committees, CCC, FCIC, the personnel and agents of FSA, FCIC, or CCC, and by the officials of NRCS (to the extent provided in § 780.9), except as otherwise may be provided in individual program requirements or by the Secretary.

(3) This part is not applicable to any decision:

(i) Made by FSA or FCIC with respect to any matter arising under the terms of the Standard Reinsurance Agreement between FCIC and any private insurance company reinsured by FCIC

under the provisions of the Federal Crop Insurance Act, as amended; or

(ii) Made by any private insurance company with respect to any contract of insurance issued to any producer by the private insurance company and reinsured by FCIC under the provisions of the Federal Crop Insurance Act, as amended. Those insurance contracts are subject to dispute resolution through arbitration or mediation in accordance with the contract terms.

(b) With respect to matters identified in paragraph (a) of this section, participants may request reconsideration or appeal, under the provisions of this part, of decisions by an agency made with respect to:

(1) Denial of participation in a program;

(2) Compliance with program requirements;

(3) Issuance of payments or other program benefits to a participant in a program;

(4) Making payments or other benefits to an individual or entity who is not a participant in a program; or

(5) Technical determinations by NRCS.

(c) No reconsideration or appeal may be sought under this part of any general program provision or program policy, or any statutory or regulatory requirement that is applicable to all similarly situated participants.

(d) Mathematical formulas established under a statute or program regulations, and decisions based solely on the application of those formulas, are not appealable under this part.

(e) Only a participant may seek reconsideration or appeal under this part.

**§§ 780.3–780.5 [Reserved]**

**§ 780.6 Mediation.**

Participants have the right to seek mediation involving any decision appealed under this part in accordance with the provisions of section 282 of the 1994 Act, if the mediation program of the State where the participant's farming operation giving rise to the decision is located has been certified by the Secretary for the program involved in the agency decision. Any time limitation for review contained in this part will be stayed pending timely pursuit and completion of the mediation process.

**§ 780.7 Reconsideration and appeals with the county and State committees and reconsideration with the regional service offices.**

(a) A participant may appeal a decision of personnel subordinate to the county committee by filing with the county committee a written request for appeal that states the basis upon which the participant relies to show that:

(1) The decision was not proper and not made in accordance with applicable program policies; or

(2) All material facts were not properly considered in such decision.

(b) A participant may seek reconsideration of a final decision by a county committee or the Regional Service Office by filing a written request for reconsideration with the county committee or the Regional Service Office that states the basis upon which the participant relies to show that:

(1) The decision was not proper and not made in accordance with applicable program regulations; or

(2) All material facts were not properly considered in such decision.

(c) A participant may appeal a final decision by a county committee or the Regional Service Office to the State committee and request an informal hearing in connection therewith, by filing a written appeal with the State committee.

(d) A participant may seek reconsideration of a decision by a State committee, and request an informal hearing in connection therewith, by filing a written request for reconsideration with the State committee that states the basis upon which the participant relies to show that:

(1) The decision was not proper and not made in accordance with applicable program regulations; or

(2) All material facts were not properly considered in such decision.

(e) Nothing in this part prohibits a participant from filing an appeal of a final decision of the county committee or the Regional Service Office with NAD in accordance with the NAD regulations.

(f) This section does not apply to a technical determination by NRCS. Procedures regarding the appeal of a technical determination by NRCS are contained in §780.9.

### §780.8 Time limitations for filing requests for reconsideration or appeal.

(a) A request for reconsideration or an appeal of a decision shall be filed within 30 days after written notice of the decision which is the subject of the request is mailed or otherwise made available to the participant. A request for reconsideration or appeal shall be considered to have been ''filed'' when personally delivered in writing to the appropriate reviewing authority or when the properly addressed request, postage paid, is postmarked. A decision shall become final and non-reviewable unless reconsideration is timely sought or the decision is timely appealed.

(b) A request for reconsideration or appeal may be accepted and acted upon even though it is not filed within the time prescribed in paragraph (a) of this section if, in the judgment of the reviewing authority with whom such request is filed, the circumstances warrant such action.

### §780.9 Appeals of NRCS technical determinations.

(a) Notwithstanding any other provision of this part, a technical determination of NRCS issued to a participant pursuant to Title XII of the Food Security Act of 1985, as amended, including wetland determinations, may be appealed to a county committee in accordance with the procedures in this part.

(b) If the county committee hears the appeal and agrees with the participant's appeal, the county committee shall refer the case with its findings to the NRCS State Conservationist to review the matter and review the technical determination. The County or State committee decision shall incorporate, and be based upon, the NRCS State Conservationist's technical determination.

### §780.10 Other finality provisions.

The finality provisions contained in section 281 of the 1994 Act shall be applied to appeals under this part to the extent provided for in that section of the 1994 Act.

### §780.11 Reservations of authority.

(a) Representatives of FSA, FCIC, and CCC may correct all errors in entering data on program contracts, loan agreements, and other program documents and the results of the computations or calculations made pursuant to the contract or agreement.

(b) Nothing contained in this part shall preclude the Secretary, or the Administrator of FSA, Executive Vice President of CCC, the Manager of FCIC, the Chief of NRCS, if applicable, or a designee, from determining at any time any question arising under the programs within their respective authority or from reversing or modifying any decision made by FSA or its county and State committees, FCIC, or CCC.

## PART 781—DISCLOSURE OF FOREIGN INVESTMENT IN AGRICULTURAL LAND

Sec.

781.1 General.
781.2 Definitions.
781.3 Reporting requirements.
781.4 Assessment of penalties.
781.5 Penalty review procedure.
781.6 Paperwork Reduction Act assigned number.

AUTHORITY: Sec. 1–10, 92 Stat. 1266 (7 U.S.C. 3501 *et seq.*).

SOURCE: 49 FR 35074, Sept. 6, 1984, unless otherwise noted.

### §781.1 General.

The purpose of these regulations is to set forth the requirements designed to implement the Agricultural Foreign Investment Disclosure Act of 1978. The regulations require that a foreign person who acquires, disposes of, or holds an interest in United States agricultural land shall disclose such transactions and holdings to the Secretary of Agriculture. In particular, the regulations establish a system for the collection of information by the Agricultural Stablization and Conservation Service (FSA) pertaining to foreign investment in United States agricultural land. The information collected will be

utilized in the preparation of periodic reports to Congress and the President by the Economic Research Service (ERS) concerning the effect of such holdings upon family farms and rural communities.

**§ 781.2 Definitions.**

In determining the meaning of the provisions of this part, unless the context indicates otherwise, words importing the singular include and apply to several persons or things, words importing the plural include the singular, and words used in the present tense include the future as well as the present. The following terms shall have the following meanings:

(a) *AFIDA*. AFIDA means the Agricultural Foreign Investment Disclosure Act of 1978.

(b) *Agricultural land*. Agricultural land means land in the United States used for forestry production and land in the United States currently used for, or, if currently idle, land last used within the past five years, for farming, ranching, or timber production, except land not exceeding ten acres in the aggregate, if the annual gross receipts from the sale of the farm, ranch, or timber products produced thereon do not exceed $1,000. Farming, ranching, or timber production includes, but is not limited to, activities set forth in the Standard Industrial Classification Manual (1987), Division A, exclusive of industry numbers 0711–0783, 0851, and 0912–0919 which cover animal trapping, game management, hunting carried on as a business enterprise, trapping carried on as a business enterprise, and wildlife management. Land used for forestry production means, land exceeding 10 acres in which 10 percent is stocked by trees of any size, including land that formerly had such tree cover and that will be naturally or artificially regenerated.

(c) *Any interest*. Any interest means all interest acquired, transferred or held in agricultural lands by a foreign person, except:

(1) Security interests;

(2) Leaseholds of less than 10 years;

(3) Contingent future interests;

(4) Noncontingent future interests which do not become possessory upon the termination of the present possessory estate;

(5) Surface or subsurface easements and rights of way used for a purpose unrelated to agricultural production; and

(6) An interest solely in mineral rights.

(d) *County*. County means a political subdivision of a State identified as a County or parish. In Alaska, the term means an area so designated by the State Agricultural Stabilization and Conservation committee.

(e) *Foreign government*. Foreign government means any government other than the United States government, the government of a State, or a political subdivision of a State.

(f) *Foreign individual*. Foreign individual means foreign person as defined in paragraph (g)(1) of this section.

(g) *Foreign person*. Foreign person means:

(1) Any individual:

(i) Who is not a citizen or national of the United States; or

(ii) Who is not a citizen of the Northern Mariana Islands or the Trust Territory of the Pacific Islands; or

(iii) Who is not lawfully admitted to the United States for permanent residence or paroled into the United States under the Immigration and Nationality Act;

(2) Any person, other than an individual or a government, which is created or organized under the laws of a foreign government or which has its principal place of business located outside of all the States;

(3) Any foreign government;

(4) Any person, other than an individual or a government:

(i) Which is created or organized under the laws of any State; and

(ii) In which a significant interest or substantial control is directly or indirectly held:

(A) By any individual referred to in paragraph (g)(1) of this section; or

(B) By any person referred to in paragraph (g)(2) of this section; or

(C) By any foreign government referred to in paragraph (g)(3) of this section; or

(D) By any numerical combination of such individuals, persons, or governments, which combination need not have a common objective.

(h) *Person*. Person means any individual, corporation, company, association, partnership, society, joint stock company, trust, estate, or any other legal entity.

(i) *Secretary*. Secretary means the Secretary of Agriculture.

(j) *Security interest*. Security interest means a mortgage or other debt securing instrument.

(k) *Significant interest of substantial control*. Significant interest or substantial control means:

(1) An interest of 10 percent or more held by a person referred to in paragraph (g)(4) of this section, by a single individual referred to in paragraph (g)(1) of this section, by a single person referred to in paragraph (g)(2) of this section, by a single government referred to in paragraph (g)(3) of this section; or

(2) An interest of 10 percent or more held by persons referred to in paragraph (g)(4) of this section, by individuals referred to in paragraph (g)(1) of this section, by persons referred to in paragraph (g)(2) of this section, or by governments referred to in paragraph (g)(3) of this section, whenever such persons, individuals, or governments are acting in concert with respect to such interest even though no single individual, person, or government holds an interest of 10 percent or more; or

(3) An interest of 50 percent or more, in the aggregate, held by persons referred to in paragraph (g)(4) of this section, by individuals referred to in paragraph (g)(1) of this section, by persons referred to in paragraph (g)(2) of this section, or by governments referred to in paragraph (g)(3) of this section, even though such individuals, persons, or governments may not be acting in concert.

(l) *State*. State means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands or any other territory or possession of the United States.

[49 FR 35074, Sept. 6, 1984, as amended at 58 FR 48274, Sept. 15, 1993]

### § 781.3 Reporting requirements.

(a) All reports required to be filed pursuant to this part shall be filed with the FSA County office in the county where the land with respect to which such report must be filed is located or where the FSA County office administering programs carried out on such land is located; Provided, that the FSA office in Washington, DC, may grant permission to foreign persons to file reports directly with its Washington office when complex filings are involved, such as where the land being reported is located in more than one county.

(b) Any foreign person who held, holds, acquires, or transfers any interest in United States agricultural land is subject to the requirement of filing a report on form FSA–153 by the following dates:

(1) August 1, 1979, if the interest in the agricultural land was held on the day before February 2, 1979, or

(2) Ninety days after the date of acquisition or transfer of the interest in the agricultural land, if the interest was acquired or transferred on or after February 2, 1979.

(c) Any person who holds or acquires any interest in United States agricultural land at a time when such person is not a foreign person and who subsequently becomes a foreign person must submit, not later than 90 days after the date on which such person becomes a foreign person, a report containing the information required to be submitted under paragraph (e) of this section.

(d) Any foreign person who holds or acquires any interest in United States land at a time when such land is not agricultural land and such land subsequently becomes agricultural land must submit, not later than 90 days after the date on which such land becomes agricultural, a report containing the information required to be submitted under paragraph (e) of this section.

(e) Any foreign person required to submit a report under this regulation,

except under paragraph (g) of this section, shall file an FSA–153 report containing the following information:

(1) The legal name and the address of such foreign person;

(2) In any case in which such foreign person is an individual, the citizenship of such foreign person;

(3) In any case in which such foreign person is not an individual or a government, the nature and name of the person holding the interest, the country in which such foreign person is created or organized, and the principal place of business of such foreign person;

(4) The type of interest held by a foreign person who acquired or transferred an interest in agricultural land;

(5) The legal description and acreage of such agricultural land;

(6) The purchase price paid for, or any other consideration given for, such interest; the amount of the purchase price or the value of the consideration yet to be given; the current estimated value of the land reported;

(7) In any case in which such foreign person transfers such interest, the legal name and the address of the person to whom such interest is transferred; and

(i) In any case in which such transferee is an individual, the citizenship of such transferee; and

(ii) In any case in which such transferee is not an individual, or a government, the nature of the person holding the interest, the country in which such transferee is created or organized, and the principal place of business;

(8) The agricultural purposes for which such foreign person intends, on the date on which such report is submitted, to use such agricultural land;

(9) When applicable, the name, address and relationship of the representative of the foreign person who is completing the FSA–153 form for the foreign person;

(10) How the tract of land was acquired or transferred, the relationship of the foreign person to the previous owner, producer, manager, tenant or sharecropper, and the rental agreement; and

(11) The date the interest in the land was acquired or transferred.

(f)(1) Any foreign person, other than an individual or government, required to submit a report under paragraphs (b), (c), and (d) of this section, must submit, in addition to the report required under paragraph (e) of this section, a report containing the following information:

(i) The legal name and the address of each foreign individual or government holding significant interest or substantial control in such foreign person;

(ii) In any case in which the holder of such interest is an individual, the citizenship of such holder; and

(iii) In any case in which the holder of significant interest or substantial control in such foreign person is not an individual or a government, the nature and name of the foreign person holding such interest, the country in which such holder is created or organized, and the principal place of business of such holder.

(2) In addition, any such foreign person required to submit a report under paragraph (f)(1) of this section may also be required, upon request, to submit a report containing:

(i) The legal name and the address of each individual or government whose legal name and address did not appear on the report required to be submitted under paragraph (f)(1) of this section, if such individual or government holds any interest in such foreign person:

(ii) In any case in which the holder of such interest is an individual, the citizenship of such holder; and

(iii) In any case in which the holder of such interest is not an individual or a government, the nature and name of the person holding the interest, the country in which such holder is created or organized, and the principal place of business of such holder.

(g) Any foreign person, other than an individual or a government, whose legal name is contained on any report submitted in satisfaction of paragraph (f) of this section may also be required, upon request, to:

(1) Submit a report containing:

(i) The legal name and the address of each foreign individual or government holding significant interest or substantial control in such foreign person;

(ii) In any case in which the holder of such interest is an individual, the citizenship of such holder; and

(iii) In any case in which the holder of such interest in such foreign person is not an individual or a government, the nature and name of the foreign person holding such interest, the country in which each holder is created or organized, and the principal place of business of such holder.

(2) Submit a report containing:

(i) The legal name and address of each individual or government whose legal name and address did not appear on the report required to be submitted under paragraph (g)(1) of this section if such individual or government holds any interest in such foreign person and, except in the case of a request which involves a foreign person, a report was required to be submitted pursuant to paragraph (f)(2) of this section, disclosing information relating to nonforeign interest holders;

(ii) In any case in which the holder of such interest is an individual, the citizenship of such holder; and

(iii) In any case in which the holder of such interest is not an individual or government and, except in a situation where the information is requested from a foreign person, a report was required to be submitted pursuant to paragraph (f)(2) of this section disclosing information relating to nonforeign interest holders, the nature and name of the person holding the interest, the country in which such holder is created or organized, and the principal place of business of such holder.

(h)(1) Any person which has issued fewer than 100,000 shares of common and preferred stock and instruments convertible into equivalents thereof shall be considered to have satisfactorily determined that it has no obligation to file a report pursuant to §781.3 if, in addition to information within its knowledge, a quarterly examination of its business records fails to reveal that persons with foreign mailing addresses hold significant interest or substantial control in such person.

(2) Any person which has issued 100,000 or more shares of common and preferred stock and instruments convertible into equivalents thereof shall be considerd to have satisfactorily determined that it has no obligation to file a report pursuant to §781.3 if, in addition to information within its knowledge, a quarterly examination of its business records fails to reveal that the percentage of shares held in such person both by persons with foreign mailing addresses and investment institutions which manage shares does not equal or exceed significant interest or substantial control in such person.

(3) If the person in paragraph (h)(2) of this section determines that the percentage of shares, which is held in it both by persons with foreign mailing addresses and investment institutions which manage shares, equals or exceeds significant interest or substantial control in such persons, then such person shall be considered to have satisfactorily attempted to determine whether it has an obligation to file a report pursuant to §781.3 if it sends questionnaires to each such investment institution holding an interest in it inquiring as to whether the persons for which they are investing are foreign persons and the percentage of shares reflected by the affirmative responses from each such investment institution plus the percentage of shares held by persons listed on the business records with foreign mailing addresses does not reveal that foreign persons hold significant interest or substantial control in such person.

(i) Any foreign person, who submitted a report under paragraph (b), (c), or (d) of this section at a time when such land was agricultural, and such agricultural land later ceases to be agricultural, must submit, not later than 90 days after the date on which such land ceases being agricultural, a revised report from FSA–153 or a written notification of the change of status of the land to the FSA office where the report form was originally filed. The report form and notification must contain the following information:

(1) The legal name and the address of such foreign person;

(2) The legal description, which includes the State and county where the land is located, and the acreage of such land;

(3) The date the land ceases to be agricultural;

(4) The use of the land while agricultural.

(j) If any foreign person who submitted a report under paragraph (b),

(c), or (d) of this section ceases to be a foreign person, such person must submit, not later than 90 days after the date such person ceases being a foreign person, a written notification of the change of status of the person to the FSA office where the report form FSA–153 was originally filed. The notification must contain the following information:

(1) The legal name of such person;

(2) The legal description and acreage of such land;

(3) The date such person ceases to be foreign.

(k) Any foreign person who submitted a report under paragraph (b), (c), or (d) of this section must submit, not later than 90 days after the change of information contained on the report, a written notification of the change to the FSA office where the report form FSA–153 was originally filed. The following information must be kept current on the report:

(1) The legal address of such foreign person;

(2) The legal name and the address required to be submitted under (f)(1) of this section;

(3) The legal name and the address required to be submitted under (g)(1) of this section.

[49 FR 35074, Sept. 6, 1984, as amended at 51 FR 25993, July 18, 1986]

### § 781.4 Assessment of penalties.

(a) Violation of the reporting obligations will consist of:

(1) Failure to submit any report in accordance with § 781.3;

(2) Failure to maintain any submitted report with accurate information; or

(3) Submission of a report which the foreign person knows:

(i) Does not contain, initially or within thirty days from the date of a letter returning for completion such incomplete report, all the information required to be in such report; or

(ii) Contains misleading or false information.

(b) Any foreign person who violates the reporting obligation as described in paragraph (a) of this section shall be subject to the following penalties:

(1) Late-filed reports: One-tenth of one percent of the fair market value, as determined by the Farm Service Agency, of the foreign person's interest in the agricultural land, with respect to which such violation occurred, for each week or portion thereof that such violation continues, but the total penalty imposed shall not exceed 25 percent of the fair market value of the foreign person's interest in such land.

(2) Submission of an incomplete report or a report containing misleading or false information, failure to submit a report or failure to maintain a submitted report with accurate information: 25 percent of the fair market value, as determined by the Farm Service Agency, of the foreign person's interest in the agricultural land with respect to which such violation occurred.

(3) Penalties prescribed above are subject to downward adjustments based on factors including:

(i) Total time the violation existed.

(ii) Method of discovery of the violation.

(iii) Extenuating circumstances concerning the violation.

(iv) Nature of the information misstated or not reported.

(c) The fair market value for the land, with respect to which such violation occurred, shall be such value on the date the penalty is assessed, or if the land is no longer agricultural, on the date it was last used as agricultural land. The price or current estimated value reported by the foreign person, as verified and/or adjusted by the County Agricultural Stabilization and Conservation Committee for the County where the land is located, will be considered to be the fair market value.

### § 781.5 Penalty review procedure.

(a) Whenever it appears that a foreign person has violated the reporting obligation as described in paragraph (a) of § 781.4, a written notice of apparent liability will be sent to the foreign person's last known address by the Farm Service Agency. This notice will set forth the facts which indicate apparent liability, identify the type of violation listed in paragraph (a) of § 781.4 which is involved, state the amount of the penalty to be imposed, include a statement of fair market value of the foreign person's interest in the subject

land, and summarize the courses of action available to the foreign person.

(b) The foreign person involved shall respond to a notice of apparent liability within 60 days after the notice is mailed. If a foreign person fails to respond to the notice of apparent liability, the proposed penalty shall become final. Any of the following actions by the foreign person shall constitute a response meeting the requirements of this paragraph.

(1) Payment of the proposed penalty in the amount specified in the notice of apparent liability and filing of a report, if required, in compliance with §781.3. The amount shall be paid by check or money order drawn to the Treasurer of the United States and shall be mailed to the U.S. Department of Agriculture, P.O. Box 2415, Washington, DC 20013. The Department is not responsible for the loss of currency sent through the mails.

(2) Submission of a written statement denying liability for the penalty in whole or in part. Allegations made in any such statement must be supported by detailed factual data. The statement should be mailed to the Administrator, Farm Service Agency, U.S. Department of Agriculture, P.O. Box 2415, Washington, DC 20013.

(3) A request for a hearing on the proposed penalty may be filed in accordance with part 780 of this title.

(c) After a final decision is issued pursuant to an appeal under part 780 of this title, the Administrator or Administrator's designee shall mail the foreign person a notice of the determination on appeal, stating whether a report must be filed or amended in compliance with §781.3, the amount of the penalty (if any), and the date by which it must be paid. The foreign person shall file or amend the report as required by the Administrator. The penalty in the amount stated shall be paid by check or money order drawn to the Treasurer of the United States and shall be mailed to the United States Department of Agriculture, P.O. Box 2415, Washington, DC 20013. The Department is not responsible for the loss of currency sent through the mails.

(d) If the foreign person contests the notice of apparent liability by submitting a written statement or a request for a hearing thereon, the foreign person may elect either to pay the penalty or decline to pay the penalty pending resolution of the matter by the Administrator. If the Administrator determines that the foreign person is not liable for the penalty or is liable for less than the amount paid, the payment will be wholly or proportionally refunded. If the Administrator ultimately determines that the foreign person is liable, the penalty finally imposed shall not exceed the amount imposed in the notice of apparent liability.

(e) If a foreign person fails to respond to the notice of apparent liability as required by paragraph (b) of this section, or fails to pay the penalty imposed by the Administrator under paragraph (d) of this section, the case will, without further notice, be referred by the Department to the Department of Justice for prosecution in the appropriate District Court to recover the amount of the penalty.

(f) Any amounts approved by the U.S. Department of Agriculture for disbursement to a foreign person under the programs administered by the Department may be setoff against penalties assessed hereunder against such person, in accordance with the provisions of 7 CFR part 13.

[49 FR 35074, Sept. 6, 1984, as amended at 60 FR 67318, Dec. 29, 1995]

### §781.6 Paperwork Reduction Act assigned number.

The information collection requirements contained in these regulations (7 CFR part 781) have been approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. Chapter 35 and have been assigned OMB control number 0560–0097.

## PART 782—END–USE CERTIFICATE PROGRAM

### Subpart A—General

Sec.

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AUTHORITY: 19 U.S.C. 3391(f).

SOURCE: 60 FR 5089, Jan. 26, 1995, unless otherwise noted.

EDITORIAL NOTE: Nomenclature changes to part 782 appear at 61 FR 32643, June 25, 1996.

## Subpart A—General

### § 782.1 Basis and purpose.

The regulations contained in this part are issued pursuant to and in accordance with Section 321(f) of the North American Free Trade Agreement Implementation Act. These regulations govern the establishment of the end-use certificate program, the completion of end-use certificates, the identification of commodities requiring end-use certificates, the submission of reports, and the keeping of records and making of reports incident thereto.

### § 782.2 Definitions.

As used in this part and in all instructions, forms, and documents in connection therewith, the words and phrases defined in this section shall have the meanings herein assigned to them unless the context or subject matter requires otherwise. References contained herein to other parts of this chapter or title shall be construed as references to such parts and amendments now in effect or later issued.

*Date of entry* means the effective time of entry of the merchandise, as defined in 19 CFR part 101.

*End Use* means the actual manner in which Canadian-produced wheat was used, including, among other uses, milling, brewing, malting, distilling, manufacturing, or export.

*End user* means the entity that uses Canadian-produced wheat for, among other uses, milling, brewing, malting, distilling, manufacturing, or other use, except resale.

*Entity* means a legal entity including, but not limited to, an individual, joint stock company, corporation, association, partnership, cooperative, trust, and estate.

*Entry* means that documentation required by 19 CFR part 142 to be filed with the appropriate U.S. Customs officer to secure the release of imported merchandise from U.S. Customs custody, or the act of filing that documentation.

*Grain handler* means an entity other than the importer, exporter, subsequent buyer, or end user that handles wheat on behalf of an importer, exporter, subsequent buyer, or end user.

*Importer* means a party qualifying as an Importer of Record pursuant to 19 U.S.C. 1484(a).

*Metric ton* means a unit of measure that equals 2,204.6 pounds.

*Subsequent buyer* means an entity other than the end user or importer which owns wheat originating in Canada.

*Workdays* means days that the Federal government normally conducts business, which excludes Saturdays, Sundays, and Federal holidays.

[60 FR 5089, Jan. 26, 1995, as amended at 61 FR 32643, June 25, 1996; 64 FR 12885, Mar. 16, 1999]

### § 782.3 Administration.

The end-use certificate program will be administered under the general supervision and direction of the Administrator, Farm Service Agency (FSA), U.S. Department of Agriculture (USDA), through the Office of the Deputy Administrator for Commodity Operations (DACO), FSA, Washington, D.C., and the Kansas City Commodity

Office (KCCO), FSA, Kansas City, MO, in coordination with the Commissioner of Customs pursuant to a Memorandum of Understanding.

### § 782.4 OMB control numbers assigned pursuant to the Paperwork Reduction Act.

The information collection requirements in this part have been approved by the Office of Management and Budget and assigned OMB control number 0560–0151.

[61 FR 32643, June 25, 1996]

## Subpart B—Implementation of the End-Use Certificate Program

### § 782.10 Identification of commodities subject to end-use certificate regulations.

(a) The regulations in this part are applicable to wheat and barley, respectively, imported into the U.S. from any foreign country, as defined in 19 CFR 134.1, or instrumentality of such foreign country that, as of April 8, 1994, required end-use certificates for imports of U.S.-produced wheat or barley.

(b) Because Canada is the only country with such requirements on wheat, and no country has an end-use certificate requirement for barley, only wheat originating in Canada is affected by the regulations in this part.

### § 782.11 Extent to which commodities are subject to end-use certificate regulations.

(a) In the event that Canada eliminates the requirement for end-use certificates on imports from the U.S., the provisions of the regulations in this part shall be suspended 30 calendar days following the date Canada eliminates its end-use certificate requirement, as determined by the Secretary.

(b) The provisions of the regulations in this part may be suspended if the Secretary, after consulting with domestic producers, determines that the program has directly resulted in the:

(1) Reduction of income to U.S. producers of agricultural commodities, or

(2) Reduction of the competitiveness of U.S. agricultural commodities in world export markets.

### § 782.12 Filing FSA–750, End-Use Certificate for Wheat.

(a) Each entity that imports wheat originating in Canada shall, for each entry into the U.S., obtain form FSA–750, End-Use Certificate for Wheat, from Kansas City Commodity Office, Warehouse Contract Division, P.O. Box 419205, Kansas City, MO 64141–6205, and submit the completed original form FSA–750 to KCCO within 10 workdays following the date of entry or release. Each form FSA–750 shall set forth, among other things, the:

(1) Name, address, and telephone number of the importer,

(2) Customs entry number,

(3) Date of entry,

(4) Importer number,

(5) Class of wheat being imported,

(6) Grade, protein content, moisture content, and dockage level of wheat being imported,

(7) If imported as a result of a contract for sale, the date of such contract.

(8) Quantity imported, in net metric tons, rounded to the nearest hundredth of a metric ton, per conveyance,

(9) Storage location of the wheat,

(10) Mode of transportation and the name of the transportation company used to import the wheat, and

(11) A certification that the identity of the Canadian-produced wheat will be preserved until such time as the wheat is either delivered to a subsequent buyer or end-user, or loaded onto a conveyance for direct delivery to an end user.

(b) Importers may provide computer generated form FSA–750, provided such computer generated forms:

(1) Are approved in advance by KCCO,

(2) Contain a KCCO-assigned serial number, and

(3) Contain all of the information required in paragraphs (a)(1) through (a)(9).

(c) KCCO will accept form FSA–750 submitted through the following methods:

(1) Mail service, including express mail,

(2) Facsimile machine, and

(3) Other electronic transmissions, provided such transmissions are approved in advance by KCCO. The importer remains responsible for ensuring

that electronically transmitted forms are received in accordance with paragraph (a).

(d) The original form FSA–750 and one copy of form FSA–750 shall be signed and dated by the importer.

(e) Distribution of form FSA–750 will be as follows:

(1) If form FSA–750 is submitted to KCCO in accordance with paragraph (c)(1);

(i) The original shall be forwarded to Kansas City Commodity Office, Warehouse License and Contract Division, P.O. Box 419205, Kansas City, MO 64141–6205, by the importer,

(ii) One copy shall be retained by the importer.

(2) If form FSA–750 is submitted to KCCO in accordance with paragraphs (c)(2) or (c)(3), the original form FSA–750 that is signed and dated by the importer in accordance with paragraph (d) shall be maintained by the importer,

(3) The importer shall provide a photocopy to the end user or, if the wheat is purchased for purposes of resale, the subsequent buyer(s).

(f) The completion and filing of an end-use certificate does not relieve the importer of other legal requirements, such as those imposed by other U.S. agencies, pertaining to the importation.

[60 FR 5089, Jan. 26, 1995, as amended at 61 FR 32643, June 25, 1996; 64 FR 12885, Mar. 16, 1999]

### § 782.13 Importer responsibilities.

The importer shall:

(a) File form FSA–750 in accordance with § 782.12.

(b) Immediately notify each subsequent buyer, grain handler, or end user that the wheat being purchased or handled originated in Canada and may only be commingled with U.S.-produced wheat by the end user or when loaded onto a conveyance for direct delivery to the end user or a foreign country.

(c) Provide each subsequent buyer or end user with a copy of form FSA–750 that was filed when the Canadian wheat entered the U.S.

(d) Submit to KCCO, within 15 workdays following the date of sale, form FSA–751, Wheat Consumption and Resale Report, in accordance with § 782.15.

[60 FR 5089, Jan. 26, 1995, as amended at 61 FR 32643, June 25, 1996]

### § 782.14 Identity preservation.

(a) The importer and all subsequent buyers of the imported wheat shall preserve the identity of the Canadian-produced wheat.

(b) Canadian-produced wheat may only be commingled with U.S.-produced wheat by the end user, or when loaded onto a conveyance for direct delivery to the end user or foreign country.

(c) Failure to meet the requirements in paragraphs (a) and (b) of this section shall constitute noncompliance by the importer or subsequent buyer for the purposes of this part.

### § 782.15 Filing FSA–751, Wheat Consumption and Resale Report.

(a) For purposes of providing information relating to the consumption and resale of Canadian-produced wheat, form FSA–751, Wheat Consumption and Resale Report, shall be filed with KCCO by each:

(1) Importer and subsequent buyer, for each sale to a subsequent buyer or end user, within 15 workdays following the date of sale.

(2) End user and exporter, for full and partial consumption or export, within 15 workdays following:

(i) March 31,

(ii) June 30,

(iii) September 30, and

(iv) December 31.

(b) Each form FSA–751 shall set forth, among other things, the:

(1) Name, address, and telephone number of the filer,

(2) Storage location of the wheat,

(3) Name and address of the importer,

(4) Form FSA–750, End-Use Certificate for Wheat, serial number,

(5) Class of wheat,

(6) Date the wheat was received at the filer's facility,

(7) Quantity of wheat received, in net metric tons, rounded to the nearest hundredth of a metric ton,

(8) Certification to be completed by end users and exporters that requires the end user or exporter to provide, among other things:

(i) A certification of compliance with these regulations,

(ii) The quantity consumed or exported,

(iii) The quantity remaining,

(iv) The manner in which the commodity was used.

(v) The signature of an authorized representative of the end user or exporter.

(9) Certification to be completed by subsequent buyers and importers that requires the subsequent buyer or importer to provide, among other things:

(i) A certification of compliance with the regulations in this part,

(ii) The quantity resold,

(iii) The name, address, and telephone number of the buyer, and

(iv) The signature of an authorized representative of the subsequent buyer or importer.

(c) End user and exporter shall submit form FSA–751 to KCCO quarterly until the wheat has been fully utilized or exported in accordance with the regulations in this part.

(d) Importers and subsequent buyers shall, for each individual sale, submit form FSA–751 to KCCO until the imported wheat has been fully resold.

(e) Filers may provide computer generated form FSA–751, provided such computer generated forms:

(1) Are approved in advance by KCCO, and

(2) Contain the information required in paragraphs (b)(1) through (b)(9) of this section.

(f) KCCO will accept form FSA–751 submitted through the following methods:

(1) Mail service, including express mail,

(2) Facsimile machine, and

(3) Other electronic transmissions, provided such transmissions are approved in advance by KCCO. The importer, end user, exporter, or subsequent buyer remains responsible for ensuring that electronically transmitted forms are received in accordance with this section.

(g) Distribution of form FSA–751 will be as follows:

(1) If form FSA–751 is submitted to KCCO in accordance with paragraph (f)(1) of this section:

(i) The original shall be forwarded to Kansas City Commodity Office, Warehouse License and Contract Division, P.O. Box 419205, Kansas City, MO 64141–6205, by the importer, end user, exporter, or subsequent buyer.

(ii) One copy shall be retained by the importer, end user, exporter, or subsequent buyer.

(2) If form FSA–751 is submitted to KCCO in accordance with paragraphs (f)(2) or (f)(3) of this section, the original form FSA–751 shall be maintained by the importer, end user, exporter, or subsequent buyer.

[60 FR 5089, Jan. 26, 1995, as amended at 61 FR 32643, June 25, 1996]

### § 782.16 Designating end use on form FSA–751.

(a) If the end use specified on the applicable form FSA–751, Wheat Consumption and Resale Report, is ''export,'' the exporter must specify the final destination, by country, on form FSA–751.

(b) If the end user utilizes the wheat for purposes other than milling, brewing, malting, distilling, export, or manufacturing, such use must be specifically designated on form FSA–751.

### § 782.17 Wheat purchased for resale.

(a) This section applies to an importer or subsequent buyer who imports or purchases Canadian-produced wheat for the purpose of reselling the wheat.

(b) The importer or subsequent buyer shall immediately notify each subsequent buyer, grain handler, exporter, or end user that the wheat being purchased or handled originated in Canada and may only be commingled with U.S.-produced wheat by the end user or when loaded onto a conveyance for direct delivery to the end user or a foreign country.

(c) The importer or subsequent buyer shall provide all purchasers of Canadian-produced wheat with a photocopy of the form FSA–750 submitted to KCCO by the importer in accordance with § 782.12(a).

[60 FR 5089, Jan. 26, 1995, as amended at 61 FR 32643, June 25, 1996]

### § 782.18 Wheat purchased for export.

(a) This section applies to an importer or subsequent buyer who imports or purchases Canadian-produced wheat for the purpose of export to a foreign country or instrumentality.

(b) Wheat that is purchased for the purpose of export must be stored identity preserved while the importer or subsequent buyer maintains control of the wheat, except that such wheat may be commingled when loaded onto a conveyance for delivery to the foreign country or instrumentality.

(c) Importers or subsequent buyers that purchase wheat for export to a foreign country or instrumentality must complete form FSA–751 quarterly, in accordance with § 782.15.

### § 782.19 Penalty for noncompliance.

It shall be a violation of 18 U.S.C. 1001 for any entity to engage in fraud with respect to, or to knowingly violate, the provisions set forth in this part.

## Subpart C—Records and Reports

### § 782.20 Importer records and reports.

(a) The importer shall retain a copy of each form:

(1) FSA–750, End-Use Certificate for Wheat, that is submitted to KCCO in accordance with § 782.12(a); and

(2) FSA–751, Wheat Consumption and Resale Report, that is submitted to KCCO in accordance with § 782.15(a)(1).

(b) The importer shall maintain records to verify that the wheat was identity preserved until such time as the wheat was:

(1) Loaded onto the conveyance for direct delivery to an end user, or

(2) Delivered to an end user, or

(3) Delivered to a subsequent buyer.

(c) Copies of the documents, information, and records required in paragraphs (a) and (b) of this section shall be kept on file at the importer's headquarters office or other location designated by the importer for the period specified in § 782.25.

### § 782.21 End-user and exporter records and reports.

(a) The end user or exporter shall retain a copy of each form FSA–751, Wheat Consumption and Resale Report, that is filed with KCCO in accordance with § 782.15(a)(2).

(b) The end user or exporter shall retain a copy of each form FSA–750, End-Use Certificate for Wheat, provided to the end-user or exporter in accordance with § 782.17(b).

(c) The exporter shall maintain records to verify that wheat purchased for the purpose of export was stored identity preserved until such time as the wheat was loaded onto a conveyance for delivery to the foreign country or instrumentality.

(d) Copies of the documents required in paragraphs (a), (b), and (c) of this section shall be kept on file at the end-user's or exporter's headquarters office or other location designated by the end user or exporter for the period specified in § 782.25.

### § 782.22 Subsequent buyer records and reports.

(a) The subsequent buyer shall retain a copy of each form FSA–751, Wheat Consumption and Resale Report, that is filed with KCCO in accordance with § 782.15(a)(1).

(b) The subsequent buyer shall retain a copy of each form FSA–750, End-Use Certificate for Wheat, provided to the subsequent buyer in accordance with § 782.17(b).

(c) The subsequent buyer shall maintain records to verify that the wheat specified on the end-use certificate was identity preserved during the time that the subsequent buyer maintained control of the wheat, or until the wheat was loaded onto a conveyance for direct delivery to an end user.

(d) Copies of the documents and records required in paragraphs (a) through (c) of this section shall be kept on file at the subsequent buyer's headquarters office or other location designated by the subsequent buyer for the period specified in § 782.25.

### § 782.23 Failure to file end-use certificates or consumption and resale reports.

Failure by importers, end users, exporters, and subsequent buyers to file form FSA–750, End-Use Certificate for

Wheat, and form FSA–751, Wheat Consumption and Resale Report, as applicable, and retain or maintain related copies and records shall constitute noncompliance for the purposes of § 782.19.

### § 782.24 Recordkeeping and examination of records.

(a) *Examination*. For the purpose of verifying compliance with the requirements of this part, each importer, end-user, exporter, and subsequent buyer shall make available at one place at all reasonable times for examination by representatives of USDA, all books, papers, records, contracts, scale tickets, settlement sheets, invoices, written price quotations, or other documents related to the importation of the Canadian-produced wheat that is within the control of such entity.

(b) *Orderly retention of records*. To facilitate examination and verification of the records and reports required by this part, copies of form FSA–750, End-Use Certificate for Wheat, and form FSA–751, Wheat Consumption and Resale Report, shall be filed in an orderly manner, and must be made available for inspection by representatives of USDA.

### § 782.25 Length of time records are to be kept.

The records required to be kept under this part shall be retained for 3 years following the filing date of the applicable record. Records shall be kept for such longer period of time as may be requested in writing by USDA representatives.

## PART 783—1997 TREE ASSISTANCE PROGRAM

Sec.

783.1 Applicability.
783.2 Administration.
783.3 Definitions.
783.4 Program deadlines.
783.5 Ownership, income and payment limitations.
783.6 Qualifying loss.
783.7 Eligible costs.
783.8 Application process.
783.9 Obligations of an eligible owner.
783.10 Partial performance.
783.11 Liens and claims of creditors; set-offs.
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783.17 Paperwork Reduction Act assigned numbers.

AUTHORITY: Pub. L. 105–18, 111 Stat. 158.

SOURCE: 62 FR 50850, Sept. 29, 1997, unless otherwise noted.

### § 783.1 Applicability.

The regulations in this part set forth the terms and conditions of the Tree Assistance Program (TAP) authorized by the Act Making Emergency Supplemental Appropriations for Recovery from Natural Disasters for the Fiscal Year ending September 30, 1997 (1997 Emergency Appropriations Act). Within specified limits, FSA is authorized by the 1997 Emergency Appropriations Act to reimburse eligible owners for up to 100 percent of the cost of replanting or rehabilitating eligible trees and eligible vines damaged by natural disasters occurring from October 1, 1996, through September 30, 1997.

### § 783.2 Administration.

(a) This part shall be administered by the Farm Service Agency (FSA) under the general direction and supervision of the Deputy Administrator for Farm Programs, FSA. The program shall be carried out in the field by FSA State and county committees (State and county committees).

(b) State and county committees, and representatives and employees thereof, do not have the authority to modify or waive any of the provisions of the regulations in this part, as amended or supplemented.

(c) The State committee shall take any action required by this part which has not been taken by the county committee. The State committee shall also:

(1) Correct, or require a county committee to correct, any action taken by such county committee which is not in accordance with this part; or

(2) Require a county committee to withhold taking any action which is not in accordance with this part.

(d) The State committee shall allow the county committee to approve applications only for those owners of eligible trees and eligible vines who actually owned the eligible trees or eligible vines at time of the eligible disaster and at the time of application.

(e) No delegation herein to a State or county committee shall preclude the Deputy Administrator for Farm Programs, FSA, or a designee, from determining any question arising under the program or from reversing or modifying any determination made by a State or county committee.

**§ 783.3 Definitions.**

(a) In determining the meaning of the provisions of this part, unless the context indicates otherwise, singular terms include the plural and plural terms include the singular, masculine terms include the feminine, and terms used in the present tense include the future.

(b) The following terms contained in this part shall have the following meanings:

*Annual gross revenue* means, with respect to a person as defined in part 1400 of this title:

(1) For a person who receives more than 50 percent of such person's gross income from farming, ranching, and forestry operations, the total gross income received from such operations.

(2) For a person who receives 50 percent or less of such person's gross income from farming, ranching, and forestry operations, the total gross income from all sources.

(3) The determinations made in accordance with 7 CFR part 1400, subpart B, shall include all entities in which an individual or entity has an interest, whether or not such entities are engaged in farming.

(4) The year for which the annual gross income shall be received for the purpose of this definition shall be the 1996 tax year.

*Cutting* means a vine which was planted in the ground for commercial production of grapes, kiwi fruit, or passion fruit.

*Eligible owner* means an individual, partnership, corporation, association, estate, trust, or other business enterprise or legal entity and includes any Indian tribe under the Indian Self-Determination and Education Assistance Act; any Indian organization or entity chartered under the Indian Reorganization Act; any tribal organization under the Indian Self-Determination and Assistance Act; and, any economic enterprise under the Indian Financing Act of 1974 which meets the requirements of this part.

*Eligible trees* means papaya trees or orchard trees grown for commercial production of fruit and nuts.

*Eligible vines* means grape, kiwi fruit, or passion fruit vines grown for commercial production.

*Individual stand* means an area of eligible trees or vines which are tended by an eligible owner as a single operation, whether or not such trees or vines are planted in the same field or similar location, as determined by the Deputy Administrator. Differing species of trees or vines in the same field or similar area may be considered to be separate individual stands if FSA determines that the species have significantly differing levels of freeze, drought, earthquake, hurricane, or typhoon susceptibility.

*Local county office* means the county FSA office or USDA Service Center that services the farm if an FSA farm serial number has been assigned or, if no serial number is assigned, then the office that services the county in which the eligible trees or vines are located.

*Natural disaster* means drought, excessive moisture, hail, freeze, tornado, hurricane, earthquake, or excessive wind.

*Normal mortality* means the percentage of plant loss on the individual stand of eligible trees or eligible vines which normally occurs in a 12-month period.

*Orchard* means eligible trees planted for commercial annual production of fruit or nuts.

*Owner* means a person who has legal ownership of the eligible trees or vines as determined by FSA. Eligible tree or vine owners need not own the land on which the trees or vines are planted.

*Seedling* means an eligible tree which was planted in the ground for commercial purposes.

*Total mortality* means the actual percentage of eligible tree or eligible vine losses on a given individual stand.

(c) The definitions set forth in this section shall be applicable for all purposes of administering the Tree Assistance Program. The terms defined in part 718 of this chapter shall also be applicable, except where those definitions conflict with the definitions set forth in this section.

### § 783.4 Program deadlines.

(a) A request for benefits under this part to reimburse for losses to eligible trees and eligible vines must be submitted to FSA at the local county office by close of business on Friday, September 26, 1997.

(b) All related and supporting documentation shall be submitted at the time the request for assistance is filed or no later than September 30, 1997.

(c) The State committee shall allow the county committee to approve late-filed requests received after the enrollment period ends, but no later than September 30, 1997. Late-filed requests will be accepted only for those owners who applied late due to circumstances beyond their control as determined by the county committee and concurred with by the State committee.

(d) The State committee may approve an extension, not to exceed 24 months beyond the date of application, to complete TAP practices if delays are determined to be beyond the control of the applicant.

### § 783.5 Ownership, income and payment limitations.

(a) An eligible owner must:

(1) Own less than 500 acres of each type of eligible tree or eligible vine, regardless of their size or condition, which produce annual crops for commercial purposes, or are grown for harvest for commercial purposes; and

(2) Have owned the eligible trees or eligible vines at the time the natural disaster occurred and continuously until the application for TAP benefits is submitted.

(b) No person, as defined in part 1400 of this title, as applicable, with an annual gross revenue in excess of $2.5 million for the 1996 tax year will be eligible for TAP benefits.

(c) The amount of payments which any person, as determined in accordance with part 1400 of this title, may receive under this part in connection with losses of eligible trees and eligible vines, shall not exceed $25,000.

(d) An owner who acquires eligible trees or eligible vines from a previous owner approved for 1997 TAP shall not receive additional program benefits due to an increase in the number of persons associated with the new ownership. A new owner is allowed to receive TAP benefits not paid to the previous owner if the new owner:

(1) Acquires ownership of land or trees for which TAP benefits have been approved;

(2) Meets the income and payment limitation under this part;

(3) Agrees to complete all practices which the original owner has not completed; and

(4) Agrees to receive any remaining payments and assumes full responsibility for all provisions of TAP, including refund of payments made to the previous owner, if necessary.

(e) In the event the total amount of claims submitted under this part during the sign-up period exceeds the applicable funds available for such period, such payments shall be reduced by a uniform national percentage. Such payment reductions shall be applied after the imposition of applicable payment limitation provisions.

(f) Federal, State, and local governments and agencies and political subdivisions thereof are not eligible for benefits under this part.

### § 783.6 Qualifying loss.

(a) An eligible owner may receive assistance under this part for qualifying loss of eligible trees, eligible orchard tree seedlings, eligible vines or cuttings as determined by the Deputy Administrator for Farm Programs, FSA:

(1) Which were destroyed or injured as a result of a natural disaster, as determined by the county committee in accordance with the instructions of the Deputy Administrator; and

(2) For which the total mortality rate equals or exceeds 20 percent, after deducting the normal mortality the owner would have incurred.

(b) Qualifying loss determinations shall be made on an individual stand basis. A qualifying loss shall be the loss for the individual stand of eligible trees, or eligible vines, as appropriate, after deducting the normal mortality of such trees or vines, equal to or in excess of 20 percent mortality.

(c) Qualifying losses of eligible trees or vines shall not include:

(1) Losses which could have been prevented through readily-available horticultural measures; or

(2) Losses of trees or vines which would normally have been rehabilitated or replanted within the 12-month period following the loss, in the absence of the natural disaster.

(d) When visible evidence of losses no longer exists on the site where the eligible trees or eligible vines were planted, acceptable evidence as determined in accordance with instructions issued by the Deputy Administrator must be established for the county committee to qualify the individual stand for the program.

### § 783.7 Eligible costs.

(a) Payments will be made only to the extent specifically provided for in this part. An eligible owner shall be reimbursed under this part, to the extent of the availability of funds, for an amount not to exceed 100 percent of the eligible costs of replanting or rehabilitating trees or vines, not in excess of the number of trees or vines constituting the qualifying loss. Such reimbursement may be based on average costs or the actual costs for the replanting, or rehabilitating practices, as determined by the Deputy Administrator. If the costs are to replace eligible trees or eligible vines, the costs reimbursed under this part shall only be for replacement seedlings or cuttings of a size and quality determined by Deputy Administrator to be sufficient for that purpose. The costs for which cost-sharing shall be permitted shall only be the costs of:

(1) The seedlings or cuttings, eligible tree or vine rehabilitation measures;

(2) Site preparation measures and debris handling measures that are normal cultural practices for the type of individual stand being re-established and necessary to ensure successful plant survival;

(3) Chemicals and nutrients if needed to ensure successful plant survival; and

(4) Labor used to physically plant or rehabilitate such seedlings or cuttings as based on standard labor rates as determined by the county committee.

(b) Costs eligible for reimbursement under this part specifically exclude items such as fencing, irrigation, irrigation equipment, measures to protect seedlings from wildlife, and general land and eligible tree or vine stand improvements, and re-establishing structures and windscreens.

(c) When eligible trees or eligible vines are replanted instead of rehabilitated, the types planted may be different than those originally planted if the new types have the same general end use as determined by the county committee. Payments will be based on the lesser of rates established to plant the types actually lost or the cost to establish the trees or vines actually used. Eligible costs shall not include costs incurred for planting species of seedlings or cuttings differing significantly from the species of the seedlings or cuttings constituting the qualifying loss except as approved by the Deputy Administrator. If such substitution is approved, eligible costs shall be the lesser of:

(1) The actual eligible costs incurred; or

(2) The estimated eligible costs which otherwise would have been incurred to replant the species constituting the qualifying loss.

(d) Costs eligible for reimbursement under this part shall only include expenditures approved within the limits set by this part, including, but not limited to, those limits set forth in paragraph (a) of this section. Eligible costs include costs incurred before an application for payment is submitted. Eligible costs shall only include those costs for which the eligible owner has submitted documentation determined by the county committee to adequately document such costs. The county committee shall limit TAP payments for eligible costs at the minimum level to re-establish an individual stand, as determined by the State committee.

(e) Payments shall not exceed the lesser of 100 percent of the eligible costs actually incurred by an eligible applicant for replanting or rehabilitating the qualifying loss, or the average cost to replant or rehabilitate the qualifying loss, as determined by the Deputy Administrator.

### § 783.8 Application process.

(a) Applications for payment shall be filed by the eligible owner with the local county office and shall contain an estimate by the applicant of the number of eligible trees or eligible vines which constitute the qualifying loss and the amount of the acreage of the individual stands with respect to which the loss was suffered. The applicant must provide sufficient evidence of the losses so as to allow the county committee to determine qualifying losses.

(b)(1) The county committee or a designee may conduct field reviews to determine the actual qualifying loss and the acreage of individual stands with respect to which the loss was suffered. The county committee and, if designated by the county committee, the county executive director, are authorized, subject to the provisions of this part, to approve or disapprove all applications, subject to the limitations and conditions of this part, provided the applicant is not a county committee member or an FSA employee.

(2) The State committee shall approve or disapprove applications of the county committee members and all FSA employees except applications submitted by the State Executive Director, or by a State committee member.

(3) The Deputy Administrator, or a designee, shall approve or disapprove applications of State committee members and the State Executive Director.

(4) All applications forwarded to a higher reviewing authority for consideration shall be accompanied by committee recommendations. No application shall be approved unless the owner meets all eligibility requirements. Information furnished by the applicant and any other information, including knowledge of the county and State committee members concerning the owner's normal operations, shall be taken into consideration in making recommendations and approvals. If information furnished by the owner is incomplete or ambiguous and sufficient information is not otherwise available with respect to the owner's farming operations in order to make a determination as to the owner's eligibility, the owner's application shall not be approved until sufficient additional information is provided by the owner.

(c) If an owner is eligible to receive payments under this part and the catastrophic risk protection crop insurance program (7 CFR part 402), or the noninsured crop disaster assistance program (7 CFR part 1437) for the same tree or vine loss, the eligible owner must choose whether to receive the other program benefits or payments under this part. The eligible owner cannot receive both. However, if the other program benefits are not available until after the eligible owner has received benefits under this part, the eligible owner may obtain the other program benefits if the eligible owner refunds the total amount of the payment received prior to receiving the other program benefits. If the eligible owner purchased additional coverage insurance, as defined in 7 CFR 400.651, or is eligible for emergency loans, the eligible owner will be eligible for assistance under such program, and this part as long as the amount received for the loss under the additional coverage or the emergency loan together with the amount received from the other programs does not exceed the amount of the actual loss of the eligible owner.

[62 FR 50850, Sept. 29, 1997, as amended at 63 FR 3791, Jan. 27, 1998]

### § 783.9 Obligations of an eligible owner.

(a) Eligible owners must submit a request for assistance on the approved form and must also submit all documentation requested by the appropriate official as necessary to make determinations specified in this part.

(b) Eligible owners must:

(1) Comply with all terms and conditions of this part;

(2) Execute all required documents;

(3) Comply with all applicable noxious weed laws; and

(4) Complete the TAP practice within 24 months of the date the application is approved.

(c) In the event of a determination that a person was erroneously determined to be eligible or has become ineligible for all or part of a payment made under this part for any reason, including a failure to comply with the terms and conditions of this part, or other condition for payment imposed by the county or State committee or the Deputy Administrator, such person shall refund any payment paid under this part together with interest. Such interest shall be charged at the rate determined for late payment charges under part 1403 of this title and computed from the date of disbursement of the payment to the date of the refund.

(d) Eligible owners must allow representatives of FSA to visit the site for the purposes of examining and certifying mortality and practice completion.

### § 783.10 Partial performance.

(a) Participants may elect not to replant the maximum amount of eligible trees or eligible vines because of imposition of the payment limitation in § 783.5(c) or any other reason. If owners partially complete their practices after they apply, but do not replant or rehabilitate all of their qualifying trees or vines, the county committee shall calculate payment based on the extent performed.

(b) Eligible owners who have been paid but choose not to complete the practice by the final practice expiration date shall refund their payments with interest. Interest on these refunds shall be calculated beginning on the date the payment was disbursed. Such refund amounts may be reduced, at the discretion of the Deputy Administrator, when only part of the required replanting practice is not implemented.

### § 783.11 Liens and claims of creditors; set-offs.

Any payment or portion thereof due any person under this part shall be allowed without regard to questions of title under State law, and without regard to any claim or lien in favor of any person except agencies of the U.S. Government. The regulations governing set-offs and withholdings found at part 792 of this chapter shall be applicable to this part.

### § 783.12 Appeals.

Any person who is dissatisfied with a determination made with respect to this part may make a request for reconsideration or appeal of such determination in accordance with the appeal regulations set forth at part 11 of this title and part 780 of this chapter.

### § 783.13 Misrepresentation and scheme or device.

(a) A person shall be ineligible to receive assistance under this program if such person is determined by the State committee or the county committee to have:

(1) Adopted any scheme or device which tends to defeat the purpose of this program;

(2) Made any fraudulent representation; or

(3) Misrepresented any fact affecting a program determination.

(b) All moneys paid by CCC under this part to any such person or to any other person as a result of such person's actions shall be refunded to CCC with interest together with such other sums as may become due. The party engaged in acts prohibited by this section and the party receiving payment shall be jointly and severally liable for any refund due under this section and for related charges. The remedies provided to CCC in this part shall be in addition to other civil, criminal, or administrative remedies which may apply.

### § 783.14 Estates, trusts, and minors.

(a) Program documents executed by persons legally authorized to represent estates or trusts will be accepted only if such person furnishes evidence of the authority to execute such documents.

(b) A minor who is an otherwise eligible owner shall be eligible for assistance under this subpart only if such person meets one of the following requirements:

(1) The minor establishes that the right of majority has been conferred on the minor by court proceedings or by statute;

(2) A guardian has been appointed to manage the minor's property and the applicable program documents are executed by the guardian; or

(3) A bond is furnished under which the surety guarantees any loss incurred for which the minor would be liable had the minor been an adult.

### § 783.15 Death, incompetency, or disappearance.

In the case of death, incompetency or disappearance of any owner who is eligible to receive assistance in accordance with this part, such person or persons specified in part 707 of this chapter may receive such assistance.

### § 783.16 Other regulations.

In addition to any other regulations as may be applicable, the following regulations shall also apply to this part:

(a) Part 11 of this title, National Appeals Division Rules of Foreclosure;

(b) Part 12 of this title, Highly Erodible Land and Wetland Conservation;

(c) Part 703 of this chapter, Debt Settlements, Policies and Procedures;

(d) Part 718 of this chapter, Provisions Applicable to Multiple Programs;

(e) Part 780 of this chapter, Appeal Regulations;

(f) Part 1400 of this title, Payment Limitation and Payment Eligibility; and

(g) Part 1404 of this title, Assignments.

### § 783.17 Paperwork Reduction Act assigned numbers.

The information collection requirements of this part have been submitted to the Office of Management and Budget (OMB) for purposes of the Paperwork Reduction Act.

## PART 784—LAMB MEAT ADJUSTMENT ASSISTANCE PROGRAM

Sec.

784.1 Applicability; available payments.
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784.10 Availability of funds for Year 1 through Year 3.
784.11 Appeals.
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784.13 Estates, trusts, and minors.
784.14 Death, incompetency, or disappearance.
784.15 Maintaining records.
784.16 Refunds; joint and several liability.

AUTHORITY: Clause (3) of section 32 of the Act of August 24, 1935, as amended; 7 U.S.C. 612c.

SOURCE: 65 FR 38412, June 21, 2000, unless otherwise noted.

### § 784.1 Applicability; available payments.

(a) This part establishes the Lamb Meat Adjustment Assistance Program. The purpose of this program is to provide benefits to sheep and lamb operations pursuant to clause (3) of section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c) in order to reestablish their purchasing power in connection with the normal production of sheep and lambs for domestic consumption and boost the long-term development and growth of sheep and lamb farming in the United States.

(b) Under and subject to this part, FSA will provide with respect to sheep and lamb operations: ''Year 1'' payments in which sheep and lamb operations will receive payments for, during the time period encompassing ''Year 1'' as defined in these regulations, purchasing eligible rams for breeding, enrolling their herd in a sheep improvement program, and for making improvements to their production facilities; and ''Year 2'' and ''Year 3'' payments for marketings of eligible slaughter lambs or feeder lambs during the period encompassing those time periods. Unless otherwise determined by the agency in accordance with the provisions of this part, the amount that may be expended under this part shall not exceed $30 million. Claims that exceed that amount will be prorated in accordance with the provisions for proration that are contained in this part.

**§ 784.2 Administration.**

(a) This part shall be administered by the Farm Service Agency (FSA) under the general direction and supervision of the Deputy Administrator for Farm Programs, FSA. The program shall be carried out in the field by FSA State and county committees (State and county committees).

(b) State and county committees, and representatives and employees thereof, do not have the authority to modify or waive any of the provisions of the regulations in this part.

(c) The State committee shall take any action required by this part which has not been taken by the county committee. The State committee shall also:

(1) Correct, or require a county committee to correct, any action taken by such county committee which is not in accordance with the regulations of this part; or

(2) Require a county committee to withhold taking any action which is not in accordance with the regulations of this part.

(d) No delegation herein to a State or county committee shall preclude the Deputy Administrator for Farm Programs, FSA, or a designee, from determining any question arising under the program or from reversing or modifying any determination made by a State or county committee.

(e) The Deputy Administrator for Farm Programs, FSA, may authorize State and county committees to waive or modify deadlines and other program requirements in cases where timeliness or failure to meet such other requirements does not adversely affect the operation of the program.

**§ 784.3 Definitions.**

The definitions set forth in this section shall be applicable for all purposes of administering the Lamb Meat Adjustment Assistance Program established by this part.

*Agricultural Marketing Service or AMS* means the Agricultural Marketing Service of the Department.

*Application* means the Lamb Meat Adjustment Assistance Program Application, Forms FSA–382 and FSA–383.

*Department* means the United States Department of Agriculture.

*Eligible lambs* means feeder lambs and slaughter lambs.

*Farm Service Agency or FSA* means the Farm Service Agency of the Department.

*Feeder lamb* means a ewe or wether of less than 1 year of age that when sold is intended to be further fed a grain concentrate diet to reach an acceptable slaughter market weight.

*Muscling confirmation score of ''Average Choice''* means a muscling confirmation score of that designation assigned in accordance with official USDA standards and procedures.

*Person* means any individual, group of individuals, partnership, corporation, estate, trust, association, cooperative, or other business enterprise or other legal entity who is, or whose members are, a citizen or citizens of, or legal resident alien or aliens in the United States.

*Secretary* means the Secretary of the United States Department of Agriculture or any other officer or employee of the Department who has been delegated the authority to act in the Secretary's stead with respect to the program established in this part.

*Sheep and lamb operation* means any self-contained, separate enterprise operated as an independent unit exclusively within the United States in which a person or group of persons raise sheep and/or lambs.

*Sheep improvement program* means the ''National Sheep Improvement Program'' operated by the American Sheep Industry Association or other similar program for herd improvement approved by the FSA with respect to payments under this part.

*Slaughter lamb* means a lamb that is sold for immediate slaughter.

*United States* means the 50 States of the United States of America, the District of Columbia, and the Commonwealth of Puerto Rico.

*USDA Choice*, *USDA Prime*, *USDA Yield Grade 2* means, respectively, the classifications so designated under the Official United States Standards for Grades of Lamb, Yearling, Mutton, and Mutton Carcasses promulgated by the Secretary of Agriculture under the Agricultural Marketing Act of 1946, as amended (60 Stat. 1087; 7 U.S.C. 1621–1627) and related authorities.

*Year 1* means the period of time beginning July 22, 1999, and ending September 30, 2000.

*Year 2* means the period of time beginning August 1, 2000, and ending July 31, 2001.

*Year 3* means the period of time beginning August 1, 2001, and ending July 31, 2002.

### § 784.4 Year 1 time and method for application.

(a) Sheep and lamb producers may obtain a ''Year 1'' application, Form FSA–382 (Lamb Meat Adjustment Assistance Program Payment Application), in person, by mail, by telephone, or by facsimile from any county FSA office. In addition, applicants may download a copy of the Form FSA–382 at http://www.usda.gov/dafp/psd/.

(b) A request for ''Year 1'' benefits under this part must be submitted on a completed Form FSA–382. The Form FSA–382 should be submitted to the FSA county office serving the county where the sheep and lamb operation is located but, in any case, must be received by the FSA county office by the close of business on October 13, 2000. Applications not received by the close of business on October 13, 2000, will be returned as not having been timely filed and the sheep and lamb operation filing the application will not be eligible for benefits under this program.

(c) The sheep and lamb operation requesting ''Year 1'' benefits under this part must certify to the accuracy of the information provided in their application for benefits. All information provided is subject to verification and spot checks by FSA. Refusal to allow FSA or any other agency of the Department of Agriculture to verify any information provided will result in a determination of ineligibility. Data furnished by the applicant will be used to determine eligibility for program benefits. Furnishing the data is voluntary; however, without it program benefits will not be approved. Providing a false certification may be subject to additional civil and criminal sanctions.

(d) Not withstanding any other provisions of this section, payments will not be made under this section for the acquisition of rams to the extent that any such purchase, at any time during ''Year 1'', created, or help create, a ratio of rams to ewes for the operation that was less than 1 ram to 15 ewes. However, the limitation on payments provided for in the preceding sentence shall not apply to the extent that the operation establishes to the satisfaction of the COC that a lower ratio of rams to ewes is customary for the operation.

### § 784.5 Year 1 eligibility.

(a) To be eligible to receive the ''Year 1'' payments under this part, as described in § 784.1, at the rates provided in § 784.6, a sheep and lamb operation must be engaged in the business of producing and marketing agricultural products at the time of filing the application, must have in 1999 gross annual revenue of $2.5 million or less, and must have done at least one of the following during ''Year 1'':

(1) Purchased rams for breeding purposes within that operation, provided that such rams must have been at least 90 days of age when purchased and must have been, or will be, maintained by the operation for at least 90 days continuously after the date of purchase;

(2) Enrolled sheep in an eligible sheep improvement program; or

(3) Made sheep and lamb operation facility improvements with respect to their operation.

(b) With respect to paragraph (a)(3) of this section, in order to receive payments, the sheep and lamb operation must submit supporting documentation of the cost of the improvements made to the facility during program ''Year 1'' and must use facility improvements for sheep and lamb production activities continuously for at least the next 3 consecutive years. Upon a failure to maintain the facility for the full three years, the operation must refund the ''Year 1'' facility payment immediately and with interest.

(c) With respect to payments made for activities addressed in paragraph (a)(1) of this section, upon any failure to maintain a ram after payment for the full required 90-day period, unless that period has already expired, the operation must immediately refund the payment made and with interest.

**§ 784.6 Year 1 rate of payment and limitations on funding.**

Subject to the availability of funds and to the proration rules of § 784.10, ''Year 1'' payments for qualifying operations shall be at the following rates:

(a) Up to $100 for each eligible ram purchased, up to $2,500 per sheep and lamb operation;

(b) $.50 for each qualifying sheep enrolled in a qualifying sheep improvement program, up to $500 per sheep and lamb operation; plus

(c) 20% of the cost of the qualifying facility improvements up to $2,500 per sheep and lamb operation.

**§ 784.7 Year 2 and Year 3 time and method for application.**

(a) To receive ''Year 2'' and ''Year 3'' benefits, as described in § 784.1, at rates set out in § 784.9, sheep and lamb operations may obtain an application, Form FSA–383 (Lamb Meat Adjustment Assistance Program Payment Application), in person, by mail, by telephone, or by facsimile from any county FSA office. In addition, applicants may download a copy of the Form FSA–383 at *http://www.fsa.usda.gov/dafp/psd/*.

(b) Sheep and lamb operations must have the certification section of the application Form FSA–383 completed prior to submission of the form to the county office.

(c) A request for ''Year 2'' and ''Year 3'' benefits under this part must be submitted on a completed Form FSA–383. The Form FSA–383 should be submitted to the FSA county office serving the county where the sheep and lamb operation is located but, in any case, must be received by the FSA county office by the close of business on August 15, 2001, if applying for ''Year 2'' benefits, and by the close of business on August 15, 2002, if applying for ''Year 3'' benefits. Applications not received by the respective deadlines will be returned as not having been timely filed and the sheep and lamb operation will not be eligible for the benefits which were the subject of the failed application.

(d) The sheep and lamb operation requesting benefits under this part must certify to the accuracy of the information provided in their application for benefits. All information provided is subject to verification and spot checks by FSA. Refusal to allow FSA or any other agency of the Department of Agriculture to verify any information provided will result in a determination of ineligibility. Data furnished by the applicant will be used to determine eligibility for program benefits. Furnishing the data is voluntary; however, without it program benefits will not be approved. Providing a false certification to the Government is punishable by imprisonment, fines and other penalties.

**§ 784.8 Year 2 and Year 3 eligibility.**

(a) Subject to the availability of funds, ''Year 2'' and ''Year 3'' payments will, as described to in § 784.1, be made for eligible marketings of slaughter lambs for slaughter. (Criteria for feeder lamb payments appear elsewhere in this section). Such payments for slaughter lambs, as opposed to feeder lambs, can be received by an operation, at the rates described in § 784.9, for those eligible lambs slaughtered in the respective time periods comprising ''Year 2'' and ''Year 3'' if the lambs were owned, by the operation, in the normal course of raising lambs for slaughter, continuously for 30 days prior to the marketing for slaughter and if the carcasses produced by the slaughter of the lamb meets the criteria set out in paragraph (b) of this section. Other criteria, as set out in this part, may also apply as a condition for, or limitation on, payment.

(b) In order for a marketing of a slaughter lamb to qualify for payment under paragraph (a) of this section, the carcass produced by the slaughter must be evaluated and certified by an AMS agent or their assigned representative that such carcass meets the following criteria:

(1) Meet the requirements of USDA Quality Grade Choice or Prime;

(2) Meet the requirements of USDA Yield Grade 2;

(3) Have a muscling confirmation score of ''Average Choice'' or better; and

(4) Have a 55–75 pound dressed hot carcass weight;

(c) Subject to the availability of funds, in order to be eligible for the ''Year 2'' and ''Year 3'' feeder lamb

payments referred to in § 784.1, at the rates specified in § 784.9, sheep operations must have in the preceding year of which payment is sought had a gross annual revenue of $2.5 million or less, and must for the year in which the payment is sought marketed qualifying feeder lambs. In order for a feeder lamb to be a qualifying feeder lamb it must have been:

(1) Owned by the operation, as part of its normal raising of lambs for slaughter, continuously for 30 days prior to the time of the qualifying marketing; and

(2) At the time of the marketing must have been, as determined and certified by AMS, thick-muscled and large-framed.

(d) To be eligible for any payments under this section, the sheep and lamb operation must be engaged in the business of producing and marketing agricultural products at the time of filing the application.

(e) In addition, to be eligible for ''Year 2'' and ''Year 3'' payments, a sheep and lamb operation must submit a timely application during the application period for ''Year 2'' and ''Year 3'' benefits and comply with all other terms and conditions of this part or are contained in the application to be eligible for such benefits.

### § 784.9 Year 2 and Year 3 rate of payment.

Subject to the availability of funds, and the proration rules set out in § 784.10, ''Year 2'' and ''Year 3'' payments may be made to sheep and lamb operations at the following rates:

(a) $3 for each qualifying feeder lamb; plus

(b) $5 for each eligible qualifying slaughter lamb, except those slaughter lambs marketed during the period of June 1 through July 31 of the applicable program year for which the payment rate will be $8 per head.

### § 784.10 Availability of funds for Year 1 through Year 3.

Total payments under this part, unless otherwise determined by the FSA, cannot exceed $30 million. In the event that funds should be insufficient to complete payments for a program year then the claims for that program year shall be prorated by a national factor so as to reduce the payments to be made to the amount available. Payments for preceding years will not be affected.

### § 784.11 Appeals.

Any sheep and lamb operation which is dissatisfied with a determination made pursuant to this part may make a request for reconsideration or appeal of such determination in accordance with the appeal regulations set forth at parts 11 and 780 of this title.

### § 784.12 Misrepresentation and scheme or device.

(a) A sheep and lamb operation shall be ineligible to receive assistance under this program if it is determined by the State committee or the county committee to have:

(1) Adopted any scheme or device which tends to defeat the purpose of this program;

(2) Made any fraudulent representation; or

(3) Misrepresented any fact affecting a program determination.

(b) Any funds disbursed pursuant to this part to any person or operation engaged in a misrepresentation, scheme, or device, shall be refunded with interest together with such other sums as may become due. Any sheep and lamb operation or person engaged in acts prohibited by this section and any sheep and lamb operation or person receiving payment under this part shall be jointly and severally liable with other persons or operations involved in such claim for benefits for any refund due under this section and for related charges. The remedies provided in this part shall be in addition to other civil, criminal, or administrative remedies which may apply.

### § 784.13 Estates, trusts, and minors.

(a) Program documents executed by persons legally authorized to represent estates or trusts will be accepted only if such person furnishes evidence of the authority to execute such documents.

(b) A minor who is otherwise eligible for assistance under this part must, also:

(1) Establish that the right of majority has been conferred on the minor by court proceedings or by statute;

(2) Show a guardian has been appointed to manage the minor's property and the applicable program documents are executed by the guardian; or

(3) Furnish a bond under which the surety guarantees any loss incurred for which the minor would be liable had the minor been an adult.

### § 784.14 Death, incompetency, or disappearance.

In the case of death, incompetency, disappearance or dissolution of a person that is eligible to receive benefits in accordance with this part, such person or persons specified in part 707 of this chapter may receive such benefits, as determined appropriate by FSA.

### § 784.15 Maintaining records.

Persons making application for benefits under this program must maintain accurate records and accounts that will document that they meet all eligibility requirements specified herein. Such records and accounts must be retained for 3 years after the date of payment to the sheep and lamb operations under this program. Destruction of the records after such date shall be the risk of the party undertaking the destruction.

### § 784.16 Refunds; joint and several liability.

(a) In the event there is a failure to comply with any term, requirement, or condition for payment arising under the application, or this part, and if any refund of a payment to FSA shall otherwise become due in connection with the application, or this part, all payments made under this part to any sheep and lamb operation shall be refunded to FSA together with interest as determined in accordance with paragraph (c) of this section and late payment charges as provided in part 1403 of this title.

(b) All persons signing a sheep and lamb operation's application for payment as having an interest in the operation shall be jointly and severally liable for any refund, including related charges, which is determined to be due for any reason under the terms and conditions of the application or this part with respect to such operation.

(c) Interest shall be applicable to refunds required of any person under this part if FSA determines that payments or other assistance was provided to a person who was not eligible for such assistance. Such interest shall be charged at the rate of interest which the United States Treasury charges the Commodity Credit Corporation (CCC) for funds, from the date FSA made such benefits available to the date of repayment or the date interest increases as determined in accordance with applicable regulations. FSA may waive the accrual of interest if FSA determines that the cause of the erroneous determination was not due to any action of the person.

(d) Interest determined in accordance with paragraph (c) of this section may be waived at the discretion of FSA alone for refunds resulting from those violations determined by FSA to have been beyond the control of the person committing the violation.

(e) Late payment interest shall be assessed on all refunds in accordance with the provisions of, and subject to the rates prescribed in 7 CFR part 792.

(f) Any excess payments made by FSA with respect to any application under this part must be refunded.

(g) In the event that a benefit under this subpart was provided as the result of erroneous information provided by any person, the benefit must be repaid with any applicable interest.

# SUBCHAPTER E—PROVISIONS COMMON TO MORE THAN ONE PROGRAM

## PART 792—DEBT SETTLEMENT POLICIES AND PROCEDURES

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792.4 Demand for payment of debts.
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792.6 Collection by installment payments.
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792.22 Collection and compromise.

AUTHORITY: 31 U.S.C. 3701, 3711, 3716–3719, 3728; 4 CFR parts 101–105; 7 CFR 3.21(b).

SOURCE: 59 FR 15829, Apr. 5, 1994, unless otherwise noted.

### § 792.1 Applicability.

Except as may otherwise be provided by statute, this part sets forth the manner in which the Farm Service Agency (FSA) will settle and collect debts by FSA. The provisions of part 1403 of this title are applicable to actions of FSA regarding the settlement and collection of debts on the behalf of the Commodity Credit Corporation (CCC).

### § 792.2 Administration.

The regulations in this part will be administered under the general supervision and direction of the Administrator, FSA.

### § 792.3 Definitions.

The following definitions shall be applicable to this part:

*Administrative charges* means the additional costs of processing delinquent debts against the debtor, to the extent such costs are attributable to the delinquency. Such costs include, but are not limited to, costs incurred in obtaining a credit report, costs of employing commercial firms to locate debtor, costs of employing contractors for collection services, costs of selling collateral or property to satisfy the debt.

*Administrative offset* means deducting money payable or held by the United States Government, or any agency thereof, to satisfy in whole or in part a debt owed the Government, or any agency thereof.

*FSA* means the Farm Service Agency of the United States Department of Agriculture (USDA).

*CCC* means the Commodity Credit Corporation.

*Certified financial statement* means an account of the assets, liabilities, income and expenses of a debtor, executed in accordance with generally accepted accounting principles and attested to as accurate by the debtor and preparer, under penalty of perjury.

*Claim* means an amount of money or property which has been determined by FSA, after a notice of delinquency and a demand for the payment of the debt has been made by FSA, to be owed to FSA by any person other than a Federal agency.

*Credit reporting agency* means: (1) A reporting agency as defined at 4 CFR 102.5(a), or

(2) Any entity which has entered into an agreement with USDA concerning the referral of credit information.

*Debt* means any amount owed to FSA which has not been satisfied through payment or otherwise.

*Debt record* refers to the account, register, balance sheet, file, ledger, data

file, or similar record of debts owed to FSA, CCC, or any other Government Agency with respect to which collection action is being pursued, and which is maintained in an FSA office.

*Delinquent debt* means: (1) Any debt owed to FSA that has not been paid by the date specified in the applicable statute, regulation, contract, or agreement; or

(2) Any debt that has not been paid by the date of an initial notification of indebtedness mailed or hand-delivered pursuant to § 792.4.

*Discharged debt* means any debt, or part thereof, which FSA has determined is uncollectible and has closed out, and if the amount in controversy exceeds $100,000.00, excluding interest and administrative charges, or such higher amount as may be prescribed, in which the Department of Justice has concurred in such determination.

*IRS* means the Internal Revenue Service.

*Late payment interest rate* means the amount of interest charged on delinquent debts and claims. The late payment interest rate shall be determined as of the date a debt becomes delinquent and shall be equal to the higher of the Prompt Payment Act interest rate or the standard late payment rate prescribed by 31 U.S.C. 3717, which is based on the Treasury Department's current value of funds rate.

*Person* means an individual, partnership, association, corporation, estate or trust, or other business enterprise or other legal entity and, whenever applicable, the Federal Government or a State government, or any agency thereof.

*Salary offset* means the deduction of money from the current pay account of a present or former Government employee payable by the United States Government to, or held by the Government for, such person to satisfy a debt that person owes the Government.

*Settlement* means any final disposition of a debt or claim.

*System of records* means a group of any records under the control of FSA or CCC from which information is retrieved by the name of the individual, organization or other entity or by some identifying number, symbol, or other identification assigned to the individual, organization or other entity.

*Withholding* means the taking of action to temporarily prevent the payment of some or all amounts to a debtor under one or more contracts or programs.

**§ 792.4 Demand for payment of debts.**

(a) When a debt is due FSA, an initial written demand for payment of such amount shall be mailed or hand-delivered to the debtor. If the debt is not paid in full by the date specified in the initial demand letter, or if a repayment schedule acceptable to FSA has not been arranged with the debtor, the initial demand may be followed by two subsequent written demands at approximately 30-day intervals, unless it is determined by FSA that further demands would be futile and the debtor's response does not require rebuttal. The initial or subsequent demand letters shall specify the following:

(1) The basis for and the amount of the debt determined to be due FSA, including the principal, applicable interest, costs, and other charges;

(2) FSA' intent to establish an account on a debt record 30 days after the date of the letter, or other applicable period of time, if the debt is not paid within that time;

(3) The applicable late payment interest rate.

(i) If a late payment interest rate is specified in the contract, agreement or program regulation, the debtor shall be informed of that rate and the date from which the late payment interest has been accruing;

(ii) If a late payment interest rate is not specified in the contract, agreement or program regulation, the debtor shall be informed of the applicable late payment interest rate set out in § 792.10.

(4) FSA' intent, if applicable, to collect the debt 30 days from the date of the initial demand letter, or other applicable period of time, by administrative offset from any CCC or FSA payments due or to become due to the debtor, and that the claim may be reported to other agencies of the Federal government for offset from any amounts due or to become due to the debtor;

(5) FSA' intent, if applicable, under § 792.17, to report any delinquent debt to a credit reporting agency no sooner than 60 days from the date of the letter;

(6) FSA' intent, if applicable, under § 792.19, to refer any delinquent debt to the IRS, no sooner than 60 days from the date of the letter, to be considered for offset against any tax refund due or to become due the debtor.

(7) If not previously provided, the debtor's right to request administrative review by an authorized FSA official, and the proper procedure for making such request. If the request relates to the:

(i) Existence or amount of the debt, it must be made within 15 days from the date of the letter, unless a different time period is specified in the contract, agreement or program regulation;

(ii) Appropriateness of reporting to a credit reporting agency, it must be made within 30 days from the date of the letter; or

(iii) Appropriateness of referral to IRS for tax refund offset, it must be made within 60 days from the date of the letter, if applicable.

(8) The debtor's right to a full explanation of the debt and to dispute any information in the records of FSA concerning the debt;

(9) The opportunity afforded the debtor to enter into a written agreement which is acceptable to FSA for the repayment of the debt;

(10) That FSA maintains the right to initiate legal action to collect the amount of the debt;

(11) That if any portion of the debt remains unpaid or if a repayment schedule satisfactory to FSA has not been arranged 90 days after the due date, a penalty charge shall be assessed on the unpaid balance of the debt as prescribed in § 792.10(e);

(b) When FSA deems it necessary to protect the Government's interest, written demand may be preceded by other appropriate actions.

### § 792.5 Collection by payment in full.

Except as FSA may provide, FSA shall collect debts owed to the Government, including applicable interest, penalties, and administrative costs, in full, whenever feasible whether the debt is being collected by administrative offset or by another method, including voluntary payment. If a debt is paid in one lump sum after the due date, FSA will impose late payment interest, as provided in § 792.10, unless such interest is waived as provided in § 792.11.

### § 792.6 Collection by installment payments.

(a) Payments in installments may be arranged, at FSA' discretion, if a debtor furnishes satisfactory evidence of inability to pay a claim in full by the specified date. The size and frequency of installment payments shall:

(1) Bear a reasonable relation to the size of the debt and the debtor's ability to pay; and

(2) Normally be of sufficient size and frequency to liquidate the debt in not more than three years.

(b) Except as otherwise determined by FSA, no installment arrangement will be considered unless the debtor submits a certified financial statement which reflects the debtor's assets, liabilities, income, and expenses. The financial statement shall not be required to be submitted sooner than 15 workdays following its request by FSA.

(c) All installment payment agreements shall be in writing and require the payment of interest at the late payment interest rate in effect on the date such agreement is executed, unless such interest is waived or reduced by FSA. The installment agreement shall specify all the terms of the arrangement and include provision for accelerating the debt in the event the debtor defaults.

(d) FSA may deem a repayment plan to be abrogated if the debtor fails to comply with its terms.

(e) If the debtor's financial statement or other information discloses the ownership of assets which are not encumbered, the debtor may be required to secure the payment of an installment note by executing a security agreement and financing agreement which provides FSA a security interest in the assets until the debt is paid in full.

(f) If the debtor owes more than one debt to FSA, FSA may allow the debtor to designate the manner in which a voluntary installment payment is to be

applied. If the debtor does not designate the application of a voluntary installment or partial payment, the payment will be applied to such debts as determined by FSA.

**§ 792.7 Collection by administrative offset.**

(a) The provisions of this section shall apply to all debts due FSA except as otherwise provided in this part and part 1404 of this title. This section is not applicable to:

(1) FSA requests for administrative offset against money payable to a debtor from the Civil Service Retirement and Disability Fund and FSA requests for salary offset against a present, former or retired employee of the Federal Government which shall be made in accordance with regulations at part 3 of this title;

(2) FSA requests for administrative offset against a Federal income tax refund payable to a debtor which shall be made in accordance with § 792.19;

(3) Cases in which FSA must adjust, by increasing or decreasing, a payment which is to be paid under a contract in order to properly make other payments due by FSA; and

(4) Any case in which a statute explicitly provides for or prohibits using administrative offset to collect the debt for the type of debt involved.

(b) Debts due FSA or CCC may be collected by administrative offset from amounts payable by FSA when:

(1) The debtor has been provided written notification of the basis and amount of the debt and has been given an opportunity to make payment. Such written notification and opportunity includes notice of the right to pursue an administrative appeal in accordance with part 780 of this chapter or any other applicable appeal procedures, if not previously provided;

(2) The debtor has been provided an opportunity to request to inspect and copy the records of FSA related to the debt;

(3) The debtor has been given the opportunity to enter into a written agreement which is acceptable to FSA for repayment of the debt;

(4) The debtor has been notified in writing that the debt will be collected by administrative offset if not paid; and

(5) The debt has not been delinquent for more than ten years or legal action to enforce the debt has not been barred by an applicable period of limitation, whichever is later.

(c) Administrative offset shall also be effected against amounts payable by FSA:

(1) When requested or approved by the Department of Justice; or

(2) When a person is indebted under a judgment in favor of FSA or the United States.

(d) A payment due any person may be offset when there is a breach of a contract or a violation of FSA program requirements, and offset is considered necessary by FSA to protect the financial interests of the Government.

(e) FSA may effect administrative offset against a payment to be made to a debtor prior to completion of the procedures required by paragraphs (b)(1) through (b)(4) of this section if:

(1) Failure to take the offset would substantially prejudice FSA' ability to collect the debt; and

(2) The time before the payment is to be made does not reasonably permit the completion of those procedures.

(f)(1) Judgments in favor of the United States may be offset against any amounts payable by FSA based on information provided by or obtained from the Department of Justice. Debts due any agency other than FSA which have not been reduced to judgment shall be offset against amounts payable by FSA to a debtor when an agency of the U.S. Government has submitted a written request for offset which is mailed or hand-delivered to the appropriate FSA State office, Kansas City Financial Management Office, Kansas City Management Office, or Kansas City Commodity Office. Such written request must:

(i) Bear the signature of an authorized representative of the requesting agency;

(ii) Include a certification that all requirements of the law and the regulations for collection of the debt and for requesting offset have been complied with;

(iii) State the name, address (including county), and, where legally available, the Social Security number or employer ID number of the debtor, and a brief description of the basis of the debt, including identification of the judgment, if any;

(iv) State the amount of the debt separately as to principal, interest, penalties, and administrative costs. Interest, if any, shall be computed on a daily basis to a date shown in the request. The amount to be offset shall not exceed the principal sum owed by the debtor, plus interest computed in accordance with the request, and any late payment interest, penalties and administrative costs that have been assessed;

(v) Certify that the debtor has not filed for bankruptcy. If the debtor has filed for bankruptcy, a copy of the order of the bankruptcy court relieving the agency from the automatic stay must be included; and

(vi) State the name, address, and telephone number of a contact person within the agency and the address to which payment should be sent.

(2) Unless prohibited by law, the head of an agency, or a designee, may defer or subordinate in whole or in part the right of the agency to recover through offset all or part of any indebtedness to such agency, or may withdraw a request for offset. Notice of such action must be sent to the appropriate FSA office.

(g)(1) After FSA has complied with the provisions of this part, FSA may request other agencies of the Government to offset amounts payable by them to persons indebted to FSA.

(2) In the case of a request to IRS for a tax refund offset, the provisions at § 792.19 shall apply.

(h)(1) Debts shall be collected by offset in the following order of priority without regard to the date of the request for such collection:

(i) Debts to FSA.

(ii) Debts to other agencies of USDA as determined by FSA.

(iii) Debts to other government agencies as determined by FSA.

(2) In the case of multiple debts involving the same debtor, FSA may, at its discretion, deviate from the usual order of priority in applying recovered amounts to debts owed other agencies when considered to be in the Government's best interest. Such decision shall be made by FSA based on the facts and circumstances of the particular case.

(i) Amounts recovered by offset for FSA and CCC debts but later found not to be owed to the Government shall be promptly refunded.

(j) The debtor shall be notified whenever any offset action has been taken.

(k) Offsets made pursuant to this section shall not deprive a debtor of any right he or she might otherwise have to contest the debt involved in the offset action either by administrative appeal or by legal action.

(l) Any action authorized by the provisions of this section may be taken:

(1) Against a debtor's pro rata share of payments due any entity which the debtor participates in, either directly or indirectly, as determined by FSA.

(2) When FSA determines that the debtor has established an entity, or reorganized, transferred ownership of, or changed in some other manner, their operation, for the purpose of avoiding the payment of the claim or debt.

(m) The amount to be offset shall not exceed the actual or estimated amount of the debt, including interest, administrative charges, and penalties, unless the Department of Justice requests that a larger specified amount be offset.

(n) Offset action will not be taken against payments when:

(1) A debt has been discharged as provided in § 792.16.

(2) FSA determines such action will unduly interfere with the administration of an FSA or CCC program.

(3) The debt has been delinquent for more than ten years or legal action to enforce the debt due FSA is barred by an applicable period of limitation, whichever is later.

[59 FR 15829, Apr. 5, 1994, as amended at 60 FR 43706, Aug. 23, 1995]

### § 792.8 Priorities of offsets versus assignments.

(a) No amounts payable to a debtor by FSA shall be paid to an assignee until there have been collected any amounts owed by the debtor except as provided in this section.

(b) A payment which is assigned in accordance with part 1404 of this title by execution of Form CCC–36 shall be subject to offset for any debt owed to FSA or CCC or any judgment in favor of the United States without regard to the date notice of assignment was accepted by FSA or CCC.

(c) A payment which is assigned in accordance with part 1404 of this title by execution of Form CCC–252 shall be offset:

(1) Against any debt of the assignor entered on the debt record of the applicable FSA office prior to the filing of such form with FSA or CCC, or

(2) At anytime, regardless of the date of filing of such form with FSA or CCC, if the debt which is the basis for the offset arises from a judgment in favor of the United States, or under the same contract under which the payment is earned by the assignor.

(d) With respect to all other Federal agencies, offset shall be made of any amounts due any other Federal agency which have not been reduced to judgment, and which are entered on the debt record of the appropriate FSA office prior to the date the notice of assignment was accepted by FSA or CCC.

(e) Any amount due and payable to the assignor which remains after deduction of amounts paid to the assignee shall be available for offset.

### § 792.9 Withholding.

(a) Withholding of a payment prior to the completion of an applicable offset procedure may be made from amounts payable to a debtor by FSA to ensure that the interests of FSA and the United States will be protected as provided in this section.

(b) A payment may be withheld to protect the interests of FSA or the United States only if FSA determines that:

(1) There has been a serious breach of contract or violation of program requirements and the withholding action is considered necessary to protect the financial interests of FSA;

(2) There is substantial evidence of violations of criminal or civil frauds statutes and criminal prosecution or civil frauds action is of primary importance to program operations of FSA;

(3) Prior experience with the debtor indicates that collection will be difficult if amounts payable to the debtor are not withheld;

(4) There is doubt that the debtor will be financially able to pay a judgment on the claim of FSA;

(5) The facts available to FSA are insufficient to determine the amount to be offset or the proper payee;

(6) A judgment on a claim of FSA has been obtained; or

(7) Such action has been requested by the Department of Justice.

(c) Except for debts due FSA or CCC, withholding action by FSA on amounts payable to debtors of other Government agencies may not be made unless requested by the Department of Justice.

### § 792.10 Late payment interest, penalty and administrative charges.

(a) Late payment interest provisions of this section shall not apply:

(1) To debts owed by Federal agencies and State and local governments. Interest on debts owed by such entities shall be charged to the extent authorized under the common law or applicable statutory authority.

(2) If an applicable statute, regulation, agreement, or contract either prohibits the charging of such interest or specifies the interest or charges applicable to the debt involved;

(3) If the late payment interest is waived by FSA in accordance with § 792.11.

(4) To administrative charges as set forth in paragraph (f) of this section.

(b) FSA will assess late payment interest on the full amount of delinquent debts. For purposes of this section, the term ''full amount of the delinquent debt'' means the sum of the principal, accrued program interest, and any other charges which are otherwise due and owing to FSA on the delinquent debt at the time the late payment interest is assessed, except as provided in paragraphs (a)(2) and (d)(3) of this section.

(c) The late payment interest shall be expressed as an annual rate of interest which FSA charges on delinquent debts. The late payment interest rate shall be equal to the higher of the Treasury Department's current value

of funds rate or the rate of interest assessed under the Prompt Payment Act, determined as of the date specified in paragraphs (d)(1) and (d)(2) of this section. The rate of interest assessed under the Prompt Payment Act was chosen as an alternative rate to ensure that the Government would recoup interest at a rate which was at least as high as that which it pays for late payments.

(d)(1) When a debt results from a statute, regulation, contract, or other agreement with specific provisions for late payment interest and payment due date, late payment interest shall accrue on the amount of the debt from the first day the debt became delinquent, unless otherwise provided by statute.

(2) With respect to debts not resulting from a statute, regulation, contract, or agreement containing specific provisions for late payment interest and payment due date, late payment interest shall begin to accrue from the date on which notice of the debt, including notice of late payment interest, is first mailed or hand-delivered to the debtor.

(3) The rate of late payment interest initially assessed will be fixed for the duration of the indebtedness, except when a debtor has defaulted on a repayment agreement and seeks to enter into a new agreement. FSA may then set a new rate of interest which reflects the late payment interest rate in effect at the time the new agreement is executed. All charges which accrued, but which were not collected under the defaulted agreement, shall be added to the principal to be paid under a new repayment agreement.

(4) The late payment interest on delinquent debts will accrue on a daily basis.

(e) Except as specified in paragraph (a)(2) of this section, a penalty charge of three (3) percent per annum will be assessed on any portion of a debt which remains unpaid ninety (90) days after the date described in paragraph (d)(1) or (d)(2) of this section, if no repayment schedule satisfactory to FSA has been agreed upon. Such penalty charge will be assessed retroactively from the date late payment interest began to accrue and applied on a daily basis. Such rate shall continue to accrue until the delinquent debt has been paid.

(f) FSA shall assess as administrative charges the additional costs of processing delinquent debts against the debtor, to the extent such costs are attributable to the delinquency. Such costs include, but are not limited to, costs incurred in obtaining a credit report, costs of employing commercial firms to locate debtor, costs of employing contractors for collection services, costs of selling collateral or property to satisfy the debt.

(g) When a debt is paid in partial or installment payments, payments will be applied first to administrative charges, second to the penalty charge assessed in accordance with paragraph (e) of this section and late payment interest, and third to outstanding principal.

### § 792.11 Waiver of late payment interest, penalty charge and administrative charges.

(a) FSA shall waive the collection of late payment interest and administrative charges on a debt or any portion of a debt which is paid within 30 days after the date on which late payment interest began to accrue.

(b) FSA may waive the assessment and collection of all or a portion of the penalty charge on debts which are appealed in accordance with 7 CFR part 780 or other applicable appeal procedures from either the date of the appeal or the date such interest began to accrue, whichever is later, until the date a final administrative determination is issued. Such waiver shall not apply for any delay due to:

(1) The appellant's request for a postponement of the scheduled hearing;

(2) The appellant's request for an additional time following the hearing to present additional information or a written closing statement; or

(3) The appellant's failure to timely present information to the reviewing authority.

(c) Assessment and collection of late payment interest, the penalty charge and administrative charges under this part may be waived by FSA in full, or in part, if it is determined by the Controller, FSA, or his or her designee,

that such action is in the best interest of FSA.

### § 792.12 Administrative appeal.

If the opportunity to appeal the determination has not previously been provided under part 24 of this title or part 780 of this chapter or any other appeal procedure, a debtor may obtain an administrative review under part 780 of this chapter, or other applicable appeal procedures, of FSA' determination concerning the existence or amount of a debt, if a request is filed with the authority who made the determination within 15 days of the date of FSA' initial demand letter, unless a longer period is specified in the initial demand letter.

### § 792.13 Additional administrative collection action.

Nothing contained in this part shall preclude the use of any other administrative or contractual remedy which may be available to FSA to collect debts owed to the Government.

### § 792.14 Contact with debtor's employing agency.

When a debtor is employed by the Federal Government or is a member of the military establishment or the Coast Guard, and collection by offset cannot be accomplished in accordance with 5 U.S.C. 5514, FSA may contact the employing agency to arrange for payment of the debt by allotment or otherwise, in accordance with section 206 of Executive Order No. 11222, May 8, 1965, 30 FR 6469, 3 CFR, 1964–1965 Comp., p 306.

### § 792.15 Prior provision of rights with respect to debt.

FSA will not provide an administrative appeal with respect to issues which were raised or should have been raised at any administrative review requested by the debtor as provided under another statute or regulation before:

(a) Effecting administrative offset;

(b) Referring the debt to private collection or credit reporting agencies;

(c) Referring the debt for salary offset against the current pay of a present or former Government employee; or

(d) Referring the debt to IRS for tax refund offset.

### § 792.16 Discharge of debts.

(a) Except as required by other applicable regulation or statute, a debt or part thereof owed FSA shall be discharged with the concurrence of the Department of Justice, if applicable, and the records and accounts on that debt closed in the following situations:

(1) When an obligation or part thereof is discharged in bankruptcy;

(2) When an obligation or part thereof is the subject of a final judgment entered by a court of competent jurisdiction which is adverse to FSA and no appeal will be taken by FSA;

(3) When a debt or part thereof is compromised and paid, the amount of such compromise;

(4) When collection of a debt by administrative offset is barred in accordance with § 792.7(b)(5).

(b) Debts discharged in accordance with this section may be reported to the Internal Revenue Service pursuant to § 792.20.

### § 792.17 Referral of delinquent debts to credit reporting agencies.

(a) This section specifies the procedures that will be followed by FSA and the rights that will be afforded to debtors when FSA reports delinquent debts to credit reporting agencies.

(b) Before disclosing information to a credit reporting agency in accordance with this part, FSA shall review the claim and determine that it is valid and delinquent.

(c) Before a debt may be referred to a credit reporting agency, the debtor must be notified, pursuant to § 792.4, of FSA' intent to make such a report. Such notification shall include:

(1) FSA' intent to disclose to a credit reporting agency that the debtor is responsible for the debt, and that such disclosure will be made not less than 60 days after notification to such debtor.

(2) The information intended to be disclosed to the credit reporting agency under paragraph (g)(1) of this section.

(3) The debtor's right to enter a repayment agreement on the debt, including, at the discretion of FSA, installment payments, and that if such

an agreement is reached, the debt will not be referred to a credit reporting agency.

(4) The debtor's right to review of this action in accordance with paragraph (i) of this section.

(d) The debtor shall be notified, in writing at the debtor's last known address, when FSA has reported any delinquent debt to a credit reporting agency.

(e)(1) FSA shall notify each credit reporting agency to which an original disclosure of delinquent debt information was made of any substantial change in the condition or amount of the claim.

(2) FSA shall promptly verify or correct, as appropriate, information about the debt on request of a credit reporting agency. The records of the debtor shall reflect any correction resulting from such request.

(f) Information reported to a credit reporting agency on delinquent debts shall be derived from the system of records maintained by FSA.

(g) FSA shall limit delinquent debt information disclosed to credit reporting agencies to:

(1) The name, address, taxpayer identification number, and other information necessary to establish the identity of the debtor;

(2) The amount, status, and history of the claim; and

(3) The program under which the claim arose.

(h) Reasonable action shall be taken to locate a debtor for whom FSA does not have a current address before reporting delinquent debt information to a credit reporting agency.

(i)(1) Before disclosing delinquent debt information to a credit reporting agency, FSA shall, upon request of the debtor, provide for a review of the debt in accordance with § 792.12. This review shall only consider defenses or arguments which were not available or could not have been available at any previous appeal proceeding permitted under § 792.12.

(2) Upon receipt of a request for review within 30 days from the date of notice to the debtor of intent to refer delinquent debt information to a credit reporting agency, FSA shall suspend its schedule for disclosure to a credit reporting agency until a final decision regarding the appropriateness of disclosure to a credit reporting agency is made.

(3) Upon completion of the review, the reviewing official shall transmit to the debtor a written notification of the decision. If appropriate, the debtor shall be notified of the scheduled date on or after which the debt will be referred to the credit reporting agency. The debtor will also be notified of any changes from the initial notification in the information to be disclosed.

(j)(1) In accordance with guidelines established by the Administrator, FSA, the responsible claims official shall report to credit reporting agencies delinquent debt information specified in paragraph (g) of this section.

(2) The agreements entered into by USDA and credit reporting agencies shall provide the necessary assurances to FSA that the credit reporting agencies to which information will be provided are in compliance with the provisions of all the laws and regulations of the United States relating to providing credit information.

(3) FSA shall not report delinquent debt information to credit reporting agencies when: (i) The debtor has entered a repayment agreement covering the debt with FSA, and such agreement is still valid; or

(ii) FSA has suspended its schedule for disclosure of delinquent debt information pursuant to paragraph (i)(2) of this section.

(k) Disclosures made under this section shall be in accordance with the requirements of the Privacy Act, as amended (5 U.S.C. 552a).

(l) The provisions of paragraphs (a) through (k) of this section apply to commercial debts owed by farm producers and all personal debts. All commercial debts owed by debtors other than farm producers may be reported to credit reporting agencies without following the provisions of paragraphs (a) through (k) of this section.

### § 792.18 Referral of debts to Department of Justice.

(a) Debts that exceed $100,000.00 exclusive of interest, penalties, and administrative charges, or such higher amount as may be prescribed, shall be

referred to the Department of Justice before they can be discharged.

(b) Debts which cannot be compromised or on which collection action cannot be suspended or terminated, may be referred to the Department of Justice for collection action. Claims of less than $600.00 exclusive of interest, penalties, and administrative costs will not be referred to the Department of Justice unless:

(1) Referral is important to a significant enforcement policy, or

(2) The debtor not only has the clear ability to pay the claim, but the Government can effectively enforce payment, having due regard for the exemptions available to the debtor under State and Federal law and the judicial remedies available to the Government.

### § 792.19 Referral of delinquent debts to IRS for tax refund offset.

FSA may refer legally enforceable delinquent debts to IRS to be offset against tax refunds due to debtors under 26 U.S.C. 6402, in accordance with the provisions of 31 U.S.C. 3720A and Treasury Department regulations.

### § 792.20 Reporting discharged debts to IRS.

(a) In accordance with IRS regulations, FSA may report to IRS as discharged debts on IRS Form 1099–G the amounts specified in paragraph (b) of this section.

(b) The following discharged debts may be reported to IRS: (1) The amount of a debt discharged under a compromise agreement between FSA and the debtor, except for compromises made due to doubt about the Government's ability to prove its case in court for the full amount of the debt.

(2) The amount of a debt discharged by the running of the statutory period of limitation for collecting the debt by administrative offset specified in 31 U.S.C. 3716.

### § 792.21 Referral of debts to private collection agencies.

If FSA' collection efforts have been unsuccessful after 90 days from the date of delinquency, the head of the agency or his designee may enter into a contract with any person or organization, under such terms and conditions as the head of the agency or his designee considers appropriate for collection services to recover debts owed to FSA.

### § 792.22 Collection and compromise.

The Administrator, FSA, or his designee may compromise any claim of the Government of not more than $100,000.00 exclusive of interest, penalties, and administrative charges, or such higher amount as may be prescribed, that has not been referred to another executive or legislative agency for further collection action.

## PART 795—PAYMENT LIMITATION

GENERAL

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AUTHORITY: Sec. 1001 of the Food Security Act of 1985, as amended, 99 Stat, 1444, as amended, 7 U.S.C 1308; Pub. L. 99–500 and Pub. L. 99–591.

SOURCE: 43 FR 9784, Mar. 10, 1978, unless otherwise noted.

GENERAL

### § 795.1 [Reserved]

### § 795.2 Applicability.

(a) The provisions of this part are applicable to payments when so provided by the individual program regulations

under which the payments are made. The amount of the limitation shall be as specified in the individual program regulations.

(b) The limitation shall be applied to the payments for a commodity for a crop year.

(c) The limitation shall not be applicable to payments made to States, political subdivisions, or agencies thereof for participation in the programs on lands owned by such States, political subdivisions, or agencies thereof so long as such lands are farmed primarily in the direct furtherance of a public function. However, the limitation is applicable to persons who rent or lease land owned by States, political subdivisions, or agencies thereof.

(d) The limitation shall not be applicable to payments made to Indian tribal ventures participating in the programs where a responsible official of the Bureau of Indian Affairs or the Indian Tribal Council certifies that no more than the program payment limitation shall accrue directly or indirectly to any individual Indian and the State committee reviews and approves the exemption.

(e) Except as provided in part 1497 of this title, this part shall not be applicabie to contracts entered into on or after August 1, 1988 in accordance with part 704 of this chapter.

[49 FR 14719, Apr. 13, 1984, as amended at 51 FR 8453, Mar. 11, 1986; 51 FR 36905, Oct. 16, 1986; 53 FR 29570, Aug. 5, 1988]

### § 795.3 Definitions.

(a) The terms defined in part 719 of this chapter, governing reconstitutions of farms, shall be applicable to this part and all documents issued in accordance with this part, except as otherwise provided in this section.

(b)(1) Subject to the provisions of this part, the term ''person'' shall mean an individual, joint stock company, corporation, association, trust, estate, or other legal entity. In order to be considered to be a separate person for the purposes of this part with respect to any crop, in addition to any other provision of this part, an individual or other legal; entity must:

(i) Have a separate and distinct interest in the crop or the land on which the crop is produced;

(ii) Exercise separate responsibility for such interest; and

(iii) Be responsible for payment of the cost of farming related to such interest from a fund or account separate from that of any other individual or entity.

(2) The term ''person'' shall not include any cooperative association of producers that markets commodities for producers with respect to the commodities so marketed for producers.

(c) The term ''family member'' shall mean the individual, the great-grandparent, grand-parent, child, grandchild, and great-grandchild of such individual and the spouses of all such individuals.

(d) The term ''separate unit'' shall mean an individual who, prior to December 31, 1985: (1) Had been engaged in a separate farming operation and (2) in accordance with the provisions of this part, had been determined to be a separate person or could have so determined under the circumstances existing at such time.

[52 FR 26295, July 14, 1987]

### § 795.4 Family members.

Effective for the 1987 through 1990 crops, an individual shall not be denied a determination that such individual was a ''person'' solely on the basis that:

(a) A family member cosigns for, or makes a loan to, such individual and leases, loans or gives equipment, land or labor to such an individual; and

(b) Such family members were organized as separate units prior to December 31, 1985.

[52 FR 26295, July 14, 1987]

### § 795.5 Timing for determining status of persons.

Except as otherwise set forth in this part, the status of individuals or entities as of March 1, or such other date as may be determined and announced by the Administrator shall be the basis on which determinations are made in accordance with this part for the year for which the determination is made.

[51 FR 21836, June 16, 1986; 51 FR 36905, Oct. 16, 1986]

**§ 795.6 Multiple individuals or other entities.**

The rules in §§ 795.5 through 795.16 shall be used to determine whether certain multiple individuals or legal entities are to be treated as one person or as separate persons for the purpose of applying the limitation. In cases in which more than one rule would appear to be applicable, the rule which is most restrictive on the number of persons shall apply.

**§ 795.7 Entities or joint operations not considered as a person.**

A partnership, joint venture, tenants-in-common, or joint tenants shall not be considered as a person but, notwithstanding the provisions of § 795.3, each individual or other legal entity who shares in the proceeds derived from farming by such joint operations shall be considered a separate person, except as otherwise provided in this part, and shall be listed as a producer for payment purposes on program documents. The payment shares listed on the program documents for each individual or other legal entity shall be the same as each individual or other legal entity shares in the proceeds derived from farming by such joint operation. Notwithstanding the foregoing, each individual or other legal entity who shares in the proceeds derived from farming by such joint operation shall not be considered as a separate person unless the individual or other legal entity is actively engaged in the farming operations of the partnership or other joint operation. An individual or other legal entity shall be considered as actively engaged in the farming operation only if its contribution to the joint operation is commensurate with its share in the proceeds derived from farming by such joint operation. Members of the partnership or joint venture must furnish satisfactory evidence that their contributions of land, labor, management, equipment, or capital to the joint operation are commensurate with their claimed shares of the proceeds. A capital contribution may be a direct out-of-pocket input of a specified sum or an amount borrowed by the individual. If the contribution consists substantially of capital, such capital must have been contributed directly to the joint operation by the individual or other legal entity and not acquired as a result of (a) a loan made to the joint operation, (b) a loan which was made to such individual or other legal entity by the joint operation or any of its members or related entities, or (c) a loan made to such individual or other legal entity which was guaranteed by the joint operation or any of its members or related entities.

**§ 795.8 Corporations and stockholders.**

(a) A corporation (including a limited partnership) shall be considered as one person, and an individual stockholder of the corporation may be considered as a separate person to the extent that such stockholder is engaged in the production of the crop as a separate producer and otherwise meets the requirements of § 795.3, except that a corporation in which more than 50 percent of the stock is owned by an individual (including the stock owned by the individual's spouse, minor children, and trusts for the benefit of such minor children), or by a legal entity, shall not be considered as a separate person from such individual or legal entity.

(b) Where the same two or more individuals or other legal entities own more than 50 percent of the stock in each of two or more corporations, all such corporations shall be considered as one person.

(c) The percentage share of the value of the stock owned by an individual or other legal entity shall be determined as of March 1 of the crop year, except that where a stockholder voluntarily acquires stock after March 1 and before the harvest of the crop, the amount of any stock so acquired shall be included in determining the percentage share of the value of the stock owned by the stockholder. Where there is only one class of stock, a stockholder's percentage share of the value of the outstanding stock shall be equal to the percentage of the outstanding stock owned by the stockholder. If the corporation has more than one class of stock the percentage share of the value of the stock owned by a stockholder shall be determined by the Deputy Administrator on the basis of market quotations, and if market quotations

are lacking or too scarce to be recognized the percentage share of the value of the stock shall be determined by the Deputy Administrator on the basis of all relevant factors affecting the fair market value, including the rights and privileges of the various stock issues.

(Title I, Agricultural Act of 1970, as amended by the Agriculture and Consumer Protection Act of 1973, Pub. L. 93–86, 87 Stat. 221 (7 U.S.C. 1307) and under Title I, Rice Production Act of 1975, Pub. L. 94–214, 90 Stat. 181 (7 U.S.C. 428c note), and Pub. L. 95–156, 91 Stat. 1264 (7 U.S.C. 1307 note, 7 U.S.C. 1307, 7 U.S.C. 1441))

[43 FR 9784, Mar. 10, 1978, as amended at 45 FR 10311, Feb. 15, 1980; 45 FR 11795, Feb. 22, 1980]

### § 795.9 Estate or trust.

(a) An estate or irrevocable trust shall be considered as one person except that, where two or more estates or irrevocable trusts have common beneficiaries or heirs (including spouses and minor children) with more than a 50–percent interest, all such estates or irrevocable trusts shall be considered as one person.

(b) An individual heir of an estate or beneficiary of a trust may be considered as a separate person to the extent that such heir or beneficiary is engaged in the production of crops as a separate producer and otherwise meets the requirements of § 795.3, except that an estate or irrevocable trust which has a sole heir or beneficiary shall not be considered as a separate person from such heir or beneficiary.

(c) Where an irrevocable trust or an estate is a producer on a farm and one or more of the beneficiaries or heirs of such trust or estate are minor children, the minor children's pro rata share of the program payments to the trust or estate shall be attributed to the parent of the minor children except as otherwise provided in § 795.12.

(d) A revocable trust shall not be considered as a separate person from the grantor.

### § 795.10 Club, society, fraternal or religious organization.

Each individual club, society, fraternal or religious organization may be considered as a separate person to the extent that each such club, society, fraternal or religious organization is engaged in the production of crops as a separate producer and otherwise meets the requirements of § 795.3.

### § 795.11 Husband and wife.

With respect to the 1988 crop year, a husband and wife shall be considered to be one person except that such individuals who, prior to their marriage, were separately engaged in unrelated farming operations will be determined to be separate persons with respect to such farming operations so long as the operations remain separate and distinct from any farming operation conducted by the other spouse if such individuals have executed a Contract to Participate in the 1988 Price Support and Production Adjustment Programs by April 15, 1988. Such individuals must file a form FSA–561 with the county committee for each such farming operation by July 8, 1988, if they desire to be considered as separate persons under this section.

[53 FR 21410, June 8, 1988]

### § 795.12 Minor children.

(a) A minor child and his parents or guardian (or other person responsible for him) shall be considered as one person, except that the minor child may be considered as a separate person if such minor child is a producer on a farm in which the parents or guardian or other person responsible for him (including any entity in which the parents or guardian or other person responsible for him has a substantial interest, i.e., more than a 20-percent interest) takes no part in the operation of the farm (including any activities as a custom farmer) and owns no interest in the farm or allotment or in any portion of the production on the farm, and if such minor child:

(1) Is represented by a court-appointed guardian who is required by law to make a separate accounting for the minor and ownership of the farm is vested in the minor, or

(2) Has established and maintains a different household from his parents or guardian and personally carries out the actual farming operations on the farm for which there is a separate accounting, or

(3) Has a farming operation resulting from his being the beneficiary of an irrevocable trust and ownership of the property is vested in the trust or the minor.

(b) A person shall be considered a minor until he reaches 18 years of age. Court proceedings conferring majority on a person under 18 years of age will not change such person's status as a minor for purposes of applying the regulations.

### § 795.13 Other cases.

Where the county committee is unable to determine whether certain individuals or legal entities involved in the production of a commodity are to be treated as one person or separate persons, all the facts regarding the arrangement under which the commodity is produced shall be submitted to the State committee for decision. Where the State committee is unable to determine whether such individuals or legal entities are to be treated as one person or separate persons, all the facts regarding the arrangement under which the farming operation is conducted shall be submitted to the Deputy Administrator for decision.

### § 795.14 Changes in farming operations.

(a) Subject to the provisions of this part, a person may exercise his or her right heretofore existing under law, to divide, sell, transfer, rent, or lease his or her property if such division, sale, transfer, rental arrangement, or lease is legally binding as between the parties thereto. However, any document representing a division, sale, transfer, rental arrangement, or lease which is fictitious or not legally binding as between the parties thereto shall be considered to be for the purpose of evading the payment limitation and shall be disregarded for the purpose of applying the payment limitation. Any change in farming operations that would otherwise serve to increase the number of persons for application of the payment limitation must be bona fide and substantive.

(b) A substantive change includes, for example, a substantial increase or decrease in the size of the farm by purchase, sale, or lease; a substantial increase or decrease in the size of allotment by purchase, sale, or lease; a change from a cash lease to a share lease or vice versa; and dissolution of an entity such as a corporation or partnership.

(c) Examples of the types of changes that would not be considered as substantive are the following:

*Example 1.* A corporation is owned equally by four shareholders. The corporation owns land, buildings, and equipment and in the prior year carried out substantial farming operations. Three of the shareholders propose forming a partnership which they would own equally. The partnership would cash lease land and equipment from the corporation with the objective of having the three partners considered as separate persons for purposes of applying the payment limitation under the provisions of § 795.7 of the regulations.

The formation of such a partnership and the leasing of land from a corporation in which they hold a major interest would not constitute a substantive and bona fide change in operations. Therefore, the corporation and the partners would be limited to a single payment limitation.

*Example 2.* Three individuals each have individual farming operations which, if continued unchanged, would permit them to have a total of three payment limitations.

The three individuals propose forming a corporation which they would own equally. The corporation would then cash lease a portion of the farmland owned and previously operated by the individuals with the objective of having the corporation considered as a separate person for purposes of applying the payment limitation under the provisions of § 795.8 of the regulations. The formation of such a corporation and the leasing of land from the stockholders would not constitute a substantive and bona fide change in operations. Therefore, the corporation and the three individuals would be limited to three payment limitations.

### § 795.15 Determining whether agreement is a share lease or a cash lease.

(a) *Cash lease.* If a rental agreement contains provisions for a guaranteed minimum rental with respect to the amount of rent to be paid to the landlord by a tenant, such agreement shall be considered to be a cash rental agreement. In addition, the rental agreement must be customary and reasonable for the area.

(b) *Share lease.* If a rental agreement contains provisions that require the payment of rent on the basis of the

amount of the crop produced or the proceeds derived from the crop, such agreement shall be considered to be a share rental agreement. In addition, the rental agreement must be customary and reasonable for the area.

[51 FR 8454, Mar. 11, 1986 and 51 FR 36905, Oct. 16, 1986]

### § 795.16 Custom farming.

(a) Custom farming is the performance of services on a farm such as land preparation, seeding, cultivating, applying pesticides, and harvesting for hire with remuneration on a unit of work basis, except that, for the purpose of applying the provisions of this section, the harvesting of crops and the application of agricultural chemicals by firms regularly engaged in such businesses shall not be regarded as custom farming. A person performing custom farming shall be considered as being separate from the person for whom the custom farming is performed only if:

(1) The compensation for the custom farming is paid at a unit of work rate customary in the area and is in no way dependent upon the amount of the crop produced, and (2) the person performing the custom farming (and any other entity in which such person has more than a 20-percent interest) has no interest, directly or indirectly, (i) in the crop on the farm by taking any risk in the production of the crop, sharing in the proceeds of the crop, granting or guaranteeing the financing of the crop, (ii) in the allotment on the farm, or (iii) in the farm as landowner, landlord, mortgage holder, trustee, lienholder, guarantor, agent, manager, tenant, sharecropper, or any other similar capacity.

(b) A person having more than a 20-percent interest in any legal entity performing custom farming shall be considered as being separate from the person for whom the custom farming is performed only if:

(1) The compensation for the custom farming service is paid at a unit of work rate customary in the area and is in no way dependent upon the amount of the crop produced, and (2) the person having such interest in the legal entity performing the custom farming has no interest, directly or indirectly, (i) in the crop on the farm by taking any risk in the production of the crop, sharing in the proceeds of the corp, granting or guaranteeing the financing of the crop, (ii) in the allotment on the farm, or (iii) in the farm as landowner, landlord, mortgage holder, trustee, lienholder, guarantor, agent, manager, tenant, sharecropper, or in any other similar capacity.

### § 795.17 Scheme or device.

All or any part of the payments otherwise due a person under the upland cotton, wheat, feed grain and rice programs on all farms in which the person has an interest may be withheld or required to be refunded if the person adopts or participates in adopting any scheme or device designed to evade or which has the effect of evading the rules of this part. Such acts shall include, but are not limited to, concealing from the county committee any information having a bearing on the application of the rules of this part or submitting false information to the county committee (for example, a set-aside agreement which is entered into that differs from information furnished to the county committee concerning the manner in which program payments are actually shared, concerning the actual facts of a sale, or concerning the transfer of property) or creating fictitious entities for the purpose of concealing the interest of a person in a farming operation.

### § 795.20 Joint and several liability.

Where two or more individuals or legal entities, who are treated as one person hereunder, receive payments which in the aggregate exceed the limitation, such individuals or legal entities shall be liable, jointly and severally, for any liability arising therefrom. The provisions of this part requiring the refund of payments shall be applicable in addition to any liability under criminal and civil fraud statutes.

### § 795.21 Appeals.

Any person may obtain reconsideration and review of determinations made under this part in accordance with the appeal regulations, part 780 of this chapter, as amended.

### § 795.22 Interpretations.

In interpretations previously issued pursuant to the payment limitation regulations and published at 36 FR 16569, 37 FR 3049, 39 FR 15021 and 41 FR 17527 shall be applicable in construing the provisions of this part.

### § 795.23 Paperwork Reduction Act assigned number.

The information collection requirements contained in these regulations (7 CFR part 795) have been approved by the Office of Management and Budget under the provisions of 44 U.S.C. Chapter 35 and have been assigned OMB control number 0560–0096.

[49 FR 14719, Apr. 13, 1984]

### § 795.24 Relief.

If a producer relied on a county committee and/or State committee ''person'' determination for a crop year and higher reviewing authority makes a more restrictive determination, the Deputy Administrator may grant relief only for such crop year if the producer was not afforded an opportunity to exercise other alternatives with respect to the producer's farming operation and the program provisions and the county committee has determined that the producers acted in good faith based upon the original ''person'' determination.

[51 FR 8454, Mar. 11, 1986; 51 FR 36905, Oct. 16, 1986]

# SUBCHAPTER F—PUBLIC RECORDS

## PART 798—AVAILABILITY OF INFORMATION TO THE PUBLIC

Sec.
798.1 General statement.
798.2 Public inspection and copying.
798.3 Index.
798.4 Requests for records.
798.5 Appeals.
798.6 Fees.

AUTHORITY: 5 U.S.C. 301, 552; 7 CFR 1.1 through 1.16.

SOURCE: 44 FR 10353, Feb. 20, 1979, unless otherwise noted.

### § 798.1 General statement.

This part is issued in accordance with the regulations of the Secretary of Agriculture at 7 CFR 1.1 through 1.16, and appendix A, implementing the Freedom of Information Act (5 U.S.C. 552). The Secretary's regulations as implemented by the regulations in this part, govern the availability of records of the FSA and Commodity Credit Corporation (CCC) to the public.

### § 798.2 Public inspection and copying.

5 U.S.C. 552(a)(2) requires that certain materials be made available for public inspection and copying. Members of the public may request access to such materials maintained by FSA and/or CCC at the Office of the Director, Information Division, Farm Service Agency, Room 3608 South Building, P.O. Box 2415, Washington, D.C. 20013, between the hours of 8:15 and 4:45 p.m., Monday through Friday.

[50 FR 53259, Dec. 31, 1985]

### § 798.3 Index.

5 U.S.C. 552(a)(2) requires that each agency publish or otherwise make available a current index of all materials required to be made available for public inspection and copying. FSA maintains an index of FSA National Handbooks, CCC Board Dockets, decisions of the Board of Contract Appeals of the Department of Agriculture affecting FSA or CCC, and Marketing Quota Review Committee determinations. In view of the small number of public requests for such index, publication of the index is unnecessary and impractical. The index is maintained and available to the public at the office shown in § 798.2 and copies of the index are available upon request in person or by mail to that office.

### § 798.4 Request for records.

Request for records under 5 U.S.C. 552(a)(3) shall be made in accordance with 7 CFR 1.3. Reasonable requests for material not in existence may also be honored where their compilation will not unduly interfere with FSA operations and programs. Each FSA office in the field and each FSA office and division in Washington (see statement of Organization and Functions of FSA, 40 FR 18815, and of CCC, 35 FR 14951, and any amendments thereto) is designated as an ''information center'' and shall make space available to inspect and copy records in their custody not exempted from disclosure. Copies of records shall also be made available upon request. The head of each office or division is authorized to receive requests for records and to make determinations regarding requests for records in the office's custody in accordance with 7 CFR 1.4(c). Requests to Washington divisions and offices shall be addressed to USDA, FSA, P.O. Box 2415, Washington, D.C. 20013. The heads of FSA field offices shall be addressed as listed in the local telephone directory under ''U.S. Government, Department of Agriculture, FSA''. Names and addresses of heads of field offices may also be obtained from the office indicated in § 798.2.

### § 798.5 Appeals.

Any person whose request under § 798.4 of this part is denied shall have the right to appeal such denial. This appeal shall be submitted in accordance with 7 CFR 1.3(e) and addressed to the Administrator, FSA (Executive Vice-President, CCC), USDA, FSA, P.O. Box 2415, Washington, D.C. 20013.

### § 798.6 Fees.

This schedule supplements the fee schedule in 7 CFR, part 1, subpart A,

appendix A and sets forth the fees to be charged by FSA for providing copies of records, materials, and services not covered in appendix A:

(a) Records, materials and services furnished without cost.

(1) One copy each of related directives, or blank forms required by FSA for program participation, if requester is a program participant.

(2) List of names and addresses of county and/or community committee members, and names of county employees in the county.

(3) One copy of an investigation report furnished to an appellant for a program appeal.

(b) Records, materials and services for which fees are charged.

(1) *National handbooks.* Three dollars for the first copy. One dollar for each additional copy. (The term ''copy'' includes all national amendments to date. They will be furnished separately for the requester to assemble).

(2) *Field supplementation to national handbooks.* Five cents per page, not to exceed $3, for each supplement.

(3) *Computerized records.* The requester shall furnish the necessary reels when computerized records are furnished on magnetic tape.

# SUBCHAPTER G—ENVIRONMENTAL PROTECTION

## PART 799—ENVIRONMENTAL QUALITY AND RELATED ENVIRONMENTAL CONCERNS—COMPLIANCE WITH THE NATIONAL ENVIRONMENTAL POLICY ACT


Sec.
799.1 Background.
799.2 Purpose.
799.3 Applicability.
799.4 Definitions.
799.5 FSA officials and offices responsible for carrying out NEPA.
799.6 Adoption of regulations issued by others in implementing the procedural provisions of NEPA.
799.7 Early involvement in private and state and local activities requiring Federal approval.
799.8 Making supplements to EISs part of the final administrative record.
799.9 Ensuring that environmental factors are considered in agency decisionmaking.
799.10 Criteria and identification of FSA actions as to degree of involvement under the NEPA process.
799.11 Expedited procedures.
799.12 Program termination.
799.13 Environmental information.
APPENDIX 1 TO PART 799—ORGANIZATION CHART—FSA–USDA
APPENDIX 2 TO PART 799—FORM FSA–929


AUTHORITY: Pub. L. 91–190, 83 Stat. 852, as amended (42 U.S.C. 4321); E.O. 11514; E.O. 11991; 40 CFR 1507.3, 7 CFR 3100.

SOURCE: 45 FR 32313, May 16, 1980, unless otherwise noted.

### § 799.1 Background.

The National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321 *et seq.*) establishes national policies and goals for the protection of the environment. Section 102(2) of NEPA contains certain procedural requirements directed toward the attainment of such goals. Section (102)(2) also requires all Federal agencies to give appropriate consideration to the environmental effects of their proposed actions in their decisionmaking and to prepare detailed environmental statements on recommendations or reports on proposals for legislation and other major Federal actions significantly affecting the quality of the human environment. Executive Order 11991 of May 24, 1977 (42 FR 26967), directed the Council on Environmental Quality (CEQ) to issue regulations to implement the procedural provisions of NEPA. Accordingly, CEQ issued final NEPA regulations (40 CFR parts 1500 through 1508) on November 29, 1978, which are binding on all Federal agencies as of July 30, 1979. These regulations provide that each Federal agency shall as necessary adopt implementing procedures to supplement the regulations. The U.S. Department of Agriculture adopted such procedures in a final rule (7 CFR part 3100) published on July 30, 1979. The CEQ regulations at 40 CFR 1507.3 (b) identify those items which must be addressed in agency procedures.

### § 799.2 Purpose.

The purpose of this part is to establish agency procedures which supplement NEPA regulations issued by CEQ and USDA. This regulation, together with such NEPA regulations issued by CEQ and USDA, will supersede regulations issued by the Farm Service Agency (FSA) on December 20, 1974 (39 FR 43996).

### § 799.3 Applicability.

This part, together with NEPA regulations issued by CEQ and USDA, applies to all programs administered by FSA which might have significant impacts on the environment.

### § 799.4 Definitions.

(a) The term *environmental evaluation* means agency appraisal of the potential or likely environmental impacts of proposed legislation, a new program, a major change in a program, an action related to a program or an action related to part of a program which will be used by the responsible agency official to determine whether or not an environmental assessment and/or an environmental impact statement is needed. Such appraisal shall relate to the same environmental concerns as an environmental impact statement. The environmental evaluation shall particularly

focus on the adverse affects of FSA actions on the environmental factors listed on Form FSA–929 (see Appendix 2) and on the significance of the action as discussed in the CEQ regulations concerning NEPA at 40 CFR 1508.27. As required, the environmental evaluation shall be made by an interdisciplinary team.

(b) In the regulations in this part and in all instructions, forms, and documents in connection therewith, all other words and phrases shall, unless the context or subject matter otherwise requires, have the meanings assigned to them in the regulations governing reconstitution of farms, allotments and bases, part 719 of this chapter, as amended.

### § 799.5 FSA officials and offices responsible for carrying out NEPA.

(a) *Responsible officials.* The Administrator of FSA, or his or her designee, is the responsible Federal official for carrying out the purpose of NEPA for all FSA programs. County committees, State committees, and Directors of Washington Divisions, within their respective areas of responsibility with the assistance of the FSA representative on the USDA Environmental Quality Committee, shall assist the Administrator in complying with the policies and purposes of NEPA generally, and, in particular, in determining whether the quality of the human environment will be significantly affected in implementing agency programs and preparing the necessary environmental documents.

(b) *Offices responsible for carrying out NEPA*—(1) *Washington divisions.* Washington divisions are responsible for carrying out NEPA with regard to legislative proposals and multi-State and national programs or major revisions of national programs.

(2) *State committees.* State committees are responsible for carrying out NEPA with regard to major actions in a State or area within a State.

(3) *County committees.* County committees are responsible for carrying out NEPA with regard to major actions within a county.

(c) All environmental assessments, environmental impact statements (EISs) and similar documents will be forwarded through the appropriate agency channels to the FSA representative on the USDA Environmental Quality Committee for review and submission to the Administrator.

### § 799.6 Adoption of regulations issued by others in implementing the procedural provisions of NEPA.

In addition to provisions provided for in this part 799, FSA adopts the NEPA regulations issued by CEQ (40 CFR parts 1500 through 1508) and NEPA regulations issued by USDA (7 CFR part 3100).

### § 799.7 Early involvement in private and state and local activities requiring Federal approval.

(a) The NEPA regulations at 40 CFR 1501.2(d) require agencies to provide for early involvement in actions which, while planned by private applicants or other non-Federal entities, require some form of Federal involvement.

(b) To implement the requirements of 40 CFR 1501.2(d) with respect to these actions FSA shall:

(1) Prepare, where practicable, generic guidelines describing the scope and level of environmental information required from applicants seeking assistance from FSA as a basis for evaluating their proposed actions, and make these guidelines available upon request.

(2) Provide such guidance on a project-by-project basis to applicants seeking assistance from FSA.

(3) Upon receipt of an application for agency approval, or notification that an application will be filed, consult as required with other appropriate parties to initiate and coordinate the necessary environmental analyses.

(c) The responsibilities under this section shall be coordinated by the Conservation and Environmental Protection Division of the Farm Service Agency, Washington, D.C.

(d) To facilitate compliance with paragraph (a) of this section, private applicants seeking assistance from FSA and other non-Federal entities are expected to:

(1) Contact FSA as early as possible in the planning process for guidance on the scope and level of environmental

information required to be submitted in support of their application;

(2) Conduct any studies which are deemed necessary and appropriate by FSA to determine the impact of the proposed action on the human environment;

(3) Consult with appropriate Federal, regional, State and local agencies and other potentially interested parties during preliminary planning stages to ensure that all environmental factors are identified;

(4) Submit applications for all Federal, regional, State and local approvals as early as possible in the planning process;

(5) Notify FSA as early as possible of all other Federal, regional, State, local and Indian tribe actions required for project completion so that FSA may coordinate all Federal environmental reviews; and

(6) Notify FSA of all known parties potentially affected by or interested in the proposed action.

### § 799.8 Making supplements to EISs part of the final administrative record.

Where FSA evaluates a proposal on the basis of a formal administrative record and an EIS on the proposal has been prepared, any supplement to the EIS shall be made a part of the formal record before a final decision on the proposal is made.

### § 799.9 Ensuring that environmental factors are considered in agency decisionmaking.

(a) The NEPA regulations at 40 CFR 1501.1 contain requirements to ensure adequate consideration of environmental factors in decisionmaking. To fulfill these requirements, FSA officials shall:

(1) Consider all relevant environmental factors in evaluating proposals for agency action;

(2) Make all relevant environmental documents, comments and responses part of the record in formal rulemaking or adjudicatory proceedings.

(3) Ensure that all relevant environmental documents, comments and responses accompany the proposal through existing review processes;

(4) Consider only those alternatives encompassed by the range of alternatives discussed in the relevant environmental documents when evaluating proposals for agency action.

(5) Where an EIS has been prepared, consider the specific alternatives analyzed in the EIS when evaluating the proposal which is the subject of the EIS.

(b) The four categories of FSA activities that have or are likely to have significant environment impacts on the human environment are:

(1) Legislative proposals.

(2) Initial program implementation.

(3) Major changes in ongoing programs.

(4) Major environmental concerns with ongoing programs.

(c) Initial NEPA involvement in program categories in paragraph (b) of this section shall begin at the time FSA begins developing proposed legislation, begins the planning stage for implementing a new or changed program or receives notice that an ongoing program may have a significant adverse impact on the quality of the human environment. Where a legislative EIS or environmental assessment is part of the formal transmittal of a legislative program proposal to Congress, such legislative EIS or assessment may negate the need for the subsequent preparation of a program impact statement when FSA implements the resulting program. The decision whether such additional statement is needed will be made by an interdisciplinary team. The NEPA process on legislative proposals and FSA programs is carried out at the national level.

(d) Individual farm participation in FSA programs will normally not require any major involvement with the NEPA process. The practices carried out under FSA programs that might have impacts on the quality of the human environment will normally have been discussed in environmental assessments or impact statements on the applicable programs. However, for those practices that might significantly affect the quality of the human environment, the county committee

shall make an environmental evaluation before approval. If the environmental evaluation shows that the implementation of a proposed FSA practice on an individual farm will have significant adverse affects on the quality of the human environment, the county committee will not approve the practice implementation until after the completion of the NEPA–EIS process in accordance with this part. For those actions for which technical assistance is provided by an agency other than FSA, and such technical agency is required by its regulations to implement NEPA requirements when providing such assistance, the county committee shall use the environmental determination and considerations of such agency instead of duplicating the NEPA–EIS process. Individual farm participation in acreage set-aside, acreage allotments, price support and loans and other similar or related programs will not significantly affect the quality of the human environment.

(e) Pooling agreements and special projects carried out under several FSA programs involving two or more farmers in a local geographic area will not normally require any major involvement with the NEPA process. However, the county committee shall, with the assistance of a local interdisciplinary team, as necessary, make an environmental evaluation of proposed pooling agreements or special projects that have a potential for significantly affecting the quality of the human environment. The NEPA process shall begin with the initial involvement of FSA personnel in the planning or development of pooling agreements or special projects. If it is determined from an environmental evaluation that the implementation of a proposed pooling agreement or a proposed special project will have a significant adverse impact on the quality of the human environment, the completion of the NEPA–EIS process in accordance with these regulations will be necessary before approval. For those actions for which technical assistance is provided by an agency other than FSA and such technical agency is required by its regulations to implement NEPA when providing such assistance the county committee shall use the environmental determinations and considerations of such agency instead of duplicating the NEPA–EIS process.

**§ 799.10 Criteria and identification of FSA actions as to degree of involvement under the NEPA process.**

(a) FSA will for each of its legislative proposals, initial program implementations, program changes or any actions under its ongoing programs make a determination by the use of an environmental evaluation as to whether or not an environmental assessment or EIS is required.

(b) The NEPA regulations issued by CEQ at 40 CFR 1507.3(b)(2) in conjunction with the regulations at 40 CFR 1508.4 require agencies to determine those typical classes of actions for treatment under NEPA. The typical classes of FSA actions for treatment under NEPA are set forth as follows:

(1) Actions normally requiring an EIS are:

(i) Production adjustment programs to balance supply and demand of specified commodities, through cropland set-aside or other acreage diversion.

(ii) Agricultural Conservation Program.

(iii) Rural Clean Water Program.

(iv) Other major actions that are determined after an environmental evaluation and/or an environmental assessment to significantly affect the quality of the human environment.

(2) Actions normally not requiring an assessment or an EIS are:

(i) Individual farm participation in FSA programs.

(ii) Pooling agreements and special projects under FSA programs.

(iii) Production adjustment programs for tobacco, peanuts and extra long staple cotton.

(iv) Emergency Conservation Program.

(v) Water Bank Program.

(vi) Forestry Incentives Program.

(vii) Sugar Program.

(viii) Wool and Mohair Incentives Program.

(ix) Bee and Dairy Indemnity Programs.

(x) Commodity Income and Support and Disaster Protection Programs.

(xi) Facility Loan Program.

(xii) Grain Reserve Program.

(xiii) Livestock Feed Program.

(xiv) Naval Stores Program.

(xv) Indian Acute Distress Donation Program.

(xvi) Other major actions that are determined after an environmental evaluation not to significantly affect the quality of the human environment.

(c) FSA will independently determine by an environmental evaluation whether an environmental assessment or an EIS is required on actions included in paragraph (b) of this section where the presence of extraordinary circumstances or other unforseeable factors indicate that some other level of environmental review may be appropriate.

(d) If an environmental evaluation indicates that an action will significantly affect the quality of the human environment, the preparation of an environmental assessment and/or an EIS will be necessary before the action is carried out.

**§ 799.11 Expedited procedures.**

Where emergency circumstances make it necessary to take action with significant environmental impact without following the provisions of the NEPA regulations issued by CEQ, USDA, and FSA, FSA will, by working through the USDA Office of Environmental Quality, consult with CEQ and/or EPA about alternative arrangements (7 CFR 3100.35).

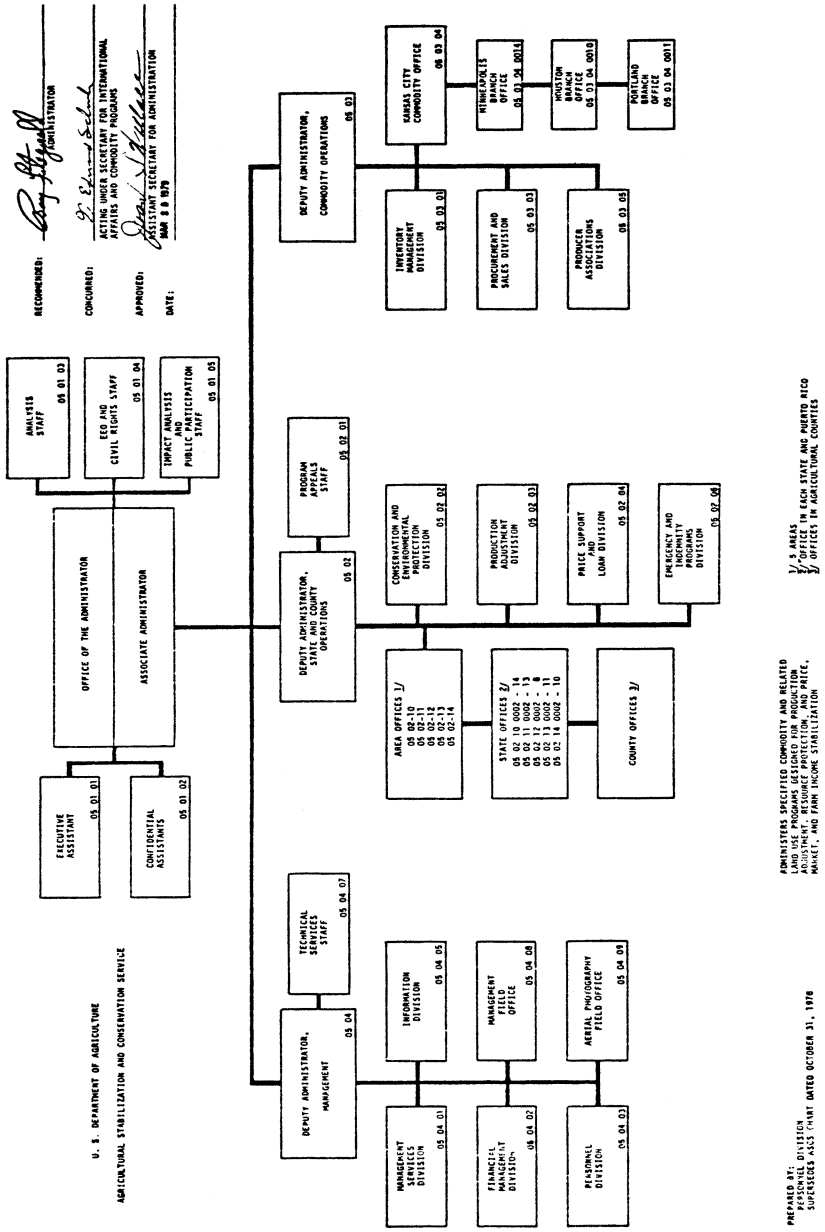
**§ 799.12 Program termination.**

An environmental assessment or an EIS will not be needed when a program or part of a program is discontinued because of a mandatory legislative requirement where the enabling legislation for such program does not provide authority to ameliorate or mitigate any resulting environmental effects on the quality of the human environment.

**§ 799.13 Environmental information.**

Interested persons may contact the Conservation and Environmental Protection Division, FSA, for information regarding FSA compliance with NEPA.

Appendix 1


RECOMMENDED: ADMINISTRATOR
CONCURRED: ACTING UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS
APPROVED: ASSISTANT SECRETARY FOR ADMINISTRATION
DATE: MAR 8 8 1979
U. S. DEPARTMENT OF AGRICULTURE
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
OFFICE OF THE ADMINISTRATOR
EXECUTIVE ASSISTANT 05 01 01
CONFIDENTIAL ASSISTANTS 05 01 02
ASSOCIATE ADMINISTRATOR
ANALYSIS STAFF 05 01 03
EEO AND CIVIL RIGHTS STAFF 05 01 04
IMPACT ANALYSIS AND PUBLIC PARTICIPATION STAFF 05 01 05
DEPUTY ADMINISTRATOR, MANAGEMENT 05 04
TECHNICAL SERVICES STAFF 05 04 07
MANAGEMENT SERVICES DIVISION 05 04 01
INFORMATION DIVISION 05 04 05
FINANCIAL MANAGEMENT DIVISION 05 04 02
MANAGEMENT FIELD OFFICE 05 04 08
PERSONNEL DIVISION 05 04 03
AERIAL PHOTOGRAPHY FIELD OFFICE 05 04 09
DEPUTY ADMINISTRATOR, STATE AND COUNTY OPERATIONS 05 02
PROGRAM APPEALS STAFF 05 02 01
AREA OFFICES 1/ 05 02-10 05 02-11 05 02-12 05 02-13 05 02-14
CONSERVATION AND ENVIRONMENTAL PROTECTION DIVISION 05 02 02
STATE OFFICES 2/ 05 02 10 0002 - 14 05 02 11 0002 - 13 05 02 12 0002 - 18 05 02 13 0002 - 11 05 02 14 0002 - 10
PRODUCTION ADJUSTMENT DIVISION 05 02 03
COUNTY OFFICES 3/
PRICE SUPPORT AND LOAN DIVISION 05 02 04
EMERGENCY AND HOUSEHOLD PROGRAMS DIVISION 05 02 06
DEPUTY ADMINISTRATOR, COMMODITY OPERATIONS 05 03
INVENTORY MANAGEMENT DIVISION 05 03 03
PROCUREMENT AND SALES DIVISION 05 03 03
PRODUCER ASSOCIATIONS DIVISION 05 03 05
KANSAS CITY COMMODITY OFFICE 05 03 04
MINNEAPOLIS BRANCH OFFICE 05 03 04 0014
HOUSTON BRANCH OFFICE 05 03 04 0010
PORTLAND BRANCH OFFICE 05 03 04 0011
ADMINISTERS SPECIFIED COMMODITY AND RELATED LAND USE PROGRAMS DESIGNED FOR PRODUCTION ADJUSTMENT, PRICE SUPPORT, MARKET STABILIZATION, MARKET, AND FARM INCOME STABILIZATION
1/ 5 AREAS
2/ OFFICE IN EACH STATE AND PUERTO RICO
3/ OFFICES IN AGRICULTURAL COUNTIES
PREPARED BY: PERSONNEL DIVISION
SUPERSEDES ASCS CHART DATED OCTOBER 31, 1978

ASCS-929
(8-11-78)

U. S. DEPARTMENT OF AGRICULTURE
Agricultural Stabilization and Conservation Service

APPENDIX 2

## MATRIX OF ENVIRONMENTAL RELATIONSHIPS

| ENVIRONMENTAL FACTORS | POTENTIAL ALTERNATIVES | | | | |
|---|---|---|---|---|---|
| | FUTURE WITHOUT PROGRAM | PROPOSED PROGRAM | 1/ | 1/ | 1/ |
| Land Cover | | | | | |
| Soil Erosion | | | | | |
| Loss of Prime Cropland | | | | | |
| Water Quantity | | | | | |
| Water Quality | | | | | |
| Ground-Water Quality | | | | | |
| Air Quality | | | | | |
| Odor | | | | | |
| Noise | | | | | |
| Radiation | | | | | |
| Energy Supply | | | | | |
| Pesticides | | | | | |
| Fertilizers | | | | | |
| Woodland Production | | | | | |
| Wildlife Habitat | | | | | |
| Fish Production | | | | | |
| Recreation | | | | | |
| Timber Production | | | | | |
| Wetlands | | | | | |
| Natural Streams | | | | | |
| Service Industries | | | | | |
| Economic | | | | | |
| Population Migration | | | | | |
| Social Values | | | | | |
| Unique | | | | | |
| Archaeological | | | | | |
| Historical | | | | | |
| Natural | | | | | |
| Endangered Species | | | | | |
| Landscape | | | | | |

REMARKS

Relationship of Impacts Toward the Environment - + Slight; ++ Moderate; +++ Important. 1/ List alternative to proposed program.

# CHAPTER VIII—GRAIN INSPECTION, PACKERS AND STOCKYARD ADMINISTRATION (FEDERAL GRAIN INSPECTION SERVICE), DEPARTMENT OF AGRICULTURE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AUTHORITY: Pub. L. 94–582, 90 Stat. 2867, as amended, (7 U.S.C. 71 *et seq.*).

SOURCE: 45 FR 15810, Mar. 11, 1980, unless otherwise noted.

## DEFINITIONS

### § 800.0 Meaning of terms.

(a) *Construction.* Words used in the singular form shall be considered to imply the plural and vice versa, as appropriate. When a section; e.g., § 800.2, is cited, it refers to the indicated section in these regulations.

(b) *Definitions.* For the purpose of these regulations, unless the context requires otherwise, the following terms shall have the meanings given for them below. The terms defined in the Act have been incorporated herein for easy reference.

(1) *Act*. The United States Grain Standards Act, as amended (39 Stat. 482–485, as amended 7 U.S.C. 71 *et seq*.).

(2) *Additives*. Materials approved by the Food and Drug Administration or the Environmental Protection Agency and added to grain for purposes of insect and fungi control, dust suppression, or identification.

(3) *Administrator*. The Administrator of the Grain Inspection, Packers and Stockyards Administration or any person to whom authority has been delegated.

(4) *Agency*. A delegated State or an official agency designated by the Administrator, as appropriate.

(5) *Appeal inspection service*. An official review by a field office of the results of an original inspection service or a reinspection service.

(6) *Applicant*. An interested person who requests an official inspection or a Class X or Class Y weighing service.

(7) *Approved scale testing organization*. A State or local governmental agency, or person, approved by the Service to perform official equipment testing services with respect to weighing equipment.

(8) *Approved weigher*. A person employed by or at an approved weighing facility and approved by the Service to physically perform Class X or Class Y weighing services, and certify the results of Class Y weighing.

(9) *Approved weighing equipment*. Any weighing device or related equipment approved by the Service for the performance of Class X or Class Y weighing services.

(10) *Approved weighing facility*. An elevator that is approved by the Service to receive Class X or Class Y weighing services.

(11) *Assigned area of responsibility*. A geographical area assigned to an agency or to a field office for the performance of official inspection or Class X or Class Y weighing services.

(12) *Board appeal inspection service*. An official review by the Board of Appeals and Review of the results on an appeal inspection service.

(13) *Board of Appeals and Review*. The Board of Appeals and Review of the Service.

(14) *Business day*. The established field office working hours, any Monday through Friday that is not a holiday, or the working hours and days established by an agency.

(15) *Cargo shipment*. Bulk or sacked grain that is loaded directly aboard waterborne carrier for shipment. Grain loaded aboard a land carrier for shipment aboard a waterborne carrier shall not be considered to be a cargo shipment.

(16) *Carrier*. A truck, trailer, truck/trailer(s) combination, railroad car, barge, ship, or other container used to transport bulk or sacked grain.

(17) *Chapter*. Chapter VIII of the Code of Federal Regulations (7 CFR chapter VIII).

(18) *Circuit*. A geographical area assigned to a field office.

(19) *Class X or Class Y weighing equipment testing*. Any operation or procedure performed by official personnel to determine the accuracy of the equipment used, or to be used, in the performance of Class X or Class Y weighing services.

(20) *Combined lot*. Grain loaded aboard, or being loaded aboard, or discharged from two or more carriers as one lot.

(21) *Compliance*. Conformance with all requirements and procedures established by statute, regulation, instruction, or directive so that managerial, administrative, and technical functions are accomplished effectively. Compliance functions include: evaluating alleged violations, initiating preliminary investigations; initiating implementation of all necessary corrective actions; conducting management and technical reviews; administering the designation of agencies and the delegation of State agencies to perform official functions; identifying and, where appropriate, waiving and monitoring conflicts of interest; licensing agency personnel; responding to audits of FGIS programs; and reviewing and, when appropriate, approving agency fee schedules.

(22) *Container*. A carrier, or a bin, other storage space, bag, box, or other receptacle for grain.

(23) *Contract grade*. The official grade, official factors, or official criteria specified in a contract for sale or confirmation of sale; or in the absence of a contract the official grade, official factors,

or official criteria specified by the applicant for official service.

(24) *Contract service*. An inspection or weighing service performed under a contract between an applicant and the Service.

(25) *Contractor*. A person who enters into a contract with the Service for the performance of specified official inspection or official monitoring services.

(26) *Date of official inspection service or Class X or Class Y weighing services*. The day on which an official inspection, or a Class X or Class Y weighing service is completed. For certification purposes, a day shall be considered to end at midnight, local time.

(27) *Deceptive loading, handling, weighing, or sampling*. Any manner of loading, handling, weighing, or sampling that knowingly deceives or attempts to deceive official personnel.

(28) *Delegated State*. A State agency delegated authority under the Act to provide official inspection service, or Class X or Class Y weighing services, or both, at one or more export port locations in the State.

(29) *Department of Agriculture and Department*. The United States Department of Agriculture (USDA).

(30) *Designated agency*. A State or local governmental agency, or person, designated under the Act to provide either official inspection service, or Class X or Class Y weighing services, or both, at locations other than export port locations.

(31) *Door-probe sample*. A sample taken with a probe from a lot of bulk grain that is loaded so close to the top of the carrier that it is possible to insert the probe in the grain only in the vicinity of the tailgate of the truck or trailer, the door of the railroad boxcar, or in a similarly restricted opening or area in the carrier in which the grain is located or is loaded in hopper cars or barges in such a manner that a representative sample cannot be obtained.

(32) *Elevator*. Any warehouse, storage, or handling facility used primarily for receiving, storing, or shipping grain. In a facility that is used primarily for receiving, storing, and shipping grain, all parts of the main facility, as well as annexes, shall be considered to be part of the elevator. A warehouse, storage, and handling facility that is located adjacent to and is operated primarily as an adjunct of a grain processing facility shall not be considered to be an elevator.

(33) *Elevator areas and facilities*. All operational areas, including the automated data processing facilities that are an integral part of the inspection or weighing operations of an elevator; the loading and unloading docks; the headhouse and control rooms; all storage areas, including the bins, the interstices, the bin floor, and the basement; and all handling facilities, including the belts, other conveyors, distributor scales, spouting, mechanical samplers, and electronic controls.

(34) *Employed*. An individual is employed if the individual is actually employed or the employment is being withheld pending issuance of a license under the Act.

(35) *Exporter*. Any person who ships or causes to be shipped any bulk or sacked grain in a final carrier or container in which the grain is transported from the United States to any place outside the United States.

(36) *Export elevator*. Any grain elevator, warehouse, or other storage or handling facility in the United States (i) from which bulk or sacked export grain is loaded (A) aboard a carrier in which the grain is shipped from the United States to any place outside thereof, or (B) into a container for shipment to an export port location where the grain and the container will be loaded aboard a carrier in which it will be shipped from the United States to any place outside thereof; and (ii) which has been approved by the Service as a facility where Class X or Class Y weighing of grain may be obtained.

(37) *Export grain*. Grain for shipment from the United States to any place outside thereof.

(38) *Export port location*. A commonly recognized port of export in the United States or Canada, as determined by the Administrator, from which grain produced in the United States is shipped to any place outside the United States. Such locations include any coastal or border location or site in the United States which contains one or more export elevators, and is identified by the Service as an export port location.

(39) *False, incorrect, and misleading.* Respectively false, incorrect, and misleading in any particular.[2]

(40) *Federal Register.* An official U.S. Government publication issued under the Federal Register Act of July 26, 1935, as amended (44 U.S.C. 301 *et seq.*).

(41) *Field Office.* An office of the Service designated to perform or supervise official inspection services and Class X and Class Y weighing services.

(42) *Grain.* Corn, wheat, rye, oats, barley, flaxseed, sorghum, soybeans, triticale, mixed grain, sunflower seed, canola, and any other food grains, feed grains, and oilseeds for which standards are established under section 4 of the Act.

(43) *Handling.* Loading, unloading, elevating, storing, binning, mixing, blending, drying, aerating, screening, cleaning, washing, treating, or fumigating grain.

(44) *Holiday.* The legal public holidays specified in paragraph (a) of section 6103, Title 5, of the United States Code (5 U.S.C. 6103(a)) and any other day declared to be a holiday by Federal statute or Executive Order. Under section 610 and Executive Order No. 10357, as amended, if the specified legal public holiday falls on a Saturday, the preceding Friday shall be considered to be the holiday, or if the specified legal public holiday falls on a Sunday, the following Monday shall be considered to be the holiday.

(45) *''IN'' movement.* A movement of grain into an elevator, or into or through a city, town, port, or other location without a loss of identity.

(46) *Instructions.* The Notices, Instructions, Handbooks, and other directives issued by the Service.

(47) *Interested person.* Any person having a contract or other financial interest in grain as the owner, seller, purchaser, warehouseman, or carrier, or otherwise.

(48) *Interstate or foreign commerce.* Commerce from any State to or through any other State, or to or through any foreign country.

(49) *Licensee.* Any person licensed by the Service.

(50) *Loading.* Placing grain in or aboard any carrier or container.

(51) *''LOCAL'' movement.* A bin run or other inhouse movement, or grain in bins, tanks, or similar containers which are not in transit or designed to transport grain

(52) [Reserved]

(53) *Lot.* A specific quantity of grain identified as such.

(54) *Material error.* An error in the results of an official inspection service that exceeds the official tolerance, or any error in the results of a Class X or Class Y weighing service

(55) *Material portion.* A subsample, component, or sublot which is determined to be inferior to the contract or declared grade. A subsample is a material portion when it has sour, musty, or commercially objectionable foreign odors, when it is heating; or when it is of distinctly low quality. A component is a material portion when it is infested or when it is determined to be inferior in quality by more than one numerical grade to the contract or declared grade. A sublot is a material portion when a factor result causes a breakpoint to be exceeded or when a factor result exceeds specific sublot contract requirements. A sublot designated a material portion shall include only one sublot.

(56) *Merchandiser.* Any person, other than a producer, who buys and sells grain and takes title to the grain. A person who operates as a broker or commission agent and does not take title to the grain shall not be considered to be a merchandiser.

(57) *Monitoring.* Observing or reviewing activities performed under or subject to the Act for adherence to the Act, the regulations, standards, and instructions and preparing reports thereon.

(58) *Nonregular workday.* Any Sunday or holiday.

(59) *Official agency.* Any State or local government agency, or any person, designated by the Administrator pursuant to subsection (f) of section 7 of the Act for the conduct of official inspection (other than appeal inspection), or subsection (c) of section 7A of the Act for the conduct of Class X or

[1] [Reserved]

[2] A definition taken from the U.S. Grain Standards Act, as amended, with certain modifications which do not change the meanings.

Class Y weighing (other than review of weighing).

(60) *Official certificate*. Those certificates which show the results of official services performed under the Act as provided in the instructions, and any other official certificates which may be approved by the Service in accordance with the instructions.

(61) *Official criteria*. A quantified physical or chemical property of grain that is approved by the Service to determine the quality or condition of grain or other facts relating to grain.

(62) *Official factor*. A quantified physical or chemical property of grain as identified in the Official U.S. Standards for Grain.

(63) *Official forms*. License, authorizations, and approvals; official certificates; official pan tickets; official inspection or weighing logs; weight sheets; shipping bin weight loading logs; official equipment testing reports; official certificates of registration; and any other forms which may be issued or approved by the Service that show the name of the Service or an agency and a form number.

(64) *Official grade designation*. A numerical or sample grade designation, specified in the standards relating to kind, class, quality, and condition of grain provided for in the Act.

(65) *Official inspection*. The determination (by original inspection, and when requested, reinspection and appeal inspection) and the certification, by official personnel, of the kind, class, quality, or condition of grain, under standards provided for in the Act; or the condition of vessels and other carriers or receptacles for the transportation of grain insofar as it may affect the quality of such grain; or other facts relating to grain under other criteria approved by the Administrator (the term ''officially inspected'' shall be construed accordingly).

(66) *Official inspection equipment testing*. Any operation or procedure by official personnel to determine the accuracy of equipment used, or to be used, in the performance of official inspection services.

(67) *Official inspection technician*. Any official personnel who perform or supervise the performance of specified official inspection services and certify the results thereof, other than certifying the grade of the grain.

(68) *Official inspector*. Any official personnel who perform or supervise the performance of official inspection services and certify the results thereof including the grade of the grain.

(69) *Official marks*. The symbols or terms ''official certificate,'' ''official grade,'' ''officially sampled,'' ''officially inspected,'' ''official inspection,'' ''U.S. inspected,'' ''loaded under continuous official inspection,'' ''official weighing,'' ''officially weighed,'' ''official weight,'' ''official supervision of weighing,'' ''supervision of weighing,'' ''officially supervised weight,'' ''loaded under continiuous official weighing,'' ''loaded under continuous official inspection and weighing,'' ''officially tested,'' ''Class X weight,'' ''official Class X weighing,'' ''Class X weighing,'' ''official Class Y weighing,'' ''Class Y weighing,'' and ''Class Y weight.''

(70) *Official personnel*. Persons licensed or otherwise authorized by the Administrator pursuant to Section 8 of the Act to perform all or specified functions involved in official inspection, Class X or Class Y weighing, or in the supervision of official inspection, or Class X or Class Y weighing.

(71) *Official sample*. A sample obtained from a lot of grain by, and submitted for official inspection by, official personnel (the term ''official sampling'' shall be construed accordingly).

(72) *Official sampler*. Any official personnel who perform or supervise the performance of official sampling services and certify the results thereof.

(73) *Official stowage examination*. Any examining operation or procedure performed by official personnel to determine the suitability of a carrier or container to receive or store grain.

(74) *Official tolerance*. A statistical allowance prescribed by the Service, on the basis of expected variation, for use in performing or supervising the performance of official inspection services, official equipment testing services, and, when determined under an established loading plan, reinspection services and appeal inspection services.

(75) *Official U.S. Standards for Grain*. The Official U.S. Standards for Grain established under the Act describe the

physical and biological condition of grain at the time of inspection.

(76) *Official weigher*. Any official personnel who perform or supervise the performance of Class X or Class Y weighing services and certify the results thereof, including the weight of the grain.

(77) *Official weighing*. (Referred to as Class X weighing.) The determination and certification by official personnel of the quantity of a lot of grain under standards provided for in the Act, based on the actual performance of weighing or the physical supervision thereof, including the physical inspection and testing for accuracy of the weights and scales and the physical inspection of the premises at which weighing is performed and the monitoring of the discharge of grain into the elevator or conveyance. (The terms ''officially weigh'' and ''officially weighed'' shall be construed accordingly.)

(78) *Official weighing technician*. Any personnel who perform or supervise specified weighing services and certify the results thereof other than certifying the weight of grain.

(79) *Official weight sample*. Sacks of grain obtained at random by, or under the complete supervision of, official personnel from a lot of sacked grain for the purpose of computing the weight of the grain in the lot.

(80) *Original inspection*. An initial official inspection of grain.

(81) *''Out'' movement*. A movement of grain out of an elevator or out of a city, town, port, or other location.

(82) *Person*. Any individual, partnership, corporation, association, or other business entity.

(83) *Quantity*. Pounds or kilograms, tons or metric tons, or bushels.

(84) *Reasonably continuous operation*. A loading or unloading operation in one specific location which does not include inactive intervals in excess of 88 consecutive hours.

(85) *Regular workday*. Any Monday, Tuesday, Wednesday, Thursday, Friday, or Saturday that is not a holiday.

(86) *Regulations*. The regulations in parts 800, 801, and 802 of this chapter.

(87) *Reinspection service*. An official review of the results of an original inspection service by the agency or field office that performed the original inspection service.

(88) *Respondent*. The party proceeded against.

(89) *Review of weighing service*. An official review of the results of a Class X or Class Y weighing service.

(90) *Secretary*. The Secretary of Agriculture of the United States or any person to whom authority has been delegated.

(91) *Service*. The Federal Grain Inspection Service of the Grain Inspection, Packers and Stockyards Administration of the United States Department of Agriculture.

(92) *Service representative*. An authorized salaried employee of the Service; or a person licensed by the Administrator under a contract with the Service.

(93) *Shallow-probe sample*. A sample taken with a probe from a lot of bulk grain that is loaded so close to the top of the carrier that it is possible to insert the probe in the grain at the prescribed locations, but only at an angle greater or more obtuse from the vertical than the angle prescribed in the instructions.

(94) *Ship*. The verb ''ship'' with respect to grain means transfer physical possession of the grain to another person for the purpose of transportation by any means of conveyance, or transport one's own grain by any means of conveyance.

(95) *Shiplot grain*. Grain loaded aboard, or being loaded aboard, or discharged from an ocean-going vessel including a barge, lake vessel, or other vessel of similar capacity.

(96) *Shipper's Export Declaration*. The Shipper's Export Declaration certificate filed with the U.S. Department of Commerce, Bureau of Census.

(97) *Specified service point*. A city, town, or other location specified by an agency for the performance of official inspection or Class X or Class Y weighing services and within which the agency or one or more of its inspectors or weighers is located.

(98) *Standardization*. The act, process, or result of standardizing methodology and measurement of quality and quantity. Standardization functions include: compiling and evaluating data to develop and to update grading and

weighing standards, developing or evaluating new methodology for determining grain quality and quantity, providing reference standards for official grading methods, and reviewing official results through the use of a quality control and weight monitoring program.

(99) *State*. Any one of the States (including Puerto Rico) or territories or possessions of the United States (including the District of Columbia).

(100) *Submitted sample*. A sample submitted by or for an interested person for official inspection, other than an official sample.

(101) *Supervision*. The effective guidance of agencies, official personnel and others who perform activities under the Act, so as to reasonably assure the integrity and accuracy of the program activities. Supervision includes overseeing, directing, and coordinating the performance of activities under the Act, reviewing the performance of these activities; and effecting appropriate action. FGIS supervisory personnel supervise agencies, official personnel and others who perform activities under the Act. Agency supervisors are responsible for the direct supervision of their own official personnel and employees. FGIS provides oversight, guidance, and assistance to agencies as they carry out their responsibilities.

(102) *Supervision of weighing* (Referred to as Class Y weighing.) Such supervision by official personnel of the grain-weighing process as is determined by the Administrator to be adequate to reasonably assure the integrity and accuracy of the weighing and of certificates which set forth the weight of the grain and such physical inspection by such personnel of the premises at which the grain weighing is performed as will reasonably assure that all the grain intended to be weighed has been weighed and discharged into the elevator or conveyance.

(103) *United States*. The States (including Puerto Rico) and the territories and possessions of the United States (including the District of Columbia).

(104) *Use of official inspection service*. The use of the services provided under a delegation or designation or provided by the Service.

(105) *Uniform in quality*. A lot of grain in which there are no material portions.

(106) *Warehouseman's sampler*. An elevator employee licensed by the Service to obtain samples of grain for a warehouseman's sample-lot inspection service. Warehouseman's samplers are not considered official personnel, but they are licensed under authority of section 11 of the Act.

[45 FR 15810, Mar. 11, 1980, as amended at 49 FR 36068, Sept. 14, 1984; 49 FR 37055, Sept. 21, 1984; 49 FR 49586, Dec. 21, 1984; 52 FR 6495, Mar. 4, 1987; 55 FR 24041, June 13, 1990; 57 FR 3273, Jan. 29, 1992; 60 FR 5835, Jan. 31, 1995]

ADMINISTRATION

## § 800.1 Mission.

The mission of the Federal Grain Inspection Service is to facilitate the marketing of grain, oilseeds, pulses, rice, and related commodities by:

(a) Establishing descriptive standards and terms,

(b) Accurately and consistently certifying quality,

(c) Providing for uniform official inspection and weighing,

(d) Carrying out assigned regulatory and service responsibilities, and

(e) Providing the framework for commodity quality improvement incentives to both domestic and foreign buyers.

[54 FR 9197, Mar. 6, 1989]

## § 800.2 Administrator.

The Administrator is delegated, from the Secretary, responsibility for administration of the United States Grain Standards Act and responsibilities under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621 *et seq.*). The Administrator is responsible for the establishment of policies, guidelines, and regulations by which the Service is to carry out the provisions of the Act and the Agricultural Marketing Act of 1946. The regulations promulgated under the Agricultural Marketing Act of 1946 appear at part 68 of this title (7 CFR part 68). The Administrator is authorized by the Secretary to take any action required by law or considered to be necessary and proper to the discharge of

the functions and services under the Act. The Administrator may delegate authority to the Deputy Administrator and other appropriate officers and employees. The Administrator may, in emergencies or other circumstances which would not impair the objectives of the Act, suspend for period determined by the Administrator any provision of the regulations or official grain standards. The Administrator may authorize research; experimentation; and testing of new procedures, equipment, and handling techniques to improve the inspection and weighing of grain. The Administrator may waive the official inspection and official weighing requirements pursuant to Section 5 of the Act.

[60 FR 5835, Jan. 31, 1995]

### § 800.3 Nondiscrimination—policy and provisions.

In implementing, administering, and enforcing the Act and the regulations, standards, and instructions, it is the policy of the Service to promote adherence to the provisions of the Civil Rights Act of 1964 (42 U.S.C. 2000a *et seq.*), (Pub. L. 88–352).

### § 800.4 Procedures for establishing regulations, official standards, and official criteria.

Notice of proposals to prescribe, amend, or revoke regulations, official standards, and official criteria under the Act shall be published in accordance with applicable provisions of the Administrative Procedure Act (5 U.S.C. 551, *et seq.*). Proposals to establish, amend, or revoke grain standards will be made effective not less than 1 calendar year after promulgation unless, for good cause, the Service determines that the public health, interest, or safety require that they become effective sooner. Any interested person desiring to file a petition for the issuance, amendment, or revocation of regulations, Official U.S. Standards for Grain, or official criteria may do so in accordance with §1.28 of the regulations of the Office of the Secretary of Agriculture (7 CFR 1.28).

### § 800.5 Complaints and reports of alleged violations.

(a) *General.* Except as provided in paragraphs (b) and (c) of this section, complaints and reports of violations involving the Act or the regulations, standards, and instructions issued under the Act should be filed with the Service in accordance with §1.133 of the regulations of the Office of the Secretary of Agriculture (7 CFR 1.133) and with the regulations and the instructions.

(b) *Reinspection, review of weighing, and appeal services.* Complaints involving the results of official inspection or Class X or Class Y weighing services shall, to the extent practicable, be submitted as requests for a reinspection service, a review of weighing service, an appeal inspection service, or a Board appeal inspection service as set forth in these regulations.

(c) *Foreign buyer complaints.* Inquiries or complaints from importers or other purchasers in foreign countries involving alleged discrepancies in the quality or weight of officially inspected or Class X weighed export grain shall, to the extent possible, be submitted by the importers or purchasers to the appropriate U.S. Agricultural Attache in accordance with §2.68(a)(14) of the regulations of the Office of the Secretary of Agriculture (7 CFR 2.68(a)(14)) and the instructions issued by the Foreign Agricultural Service of the Department.

[45 FR 15810, Mar. 11, 1980, as amended at 54 FR 5924, Feb. 7, 1989]

### § 800.6 Provisions for hearings.

Opportunities will be provided for hearings prescribed or authorized by sections 7(g)(3), 7A(c)(2), 9, 10(d), and 17A(d) of the Act, and the hearings shall be conducted in accordance with the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary under Various Statutes (7 CFR, part 1, subpart H).

### § 800.7 Information about the Service, Act, and regulations.

Information about the Grain Inspection, Packers and Stockyards Administration, Service, Act, regulations, official standards, official criteria, rules of practice, instructions, and other matters related to the official inspection or Class X or Class Y weighing of grain may be obtained by telephoning or writing the U.S. Department of Agriculture, Grain Inspection, Packers and Stockyards Administration, P.O. Box 96454, Washington, D.C. 20090–6454, or any field office or agency of the Service.

[60 FR 5836, Jan. 31, 1995]

### § 800.8 Public information.

(a) *General.* This section is issued in accordance with §§1.1 through 1.23 of the regulations of the Secretary of Agriculture in part 1, subpart A, of subtitle A of title 7 (7 CFR 1.1 through 1.23), and appendix A thereto, implementing the Freedom of Information Act (5 U.S.C. 552). The Secretary's regulations, as implemented by this section, govern the availability of records of the Service to the public.

(b) *Public inspection and copying.* Materials maintained by the Service, including those described in 7 CFR 1.5, will be made available, upon a request which has not been denied, for public inspection and copying at the U.S. Department of Agriculture, Grain Inspection, Packers and Stockyards Administration, at 14th Street and Independence Avenue, SW., Washington, D.C. 20250. The public may request access to these materials during regular working hours, 8:00 a.m. to 4:30 p.m., est, Monday through Friday except for holidays.

(c) *Indexes.* FGIS shall maintain an index of all material required to be made available in 7 CFR 1.5. Copies of these indexes will be maintained at the location given in paragraph (b) of this section. Notice is hereby given that quarterly publication of these indexes is unnecessary and impracticable, because the material is voluminous and does not change often enough to justify the expense of quarterly publication. However, upon specific request, copies of any index will be provided at a cost not to exceed the direct cost of duplication.

(d) *Requests for records.* Requests for records under 5 U.S.C. 552(a)(3) shall be made in accordance with 7 CFR 1.6 and shall be addressed as follows: Office of the Administrator, Grain Inspection, Packers and Stockyards Administration; FOIA Request, U.S. Department of Agriculture, P.O. Box 96454, Washington, D.C. 20090–6454.

(e) *Appeals.* Any person whose request under paragraph (d) of this section, is denied shall have the right to appeal such denial in accordance with 7 CFR 1.13. Appeals shall be addressed to the Administrator, Grain Inspection, Packers and Stockyards Administration, FOIA Appeal, P.O. Box 96454, Washington, D.C. 20090–6454.

(Secs. 5, 18, Pub. L. 94–582, 90 Stat. 2869, 2884; (7 U.S.C. 76, 87e))

[48 FR 57467, Dec. 30, 1983, as amended at 54 FR 5924, Feb. 7, 1989; 60 FR 5836, Jan. 31, 1995]

## OFFICIAL INSPECTION AND CLASS X OR CLASS Y WEIGHING REQUIREMENTS

### § 800.15 Services.

(a) *General.* These regulations implement requirements for a national inspection and weighing system. This system promotes the uniform and accurate application of the official grain standards and provides inspection and weighing services required by the Act and as requested by applicants for official services. The types and kinds of services available under the Act and regulations can be obtained at all specified service points in the United States and on U.S. grain in Canadian ports.

(b) *Responsibilities for complying with the official inspection, aflatoxin testing, and weighing requirements.*

(1) *Export grain.* Exporters are responsible for (i) complying with all inspection, Class X weighing, and other certification provisions and requirements of section 5(a)(1) of the Act and the regulations applicable to export grain and (ii) having all corn, as defined in §810.401, exported from the United States tested for aflatoxin contamination unless the buyer and seller agree not to have the corn tested. The Service shall perform the aflatoxin testing service unless the buyer and seller

agree to have the corn tested by an entity other than the Service.

(2) *Intercompany barges*. Operators of export elevators at export port locations are responsible for complying with Class X weighing requirements and regulations covering intercompany grain shipments received by barge.

(3) *Grain in marked containers*. When grain is in a container that bears an official grade designation or mark, the person who places the designation or mark on the container or the person who places the grain in a container that bears the designation or mark shall be responsible for determining that the grain has been inspected or weighed by official personnel and qualifies for the official grade designation or mark.

(4) *Grain for which representations have been made*. Any person who makes a representation that (i) grain has been officially inspected or weighed; or (ii) grain has been officially inspected or weighed and found to be of a particular kind, class, quality, condition, or weight; or (iii) particular facts have been established with respect to the grain by official inspection or weighing, shall be responsible for determining that the representation is true and is not in violation of the Act and regulations.

[50 FR 49668, Dec. 4, 1985, as amended at 57 FR 2439, Jan. 22, 1992]

### § 800.16 Certification requirements for export grain.

(a) *General*. Official Export Grain Inspection and Weight Certificates, Official Export Grain Inspection Certificates, and Official Export Grain Weight Certificates for bulk or sacked grain shall be issued according to § 800.162 for export grain loaded by an export elevator. Only these types of export certificates showing the official grade, official aflatoxin test results if required under the Act and the regulations, and/or the Class X weight of the grain shall be considered to be in compliance with inspection and weighing requirements under the Act for export grain.

(b) *Promptly furnished*. Export certificates shall be considered promptly furnished if they are forwarded by the shipper or the shipper's agent to the consignee not later than 10 business days after issuance.

[50 FR 49668, Dec. 4, 1985, as amended at 57 FR 2439, Jan. 22, 1992]

### § 800.17 Special inspection and weighing requirements for sacked export grain.

(a) *General*. Subject to the provisions of § 800.18, sacked export grain shall be (1) officially inspected on the basis of official samples obtained with an approved sampling device and operated in accordance with instructions, (2) Class X weighed or checkweighed, and (3) officially checkloaded by official personnel at the time the grain is loaded aboard the export carrier, in accordance with the provisions of paragraphs (b) and (c) of this section.

(b) *Services at time of loading*. When official sampling, official inspection, Class X weighing or checkweighing, and checkloading of sacked export grain loaded aboard an export carrier is performed at one location and time, official export inspection and weight certificate(s) which identify the export carrier shall be issued.

(c) *Services prior to loading*. When official sampling, official inspection, and Class X weighing or checkweighing of sacked export grain is performed prior to the date of loading aboard an export carrier, official ''OUT'' certificates shall be issued. An examination by official personnel for condition and checkloading of the grain shall be made as the grain is loaded aboard the export carrier. If the examination for condition and the checkloading shows that the identity or quantity of the grain has not changed or the condition of the grain has not changed beyond expected variations prescribed in the instruction, official export inspection and weight certificates shall be issued on the basis of the official ''OUT'' certificates and the checkloading. If the identity, quantity, or the condition has changed, official export inspection and weight certificates shall be issued on the basis of the most representative samples, including weight samples, obtained at the time the grain is loaded aboard the export carrier.

[50 FR 49668, Dec. 4, 1985]

### § 800.18 Waivers of the official inspection and Class X weighing requirements.

(a) *General*. Waivers from the official inspection and Class X weighing requirements for export grain under section 5 of the Act shall be provided in accordance with this section and the Act.

(b) *Waivers*. (1) *15,000 metric-ton waiver*. Official inspection and Class X weighing requirements apply only to exporters and individual elevator operators who (i) exported 15,000 metric tons or more of grain during the preceding calendar year, or (ii) have exported 15,000 metric tons or more of grain during the current calendar year. Exporters and elevator operators who are granted a waiver by reason of this paragraph shall, as a condition of the waiver, keep such accounts, records, and memorandum to fully and correctly disclose all transactions concerning lots of all export grain shipments. In addition, the exporters or elevator operators shall notify the Service in writing of the intention to export grain under this waiver. In the case of lots waived under this provision, if such lots are required by contract to be inspected or weighed, or if the lots are represented by official inspection or weight certificates, then such certificates shall meet the requirements of section 5 of the Act.

(2) *Grain exported for seeding purposes*. Official inspection and Class X weighing requirements do not apply to grain exported for seeding purposes, provided that (i) the grain is (A) sold or consigned for sale and invoiced as seed; and (B) identified as seed for seeding purposes on the Shipper's Export Declaration; and (ii) records pertaining to these shipments are made available, upon request by the Service, for review or copying purposes.

(3) *Grain shipped in bond*. Official inspection and weighing requirements do not apply to grain that is shipped from a foreign country to a foreign country through the United States in bond in accordance with applicable regulations of the United States Customs Service (19 CFR part 18).

(4) *Grain exported by rail or truck to Canada or Mexico*. Inspection and weighing requirements do not apply to grain exported by rail or truck from the United States to Canada or Mexico.

(5) *Grain not sold by grade*. Official inspection requirements may be waived by the Service on a shipment-by-shipment basis for export grain not sold, offered for sale, or consigned for sale by official grade if (i) the contract and any amendments clearly show that the buyer and seller mutually agree to ship the grain without official inspection and (ii) a copy of the contract and any amendments is furnished in advance of loading, along with a completed application on a form prescribed by the Service.

(6) *Service not available*. Upon request, any required official inspection or Class X weighing of grain may be waived on a shipment-by-shipment basis if (i) official personnel are not and will not be available within a 24-hour period to perform needed inspection or weighing services and (ii) both the buyer and seller of the grain are made aware that the grain has not been officially inspected or Class X weighed.

(7) *Emergency waiver*. Upon request, the requirements for official inspection or Class X weighing may be waived whenever the Service determines (i) that an emergency exists that precludes official inspection or Class X weighing and (ii) that granting an emergency waiver will not impair the objectives of the Act. To qualify for an emergency waiver, the exporter or elevator operator shall make timely application and comply with all conditions which may be required by the Service.

(Approved by the Office of Management and Budget under control number 0580–0011)

[50 FR 49669, Dec. 4, 1985]

## RECORDKEEPING AND ACCESS TO FACILITIES

### § 800.25 Required elevator and merchandising records.

(a) *Elevator and merchandiser recordkeeping*. Every person and every State or political subdivision of a State that owns or operates an elevator and every merchandiser that has obtained or obtains official inspection or official weighing services other than (1) submitted sample inspection service, or (2)

official sampling service, or (3) official stowage examination service shall keep such accounts, records, and memoranda that fully and correctly disclose all transactions concerning the lots of grain for which the elevator or merchandiser received official services, except as provided under § 800.18.

(b) *Retention period.* Records specified in this section may be disposed of after a period of 3 years from the date of the official service; provided, the 3-year period may be extended if the elevator owner or operator, or merchandiser is notified in writing by the Administrator that specific records should be retained for a longer period for effective administration and enforcement of the Act. This requirement does not restrict or modify the requirements of any other Federal, State, or local statute concerning recordkeeping.

(Approved by the Office of Management and Budget under control number 0580–0011)

[51 FR 1768, Jan. 15, 1986]

### § 800.26 Access to records and facilities.

(a) *Inspection of records and facilities.* Prior to the examination of records or inspection of facilities by an authorized representative of the Secretary or the Administrator, the authorized representative shall contact or otherwise notify the elevator manager or manager's representative of their presence and furnish proof of identity and authority. While in the elevator, the authorized representative shall abide by the safety regulations in effect at the elevator. Every elevator owner and operator and every merchandiser shall permit authorized representatives of the Secretary or Administrator to enter its place of business during normal business hours and have access to the facilities and to inspect any books, documents, papers, and records that are maintained by such persons. Such access and inspection will be to effectuate the purpose, provisions, and objectives of the Act and to assure the integrity of official services under the Act or of any official transaction with which the Act is concerned. All copies of such records will be made at the Service's expense. Reasonable accommodations shall be made available to the duly authorized representative by elevator owners and operators, and merchandisers for such examination of records.

(b) *Disclosure of business information.* FGIS employees or persons acting for FGIS under the Act shall not, without the consent of the elevator operator or merchandiser concerned, divulge or make known in any manner, any facts or information acquired pursuant to the Act and regulations except as authorized by the Administrator, by a court of competent jurisdiction, or otherwise by law.

[51 FR 1768, Jan. 15, 1986]

## REGISTRATION

### § 800.30 Foreign commerce grain business.

''Foreign commerce grain business'' is defined as the business of buying grain for sale in foreign commerce or the business of handling, weighing, or transporting grain for sale in foreign commerce. This provision shall not include:

(a) Any person who only incidentally or occasionally buys for sale, or handles, weighs, or transports grain for sale and is not engaged in the regular business of buying grain for sale, or handling, weighing, or transporting grain for sale;

(b) Any producer of grain who only incidentally or occasionally sells or transports grain which the producer has purchased;

(c) Any person who transports grain for hire and does not own a financial interest in such grain; or

(d) Any person who buys grain for feeding or processing and not for the purpose of reselling and only incidentally or occasionally sells such grain as grain.

[48 FR 44455, Sept. 29, 1983]

### § 800.31 Who must register.

Each person who has engaged in foreign commerce grain business totaling 15,000 or more metric tons during the preceding or current calendar year must register with the Service and shall be deemed to be regularly engaged in foreign commerce grain business. This includes foreign-based firms operating in the United States but does

not include foreign governments or their agents. The Service will, upon request, register persons not required to register under this section if they comply with the requirements of §§ 800.33 and 800.34.

(Approved by the Office of Management and Budget under control number 0580–0012)

[48 FR 44453 and 44455, Sept. 29, 1983, as amended at 54 FR 5924, Feb. 7, 1989]

### § 800.32 When to register.

A person shall submit an application for registration to the Service at least 30 calendar days before regularly engaging in foreign commerce grain business according to § 800.31. For good cause shown, the Service may waive this 30-day requirement.

(Approved by the Office of Management and Budget under control number 0580–0012)

[48 FR 44453 and 44455, Sept. 29, 1983, as amended at 54 FR 5924, Feb. 7, 1989]

### § 800.33 How to register.

Any person who is required or desires to register must submit an application for registration to the Service. Application forms can be obtained from the Service. Each application shall: (a) Be typewritten or legibly written in English; (b) include all information required by the application form; and (c) be signed by the applicant. The information required by this paragraph may be submitted to the Service via telephone, subject to written confirmation. An applicant shall furnish any additional information requested by the Service for consideration of the application.

(Approved by the Office of Management and Budget under control number 0580–0012)

[48 FR 44453 and 44456, Sept. 29, 1983, as amended at 54 FR 5924, Feb. 7, 1989]

### § 800.34 Registration fee.

An applicant shall submit the registration fee prescribed in § 800.71 with the completed application. If an application is dismissed, the fee shall be refunded by the Service. No fee or portion of a fee shall be refunded if a person is registered and the registration is subsequently suspended or revoked under § 800.39.

[48 FR 44456, Sept. 29, 1983]

### § 800.35 Review of applications.

(a) The Service shall review each application to determine if it complies with §§ 800.32, 800.33, and 800.34. If the application complies and the fee has been paid, the applicant shall be registered.

(b) If the application does not comply with §§ 800.32, 800.33, and 800.34 and the omitted information prevents a satisfactory review by the Service, the applicant shall be provided an opportunity to submit the needed information. If the needed information is not submitted within a reasonable time, the application may be dismissed. The Service shall promptly notify the applicant, in writing, of the reasons for the dismissal.

[48 FR 44456, Sept. 29, 1983]

### § 800.36 Certificates of registration.

The Service shall furnish the applicant with an original and three copies of the registration certificate. The registration shall be effective on the issue date shown on the certificate. Each certificate of registration is issued on the condition that the registrant will comply with all provisions of the Act, regulations, and instructions. The Service shall charge a fee, in accordance with § 800.71, for each additional copy of a certificate of registration requested by a registrant.

[48 FR 44456, Sept. 29, 1983]

### § 800.37 Notice of change in information.

Each registrant shall notify the Service within 30 days of any change in the information contained in the application for registration. If the notice is submitted orally, it shall be promptly confirmed in writing.

(Approved by the Office of Management and Budget under control number 0580–0012)

[48 FR 44453 and 44456, Sept. 29, 1983, as amended at 54 FR 5924, Feb. 7, 1989]

### § 800.38 Termination and renewal of registration.

Each certificate of registration shall terminate on December 31 of the calendar year for which it is issued. The Service shall send a letter to each registrant notifying the registrant of the

impending termination of the registration and providing instructions for requesting renewal. The registration may be renewed in accordance with §§ 800.33 and 800.34. Failure to receive the letter shall not exempt registrants from the responsibility of renewing their registration if required by § 800.31.

[48 FR 44456, Sept. 29, 1983]

### § 800.39 Suspension or revocation of registration for cause.

(a) *General*. Registration is subject to suspension or revocation whenever the Administrator determines that the registrant has violated any provision of the Act or regulations, or has been convicted of any violation involving the handling, weighing, or inspection of grain under Title 18 of the United States Code.

(b) *Procedure*. Before the Service suspends or revokes a registration, the registrant (hereinafter the ''respondent''): (1) Shall be notified of the proposed action and the reasons therefor and (2) shall be afforded opportunity for a hearing in accordance with the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary under Various Statutes (7 CFR, 1.130 through 1.151). Prior to formal adjudicatory proceedings, the Service may allow the respondent to express views on the action proposed by the Service in an informal conference before the Administrator. If the Service and the respondent enter into a consent agreement, no formal adjudicatory proceedings shall be initiated.

[48 FR 44456, Sept. 29, 1983]

## CONDITIONS FOR OBTAINING OR WITHHOLDING OFFICIAL SERVICES

### § 800.45 Availability of official services.

(a) *Original inspection and weighing services*. Original inspection and weighing services on grain are available according to this section and §§ 800.115 through 800.118 when requested by an interested person.

(b) *Reinspection, review of weighing, and appeal inspection services*. Reinspection, review of weighing, appeal inspection, and Board appeal inspection services are available when requested by an interested person, according to §§ 800.125 through 800.129 and §§ 800.135 through 800.139.

(c) *Proof of authorization*. If an application for official services is filed by a person representing the applicant, the agency or the field office receiving the application may require written proof of the authority to file the application.

(Approved by the Office of Management and Budget under control number 0580–0012)

(Secs. 8, 9, 10, 13 and 18, Pub. L. 94–582, 90 Stat. 2870, 2875, 2877, 2880, and 2884, 7 U.S.C. 79, 79a, 79b, 84, 87, and 87e)

[49 FR 30913, Aug. 2, 1984, as amended at 50 FR 45392, Oct. 31, 1985; 54 FR 5924, Feb. 7, 1989]

### § 800.46 Requirements for obtaining official services.

(a) *Consent and agreement by applicant*. In submitting a request for official services, the applicant and the owner of the grain consent to the special and general requirements specified in paragraphs (b) and (c) of this section. These requirements are essential to carry out the purposes or provisions of the Act.

(b) *General requirements*. (1) *Access to grain*. Grain on which official services are to be performed shall, except as provided in §§ 800.85, 800.86, 800.98, and 800.99, be made accessible by the applicant for the performance of the requested official service and related monitoring and supervision activities. For the purposes of this section, grain is not ''accessible'' if it is offered for official services (i) in containers or carriers that are closed and cannot, with reasonable effort, be opened by or for official personnel; (ii) when any portion is located so as to prohibit the securing or a representative sample; or (iii) under conditions prescribed in the instructions as being hazardous to the health or safety of official personnel.

(2) *Working space*. When official services are performed at an elevator, adequate and separate space must be provided by the applicant for the performance of the requested service and related monitoring and supervision activities. Space will be ''adequate'' if it meets the space, location, and safety requirements specified in the instructions.

(3) *Notice of changes*. The operator of each facility at which official services

are performed must notify the appropriate agency or field office promptly, in full detail, of changes in the grain handling and weighing facilities, equipment, or procedures at the elevator that could or would affect the proper performance of official services.

(4) *Loading and unloading conditions.* As applicable, each applicant for official services must provide or arrange for suitable conditions in the (i) loading and unloading areas and the truck and railroad holding areas; (ii) gallery and other grain-conveying areas; (iii) elevator legs, distributor, and spout areas; (iv) pier or dock areas; (v) deck and stowage areas in the carrier; and (vi) equipment used in loading or unloading and handling the grain. Suitable conditions are those which will facilitate accurate inspection and weighing, maintain the quantity and the quality of the grain that is to be officially inspected or weighed, and not be hazardous to the health and safety of official personnel, as prescribed in the instructions.

(5) *Timely arrangements.* Requests for official service shall be made in a timely manner; otherwise, official personnel may not be available to provide the requested service. For the purpose of this paragraph, ''timely manner'' shall mean not later than 2 p.m., local time, of the preceding business day.

(6) *Observation of activities.* Each applicant for official services must provide any interested person, or their agent, an opportunity to observe sampling, inspection, weighing, and loading or unloading of grain. Appropriate observation areas shall be mutually defined by the Service and facility operator. The areas shall be safe and shall afford a clear and unobstructed view of the performance of the activity, but shall not permit a close over-the-shoulder type of observation by the interested person.

(7) *Payment of bills.* Each applicant, for services under the Act, must pay bills for the services according to §§ 800.70 through 800.73.

(8) *Written confirmations.* When requested by the agency or field office, verbal requests for official services shall be confirmed in writing. Each written request shall be signed by the applicant, or the applicant's agent, and shall show or be accompanied by the following information: (i) The identification, quantity, and specific location of the grain; (ii) the name and mailing address of the applicant; (iii) the kind and scope of services desired; and (iv) any other information requested by the agency or field office.

(9) *Names and addresses of interested persons.* When requested, each applicant for official services shall show on the application form the name and address of each known interested person.

(10) *Surrender of superseded certificates.* When a request for official service results in a certificate being superseded, the superseded certificate must be promptly surrendered.

(11) *Recordkeeping and access.* Each applicant for official services must comply with applicable recordkeeping and access-to-facility provisions in §§ 800.25 and 800.26.

(12) *Monitoring equipment.* Owners and operators of elevators shall, upon a finding of need by the Administrator, provide equipment necesary for the monitoring by official personnel of grain loading, unloading, handling, sampling, weighing, inspection, and related activities. The finding of need will be based primarily on a consideration of manpower and efficiency.

(c) *Special requirements for official Class X and Class Y weighing services.* (1) *General.* Weighing services shall be provided only at weighing facilities which have met the conditions, duties, and responsibilities specified in section 7A(f) of the Act and this section of the regulations. Weighing services will be available only in accordance with the requirements of § 800.115. Facilities desiring weighing services should contact the Service in advance to allow the Service time to determine if the facility complies with the provisions of the Act and regulations.

(2) *Conditions.* The facility shall provide the following information annually to the Service: (i) The facility owner's name and address; (ii) the facility operator's name and address; (iii) the name of each individual employed by the facility as a weigher and a statement that each individual: (A) Has a technical ability to operate grain weighing equipment and (B) has a reputation for honesty and integrity; (iv)

a blueprint or similar drawing of the facility showing the location of: (A) The loading, unloading, and grain handling systems; (B) the scale systems used or to be used in weighing grain; and (C) the bins and other storage areas; (v) the identification of each scale in the facility that is to be used for weighing grain under the Act; (vi) the following information regarding automated data processing systems: (A) Overall system intent, design, and layout; (B) make, model, and technical specifications of all hardware; (C) description of software, language used, and flow charts of all programs, subprograms, routines, and subroutines; and (D) complete operating instructions; and (vii) any other information deemed necessary to carry out the provisions of the Act.

If a facility has, or plans to have, an automated data processing system which is used in conjunction with any portion of the scale system, grain handling system, or the preparing or printing of official weight certificates, the facility shall make available to the Service sufficient documentation to ensure that the system cannot be used deceptively or otherwise provide inaccurate information. The Service or approved scale testing and certification organization shall conduct an onsite review to evaluate the performance and accuracy of each scale that will be used for weighing grain under the Act, and the performance of the grain loading, unloading, and related grain handling equipment and systems.

(3) *Duties and responsibilities of weighing facilities requesting official services.* (i) *Providing official services.* Upon request, each weighing facility shall permit official weighing services to be performed promptly.

(ii) *Supervision.* Each weighing facility shall supervise its employees and shall take action necessary to assure that employees are performing their duties according to the Act, regulations, and instructions and are not performing prohibited functions or are not involved in any action prohibited by the Act, regulations, and instructions.

(iii) *Facilities and equipment.* (A) *General.* Each weighing facility shall obtain and maintain facilities and equipment which the Service determines are needed for weighing services performed at the facility. Each facility shall operate and shall maintain each scale system and related grain handling system used in weighing according to instructions issued by the manufacturer and by the Service. A scale log book for each approved scale used for official weighing services shall be maintained according to instructions at each weighing facility.

(B) *Malfunction of scales.* Scales or scale systems that are operating in other than a correct and approved manner shall not be used for weighing grain under the Act. Before the malfunctioning scale or scale system can be used again for weighing grain under the Act, it shall be repaired and determined to be operating properly by the Service or approved scale testing and certification organization.

(iv) *Oral directives.* FGIS oral directives issued to elevator personnel shall be confirmed in writing upon request by elevator management. Whenever practicable, the Service shall issue oral directives through elevator management officials.

(Approved by the Office of Management and Budget under control number 0580–0012)

(Secs. 8, 9, 10, 13 and 18, Pub. L. 94–582, 90 Stat. 2870, 2875, 2877, 2880, and 2884, 7 U.S.C. 79, 79a, 79b, 84, 87, and 87e)

[49 FR 30915, Aug. 2, 1984, as amended at 49 FR 49587, Dec. 21, 1984; 50 FR 45392, Oct. 31, 1985; 54 FR 5924, Feb. 7, 1989]

### § 800.47 Withdrawal of request for official services.

An applicant may withdraw a request for official services any time before official personnel release results, either verbally or in writing. See § 800.51 for reimbursement of expenses, if any.

(Secs. 8, 9, 10, 13 and 18, Pub. L. 94–582, 90 Stat. 2870, 2875, 2877, 2880, and 2884, 7 U.S.C. 79, 79a, 79b, 84, 87, and 87e)

[49 FR 30915, Aug. 2, 1984]

### § 800.48 Dismissal of request for official services.

(a) *Conditions for dismissal.* (1) *General.* An agency or the Service shall dismiss requests for official services when (i) § 800.76 prohibits the requested service; (ii) performing the requested service is not practicable; (iii) the agency or the

Service lacks authority under the Act or regulations; or (iv) sufficient information is not available to make an accurate determination.

(2) *Original services.* A request for original services shall be dismissed if a reinspection, review of weighing, appeal inspection, or Board appeal inspection has been performed on the same lot at the same specified service point within 5 business days.

(3) *Reinspection, appeal inspection, or Board appeal inspection services.* A request for a reinspection, appeal inspection, or Board appeal inspection service shall be dismissed when: (i) The kind and scope are different from the kind and scope of the last inspection service; (ii) the condition of the grain has undergone a material change; (iii) the request specifies a representative file sample and a representative file sample is not available, (iv) the applicant requests that a new sample be obtained and a new sample cannot be obtained; or (v) the service cannot be performed within 5 business days of the date of the last inspection date.

(4) *Review of weighing services.* A request for review of weighing services shall be dismissed when the request (i) is filed before the weighing results have been released, or (ii) is filed more than 90 calendar days after the date of the original service.

(b) *Procedure for dismissal.* When an agency or the Service proposes to dismiss a request for official services, the applicant shall be notified of the proposed action. The applicant will then be afforded reasonable time to take corrective action or to demonstrate there is no basis for the dismissal. If the agency or the Service determines that corrective action has not been adequate, the applicant will be notified again of the decision to dismiss the request for service, and any results of official services shall not be released.

(Secs. 8, 9, 10, 13 and 18, Pub. L. 94–582, 90 Stat. 2870, 2875, 2877, 2880, and 2884, 7 U.S.C. 79, 79a, 79b, 84, 87, and 87e)

[49 FR 30915, Aug. 2, 1984, as amended at 50 FR 45392, Oct. 31, 1985]

### § 800.49 Conditional withholding of official services.

(a) *Conditional withholding.* An agency or the Service shall conditionally withhold requests for official services when an applicant fails to meet any requirement prescribed in § 800.46.

(b) *Procedure and withholding.* When an agency or the Service proposes to conditionally withhold official services, the applicant shall be notified of the reason for the proposed action. The applicant will then be afforded reasonable time to take corrective action or to show that there is no basis for withholding services. If the agency or the Service determines that corrective action has not been adequate, the applicant will be notified. Any results of official services shall not be released when a request for service is withheld.

(Secs. 8, 9, 10, 13 and 18, Pub. L. 94–582, 90 Stat. 2870, 2875, 2877, 2880, and 2884, 7 U.S.C. 79, 79a, 79b, 84, 87, and 87e)

[49 FR 30915, Aug. 2, 1984]

### § 800.50 Refusal of official services and civil penalties.

(a) *Grounds for refusal.* Any or all services available to an applicant under the Act may be refused, either temporarily or indefinitely, by the Service for causes prescribed in section 10(a) of the Act. Such refusal by the Service may be restricted to the particular facility or applicant (if not a facility) found in violation or to a particular type of service, as the facts may warrant. Such action may be in addition to, or in lieu of, criminal penalties or other remedial action authorized by the Act.

(b) *Provision and procedure for summary refusal.* The Service may, without first affording the applicant (hereafter in this section ''respondent'') a hearing, refuse to provide official inspection and Class X or Y weighing services pending final determination of the proceeding whenever the Service has reason to believe there is cause, as prescribed in section 10 of the Act, for refusing such official services and considers such action to be in the best interest of the official services system under the Act: *Provided that* within 7 days after refusal of such service, the Service shall afford the respondent an opportunity for a hearing as provided under paragraph (c)(2) of this section.

Pending final determination, the Service may terminate the temporary refusal if alternative managerial, staffing, financial, or operational arrangements satisfactory to the Service can be and are made by the respondent.

(c) *Procedure for other than summary refusal.* Except as provided in paragraph (b) of this section, before the Service refuses to provide official services the respondent shall be (1) notified of the services that are to be refused, the locations at which and the time period for which service will be refused, and the reasons for the refusal; and (2) afforded an opportunity for a hearing in accordance with the provisions of the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary Under Various Statutes (7 CFR 1.130 *et seq.*). At the discretion of the Service, prior to initiation of formal adjudicatory proceedings, the respondent may be given an opportunity to express his or her views on the action proposed by the Service in an informal conference before the Administrator of the Service. If, as a result of such an informal conference, the Service and the respondent enter into a consent agreement, no formal adjudicatory proceedings shall be initiated.

(d) *Assessment of civil penalties.* Any person who has knowingly committed any violation of section 13 of the Act or has been convicted of any violation of other Federal law with respect to the handling, weighing, or official inspection of grain may be assessed a civil penalty not to exceed $75,000 for each such violation as the Administrator determines is appropriate to effect compliance with the Act. Such action may be in addition to, or in lieu of, criminal penalties under section 14 of the Act, or in addition to, or in lieu of, the refusal of official services authorized by the Act.

(e) *Provisions for civil penalty hearings.* Before a civil penalty is assessed against any person, such person shall be afforded an opportunity for a hearing as provided under paragraph (c)(2) of this section.

(f) *Collection of civil penalties.* Upon failure to pay the civil penalty, the Service may request the Attorney General to file civil action to collect the penalty in a court of appropriate jurisdiction.

[45 FR 15810, Mar. 11, 1980, as amended at 51 FR 12830, Apr. 16, 1986]

### § 800.51 Expenses of agency, field office, or Board of Appeals and Review.

For any request that has been dismissed or withdrawn under § 800.47, § 800.48, or § 800.49, respectively, each applicant shall pay expenses incurred by the agency or the Service.

(Secs. 8, 9, 10, 13 and 18, Pub. L. 94–582, 90 Stat. 2870, 2875, 2877, 2880, and 2884, 7 U.S.C. 79, 79a, 79b, 84, 87, and 87e)

[49 FR 30915, Aug. 2, 1984]

### § 800.52 Official services not to be denied.

Subject to the provisions of §§ 800.48, 800.49, and 800.50, no person entitled to official services under the Act shall be denied or deprived of the right thereto by reason of any rule, regulation, bylaw, or custom of any market, board of trade, chamber of commerce, exchange, inspection department, or similar organization; or by any contract, agreement, or other understanding.

## DESCRIPTIONS

### § 800.55 Descriptions by grade.

(a) *General.* In any sale, offer for sale, or consignment for sale, which involves the shipment of grain in interstate or foreign commerce, the description of grain, as being of a grade in any advertising, price quotation, other negotiation of sale, contract of sale, invoice, bill of lading, other document, or description on bags or other containers of the grain, is prohibited if such description is other than by an official grade designation, with or without additional information as to specified factors. An official grade designation contains any of the following: The term ''U.S.,'' the numerals 1 through 5, the term ''Sample grade,'' or the name of a subclass or a special grade of grain specified in the Official United States Standards for Grain.

(b) *Proprietary brand names or trademarks.* A description of grain by a proprietary brand name or a trademark that does not resemble an official

grade designation will not be considered to be a description by grade; but a description by a proprietary brand name or trademark that contains singly or in combination any of the terms referenced in paragraph (a) of this section shall be considered to resemble an official grade designation.

(c) *Use of one or more factor designations.* In interstate commerce, a description of grain by the use of one or more grade factor designations which appear in the Official United States Standards for Grain or by other criteria will not be considered to be a description by grade.

(d) *False or misleading descriptions.* In any sale, offer for sale, or consignment for sale of any grain which involves the shipment of grain from the United States to any place outside thereof, knowingly using a false or misleading description of grain by official grade designation, or other description is prohibited.

[50 FR 9982, Mar. 13, 1985]

### § 800.56 Requirements on descriptions.

Section 13 of the Act contains certain prohibitions with respect to the use of official grade designations, official marks, and other representations with respect to grain.

(a) The use of an official grade designation, with or without factor information, or of official criteria information, or of the term ''official grain standards,'' shall not, without additional information, be considered to be a representation that the grain was officially inspected.

(b) The use of any symbol or term listed as an official mark, at § 800.0(b)(68), with respect to grain shall be considered to be a representation of official service under the Act: Provided however, that the use of the official marks ''official certificate;'' ''officially inspected;'' ''official inspection;'' ''officially weighed;'' ''official weight;'' and ''official weighing'' shall not be considered to be a representation of official service under the Act if it is clearly shown that the activity occurred under the U.S. Warehouse Act (7 U.S.C. 241 *et seq.*): Provided further, that the use of the official mark ''officially tested'' with respect to grain inspection and weighing equipment shall not be considered to be a representation of testing under the Act if it is clearly shown that the equipment was tested under a State statute.

[50 FR 9982, Mar. 13, 1985]

## GRAIN HANDLING PRACTICES

### § 800.60 Deceptive actions and practices.

In the absence of prior adequate notice to appropriate official personnel, any action or practice, including the loading, weighing, handling, or sampling of grain that knowingly causes or is an attempt to cause the issuance by official personnel of a false or incorrect official certificate or other official form, is deemed to be deceptive and, as such, is a violation of section 13(a)(3) of the Act. For the purposes of this paragraph, adequate notice is written or oral notice given to an agency or the Service, as applicable, before official personnel begin to perform official inspection or weighing services. If oral notice is given, it must be confirmed in writing within 2 business days. To be adequate, the notice must explain the nature and extent of the action or practice in question and must identify the grain, stowage container, equipment, facility, and the official personnel actually or potentially involved.

(Approved by the Office of Management and Budget under control number 0580–0011)

[48 FR 17330, Apr. 22, 1983, as amended at 48 FR 44453, Sept. 29, 1983; 54 FR 5924, Feb. 7, 1989]

### § 800.61 Prohibited grain handling practices.

(a) *Definitions.* For the purpose of this section, dockage and foreign material in grain shall be:

(1) Defined for export elevators at export port locations as set forth in 7 CFR part 810 and as dust removed from grain and collected in a bin/container and as dust settling on floors, equipment, and other areas, commonly referred to as dust sweepings; and

(2) Defined for other than export elevators as set forth in 7 CFR part 810.

(b) *Prohibited practices.* Except as permitted in paragraphs (c) and (d) of this section, no person shall:

(1) Recombine or add dockage or foreign material to any grain, or

(2) Blend different kinds of grain except when such blending will result in grain being designated as Mixed grain in accordance with subpart E of the Official United States Standards for Grain.

(3) Add water to grain for purposes other than milling, malting, or similar processing operations.

(c) *Exemption.* (1) The Administrator may grant exemptions from paragraph (b) of this section for grain shipments sent directly to a domestic end-user or processor. Requests for exemptions shall be submitted by grain handlers to the Service through the domestic end-users or processors or their representatives.

(2) Grain sold under an exemption shall be consumed or processed into a product(s) by the purchaser and not resold into the grain market.

(3) Products or byproducts from grain sold under an exemption shall not be blended with or added to grain in commercial channels, except for vegetable oil which may be used as a dust suppressant in accordance with (d)(4) of this section.

(d) *Exceptions.* Paragraph (b) shall not be construed as prohibiting the following grain handling practices. Compliance with paragraphs (d)(1) through (d)(6) of this section does not excuse compliance with applicable Federal, State, and local laws.

(1) *Blending.* Grain of the same kind, as defined by the Official United States Standards for Grain, may be blended to adjust quality. Broken corn or broken kernels may be recombined or added to whole grain of the same kind provided that no foreign material or dockage has been added to the broken corn or broken kernels.

(2) *Insect and fungi control.* Grain may be treated to control insects and fungi. Elevators, other grain handlers, and their agents are responsible for the proper use and applications of insecticides and fungicides. Sections 800.88 and 800.96 include additional requirements for grain that is officially inspected and weighed.

(3) *Marketing dockage and foreign material.* Dockage and foreign material may be marketed separately.

(4) *Dust suppressants.* Grain may be treated with an additive, other than water, to suppress dust during handling. Elevators, other grain handlers, and their agents are responsible for the proper use and application of dust suppressants. Sections 800.88 and 800.96 include additional requirements for grain that is officially inspected and weighed.

(5) *Identification.* Confetti or similar material may be added to grain for identification purposes. Elevators, other grain handlers, and their agents are responsible for the proper use and application of such materials. Sections 800.88 and 800.96 include additional requirements for grain that is officially inspected or weighed.

(6) *Export loading facilities.* Between May 1, 1987, and December 31, 1987, export elevators at export port locations may recombine dockage and foreign material, but not dust, with grain provided such recombination occurs during the loading of a vessel with the intended purpose of ensuring uniformity of dockage and foreign material in the cargo.

(Approved by the Office of Management and Budget under control number 0580–0011)

[52 FR 24437, June 30, 1987, as amended at 59 FR 52077, Oct. 14, 1994]

FEES

### § 800.70 Fees for official services performed by agencies.

(a) *Assessment and use of fees.* (1) Fees assessed by an agency for official inspection and Class X or Class Y weighing services or testing of inspection equipment shall be reasonable and nondiscriminatory.

(2) In the case of a State or local governmental agency, fees shall not be used for any purpose other than to finance the cost of the official inspection and Class X or Class Y weighing service and inspection equipment testing service performed by the agency or the cost of other closely related programs administered by the agency.

(b) *Approval required.* (1) *Restriction.* Only fees that meet the requirements stated in this section and are approved by the Service as reasonable and nondiscriminatory may be charged by an agency.

(2) *Exceptions.* For good cause shown by an agency, the Administrator may grant case-by-case exceptions to the requirements in this section, provided that a determination is made that the agency fees would be reasonable and nondiscriminatory.

(c) *Reasonable fees.* In determining if an agency's fees are reasonable, the Service will consider whether the fees: (1) Cover the estimated total cost to the agency of (i) official inspection services, (ii) Class X or Class Y weighing services, (iii) inspection equipment testing services, and (iv) related supervision and monitoring activities performed by the agency; (2) Are reasonably consistent with fees assessed by adjacent agencies for similar services; (3) Are assessed on the basis of the average cost of performing the same or similar services at all locations served by the agency; and (4) Are supported by sufficient information which shows how the fees were developed.

(d) *Nondiscriminatory fees.* In determining if fees are nondiscriminatory, the Service will consider whether the fees are collected from all applicants for official service in accordance with the approved fee schedule. Charges for time and travel incurred in providing service at a location away from a specified service point shall be assessed in accordance with the approved fee schedule.

(e) *Schedule of fees to be established.* (1) Each agency shall establish a schedule of fees for official services which the agency is delegated or designated the authority to perform. The schedule shall be in a standard format in accordance with the instructions. Such schedules may include fees for nonofficial services provided by the agency, but they shall be clearly identified and will not be subject to approval by the Service.

(2) The schedule shall be published and made available by the agency to all users of its services.

(f) *Request for approval of fees.* (1) *Time requirement.* A request for approval of a new or revised fee shall be submitted to the Service not less than 60 days in advance of the proposed effective date for the fee. Failure to submit a request within the prescribed time period may be considered grounds for postponment or denial of the request.

(2) *Contents of request.* Each request shall show (i) the present fee, if any, and the proposed fee, together with data showing in detail how the fee was developed, and (ii) the proposed effective date.

(g) *Review of request.* (1) *Approval action.* If upon review the Service finds that the request and supporting data justify the new or revised fee, the request will be marked ''approved'' and returned to the agency.

(2) *Denial action.* If the Service finds that the request and supporting data do not justify the new or revised fee, approval of the request will be withheld pending receipt of any additional supporting data which the agency has to offer. If the data are not submitted within a reasonable period, the request shall be denied. In the case of a denial of a request, the agency shall be notified of the reason for denial.

(Approved by the Office of Management and Budget under control numbers 0580–0003 and 0580–0012)

[45 FR 15810, Mar. 11, 1980; 45 FR 55119, Aug. 18, 1980, as amended at 48 FR 44453, Sept. 29, 1983; 50 FR 30131, July 24, 1985]

### § 800.71 Fees assessed by the Service.

(a) *Official inspection and weighing services.* The fees shown in schedules A and B apply to official inspection and weighing services performed by FGIS in the United States and Canada. The fees shown in schedule C apply to official inspection and weighing services performed by delegated States and designated agencies in the United States, except for those State agencies that have been delegated additional responsibilities by FGIS. These States shall be assessed fees as set forth in the State's Delegation of Authority document. Failure of a delegated State or designated agency to pay prescribed fees within 30 days after being due, shall result in automatic termination of the delegation or designation. The delegation or designation shall be reinstated if fees currently due, plus interest and any further expenses incurred by the Service because of the termination are paid within 60 days of the termination.

SCHEDULE A.—FEES FOR OFFICIAL INSPECTION AND WEIGHING SERVICES PERFORMED IN THE UNITED STATES.

TABLE 1.—FEES FOR OFFICIAL SERVICES PERFORMED AT AN APPLICANT'S FACILITY IN AN ONSITE FGIS LABORATORY [1]

| | Monday to Friday (6 a.m. to 6 p.m.) | Monday to Friday (6 p.m. to 6 a.m.) | Saturday, Sunday, and Overtime [2] | Holidays |
|---|---|---|---|---|
| (1) Inspection and Weighing Services Hourly Rates (per service representative) | | | | |
| 1-year contract | $25.80 | $28.00 | $36.40 | $43.60 |
| 6-month contract | 28.40 | 30.20 | 38.60 | 50.60 |
| 3-month contract | 32.40 | 33.40 | 42.00 | 52.20 |
| Noncontract | 37.60 | 39.60 | 48.00 | 59.00 |

| | |
|---|---|
| (2) Additional Tests (cost per test, assessed in addition to the hourly rate) [3] | |
| (i) Aflatoxin (other than Thin Layer Chromatography) | $8.50 |
| (ii) Aflatoxin (Thin Layer Chromatography method) | 20.00 |
| (iii) Corn oil, protein, and starch (one or any combination) | 1.50 |
| (iv) Soybean protein and oil (one or both) | 1.50 |
| (v) Wheat protein (per test) | 1.50 |
| (vi) Sunflower oil (per test) | 1.50 |
| (vii) Vomitoxin (qualitative) | 7.50 |
| (viii) Vomitoxin (quantitative) | 12.50 |
| (ix) Waxy corn (per test) | 1.50 |
| (x) Fees for other tests not listed above will be based on the lowest non-contract hourly rate. | |
| (xi) Other services | |
| (a) Class Y Weighing (per carrier) | |
| (1) Truck/container | .30 |
| (2) Railcar | 1.25 |
| (3) Barge | 2.50 |
| (3) Administrative Fee (assessed in addition to all other applicable fees, only one administrative fee will be assessed when inspection and weighing services are performed on the same carrier). | |
| (i) All outbound carriers (per-metric-ton) [4] | |
| (a) 1–1,000,000 | $0.1038 |
| (b) 1,000,001–1,500,000 | 0.0947 |
| (c) 1,500,001–2,000,000 | 0.0512 |
| (d) 2,000,001–5,000,000 | 0.0379 |
| (e) 5,000,001–7,000,000 | 0.0205 |
| (f) 7,000,001+ | 0.0092 |

[1] Fees apply to original inspection and weighing, reinspection, and appeal inspection service and include, but are not limited to, sampling, grading, weighing, prior to loading stowage examinations, and certifying results performed within 25 miles of an employee's assigned duty station. Travel and related expenses will be charged for service outside 25 miles as found in § 800.72 (a).

[2] Overtime rates will be assessed for all hours in excess of 8 consecutive hours that result from an applicant scheduling or requesting service beyond 8 hours, or if requests for additional shifts exceed existing staffing.

[3] Appeal and reinspection services will be assessed the same fee as the original inspection service.

[4] The administrative fee is assessed on an accumulated basis beginning at the start of the Service's fiscal year (October 1 each year).

TABLE 2.—SERVICES PERFORMED AT OTHER THAN AN APPLICANT'S FACILITY IN AN FGIS LABORATORY [1 2]

| | |
|---|---|
| (1) Original Inspection and Weighing (Class X) Services | |
| (i) Sampling only (use hourly rates from Table 1) | |
| (ii) Stationary lots (sampling, grade/factor, & checkloading) | |
| (a) Truck/trailer/container (per carrier) | $18.50 |
| (b) Railcar (per carrier) | 28.30 |
| (c) Barge (per carrier) | 178.50 |
| (d) Sacked grain (per hour per service representative plus an administrative fee per hundredweight) (CWT) | 0.02 |

TABLE 2.—SERVICES PERFORMED AT OTHER THAN AN APPLICANT'S FACILITY IN AN FGIS LABORATORY [1] [2]—Continued

| | |
|---|---|
| (iii) Lots sampled online during loading (sampling charge under (i) above, plus): | |
| (a) Truck/trailer container (per carrier) | 9.85 |
| (b) Railcar (per carrier) | 19.10 |
| (c) Barge (per carrier) | 108.10 |
| (d) Sacked grain (per hour per service representative plus an administrative fee per hundredweight) (CWT) | 0.02 |
| (iv) Other services | |
| (a) Submitted sample (per sample—grade and factor) | 10.90 |
| (b) Warehouseman inspection (per sample) | 18.00 |
| (c) Factor only (per factor—maximum 2 factors) | 4.70 |
| (d) Checkloading/condition examination (use hourly rates from Table 1, plus an administrative fee per hundredweight if not previously assessed) (CWT) | 0.02 |
| (e) Reinspection (grade and factor only. Sampling service additional, item (i) above) | 11.90 |
| (f) Class X Weighing (per hour per service representative) | 49.20 |
| (v) Additional tests (excludes sampling) | |
| (a) Aflatoxin (per test—other than TLC method) | 26.30 |
| (b) Aflatoxin (per test—TLC method) | 104.00 |
| (c) Corn oil, protein, and starch (one or any combination) | 8.30 |
| (d) Soybean protein and oil (one or both) | 8.30 |
| (e) Wheat protein (per test) | 8.30 |
| (f) Sunflower oil (per test) | 8.30 |
| (g) Vomitoxin (qualitative) | 26.70 |
| (h) Vomitoxin (quantitative) | 31.80 |
| (i) Waxy corn (per test) | 9.60 |
| (j) Canola (per test—00 dip test) | 9.60 |
| (k) Pesticide Residue Testing [3] | |
| (1) Routine Compounds (per sample) | 204.80 |
| (2) Special Compounds (per service representative) | 102.40 |
| (l) Fees for other tests not listed above will be based on the lowest noncontract hourly rate from Table 1. | |
| (2) Appeal inspection and review of weighing service.[4] | |
| (i) Board Appeals and Appeals (grade and factor) | 78.50 |
| (a) Factor only (per factor—max 2 factors) | 40.60 |
| (b) Sampling service for Appeals additional (hourly rates from Table 1) | |
| (ii) Additional tests (assessed in addition to all other applicable fees) | |
| (a) Aflatoxin (per test, other than TLC) | 26.30 |
| (b) Aflatoxin (TLC) | 104.00 |
| (c) Corn oil, protein, and starch (one or any combination) | 16.20 |
| (d) Soybean protein and oil (one or both) | 16.20 |
| (e) Wheat protein (per test) | 16.20 |
| (f) Sunflower oil (per test) | 16.20 |
| (g) Vomitoxin (per test—qualitative) | 37.00 |
| (h) Vomitoxin (per test—quantitative) | 42.10 |
| (i) Vomitoxin (per test—HPLC Board Appeal) | 131.10 |
| (j) Pesticide Residue Testing [3] | |
| (1) Routine Compounds (per sample) | 204.80 |
| (2) Special Compounds (per service representative) | 102.40 |
| (k) Fees for other tests not listed above will be based on the lowest noncontract hourly rate from Table 1. | |
| (iii) Review of weighing (per hour per service representative) | 71.40 |
| (3) Stowage examination (service-on-request) [3] | |
| (i) Ship (per stowage space) (minimum $252.50 per ship) | 50.50 |

TABLE 2.—SERVICES PERFORMED AT OTHER THAN AN APPLICANT'S FACILITY IN AN FGIS LABORATORY [1] [2]—Continued

| | |
|---|---|
| (ii) Subsequent ship examinations (same as original) (minimum $151.50 per ship) | |
| (iii) Barge (per examination) | 40.50 |
| (iv) All other carriers (per examination) | 15.50 |

[1] Fees apply to original inspection and weighing, reinspection, and appeal inspection service and include, but are not limited to, sampling, grading, weighing, prior to loading stowage examinations, and certifying results performed within 25 miles of an employee's assigned duty station. Travel and related expenses will be charged for service outside 25 miles as found in § 800.72 (a).
[2] An additional charge will be assessed when the revenue from the services in Schedule A, Table 2, does not cover what would have been collected at the applicable hourly rate as provided in § 800.72 (b).
[3] If performed outside of normal business, 1½ times the applicable unit fee will be charged.
[4] If, at the request of the Service, a file sample is located and forwarded by the Agency for an official agency, the Agency may, upon request, be reimbursed at the rate of $2.50 per sample by the Service.

TABLE 3.— MISCELLANEOUS SERVICES [1]

| | |
|---|---|
| (1) Grain grading seminars (per hour per service representative) [2] | $49.20 |
| (2) Certification of diverter-type mechanical samplers (per hour per service representative) [2] | 49.20 |
| (3) Special weighing services (per hour per service representative) [2] | |
| (i) Scale testing and certification | 49.20 |
| (ii) Evaluation of weighing and material handling systems | 49.20 |
| (iii) NTEP Prototype evaluation (other than Railroad Track Scales) | 49.20 |
| (iv) NTEP Prototype evaluation of Railroad Track Scales (plus usage fee per day for test car) | 49.20 |
| | 110.00 |
| (v) Mass standards calibration and reverification | 49.20 |
| (vi) Special projects | 49.20 |
| (4) Foreign travel (per day per service representative) | 445.40 |
| (5) Online customized data EGIS service | |
| (i) One data file per week for 1 year | 500.00 |
| (ii) One data file per month for 1 year | 300.00 |
| (6) Samples provided to interested parties (per sample) | 2.50 |
| (7) Divided-lot certificates (per certificate) | 1.50 |
| (8) Extra copies of certificates (per certificate) | 1.50 |
| (9) Faxing (per page) | 1.50 |
| (10) Special mailing (actual cost) | |
| (11) Preparing certificates onsite or during other than normal business hours (use hourly rates from Table 1) | |

[1] Any requested service that is not listed will be performed at $49.20 per hour.
[2] Regular business hours—Monday through Friday—service provided at other than regular hours charged at the applicable overtime hourly rate.

SCHEDULE B—FEES FOR OFFICIAL INSPECTION, WEIGHING, AND APPEAL INSPECTION SERVICES PERFORMED IN CANADA [1]

| Inspection and weighing service (bulk or sacked grain) | Regular workday (Monday thru Saturday) | Nonregular workday (Sunday and holiday) |
|---|---|---|
| (1) Original inspection services and official weighing services: [2, 3] | | |
| (i) Contract services (per hour per service representative) | $103.00 | $130.00 |
| (ii) Noncontract service (per hour per service representative) | 137.00 | 172.00 |
| (2) Extra copies of certificates (per copy) | 3.00 | 3.00 |

[1] Official inspection and weighing services include, but are not limited to grading, weighing, sampling, stowage examination, equipment testing, scale testing and certification, test weight reverification, evaluation of inspection and weighing equipment demonstrating official inspection and weighing functions, furnishing standard illustrations, and certifying inspection and weighing results.

[2] Fees for reinspection and appeal inspection services shall be assessed at the applicable contract or noncontract hourly rate as the original inspection. However, if additional personnel are required to perform the reinspection or appeal inspection service, the applicant will be assessed the noncontract original inspection hourly fee.

[3] Board appeal inspections are based on file samples. See § 800.71, schedule A for Board Appeal fees.

## SCHEDULE C—FEES FOR FGIS SUPERVISION OF OFFICIAL INSPECTION AND WEIGHING SERVICES PERFORMED BY DELEGATED STATES AND/OR DESIGNATED AGENCIES IN THE UNITED STATES [1]

TABLE 1

| Inspection services (bulk or sacked grain) | Offical inspection or reinspection services |
|---|---|
| (1) Official sample-lot inspection service (white certificate): | |
| (i) For official grade and official factor determinations:. | |
| (A) Truck or trailer (per inspection [2] | $0.30 |
| (B) Boxcar or hopper car (per inspection[2] | 0.95 |
| (C) Barge (per inspection)[2] | 6.15 |
| (D) Ship (per ship)[3] | 49.20 |
| (E) All other lots (per inspection)[2] [4] | 0.30 |
| (ii) For official factor or official criteria determinations: | |
| (A) Factor determination (per inspection) (maximum 2 factors)[5] | 0.20 |
| (B) Official criteria[2] [6] | 0.20 |
| (2) Stowage examination services: | |
| (i) Ship (per stowage certificate) | 3.00 |
| (ii) Other carriers (per stowage certificate) | 0.20 |
| (3) Warehouseman's sample-lot inspection service (yellow certificate) or submitted sample inspection service (pink certificate): | |
| (i) For official grade and official factor determinations (per inspection) | 0.30 |
| (ii) For official factor or official criteria determinations: | |
| (A) Factor determination (per inspection) (maximum 2 factors)[5] | 0.20 |
| (B) Official criteria[2] [6] | 0.20 |
| (4) Reinspection services: | |
| (i) Truck, boxcar, hopper car, barge, ship, warehouseman's sample-lot, submitted sample, factor determination, and all other lots (per sample inspected) | 0.30 |
| (ii) Official criteria[2] [6] | 0.20 |

NOTE: The footnotes for table 1 are shown at the end of table 2.

TABLE 2

| Official services (bulk or sacked grain) | Official weighing services | |
|---|---|---|
| | (class X) | (class Y) |
| Official weighing services: | | |
| (i) Truck or trailer (per carrier) | $0.30 | $0.20 |
| (ii) Boxcar or hopper car (per carrier) | .95 | .25 |
| (iii) Barge (per carrier) | 6.15 | 1.55 |
| (iv) Ship (per carrier) [3] [7] | 49.20 | 12.30 |
| (v) All other lots (per lot or part lot) [4] | .30 | .20 |

[1] The fees include the cost of supervision functions performed by the Service for official inspection and weighing services performed by delegated States and/or designated agencies.

[2] A fee shall be assessed for each carrier or sample inspected if a combined lot certificate is issued or a uniform loading plan is used to determine grade.

[3] A fee shall be assessed per ship regardless of the number of lots or sublots loaded at a specific service point. A fee shall not be assessed for divided-lot certificates.

[4] Inspection services for all other lots include, but are not limited to, sampling service, condition examinations, and examination of grain in bins and containers. For weighing services, all other lots include, but are not limited to, seavans and inhouse bin transfers.

[5] Fees shall be assessed for a maximum of two factors. If more than two factors are determined, fees are assessed at rates in table 1 (1)(i) or (3)(i) above, as applicable, based on carrier or type sample represented.

[6] Official criteria includes, but is not limited to, protein and oil analyses. A fee shall be assessed for each sample tested.

[7] A Class Y ship fee shall be assessed for shipments destined for domestic markets only.

(b) *Registration certificates and renewals.* (1) Fees for registration certificates and renewals will be based on the nature of the business:

(i) Firms engaged in the business of buying grain for sale in foreign commerce or the business of handling, weighing, or transporting of grain for sale in foreign commerce ..... $135.00

(ii) Firms engaged in the business of buying grain for sale in foreign commerce or the business of handling, weighing, or transporting of grain for sale in foreign commerce who also are in a control relationship, as defined in Section 17A(b)(2) of the Act, with respect to a business engaged in the business of buying, handling, weighing, or transporting grain for sale in interstate commerce ..... 270.00

(2) Requests for extra copies of registration certificates shall be accompanied by a fee of $2.50 for each copy.

(c) *Designation amendments.* An application for an amendment to a designation shall be accompanied by a fee of $75.00.

(d) Each application for approval to operate as a scale testing organization shall be accompanied by a fee of $250.

(Secs. 8 and 9, Pub. L. 94–582, 90 Stat. 2873, 2877 (7 U.S.C. 79(j), 79a(1)); secs. 9, 18, Pub. L. 94–582, 90 Stat. 2875 and 2884 (7 U.S.C. 79a and 87e); secs. 8 and 9, Pub. L. 94–582, 90 Stat. 2873, 2877 (7 U.S.C. 79(j), 79a(1)), as amended by Pub. L. 97–35, 95 Stat. 371, 372)

[45 FR 15810, Mar. 11, 1980; 45 FR 55119, Aug. 18, 1980, as amended at 49 FR 26563, June 28, 1984; 50 FR 38504, Sept. 23, 1985; 51 FR 43724, Dec. 4, 1986; 53 FR 21792, June 10, 1988; 59 FR 52656, Oct. 19, 1994; 61 FR 43303, Aug. 22, 1996; 62 FR 31702, June 11, 1997; 62 FR 34342, June 25, 1997; 62 FR 48939, Sept. 18, 1997; 63 FR 32714, June 16, 1998; 63 FR 35504, June 30, 1998; 63 FR 70992, Dec. 23, 1998; 64 FR 6783, Feb. 11, 1999; 65 FR 16785, Mar. 30, 2000]

### § 800.72 Explanation of additional service fees for services performed in the United States only.

(a) When transportation of the service representative to the service location (at other than a specified duty point) is more than 25 miles from an FGIS office, the actual transportation cost in addition to the applicable hourly rate for each service representative will be assessed from the FGIS office to the service point and return. When commercial modes of transportation (e.g., airplanes) are required, the actual expense incurred for the round-trip travel will be assessed. When services are provided to more than one applicant, the travel and other related charges will be prorated between applicants.

(b) In addition to a 2-hour minimum charge for service on Saturdays, Sundays, and holidays, an additional charge will be assessed when the revenue from the services in § 800.71, schedule A, table 2, does not equal or exceed what would have been collected at the applicable hourly rate. The additional charge will be the difference between the actual unit fee revenue and the hourly fee revenue. Hours accrued for travel and standby time shall apply in determining the hours for the minimum fee.

[61 FR 43305, Aug. 22, 1996]

### § 800.73 Computation and payment of service fees; general fee information.

(a) *Computing hourly rates.* The applicable hourly rate will be assessed in quarter hour increments for:

(1) Travel from the FGIS field office or assigned duty station to the service point and return;

(2) The performance of the requested service, less mealtime.

(b) *Application of fees when service is delayed or dismissed by the applicant.* The applicable hourly rate will be assessed for the entire period of scheduled service when:

(1) Service has been requested at a specified location;

(2) A service representative is on duty and ready to provide service but is unable to do so because of a delay not caused by the Service; and

(3 FGIS officials determine that the service representative cannot be utilized to provide service elsewhere without cost to the Service.

(c) *Application of fees when an application for service is withdrawn or dismissed.* The applicable hourly rate will be assessed to the applicant for the entire period of scheduled service if the request is withdrawn or dismissed after the service representative departs for the service point, or if the service request is not canceled by 2 p.m., local time, the business day preceding the date of scheduled service. However, the applicable hourly rate will not be assessed to the applicant if FGIS officials determine that the service representative can be utilized elsewhere or released without cost to the Service.

(d) *To whom fees are assessed.* Fees for inspection, weighing, and related services performed by service representatives, including additional fees as provided in § 800.72, shall be assessed to and paid by the applicant for the service.

(e) *Monthly payment of administrative fee.* At the option of the applicant, an agreement for 12 equal monthly payments may be entered into for payment of the administrative fee. These monthly payments will be based on the previous fiscal year's volume applied to the current year's administrative fee

schedule. If the volume of grain inspected is more than the amount of grain agreed upon at the beginning of the fiscal year, at the point the agreed upon volume is exceeded, the current year's administrative fee schedule shall apply to the remaining amount of grain for the rest of the fiscal year. If the volume of grain inspected is less than the agreed upon amount, any excess monies paid to the Service shall be applied to the next fiscal year's administrative fee unless a request for a refund is made by the applicant.

(f) *Advance payment*. As necessary, the Administrator may require that fees shall be paid in advance of the performance of the requested service. Any fees paid in excess of the amount due shall be used to offset future billings, unless a request for a refund is made by the applicant.

(g) *Form of payment*. Bills for fees assessed under the regulations in this part for official services performed by FGIS shall be paid by check, draft, or money order, payable to the U.S. Department of Agriculture, Grain Inspection, Packers and Stockyards Administration.

[61 FR 43305, Aug. 22, 1996]

KINDS OF OFFICIAL SERVICES

### § 800.75 Kinds of official inspection and weighing services.

(a) *General*. Paragraphs (b) through (m) of this section describe the kinds of official service available. Each kind of service has several levels. §§ 800.115, 800.116, 800.117, and 800.118 explain Original Services, §§ 800.125, 800.126, 800.127, 800.128, and 800.129 explain Reinspection Services and Review of Weighing Services, and §§ 800.135, 800.136, 800.137, 800.138, and 800.139 explain Appeal Inspection Services. The results of each official service listed in paragraphs (b) through (j) will be certificated according to § 800.160.

(b) *Official sample-lot inspection service*. This service consists of official personnel (1) sampling an identified lot of grain and (2) analyzing the grain sample for grade, official factors, or official criteria, or any combination thereof, according to the regulations, Official U.S. Standards for Grain, instructions, and the request for inspection.

(c) *Warehouseman's sample-lot inspection service*. This service consists of (1) a licensed warehouseman sampler (i) sampling an identified lot of grain using an approved diverter-type mechanical sampler and (ii) sending the sample to official personnel and (2) official personnel analyzing the grain sample for grade, official factors, official criteria, or any combination thereof, according to the regulations, Official U.S. Standards for Grain, instructions, and the request for inspection.

(d) *Submitted sample inspection service*. This service consists of an applicant or an applicant's agent submitting a grain sample to official personnel, and official personnel analyzing the grain sample for grade, official factors, official criteria, or any combination thereof, according to the regulations, Official U.S. Standards for Grain, instructions, and the request for inspection.

(e) *Official sampling service*. This service consists of official personnel (1) sampling an identified lot of grain and (2) forwarding a representative portion(s) of the sample along with a copy of the certificate, as requested by the applicant.

(f) *Official stowage examination service*. (1) This service consists of official personnel visually determining if an identified carrier or container is clean; dry; free of infestation, rodents, toxic substances, and foreign odor; and is suitable to store or carry grain.

(2) A stowage examination may be obtained as a separate service or with one or more other services. Approval of the stowage space is required for official sample-lot inspection services on all export lots of grain and all official sample-lot inspection services performed on outbound domestic lots of grain which are sampled and inspected at the time of loading. Also, approval of the stowage space is required for any weighing services performed on all outbound land carriers.

(g) *Class X weighing service*. This service consists of official personnel (1) completely supervising the loading or unloading of an identified lot of grain and (2) physically weighing or completely supervising approved weighers weighing the grain.

(h) *Class Y weighing service*. This service consists of (1) approved weighers

physically weighing the grain and (2) official personnel partially or completely supervising the loading or unloading of an identified lot of grain.

(i) *Checkweighing service (sacked grain).* This service consists of official personnel or approved weighers under the supervision of official personnel (1) physically weighing a selected number of sacks from a grain lot and (2) determining the estimated total gross, tare, and new weights, or the estimated average gross or net weight per filled sack according to the regulations, instructions, and request by the applicant.

(j) *Checkloading service.* This service consists of official personnel (1) performing a stowage examination; (2) computing the number of filled grain containers loaded aboard a carrier; and (3) if practicable, sealing the carrier for security.

(k) *Test weight reverification service.* This service consists of official personnel (1) comparing the weight of elevator test weights with known weights; (2) correcting the elevator test weights, when necessary; and (3) issuing a Report of Test.

(l) *Railroad track scale testing service.* This service consists of official personnel (1) testing railroad track scales with Service-controlled test cars and (2) issuing a Report of Test.

(m) *Hopper and truck scale testing service.* This service consists of official personnel (1) testing hopper and truck scales and (2) issuing a Report of Test.

(The information collection requirements contained in this section were approved by the Office of Management and Budget under control number 0580–0011)

[50 FR 45392, Oct. 31, 1985]

### § 800.76 Prohibited services; restricted services.

(a) *Prohibited services.* No agency shall perform any inspection function or provide any inspection service on the basis of unofficial standards, procedures, factors, or criteria if the agency is designated or authorized to perform the service or provide the service on an official basis under the Act. No agency shall perform official and unofficial weighing on the same mode of conveyance at the same facility.

(b) *Restricted services.* (1) *Not standardized grain.* When an inspection or weighing service is requested on a sample or a lot of grain which does not meet the requirements for grain as set forth in the Official U.S. Standards for Grain, a certificate showing the words ''Not Standardized Grain'' shall be issued according to the instructions.

(2) *Grain screening.* The inspection or weighing of grain screenings may be obtained from an agency or field office according to the instructions.

[50 FR 45393, Oct. 31, 1985, as amended at 60 FR 65235, Dec. 19, 1995; 63 FR 45677, Aug. 27, 1998]

## INSPECTION METHODS AND PROCEDURES

### § 800.80 Methods and order of performing official inspection services.

(a) *Methods.* (1) *General.* All official inspection services shall be performed in accordance with methods and procedures prescribed in the regulations and the instructions.

(2) *Lot inspection services.* A lot inspection service shall be based on a representative sampling and examination of the grain in the entire lot, except as provided in § 800.85, and an accurate analysis of the grain in the sample.

(3) *Stowage examination service.* A stowage examination service shall be based on a thorough and accurate examination of the carrier or container into which grain will be loaded.

(4) *Submitted sample inspection service.* A submitted sample inspection service shall be based on a submitted sample of sufficient size to enable official personnel to perform a complete analysis for grade. If a complete analysis for grade cannot be performed because of an inadequate sample size or other conditions, the request for service shall be dismissed or a factor only inspection may be performed upon request.

(5) *Reinspection and appeal inspection service.* A reinspection, appeal inspection, or Board appeal inspection service shall be based on an independent review of official grade information, official factor information, or other information consistent with the scope of the original inspection.

(b) *Order of service*. Official inspection services shall be performed, to the extent practicable, in the order in which they are received. Priority shall be given to inspections required for export grain. Priority may be given to other kinds of inspection services under the Act with the specific approval of the Service.

(c) *Recording receipt of documents*. Each document submitted by or on behalf of an applicant for inspection services shall be promptly stamped or similarly marked by official personnel to show the date of receipt.

(d) *Conflicts of interest*. No official personnel shall perform or participate in performing an official inspection service on grain or on a carrier or container in which they have a direct or indirect financial interest.

[50 FR 49669, Dec. 4, 1985]

### § 800.81 Sample requirements; general.

(a) *Samples for official sample-lot inspection service*. (1) *Original official sample-lot inspection service*. For original sample-lot inspection purposes, an official sample shall be (i) obtained by official personnel; (ii) representative of the grain in the lot; (iii) protected from manipulation, substitution, and improper or careless handling; and (iv) obtained within the prescribed geographical boundaries of the agency or field office performing the service.

(2) *Official sample-lot reinspection and appeal inspection service*. For an official sample-lot reinspection service or an official appeal sample-lot inspection service, the sample(s) on which the reinspection or appeal is determined shall (i) be obtained by official personnel and (ii) otherwise meet the requirements of paragraph (a)(1) of this section. If the reinspection or appeal inspection is determined on the basis of official file sample(s), the samples shall meet the requirements of § 800.82(d).

(3) *New sample*. Upon request and if practicable, a new sample shall be obtained and examined as a part of a reinspection or appeal inspection. The provision for a new sample shall not apply if obtaining the new sample involves a change in method of sampling.

(b) *Representative sample*. A sample shall not be considered representative unless it (1) has been obtained by official personnel, (2) is of the size prescribed in the instructions, and (3) has been obtained, handled, and submitted in accordance with the instructions. A sample which fails to meet the requirements of this paragraph may, upon request of the applicant, be inspected as a submitted sample.

(c) *Protecting samples*. Official personnel shall protect official samples, warehouseman's samples, and submitted samples from manipulation, substitution, or improper and careless handling which may deprive the samples of their representativeness or which may change the physical or chemical properties of the grain, as appropriate, from the time of sampling or receipt until the inspection services are completed and the file samples have been discarded.

(d) *Restriction on sampling*. Official personnel shall not perform an original inspection or a reinspection service on an official sample or a warehouseman's sample unless the grain from which the sample was obtained was located within the area of responsibility assigned to the agency or field office at the time of sampling. Upon request, the Administrator may grant an exception to this rule on a case-by-case basis.

(e) *Disposition of samples*. (1) *Excess grain*. Any grain in excess of the quantity specified in the instructions for the requested service, the file samples, and samples requested by interested persons shall be returned to the lot from which the grain was obtained or to the owner of the lot or the owner's order.

(2) *Inspection samples*. Inspection samples, after they have served their intended purpose, shall be disposed of as follows:

(i) Samples which contain toxic substances or materials shall be kept out of food and feed channels, and

(ii) Official personnel shall dispose of samples obtained or submitted to them according to procedures established by the Service. Complete and accurate records of disposition shall be maintained.

(Approved by the Office of Management and Budget under control number 0580–0011)

[50 FR 49669, Dec. 4, 1985]

**§ 800.82 Sampling provisions by level of service.**

(a) *Original inspection service.* (1) *Official sample-lot inspection service.* Each original inspection service shall be performed on the basis of one or more official samples obtained by official personnel from grain in the lot and forwarded to the appropriate agency or field office.

(2) *Warehouseman's sample-lot inspection.* Each original warehouseman's sample-lot inspection service shall be performed on the basis of samples obtained by a licensed warehouseman and sent to the appropriate agency or field office in whose circuit the warehouse is located.

(3) *Submitted sample service.* Each original submitted sample inspection service shall be performed on the basis of the sample as submitted.

(b) *Reinspection, and appeal inspection services.* (1) *Official sample-lot inspection service.* Each of these inspection services shall be performed on the basis of official samples as available, including file samples, at the time the service is requested. In performing these services, a sample obtained with an approved diverter-type mechanical sampler or with a pelican sampler generally shall be used with respect to quality factors and official criteria, and a sample obtained with a probe at the time of the reinspection or appeal, generally, shall be used with respect to heating, musty, sour, insect infestation, and other condition and odor factors. In instances where original inspection results are based on samples obtained by probe, the decision as to whether file samples or new samples obtained by probe are to be used shall be made by the official personnel performing the service.

(2) *Warehouseman's sample-lot inspection service.* Each reinspection service and appeal inspection service on a warehouseman's sample shall be performed on an analysis of the official file sample.

(3) *Submitted sample service.* Each reinspection service and appeal inspection service on a submitted sample shall be performed on an analysis of the official file sample.

(c) *Board appeal inspection services.* Board appeal inspection services shall be performed on an analysis of the official file sample.

(d) *Use of file samples.* (1) *Requirements for use.* A file sample that is retained by official personnel in accordance with the procedures prescribed in the instructions may be considered representative for a reinspection service, appeal inspection service, and a Board appeal inspection service if (i) the file sample has remained at all times in the custody and control of the official personnel that performed the inspection service in question; and (ii) the official personnel who performed the original inspection service and those who are to perform the reinspection, the appeal inspection, or the Board appeal inspection service determine that the samples were representative at the time the original inspection service was performed and that the quality or condition of the grain in the samples has not changed.

(2) *Certificate statement.* When the results of a reinspection, appeal inspection, or Board appeal inspection service are based on an official file sample, the certificate for the reinspection service, the appeal inspection service, and the Board appeal inspection service shall show a statement, as specified in the instructions, indicating that the results are based on the official file sample.

[50 FR 49670, Dec. 4, 1985]

**§ 800.83 Sampling provisions by kind of movement.**

(a) *Export cargo movements.* (1) *Bulk grain.* Except as may be approved by the Administrator on a shipment-by-shipment basis in an emergency, each inspection for official grade, official factor, or official criteria on an export cargo shipment of bulk grain shall be performed on official samples obtained from the grain (i) as the grain is being loaded aboard the final carrier; (ii) after the final elevation of the grain prior to loading and as near to the final loading spout as is physically practicable (except as approved by the Administrator when representative samples can be obtained before the grain reaches the final loading spout); and

(iii) by means of a diverter-type mechanical sampler approved by the Service and operated in accordance with instructions. If an approved diverter-type mechanical sampler is not properly installed at an elevator or facility as required, each certificate issued at that elevator or facility for an export cargo shipment of bulk grain shall show a statement indicating the type of approved sampling method used, as prescribed in the instructions.

(2) *Sacked grain.* Each inspection for official grade, official factor, or official criteria on an export cargo shipment of sacked grain shall be performed on official samples obtained from the grain by any sampling method approved by the Service and operated in accordance with instructions.

(b) *Other movements.* Each inspection for official grade, official factor, or official criteria on a domestic cargo movement (''In,'' ''Out,'' or en route barge movement), a movement in a land carrier (any movement in a railcar, truck trailer, truck/trailer combination, or container), or a ''LOCAL'' movement of bulk or sacked grain shall be performed on official samples obtained from the grain by any sampling method approved by the Service and operated in accordance with the instructions.

[50 FR 49670, Dec. 4, 1985]

### § 800.84 Inspection of grain in land carriers, containers, and barges in single lots.

(a) *General.* The reinspection of bulk or sacked grain loaded or unloaded from any carrier or container, except shiplot grain, shall be conducted in accordance with the provisions in this section and procedures prescribed in the instructions.

(b) *Single and multiple grade procedure.* (1) *Single grade.* When grain in a carrier or container is offered for inspection as one lot and the grain is found to be uniform in condition, the grain shall be sampled, inspected, graded, and certificated as one lot. For the purpose of this paragraph, condition only includes the factors heating, musty, or sour.

(2) *Multiple grade.* When grain in a carrier or container is offered for inspection as one lot and the grain is found to be not uniform in condition because portions of the grain are heating, musty, or sour, the grain in each portion will be sampled, inspected, and graded separately; but the results shall be shown on one certificate. The certificate shall show the approximate quantity or weight of each portion, the location of each portion in the carrier or container, and the grade of the grain in each portion.

(3) *Infested.* If any portion of grain in a lot is found to be infested, according to applicable provisions of the Official U.S. Standards for Grain, the entire lot shall be considered infested. When grain in railcars or trucks with permanently enclosed tops is considered infested, the applicant for inspection shall be promptly notified and given the option of (i) receiving a grade certificate with a special grade designation indicating that the entire lot is infested or (ii) fumigating the grain in the lot in accordance with instructions and receiving a grade certificate without the special grade designation.

(c) *One certificate per carrier: exceptions.* Except as provided in this paragraph, one official certificate shall be issued for the inspection of the grain in each truck, trailer, truck/trailer(s) combination, railcar, barge, or similarly sized carrier. The requirements of this paragraph are not applicable:

(1) When grain is inspected in a combined lot under § 800.85;

(2) When grain is inspected under paragraph (d) of this section; or

(3) When certification is at the option of the applicant in accordance with instructions.

(d) *Bulkhead lots.* If grain in a carrier is offered for official inspection as two or more lots and the lots are separated by bulkheads or other partitions, the grain in each lot shall be sampled, inspected, and graded separately in accordance with paragraphs (a) and (b) of this section. An official certificate shall be issued for each lot inspected. Each certificate shall show the term ''Bulkhead Lot,'' the approximate quantity or weight of the grain in the lot, the location of the lot in the carrier, and the grade of the grain in the lot.

(e) *Bottom not sampled.* If bulk grain offered for official inspection is at rest in a carrier or container and is fully

accessible for sampling in an approved manner, except that the bottom of the carrier or container cannot be reached with each probe, the grain shall be sampled as thoroughly as possible with an approved probe. The grain in the resulting samples shall be inspected, graded, and certificated, except that each certificate shall show a statement, as specified in the instructions, indicating the depth probed. Any inspection which is based on a sample that does not represent the entire carrier or container does not meet the mandatory inspection requirements of section 5(a)(1) of the Act.

(f) *Partial inspection—heavily loaded.* (1) *General.* When an ''In'' movement of bulk grain is offered for inspection at rest in a carrier or container and is loaded in such a manner that it is possible to secure only door-probe or shallow-probe samples, the container shall be considered to be ''heavily loaded,'' and the request for inspection either shall be dismissed or a partial inspection shall be made. If the request is for the inspection of an ''Out'' movement of grain, the request shall be dismissed on the grounds that the grain is not accessible for a correct ''Out'' inspection.

(2) *Certification procedure.* If a partial inspection is made, the grain will be sampled as thoroughly as possible with an approved probe and inspected, graded, and a ''partial inspection—heavily loaded'' certificate issued. The certificate shall show the words ''Partial inspection—heavily loaded'' in the space provided for remarks. The type of samples that were obtained shall be described in terms of ''door probe'' or ''shallow probe.''

(3) *Reinspection and appeal inspection procedure.* A request for a reinspection or an appeal inspection service on grain in a carrier or container that is certificated as ''partial inspection—heavily loaded'' shall be dismissed in accordance with § 800.48(a)(4).

(4) *Restriction.* No ''partial inspection—heavily loaded'' certificate shall be issued for sacked grain or any inspection other than the inspections described in paragraphs (f)(1) through (4) of this section and § 800.85(h)(2).

(g) *Part lots.* (1) *General.* If a portion of the grain in a carrier or container is removed, the grain that is removed and the grain remaining shall be considered separate lots. When an official inspection service is requested on either portion, the grain shall be sampled, inspected, graded, and a ''part-lot'' inspection certificate issued.

(2) *Grain remaining in carrier or container.* The certificate for grain remaining in a carrier or container shall show (i) the following completed statement: ''Partly unloaded; results based on portion remaining in (show carrier or container identification),'' (ii) the term ''Part lot'' following the quantity information, (iii) the identification of the carrier or container, and (iv) the estimated amount and location of the part lot.

(3) *Grain unloaded from carrier or container.* If grain is sampled by official personnel during unloading, the certificate for the grain that is unloaded shall show (i) the completed statement: ''Part lot; results based on portion removed from (show carrier identification)'' and (ii) the term ''Part lot'' following the quantity information. If the grain is not sampled by official personnel during unloading, the certificate may, upon request of the applicant, show a completed statement such as ''Applicant states grain is ex-car ____'' or ''Applicant states grain is ex-barge ____,'' but the certificate shall not otherwise show a carrier or container identification or the term ''Part lot.''

(h) *Identification for compartmented cars.* The identification for compartments in a compartmented railcar shall, in the absence of readily visible markings, be stated in terms of the location of the grain in a compartment, with the first compartment at the brake end of the car being identified as B–1, and the remaining compartments being numbered consecutively towards the other end of the car.

[50 FR 49671, Dec. 4, 1985, as amended at 57 FR 11428, Apr. 3, 1992]

### § 800.85 Inspection of grain in combined lots.

(a) *General.* The official inspection for grade of bulk or sacked grain loaded aboard, or being loaded aboard, or discharged from two or more carriers or containers (including barges designed for loading aboard a ship) as a

combined lot shall be performed according to the provisions of this section and procedures prescribed in the instructions.

(b) *Application procedure.* (1) *For inspection during loading, unloading, or at rest.* Applications for official inspection of grain as a combined lot shall (i) be filed in accordance with § 800.116; (ii) show the estimated quantity of grain that is to be certificated as one lot; (iii) show the contract grade if applicable; and (iv) identify each carrier into which grain is being loaded or from which grain is being unloaded.

(2) *Recertification.* An application for recertification as a combined lot of grain that has been officially inspected and certificated as two or more single lots shall (i) be filed not later than 2 business days after the latest inspection date of the single lots and (ii) show information specified in paragraph (b)(1) of this section.

(c) *Inspection procedure; general—land carriers and barges.* (1) *Inspection during loading, or unloading, or at rest.* Grain in two or more land carriers and barges that are to be officially inspected as a combined lot shall be sampled in a reasonably continuous operation. Representative samples shall be obtained from the grain in each individual carrier and inspected in accordance with procedures as prescribed in the instructions.

(2) *Recertification.* Grain that has been officially inspected and certificated as two or more single lots may be recertificated as a combined lot if (i) the grain in each lot was sampled in a reasonably continuous operation; (ii) the original inspection certificates issued for the single lots have been surrendered to official personnel; (iii) representative file samples of the single lots are available; (iv) the grain in the single lots is of one grade and quality; (v) official personnel who performed the inspection service for the single lots and those who are to recertificate the grain as a combined lot determine that the samples used as a basis for the inspection of the grain in the single lots were representative at the time of sampling and have not changed in quality or condition; and (vi) the quality or condition of the grain meets uniformity requirements established by the Service for official inspection of grain in combined lots.

(d) *Weighted or mathematical average.* Official factor and official criteria information shown on a certificate for grain in a combined lot shall, subject to the provisions of paragraphs (e) through (g) of this section, be based on the weighted or mathematical averages of the analysis of the sublots in the lot and shall be determined in accordance with the instructions.

(e) *Infested grain.* If the grain in a combined lot is offered for official inspection as it is being loaded aboard a carrier and the grain, or a portion of the grain, in a lot is found to be infested, according to applicable provisions of the Official U.S. Standards for Grain, the applicant shall be notified and may exercise options specified in the instructions. When grain in railcars or trucks with permanently enclosed tops is considered infested, the applicant shall be given the option of (1) receiving a grade certificate with a special grade designation indicating that the entire lot is infested or (2) fumigating the grain in the lot in accordance with instructions and receiving a grade certificate without the special grade designation.

(f) *Grain uniform in quality.* Samples obtained from grain officially inspected as a combined lot shall be examined for uniformity of quality. If the grain in the samples is found to be uniform in quality and the grain is loaded aboard or is unloaded from the carriers in a reasonably continuous operation, the grain in the combined lot shall be officially inspected and certificated as one lot. The requirements of this paragraph (f) and paragraph (c) of this section with respect to reasonably continuous loading or unloading do not apply to grain which is at rest in carriers when the grain is offered for inspection.

(g) *Grain not uniform in quality.* When grain officially inspected as a combined lot is found to be not uniform in quality or if the grain is not loaded or unloaded in a reasonably continuous operation, the grain in each portion, and any grain which is loaded or unloaded at different times, shall be officially sampled, inspected, graded, and certificated as single lots.

(h) *Special certification procedures.* (1) *Grain not uniform in quality.* When grain in a combined lot is found to be not uniform in quality under paragraph (g) of this section, the official inspection certificate for each portion of different quality shall show (i) the grade, identification, and approximate quantity of the grain and (ii) other information required by the instructions.

(2) *Partial inspection.* When an inbound movement of bulk grain is offered for official inspection at rest as a combined lot and all carriers are not fully accessible for sampling, the request for official inspection either shall be dismissed or a combined lot inspection shall be made on those carriers that are accessible. Those lots that are not accessible shall be handled in accordance with § 800.84. If the request is for an official inspection service on an outbound movement of grain at rest in a combined lot, the request shall be dismissed on the ground that the grain is not accessible for a correct ''Out'' inspection.

(3) *Official mark.* If grain in a combined lot is inspected for grade as it is being loaded aboard two or more carriers, upon request of the applicant, the following mark shall be shown on the inspection certificate: ''Loaded under continuous official inspection'' or ''Loaded under continuous official inspection and weighing.''

(4) *Combined-lot certification; general.* Each official certificate for a combined-lot inspection service shall show the identification for the ''combined lot'' or, at the request of the applicant, the identification of each carrier in the combined lot. If the identification of each carrier is not shown, the statement ''Carrier identification available on official inspection log'' shall be shown on the inspection certificate in the space provided for remarks. The identification and any seal information for the carriers may be shown on the reverse side of the inspection certificate, provided the statement ''See reverse side'' is shown on the face of the certificate in the space provided for remarks.

(5) *Recertification.* If a request for a combined-lot inspection service is filed after the grain has been officially inspected and certificated as single lots, the combined-lot inspection certificate shall show (i) the date of inspection of the grain in the combined lot (if the single lots were inspected on different dates, the latest of the dates shall be shown); (ii) a serial number other than the serial numbers of the official inspection certificates that are to be superseded; (iii) the location of the grain, if at rest, or the name of the elevator from which or into which the grain in the combined lot was loaded or unloaded; (iv) a statement showing the approximate quantity of grain in the combined lot; (v) a completed statement showing the identification of any superseded certificates; and (vi) if at the time of issuing the combined-lot inspection certificate the superseded certificates are not in the custody of the official personnel, a statement indicating that the superseded certificates have not been surrendered shall be clearly shown in the space provided for remarks. If the superseded certificates are in the custody of official personnel, the superseded certificates shall be clearly marked ''Void.''

(i) *Further combining.* After a combined-lot inspection certificate has been issued, there shall be no further combining and no dividing of the certificate.

(j) *Limitation.* No combined-lot inspection certificate shall be issued (1) for any official inspection service other than as described in this section or (2) which shows a quantity of grain in excess of the quantity in the single lots.

[50 FR 49672, Dec. 4, 1985]

### § 800.86 Inspection of shiplot, unit train, and lash barge grain in single lots.

(a) *General.* Official inspection for grade of bulk or sacked grain aboard, or being loaded aboard, or being unloaded from a ship, unit train, or lash barges as a single lot shall be performed according to the provisions of this section and procedures prescribed in the instructions.

(b) *Application procedure.* Applications for the official inspection of shiplot, unit train, and lash barges as a single lot shall:

(1) Be filed in advance of loading or unloading;

(2) Show the estimated quantity of grain to be certificated;

(3) Show the contract grade and official criteria if applicable; and

(4) Identify the carrier and stowage area into which the grain is being loaded, or from which the grain is being unloaded, or in which the grain is at rest.

(c) *Inspection procedures.* (1) *General information.* Shiplot, unit train, and lash barge grain officially inspected as a single lot shall be sampled in a reasonably continuous operation. Representative samples shall be obtained from the grain offered for inspection and inspected and graded in accordance with a statistical acceptance sampling and inspection plan according to the provisions of this section and procedures prescribed in the instructions.

(2) *Tolerances.* The probability of accepting or rejecting portions of the lot during loading or unloading is dependent on inspection results obtained from preceding portions and the applied breakpoints and procedures. Breakpoints shall be periodically reviewed and revised based on new estimates of inspection variability. Tables 1 through 24 list the breakpoints for all grains.

TABLE 1—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR SIX-ROWED MALTING BARLEY AND SIX-ROWED BLUE MALTING BARLEY

| Grade | Minimum limits of— | | | | | | Maximum limits of— | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Test weight per bushel (pounds) | | Suitable malting types (percent) | | Sound barley (percent)[1] | | Damaged kernels (percent) | | Foreign material (percent) | | Other grains (percent) | | Skinned and broken kernels (percent) | | Thin barley (percent) | |
| | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 47.0 | −0.5 | 95.0 | −1.3 | 97.0 | −1.0 | 2.0 | 0.8 | 0.5 | 0.1 | 2.0 | 0.8 | 4.0 | 1.1 | 7.0 | 0.6 |
| U.S. No. 2 | 45.0 | −0.5 | 95.0 | −1.3 | 94.0 | −1.4 | 3.0 | 0.9 | 1.0 | 0.4 | 3.0 | 0.9 | 6.0 | 1.4 | 10.0 | 0.9 |
| U.S. No. 3 | 43.0 | −0.5 | 95.0 | −1.3 | 90.0 | −1.6 | 4.0 | 1.1 | 2.0 | 0.5 | 5.0 | 1.3 | 8.0 | 1.5 | 15.0 | 0.9 |
| U.S. No. 4 | 43.0 | −0.5 | 95.0 | −1.3 | 87.0 | −1.9 | 5.0 | 1.3 | 3.0 | 0.6 | 5.0 | 1.3 | 10.0 | 1.6 | 15.0 | 0.9 |

[1] Injured-by-frost kernels and injured-by-mold kernels are not considered damaged kernels or considered against sound barley.

TABLE 2—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR TWO-ROWED MALTING BARLEY

| Grade | Minimum limits of— | | | | | | Maximum limits of— | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Test weight per bushel (pounds) | | Suitable malting types (percent) | | Sound barley[1] (percent) | | Wild oats (percent) | | Foreign material (percent) | | Skinned and broken kernels (percent) | | Thin barley (percent) | |
| | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 50.0 | −0.5 | 97.0 | −1.0 | 98.0 | −0.8 | 1.0 | 0.6 | 0.5 | 0.1 | 5.0 | 1.3 | 5.0 | 0.4 |
| U.S. No. 2 | 48.0 | −0.5 | 97.0 | −1.0 | 98.0 | −0.8 | 1.0 | 0.6 | 1.0 | 0.4 | 7.0 | 1.3 | 7.0 | 0.5 |
| U.S. No. 3 | 48.0 | −0.5 | 95.0 | −1.3 | 96.0 | −1.1 | 2.0 | 0.8 | 2.0 | 0.5 | 10.0 | 1.8 | 10.0 | 0.9 |
| U.S. No. 4 | 48.0 | −0.5 | 95.0 | −1.3 | 93.0 | −1.1 | 3.0 | 0.9 | 3.0 | 0.6 | 10.0 | 1.8 | 10.0 | 0.9 |

[1] Injured-by-frost kernels and injured-by-mold kernels are not considered damaged kernels or considered against sound barley.

NOTE: Malting barley shall not be infested in accordance with § 810.107(b) and shall not contain any special grades as defined in § 810.206. Six- and two-rowed barley varieties not meeting the above requirements shall be graded in accordance with standards established for the class Barley.

TABLE 3—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR BARLEY

| Grade | Minimum limits of— | | | | Maximum limits of— | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Test weight per bushel (pounds) | | Sound barley (percent) | | Damaged kernels[1] (percent) | | Heat damaged kernels (percent) | | Foreign material (percent) | | Broken kernels (percent) | | Thin barley (percent) | |
| | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 47.0 | −0.5 | 97.0 | −1.1 | 2.0 | 0.8 | 0.2 | 0.1 | 1.0 | 0.4 | 4.0 | 1.0 | 10.0 | 0.9 |
| U.S. No. 2 | 45.0 | −0.5 | 94.0 | −1.4 | 4.0 | 1.0 | 0.3 | 0.1 | 2.0 | 0.4 | 8.0 | 1.5 | 15.0 | 0.9 |
| U.S. No. 3 | 43.0 | −0.5 | 90.0 | −1.6 | 6.0 | 1.4 | 0.5 | 0.2 | 3.0 | 0.5 | 12.0 | 1.8 | 25.0 | 1.3 |
| U.S. No. 4 | 40.0 | −0.5 | 85.0 | −2.2 | 8.0 | 1.5 | 1.0 | 0.5 | 4.0 | 0.5 | 18.0 | 1.8 | 35.0 | 1.9 |
| U.S. No. 5 | 36.0 | −0.5 | 75.0 | −2.2 | 10.0 | 1.8 | 3.0 | 0.6 | 5.0 | 0.6 | 28.0 | 2.4 | 75.0 | 2.3 |

[1] Includes heat-damaged kernels. Injured-by-frost kernels and injured-by-mold kernels are not considered damaged kernels.

TABLE 4—BREAKPOINTS FOR BARLEY SPECIAL GRADES AND FACTORS

| Special grade or factor | Grade or range limit | Breakpoint |
|---|---|---|
| Dockage | As specified by contract or load order | 0.23 |
| Two-rowed Barley | Not more than 10.0% of Six-rowed in Two-rowed | 1.8 |
| Six-rowed Barley | Not more than 10.0% of Two-rowed in Six-rowed | 1.8 |
| Malting (Blue Aleurone Layers) | Not less than 90.0% | −1.3 |
| Malting (White Aleurone Layers) | Not less than 90.0% | −1.3 |
| Smutty | More than 0.20% | 0.06 |
| Garlicky | 3 or more in 500 grams | 2⅓ |
| Ergoty | More than 0.10% | 0.13 |
| Infested | Same as in § 810.107 | 0 |
| Blighted | More than 4.0% | 1.1 |
| Injured-by-Frost Kernels | Not more than 1.9% | 0.1 |
| Injured-by-Heat Kernels | Not more than 0.2% | 0.04 |
| Frost-damaged Kernels | Not more than 0.4% | 0.05 |
| Heat-damaged Kernels | Not more than 0.1% | 0.1 |
| Other Grains | Not more than 25.0% | 2.4 |
| Moisture | As specified by contract or load order grade | 0.5 |

TABLE 5—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR CORN

| Grade | Minimum test weight per bushel (pounds) | | Maximum limits of— Damaged kernels: Heat-damaged kernels (percent) | | Total (percent) | | Broken corn and foreign material (percent) | |
|---|---|---|---|---|---|---|---|---|
| | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 56.0 | −0.4 | 0.1 | 0.1 | 3.0 | 1.0 | 2.0 | 0.2 |
| U.S. No. 2 | 54.0 | −0.4 | 0.2 | 0.2 | 5.0 | 1.3 | 3.0 | 0.3 |
| U.S. No. 3 | 52.0 | −0.4 | 0.5 | 0.3 | 7.0 | 1.5 | 4.0 | 0.3 |
| U.S. No. 4 | 49.0 | −0.4 | 1.0 | 0.5 | 10.0 | 1.8 | 5.0 | 0.4 |
| U.S. No. 5 | 46.0 | −0.4 | 3.0 | 0.9 | 15.0 | 2.1 | 7.0 | 0.4 |

TABLE 6—BREAKPOINTS FOR CORN SPECIAL GRADES AND FACTORS

| Special grade or factor | Grade limit | Breakpoint |
|---|---|---|
| Flint | 95 percent or more of flint corn | −1.0 |
| Flint and Dent | More than 5 percent, but less than 95 percent of flint corn | 1.0 or −1.0 |
| Infested | Same as in § 810.107 | 0 |
| Corn of other colors: | | |
| White | Not more than 2.0 percent | 0.8 |
| Yellow | Not more than 5.0 percent | 1.0 |
| Waxy | 95 percent or more | −3.0 |
| High BCFM | As specified by contract or load order grade | 10 percent of the load order grade |
| Moisture | As specified by contract or load order grade | 0.4 |

TABLE 7—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR FLAXSEED

| Grade | Minimum test weight per bushel (pounds) | | Maximum limits of-damaged kernels: Heat-damaged kernels (percent) | | Total (percent) | |
|---|---|---|---|---|---|---|
| | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 49.0 | –0.1 | 0.2 | 0.1 | 10.0 | 0.9 |
| U.S. No. 2 | 47.0 | –0.1 | 0.5 | 0.1 | 15.0 | 1.1 |

TABLE 8—BREAKPOINTS FOR FLAXSEED SPECIAL GRADES AND FACTORS

| Special grade or factor | Grade limit | Breakpoint |
|---|---|---|
| Moisture | As specified by load order or contract grade | 0.4 |
| Dockage | 0.99 percent or above | 0.32 |

TABLE 9—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR MIXED GRAIN

| Grade | Maximum Limits of— | | | | |
|---|---|---|---|---|---|
| | Moisture (percent) | Damaged kernels | | | |
| | | Total (percent) | | Heat-damaged kernels (percent) | |
| | | GL | BP | GL | BP |
| U.S. Mixed Grain | 16.0 | 15.0 | 0.6 | 3.0 | 0.4 |

Note: There is no tolerance for U.S. Sample grade Mixed Grain.

TABLE 10—BREAKPOINTS FOR MIXED GRAIN SPECIAL GRADES AND FACTORS

| Special grade or factor | Grade limit | Breakpoint |
|---|---|---|
| Smutty | 15 or more in 250 grams (wheat, rye, or triticale predominates) | 6 |
| | More than 0.2% (all other mixtures) | 0.05 |
| Ergoty | More than 0.30% (rye wheat predominates) | 0.13 |
| | More than 0.10% (all other mixtures) | 0 |
| Garlicky | 2 or more per 1,000 grams (wheat, rye, or triticale predominates) | 1 |
| | 4 or more per 500 grams (all other mixtures) | 2 |
| Infested | Same as in § 810.107 | 0 |
| Blighted | More than 4.0% (barley predominates) | 1.1 |
| Treated | Same as in § 810.805 | 0 |
| Moisture | As specified by contract or load order grade | 0.5 |

TABLE 11—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR OATS

| Grade | Minimum limits of— | | | | Maximum limits of— | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Test weight per bushel (pounds) | | Sound Oats (percent) | | Heat-damaged kernels (percent) | | Foreign material (percent) | | Wild Oats (percent) | |
| | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 36.0 | −0.5 | 97.0 | −0.8 | 0.1 | 0.1 | 2.0 | 0.4 | 2.0 | 0.6 |
| U.S. No. 2 | 33.0 | −0.5 | 94.0 | −1.2 | 0.3 | 0.4 | 3.0 | 0.4 | 3.0 | 0.8 |
| U.S. No. 3 [1] | 30.0 | −0.5 | 90.0 | −1.4 | 1.0 | 0.5 | 4.0 | 0.5 | 5.0 | 1.1 |
| U.S. No. 4 [2] | 27.0 | −0.5 | 80.0 | −1.9 | 3.0 | 0.8 | 5.0 | 0.5 | 10.0 | 1.4 |

[1] Oats that are Slightly Weathered shall be graded not higher than U.S. No. 3.
[2] Oats that are Badly Stained or Materially Weathered shall be graded not higher than U.S. No. 4.

TABLE 12—BREAKPOINTS FOR OATS SPECIAL GRADES AND FACTORS

| Special grade or factors | Grade limit | Breakpoint |
|---|---|---|
| Heavy | 38 pounds or more | −0.5 |
| Extra Heavy | 40 pounds or more | −0.5 |
| Moisture | As specified by contract or load order grade | 0.5 |
| Thin | More than 20.0% | 0.5 |
| Smutty | More than 0.2% | 0.05 |
| Ergoty | More than 0.10% | 0.10 |
| Garlicky | 4 or more in 500 grams | 2⅓ |
| Infested | Same as in § 810.107 | 0 |
| Bleached | Same as in § 810.1005 | 0 |

TABLE 13—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR RYE

| Grade | Minimum test weight per bushel (pounds) | | Maximum limits of— | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Foreign Material | | | | Damaged kernels(percent) | | | | Thin rye (percent) | |
| | | | Foreign matter other than wheat (percent) | | Total (percent) | | Heat-damaged (percent) | | Total (percent) | | | |
| | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 56.0 | −0.5 | 1.0 | 0.4 | 3.0 | 0.8 | 0.2 | 0.1 | 2.0 | 0.8 | 10.0 | 0.6 |
| U.S. No. 2 | 54.0 | −0.5 | 2.0 | 0.5 | 6.0 | 1.1 | 0.2 | 0.1 | 4.0 | 1.1 | 15.0 | 0.8 |
| U.S. No. 3 | 52.0 | −0.5 | 4.0 | 0.8 | 10.0 | 1.4 | 0.5 | 0.4 | 7.0 | 1.4 | 25.0 | 0.9 |
| U.S. No. 4 | 49.0 | −0.5 | 6.0 | 0.8 | 10.0 | 1.4 | 3.0 | 0.8 | 15.0 | 2.0 | ..... | |

TABLE 14—BREAKPOINTS FOR RYE SPECIAL GRADES AND FACTORS

| Special grade or factor | Grade limit | Breakpoint |
|---|---|---|
| Moisture | As specified by contract or load order grade | 0.3 |
| Light Garlicky | 2 or more per 1,000 grams | 1⅓ |
| Garlicky | More than 6 per 1,000 grams | 7⅓ |
| Ergoty | More than 0.30% | 0.10 |
| Plump | Not more than 5.0% through 0.064×3/8 sieve | 0.5 |
| Light Smutty | More than 14 per 250 grams | 6 |
| Smutty | More than 30 per 250 grams | 10 |
| Infested | Same as in § 810.107 | 0 |
| Dockage | As specified by contract or load order grade | 0.2 |

TABLE 15—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR SORGHUM

| Grade | Minimum test weight per bushel (pounds) | | Maximum limits of— | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Damaged kernels | | | | Broken kernels and foreign material | | | |
| | | | Heat-damaged (percent) | | Total (percent) | | Total (percent) | | Foreign material (percent) | |
| | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 57.0 | −0.4 | 0.2 | 0.1 | 2.0 | 1.1 | 4.0 | 0.3 | 1.5 | 0.3 |
| U.S. No. 2 | 55.0 | −0.4 | 0.5 | 0.4 | 5.0 | 1.8 | 7.0 | 0.4 | 2.5 | 0.4 |
| U.S. No. 3[1] | 53.0 | −0.4 | 1.0 | 0.5 | 10.0 | 2.3 | 10.0 | 0.5 | 3.5 | 0.5 |
| U.S. No. 4 | 51.0 | −0.4 | 3.0 | 0.8 | 15.0 | 2.8 | 13.0 | 0.6 | 4.5 | 0.6 |

[1] Sorghum which is distinctly discolored shall be graded not higher than U.S. No. 3.

TABLE 16—BREAKPOINTS FOR SORGHUM SPECIAL GRADES AND FACTORS

| Special grade or factors | Grade limit | Breakpoint |
|---|---|---|
| Class Tannin | Not less than 90.0% | −1.9 |
| Sorghum | Not less than 97.0% | −1.0 |
| White | Not less than 98.0% | −0.9 |
| Smutty | 20 or more in 100 grams | 8 |
| Infested | Same as in § 810.107 | 0 |
| Dockage | 0.99% and above | 0.32 |
| Moisture | As specified by contract or load order grade | 0.5 |

TABLE 17—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR SOYBEANS

| Grade | Minimum test weight per bushel (pounds) | | Maximum limits of— | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Damaged kernels | | | | Foreign material (percent) | | Splits (percent) | | Soybeans of other colors (percent) | |
| | | | Heat-damaged (percent) | | Total (percent) | | | | | | | |
| | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 56.0 | −0.4 | 0.2 | 0.2 | 2.0 | 0.8 | 1.0 | 0.2 | 10.0 | 1.6 | 1.0 | 0.7 |
| U.S. No. 2 | 54.0 | −0.4 | 0.5 | 0.3 | 3.0 | 0.9 | 2.0 | 0.3 | 20.0 | 2.2 | 2.0 | 1.0 |
| U.S. No. 3[1] | 52.0 | −0.4 | 1.0 | 0.5 | 5.0 | 1.2 | 3.0 | 0.4 | 30.0 | 2.5 | 5.0 | 1.6 |
| U.S. No. 4[2] | 49.0 | −0.4 | 3.0 | 0.9 | 8.0 | 1.5 | 5.0 | 0.5 | 40.0 | 2.7 | 10.0 | 2.3 |

[1] Soybeans which are purple mottled or stained shall be graded not higher than U.S. No. 3.
[2] Soybeans which are materially weathered shall be graded not higher than U.S. 4.

TABLE 18—BREAKPOINTS FOR SOYBEAN SPECIAL GRADES AND FACTORS

| Special grade or factor | Grade limit | Breakpoint |
|---|---|---|
| Garlicky | 5 or more per 1,000 grams | 2 |
| Infested | Same as in § 810.107 | 0 |
| Soybeans of other colors | Not more than 10.0% | 2.3 |
| Moisture | As specified by contract or load order grade | 0.3 |

TABLE 19—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR SUNFLOWER SEED

| Grade | Minimum test weight per bushel (pounds) | | Maximum limits of— | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Damaged sunflower seed | | | | Dehulled seed (percent) | |
| | | | Heat-damaged (percent) | | Total (percent) | | | |
| | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 25.0 | –0.5 | 0.5 | 0.4 | 5.0 | 1.3 | 5.0 | 1.3 |
| U.S. No. 2 | 25.0 | –0.5 | 1.0 | 0.6 | 10.0 | 1.8 | 5.0 | 1.3 |

TABLE 20—BREAKPOINTS FOR SUNFLOWER SEED SPECIAL GRADES AND FACTORS

| Special grade or factor | Grade limit | Breakpoint |
|---|---|---|
| Moisture | As specified by contract or load order grade | 0.5 |
| Foreign Material | 1.25% and less | 0.27 |
| | 1.26% and above | 0.39 |
| Admixture | As specified by contract or load order grade | 0.6 |

TABLE 21—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR TRITICALE

| Grade | Minimum test weight per bushel (percent) | | Maximum limits of— | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Damaged kernels | | | | Foreign material | | | | Shrunken and broken kernels (percent) | | Defects[3] (percent) | |
| | | | Heat-damaged (percent) | | Total[1] (percent) | | Material other than wheat or rye (percent) | | Total[2] (percent) | | | | | |
| | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP | GL | BP |
| U.S. No. 1 | 48.0 | –0.5 | 0.2 | 0.1 | 2.0 | 0.8 | 1.0 | 0.4 | 2.0 | 0.6 | 5.0 | 0.8 | 5.0 | 1.3 |
| U.S. No. 2 | 45.0 | –0.5 | 0.2 | 0.1 | 4.0 | 1.1 | 2.0 | 0.5 | 4.0 | 0.9 | 8.0 | 0.8 | 8.0 | 1.3 |
| U.S. No. 3 | 43.0 | –0.5 | 0.5 | 0.4 | 8.0 | 1.5 | 3.0 | 0.6 | 7.0 | 1.2 | 12.0 | 1.6 | 12.0 | 2.3 |
| U.S. No. 4 | 41.0 | –0.5 | 3.0 | 0.8 | 15.0 | 2.0 | 4.0 | 0.8 | 10.0 | 1.4 | 20.0 | 2.3 | 20.0 | 2.3 |

[1] Includes heat-damaged kernels.
[2] Includes material other than wheat or rye.
[3] Defects includes damaged kernels (total), foreign material (total), and shrunken and broken kernels. The sum of these three factors may not exceed the limit for defects for each numerical grade.

TABLE 22—BREAKPOINTS FOR TRITICALE SPECIAL GRADES AND FACTORS

| Special grade or factor | Grade limit | Breakpoint |
|---|---|---|
| Garlicky | 2 or more per 1,000 grams | 1⅓ |
| Ergoty | More than 0.10% | 0.1 |
| Smutty | More than 14 per 250 grams | 6 |
| Infested | Same as in § 810.107 | 0 |
| Dockage | 0.99% or above | 0.32 |
| Moisture | As specified by contract or load order grade | 0.5 |

TABLE 23—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR WHEAT

| Grade | Minimum limits of— | | Maximum limits of— | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Test weight per bushel | | Damaged kernels | | Foreign material (percent) | Shrunken and broken kernels (percent) | Defects[3] (percent) | Wheat of other classes[4] | |
| | Hard red spring wheat or white club wheat[1] (pounds) | All other classes and subclasses (pounds) | Heat-damaged kernels (percent) | Total[2] (percent) | | | | Contrasting classes (percent) | Total[5] (percent) |
| | GL BP | GL BP | GL BP | GL BP | GL BP | GL BP | GL BP | GL BP | GL BP |
| U.S. No. 1 | 58.0 −0.3 | 60.0 −0.3 | 0.2 0.2 | 2.0 1.0 | 0.4 0.2 | 3.0 0.3 | 3.0 0.7 | 1.0 0.7 | 3.0 1.6 |

TABLE 23—GRADE LIMITS (GL) AND BREAKPOINTS (BP) FOR WHEAT—Continued

| Grade | Minimum limits of— | | Maximum limits of— | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Test weight per bushel | | Damaged kernels | | Foreign material (percent) | Shrunken and broken kernels (percent) | Defects[3] (percent) | Wheat of other classes[4] | |
| | Hard red spring wheat or white club wheat[1] (pounds) | All other classes and subclasses (pounds) | Heat-damaged kernels (percent) | Total[2] (percent) | | | | Contrasting classes (percent) | Total[5] (percent) |
| U.S. No. 2 ..... | 57.0 −0.3 | 58.0 −0.3 | 0.2 0.2 | 4.0 1.5 | 0.7 0.3 | 5.0 0.4 | 5.0 0.9 | 2.0 1.0 | 5.0 2.1 |
| U.S. No. 3 ..... | 55.0 −0.3 | 56.0 −0.3 | 0.5 0.3 | 7.0 1.9 | 1.3 0.4 | 8.0 0.5 | 8.0 1.2 | 3.0 1.3 | 10.0 2.9 |
| U.S. No. 4 ..... | 53.0 −0.3 | 54.0 −0.3 | 1.0 0.4 | 10.0 2.3 | 3.0 0.6 | 12.0 0.6 | 12.0 1.4 | 10.0 2.3 | 10.0 2.9 |
| U.S. No. 5 ..... | 50.0 −0.3 | 51.0 −0.3 | 3.0 0.7 | 15.0 2.7 | 5.0 0.7 | 20.0 0.7 | 20.0 1.5 | 10.0 2.3 | 10.0 2.9 |

[1] These requirements also apply when Hard Red Spring or White Club wheat predominate in a sample of Mixed wheat.
[2] Includes heat-damaged kernels.
[3] Defects include damaged kernels (total), foreign material, and shrunken and broken kernels. The sum of these factors may not exceed the limit for defects for each numerical grade.
[4] Unclassed wheat of any grade may contain not more than 10.0 percent of wheat of other classes.
[5] Includes contrasting classes.

TABLE 24—BREAKPOINTS FOR WHEAT SPECIAL GRADES AND FACTORS

| Special grade or factor | Grade limit | Breakpoint |
|---|---|---|
| Moisture ..... | As specified by contract or load order grade ..... | 0.3 |
| Garlicky ..... | More than 2 bulblets per 1,000 grams ..... | 1⅓ |
| Light smutty ..... | More than 5 smut balls per 250 grams ..... | 3 |
| Smutty ..... | More than 30 smut balls per 250 grams ..... | 10 |
| Infested ..... | Same as in § 810.107 ..... | 0 |
| Ergoty ..... | More than 0.05% ..... | 0.03 |
| Treated ..... | Same as in § 810.2204 ..... | 0 |
| Dockage ..... | As specified by contract or load order grade ..... | 0.2 |
| Protein ..... | As specified by contract or load order grade ..... | 0.5 |
| . | | |
| Class and Subclass | | |
| Hard red spring: | | |
| DNS ..... | 75% or more DHV ..... | −5.0 |
| NS ..... | 25% or more DHV but less than 75% DHV ..... | −5.0 |
| Durum: | | |
| HADU ..... | 75% or more HVAC ..... | −5.0 |
| ADU ..... | 60% or more HVAC but less than 75% of HVAC ..... | −5.0 |
| Soft white: | | |
| SWH ..... | Not more than 10% white club wheat ..... | 2.0 |
| WHCB ..... | Not more than 10% of other soft white wheat ..... | 2.0 |
| WWH ..... | More than 10% WHCB and more than 10% of other soft white wheat ..... | −3.0 |

(3) *Grain accepted by the inspection plan.* Grain which is offered for inspection as part of a single lot and accepted by a statistical acceptance sampling and inspection plan according to the provisions of this section and procedures prescribed in the instructions shall be certificated as a single lot provided it was sampled in a reasonably continuous operation. Official factor and official criteria information shown on the certificate shall be based on the weighted or mathematical averages of the analysis of sublots.

(4) *Grain rejected by the inspection plan.* When grain which is offered for inspection as part of a single lot is rejected by the plan or is not sampled in a reasonably continuous operation, the grain in each portion shall be certificated separately. If any portion of grain is not accepted by the plan and designated a material portion, the applicant shall be promptly notified and have the option of:

(i) Removing the material portion from the carrier; or

(ii) Requesting the material portion be separately certificated; or

(iii) Requesting either a reinspection or an appeal inspection of the material portion; or

(iv) Requesting a reinspection service and/or an appeal inspection service on the entire lot.

(5) *Reinspection service and appeal inspection service.* A reinspection or an appeal inspection may be requested on a material portion. A Board appeal inspection may also be requested on a material portion after the reinspection or appeal inspection. A reinspection, an appeal inspection, and a Board appeal inspection may be requested on the total sublots in the lot.

(i) *Material portions.* A material portion designated by the plan may be reinspected or appeal inspected once in the field, but not both, and once at the Board of Appeals and Review. The reinspection or appeal inspection result shall, unless a material error is found, be averaged with the original inspection determination. The Board appeal inspection result shall, unless a material error is found, be averaged with the previous inspection result. The inspection plan tolerances shall be reapplied to the material portion grain to determine acceptance or rejection. If a material error is found, the reinspection or appeal inspection result shall replace the original inspection result or the Board appeal result shall replace the previous inspection result. For purposes of this section, a material error is defined as results differing by more than two standard deviations. Acceptance or rejection of that portion of grain shall be based on the reinspection or appeal inspection and on the Board appeal inspection result alone when a material error is found.

(ii) *Entire lot.* The applicant may request a reinspection service, an appeal inspection service, and a Board appeal inspection service on the entire lot. Inspection results for these services shall replace the previous inspection results. The tolerances shall be reapplied to all portions of the entire lot to determine acceptance or rejection.

(d) *Infested grain.* (1) *Available options.* If gain or any portion of grain in a single shiplot, unit train, or lash barge lot is found to be infested, according to the provisions of the Official U.S. Standards for Grain, the applicant shall be promptly notified and have the option of:

(i) Unloading the portion of infested grain from the lot and an additional amount of other grain in common stowage with the infested grain; or

(ii) When applicable, completing the loading and treating all infested grain in the lot; or

(iii) When applicable, treating the infested grain for the purpose of destroying the insects, subject to subsequent examination by official personnel; or

(iv) Continue loading without treating the infested grain, in which case all of the infested grain in the lot and all grain in common stowage areas with the infested grain will be officially certificated as infested according to the provisions of the Official U.S. Standards for Grain.

(2) *Exception.* If infested grain in loaded into common stowage with a lot, or a portion of a lot, which has not been officially certificated as being infested, the applicant loading the infested grain may not use the option in paragraph (d)(1)(i) of this section.

(3) *With treatment.* If infested grain is treated with a fumigant in accordance with the instructions and the treatment is witnessed by official personnel, the official sampling, inspection, grading, and certification of the lot shall continue as though the infested condition did not exist.

(e) *Special certification procedures.* (1) *Rejected grain.* When grain is rejected by the inspection plan under paragraph (c)(4) of this section, the official inspection certificate for each different portion of different quality shall show:

(i) A statement that the grain has been loaded aboard with grain of other quality;

(ii) The grade, location, or other identification and approximate quanity of grain in the portions; and

(iii) Other information required by the regulations and the instructions.

The requirement of paragraph (e)(1)(i) of this section does not apply to grain that is inspected as it is unloaded from the carrier or to portions loaded in separate carriers or stowage space.

(2) *Common stowage.* (i) *Without separation.* When bulk grain is offered for official inspection as it is loaded aboard a ship and is loaded without separation in a stowage area with other grain or another commodity, the official inspection certificate for the grain in each lot shall show the kind, the grade, if known, and the location of

the other grain, or the kind and location of the other commodity in the adjacent lots.

(ii) *With separation*. When separations are laid between lots, the official inspection certificates shall show the kind of material used in the separations and the locations of the separations in relation to each lot.

(iii) *Exception*. The common stowage requirements of this paragraph are not applicable to the first lot in a stowage area unless a second lot is loaded, in whole or in part, in the stowage area prior to issuing the official inspection certificate for the first lot.

(3) *Protein*. A special statement indicating the actual protein range of a lot shall be shown on the official inspection certificate if the difference between the lowest and highest protein determinations for the lot exceeds 1.0 percent when protein is officially determined and a specific range limit is not established by the contract grade.

(4) *Part lot*. If part of a lot of grain in an inbound carrier is unloaded and part is left in the carrier, the unloaded grain shall be officially inspected and certificated in accordance with the provisions of § 800.84(g).

(5) *Official mark*. If the grain in a single lot is officially inspected for grade as it is being loaded, upon request, the following official mark shall be shown on the inspection certificate: ''Loaded under continuous official inspection.''

[55 FR 24042, June 13, 1990; 55 FR 46131, Nov. 1, 1990; 56 FR 4675, Feb. 5, 1991; 57 FR 58965, 58970, Dec. 14, 1992; 61 FR 18490, Apr. 26, 1996; 63 FR 20056, Apr. 23, 1998; 64 FR 6783, Feb. 11, 1999]

### § 800.87 New inspections.

(a) *Identity lost*. An applicant may request official personnel to perform a new original inspection service on an identified lot of grain, or on an identified carrier or container, if the identity of the lot or the carrier or container has been lost.

(b) *Identity not lost*. If the identity of the grain or the carrier or container is not lost, a new original inspection shall not be performed on the same identified lot of grain or carrier or container in the same assigned area of responsiblity within 5 business days after the last official inspection.

[50 FR 49674, Dec. 4, 1985]

### § 800.88 Loss of identity.

(a) *Lots*. Except as noted in paragraph (d) of this section, the indentity of a lot of grain shall be considered lost if (1) a portion of the grain is unloaded, transferred, or otherwise removed from the carrier or container in which the grain was located at the time of the original inspection; or (2) a portion of grain or other material, including additives, is added to the lot after the orginal inspection was performed, unless the addition of the additive was performed in accordance with the regulations and the instructions. At the option of official personnel performing a reinspection, appeal inspection, or Board appeal inspection service, the identity of grain in a closed carrier or container shall be considered lost if the carrier or container is not sealed or if the seal record is incomplete.

(b) *Carriers and containers*. The indentity of a carrier or container shall be considered lost when (1) the stowage area is cleaned, painted, treated, fumigated, or fitted after the original inspection was performed; or (2) the identification of the carrier or container has been changed since the original inspection was performed.

(c) *Submitted samples*. The identity of a submitted sample of grain shall be considered lost when (1) the identifying number, mark, or symbol for the sample is lost or destroyed or (2) the samples have not been retained and protected by official personnel as prescribed in the instructions.

(d) *Additives*.[1] If additives are applied during loading to outbound, including export, grain after sampling or during unloading to inbound grain before sampling for the purpose of insect or fungi control, dust suppression, or identification, the inspection certificate shall show a statement showing the type and

[1] Elevators, other handlers of grain, and their agents are responsible for the additive's proper usage and application. Compliance with this section does not excuse compliance with applicable Federal, State, and local laws.

purpose of the additive application, except that no statement is required to be shown when the additive is a fumigant applied for the purpose of insect control.

[52 FR 6495, Mar. 4, 1987, as amended at 58 FR 3212, Jan. 8, 1993; 59 FR 52077, Oct. 14, 1994]

WEIGHING PROVISIONS AND PROCEDURES

### § 800.95 Methods and order of performing weighing services.

(a) *Methods.* All Class X or Class Y weighing, checkweighing, checkloading, stowage examination, and other weighing services shall be performed by official personnel or approved weighers using approved weighing equipment and according to procedures prescribed in the regulations and the instructions.

(b) *Order of service.* Weighing services shall be performed, to the extent practicable, in the order in which requests are received. Official personnel must mark or stamp the date received on each written request for service. Precedence will be given to requests for weighing required by sections 5(a)(1) or 5(a)(2) of the Act.

[52 FR 6495, Mar. 4, 1987]

### § 800.96 Weighing procedures.

(a) *Inbound.* Inbound grain that is to be weighed must be routed directly from the carrier and cannot be cleaned, dried, or otherwise processed to remove or add other grain or material en route. Except as noted in paragraph (c) of this section, the identity of an inbound lot shall be considered lost when a portion of the lot is transferred or otherwise removed prior to weighing or a portion of grain or other material is added to the lot prior to weighing. When loss of identity occurs, no amount shall be shown in the ''Net Weight'' portion of the weight certificate for the lot.

(b) *Outbound.* Outbound grain that has been weighed must be routed directly from the scale to the carrier and cannot be cleaned, dried, or otherwise processed to remove or add other grain or material en route. Except as noted in paragraph (c) of this section, the identity of an outbound lot will be considered lost if a portion of the lot is transferred or otherwise removed from the lot after weighing or a portion of grain or other material is added to the lot after weighing. When loss of identity occurs, no amount shall be shown in the ''Net Weight'' portion of the weight certificate for the lot.

(c) *Exceptions.* (1) *Spills.* (i) *Outbound.* (A) *Replaced.* If a spill occurs in handling and loading of outbound grain and the spilled grain is retrieved, or is replaced in kind, and is loaded on board during the loading operations, the weight certificate shall show the weight of the grain that was physically loaded on board. Upon request of the applicant, an additional certificate may be issued by the agency or the field office to show the weight of the additional grain that was used to replace a spill.

(B) *Not replaced.* If a spill occurs in the handling and loading of outbound grain and the spilled grain is not retrieved or is not replaced during the loading operation, the weight certificate shall show the weight of the grain that was actually weighed, minus the estimated amount of the grain that was spilled. Upon request of the applicant, an additional certificate may be issued showing the estimated amount of grain that was spilled. The applicant may, upon request, have the total amount that was weighed shown on the weight certificate with the estimated amount of the spilled grain noted.

(ii) *Inbound.* If a spill occurs in the handling of inbound grain and the grain is not retrieved and weighed, the weight certificate shall show the weight of the grain that was actually unloaded from the carrier and a statement regarding the spill as prescribed in the instructions.

(2) *Additives.*[1] If additives are applied during loading to outbound, including export, grain after weighing or during unloading to inbound grain before weighing for the purpose of insect or fungi control, dust suppression, or identification, the weight certificate shall show the actual weight of the

[1] Elevators, other handlers of grain, and their agents are responsible for the additive's proper usage and application. Compliance with this section does not excuse compliance with applicable Federal, State, and local laws.

grain after the application of the additive for inbound grain or the actual weight of the grain prior to the application of the additive for outbound or export grain and a statement showing the type and purpose of the additive application, except that no statement is required to be shown when the additive is a fumigant applied for the purpose of insect control.

(3) *Dust*. If dust is removed during the handling of grain, the weight certificate shall not be adjusted to reflect the weight of the removed dust.

(4) *Commingled carriers*. If grain from two or more identified carriers becomes mixed, (i) the combined weight of the grain shall be shown in the ''Net Weight'' block of one certificate with all carrier identification shown in the identification of carrier section of the certificate, or (ii) upon request of the applicant, a certificate shall be issued for each carrier with the ''Net Weight'' block crossed out, and with the total combined weight unloaded and the identification of the other carrier(s) shown in the ''Remarks'' section.

(5) *Unremoved grain*. If, after unloading an inbound carrier, there is sound grain remaining in the carrier that could have been removed with reasonable effort, the weight certificate shall show the weight of the grain that was actually unloaded from the carrier and a statement regarding the grain remaining in the carrier.

[52 FR 6495, Mar. 4, 1987, as amended at 58 FR 3212, Jan. 8, 1993; 59 FR 52077, Oct. 14, 1994]

### § 800.97 Weighing grain in containers, land carriers, barges, and shiplots.

(a) *General*. The weighing of grain loaded or unloaded from any carrier shall be conducted according to this section and the instructions.

(b) *Procedure*. (1) *General*. If grain in a carrier is offered for inspection or weighing service as one lot, the grain shall be weighed and certificated as one lot. The identification of the carrier shall be recorded on the scale tape or ticket and the weight certificate.

(2) *Sacked grain*. If sacked grain is offered for weighing and the grain is not fully accessible, the request for weighing service shall be dismissed.

(3) *Part lots*. If a portion of an inbound lot of grain is unloaded and a portion is left in the carrier because it is not uniform in quality or condition, or the lot is unloaded in other than a reasonably continuous operation, the portion that is removed and the portion remaining in the carrier shall be considered as part lots and shall be weighed and certificated as part lots.

(c) *Certification of trucklots, carlots, and bargelots*. (1) *Basic requirement*. One official certificate shall be issued for the weighing of the grain in each truck, trailer, truck/trailer(s) combination, railroad car, barge, or similarly sized carrier. This requirement shall not be applicable to grain weighed as a combined lot under § 800.98.

(2) *Part-lot weight certificates*. A part-lot weight certificate shall show (i) the weight of the portion that is unloaded and (ii) the following statement: ''Part-lot: The net weight stated herein reflects a partial unload.''

(d) *Certification of shiplot grain*. (1) *Basic requirement*. The certificate shall show (i) if applicable, a statement that the grain has been loaded aboard with other grain, (ii) the official weight, (iii) the stowage or other identification of the grain, and (iv) other information required by the regulations and the instructions.

(2) *Common stowage*. (i) *Without separation*. If bulk grain is offered for weighing as it is being loaded aboard a ship and is loaded without separation in a stowage area with other grain or another commodity, the weight certificate for the grain in each lot shall show that the lot was loaded aboard with other grain or another commodity without separation and the relative location of the grain.

(ii) *With separation*. If separations are laid between adjacent lots, the weight certificates shall show the kind of material used in the separations and the location of the separations in relation to each lot.

(iii) *Exception*. The common stowage requirements of this paragraph shall not be applicable to the first lot in a stowage area unless a second lot has been loaded, in whole or in part, in the stowage area before issuing the official weight certificate for the first lot.

(3) *Official mark.* If the grain is officially weighed in a reasonably continuous operation, upon request by the applicant, the following statement may be shown on the weight certificate: ''Loaded under continuous official weighing.''

[52 FR 6496, Mar. 4, 1987]

### § 800.98 Weighing grain in combined lots.

(a) *General.* The weighing of bulk or sacked grain loaded aboard, or being loaded aboard, or unloaded from two or more carriers as a combined lot shall be conducted according to this section and the instructions.

(b) *Weighing procedure.* (1) Single lot weighing. Single lots of grain that are to be weighed as a combined lot shall be weighed in one location. The grain loaded into or unloaded from each carrier must be weighed in accordance with procedures prescribed in the instructions. In the case of sacked grain, a representative weight sample shall be obtained from the grain in each carrier unless otherwise specified in the instructions.

(2) *Recertification.* Grain that has been weighed and certificated as two or more single lots may be recertificated as a combined lot provided that (i) the grain in each single lot has been weighed in one location, (ii) the original weight certificates issued for the single lots have been or will be surrendered to the appropriate agency or field office, (iii) the official personnel who performed the weighing service for the single lots and the official personnel who are to recertificate the grain as a combined lot determine that the weight of the grain in the lots has not since changed and, in the case of sacked grain, that the weight samples used as a basis for weighing the single lots were representative at the time of the weighing.

(3) *Grain uniform in quality.* An applicant may request that grain be weighed and certificated as a combined lot whether or not the grain is uniform in quality for the purpose of inspection under the Act.

(c) *Certification procedures.* (1) *General.* Each certificate for a combined-lot Class X or Class Y weighing service shall show the identification for the ''Combined lot'' or, at the request of the applicant, the identification of each carrier in the combined lot. The identification and any seal information for the carriers may be shown on the reverse side of the weight certificate, provided the statement ''See reverse side'' is shown on the face of the certificate in the space provided for remarks.

(2) *Recertification.* If a request for a combined-lot Class X or Class Y weighing service is filed after the grain in the single lots has been weighed and certificated, the combined-lot weighing certificate shall show (i) the date of weighing the grain in the combined lot (if the single lots were weighed on different dates, the latest of the dates shall be shown); (ii) a serial number, other than the serial numbers of the weight certificates that are to be superseded; (iii) the name of the elevator from which or into which the grain in the combined lot was loaded or unloaded; (iv) a statement showing the weight of the grain in the combined lot; (v) a completed statement showing the identification of any superseded certificate as follows: ''This combined-lot certificate supersedes certificate Nos. _____, dated _____; and (vi) if at the time of issuing the combined-lot weight certificate the superseded certificates are not in the custody of the agency or field office, the statement ''The superseded certificates identified herein have not been surrendered'' shall be clearly shown, in the space provided for remarks, beneath the statement identifying the superseded certificates. If the superseded certificates are in the custody of the agency or field office, the superseded certificates shall be clearly marked ''Void.''

(3) *Part lot.* If a part of a combined lot of grain in inbound carriers is unloaded and a part is left in the carriers, the grain that is unloaded shall be certificated in accordance with the provisions in § 800.97(c)(2).

(4) *Official mark.* When grain is weighed as a combined lot in one continuous operation, upon request by the applicant, the following statement shall be shown on the weight certificate: ''Loaded under continuous official weighing,'' or ''Loaded under continuous official inspection and weighing.''

(5) *Further combining*. After a combined-lot weight certificate has been issued, there shall be no further combining and no dividing of the certificate.

(6) *Limitations*. No combined-lot weight certificate shall be issued (i) for any weighing service other than as described in this section or (ii) which shows a weight of grain different from the total of the combined single lot.

[52 FR 6496, Mar. 4, 1987]

### § 800.99 Checkweighing sacked grain.

(a) *General*. Each checkweighing service performed on a lot of sacked grain to determine the weight of the grain shall be made on the basis of one or more official weight samples obtained from the grain by official personnel according to this section and procedures prescribed in the instructions.

(b) *Representative sample*. No official weight sample shall be considered to be representative of a lot of sacked grain unless the sample is of the size prescribed in the instructions and has been obtained and weighed according to the procedures prescribed in the instructions.

(c) *Protecting samples and data*. Official personnel and other employees of an agency or the Service shall protect official weight samples and data from manipulation, substitution, and improper and careless handling which might deprive the samples and sample data of their representativeness.

(d) *Restriction on weighing*. No agency shall weigh any lot of sacked grain unless at the time of obtaining the official weight sample the grain from which the sample was obtained was located within the area of responsibility assigned to the agency. Upon good cause shown by the agency, the Administrator may grant an exception to this rule on a case-by-case basis.

(e) *Equipment and labor*. Each applicant for weighing services shall provide necessary labor for obtaining official weight samples and place the samples in a position for weighing and shall supply suitable weighing equipment approved by the Service, pursuant to the regulations and the instructions.

(f) *Disposition of official weight samples*. In weighing sacked grain in lots, the grain in the official weight samples shall be returned to the lots from which the samples were obtained.

(g) *Provisions by kinds of service*. (1) *''IN'' movements*. Each checkweighing on an ''IN'' movement of sacked grain shall be based on an official weight sample obtained while the grain is at rest in the carrier or during unloading, in accordance with procedures prescribed in the instructions.

(2) *''OUT'' movements (export)*. Each checkweighing of sacked export grain shall be based on an official weight sample obtained as the grain is being loaded aboard the final carrier, as the grain is being sacked, or while the grain is at rest in a warehouse or holding facility, in accordance with procedures prescribed in the instructions.

(3) *''OUT'' movements (other than export)*. Each checkweighing of an ''OUT'' movement of nonexport sacked grain shall be based on an official weight sample obtained from the grain as the grain is being loaded in the carrier, or while the grain is at rest in the carrier, or while the grain is at rest in a warehouse or holding facility, or while the grain is being sacked, in accordance with procedures prescribed in the instructions.

(4) *''LOCAL'' weighing*. Each checkweighing of a ''LOCAL'' movement of sacked grain shall be based on an official weight sample obtained while the grain is at rest or while the grain is being transferred, in accordance with procedures prescribed in the instructions.

[52 FR 6497, Mar. 4, 1987]

## ORIGINAL SERVICES

### § 800.115 Who may request original services.

(a) *General*. Any interested person may request original inspection and weighing services. The kinds of inspection and weighing services are described in § 800.75.

(b) *Class Y weighing services*. A request for Class Y weighing services at an export elevator at an export port location shall cover all lots shipped or received in a specific type of carrier. At all other elevators, the request shall

cover all lots shipped from or to a specific location in a specific type of carrier. Each request shall be for a contract period of at least 3 months, but a facility may, upon satisfactory notification, exempt specific unit trains from the request.

(c) *Contract services.* Any interested person may enter into a contract with an agency or the Service whereby the agency or Service will provide original services for a specified period and the applicant will pay a specified fee.

(Approved by the Office of Management and Budget under control number 0580–0012)

[50 FR 45393, Oct. 31, 1985]

### § 800.116 How to request original services.

(a) *General.* Requests shall be filed with the agency or field office responsible for the areas in which the original service is to be performed. All requests shall include the information specified in § 800.46. Verbal requests shall be confirmed in writing when requested by official personnel, as specified in § 800.46. Copies of request forms may be obtained from the agency or field office upon request. If at the time the request is filed, the information specified by § 800.46 is not available official personnel may at their discretion, withhold service pending receipt of the required information. An official certificate shall not be issued unless (1) the information as required by § 800.46 has been submitted or (2) official personnel determine that sufficient information has been made available so as to perform the requested service. A record that sufficient information was made available must be included in the record of the official service.

(b) *Request requirements.* Requests for original services, other than submitted sample inspections, must be made with the agency or field office responsible for the area in which the service will be provided. Requests for submitted sample inspections may be made with any agency, or any field office that provides original inspection service. Requests for inspection or Class X weighing of grain during loading, unloading, or handling must be received in advance of loading so official personnel can be present. All requests will be considered filed when the request is received by official personnel. A record shall be maintained for all requests. All requests for service that is to be performed outside normal business hours must be received by 2 p.m. the preceding day.

(Approved by the Office of Management and Budget under control number 0580–0012)

[50 FR 45393, Oct. 31, 1985]

### § 800.117 Who shall perform.

Original services shall be performed by the agency or field office assigned the area in which the service will be provided.

[50 FR 45393, Oct. 31, 1985]

### § 800.118 Certification.

Official certificates shall be issued according to § 800.160. Upon request, a combination inspection and Class X weighing certificate may be issued when both services are performed in a reasonably continuous operation at the same location by the same agency or field office.

[50 FR 45393, Oct. 31, 1985]

## OFFICIAL REINSPECTION SERVICES AND REVIEW OF WEIGHING SERVICES

### § 800.125 Who may request reinspection services or review of weighing services.

(a) *General.* Any interested person may request a reinspection or review of weighing service, except as provided for in § 800.86(c)(5). Only one reinspection service or review of weighing service may be performed on any original service. When more than one interested person requests a reinspection or review of weighing service, the first person to file is the applicant of record.

(b) *Kind and scope of request.* The kind and scope of a reinspection or review of weighing service will be limited to the kind and scope of the original service. If the request specifies a different kind or scope, the request will be dismissed. The request may be resubmitted as a request for original services. Official criteria are considered separately from official grade or official factors when determining the kind and scope. When requested, a reinspection for official grade or official factors and official criteria may be handled separately even

though both sets of results are reported on the same certificate. Moreover, a reinspection or review of weighing may be requested on either the inspection or Class X weighing results when both results are reported on a combination inspection and Class X weight certificate. Reinspections for grade shall include a review of all official factors that (1) may determine the grade; or (2) are reported on the original certificate; and (3) are required to be shown.

(Approved by the Office of Management and Budget under control number 0580–0012)

[50 FR 45393, Oct. 31, 1985, as amended at 54 FR 5924, Feb. 7, 1989; 55 FR 24048, June 13, 1990]

### § 800.126 How to request reinspection or review of weighing services.

(a) *General*. Requests shall be made with the agency or field office that performed the original service. All requests shall include the information specified in § 800.46. Verbal requests shall be confirmed in writing when requested by official personnel. Copies of request forms may be obtained from the agency or field office. If at the time the request is filed the documentation required by § 800.46 is not available, official personnel may, at their discretion, withhold services pending the receipt of the required documentation. A reinspection certificate or the results of a review of weighing service shall not be issued unless (1) the documentation requested under § 800.46 has been submitted or (2) official personnel determine sufficient information has been made available so as to perform the requested service. A record that sufficient information was made available shall be included in the record of the official service.

(b) *Request requirements*. Requests will be considered filed on the date they are received by official personnel. A record shall be maintained for all requests.

(1) *Reinspection services*. Requests shall be received (i) before the grain has left the specified service point where the grain was located when the original inspection was performed; (ii) no later than the close of business on the second business day following the date of the original inspection; and (iii) before the identity of the grain has been lost. If a representative file sample, as prescribed in § 800.82, is available, official personnel may waive the requirements pursuant to this subparagraph. The requirements of paragraph (b)(1)(i) of this section may be waived only upon written consent of the applicant and all interested persons. The requirements of paragraph (b)(1)(ii) and (iii) of this section may be waived at the request of the applicant or other interested persons. The requirement of paragraph (b)(1)(ii) of this section may also be waived upon satisfactory showing by an interested person of evidence of fraud or that because of distance or other good cause, the time allowed for filing was not sufficient. A record of each waiver shall be included in the record of the reinspection service.

(2) *Review of weighing services*. Requests shall be received no later than 90 calendar days after the date of the original Class X or Class Y weighing service.

(Approved by the Office of Management and Budget under control number 0580–0012)

[50 FR 45394, Oct. 31, 1985]

### § 800.127 Who shall perform reinspection or review of weighing services.

Reinspection or review of weighing services shall be performed by the agency or field office that performed the original service.

[50 FR 45394, Oct. 31, 1985]

### § 800.128 Conflicts of interest.

Official personnel cannot perform or participate in performing or issue an official certificate for a reinspection or a review of weighing service if they participated in the original service unless there is only one qualified person available at the time and place of the reinspection or review of weighing.

[50 FR 45394, Oct. 31, 1985]

### § 800.129 Certificating reinspection and review of weighing results.

(a) *General*. Except as provided in paragraph (a)(1) of this paragraph, official certificates shall be issued according to § 800.160 and the instructions. Except as provided in paragraph (b)(2) of this section, only the result of the reinspection service shall be reported.

(1) *Results of material portion sublots.* When results of a reinspection on a material portion do not detect a material error, they shall be averaged with the original inspection results. For purposes of this section, a material error is defined as results differing by more than two standard deviations. The averaged inspection results shall replace the original inspection results recorded on the official inspection log. Reinspection results shall replace the original inspection results recorded on the official inspection log if a material error is detected. No certificates will be issued unless requested by the applicant or deemed necessary by official personnel.

(2) *Reporting review of weighing results.* When the review of weighing service results indicate that the original weighing results were correct, the applicant will be notified in writing. When the original weighing service results are incorrect, a corrected weight certificate or, if applicable, a corrected combination inspection and Class X weight certificate will be issued according to the provisions of § 800.165.

(b) *Required statements on reinspection certificates.* Each reinspection certificate shall show the statements required by this section, § 800.161, and applicable instructions.

(1) Each reinspection certificate must clearly show (i) the term ''Reinspection'' and (ii) a statement identifying the superseded certificate. The superseded certificate will be considered null and void as of the date of the reinspection certificate.

(2) When official grade or official factors, Class X weighing results, and official criteria are reported on the same certificate, the reinspection certificate shall show a statement indicating that the reinspection results are based on official grade, or official factors, or official criteria and that all other results are those of the original service.

(3) If the superseded certificate is in the custody of the agency or field office, the superseded certificate shall be marked ''Void.'' If the superseded certificate is not in the custody of the agency or field office at the time the reinspection certificate is issued, a statement indicating that the superseded certificate has not been surrendered shall be shown on the reinspection certificate.

(4) As of the date of issuance of the official certificate, the superseded certificate for the original service will be void and shall not be used to represent the grain.

(5) When certificates are issued under paragraph (a)(1) of this section, the reinspection certificate shall show a statement indicating that the results replaced the original results and that the reinspection certificate is not valid for trading purposes.

[50 FR 45394, Oct. 31, 1985, as amended at 55 FR 24048, June 13, 1990]

APPEAL INSPECTION SERVICES

### § 800.135 Who may request appeal inspection services.

(a) *General.* Any interested person may request appeal inspection or Board appeal inspection services, except as provided for in § 800.86(c)(5). When more than one interested person requests an appeal inspection or Board appeal inspection service, the first person to file is the applicant of record. Only one appeal inspection may be obtained from any original inspection or reinspection service. Only one Board appeal inspection may be obtained from an appeal inspection. Board appeal inspections will be performed on the basis of the official file sample. Board appeal inspections are not available on stowage examination services.

(b) *Kind and scope of request.* The kind and scope of an appeal inspection service will be limited to the kind and scope of the original inspection, or reinspection, or, in the case of a Board appeal inspection service, the appeal inspection service. If the request specifies a different kind or scope, the request shall be dismissed. It may, however, be resubmitted as a request for original services. Official criteria is considered separately from official grade or official factors when determining kind and scope. When requested, an appeal inspection for grade, or official factors, and official criteria may be handled separately even though both results are reported on the same certificate. Moreover, an appeal inspection may be requested on the inspection results when both inspection and

Class X weighing results are reported on a combination inspection and Class X weight certificate. An appeal inspection for grade shall include a review of all official factors that (1) may determine the grade; or (2) are reported on the original, reinspection, or in the case of a Board appeal inspection, the appeal inspection certificate; and (3) are required to be shown on a certificate of grade.

(The information collection requirements contained in this section were approved by the Office of Management and Budget under control number 0580–0012)

[50 FR 45395, Oct. 31, 1985, as amended at 55 FR 24048, June 13, 1990]

### § 800.136 How to request appeal inspection services.

(a) *General.* Requests shall be filed with the field office responsible for the area in which the original service was performed. Requests for Board appeal inspections may be filed with the Board of Appeals and Review or the field office that performed the appeal inspection. All requests shall include the information specified in § 800.46. Verbal requests shall be confirmed in writing when requested by official personnel as specified in § 800.46. Copies of request forms may be obtained from the field office upon request. If at the time the request is filed the documentation required by § 800.46 is not available, official personnel may, at their discretion, withhold service pending the receipt of the required documentation. An appeal inspection certificate will not be issued unless (1) documentation requested under § 800.46 has been submitted or (2) office personnel determine that sufficient information has been made available so as to perform the request. A record that sufficient information has been made available must be included in the record of the official service.

(b) *Filing requirements.* Requests will be considered filed on the date they are received by official personnel. A record shall be maintained for all requests. Requests must be filed (1) before the grain has left the specified service point where the grain was located when the original inspection was performed, (2) no later than the close of business on the second business day following the date of the last inspection, and (3) before the identity of the grain has been lost. If a representative file sample as prescribed in § 800.82 is available, official personnel may waive the requirements pursuant to this paragraph. The requirements of paragraph (b)(1) of this section may be waived only upon written consent of the applicant and all interested persons. The requirements of paragraphs (b)(2) and (b)(3) of this section may be waived at the request of the applicant or other interested persons. The requirement of paragraph (b)(2) of this section may also be waived upon satisfactory showing by an interested person of evidence of fraud or that because of distance or other good cause, the time allowed for filing was not sufficient. A record of each waiver shall be included in the record of the appeal inspection service.

(Approved by the Office of Management and Budget under control number 0580–0012)

[50 FR 45395, Oct. 31, 1985, as amended at 54 FR 5924, Feb. 7, 1989]

### § 800.137 Who shall perform appeal inspection services.

(a) *Appeal.* Appeal inspection services shall be performed by the field office responsible for the area in which the original inspection was performed.

(b) *Board appeal.* Board appeal inspection services shall be performed only by the Board of Appeals and Review. The field office that performed the appeal inspection service will act as a liaison between the Board of Appeals and Review and the applicant.

[50 FR 45395, Oct. 31, 1985]

### § 800.138 Conflict of interest.

Official personnel cannot perform or participate in performing or issue an official certificate for an appeal inspection if they participated in the original inspection, reinspection, or, in the case of a Board appeal inspection, the appeal inspection service unless there is only one qualified person available at the time and place of the appeal inspection.

[50 FR 45395, Oct. 31, 1985]

**§ 800.139 Certificating appeal inspections.**

(a) *General*. Except as provided in paragraphs (b) of this section, official certificate shall be issued according to § 800.160 and the instructions. Except as provided in paragraph (c)(2) of this section, only the results of the appeal inspection service shall be reported.

(b) *Results of material portion sublots*. When results of an appeal inspection performed by a field office or the Board of Appeals and Review on a material portion do not detect a material error, they shall be averaged with the previous inspection results recorded on the official inspection log for the identified sample. For purposes of this section, a material error is defined as results differing by more than two standard deviations. The appeal or Board appeal inspection result shall replace the previous inspection results recorded on the official inspection log for the identified sample if a material error is detected. No certificate will be issued unless requested by the applicant or deemed necessary by inspection personnel.

(c) *Required statements*. Each appeal certificate shall show the statements required by this section, § 800.161, and applicable instructions.

(1) Each appeal inspection certificate shall clearly show (i) the term ''Appeal'' or ''Board appeal'' and (ii) a statement identifying the superseded certificate. The superseded certificate will be considered null and void as of the date of the appeal inspection certificate.

(2) When official grade or official factors, Class X weighing results, and official criteria are reported on the same certificate, the appeal inspection certificate shall show a statement indicating that appeal or Board appeal inspection results are based on official grade, official factors, or official criteria and that all other results are those of the original, reinspection, or, in the case of a Board appeal, the appeal inspection results.

(3) Superseded certificates held by the Service shall be marked ''Void.'' If the superseded certificate is not in the custody of the Service at the time the appeal certificate is issued, a statement indicating that the superseded certificate has not been surrendered shall be shown on the appeal certificate.

(4) As of the date of issuance of the appeal or Board appeal certificate, the superseded certificate for the original, reinspection, or appeal inspection service will be void and shall not be used to represent the grain.

(5) When certificates are issued under paragraph (b) of this section, the appeal inspection certificate shall show a statement indicating that the results replace the original inspection, reinspection, or, in the case of a Board appeal, the appeal inspection results and that the appeal inspection certificate is not valid for trading purposes.

(d) *Finality of Board appeal inspections*. A Board appeal inspection will be the final appeal inspection service.

[50 FR 45395, Oct. 31, 1985, as amended at 55 FR 24048, June 13, 1990]

## OFFICIAL RECORDS AND FORMS (GENERAL)

SOURCE: Sections 800.145 through 800.159 appear at 50 FR 18986, May 6, 1985, unless otherwise noted.

**§ 800.145 Maintenance and retention of records—general requirements.**

(a) *Preparing and maintaining records*. The records specified in §§ 800.146—800.159 shall be prepared and maintained in a manner that will facilitate (1) the daily use of records and (2) the review and audit of the records to determine compliance with the Act, the regulations, the standards, and the instructions.

(b) *Retaining records*. Records shall be retained for a period not less than that specified in §§ 800.146–800.159. In specific instances, the Administrator may require that records be retained for a period of not more than 3 years in addition to the specified retention period. In addition, records may be kept for a longer time than the specified retention period at the option of the agency, the contractor, the approved scale testing organization, or the individual maintaining the records.

(Approved by the Office of Management and Budget under control number 0580–0011)

**§ 800.146 Maintenance and retention of records issued by the Service under the Act.**

Agencies, contractors, and approved scale testing organizations shall maintain complete records of the Act, regulations, the standards, any instructions issued by the Service, and all amendments and revisions thereto. These records shall be maintained until superseded or revoked.

(Approved by the Office of Management and Budget under control number 0580–0011)

**§ 800.147 Maintenance and retention of records on delegations, designations, contracts, and approval of scale testing organizations.**

Agencies, contractors, and approved scale testing organizations shall maintain complete records of their delegation, designation, contract, or approval. These records consist of a copy of the delegation or designation documents, a copy of the current contract, or a copy of the notice of approval, respectively, and all amendments and revisions thereto. These records shall be maintained until superseded, terminated, revoked, or cancelled.

(Approved by the Office of Management and Budget under control number 0580–0011)

**§ 800.148 Maintenance and retention of records on organization, staffing, and budget.**

(a) *Organization*. Agencies, contractors, and approved scale testing organizations shall maintain complete records of their organization. These records shall consist of the following documents: (1) If it is a business organization, the location of its principal office; (2) if it is a corporation, a copy of the articles of incorporation, the names and addresses of officers and directors, and the names and addresses of shareholders; (3) if it is a partnership or an unincorporated association, the names and addresses of officers and members, and a copy of the partnership agreement or charter; and (4) if it is an individual, the individual's place of residence. These records shall be maintained for 5 years.

(b) *Staffing*. Agencies, contractors, and approved scale testing organizations shall maintain complete records of their employees. These records consist of (1) the name of each current employee, (2) each employee's principal duty, (3) each employee's principal duty station, (4) information about the training that each employee has received, and (5) related information required by the Service. These records shall be maintained for 5 years.

(c) *Budget*. Agencies, contractors, and approved scale testing organizations shall maintain complete records of their budget. These records consist of actual income generated and actual expenses incurred during the current year. Complete accounts for receipts from (1) official inspection, weighing, equipment testing, and related services; (2) the sale of grain samples; and (3) disbursements from receipts shall be available for use in establishing or revising fees for services under the Act. Budget records shall also include detailed information on the disposition of grain samples obtained under the Act. These records shall be maintained for 5 years.

(Approved by the Office of Management and Budget under control number 0580–0011)

**§ 800.149 Maintenance and retention of records on licenses and approvals.**

(a) *Licenses*. Agencies, contractors, and approved scale testing organizations shall maintain complete records of licenses. These records consist of current information showing (1) the name of each licensee, (2) the scope of each license, (3) the termination date of each license, and (4) related information required by the Service. These records shall be maintained for the tenure of the licensee.

(b) *Approvals*. Agencies shall maintain complete records of approvals of weighers. These records consist of current information showing the name of each approved weigher employed by or at each approved weighing facility in the area of responsibility assigned to an agency or field office. These records shall be maintained for the tenure of the weigher's employment as an approved weigher.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.150 Maintenance and retention of records on fee schedules.

Agencies, contractors, and approved scale testing organizations shall maintain complete records on fee schedules. These records consist of (a) a copy of the current fee schedule; (b) in the case of an agency, data showing how the fees in the schedule were developed; (c) superseded fee schedules; and (d) related information required by the Service. These records shall be maintained for 5 years.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.151 Maintenance and retention of records on space and equipment.

(a) *Space*. Agencies shall maintain complete records on space. These records consist of (1) a description of space that is occupied or used at each location, (2) the name and address of the owner of the space, (3) financial arrangements for the space, and (4) related information required by the Service. These records shall be maintained for 5 years.

(b) *Equipment*. Agencies shall maintain complete records on equipment. These records consist of (1) the description of each piece of equipment used in performing official inspection or Class X or Class Y weighing services under the Act, (2) the location of the equipment, (3) the name and address of the owner of the equipment, (4) the schedules for equipment testing and the results of the testing, and (5) related information required by the Service. These records shall be maintained for 5 years.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.152 Maintenance and retention of file samples.

(a) *General*. The Service and agencies shall maintain complete file samples for their minimum retention period (calendar days) after the official function was completed or the results otherwise reported.

(b) *Minimum retention period*.

| | |
|---|---|
| (1) Trucks | |
| In | 3 |
| Out | 5 |
| (2) Railcars | |
| In | 5 |
| Out | 10 |
| (3) Barges (river) | |
| In | 5 |
| Out | 25 |
| (4) Ships and barges (lake or ocean) | |
| In | 5 |
| Out | 25 |
| Export (sublot samples) | 60 |
| (5) Bins and tanks | 3 |
| (6) Submitted samples | 3 |

Upon request by an agency and with the approval of the Service, specified file samples or classes of file samples may be retained for shorter periods of time.

(c) *Special retention periods*. In specific instances, the Administrator may require that file samples be retained for a period of not more than 90 calendar days. File samples may be kept for a longer time than the regular retention period at the option of the Service, the agency, or the individual maintaining the records.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.153 Maintenance and retention of records on official inspection, Class X or Class Y weighing, and equipment testing service.

Agencies and approved scale testing organizations shall maintain complete detailed official inspection work records, copies of official certificates, and equipment testing work records for 5 years.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.154 Availability of official records.

(a) *Availability to officials*. Each agency, contractor, and approved scale testing organization shall permit authorized representatives of the Comptroller General, the Secretary, or the Administrator to have access to and to copy, without charge, during customary business hours any records maintained under §§ 800.146–800.159.

(b) *Availability to the public*—(1) *Agency, contractor, and approved scale testing organization records*. The following official records will be available, upon request by any person, for public inspection during customary business hours: (i) Copies of the Act, the regulations, the standards, and the instructions; (ii) the delegation, designation, contract,

or approval issued by the Service; (iii) organization and staffing records; (iv) a list of licenses and approvals; and (v) the approved fee schedule of the agency, if applicable.

(2) *Service records*—Records of the Service are available in accordance with the Freedom of Information Act (5 U.S.C. 552(a)(3)) and the regulations of the Secretary of Agriculture (7 CFR, part 1, subpart A).

(c) *Locations where records may be examined or copied*—(1) *Agency, contractor, and approved scale testing organization records.* Records of agencies, contractors, and approved scale testing organizations available for public inspection shall be retained at the principal place of business of the agency, contractor, or approved scale testing and certification organization.

(2) *Service records.* Records of the Service available for public inspection shall be retained at each field office and at the headquarters of the Service in Washington, D.C.

### § 800.155 Detailed work records—general requirements.

(a) *Preparation.* Detailed work records shall be prepared for each official inspection, Class X or Class Y weighing, and equipment testing service performed or provided under the Act. The records shall (1) be on standard forms prescribed in the instructions; (2) be typed or legibly written in English; (3) be concise, complete, and accurate; (4) show all information and data that are needed to prepare the corresponding official certificates or official report; (5) show the name or initials of the individual who made each determination; and (6) show other information required by the Service to monitor or supervise the service provided.

(b) *Use.* Detailed work records shall be used as a basis for (1) issuing official certificates or official forms, (2) approving inspection and weighing equipment for the performance of official inspection or Class X or Class Y weighing services, (3) monitoring and supervising activities under the Act, (4) answering inquiries from interested persons, (5) processing complaints, and (6) billing and accounting. These records may be used to report results of official inspection or Class X or Class Y weighing services in advance of issuing an official certificate.

(c) *Standard forms.* The following standard forms shall be furnished by the Service to an agency: Official Export Grain Inspection and Weight Certificates (singly or combined), official inspection logs, official weight loading logs, official scale testing reports, and official volume of work reports. Other forms used by an agency in the performance of official services, including certificates, shall be furnished by the agency.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.156 Official inspection records.

(a) *Pan tickets.* The record for each kind of official inspection service identified in § 800.76 shall, in addition to the official certificate, consist of one or more pan tickets as prescribed in the instructions. Activities that are performed as a series during the course of an inspection service may be recorded on one pan ticket or on separate pan tickets. The original copy of each pan ticket shall be retained by the agency or field office that performed the inspection.

(b) *Inspection logs.* The record of an official inspection service for grain in a combined lot and shiplot shall include the official inspection log as prescribed in the instructions. The original copy of each inspection log shall be retained by the agency or field office that performed the inspection. If the inspection is performed by an agency, one copy of the inspection log shall be promptly sent to the appropriate field office.

(c) *Other forms.* Any detailed test that cannot be completely recorded on a pan ticket or an inspection log shall be recorded on other forms prescribed in the instructions. If the space on a pan ticket or an inspection log does not permit showing the full name for an official factor or an official criteria, an approved abbreviation may be used.

(d) *File samples*—(1) *General.* The record for an official inspection service based, in whole or in part, on an examination of a grain in a sample shall include one or more file samples as prescribed in the instructions.

(2) *Size.* Each file sample shall consist of an unworked portion of the official

sample or warehouseman's sample obtained from the lot of grain and shall be large enough to permit a reinspection, appeal inspection, or Board appeal inspection for the kind and scope of inspection for which the sample was obtained. In the case of a submitted sample inspection, if an undersized sample is received, the entire sample shall be retained.

(3) *Method.* Each file sample shall be retained in a manner that will preserve the representativeness of the sample from the time it is obtained or received by the agency or field office until it is discarded. High moisture samples, infested samples, and other problem samples shall be retained according to the instructions.

(4) *Uniform system.* To facilitate the use of file samples, agencies shall establish and maintain a uniform file sample system according to the instructions.

(5) *Forwarding samples.* Upon request by the supervising field office or the Board of Appeals and Review, each agency shall furnish file samples (i) for field appeal or Board appeal inspection service, or (ii) for monitoring or supervision. If, at the request of the Service, an agency locates and forwards a file sample for an appeal inspection, the agency may, upon request, be reimbursed at the rate prescribed in § 800.71 by the Service.

(Approved by the Office of Management and Budget under control number 0580-0011)

### § 800.157 Official weighing records.

(a) *Scale ticket, scale tape, or other weight records.* In addition to the official certificate, the record for each Class X or Class Y weighing service shall consist of a scale ticket, a scale tape, or any other weight record prescribed in the instructions.

(b) *Weighing logs.* The record of a Class X or Class Y weighing service performed on bulk grain in a combined lot or bulk shiplot grain shall include the official weighing log as prescribed in the instructions. The original copy of each weighing log shall be retained by the field office or agency that performed the weighing.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.158 Equipment testing work records.

The record for each official equipment testing service or activity consists of an official equipment testing report as prescribed in the instructions. Upon completion of each official equipment test, one or more copies of the completed testing report may, upon request, be issued to the owner or operator of the equipment. The testing report shall show the (a) date the test was performed, (b) name of the organization and personnel that performed the test, (c) names of the Service employees who monitored the testing, (d) identification of equipment that was tested, (e) results of the test, (f) names of any interested persons who were informed of the test results, (g) number or other identification of the approval tag or label affixed to the equipment, and (h) other information required by the instructions.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.159 Related official records.

(a) *Volume of work report.* Field offices and agencies shall prepare periodic reports showing the kind and the volume of inspection and weighing services that they performed. The report shall be prepared and copies shall be submitted to the Service according to the instructions.

(b) *Record of withdrawals and dismissals.* Field offices and agencies shall maintain a complete record of requests for official inspection or weighing services that are withdrawn by the applicant or that are conditionally withheld or dismissed. The record shall be prepared and maintained according to the instructions.

(c) *Licensee record.* Licensees, including licensed warehouse samplers, shall (1) keep the license issued to them by the Service and (2) keep or have reasonable access to a complete record of the Act, the standards, the regulations, and the instructions.

(Approved by the Office of Management and Budget under control number 0580–0011)

OFFICIAL CERTIFICATES

SOURCE: Sections 800.160 through 800.166 appear at 50 FR 45396, Oct. 31, 1985, unless otherwise noted.

### § 800.160 Official certificates; issuance and distribution.

(a) *Required issuance.* An official certificate shall be issued for each inspection service and each weighing service except as provided §§ 800.84, 800.129, and 800.139 and paragraph (b) of this section.

(b) *Distribution*—(1) *General*—(i) *Export.* The original and at least three copies of each certificate will be distributed to the applicant or applicant's order. One copy of each certificate shall be retained by the agency, field office, or Board of Appeals and Review.

(ii) *Nonexport.* The original and at least one copy of each certificate will be distributed to the applicant or to the applicant's order. In the case of inbound trucklot grain, one copy shall be delivered by the applicant to the person who owned the grain at the time of delivery. One copy of each certificate shall be retained by the agency, field office, or Board of Appeals and Review.

(iii) *Local movements of shiplot grain.* When shiplot grain is offered for inspection as a single lot and a portion of the lot is returned to the elevator, certificates representing the inspection service shall not be issued unless (A) requested by the applicant or (B) deemed necessary by official personnel.

(2) *Reinspection and appeal inspection services.* In addition to the distribution requirements of paragraph (b) of this section, one copy of each reinspection or appeal inspection certificate shall be distributed to each interested person of record or the interested person's order and to the agency or field office that issued the superseded certificate.

(3) *Additional copies.* Additional copies of certificates will be furnished to the applicant or interested person upon request. Fees for extra copies may be assessed according to the fee schedules established by the agency or the Service.

(c) *Prompt issuance.* The results of the inspection or weighing service shall be reported to the applicant on the date the inspection or weighing service is completed. Certificates shall be issued as soon as possible, but no later than the close of business on the next business day. Upon request of an agency or a field office, the requirements of this paragraph may be waived by the Service when results have been reported before issuing the certificate.

(d) *Who may issue certificates*—(1) *Authority.* Certificates for inspection or Class X weighing services may be issued only be official personnel who are specifically licensed or authorized to perform and certify the results reported on the certificate. Certificates for Class Y weighing services may be issued only by individuals who are licensed or authorized or are approved to perform and certify the results.

(2) *Exception.* The person in the best position to know whether the service was performed in an approved manner and that the determinations are accurate and true should issue the certificate. If the service is performed by one person, the certificate should be issued by that person. If the service is performed by two or more persons, the certificate should be issued by the person who made the majority of the determinations or the person who makes the final determination. Supervisory personnel may issue a certificate when the individual is licensed or authorized to perform the service being certificated.

(e) *Name requirement.* On export certificates, the typewritten name and signature of the individual issuing the certificate shall appear on the original and all copies. On all other certificates, the name or signature of the individual issuing the certificate shall appear on the original and all copies. Upon request by the applicant, the name and signature may be shown on all other certificates.

(f) *Authorization to affix names*—(1) *Requirements.* The name or signature of official personnel may be affixed to official certificates which are prepared from work records signed or initialed by the person whose name will be shown. An agent affixing the name and signature shall (i) be employed by the agency or Service; (ii) have been designated to affix names and signatures; and (iii) hold a power of attorney from the person whose name and signature

will be affixed. The power of attorney shall be on file with the agency or Service.

(2) *Initialing*. When a name or signature is affixed by an authorized agent, the initials of the agent shall appear directly below or following the signature of the person.

(g) *Advance information*. Upon request, the contents of an official certificate may be furnished in advance to the applicant and any other interested party, or to their order, and any additional expense shall be borne by the requesting party.

(h) *Certification after dismissal*. An official certificate cannot be issued for a service after the request has been withdrawn or dismissed.

(Approved by the Office of Management and Budget under control number 0580–0011)

[50 FR 45396, Oct. 31, 1985, as amended at 57 FR 11428, Apr. 3, 1992]

### § 800.161 Official certificate requirements.

(a) *General*. Official certificates shall show the information and statements required by § 800.161 through § 800.165 and the instructions. The Administrator shall approve any other information and statements reported. Information shall be reported in a uniform, accurate, and concise manner, be in English, be typewritten or handwritten in ink, and be clearly legible.

(b) *Required format*. Official certificates shall be uniform in size, shape, color, and format and conform to requirements prescribed in the instructions. Upon request and for good cause, the Service may approve special design certificates. All information and statements shall be shown on the front of the certificate, except that on domestic grain certificates, (1) approved abbreviations for official factors and official criteria, with their meanings, may be shown on the back and (2) the identification of carriers or containers in a combined-lot inspection may be shown on the back if ample space is not available on the front. When information is recorded on the back of the certificate, the statement ''See reverse side'' must be shown on the front.

(c) *Required information*. Each official certificate shall show the following information in accordance with the instructions: (1) For an agency issuing export certificates or the Federal Grain Inspection Service, ''United States Department of Agriculture—Federal Grain Inspection Service;'' (2) for a designated agency, the name of the agency, as applicable; (3) captions identifying the kind of service; (4) a preprinted serial number and lettered prefix; (5) ''original'' or ''copy,'' as applicable; (6) ''divided lot,'' ''duplicate,'' or ''corrected,'' as applicable; (7) the identification of the carrier or container; (8) the date the service was performed; (9) the date and method of sampling; (10) the kind of movement and the level of service performed; (11) the grade and kind or ''Not Standardized Grain,'' as applicable; (12) the results of the service performed; (13) the location of the issuing office; (14) the location of the grain when the service was performed; (15) a space for remarks; (16) whether a reinspection or appeal inspection service was based in whole or in part on file samples when file samples are used; (17) a statement reflecting the results of a stowage examination, when applicable; (18) seal records, when applicable; and (19) the name of the person issuing the certificate.

(d) *Required statements*. Each official certificate shall include the following statements according to the instructions: (1) A statement that the certificate is issued under the authority of the United States Grain Standards Act; (2) a nonnegotiability statement; (3) a warning statement; and (4) a statement referencing the certificate number and date. Each official certificate for an official sample-lot inspection service shall include a caption ''U.S. Grain Standards Act'' and a USDA-FGIS shield ghosted across the front. Each official certificate for a warehouseman's sample-lot inspection, a submitted sample inspection, or Class Y weighing service shall include a statement that the certificate does not meet the requirements of section 5 of the Act of warehouseman's sample-lot inspection, the word ''QUALIFIED;'' for submitted sample inspections, the words ''Not Officially Sampled;'' for Class Y weighing, the words ''Class Y Weighing'' screened across the front.

(e) *Permissive information and statements*—(1) *Certificates*. Information and statements requested by the applicant but not required by the regulations or instructions may be shown on the certificate if the information or statements have been approved in the instructions or on a case-by-case basis by the Administrator.

(2) *Letterhead*. Information and statements requested by the applicant but not required by the regulations or instructions may be shown on letterhead stationary of the Service or an agency when (i) ample space is not available for reporting the information or statements on the certificate, (ii) letterhead stationary is determined to be more suitable than the official certificate, and (iii) the certificate is referenced on the letterhead stationary and distributed according to § 800.160. Letterhead stationary of the Service shall be used for all export grain.

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### § 800.162 Certification of grade; special requirements.

(a) *General*. Each official certificate for grade shall show (1) the grade and factor information required by the Official U.S. Standards for Grain; (2) the test weight of the grain, if applicable; (3) the moisture content of the grain; (4) the results for each official factor for which a determination was made; (5) the result for each official factor that determined the grade when the grain is graded other than U.S. No. 1; (6) any other factor information considered necessary to describe the grain; and (7) any additional factor results requested by the applicant for official factors defined in the Official U.S. Standards for Grain.

(b) *Cargo shipments*. Each official certificate for grade representing a cargo shipment shall show, in addition to the requirements of paragraph (a) of this section, the results of all official grade factors defined in the Official United States Standards for Grain for the type of grain being inspected.

(c) [Reserved]

(d) *Aflatoxin test for corn*. Official corn export certificates shall show, in addition to the requirements of paragraphs (a), (b), and (c) of this section, the official aflatoxin test results if required under § 800.15(b).

(Approved by the Office of Management and Budget under control number 0580–0011)

[50 FR 45396, Oct. 31, 1985, as amended at 52 FR 24437, June 30, 1987; 57 FR 2439, Jan. 22, 1992; 57 FR 3273, Jan. 29, 1992; 57 FR 56439, Nov. 30, 1992]

### § 800.163 Divided-lot certificates.

(a) *General*. When shiplot grain is offered for inspection or Class X weighing as a single lot and is certificated as a single lot, the applicant may exchange the official certificate for two or more divided-lot certificates. This applies to original inspection, reinspection, appeal inspection, Board appeal inspection, and Class X weighing services.

(b) *Application*. Requests for divided-lot certificates shall be made (1) in writing; (2) by the applicant who filed the inital request; (3) to the office that issued the outstanding certificate; (4) within 5 business days of the outstanding certificate date; and (5) before the identity of the grain has been lost.

(c) *Quantity restrictions*. Divided-lot certificates shall not show a aggregate quantity different than the total quantity shown on the superseded certificate.

(d) *Surrender of certificate*. The certificate that will be superseded shall (1) be in the custody of the agency or the Service; (2) be marked ''Void;'' and (3) show the identification of the divided-lot certificates.

(e) *Certification requirements*. The same information and statements, including permissive statements, that were shown on the superseded certificate shall be shown on each divided-lot certificate. Divided-lot certificates shall show (1) a statement indicating the grain was inspected or weighed as an undivided lot; (2) the terms ''Divided Lot-Original,'' and the copies shall show ''Divided Lot-Copies;'' (3) the same serial number with numbered suffix (for example, 1764–1, 1764–2, 1764–3, and the like); and (4) the quantity specified by the request.

(f) *Issuance and distribution*. Divided-lot certificates shall be issued no later than the close of business on the next business day after the request and be distributed according to § 800.160.

(g) *Limitations*. No divided-lot certificate can be issued (1) for grain in any shipment other than shiplot grain inspected or weighed as a single lot or (2) for an export certificate which has been superseded by another export certificate. After divided-lot certificates have been issued, further dividing or combining is prohibited except with the approval of the Service.

(h) *Use of superseded certificate prohibited*. As of the date of the divided-lot certificate, the superseded certificate will be void and shall not be used or represent the grain.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.164 Duplicate certificates.

Upon request, a duplicate certificate may be issued for a lost or destroyed official certificate.

(a) *Application*. Requests for duplicate certificates shall be filed: (1) in writing; (2) by the applicant who requested the service covered by the lost or destroyed certificate; and (3) with the office that issued the initial certificate.

(b) *Certification requirements*. The same information and statements, including permissive statements, that were shown on the lost or destroyed certificate shall be shown on the duplicate certificate. Duplicate certificates shall show (1) the terms ''Duplicate-Original'' and the copies shall show ''Duplicate-Copies'' and (2) a statement that the certificate was issued in lieu of a lost or destroyed certificate.

(c) *Issuance*. Duplicate certificates shall be issued as promptly as possible and distributed according to § 800.160.

(d) *Limitations*. Duplicate certificates will not be issued for certificates that have been superseded.

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### § 800.165 Corrected certificates.

(a) *General*. The accuracy of the statements and information shown on official certificates shall be verified by the individual whose name or signature is shown on the certificate, or by the authorized agent who affixed the name or signature. Errors found during this process shall be corrected according to this section.

(b) *Who may correct*. Only official personnel or their authorized agents may make corrections, erasures, additions, or other changes to official certificates.

(c) *Corrections prior to issuance*—(1) *Export certificates*. No corrections, erasures, additions, or other changes can be made to an export certificate. If any error is found prior to issuance, a new certificate shall be prepared and issued and the incorrect certificate marked ''Void.''

(2) *Other than export certificates*. No corrections, erasures, additions, or other changes shall be made to other than export certificates which involve identification, grade, gross, tare, or net weight. If errors are found, a new certificate shall be prepared and issued and the incorrect certificate marked ''Void.'' Otherwise, errors may be corrected provided that (i) the corrections are neat and legible, (ii) each correction is initialed by the individual who corrects the certificate, and (iii) the corrections and initials are shown on the original and all copies.

(d) *Corrections after issuance*—(1) *General*. If errors are found on a certificate at any time up to a maximum of 1 year after issuance, the errors shall be corrected by obtaining the incorrect certificate and replacing it with a corrected certificate. When the incorrect certificate cannot be obtained, a corrected certificate can be issued superseding the incorrect one.

(2) *Certification requirements*. The same statements and information, including permissive statements, that were shown on the incorrect certificate, along with the correct statement or information, shall be shown on the corrected certificate. According to this section and the instructions, corrected certificates shall show (i) the terms ''Corrected-Original'' and ''Corrected-Copy;'' (ii) a statement identifying the superseded certificate and the corrections; (iii) a statement indicating the superseded certificate was not surrended if the incorrect certificate was not surrendered; and (iv) a new serial number. In addition, the incorrect certificate shall be marked ''Void'' when submitted.

(e) *Limitations*. Corrected certificates cannot be issued for a certificate that

has been superseded by another certificate or on the basis of a subsequent analysis for quality.

(f) *Use of superseded certificate prohibited*. As of the date of issuance of the corrected certificate, the superseded certificate will be void and shall not be used to represent the grain.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 800.166 Reproducing certificates.

Official certificates may be photo copied or similarly reproduced.

(Approved by the Office of Management and Budget under control number 0580–0011)

LICENSES AND AUTHORIZATIONS (FOR INDIVIDUALS ONLY)

### § 800.170 When a license or authorization or approval is required.

(a) *Requirement*. (1) Any individual who performs or represents that he or she is licensed or authorized to perform any or all inspection or Class X weighing services under the Act must be licensed or authorized by the Service to perform each service. (2) Any individual who performs or represents that he or she is licensed or authorized, or an approved weigher, to perform Class Y weighing services under the Act must be licensed or authorized, or approved, by the Service to perform this service.

(b) *Excepted activities*. A license or authorization, or approval for weighing, under the Act and regulations is not required for (1) opening or closing a carrier or container of grain, or transporting or filing official samples, or similar laboring functions; (2) typing or filing official inspection and weighing certificates or other official forms or performing similar clerical functions; (3) performing official equipment testing functions with respect to official inspection equipment; (4) performing inspection, weighing, or scale testing functions that are not conducted for the purposes of the Act; or (5) performing scale testing functions by a State or municipal agency or by the employees of such agencies.

(c) *30-day waiver*. A prospective applicant for a license as a sampler, inspection technician, or weighing technician may, for a period of time not to exceed 30 calendar days, help perform those official sampling, inspection, or Class X or Class Y weighing services for which the applicant desires to be licensed, under the direct physical supervision of an individual who is licensed to perform the services. The supervising individual shall be fully responsible for each function performed by the prospective applicant and shall initial any work form prepared by the prospective applicant.

(d) *No fee by Service*. No fee will be assessed by the Service for licensing an individual employed by an agency or contractor.

(e) *Fee by agency*. At the request of the Service, an agency may help examine an applicant for a warehouse sampler's license for competency and may assess a fee in accordance with the provisions of § 800.70. The fee shall be paid by the applicant or by the elevator that employs the applicant.

(Secs. 9, 18, Pub. L. 94–582, 90 Stat. 2875 and 2884 (7 U.S.C. 79a and 87e))

[45 FR 15810, Mar. 11, 1980, as amended at 46 FR 30325, June 5, 1981]

### § 800.171 Who may be licensed or authorized.

(a) *Prohibitions*. No person may be licensed or authorized who has a conflict of interest as defined in section 11 of the Act or specified in § 800.187.

(b) *Exceptions to prohibitions*—(1) *Conflict by agency*. An employee of an agency that has a conflict of interest that is waived by the Administrator under section 11(b)(5) of the Act may be licensed: *Provided*, That the employee has no conflict of interest other than the agency conflict of interest.

(2) *Warehouse samplers*. A qualified employee of an elevator may be licensed to perform specified sampling services under the Act in accordance with the provisions of § 800.174(a)(2).

(c) *General qualifications*—(1) *Inspection and weighing*. To obtain a license to perform inspection or weighing services under the Act, an individual must be employed by an agency to perform the services and must otherwise be found competent in accordance with this section and § 800.173.

(2) *Specified technical services*. To obtain a license to perform specified sampling, inspection testing, weighing, and

similar services under the Act, an individual must (i) be employed by an agency to perform the services, or (ii) enter into or be employed under a contract with the Service to perform the services, and (iii) otherwise be found competent in accordance with this section and § 800.173.

(3) *Warehouse sampler*. To obtain a warehouse sampler's license, an applicant must be employed by an elevator to perform sampling services and otherwise be found competent in accordance with this section and § 800.173.

(4) *Requirements*. To be considered competent, an individual must (i) meet the qualifications specified in § 800.173; and (ii) have available the equipment and facilities necessary to perform the services for which the individual is to be licensed.

(d) *Competency determinations*—(1) *Agency samplers and technicians*. The competency of an applicant for a license as a sampler, inspection technician, or weighing technician shall be determined by (i) the chief inspector or the chief weighmaster, as applicable, of the agency that employs the applicant or, in the case of a warehouse sampler, the agency that is assigned the area in which the elevator that employs the sampler is located, and (ii) the field office supervisor.

(2) *Inspectors, weighers, contract samplers, and technicians*. The competency of an applicant for a license as an inspector or weigher or any license issued under the terms of a contract with the Service shall be determined by the Service.

(3) *Examinations*. A determination of competency of an applicant for a license shall include an evaluation of the results of examinations or reexaminations under § 800.173.

[45 FR 15810, Mar. 11, 1980, as amended at 49 FR 36072, Sept. 14, 1984]

### § 800.172 Applications for licenses.

(a) *General*. An application for a license, the renewal of a license, or the return of a suspended license shall be made to the Service on forms furnished by the Service. Each application shall (1) be in English, (2) be typewritten or legibly written in ink, (3) show all information prescribed by the application form, and (4) be signed by the applicant.

(b) *Additional information*. An applicant shall furnish any additional information considered necessary by the Service for consideration of an application.

(c) *Withdrawal*. An application for a license may be withdrawn by an applicant at any time.

(d) *Review of applications*—(1) *General procedure*. Each application shall be reviewed to determine whether the applicant and the application comply with the Act and the regulations.

(2) *Application and applicant in compliance*. If it is determined that the applicant and the application comply with the Act and the regulations, the requested license shall be granted.

(3) *Application not in compliance*. If an application does not comply with this section and the noncompliance prevents a satisfactory review by the Service, the applicant shall be provided an opportunity to submit any needed information. If the needed information is not submitted by the applicant within a reasonable time, the application may be dismissed.

(4) *Applicant not in compliance*. If it is determined that an applicant does not comply with the provisions of the Act and §§ 800.171, 800.173, and 800.187 at the time the application is submitted, the applicant shall be provided an opportunity to comply. If the applicant cannot comply within a reasonable period of time, the application shall be dismissed.

(e) *Procedure for dismissal*. If a dismissal involves an application for a renewal of a license or for the return of a suspended license, the dismissal shall be performed in accordance with the provisions of § 800.179. All other dismissals shall be performed by promptly notifying the applicant and the employer of the applicant of the reasons for the dismissal.

(Approved by the Office of Management and Budget under control number 0580–0012)

[45 FR 15810, Mar. 11, 1980, as amended at 48 FR 44453, Sept. 29, 1983; 54 FR 5924, Feb. 7, 1989]

**§ 800.173 Examinations and reexaminations.**

(a) *General*. Applicants for a license and individuals who are licensed to perform any or all official inspection or Class X or Class Y weighing services shall, at the discretion of the Service, submit to examinations or reexaminations to determine their competency to perform the official inspection or weighing functions for which they desire to be, or are, licensed.

(b) *Time and place of examinations and reexaminations*. Examinations or reexaminations under this section shall be conducted by official personnel designated by the Service and shall be given at a reasonable time and place in accordance with the instructions.

(c) *Scope of examinations and reexaminations*. Examinations or reexaminations may include oral or written tests on the applicable provisions of the Act, the regulations, the Official U.S. Standards for Grain, the procedures for the inspection and weighing of grain under the Act, the instructions, on-site performance evaluations, and vision or olfactory examinations.

(d) *Competency standards*—(1) *Inspection*. An individual may be found to be incompetent to perform official inspection services if the individual (i) has a color-vision deficiency; (ii) cannot meet the physical requirements necessary to perform the functions; (iii) cannot readily distinguish between the different kinds and classes of grain, or the different conditions in grain, including heating, musty, sour, insect infestation, and smut; (iv) cannot demonstrate a technical ability to operate grain sampling, testing, and grading equipment; (v) does not have a working knowledge of applicable provisions of the Act, the regulations, the Official U.S. Standards for Grain, and the instructions; (vi) cannot determine work-related mathematical computations; or (vii) cannot prepare legible records in English.

(2) *Weighing*. An individual may be found to be incompetent to perform Class X or Class Y weighing services under the Act if the individual (i) does not meet the requirements of paragraphs (d)(1)(ii), (v), (vi), and (vii) of this section or (ii) cannot demonstrate a technical ability to operate grain weighing equipment.

**§ 800.174 Issuance and possession of licenses and authorizations.**

(a) *Scope of licenses and authorizations*. Subject to the provisions of § 800.171, eligible individuals may be licensed or authorized by the Service to perform one or more services specified in this paragraph.

(1) *Official samplers*. Individuals employed by an agency or the Service or employed under the terms of a contract with the Service may be licensed or authorized, as applicable, to perform or supervise the performance of stowage examinations, grain sampling, and related technical services and to issue official certificates for the services performed by them.

(2) *Licensed warehouse samplers*. Elevator or warehouse employees may be licensed to sample grain and perform stowage examinations. No elevator employee shall be licensed to (i) sample export grain for inspection under the Act, (ii) test or grade grain, or (iii) certify the results of any inspection service under the Act.

(3) *Official inspection technicians*. Individuals employed by an agency or the Service or employed under the terms of a contract with the Service may be licensed or authorized to perform or supervise the performance of stowage examinations, grain sampling, or all or specified noninterpretive laboratory-testing services and to issue official certificates for the services performed by them.

(4) *Official inspectors*. Individuals employed by an agency or the Service may be licensed or authorized to perform and supervise the performance of stowage examinations, sampling, laboratory-testing, grading, and related services and to issue official certificates for the services performed by them.

(5) *Official weighing technicians*. Individuals who are employed by an agency or the Service to observe the loading, unloading, and handling of grain that has been or is to be weighed under the Act may be licensed or authorized to perform and supervise the performance of grain handling and stowage examination services and to issue official

certificates for the services performed by them.

(6) *Official weighers.* Individuals employed by an agency or the Service may be licensed or authorized to perform and supervise the performance of grain handling, stowage examination, official weighing (Class X), and supervision of weighing (Class Y), and related services and to issue official certificates for the services performed by them.

(7) *Authorized scale tester.* Individuals employed by the Service may be authorized to test and supervise the testing of scales used for Class X and Class Y weighing services and to approve and certify scales based on the results of these tests.

(b) *Condition for issuance*—(1) *Compliance with the Act.* Each license is issued on the condition that the licensee will, during the term of the license, comply with the Act, the regulations, and the instructions.

(2) *Possession of license.* Each license shall be the property of the Service, but each licensee shall have the right to possess the license subject to the provisions of §§ 800.173, 800.186, and 800.187.

(c) *Duplicate license.* Upon satisfactory proof of the loss or destruction of a license, a duplicate will be issued by the Service.

(d) *Retention of licenses.* Each license shall be retained by the holder of the license in a manner that the license can be examined upon request by service personnel.

### § 800.175 Termination of licenses.

(a) *Term of license.* Each license shall terminate in accordance with the termination date shown on the license and as specified in paragraph (b) of this section. The termination date for a license shall be no less than 3 years or more than 4 years after the issuance date for the initial license; thereafter, every 3 years. Upon request of a licensee and for good cause shown, the termination date may be advanced or delayed by the Administrator for a period not to exceed 60 days.

(b) *Termination schedule for licenses.* Subject to the provisions of paragraph (a) of this section, licenses shall terminate on the last day of the month shown in the following schedule:

| Last names beginning with | Termination date |
|---|---|
| A | January. |
| B | February. |
| C, D | March. |
| E, F, G | April. |
| H, I, J | May. |
| K, L | June. |
| M | July. |
| N, O, P, Q | August. |
| S | September. |
| R, T, U, V | October. |
| W | November. |
| X, Y, Z | December. |

(c) *Termination notices.* The Service shall issue notice of termination to licensees and to their employers at least 60 days before the termination date. The notice shall (1) provide detailed instructions for requesting renewal of licenses; (2) state whether a reexamination will be required; and (3) if a reexamination will be required, show the nature and scope of the reexamination. Failure to receive a notice from the Service shall not exempt a licensee from the responsibility of having the license renewed on or before the termination date.

(d) *Renewal of licenses.* Licenses that are renewed shall show the permanent license number, the date of renewal, and the word ''Renewed.''

(e) *Termination of suspended licenses.* Any suspension of a license, including voluntary suspension or suspension by change in employment, shall not affect the termination date of the license. If a licensee applies for renewal of the license prior to the termination date, the license will not terminate during the period of suspension.

(f) *Surrender of license.* Each license that is terminated, suspended, or canceled under the provisions of §§ 800.175 through 800.178 or is suspended, revoked, or not renewed for cause under the provisions of § 800.179 shall be promptly surrendered to the field office.

(g) *Marking terminated, canceled, or revoked licenses.* Each terminated, canceled, or revoked license surrendered to the Service shall be marked ''Canceled.''

**§ 800.176 Voluntary cancellation or suspension of licenses.**

Upon request by a licensee, the Service may cancel a license or suspend a license for a period of time not to exceed 1 year. A license that has been voluntarily suspended shall be returned by the Service upon request by the licensee within 1 year, subject to the provisions of § 800.172; a license that has been cancelled shall be considered void and shall not be subject to return or renewal.

**§ 800.177 Automatic suspension of license by change in employment.**

A license issued to an individual who is employed by an agency shall be automatically suspended when the individual ceases to be employed by the agency. If the individual is reemployed by the agency or employed by another agency within 1 year of the suspension date and the license has not terminated in the interim, upon request of the licensee, the license will be reinstated subject to the provisions of §§ 800.172 and 800.173.

**§ 800.178 Summary revocation of licenses.**

Licenses may be summarily revoked upon a finding that the licensee has been convicted of any offense either prohibited by section 13 of the Act or prohibited by Title 18 of the United States Code, with respect to the performance of services under the Act.

**§ 800.179 Refusal of renewal, suspension, or revocation of licenses for cause.**

(a) *General.* A license may be suspended or revoked or may be refused renewal or return (if suspended) for causes prescribed in section 9 of the Act.

(b) *Procedure for summary action.* Under section 9 of the Act, any license may, without first affording the licensee (hereafter in this section the ''respondent'') an opportunity for a hearing, be summarily suspended pending final determination, whenever the action is considered to be in the best interest of the official inspection system. Such action shall be effective upon receipt of notice from the Service by the respondent. Within 30 calendar days after issuing a notice of summary action, the Service shall afford the respondent an opportunity for a hearing as provided under paragraph (c) of this section. Pending final determination, the Service may terminate the action if alternative employment arrangements satisfactory to the Service can be and are made for the respondent by the employer of the respondent.

(c) *Procedure for other than summary action.* Except as provided for in paragraph (a) of this section, before the Service refuses to renew, or suspends or revokes a license, or refuses to return a suspended license, the respondent shall be (1) notified of the proposed action and the reasons therefor, and (2) afforded (i) an opportunity to express his/her views on the proposed action in an informal manner, or (ii) at the request of the respondent, a hearing in accordance with the provisions of the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary under Various Statutes (7 CFR, part 1, subpart H).

**§ 800.180 Summary cancellation of licenses.**

A license may be summarily canceled when (a) the license has been under voluntary or automatic suspension for a period of 1 year and there has been no request for return of the license or a request for return of the license has been dismissed in accordance with § 800.172; or (b) the licensee has died or fails to surrender the license in accordance with § 800.175(f).

DUTIES AND CONDUCT OF LICENSED AND AUTHORIZED PERSONNEL

**§ 800.185 Duties of official personnel and warehouse samplers.**

(a) *General.* Official personnel and warehouse samplers shall, when performing official services or duties under the Act, comply with the Act, the regulations, and the instructions.

(b) *Inspection and weighing services.* Official personnel shall perform requested official inspection and Class X and Class Y weighing services (1) without discrimination, (2) as soon as practicable, and (3) in accordance with methods and procedures prescribed in the instructions.

(c) *Sealing carriers or containers.* Upon request, or in accordance with the instructions, official personnel shall (1) when feasible, affix security seals to doors, hatch covers, and similar openings on carriers or containers that contain grain that has been officially inspected or Class X or Class Y weighed under the Act and (2) show seal records on certificates and other official forms in accordance with the provisions of § 800.161.

(d) *Scope of operations.* Official personnel and warehouse samplers shall (1) operate only within the scope of the services specified on their license or authorization and (2) operate only within the area of responsibility assigned to the applicable agency, field office, or contractor which employs them. Official personnel and warehouse samplers may perform official inspection or weighing services in a different area of responsibility with the specific consent of the Service.

(e) *Working materials.* Official personnel and warehouse samplers shall be responsible for maintaining a working knowledge of the applicable provisions of the Act, the regulations, the Official U.S. Standards for Grain, the instructions, and all amendments and revisions thereto.

(f) *Observation of services.* Official personnel and warehouse samplers shall permit any person (or the person's agent) who has a financial interest in grain that is being inspected or weighed under the Act, or in equipment that is being tested under the Act, to observe the performance of any or all official inspection, or Class X or Class Y weighing. Appropriate areas in the elevator may be specified by the Service in conjunction with the elevator management for observing each service. The areas shall be safe, shall afford a clear and unobstructed view of the performance of the services, but shall not permit a close over-the-shoulder type of observation by the interested person or the person's agent.

(g) *Reporting violations.* Official personnel and warehouse samplers shall in accordance with the instructions promptly report (1) information which shows or tends to show a violation of any provision of the Act, the regulations, or the instructions, and (2) information on any instructions which have been issued to them by any official personnel or other persons which are contrary to the Act, the regulations, or the instructions.

(h) *Related duties.* Official personnel and warehouse samplers shall, when practicable, assist in training other employees who desire to become licensed.

(i) *Instructions by Service.* Official personnel and warehouse samplers shall carry out all written instructions or oral directives issued to them by the Service and, upon request, inform the Service regarding inspection, weighing, or equipment testing services performed by them. Oral directives from the Service not found in written instructions shall be confirmed in writing, upon request.

(Approved by the Office of Management and Budget under control number 0580–0011)

[45 FR 15810, Mar. 11, 1980; 45 FR 55119, Aug. 18, 1980, as amended at 48 FR 44453 and 44454, Sept. 29, 1983; 54 FR 5924, Feb. 7, 1989]

### § 800.186 Standards of conduct.

(a) *General.* Official personnel and warehouse samplers must maintain high standards of honesty, integrity, and impartiality to assure proper performance of their duties and responsibilities and to maintain public confidence in the services provided by them.

(b) *Prohibited conduct; official personnel and warehouse samplers.* No official personnel or warehouse sampler shall:

(1) Perform any official inspection, Class X or Class Y weighing, or equipment testing service unless licensed or authorized to do so;

(2) Engage in criminal, dishonest, or notoriously disgraceful conduct, or other conduct prejudicial to the Department or the Service;

(3) Report for duty in an intoxicated or drugged condition, or consume intoxicating beverages or incapacitating drugs while on duty;

(4) Smoke in prohibited areas in elevators or perform official services in an unsafe manner that could endanger official personnel working on or about the premises;

(5) Make unwarranted criticisms or accusations against other official personnel, warehouse samplers, or employees of the Department; and

(6) Refuse to testify or respond to questions in connection with official inquiries or investigations.

(7) Coerce or attempt to coerce any person into providing any special or undue benefit to official personnel, approved weighers, or warehouse samplers.

(c) *Prohibited conduct; official personnel.* In addition to the conduct prohibited by paragraph (b) of this section, no official personnel shall:

(1) Solicit contributions from other official personnel or warehouse samplers for an employee of the Service, or make such a contribution. Nothing in this paragraph shall preclude the occasional voluntary giving or acceptance of gifts of a nominal value on special occasions;

(2) Take any action that might (i) create the appearance of a loss of impartiality or (ii) adversely affect the confidence of the public in the integrity of the inspection, weighing, or equipment testing services performed under the Act;

(3) Except as provided in § 800.76(a), engage in any outside (unofficial) work or activity that:

(i) may impair their efficiency in performing official functions; or

(ii) consists in whole or in part of unofficial acts of sampling, stowage examination, inspection testing, equipment testing, inspection, or weighing services similar to the official services for which the employing agency is designated; or

(iii) may result in the acquisition of property interests that could create a conflict of interest as defined in section 11 of the Act; or

(iv) may tend to bring criticism on or otherwise embarrass the Department or the Service;

(4) Issue to other official personnel, warehouse samplers, or approved weighers any instructions or directives inconsistent with the Act, the regulations, the Official U.S. Standards for Grain, or the instructions;

(5) Organize or help establish a general or specialized farm organization, or act as an officer or business agency in, recruit members for, or accept office space or contributions from such an organization;

(6) Advocate that any general or specialized farm organization better represents the interest of farmers than any other organization or individual, or recommend that the responsibilities of any government agency be carried out through a general or specialized farm organization. Nothing in paragraph (c)(5) of this section shall prevent official personnel from holding membership in a general or specialized farm organization or prohibit official personnel from participating in the operation of local groups or organizations that conduct government-authorized programs.

[45 FR 15810, Mar. 11, 1980, as amended at 48 FR 44454, Sept. 29, 1983; 60 FR 65235, Dec. 19, 1995; 63 FR 45677, Aug. 27, 1998]

### § 800.187 Conflicts of interest

(a) *General.* Warehouse samplers are exempt from the conflict-of-interest provisions of this section.

(b) *What constitutes a gratuity.* For the purposes of these regulations, the term ''gratuity'' shall include any favor, entertainment, gift, tip, loan, payment for unauthorized or fictitious work, unusual discount, or anything of monetary value. The term shall not include (1) the occasional exchange of a cup of coffee or similar social courtesies of nominal value in a business or work relationship if the exchange is wholly free of any embarrassing or improper implications; (2) the acceptance of unsolicited advertising material such as pencils, pens, and note pads of nominal value if the material is wholly free of any embarrassing or improper implications; and (3) the exchange of the usual courtesies in an obvious family or personal relationship (including those between official personnel and their parents, spouses, children, or close personal friends) when the circumstances make it clear that the exchange is the result of the family or personal relationship, rather than a business or work relationship.

(c) *Conflicts.* In addition to the conflicts of interest prohibited by section 11 of the Act, the activities specified in this paragraph shall also be considered

to be a conflict of interest. Accordingly, no official personnel shall, during the term of their license or authorization (including any period of suspension):

(1) Accept any gratuity.

(2) Accept any fee or charge or other thing of monetary value, in addition to the published fee or charge, for the performance of official inspection or weighing services under circumstances in which the acceptance could result, or create the appearance of resulting, in (i) the use of their office or position for undue private gain, (ii) an undertaking to give undue preferential treatment to any group or any person, or (iii) any other loss of independence or impartiality in the performance of official inspection or Class X or Class Y weighing services.

(3) Knowingly perform, or participate in performing, an inspection or weighing service on grain in which they have a direct or indirect financial interest.

(4) Engage in the business by buying, selling, transporting, cleaning, elevating, storing, binning, mixing, blending, drying, treating, fumigating, or other preparation of grain (other than a grower of grain, or in the disposition of inspection samples); or in the business of cleaning, treating, or fitting carriers or containers for transporting or storing grain; the merchandising for nonfarm use of equipment for cleaning, drying, treating, fumigating, or otherwise processing, handling, or storing grain; or the merchandising of grain inspection or weighing equipment (other than buying or selling by official personnel of the equipment for use in the performance of their official services).

(5) Seek or hold any appointive or elective office in a grain industry organization or association. This provision does not apply to organizations of official inspectors or official weighers.

(6) Participate in any transaction involving the purchase or sale of corporate stocks or bonds, grain or grain-related commodities, or other property for speculative or income purposes if the transaction could reasonably be construed to interfere with the proper and impartial performance of official inspection for Class X or Class Y weighing services. Official personnel are not prohibited from (i) producing grain as a grower and selling the grain; (ii) making bona fide investments in governmental obligations, banking institutions, savings and loan associations, and other tangibles and intangibles that are clearly not involved in the production, transportation, storage, marketing, or processing of grain; or (iii) borrowing money from banks or other financial institutions on customary terms.

(d) *Reports of interests.* Official personnel shall report information regarding their employment or other business or financial interests which may be required by the Service.

(e) *Avoiding conflicts of interest.* Official personnel shall not acquire any financial interest or engage in any activity that would result in a violation of this § 800.187, or § 800.186, or section 11 of the Act and shall not permit their spouses, minor children, or blood relatives who reside in their immediate households to acquire any such interest or engage in any such activity. For the purpose of this section, the interest of a spouse, minor child, or blood relative who is a resident of the immediate household of official personnel shall be considered to be an interest of the official personnel.

(f) *Disposing of a conflict of interest*—(1) *Remedial action.* Upon being informed that a conflict of interest exists and that remedial action is required, an applicant for a license and official personnel shall take immediate action to end the conflict of interest and inform the Service of the action taken.

(2) *Hardship cases.* Applicants and official personnel who believe that remedial action will cause undue personal hardship may request an exception by forwarding to the Service a written statement setting forth the facts, circumstances, and reasons for requesting an exception.

(3) *Failure to terminate.* If a final determination is made by the Service that a conflict of interest does exist and should not be excepted, failure to terminate the conflict of interest shall subject: (i) An applicant for a license to a dismissal of the application; (ii) An employee of the Service to disciplinary

action; and (iii) A licensee to license revocation.

(Approved by the Office of Management and Budget under control number 0580–0012)

[45 FR 15810, Mar. 11, 1980, as amended at 48 FR 44453 and 44454, Sept. 29, 1983; 54 FR 5924, Feb. 7, 1989]

### § 800.188 Crop year, variety, and origin statements.

No official personnel shall certify or otherwise state in writing (a) the year of production of grain, including use of terms such as ''new crop'' or ''old crop''; (b) the place or geographical area where the grain was grown; or (c) the variety of the grain.

### § 800.189 Corrective actions for violations.

(a) *Criminal prosecution*. Official personnel and warehouse samplers who commit an offense prohibited by section 13 of the Act are subject to criminal prosecution in accordance with section 14 of the Act.

(b) *Administrative action*—(1) *Other than Service employees*. In addition to possible criminal prosecution, licensees and warehouse samplers are subject to administrative action in accordance with sections 9 and 14 of the Act.

(2) *Service employees*. In addition to possible criminal prosecution, employees of the Service are subject to disciplinary action by the Service.

## DELEGATIONS, DESIGNATIONS, APPROVALS, CONTRACTS, AND CONFLICTS OF INTEREST

AUTHORITY: Sections 800.195 through 800.199 were issued under secs. 8, 9, 10, 13, and 18, Pub. L. 94–582, 90 Stat. 2870, 2875, 2877, 2880, and 2884, 7 U.S.C. 79, 79a, 79b, 84, 87, and 87e.

### § 800.195 Delegations.

(a) *General*. Eligible States may be delegated authority to perform official services (excluding appeal inspection) at export port locations within their respective States.

(b) *Restrictions*. Only the Service or the delegated State may perform official inspection, Class X, and Class Y weighing services at an export port location within the State. If official inspection services, at export port locations within the State, are performed by the Service, only the Service may perform Class X and Class Y weighing services at the locations. If official inspection services are performed by a delegated State, either the State or the Service may perform Class X and Class Y weighing services at the export port locations within the State.

(c) *Who can apply*. States which: (1) Were performing official inspection at an export port location under the Act on July 1, 1976, or; (2)(i) performed official inspection at an export port location at any time prior to July 1, 1976; (ii) were designated under section 7(f) of the Act on December 22, 1981, to perform official inspections; and (iii) operate in a State from which total annual exports of grain do not exceed, as determined by the Administrator, 5 per centum of the total amount of grain exported from the United States annually may apply to the Service for a delegation.

(d) *When and how to apply*. A request for authority to operate as a delegated State should be filed with the Service not less than 90 calendar days before the State proposes to perform the official service. A request for authority to operate as a delegated State shall show: (1) The export port location(s) where the State proposes to perform official inspection, Class X, and Class Y weighing services; (2) the estimated annual volume of inspection and weighing services for each location; and (3) the schedule of fees the State proposes to assess. A request for a revision to a delegation shall (i) be filed with the Service not less than 90 calendar days before the desired effective date, and (ii) specify the change desired.

(e) *Review of eligibility and criteria for delegation*. Each applicant for authority to operate as a delegated State shall be reviewed to determine whether the applicant meets the eligibility conditions contained in paragraph (c) of this section and the criteria contained in section 7(f)(1)(A) of the Act. The requested delegation may be granted if the Service determines that the applicant meets the eligibility conditions and criteria. If an application is dismissed, the Service shall notify the applicant promptly, in writing, of the reason(s) for the dismissal.

(f) *Responsibilities.* (1) *Providing official services.* Each delegated State shall be responsible for providing each official service authorized by the delegation at all export elevators at export port locations in the State. The State shall perform each official service according to the Act, regulations, and instructions.

(2) *Staffing, licensing, and training.* Delegated States shall employ official personnel on the basis of job qualifications rather than political affiliations. The State shall employ sufficient personnel to provide the services normally requested in an accurate and timely manner. The State shall only use personnel licensed by the Service for the performance of official services and shall train and assist its personnel in acquiring and maintaining the necessary skills. The State shall keep the Service informed of the employment status of each of its licensees and any substantial change in a licensee's duties.

(3) *Rotation of personnel.* Where feasible, each delegated State shall rotate licensees among elevators and other facilities as is necessary to preserve the integrity of the official inspection and weighting systems.

(4) *Supervision.* The State and its officials shall be responsible for the actions of the official personnel employed by the State, for direct supervision of the daily activities of such personnel, and for the conduct of official services and related activities in the State. The State shall supervise official activities according to the Act, regulations, and instructions and shall take action necessary to ensure that its employees are not performing prohibited functions and are not involved in any action prohibited by the Act, regulations, or instructions. Each State shall report to the Service information which shows or may show a violation of any provision of the Act, regulations, or instructions and information on any instructions which have been issued to State personnel by Service personnel or by any other person which are contrary to or inconsistent with the Act, regulations, or instructions.

(5) *Conflict of interest.* (i) *General.* The delegated State and any commissioner, director, employee, or other related person or entity shall not have a conflict of interest, as defined in section 11 of the Act and § 800.199 of the regulations. A conflict of interest may be waived pursuant to § 800.199(d).

(ii) *Unofficial activities.* The delegated State or personnel employed by the State shall not perform any unofficial service that is the same as any of the official services covered by the delegation.

(6) *Fees.* The delegated State shall charge fees according to § 800.70.

(7) *Facilities and equipment.* (i) *General.* The laboratory and office facilities of each delegated State shall be: Located; equipped; and large enough so that requested services are provided in an orderly and timely manner.

(ii) *Equipment testing.* Each delegated State shall test the equipment that it uses for official services according to the instructions.

(8) *Security.* Each delegated State shall provide sufficient security to assure that official samples, records, equipment, and forms are reasonably secure from theft, alteration, or misuse.

(9) *Certificate control system.* Each delegated State shall establish a certificate control system for all official certificates it receives, issues, voids, or otherwise renders useless. The system shall provide for: (i) Recording the numbers of the official certificates printed or received; (ii) protecting unused certificates from fraudulent or unauthorized use; and (iii) maintaining a file copy of each certificate issued, voided, or otherwise rendered useless in a manner that would permit retrieval.

(10) *Records.* Each delegated State shall maintain the records specified in §§ 800.145 through 800.159.

(g) *Termination.* (1) *Automatic termination.* Failure to pay the user fees prescribed by the Service for supervisory costs related to official inspection and weighing services within 30 days after due shall result in the automatic termination of the delegation. The delegation shall be reinstated if fees currently due, plus interest and any further expenses incurred by the Service because of the termination, are paid within 60 days after the termination.

(2) *Voluntary cancellation*. A State may request that its delegation be canceled by giving 90 days written notice to the Service.

(3) *Revocation*. (i) *Without hearing*. The Administrator may revoke the delegation of a State without first affording the State opportunity for a hearing. Unless otherwise provided, the revocation shall be effective when the State receives a notice from the Service regarding the revocation and the reason(s) therefor.

(ii) *Informal conference*. At the discretion of the Administrator, before the delegation of a State is revoked under paragraph (g)(3)(i) of this section, the Service may (A) notify the State of the proposed action and the reason(s) therefor, and (B) afford the State an opportunity to express its views in an informal conference before the Administrator.

(h) *Provision of services following termination*. If a State's delegation is terminated, official services at the export port locations in the State shall be provided by the Service.

(The information collection requirements contained in paragraph (d) were approved by the Office of Management and Budget under control number 0580–0012; paragraphs (f)(2) and (f)(4) were approved under control number 0580–0011)

[49 FR 30915, Aug. 2, 1984, as amended at 50 FR 18988, May 6, 1985; 54 FR 5924, Feb. 7, 1989; 60 FR 65236, Dec. 19, 1995]

### § 800.196 Designations.

(a) *General*. Eligible persons or governmental agencies may be designated to perform official services (excluding appeal inspection) within a specified area (other than export port locations).

(b) *Restrictions*. (1) *General*. If official inspection services are performed in an area by a designated agency, Class X and Class Y weighing services in that area may be performed only by the designated agency if the agency applies for designation to provide weighing services and is found qualified by the Service. If the agency designated to provide official inspection services is found not qualified or does not apply, the Class X and Class Y weighing services may be performed by another available agency that is found qualified and is designated by the Service, or the official services may be performed by the Service.

(2) *Interim authority*. (i) *By agency*. A designated agency may perform official services outside its assigned area on an interim basis when authorized by the Service.

(ii) *By Service*. Official inspection services and/or Class X and Class Y weighing services may be performed by the Service in an area (other than export port locations) on an interim basis in accordance with sections 7(h) and 7A(c) of the Act.

(c) *Who can apply*. Any State or local governmental agency or any person may apply, subject to sections 7 and 7A of the Act, to the Service for designation as an official agency to perform official inspection services (excluding appeal inspection) and/or Class X and Class Y weighing services in a given area (other than export port locations) in the United States.

(d) *When and how to apply*. An application for designation should be filed with the Service, according to the provisions of the FEDERAL REGISTER notice which requests applicants for designation to perform official services in existing or new geographic areas. The application for designation: (1) Shall be submitted on a form furnished by the Service; (2) shall be typewritten or legibly written in English; (3) shall show or be accompanied by documents which show all information requested on the form, or otherwise required by the Service; and (4) shall be signed by the applicant or its chief operating officer.

(e) *Review of conditions and criteria for designation*. (1) *Application*. Each application for a designation shall be reviewed to determine whether it complies with paragraph (d) of this section. If an application is not in compliance, the applicant shall be provided an opportunity to submit the needed information. If the needed information is not submitted within a reasonable time, as determined by the Service, the application may be dismissed. When an application is dismissed, the Service shall notify the applicant, in writing, of the reason(s) for the dismissal.

(2) *Applicant*. Each applicant for authority to operate as as designated agency shall be reviewed to determine

whether the applicant meets the conditions and criteria contained in sections 7(f)(1)(A) and (B) of the Act, § 800.199 of the regulations, and paragraph (g) of this section. The requested designation may be granted if the Service determines that: (i) The requested action is consistent with the need for official services; (ii) the applicant meets the conditions and criteria specified in the Act and regulations; and (iii) the applicant is better able than any other applicant to provide official services.

(f) *Area of responsibility*. (1) *General*. Each agency shall be assigned an area of responsibility by the Service. Each area shall be identified by geographical boundaries and, in the case of a State or local government, shall not exceed the jurisdictional boundaries of the State or the local government, unless otherwise approved by the Service. The area of responsibility may not include any export elevators at export port locations or any portion of an area of responsibility assigned to another agency that is performing the same functions. A designated agency may perform official services at locations outside its assigned area of responsibility only after obtaining approval from the Service.

(2) *Amending*. A request for an amendment to an assigned area of responsibility shall (i) be submitted to the Service in writing; (ii) specify the change desired; (iii) be signed by the applicant or its chief operating officer; and (iv) be accompanied by the fee prescribed by the Service. The assigned area may be amended if the Service determines that the amendment is consistent with the provisions and objectives of the Act, regulations, and instructions. Upon a finding of need, the Service may initiate action to change an assigned area of responsibility.

(3) *Specified service points*. An agency may change its specified service points by notifying the Service in advance. Interested persons may obtain a list of specified service points within an agency's area of responsibility by contacting the agency. The list shall include all specified service points and shall identify each specified service point which operates on an intermittent or seasonal basis.

(g) *Responsibilities*. (1) *Providing official services*. Insofar as practicable, each agency shall be responsible for providing at all locations in its assigned area each service authorized by the designation. An agency may, subject to Service approval, make arrangements with a neighboring agency to provide official services requested infrequently. The agency shall perform all official services according to the Act, regulations, and instructions in effect at the time of designation or which may be promulgated subsequently.

(2) *Fees*. The agency shall charge fees according to § 800.70.

(3) *Staffing, licensing, and training*. (i) *General*. The agency shall employ sufficient personnel to provide the official services normally requested in an accurate and timely manner. Each agency shall only use personnel licensed by the Service for the performance of official services and shall train and assist its personnel in acquiring and maintaining the necessary skills. Each agency shall keep the Service informed of the employment status of each of its licensees and any substantial change in a licensee's duties.

(ii) *State agencies*. State agencies shall employ official personnel on the basis of job qualifications rather than political affiliations.

(4) *Rotation of personnel*. Where feasible, each agency shall rotate licensees among elevators and other facilities as is necessary to preserve the integrity of the official inspection and weighing systems.

(5) *Supervision*. The agency and its officials shall be responsible for the actions of the official personnel employed by the agency, for direct supervision of the daily activities of such personnel, and for the conduct of official services and related activities at the agency. The agency shall supervise official activities, in accordance with the Act, regulations, and instructions, and shall take action necessary to ensure that its employees are not performing prohibited functions and are not involved in any action prohibited by the Act, regulations, or instructions. Each agency shall report to the responsible field office information which shows or may show a violation of any provision of the Act, regulations, or instructions and information on any instructions

which have been issued to agency personnel by Service personnel or by any other person which are inconsistent with the Act, regulations, or instructions.

(6) *Conflict of interest.* (i) *General.* Each agency and any officer, director, stockholder, employee, or other related entity shall not have a conflict of interest, as defined in Section 11 of the Act and § 800.199 of the regulations. A conflict of interest may be waived pursuant to § 800.199(d). The agency shall advise the Service immediately of any proposed change in name, ownership, officers or directors, or control of the agency and, if a trust, any change affecting the trust agreement.

(ii) *Unofficial activities.* Except as provided in § 800.76(a), the agency or personnel employed by the agency shall not perform any unofficial service that is the same as the official services covered by the designation.

(7) *Facilities and equipment.* (i) *General.* The laboratory and office facilities of each agency shall be: Located; equipped; and large enough so that requested services are provided in an orderly and timely manner.

(ii) *Equipment testing.* Each agency shall test the equipment it uses for official services according to the instructions.

(8) *Security.* Each agency shall provide sufficient security to ensure that official samples, records, equipment, and forms are reasonably secure from theft, alteration, or misuse.

(9) *Certificate control system.* Each agency shall establish a certificate control system for all official certificates it receives, issues, voids, or otherwise renders useless. The system shall provide for (i) recording the numbers of the official certificates printed or received; (ii) protecting unused certificates from fraudulent or unauthorized use; and (iii) maintaining a file copy of each certificate issued, voided, or otherwise rendered useless in a manner that would permit retrieval.

(10) *Records.* Each agency shall maintain the records specified in §§ 800.145 through 800.159.

(h) *Termination and renewal.* (1) *Triennial.* (i) *Termination.* A designation shall terminate at a time specified by the Administrator, but not later than 3 years after the effective date of the designation. A notice of triennial termination shall be issued by the Service to a designated agency at least 120 calendar days in advance of the termination date. The notice shall provide instructions for requesting renewal of the designation. Failure to receive a notice from the Service shall not exempt a designated agency from the responsibility of having its designation renewed on or before the specified termination date.

(ii) *Renewal.* Designations may be renewed, upon application, in accordance with criteria and procedures for designation prescribed in section 7(f) of the Act and this section of the regulations. The Administrator may decline to renew a designation if: (A) The requesting agency fails to meet or comply with any of the criteria for designation set forth in the Act, regulations, and instructions, of (B) the Administrator determines that another qualified applicant is better able to provide official services in the assigned area.

(2) *Automatic termination.* Failure to pay the user fees prescribed by the Service for supervisory costs related to official inspection and weighing services within 30 days after due shall result in the automatic termination of the designation. The designation shall be reinstated if fees currently due, plus interest and any further expenses incurred by the Service because of the termination, are paid within 60 days after the termination.

(3) *Voluntary cancellation.* An agency may request that its designation be canceled by giving 90 days written notice to the Service.

(4) *Suspension or revocation of designation.* (i) *General.* A designation is subject to suspension or revocation, under section 7(g)(3) of the Act, by the Service, whenever the Administrator determines that: (A) The agency has failed to meet one or more of the criteria specified in section 7(f) of the Act or the regulations for the performance of official functions, or otherwise has not complied with any provision of the Act, regulations, or instructions, or (B) has been convicted of any violation of other Federal law involving the handling or official inspection of grain.

(ii) *Summary suspension*. The Service may, without first affording the agency (hereafter referred to in this paragraph as the ''respondent'') an opportunity for a hearing, suspend a designation or refuse to reinstate a designation when the suspension period has expired, pending final determination of the proceeding whenever the Service has reason to believe there is cause for revocation of the designation and considers such action to be in the best interest of the official inspection and weighing system. A suspension or refusal to reinstate a suspended designation shall be effective upon the respondent's receipt of a notice from the Service. Within 30 calendar days following the issuance of a notice of such action, the Service shall afford the respondent an opportunity for a hearing under paragraph (h)(4)(iii) of this section. The Service may terminate the action if it finds that alternative managerial, staffing, financial, or operational arrangements satisfactory to the Service can be and are made by the respondent.

(iii) *Other than summary suspension*. Except as provided in paragraph (h)(4)(ii) of the section, before the Service revokes or suspends a designation, the respondent shall be: (A) Notified by the Service of the proposed action and the reason(s) therefor, and (B) afforded an opportunity for a hearing in accordance with the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary Under Various Statutes (7 CFR part 1, subpart H). Before initiating formal adjudicatory proceedings, the Service may, at its discretion, afford the respondent an opportunity to present its views on the proposed action and the reason(s) therefor in an informal conference. If, as a result of the informal conference, a consent agreement is reached, no formal adjudicatory proceedings shall be initiated.

(i) *Provision of services following suspension or termination*. If the designation of an agency is suspended, terminated, or the renewal of a designation is not granted, the Service shall attempt, upon a finding of need, to arrange for a replacement agency. If a qualified replacement agency cannot be designated on a timely basis, a qualified agency, if available, shall be designated on an interim basis. If a qualified agency is not available on an interim basis, the Service shall provide needed services on an interim basis.

(The information collection requirements contained in paragraph (d) were approved by the Office of Management and Budget under control number 0580–0012; paragraphs (g)(3) and (g)(5) were approved under control number 0580–0011)

[49 FR 30915, Aug. 2, 1984, as amended at 50 FR 18989, May 6, 1985; 54 FR 5924, Feb. 7, 1989; 60 FR 65236, Dec. 19, 1995; 63 FR 45677, Aug. 27, 1998]

### § 800.197 Approval as a scale testing and certification organization.

(a) *Who may apply*. Any State, local government, or person may request approval to perform scale testing and certification under the Act.

(b) *When and how to apply*. A request for approval to perform scale testing and certification under the Act should be filed with the Service not less than 90 calendar days before the requested action's effective date. A request for approval to perform scale testing and certification shall: (1) Show or be accompanied by documents which show all information required by the Service; (2) certify that each employee scheduled to perform official scale testing and certification services is competent to test weighing equipment and has a working knowledge of the regulations and instructions applicable to such services; (3) be accompanied by the fee prescribed in § 800.71; and (4) be signed by the applicant or its chief operating officer.

(c) *Review of applicant*. The review of an applicant for authority to perform scale testing and certification shall include an evaluation of the applicant's policies and procedures for testing and certifying scales for Class X and Class Y weighing.

(d) *Termination*. (1) *Voluntary*. A scale testing and certification organization may request cancellation of its approval by notifying the Service.

(2) *Suspension or revocation of approval*. (i) *General*. An approval is subject to suspension or revocation whenever the Administrator determines that the approved organization has violated any provision of the Act or regulations, or has been convicted of any

violation involving the handling, weighing, or inspection of grain under Title 18 of the United States Code.

(ii) *Summary suspension*. The Service may, without first affording the organization an opportunity for a hearing, suspend an approval or refuse to reinstate an approval when the suspension period has expired, pending final determination of the proceeding whenever the Service has reason to believe there is cause for revocation of the approval and considers such action to be in the best interest of the official weighing system. A suspension or refusal to reinstate a suspended approval shall be effective when the organization receives a notice from the Service. Within 30 calendar days following the issuance of a notice of such action, the Service shall give the organization an opportunity for a hearing under paragraph (d)(2)(iii) of this section. The Service may terminate its action if it finds that alternative managerial, staffing, or operational arrangements satisfactory to the Service can be and are made by the organization.

(iii) *Other than summary suspension*. Except as provided in paragraph (d)(2)(ii) of this section, before the Service revokes or suspends an approval, the organization shall be notified by the Service of the proposed action and the reason(s) therefor and shall be given an opportunity for a hearing. Before the Service initiates a hearing, it may, at its discretion, give the organization an opportunity to present its views on the proposed action and the reason(s) therefor in an informal conference. If a consent agreement is reached during the informal conference, no formal adjudicatory proceedings shall be initiated.

(The information collection requirements contained in paragraph (b) were approved by the Office of Management and Budget under control number 0580–0012)

[49 FR 30915, Aug. 2, 1984, as amended at 54 FR 5924, Feb. 7, 1989]

### § 800.198 Contracts.

(a) *Services contracted and who may apply*. The Service may enter into a contract with any person, State, or governmental agency to perform on an occasional basis: (1) Specified official sampling, laboratory testing, or other similar objective technical activities involved in the testing of grain for official factors or official criteria, and (2) monitoring activities in foreign ports with respect to export grain that has been inspected and weighed under the Act.

(b) *Restrictions*. (1) *Conflict of interest*. A person, State or governmental agency with a conflict of interest prohibited by section 11 of the Act or § 800.199 shall not be eligible to enter into a contract with the Service.

(2) *Appeal service*. An agency or employees of agencies shall not be eligible to enter into a contract with the Service to obtain samples for, or to perform other services involved in appeal inspection or Board appeal inspection services. However, agencies may forward file samples to the Service in accordance with § 800.156(d).

(3) *Monitoring services*. Agencies, employees of agencies, organizations, employees of organizations, and other persons that regularly provide official services to persons who export grain from the United States are eligible to enter into a contract with the Service to perform monitoring services on export grain in foreign ports only if they are under Service employees' direct supervision during monitoring activities.

(c) *When and how to apply*. An application for a contractual arrangement shall: (1) Be typewritten or legibly written in English; (2) conform to the invitation to bid or other instructions issued by the Service or be filed on a form furnished by the Service; (3) show or be accompanied by documents which show any information requested by the Service; and (4) be signed by the applicant or its chief operating officer. All contracts shall be issued by the Department and shall follow Departmental procedures.

(d) *Termination and renewal*. A contract with the Service shall terminate annually unless othewise provided in the contract. A contract may be renewed in accordance with Departmental procedures.

(e) *Cancellation*. A contract may, upon request of the governmental agency or person that entered into the contract with the Service, be canceled by the Department in accordance with

the terms of the contract or Departmental procedures and regulations.

(The information collection requirements contained in paragraph (c) were approved by the Office of Management and Budget under control number 0580–0012)

[49 FR 30915, Aug. 2, 1984, as amended at 50 FR 18989, May 6, 1985; 54 FR 5924, Feb. 7, 1989]

### § 800.199 Conflict-of-interest provisions.

(a) *Meaning of terms.* For the purpose of this section, the following terms shall have the meaning given for them below:

(1) *Grain business.* The term ''grain business'' shall include (i) any entity that is engaged in the commercial transportation, storage, merchandising or other commercial handling of grain, which includes: The commercial buying, selling, transporting, cleaning, elevating, storing, binning, mixing, blending, drying, treating, fumigating, or other preparation of grain (other than as a grower of grain or the disposition of inspection samples); the cleaning, treating, or fitting of carriers or containers for transporting or storing of grain; the merchandising of equipment for cleaning, drying, treating, fumigating, or other processing, handling, or storing of grain; the merchandising of grain inspection and weighing equipment (other than the buying or selling by an agency or official personnel of the equipment for their exclusive use in the performance of their official inspection or Class X or Class Y weighing services); and the commercial use of official inspection and Class X or Class Y weighing services and (ii) any board of trade, chamber of commerce, grain exchange, or other trade group composed, in whole or in part, of one or more such entities.

(2) *Interest.* The term ''interest'' when used with respect to an individual, shall include the interest of a spouse, minor child, or blood relative who resides in the immediate household of the individual.

(3) *Related.* The term ''related'' when used in reference to a business or governmental entity means an entity that owns or controls another entity, or is owned or controlled by another entity, or both entities are owned or controlled by another entity.

(4) *Substantial stockholder.* The term ''substantial stockholder'' means any person holding 2 per centum or more, or 100 shares or more of the voting stock of the corporation, whichever is the lesser interest.

(b) *Prohibited conflicts of interest.* Unless waived on a case-by-case basis by the Administrator under section 11(b)(5) or the Act, the following conflicts of interest for a business or association are prohibited:

(1) *Agency and contractor.* No agency or contractor, or any member, director, officer, or employee thereof, and no business or governmental entity related to any such agency or contractor, shall be employed in or otherwise engaged in, or directly or indirectly have any stock or other financial interest in, any grain business or otherwise have any conflict of interest specified in § 800.187(b).

(2) *Grain business.* No grain business or governmental entity conducting any such business, or any member, director, officer, or employee thereof, and no other business or governmental entity related to any such entity, shall operate or be employed by, or directly or indirectly have any stock or other financial interest in, any agency or contractor.

(3) *Stockholder in any agency or contractor.* No substantial stockholder in any agency or contractor shall be employed in or otherwise engaged in, or be a substantial stockholder in, any grain business, or directly or indirectly have any other kind of financial interest in any such business or otherwise have any conflict of interest specified in § 800.187(b).

(4) *Stockholder of a grain business.* No substantial stockholder in any grain business shall operate or be employed by or be a substantial stockholder in, or directly or indirectly have any other kind of financial interest in an incorporated agency or contractor.

(5) *Gratuity.* No person described in paragraph (b)(1) of this section shall give to or accept from a person described in paragraph (b)(2) of this section any gratuity, and no person described in paragraph (b)(2) of this section shall give to or accept from a person described in paragraph (b)(1) of this

section any gratuity. A ''gratuity'' is defined in § 800.187(a).

(c) *Exempt conflicts of interest.* (1) *Agency and contractor.* An agency or contractor may use laboratory or office space or inspection, weighing, transportation, or office equipment that is owned or controlled, in whole or in part, by a grain business or related entity when the use of the space or equipment is approved by the Service for the performance of onsite official services under the Act.

(2) *Financial institution.* A bona fide financial institution that has a financial relationship with one or more grain businesses or related entities may have a financial relationship with an agency, contractor, or related agency.

(3) *Grain business.* A grain business or related entity may furnish laboratory or office space or inspection, weighing, transportation, or office equipment for use by an agency, contractor, or field office when use of the space or equipment is approved by the Service for the performance of onsite official inspection or weighing services.

(d) *Disposition of a conflict of interest.* Upon being informed that a prohibited conflict of interest exists in the ownership, management, or operation of an agency and that remedial action is required, the agency shall take immediate action to resolve that conflict of interest and inform the Service of the action taken. An agency which believes that remedial action will cause undue economic hardship or other irreparable harm may request a waiver by forwarding to the Service a written statement setting forth the facts, the circumstances, and the reasons for requesting a waiver.

[49 FR 30915, Aug. 2, 1984]

SUPERVISION, MONITORING, AND EQUIPMENT TESTING

### § 800.215 Activities that shall be supervised.

(a) *General.* Supervision of the activities described in this section shall be performed in accordance with the instructions.

(b) *Administrative activities.* Administrative activities subject to supervision include but are not limited to (1) providing staffing, equipment, and facilities for performing authorized services; (2) dismissing requests for services and withholding requested services; (3) maintaining official records; (4) assessing and collecting fees; (5) rotating official personnel; (6) implementing instructions for (i) recruiting official personnel, (ii) training and supervising official and approved personnel, (iii) work performance and work production standards; and (7) supervising and monitoring.

(c) *Technical activities.* (1) *Equipment testing activities.* Equipment testing activities subject to supervision include but are not limited to (i) implementing (A) the equipment performance requirements in parts 801 and 802 of this chapter and (B) the instructions for the operation of equipment used under the Act and for performing equipment-testing activities and (ii) performing equipment-testing activities by official personnel or by approved scale testing organizations.

(2) *Inspection activities.* Inspection activities subject to supervision include but are not limited to (i) implementing (A) the Official U.S. Standards for Grain, (B) official criteria, and (C) instructions for the performance of inspection activities and (ii) performing stowage examination, sampling, laboratory testing, grading, and certification activities by official personnel.

(3) *Weighing activities.* Weighing activities subject to supervision include but are not limited to (i) implementing (A) uniform weighing procedures and (B) instructions for the performance of weighing activities and (ii) performing (A) stowage examination, sampling (sacked grain), weighing, and certification activities by official personnel and (B) by approved weighers of weighing activities.

(4) *Testing of prototype equipment activities.* Prototype or proposed equipment is tested to determine whether the equipment will improve the performance of activities under the Act. Prototype equipment-testing activities subject to supervision include but are not limited to (i) implementing instructions for the testing of prototype equipment, (ii) testing prototype equipment by official personnel, and (iii) approving or denying the use of

prototype equipment for use under the Act.

### § 800.216 Activities that shall be monitored.

(a) *General.* Each of the administrative and technical activities identified in § 800.215 and the elevator and merchandising activities identified in this section shall be monitored in accordance with the instructions.

(b) *Grain merchandising activities.* Grain merchandising activities subject to monitoring for compliance with the Act include but are not limited to (1) failing to promptly forward an export certificate; (2) describing grain by other than official grades; (3) falsely describing export grain; (4) falsely making or using official certificates, forms, or marks; (5) making false quality or quantity representations about grain; and (6) selling export grain without a certificate of registration.

(c) *Grain handling activities.* Grain handling activities subject to monitoring for compliance with the Act include but are not limited to (1) shipping export grain without inspection or weighing; (2) transferring grain from intercompany barges into an export elevator at an export port location without Class X weighing; (3) violating any Federal law with respect to the handling, weighing, or inspection of grain; (4) deceptively loading, handling, weighing, or sampling grain; and (5) exporting grain without a certificate of registration.

(d) *Recordkeeping activities.* Elevator and merchandising recordkeeping activities subject to monitoring for compliance with the Act include those that are identified in section 12(d) of the Act and § 800.25 of the regulations.

(e) *Other activities.* Other activities subject to monitoring for compliance with the Act include but are not limited to (1) resolving conflicts of interest by official agencies or their employees; (2) providing access to elevator facilities and records; (3) improperly influencing or interfering with official personnel; (4) falsely representing that a person is official personnel; (5) using false means in filing an application for services under the Act; and (6) preventing interested persons from observing the loading, Class X or Class Y weighing, or official sampling of grain.

[45 FR 15810, Mar. 11, 1980; 45 FR 55119, Aug. 18, 1980, as amended at 50 FR 2273, Jan. 16, 1985]

### § 800.217 Equipment that shall be tested.

(a) *General.* Testing of equipment and prototype equipment described in this section shall be performed in accordance with the instructions.

(b) *Inspection equipment.* Each unit of equipment used in the official sampling, testing, or grading of grain, or in monitoring the official inspection of grain, shall be examined to determine whether the equipment is functioning in an approved manner. In addition, each unit of equipment for which official performance requirements have been established shall be tested for accuracy. For the purpose of this paragraph, diverter-type mechanical samplers used in obtaining warehouseman's samples shall be considered to be official inspection equipment used under the Act.

(c) *Weighing equipment.* Each unit of equipment used in the Class X or Class Y weighing of grain or in monitoring the Class X or Class Y weighing of grain, each related grain handling system, and each related computer system shall be examined to determine whether it is functioning in an approved manner. In addition, each unit of equipment for which official performance requirements have been established shall be tested for accuracy.

(d) *Prototype equipment.* (1) *At request of interested party.* Upon request of a financially interested party and with the concurrence of the Administrator, prototype grain inspection or weighing equipment may be tested by the Service for official use.

(2) *Determination by Service.* Upon a determination of need, the Service may develop, contract for, or purchase and test prototype grain inspection or weighing equipment for official use.

### § 800.218 Review of rejection or disapproval of equipment.

Any person desiring to complain of a rejection or disapproval of equipment by official personnel or of any alleged

discrepancy in the testing of equipment under the Act by official personnel or by approved scale testing organizations may file a complaint with the Service.

### § 800.219 Conditional approval on use of equipment.

(a) *Approval*. Equipment that is in use under the Act on the effective date of this section shall be considered conditionally to have been adopted and approved by the Service.

(b) *Limitation on approval*. This conditional approval shall not bar a later rejection or disapproval of the equipment by the Service upon a determination that the equipment (1) should be rejected for official use, or (2) is not functioning in an approved manner, or (3) is not producing results that are accurate within prescribed tolerances, or (4) is producing results that are otherwise not consistent with the objectives of the Act.

## PART 801—OFFICIAL PERFORMANCE REQUIREMENTS FOR GRAIN INSPECTION EQUIPMENT

Sec.

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AUTHORITY: Pub. L. 94–582, 90 Stat. 2867, as amended, (7 U.S.C. 71 *et seq.*).

SOURCE: 51 FR 7050, Feb. 28, 1986, unless otherwise noted.

### § 801.1 Applicability.

The requirements set forth in this part 801 describe certain specifications, tolerances, and other technical requirements for official grain inspection equipment and related sample handling systems used in performing inspection services under the Act.

### § 801.2 Meaning of terms.

(a) *Construction*. Words used in the singular form in this part shall be considered to imply the plural and vice versa, as appropriate.

(b) *Definitions*. The definitions of terms listed in the part 800 shall have the same meaning when the terms are used in this part 801. For the purposes of this part, the following terms shall have the meanings given for them below.

(1) *Avoirdupois weight*. A unit of weight based on a pound of 16 ounces.

(2) *Barley pearler*. An approved laboratory device used to mechanically dehull kernels of barley or other grain.

(3) *Deviation from standard*. In testing inspection equipment for accuracy, the variation between (i) the individual test result from the equipment that is being tested and (ii) the reference standard or the individual test result from the standard (or National standard) equipment, as applicable.

(4) *Direct comparison method*. An equipment testing procedure wherein transfer standards are tested at the same time and place to compare the performance of two or more units of the same inpsection equipment. One unit of the equipment used in the test shall be standard inspection equipment. (See also sample exchange method).

(5) *Diverter-type mechanical sampler (primary)*. An approved device used to obtain representative portions from a flowing stream of grain.

(6) *Diverter-type mechanical sampler (secondary)*. An approved device used to subdivide the portions of grain obtained with a diverter-type mechanical sampler (primary).

(7) *Divider*. An approved laboratory device used to mechanically divide a sample of grain into two or more representative portions.

(8) *Dockage tester*. An approved laboratory device used to mechanically separate dockage and/or foreign material from grain.

(9) *Maintenance tolerance*. An allowance established for use in determining whether inspection equipment should

be approved for use in performing official inspection services.

(10) *Mean deviation from standard.* In testing inspection equipment for accuracy, the variation between (i) the average for the test results from the equipment that is being tested and (ii) the reference standard or the average of the test results from the standard (or National standard) equipment, as applicable.

(11) *Metric weight.* A unit of weight based on the kilogram of 1,000 grams.

(12) *Moisture meter.* An approved laboratory device used to indicate directly or through conversion and/or correction tables the moisture content of grain including cereal grains and oil seeds.

(13) *National standard inspection equipment.* A designated approved unit of inspection equipment used as the reference in determining the accuracy of standard inspection equipment.

(14) *Official inspection equipment.* Equipment approved by the Service and used in performing official inspection services.

(15) *Sample exchange method.* An equipment testing procedure wherein transfer standards are tested to compare the performance of two or more units of the same inspection equipment installed at different locations. One unit of the equipment used in the test shall be standard inspection equipment. (See also direct comparison method.)

(16) *Sieves.* Approved laboratory devices with perforations for use in separating particles of various sizes.

(17) *Standard inspection equipment.* An approved unit of inspection equipment that is designated by the Service for use in determining the accuracy of official inspection equipment.

(18) *Test weight.* The avoirdupois weight of the grain or other material in a level-full Winchester bushel.

(19) *Test weight apparatus.* An approved laboratory device used to measure the test weight (density) of a sample of grain.

(20) *Transfer standard.* The medium (device or material) by which traceability is transferred from one inspection equipment standard unit to another unit.

(21) *Winchester bushel.* A container that has a capacity of 2,150.42 cubic inches (32 dry quarts).

### § 801.3 Tolerances for barley pearlers.

The maintenance tolerances for barley pearlers used in performing official inspection services shall be:

| Item | Tolerance |
|---|---|
| Timer switch: | |
| 0 to 60 seconds | ±5 seconds, deviation from standard clock |
| 61 to 90 seconds | ±7 seconds, deviation from standard clock |
| Over 90 seconds | ±10 seconds, deviation from standard clock |
| Pearled portion | ±1.0 gram, mean deviation from standard barley pearler using barley |

### § 801.4 Tolerances for dockage testers.

The maintenance tolerances for dockage testers used in performing official inspection services shall be:

| Item | Tolerance |
|---|---|
| Air separation | ±0.10 percent, mean deviation from standard dockage tester using Hard Red Winter wheat |
| Riddle separation | ±0.10 percent, mean deviation from standard dockage tester using Hard Red Winter wheat |
| Sieve separation | ±0.10 percent, mean deviation from standard dockage tester using Hard Red Winter wheat |
| Total dockage separation. | ±0.15 percent, mean deviation from standard dockage tester using Hard Red Winter wheat |

### § 801.5 Tolerance for diverter-type mechanical samplers.

The maintenance tolerance for diverter-type mechanical samplers (primary, or primary and secondary in combination) used in performing official inspection services shall be ±10 percent, mean deviation from standard sampling device using corn or the same type of grain that the system will be used to sample.

### § 801.6 Tolerances for moisture meters.

(a) The maintenance tolerances for Motomco 919 moisture meters used in performing official inspection services shall be:

(1) Headquarters standard meters:

| Moisture range | Tolerance | |
|---|---|---|
| | Direct comparison | Sample exchange |
| Low | ±0.05 percent moisture, mean deviation from National standard moisture meter using Hard Red Winter wheat | |
| Mid | ±0.05 percent moisture, mean deviation from National standard moisture meter using Hard Red Winter wheat | |
| High | ±0.05 percent moisture, mean deviation from National standard moisture meter using Hard Red Winter wheat | |

(2) All other than Headquarters standard meters:

| Moisture range | Tolerance | |
|---|---|---|
| | Direct comparison | Sample exchange |
| Low | ±0.15 percent moisture, mean deviation from standard moisture meter using Hard Red Winter wheat | ±0.20 percent moisture, mean deviation from standard moisture meter using Hard Red Winter wheat |
| Mid | ±0.10 percent moisture, mean deviation from standard moisture meter using Hard Red Winter wheat | ±0.15 percent moisture, mean deviation from standard moisture meter using Hard Red Winter wheat |
| High | ±0.15 percent moisture, mean deviation from standard moisture meter using Hard Red Winter wheat | ±0.20 percent moisture, mean deviation from standard moisture meter using Hard Red Winter wheat |

(b) The maintenance tolerances for GAC 2100 moisture meters used in performing official inspection services shall be:

(1) Headquarters standard meters. By direct comparison using mid-range Hard Red Winter wheat, ±0.05% mean deviation for the average of the Headquarters standard moisture meters.

(2) All other than Headquarters standard meters. By sample exchange using mid-range Hard Red Winter wheat, ±0.15% mean deviation from the standard meter.

[63 FR 34554, June 25, 1998]

### § 801.7 Reference methods and tolerances for near-infrared spectroscopy (NIRS) analyzers.

(a) *Reference methods.* (1) The chemical reference protein determinations used to reference and calibrate official NIRS instruments shall be performed in accordance with ''Comparison of Kjeldahl Method for Determination of Crude Protein in Cereal Grains and Oilseeds with Generic Combustion Method: Collaborative Study,'' July/August 1993, Ronald Bicsak, Journal of AOAC International Vol. 76, No. 4, 1993, and subsequently approved by the AOAC International as the Combustion method, AOAC International Method 992.23. This incorporation by reference was approved by the Director of the Federal Register in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. Copies may be obtained from Director, Technical Services Division, Federal Grain Inspection Service, 10383 North Executive Hills Blvd., Kansas City, MO 64153–1394. Copies may be inspected at the above address or at the Office of the Federal Register, 800 North Capitol Street, NW., 7th Floor, Suite 700, Washington, DC 20408.

(2) The chemical reference starch determination used to reference and calibrate official NIRS instruments shall be performed in accordance with the Corn Refiners Association Method A–20, Analysis for Starch in Corn, Second revision, April 15, 1986, Standard Analytical Methods of the Member Companies of the Corn Refiners Association, Inc. This incorporation by reference was approved by the Director of the Federal Register in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. Copies may be obtained from Director, Technical Services Division, Federal Grain

Inspection Service, 10383 North Executive Hills Blvd., Kansas City, MO 64153–1394. Copies may be inspected at the above address or at the Office of the Federal Register, 800 North Capitol Street, NW., 7th Floor, Suite 700, Washington, DC 20408.

(b) *Tolerances*—(1) *NIRS wheat protein analyzers*. The maintenance tolerances for the NIRS analyzers used in performing official inspections for determination of wheat protein content shall be ±0.15 percent mean deviation from the national standard NIRS instruments, which are referenced and calibrated to the Combustion method, AOAC International Method 992.23.

(2) *NIRS soybean oil and protein analyzers*. The maintenance tolerances for the NIRS analyzers used in performing official inspections for determination of soybean oil shall be ±0.20 percent mean deviation from the national standard NIRS instruments, which are referenced and calibrated to the FGIS solvent oil extraction method; and for determination of protein content shall be ±0.20 percent mean deviation from the national standard NIRS instruments, which are referenced and calibrated to the Combustion method, AOAC International Method 992.23.

(3) *NIRS corn oil, protein, and starch analyzers*. The maintenance tolerances for the NIRS analyzers used in performing official inspections for determination of corn oil shall be ±0.20 percent mean deviation from the national standard NIRS instruments, which are referenced and calibrated to the FGIS solvent oil extraction method; for determination of protein content shall be ±0.30 percent mean deviation from the national standard NIRS instruments, which are referenced and calibrated to the Combustion method, AOAC International Method 992.23; and for determination of starch content shall be ±0.35 percent mean deviation from the national standard NIRS instruments, which are referenced and calibrated to the Starch method, Corn Refiners Association Method A–20.

[63 FR 35505, June 30, 1998]

## § 801.8 Tolerances for sieves.

The maintenance tolerances for sieves used in performing official inspection services shall be:

(a) Thickness of metal: ±0.0015 inch.

(b) Accuracy of perforation: ±0.001 inch from design specification.

(c) Sieving accuracy:

| Sieve description | Tolerance | |
|---|---|---|
| | Direct comparison | Sample exchange |
| .064×3/8 inch oblong | ±0.2 percent, mean deviation from standard sieve using wheat. | ±0.3 percent, mean deviation from standard sieve using wheat |
| 5/64×3/4 inch slotted | ±0.3 percent, mean deviation from standard sieve using barley. | ±0.5 percent, mean deviation from standard sieve using barley |
| 5 5/64×3/4 inch slotted | ±0.5 percent, mean deviation from standard sieve using barley. | ±0.7 percent, mean deviation from standard sieve using barley |
| 6/64×3/4 inch slotted | ±0.7 percent, mean deviation from standard sieve using barley. | ±1.0 percent, mean deviation from standard sieve using barley |

## § 801.9 Tolerances for test weight apparatuses.

The maintenance tolerances for test weight per bushel apparatuses used in performing official inspection services shall be:

| Item | Tolerance |
|---|---|
| Beam/scale accuracy | ±0.10 pound per bushel deviation at any reading, using test weights |
| Overall accuracy | ±0.15 pound per bushel, mean deviation from standard test weight apparatus using wheat |

## § 801.10 Tolerance for dividers.

The maintenance tolerance for dividers used in performing official inspection services shall be ±1.0 percent, mean deviation from target value using wheat.

## § 801.11 Related design requirements.

(a) *Suitability*. The design, construction, and location of official sampling and inspection equipment and related

sample handling systems shall be suitable for the official sampling and inspection activities for which the equipment is to be used.

(b) *Durability*. The design, construction, and material used in official sampling and inspection equipment and related sample handling systems shall assure that, under normal operating conditions, operating parts will remain fully operable, adjustments will remain reasonably constant, and accuracy will be maintained between equipment test periods.

(c) *Marking and identification*. Official sampling and inspection equipment for which tolerances have been established shall be permanently marked to show the manufacturer's name, initials, or trademark; the serial number of the equipment; and the model, the type, and the design or pattern of the equipment. Operational controls for mechanical samplers and related sample handling systems, including but not limited to pushbuttons and switches, shall be conspicuously identified as to the equipment or activity controlled by the pushbutton or switch.

(d) *Repeatability*. Official inspection equipment when tested in accordance with §§ 800.217 and 800.219 shall, within the tolerances prescribed in §§ 801.3 through 801.10, be capable of repeating its results when the equipment is operated in its normal manner.

(e) *Security*. Mechanical samplers and related sample handling systems shall provide a ready means of sealing to deter unauthorized adjustments, removal, or changing of component parts or timing sequence without removing or breaking the seals; and otherwise be designed, constructed, and installed in a manner to prevent deception by any person.

(f) *Installation requirements*. Official sampling and inspection equipment and related sample handling systems shall be installed (1) at a site approved by the Service, (2) according to the manufacturer's instructions, and (3) in such a manner that neither the operation nor the performance of the equipment or system will be adversely affected by the foundation, supports, or any other characteristic of the installation.

**§ 801.12 Design requirements incorporated by reference.**

(a) *Moisture meters*. All moisture meters approved for use in official grain moisture determination and certification shall meet applicable requirements contained in the FGIS Moisture Handbook and the General Code and Grain Moisture Meters Code of the 1991 edition of the National Institute of Standards and Technology's (NIST) Handbook 44, ''Specifications, Tolerances, and Other Technical Requirements for Weighing and Measuring Devices.'' Pursuant to the provisions of 5 U.S.C. 552(a), the materials in Handbook 44 are incorporated by reference as they exist on the date of approval and a notice of any change in these materials will be published in the FEDERAL REGISTER.

The NIST Handbook is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20403. It is also available for inspection at the Office of the Federal Register, 800 North Capitol Street, NW., suite 700, Washington, DC.

The following Handbook 44 requirements are not incorporated by reference:

*General Code (1.10.)*

G–S.5.5. Money Values, Mathematical Agreement
G–T.1. Acceptance Tolerances
G–UR.3.3. Position of Equipment
G–UR.3.4. Responsibility, Money-Operated Devices

*Grain Moisture Meters (5.56.)*

N.1.1. Transfer Standards
N.1.2. Minimum Test
N.1.3. Temperature Measuring Equipment
T.2. Tolerance Values
T.3. For Test Weight Per Bushel Indications or Recorded Representations
UR.3.2. Other Devices not used for Commercial Measurement
UR.3.7. Location
UR.3.11. Posting of Meter Operating Range
(b) [Reserved]

[57 FR 2673, Jan. 23, 1992]

## PART 802—OFFICIAL PERFORMANCE AND PROCEDURAL REQUIREMENTS FOR GRAIN WEIGHING EQUIPMENT AND RELATED GRAIN HANDLING SYSTEMS

Sec.

802.0 Applicability.

802.1 Qualified laboratories.

AUTHORITY: Pub. L. 94–582, 90 Stat. 2867, as amended (7 U.S.C. 71 *et seq.*).

## § 802.0 Applicability.

(a) The requirements set forth in this part 802 describe certain specifications, tolerances, and other technical requirements for grain weighing equipment and related grain handling systems used in performing Class X and Class Y weighing services, official inspection services, and commercial services under the Act. All scales used for official grain weight and inspection certification services provided by FGIS shall meet applicable requirements contained in the FGIS Weighing Handbook, the General Code, the Scales Code, the Automatic Bulk Weighing Systems Code, and the Weights Code of the 1994 edition of National Institute of Standards and Technology (NIST) Handbook 44, ''Specifications, Tolerances, and Other Technical Requirements for Weighing and Measuring Devices'' (Handbook 44); and NIST HANDBOOK 105–1 (1990 Edition), ''Specifications and Tolerances for Reference Standards and Field Standard Weights and Measures'' (Handbook 105–1). These requirements are confirmed to be met by having National Type Evaluation Program or Federal Grain Inspection Service type approval. Scales used for commercial purposes will be required to meet only the applicable requirements of the 1994 edition of the NIST Handbook–44. Pursuant to the provisions of 5 U.S.C. 552(a), with the exception of the Handbook 44 requirements listed in paragraph (b) of this section, the materials in Handbooks 44 and 105–1 are incorporated by reference as they exist on the date of approval and a notice of any change in these materials will be published in the FEDERAL REGISTER. The NIST Handbooks are for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20403. They are also available for inspect at the Office of the Federal Register, 800 North Capitol Street, NW., suite 700, Washington, DC.

(b) The following Handbook 44 requirements are not incorporated by reference:

*Scales Code (2.20)*

S.1.8. Computer Scales
S.1.8.2. Money-Value Computation
S.1.8.3. Customer's Indications
S.1.8.4. Recorded Representations, Point of Sale
S.2.5.2. Jeweler's, Prescription, & Class I & II Scales
S.3.3. Scoop Counterbalance
N.1.3.2 Dairy-Product Test Scales
N.1.5. Discrimination Test (Not adopted for Grain Test Scales only)
N.1.8. Material Tests
N.3.1.2. Interim Approval
N.3.1.3. Enforcement Action for Inaccuracy
N.4. Coupled-in-Motion Railroad Weighing Systems
N.5. Nominal Capacity of Prescription Scales
T.1.2. Postal and Parcel Post Scales
T.2.3. Prescription Scales
T.2.4. Jewelers' Scales (all sections)
T.2.5. Dairy—Product-Test Scales (all sections)
T.N.3.9. Materials Test on Customer-Operated Bulk-Weighing Systems for Recycled Materials
UR.1.4. Grain Test Scales: Value of Scale Divisions
UR.3.1. Recommended Minimum Load
UR.3.1.1. Minimum Load, Grain Dockage
Automatic Bulk Weighing Systems (2.22): UR.1.1. Selection Requirements for Systems Used to Weight Grain.

[60 FR 31910, June 19, 1995]

## § 802.1 Qualified laboratories.

(a) *Metrology laboratories.* (1) Any State metrology laboratory currently approved by the NBS ongoing certification program having auditing capability is automatically approved by the Service.

(2) Any county or city weights and measures jurisdiction approved by NBS or by their respective NBS-Certified State laboratory as being equipped with appropriate traceable standards and trained staff to provide valid calibration is approved by the Service. The State approval may be documented by a certificate or letter. The jurisdiction must be equipped to provide suitable certification documentation.

(3) Any commercial industrial laboratory primarily involved in the business of sealing and calibrating test weights (standards) will be approved by the Service provided:

(i) It requests written authority to perform tolerance testing of weights used within the Service's program(s)

through their approved State jurisdiction. Copies of its request and written reference regarding the State decision shall be provided to the Service. A positive decision by the State will be required as a prerequisite to the Service's granting approval to any commercial laboratory to tolerance test the weights used in testing scales under the jurisdiction of the Service;

(ii) It has NBS traceable standards (through the State) and trained staff to perform calibrations in a manner prescribed by NBS and/or the State;

(iii) It is equipped to provide suitable certification documentation;

(iv) It permits the Service to make onsite visits to laboratory testing space.

(4) Approval of the commercial industrial laboratory will be at the Service's discretion. Once it has obtained approval, the commercial industrial laboratory maintains its site in a manner prescribed by the State and the Service.

(b) *Type evaluation laboratories*. Any State measurement laboratory currently certified by NBS in accordance with its program for the Certification of Capability of State Measurement Laboratories to conduct evaluations under the National Type Evaluation Program is approved by the Service.

(Approved by the Office of Management and Budget under control number 0580–0011)

[51 FR 7052, Feb. 28, 1986, as amended at 54 FR 5925, Feb. 7, 1989]

# PART 810—OFFICIAL UNITED STATES STANDARDS FOR GRAIN

## Subpart A—General Provisions

TERMS DEFINED

Sec.
810.101 Grains for which standards are established.
810.102 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.103 Basis of determination.
810.104 Percentages.

GRADES, GRADE REQUIREMENTS, AND GRADE DESIGNATIONS

810.105 Grades and grade requirements.
810.106 Grade designations.

SPECIAL GRADES, SPECIAL GRADE REQUIREMENTS, AND SPECIAL GRADE DESIGNATIONS

810.107 Special grades and special grade requirements.
810.108 Special grade designations.

## Subpart B—United States Standards for Barley

TERMS DEFINED

810.201 Definition of barley.
810.202 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.203 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.204 Grades and grade requirements for Six-rowed Malting barley and Six-rowed Blue Malting barley.
810.205 Grades and grade requirements for Two-rowed Malting barley.
810.206 Grades and grade requirements for barley.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.207 Special grades and special grade requirements.

## Subpart C—United States Standards for Canola—Terms Defined

810.301 Definition of canola.
810.302 Definitions of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.303 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.304 Grades and grade requirements for canola.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.305 Special grades and special grade requirements.

NONGRADE REQUIREMENTS

810.306 Nongrade requirements.

## Subpart D—United States Standards for Corn

TERMS DEFINED

810.401 Definition of corn.
810.402 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.403 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.404 Grades and grade requirements for corn.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.405 Special grades and special grade requirements.

## Subpart E—United States Standards for Flaxseed

TERMS DEFINED

810.601 Definition of flaxseed.
810.602 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.603 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.604 Grades and grade requirements for flaxseed.

## Subpart F—United States Standards for Mixed Grain

TERMS DEFINED

810.801 Definition of mixed grain.
810.802 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.803 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.804 Grades and grade requirements for mixed grain.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.805 Special grades and special grade requirements.

## Subpart G—United States Standards for Oats

TERMS DEFINED

810.1001 Definition of oats.
810.1002 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.1003 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.1004 Grades and grade requirements for oats.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.1005 Special grades and special grade requirements.

## Subpart H—United States Standards for Rye

TERMS DEFINED

810.1201 Definition of rye.
810.1202 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.1203 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.1204 Grades and grade requirements for rye.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.1205 Special grades and special grade requirements.

## Subpart I—United States Standards for Sorghum

TERMS DEFINED

810.1401 Definition of sorghum.
810.1402 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.1403 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.1404 Grades and grade requirements for sorghum.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.1405 Special grades and special grade requirements.

## Subpart J—United States Standards for Soybeans

TERMS DEFINED

810.1601 Definition of soybeans.
810.1602 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.1603 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.1604 Grades and grade requirements for soybeans.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.1605 Special grades and special grade requirements.

Subpart K—United States Standards for Sunflower Seed

TERMS DEFINED

810.1801 Definition of sunflower seed.
810.1802 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.1803 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.1804 Grades and grade requirements for sunflower seed.

Subpart L—United States Standards for Triticale

TERMS DEFINED

810.2001 Definition of triticale.
810.2002 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.2003 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.2004 Grades and grade requirements for triticale.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.2005 Special grades and special grade requirements.

Subpart M—United States Standards for Wheat

TERMS DEFINED

810.2201 Definition of wheat.
810.2202 Definition of other terms.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

810.2203 Basis of determination.

GRADES AND GRADE REQUIREMENTS

810.2204 Grades and grade requirements for wheat.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

810.2205 Special grades and special grade requirements.

AUTHORITY: Pub. L. 94–582, 90 Stat. 2867, as amended (7 U.S.C. 71 *et seq.*).

SOURCE: 52 FR 24418, June 30, 1987, unless otherwise noted.

## Subpart A—General Provisions

NOTE: Compliance with the provisions of these standards does not excuse failure to comply with the provisions of the Federal Food, Drug, and Cosmetic Act, or other Federal laws.

TERMS DEFINED

### §810.101 Grains for which standards are established.

Grain refers to barley, canola, corn, flaxseed, mixed grain, oats, rye, sorghum, soybeans, sunflower seed, triticale, and wheat. Standards for these food grains, feed grains, and oilseeds are established under the United States Grain Standards Act.

[57 FR 3274, Jan. 29, 1992]

### §810.102 Definition of other terms.

Unless otherwise stated, the definitions in this section apply to all grains. All other definitions unique to a particular grain are contained in the appropriate subpart for that grain.

(a) *Distinctly low quality*. Grain that is obviously of inferior quality because it is in an unusual state or condition, and that cannot be graded properly by use of other grading factors provided in the standards. Distinctly low quality includes the presence of any objects too large to enter the sampling device; i.e., large stones, wreckage, or similar objects.

(b) *Moisture*. Water content in grain as determined by an approved device according to procedures prescribed in FGIS instructions.

(c) *Stones*. Concreted earthy or mineral matter and other substances of similar hardness that do not disintegrate in water.

(d) *Test weight per bushel*. The weight per Winchester bushel (2,150.42 cubic inches) as determined using an approved device according to procedures prescribed in FGIS instructions. Test weight per bushel in the standards for corn, mixed grain, oats, sorghum, and soybeans is determined on the original sample. Test weight per bushel in the standards for barley, flaxseed, rye, sunflower seed, triticale, and wheat is determined after mechanically cleaning

the original sample. Test weight per bushel is recorded to the nearest tenth pound for corn, rye, triticale, and wheat. Test weight per bushel for all other grains, if applicable, is recorded in whole and half pounds with a fraction of a half pound disregarded. Test weight per bushel is not an official factor for canola.

(e) *Whole kernels*. Grain with ¼ or less of the kernel removed.

[52 FR 24418, June 30, 1987, as amended at 60 FR 61196, Nov. 29, 1995]

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.103 Basis of determination.

(a) *Distinctly low quality*. The determination of distinctly low quality is made on the basis of the lot as a whole at the time of sampling when a condition exists that may or may not appear in the representative sample and/or the sample as a whole.

(b) *Certain quality determinations*. Each determination of rodent pellets, bird droppings, other animal filth, broken glass, castor beans, cockleburs, crotalaria seeds, dockage, garlic, live insect infestation, large stones, moisture, temperature, an unknown foreign substance(s), and a commonly recognized harmful or toxic substance(s) is made on the basis of the sample as a whole. When a condition exists that may not appear in the representative sample, the determination may be made on the basis of the lot as a whole at the time of sampling according to procedures prescribed in FGIS instructions.

(c) *All other determinations*. The basis of determination for all other factors is contained in the individual standards.

### § 810.104 Percentages.

(a) *Rounding*. Percentages are determined on the basis of weight and are rounded as follows:

(1) When the figure to be rounded is followed by a figure greater than or equal to 5, round to the next higher figure; e.g., report 6.36 as 6.4, 0.35 as 0.4, and 2.45 as 2.5.

(2) When the figure to be rounded is followed by a figure less than 5, retain the figure; e.g., report 8.34 as 8.3, and 1.22 as 1.2.

(b) *Recording*. The percentage of dockage in flaxseed and sorghum is reported in whole percent with fractions of a percent being disregarded. Dockage in barley and triticale is reported in whole and half percent with a fraction less than one-half percent being disregarded. Dockage in wheat and rye is reported in whole and tenth percents to the nearest tenth percent. Foreign material in sunflower seed is reported to the nearest one-half percent. Ranges of sunflower seed foreign material are reported as follows: 0.0 to 0.24 is reported as 0.0 percent, 0.25 to 0.74 as 0.5 percent, 0.75 to 1.24 as 1.0 percent, and the like. Foreign material and fines in mixed grain is reported in whole percent. The percentage of smut in barley, sclerotinia and stones in canola, and ergot in all grains is reported to the nearest hundredth percent. The percentage when determining the identity of all grains is reported to the nearest whole percent. Also reported to the nearest whole percent are the classes and subclasses in wheat; flint corn; flint and dent corn; waxy corn; classes in barley; and the percentage of each kind of grain in mixed grain. Plump barley shall be expressed in terms of the range in which it falls. Ranges shall be: Below 50 percent, 50 to 55 percent, 56 to 60 percent, 61 to 65 percent, and the like. All other percentages are reported in tenths percent.

[52 FR 24418, June 30, 1987; 52 FR 28534, July 31, 1987, as amended at 54 FR 24157, June 6, 1989; 57 FR 3274, Jan. 29, 1992; 59 FR 10573, Mar. 7, 1994; 61 FR 18491, Apr. 26, 1996; 63 FR 20056, Apr. 23, 1998]

GRADES, GRADE REQUIREMENTS, AND GRADE DESIGNATIONS

### § 810.105 Grades and grade requirements.

The grades and grade requirements for each grain (except mixed grain) and shown in the grade table(s) of the respective standards. Mixed grain grade requirements are not presented in tabular form.

### § 810.106 Grade designations.

(a) *Grade designations for grain*. The grade designations include in the following order:

(1) The letters ''U.S.'';

(2) The abbreviation ''No.'' and the number of the grade or the words ''Sample grade'';

(3) When applicable, the subclass;

(4) The class or kind of grain;

(5) When applicable, the special grade(s) except in the case of bright, extra heavy, and heavy oats or plump rye, the special grades, ''bright'', ''extra heavy'', ''heavy'' and ''plump'' will precede the word ''oats'' or ''rye'' as applicable; and

(6) When applicable, the word ''dockage'' together with the percentage thereof.

When applicable, the remarks section of the certificate will include in the order of predominance; in the case of a mixed class, the name and approximate percentage of the classes; in the case of sunflower seed, the percentage of admixture; in the case of mixed grain, the grains present in excess of 10.0 percent of the mixture and when applicable, the words *Other grains* followed by a statement of the percentage of the combined quantity of those kinds of grains, each of which is present in a quantity less than 10.0 percent; in the case of barley, if requested, the word ''plump'' with the percentage range thereof; in the case of wheat, if requested, the percentage of protein content.

(b) *Optional grade designations*. In addition to paragraph (a) of this Section, grain may be certificated under certain conditions as described in FGIS instructions when supported by official analysis, as ''U.S. No. 2 or better (*type of grain*)'', ''U.S. No. 3 or better (*type of grain*)'', and the like.

[52 FR 24418, June 30, 1987, as amended at 53 FR 15017, Apr. 27, 1988]

SPECIAL GRADES, SPECIAL GRADE REQUIREMENTS, AND SPECIAL GRADE DESIGNATIONS

### §810.107 Special grades and special grade requirements.

A special grade serves to draw attention to a special factor or condition present in the grain and, when applicable, is supplemental to the grade assigned under §810.106. Except for the special grade ''infested,'' the special grades are identified and requirements are established in each respective grain standards.

(a) *Infested wheat, rye, and triticale*. Tolerances for live insects responsible for infested wheat, rye, and triticale are defined according to sampling designations as follows:

(1) *Representative sample*. The representative sample consists of the work portion, and the file sample if needed and when available. These grains will be considered infested if the representative sample (other than shiplots) contains two or more live weevils, or one live weevil and one or more other live insects injurious to stored grain, or two or more live insects injurious to stored grain.

(2) *Lot as a whole (stationary)*. The lot as a whole is considered infested when two or more live weevils, or one live weevil and one or more other live insects injurious to stored grain, or two or more other live insects injurious to stored grain are found in, on, or about the lot (excluding submitted samples and shiplots).

(3) *Sample as a whole (continuous loading/unloading of shiplots and bargelots)*. The minimum sample size for bargelots and shiplots is 500 grams per each 2,000 bushels of grain. The sample as a whole is considered infested when a component (as defined in FGIS instructions) contains two or more live weevils, or one live weevil and one or more other live insects injurious to stored grain, or two or more other live insects injurious to stored grain.

(b) *Infested barley, canola, corn, oats, sorghum, soybeans, sunflower seed, and mixed grain*. Tolerances for live insects responsible for infested barley, canola, corn, oats, sorghum, soybeans, sunflower seed, and mixed grain are defined according to sampling designations as follows:

(1) *Representative sample*. The representative sample consists of the work portion, and the file sample if needed and when available. These grains will be considered infested if the representative sample (other than shiplots) contains two or more live weevils, or one live weevil and five or more other live insects injurious to stored grain, or ten or more other live insects injurious to stored grain.

(2) *Lot as a whole (stationary)*. The lot as a whole is considered infested when two or more live weevils, or one live weevil and five or more other live insects injurious to stored grain, or ten or more other live insects injurious to stored grain are found in, on, or about the lot (excluding submitted samples and shiplots).

(3) *Sample as a whole (continuous loading/unloading of shiplots and bargelots)*. The minimum sample for shiplots and bargelots is 500 grams per each 2,000 bushels of grain. The sample as a whole is considered infested when a component (as defined in FGIS instructions) contains two or more live weevils, or one live weevil and five or more other live insects injurious to stored grain, or ten or more other live insects injurious to stored grain.

[52 FR 24441, June 30, 1987, as amended at 57 FR 3274, Jan. 29, 1992]

### § 810.108 Special grade designations.

Special grade designations are shown as prescribed in § 810.106. Multiple special grade designations will be listed in alphabetical order. In the case of treated wheat, the official certificate shall show whether the wheat has been scoured, limed, washed, sulfured, or otherwise treated.

## Subpart B—United States Standards for Barley

TERMS DEFINED

### § 810.201 Definition of barley.

Grain that, before the removal of dockage, consists of 50 percent or more of whole kernels of cultivated barley (*Hordeum vulgare* L.) and not more than 25 percent of other grains for which standards have been established under the United States Grain Standards Act. The term ''barley'' as used in these standards does not include hull-less barley or black barley.

### § 810.202 Definition of other terms.

(a) *Black barley*. Barley with black hulls.

(b) *Broken kernels*. Barley with more than ¼ of the kernel removed.

(c) *Classes*. There are two classes of barley: Malting barley and Barley.

(1) *Malting barley*. Barley of a six-rowed or two-rowed malting type. The class Malting barley is divided into the following three subclasses:

(i) *Six-rowed Malting barley*. Barley that has a minimum of 95.0 percent of a six-rowed suitable malting type that has 90.0 percent or more of kernels with white aleurone layers that contains not more than 1.9 percent injured-by-frost kernels, 0.4 percent frost-damaged kernels, 0.2 percent injured-by-heat kernels, and 0.1 percent heat-damaged kernels. Six-rowed Malting barley shall not be infested, blighted, ergoty, garlicky, or smutty as defined in § 810.107(b) and § 810.206.

(ii) *Six-rowed Blue Malting barley*. Barley that has a minimum of 95.0 percent of a six-rowed suitable malting type that has 90.0 percent or more of kernels with blue aleurone layers that contains not more than 1.9 percent injured-by-frost kernels, 0.4 percent frost-damaged kernels, 0.2 percent injured-by-heat kernels, and 0.1 percent heat-damaged kernels. Six-rowed Blue Malting barley shall not be infested, blighted, ergoty, garlicky, or smutty as defined in § 810.107(b) and § 810.206.

(iii) *Two-rowed Malting barley*. Barley that has a minimum of 95.0 percent of a two-rowed suitable malting type that contains not more than 1.9 percent injured-by-frost kernels, 0.4 percent frost-damaged kernels, 0.2 percent injured-by-heat kernels, 0.1 percent heat-damaged kernels, 1.9 percent injured-by-mold kernels, and 0.4 percent mold-damaged kernels. Two-rowed Malting barley shall not be infested, blighted, ergoty, garlicky, or smutty as defined in § 810.107(b) and § 810.206.

(2) *Barley*. Any barley of a six-rowed or two-rowed type. The class Barley is divided into the following three subclasses:

(i) *Six-rowed barley*. Any Six-rowed barley that contains not more than 10.0 percent of two-rowed varieties.

(ii) *Two-rowed barley*. Any Two-rowed barley with white hulls that contains not more than 10.0 percent of six-rowed varieties.

(iii) *Barley*. Any barley that does not meet the requirements for the subclasses Six-rowed barley or Two-rowed barley.

(d) *Damaged kernels*. Kernels, pieces of barley kernels, other grains, and wild oats that are badly ground-damaged, badly weather-damaged, diseased, frost-damaged, germ-damaged, heat-damaged, injured-by-heat, insect-bored, mold-damaged, sprout-damaged, or otherwise materially damaged.

(e) *Dockage*. All matter other than barley that can be removed from the original sample by use of an approved device according to procedures prescribed in FGIS instructions. Also, underdeveloped, shriveled, and small pieces of barley kernels removed in properly separating the material other than barley and that cannot be recovered by properly rescreening or recleaning.

(f) *Foreign material*. All matter other than barley, other grains, and wild oats that remains in the sample after removal of dockage.

(g) *Frost-damaged kernels*. Kernels, pieces of barley kernels, other grains, and wild oats that are badly shrunken and distinctly discolored black or brown by frost.

(h) *Germ-damaged kernels*. Kernels, pieces of barley kernels, other grains, and wild oats that have dead or discolored germ ends.

(i) *Heat-damaged kernels*. Kernels, pieces of barley kernels, other grains, and wild oats that are materially discolored and damaged by heat.

(j) *Injured-by-frost kernels*. Kernels and pieces of barley kernels that are distinctly indented, immature or shrunken in appearance or that are light green in color as a result of frost before maturity.

(k) *Injured-by-heat kernels*. Kernels, pieces of barley kernels, other grains, and wild oats that are slightly discolored as a result of heat.

(l) *Injured-by-mold kernels*. Kernels, pieces of barley kernels containing slight evidence of mold.

(m) *Mold-damaged kernels*. Kernels, pieces of barley kernels, other grains, and wild oats that are weathered and contain considerable evidence of mold.

(n) *Other grains*. Black barley, corn, cultivated buckwheat, einkorn, emmer, flaxseed, guar, hull-less barley, nongrain sorghum, oats, Polish wheat, popcorn, poulard wheat, rice, rye, safflower, sorghum, soybeans, spelt, sunflower seed, sweet corn, triticale, and wheat.

(o) *Plump barley*. Barley that remains on top of a 6/64 × 3/4 slotted-hole sieve after sieving according to procedures prescribed in FGIS instructions.

(p) *Sieves*. (1) 5/64 × 3/4 slotted-hole sieve. A metal sieve 0.032 inch thick with slotted perforations 0.0781 (5/64) inch by 0.750 (3/4) inch.

(2) 5–1/2 6/64 × 3/4 slotted-hole sieve. A metal sieve 0.032 inch thick with slotted perforations 0.0895 (5–1/2/64) inch by 0.750 (3/4) inch.

(3) 6/64 × 3/4 slotted-hole sieve. A metal sieve 0.032 inch thick with slotted perforations 0.0937 (6/64) inch by 0.750 (3/4) inch.

(q) *Skinned and broken kernels*. Barley kernels that have one-third or more of the hull removed, or that the hull is loose or missing over the germ, or broken kernels, or whole kernels that have a part or all of the germ missing.

(r) *Sound barley*. Kernels and pieces of barley kernels that are not damaged, as defined under (d) of this section.

(s) *Suitable malting type*. Varieties of malting barley that are recommended by the American Malting Barley Association and other malting type(s) used by the malting and brewing industry. The varieties are listed in GIPSAs instructions.

(t) *Thin barley*. Thin barley shall be defined for the appropriate class as follows:

(1) *Malting barley*. Six-rowed Malting barley that passes through a 5/64 × 3/4 slotted-hole sieve and Two-rowed Malting barley which passes through a 5.5/64 × 3/4 slotted-hole sieve in accordance with procedures prescribed in GIPSAs instructions.

(2) *Barley*. Six-rowed barley, Two-rowed barley, or Barley that passes through a 5/64 × 3/4 slotted-hole sieve in accordance with procedures prescribed in GIPSAs instructions.

(u) *Wild oats*. Seeds of *Avena fatua* L. and *A. sterilis* L.

[52 FR 24418, June 30, 1987; 52 FR 28534, July 31, 1987; 61 FR 18491, Apr. 26, 1996]

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.203 Basis of determination.

*All other determinations.* Each determination of heat-damaged kernels, injured-by-heat kernels, and white or blue aleurone layers in Six-rowed barley is made on pearled, dockage-free barley. Other determinations not specifically provided for under the *General Provisions* are made on the basis of the grain when free from dockage, except the determination of odor is made on either the basis of the grain as a whole or the grain when free from dockage.

GRADES AND GRADE REQUIREMENTS

### § 810.204 Grades and grade requirements for Six-rowed Malting barley and Six-rowed Blue Malting barley.

| Grade | Minimum limits of— | | | Maximum limits of— | | | | |
|---|---|---|---|---|---|---|---|---|
| | Test weight per bushel (pounds) | Suitable malting types (percent) | Sound barley [1] (percent) | Damaged kernels [1] (percent) | Foreign material (percent) | Other grains (percent) | Skinned and broken kernels (percent) | Thin barley (percent) |
| U.S. No. 1 | 47.0 | 95.0 | 97.0 | 2.0 | 0.5 | 2.0 | 4.0 | 7.0 |
| U.S. No. 2 | 45.0 | 95.0 | 94.0 | 3.0 | 1.0 | 3.0 | 6.0 | 10.0 |
| U.S. No. 3 | 43.0 | 95.0 | 90.0 | 4.0 | 2.0 | 5.0 | 8.0 | 15.0 |
| U.S. No. 4 | 43.0 | 95.0 | 87.0 | 5.0 | 3.0 | 5.0 | 10.0 | 15.0 |

[1] Injured-by-frost kernels and injured-by-mold kernels are not considered damaged kernels or considered against sound barley.

NOTES: Malting barley shall not be infested in accordance with § 810.107(b) and shall not contain any special grades as defined in § 810.206. Six-rowed Malting barley and Six- rowed Blue Malting barley varieties not meeting the requirements of this section shall be graded in accordance with standards established for the class Barley.

[61 FR 18492, Apr. 26, 1996]

### § 810.205 Grades and grade requirements for Two-rowed Malting barley.

| Grade | Minimum limits of— | | | Maximum limits of— | | | |
|---|---|---|---|---|---|---|---|
| | Test weight per bushel (pounds) | Suitable malting types (percent) | Sound barley [1] (percent) | Wild oats (percent) | Foreign material (percent) | Skinned and broken kernels (percent) | Thin barley (percent) |
| U.S. No. 1 | 50.0 | 97.0 | 98.0 | 1.0 | 0.5 | 5.0 | 5.0 |
| U.S. No. 2 | 48.0 | 97.0 | 98.0 | 1.0 | 1.0 | 7.0 | 7.0 |
| U.S. No. 3 | 48.0 | 95.0 | 96.0 | 2.0 | 2.0 | 10.0 | 10.0 |
| U.S. No. 4 | 48.0 | 95.0 | 93.0 | 3.0 | 3.0 | 10.0 | 10.0 |

[1] Injured-by-frost kernels and injured-by-mold kernels are not considered damaged kernels or considered against sound barley.

NOTES: Malting barley shall not be infested in accordance with § 810.107(b) and shall not contain any special grades as defined in § 810.206. Two-rowed Malting barley varieties not meeting the requirements of this section shall be graded in accordance with standards established for the class Barley.

[61 FR 18492, Apr. 26, 1996]

### § 810.206 Grades and grade requirements for barley.

| Grade | Minimum limits of— | | Maximum Limits of— | | | | |
|---|---|---|---|---|---|---|---|
| | Test weight per bushel (pounds) | Sound barley (percent) | Damaged kernels [1] (percent) | Heat damaged kernels (percent) | Foreign material (percent) | Broken kernels (percent) | Thin barley (percent) |
| U.S. No. 1 | 47.0 | 97.0 | 2.0 | 0.2 | 1.0 | 4.0 | 10.0 |
| U.S. No. 2 | 45.0 | 94.0 | 4.0 | 0.3 | 2.0 | 8.0 | 15.0 |
| U.S. No. 3 | 43.0 | 90.0 | 6.0 | 0.5 | 3.0 | 12.0 | 25.0 |
| U.S. No. 4 | 40.0 | 85.0 | 8.0 | 1.0 | 4.0 | 18.0 | 35.0 |

| Grade | Minimum limits of— | | Maximum Limits of— | | | | |
|---|---|---|---|---|---|---|---|
| | Test weight per bushel (pounds) | Sound barley (percent) | Damaged kernels [1] (percent) | Heat damaged kernels (percent) | Foreign material (percent) | Broken kernels (percent) | Thin barley (percent) |
| U.S. No. 5 ..... | 36.0 | 75.0 | 10.0 | 3.0 | 5.0 | 28.0 | 75.0 |

U.S. Sample Grade:
U.S. Sample grade shall be barley that:
(a) Does not meet the requirements for the grades 1, 2, 3, 4, or 5; or
(b) Contains 8 or more stones or any number of stones which have an aggregate weight in excess of 0.2 percent of the sample weight, 2 or more pieces of glass, 3 or more crotalaria seeds (*Crotalaria* spp.), 2 or more caster beans (*Ricinus communis* L.), 4 or more particles of unknown foreign substance(s) or commonly recognized harmful or toxic substance(s), 8 or more cocklebur (*Xanthium* spp.) or similar seeds singly or in combination, 10 or more rodent pellets, bird droppings, or equivalent quantity of other animal filth per 1⅛ to 1¼ quarts of barley; or
(c) Has a musty, sour, or commercially objectionable foreign odor (except smut or garlic odor); or
(d) Is heating or otherwise of distinctly low quality.
[1] Includes heat-damaged kernels. Injured-by-frost kernels and injured-by-mold kernels are not considered damaged kernels.

[61 FR 18492, Apr. 26, 1996]

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

### § 810.207 Special grades and special grade requirements.

(a) *Blighted barley*. Barley that contains more than 4.0 percent of fungus-damaged and/or mold-damaged kernels.

(b) *Ergoty barley*. Barley that contains more than 0.10 percent ergot.

(c) *Garlicky barley*. Barley that contains three or more green garlic bulblets, or an equivalent quantity of dry or partly dry bulblets in 500 grams of barley.

(d) *Smutty barley*. Barley that has kernels covered with smut spores to give a smutty appearance in mass, or which contains more than 0.20 percent smut balls.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24441, June 30, 1987]

## Subpart C—United States Standards for Canola—Terms Defined

SOURCE: 57 FR 3274, Jan. 29, 1992, unless otherwise noted.

### § 810.301 Definition of canola.

Seeds of the genus *Brassica* from which the oil shall contain less than 2 percent erucic acid in its fatty acid profile and the solid component shall contain less than 30.0 micromoles of any one or any mixture of 3-butenyl glucosinolate, 4-pentenyl glucosinolate, 2-hydroxy-3-butenyl, or 2-hydroxy-4-pentenyl glucosinolate, per gram of air-dried, oil free solid. Before the removal of dockage, the seed shall contain not more than 10.0% of other grains for which standards have been established under the United States Grain Standards Act.

### § 810.302 Definitions of other terms.

(a) *Conspicuous Admixture*. All matter other than canola, including but not limited to ergot, sclerotinia, and stones, which is conspicuous and readily distinguishable from canola and which remains in the sample after the removal of machine separated dockage. Conspicuous admixture is added to machine separated dockage in the computation of total dockage.

(b) *Damaged kernels*. Canola and pieces of canola that are heat-damaged, sprout-damaged, mold-damaged, distinctly green damaged, frost damaged, rimed damaged, or otherwise materially damaged.

(c) *Distinctly green kernels*. Canola and pieces of canola which, after being crushed, exhibit a distinctly green color.

(d) *Dockage*. All matter other than canola that can be removed from the original sample by use of an approved device according to procedures prescribed in FGIS instructions. Also, underdeveloped, shriveled, and small pieces of canola kernels that cannot be recovered by properly rescreening or recleaning. Machine separated dockage is added to conspicuous admixture in the computation of total dockage.

(e) *Ergot*. Sclerotia (sclerotium, sing.) of the fungus, *Claviceps* species, which are associated with some seeds other

than canola where the fungal organism has replaced the seed.

(f) *Heat-damaged kernels*. Canola and pieces of canola which, after being crushed, exhibit that they are discolored and damaged by heat.

(g) *Inconspicuous admixture*. Any seed which is difficult to distinguish from canola. This includes, but is not limited to, common wild mustard (*Brassica kaber* and *B. juncea*), domestic brown mustard (*Brassica juncea*), yellow mustard (*B. hirta*), and seed other than the mustard group.

(h) *Sclerotia (Sclerotium, sing.)*. Dark colored or black resting bodies of the fungi *Sclerotinia* and *Claviceps*.

(i) *Sclerotinia*. Genus name which includes the fungus *Sclerotinia sclerotiorum* which produces sclerotia. Canola is only infrequently infected, and the sclerotia, unlike sclerotia of ergot, are usually associated within the stem of the plants.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.303 Basis of determination.

Each determination of conspicuous admixture, ergot, sclerotinia, stones, damaged kernels, heat-damaged kernels, distinctly green kernels, and inconspicuous admixture is made on the basis of the sample when free from dockage. Other determinations not specifically provided for under the general provisions are made on the basis of the sample as a whole, except the determination of odor is made on either the basis of the sample as a whole or the sample when free from dockage. The content of glucosinolates and erucic acid is determined on the basis of the sample according to procedures prescribed in FGIS instructions.

GRADES AND GRADE REQUIREMENTS

### § 810.304 Grades and grade requirements for canola.

| Grading factors | Grades, U.S. Nos. | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| | Maximum percent limits of: | | |
| Damaged kernels: | | | |
| Heat damaged | 0.1 | 0.5 | 2.0 |
| Distinctly green | 2.0 | 6.0 | 20.0 |
| Total | 3.0 | 10.0 | 20.0 |
| Conspicuous admixture: | | | |
| Ergot | 0.05 | 0.05 | 0.05 |
| Sclerotinia | 0.05 | 0.10 | 0.15 |
| Stones | 0.05 | 0.05 | 0.05 |
| Total | 1.0 | 1.5 | 2.0 |
| Inconspicuous admixture | 5.0 | 5.0 | 5.0 |
| | Maximum count limits of: | | |
| Other material: | | | |
| Animal filth | 3 | 3 | 3 |
| Glass | 0 | 0 | 0 |
| Unknown foreign substance | 1 | 1 | 1 |
| U.S. Sample grade Canola that: | | | |
| (a) Does not meet the requirements for U.S. Nos. 1, 2, 3; or | | | |
| (b) Has a musty, sour, or commercially objectionable foreign odor; or | | | |
| (c) Is heating or otherwise of distinctly low quality. | | | |

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

### § 810.305 Special grades and special grade requirements.

*Garlicky canola*. Canola that contains more than two green garlic bulblets or an equivalent quantity of dry or partly dry bulblets in approximately a 500 gram portion.

NONGRADE REQUIREMENTS

### § 810.306 Nongrade requirements.

*Glucosinolates*. Content of glucosinolates in canola is determined according to procedures prescribed in FGIS instructions.

## Subpart D—United States Standards for Corn

TERMS DEFINED

### § 810.401 Definition of corn.

Grain that consists of 50 percent or more of whole kernels of shelled dent corn and/or shelled flint corn (*Zea mays* L.) and not more than 10.0 percent of other grains for which standards have been established under the United States Grain Standards Act.

### § 810.402 Definition of other terms.

(a) *Broken corn*. All matter that passes readily through a 12/64 round-hole sieve and over a 6/64 round-hole

sieve sample according to procedures prescribed in FGIS instructions.

(b) *Broken corn and foreign material.* All matter that passes readily through a 12/64 round-hole sieve and all matter other than corn that remains in the sieved after sieving according to procedures prescribed in FGIS instructions.

(c) *Classes.* There are three classes for corn: Yellow corn, White corn, and Mixed corn.

(1) *Yellow corn.* Corn that is yellow-kerneled and contains not more than 5.0 percent of corn of other colors. Yellow kernels of corn with a slight tinge of red are considered yellow corn.

(2) *White corn.* Corn that is white-kerneled and contains not more than 2.0 percent of corn of other colors. White kernels of corn with a slight tinge of light straw or pink color are considered white corn.

(3) *Mixed corn.* Corn that does not meet the color requirements for either of the classes Yellow corn or White corn and includes white-capped Yellow corn.

(d) *Damaged kernels.* Kernels and pieces of corn kernels that are badly ground-damaged, badly weather-damaged, diseased, frost-damaged, germ-damaged, heat-damaged, insect-bored, mold-damaged, sprout-damaged, or otherwise materially damaged.

(e) *Foreign material.* All matter that passes readily through a 6/64 round-hole sieve and all matter other than corn that remains on top of the 12/64 round-hole sieve according to procedures prescribed in FGIS instructions.

(f) *Heat-damaged kernels.* Kernels and pieces of corn kernels that are materially discolored and damaged by heat.

(g) *Sieves.* (1) *12/64 round-hole sieve.* A metal sieve 0.032 inch thick with round perforations 0.1875 (12/64) inch in diameter which are 1/4 inch from center to center. The perforations of each row shall be staggered in relation to the adjacent row.

(2) *6/64 round-hole sieve.* A metal sieve 0.032 inch thick with round perforations 0.0937 (6/64) inch in diameter which are 5/32 inch from center to center. The perforations of each row shall be staggered in relation to the adjacent row.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24437, June 30, 1987; 52 FR 28534, July 31, 1987]

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.403 Basis of determination.

Each determination of class, damaged kernels, heat-damaged kernels, waxy corn, flint corn, and flint and dent corn is made on the basis of the grain after the removal of the broken corn and foreign material. Other determinations not specifically provided for under the general provisions are made on the basis of the grain as a whole, except the determination of odor is made on either the basis of the grain as a whole or the grain when free from broken corn and foreign material.

[52 FR 24418, June 30, 1987; 52 FR 28534, July 31, 1987]

GRADES AND GRADE REQUIREMENTS

### § 810.404 Grades and grade requirements for corn.

| Grade | Minimum test weight per bushel (pounds) | Maximum limits of | | |
|---|---|---|---|---|
| | | Damaged kernels | | Broken corn and foreign material (percent) |
| | | Heat damaged kernels (percent) | Total (percent) | |
| U.S. No. 1 | 56.0 | 0.1 | 3.0 | 2.0 |
| U.S. No. 2 | 54.0 | 0.2 | 5.0 | 3.0 |
| U.S. No. 3 | 52.0 | 0.5 | 7.0 | 4.0 |
| U.S. No. 4 | 49.0 | 1.0 | 10.0 | 5.0 |
| U.S. No. 5 | 46.0 | 3.0 | 15.0 | 7.0 |

U.S. Sample Grade

U.S. Sample grade is corn that:

(a) Does not meet the requirements for the grades U.S. Nos. 1, 2, 3, 4, or 5; or
(b) Contains stones with an aggregate weight in excess of 0.1 percent of the sample weight, 2 or more pieces of glass, 3 or more crotalaria seeds (Crotalaria spp.), 2 or more castor beans (Ricinus communis L.), 4 or more particles of an unknown foreign substance(s)or a commonly recognized harmful or toxic substance(s), 8 or more cockleburs (Xanthium spp.), or similar seeds singly or in combination, or animal filth in excess of 0.20 percent in 1,000 grams; or
(c) Has a musty, sour, or commercially objectionable foreign odor; or
(d) Is heating or otherwise of distinctly low quality.

[60 FR 61196, Nov. 29, 1995]

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

### § 810.405 Special grades and special grade requirements.

(a) *Flint corn.* Corn that consists of 95 percent or more of flint corn.

(b) *Flint and dent corn.* Corn that consists of a mixture of flint and dent corn containing more than 5.0 percent but less than 95 percent of flint corn.

(c) *Waxy corn.* Corn that consists of 95 percent or more waxy corn, according to procedures prescribed in FGIS instructions.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24441, June 30, 1987; 52 FR 28534, July 31, 1987]

## Subpart E—United States Standards for Flaxseed

TERMS DEFINED

### § 810.601 Definition of flaxseed.

Grain that, before the removal of dockage, consists of 50 percent or more of common flaxseed (*Linum usitatissimum* L.) and not more than 20 percent of other grains for which standards have been established under the United States Grain Standards Act and which, after the removal of dockage, contains 50 percent or more of whole flaxseed.

### § 810.602 Definition of other terms.

(a) *Damaged kernels.* Kernels and pieces of flaxseed kernels that are badly ground-damaged, badly weather-damaged, diseased, frost-damaged, germ-damaged, heat-damaged, insect-bored, mold-damaged, sprout-damaged, or otherwise materially damaged.

(b) *Dockage.* All matter other than flaxseed that can be removed from the original sample by use of an approved device according to procedures prescribed in FGIS instructions. Also, underdeveloped, shriveled, and small pieces of flaxseed kernels removed in properly separating the material other than flaxseed and that cannot be recovered by properly rescreening or recleaning.

(c) *Heat-damaged kernels.* Kernels and pieces of flaxseed kernels that are materially discolored and damaged by heat.

(d) *Other grains.* Barley, corn, cultivated buckwheat, einkorn, emmer, guar, hull-less barley, nongrain sorghum, oats, Polish wheat, popcorn, poulard wheat, rice, rye, safflower, sorghum, soybeans, spelt, sunflower seed, sweet corn, triticale, wheat, and wild oats.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.603 Basis of determination.

Other determinations not specifically provided for under the general provisions are made on the basis of the grain when free from dockage, except the determination of odor is made on either the basis of the grain as a whole or the grain when free from dockage.

GRADES AND GRADE REQUIREMENTS

### § 810.604 Grades and grade requirements for flaxseed.

| Grade | Minimum test weight per bushel (pounds) | Maximum limits of damaged kernels— | |
|---|---|---|---|
| | | Heat damaged kernels (percent) | Total (percent) |
| U.S. No. 1 | 49.0 | 0.2 | 10.0 |
| U.S. No. 2 | 47.0 | 0.5 | 15.0 |

| Grade | Minimum test weight per bushel (pounds) | Maximum limits of damaged kernels— | |
|---|---|---|---|
| | | Heat damaged kernels (percent) | Total (percent) |
| U.S. Sample grade— | | | |
| U.S. Sample grade is flaxseed that: | | | |
| (a) Does not meet the requirements for the grades U.S. Nos. 1 or 2; or | | | |
| (b) Contains 8 or more stones which have an aggregate weight in excess of 0.2 percent of the sample weight, 2 or more pieces of glass, 3 or more crotalaria seeds (*Crotalaria* spp.), 2 or more castor beans (*Ricinus communis* L.), 4 or more particles of an unknown foreign substance(s) or a commonly recognized harmful or toxic substance(s), 10 or more rodent pellets, bird dropping, or equivalent quantity of other animal filth per 1⅛ to 1¼ quarts of flaxseed; or | | | |
| (c) Has musty, sour, or commercially objectionable foreign odor (except smut or garlic odor), or | | | |
| (d) Is heating or otherwise of distinctly low quality. | | | |

## Subpart F—United States Standards for Mixed Grain

TERMS DEFINED

### § 810.801 Definition of mixed grain.

Any mixture of grains for which standards have been established under the United States Grain Standards Act, provided that such mixture does not come within the requirements of any of the standards for such grains; and that such mixture consists of 50 percent or more of whole kernels of grain and/or whole or broken soybeans which will not pass through a 5/64 triangular-hole sieve and/or whole flaxseed that passes through such a sieve after sieving according to procedures prescribed in FGIS instructions.

### § 810.802 Definition of other terms.

(a) *Damaged kernels.* Kernels and pieces of grain kernels for which standards have been established under the Act, that are badly ground-damaged, badly weather-damaged, diseased, frost-damaged, germ-damaged, heat-damaged, insect-bored, mold-damaged, sprout-damaged, or otherwise materially damaged.

(b) *Foreign material and fines.* All matter other than whole flaxseed that passes through a 5/64 triangular-hole sieve, and all matter other than grains for which standards have been established under the Act, that remains in the sieved sample.

(c) *Grades.* U.S. Mixed Grain, or U.S. Sample grade Mixed Grain, and special grades.

(d) *Heat-damaged kernels.* Kernels and pieces of grain kernels for which standards have been established under the Act, that are materially discolored and damaged by heat.

(e) *Sieve—5/64 triangular-hole sieve.* A metal sieve 0.032 inch thick with equilateral triangular perforations the inscribed circles of which are 0.0781 (5/64) inch in diameter.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.803 Basis of determination.

Each determination of damaged and heat-damaged kernels, and the percentage of each kind of grain in the mixture is made on the basis of the sample after removal of foreign material and fines. Other determinations not specifically provided for under the general provisions are made on the basis of the grain as a whole, except the determination of odor is made on either the basis of the grain as a whole or the grain when free from foreign material and fines.

GRADES AND GRADE REQUIREMENTS

### § 810.804 Grades and grade requirements for mixed grain.

(a) *U.S. Mixed Grain (grade).* Mixed grain with not more than 15.0 percent of damaged kernels, and not more than 3.0 percent of heat-damaged kernels, and that otherwise does not meet the requirements for the grade U.S. Sample grade Mixed Grain.

(b) *U.S. Sample grade Mixed Grain.* Mixed grain that:

(1) Does not meet the requirements for the grade U.S. Mixed Grain; or

(2) Contains more than 16.0 percent moisture; or

(3) Contains 8 or more stones that have an aggregate weight in excess of 0.2 percent of the sample weight, 2 or more pieces of glass, 3 or more Crotalaria seeds (*Crotalaria* spp.), 2 or more castor beans (*Ricinus communis* L.), 8 more cockleburs (*Xanthium* spp.) or similar seeds singly or in combination, 4 or more pieces of an unknown

foreign substance(s) or a recognized harmful or toxic substance(s), 10 or more rodent pellets, bird droppings, or an equivalent quantity of other animal filth per 1,000 grams of mixed grain; or

(4) Is musty, sour, or heating; or

(5) Has any commercially objectionable foreign odor except smut or garlic; or

(6) Is otherwise of distinctly low quality.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

### § 810.805 Special grades and special grade requirements.

(a) *Blighted mixed grain.* Mixed grain in which barley predominates and that contains more than 4.0 percent of fungus-damaged and/or mold-damaged barley kernels.

(b) *Ergoty mixed grain.* (1) Mixed grain in which rye or wheat predominates and that contains more than 0.30 percent ergot, or

(2) Any other mixed grain that contains more than 0.10 percent ergot.

(c) *Garlicky mixed grain.* (1) Mixed grain in which wheat, rye, or triticale predominates, and that contains 2 or more green garlic bulblets, or an equivalent quantity of dry or partly dry bulblets in 1,000 grams of mixed grain; or

(2) Any other mixed grain that contains 4 or more green garlic bulblets, or an equivalent quantity of dry or partly dry bulblets, in 500 grams of mixed grain.

(d) *Smutty mixed grain.* (1) Mixed grain in which rye, triticale, or wheat predominates, and that contains 15 or more average size smut balls, or an equivalent quantity of smut spores in 250 grams of mixed grain, or

(2) Any other mixed grain that has the kernels covered with smut spores to give a smutty appearance in mass, or that contains more than 0.2 percent smut balls.

(e) *Treated mixed grain.* Mixed grain that has been scoured, limed, washed, sulfured, or treated in such a manner that its true quality is not reflected by the grade designation U.S. Mixed Grain or U.S. Sample grade Mixed Grain.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24441, June 30, 1987]

## Subpart G—United States Standards for Oats

TERMS DEFINED

### § 810.1001 Definition of oats.

Grain that consists of 50 percent or more of oats (*Avena sativa* L. and *A. byzantina C.* Koch) and may contain, singly or in combination, not more than 25 percent of wild oats and other grains for which standards have been established under the United States Grain Standards Act.

### § 810.1002 Definition of other terms.

(a) *Fine seeds.* All matter that passes through a 5/64 triangular-hole sieve after sieving according to procedures prescribed in FGIS instructions.

(b) *Foreign material.* All matter other than oats, wild oats, and other grains.

(c) *Heat-damaged kernels.* Kernels and pieces of oat kernels, other grains, and wild oats that are materially discolored and damaged by heat.

(d) *Other grains.* Barley, corn, cultivated buckwheat, einkorn, emmer, flaxseed, guar, hull-less barley, nongrain sorghum, Polish wheat, popcorn, poulard wheat, rice, rye, safflower, sorghum, soybeans, spelt, sunflower seed, sweet corn, triticale, and wheat.

(e) *Sieves*—(1) *5/64 triangular-hole sieve.* A metal sieve 0.032 inch thick with equilateral triangular perforations the inscribed circles of which are 0.0781 (5/64) inch in diameter.

(2) *0.064 × 3/8 oblong-hole sieve.* A metal sieve 0.032 inch thick with oblong perforations 0.064 inch by 0.375 (3/8) inch.

(f) *Sound oats.* Kernels and pieces of oat kernels (except wild oats) that are not badly ground-damaged, badly weather-damaged, diseased, frost-damaged, germ-damaged, heat-damaged, insect-bored, mold-damaged, sprout-damaged, or otherwise materially damaged.

(g) *Wild oats.* Seeds of *Avena fatua* L. and *A. sterillis* L.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.1003 Basis of determination.

Other determinations not specifically provided for under the general provisions are made on the basis of the grain as a whole.

GRADES AND GRADE REQUIREMENTS

### § 810.1004 Grades and grade requirements for oats.

| Grade | Minimum limits— | | Maximum limits— | | |
|---|---|---|---|---|---|
| | Test weight per bushel (pounds) | Sound oats (percent) | Heat-damaged kernels (percent) | Foreign material (percent) | Wild oats (percent) |
| U.S. No. 1 | 36.0 | 97.0 | 0.1 | 2.0 | 2.0 |
| U.S. No. 2 | 33.0 | 94.0 | 0.3 | 3.0 | 3.0 |
| U.S. No. 3[1] | 30.0 | 90.0 | 1.0 | 4.0 | 5.0 |
| U.S. No. 4[2] | 27.0 | 80.0 | 3.0 | 5.0 | 10.0 |

U.S. Sample grade—

U.S. Sample grade are oats which:

(a) Do not meet the requirements for the grades U.S. Nos. 1, 2, 3, or 4; or

(b) Contain 8 or more stones which have an aggregate weight in excess of 0.2 percent of the sample weight, 2 or more pieces of glass, 3 or more crotalaria seeds (*Crotalaria* spp.), 2 or more castor beans (*Ricinus communis* L.), 4 or more particles of an unknown foreign substance(s) or a commonly recognized harmful or toxic substance(s), 8 or more cocklebur (*Xanthium* spp.) or similar seeds singly or in combination, 10 or more rodent pellets, bird droppings, or equivalent quantity of other animal filth per 1⅛ to 1¼ quarts of oats; or

(c) Have a musty, sour, or commercially objectionable foreign odor (except smut or garlic odor); or

(d) Are heating or otherwise of distinctly low quality.

[1] Oats that are slightly weathered shall be graded not higher than U.S. No. 3.

[2] Oats that are badly stained or materially weathered shall be graded not higher than U.S. No. 4.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

### § 810.1005 Special grades and special grade requirements.

(a) *Bleached oats*. Oats that in whole or in part, have been treated with sulfurous acid or any other bleaching agent.

(b) *Bright oats*. Oats, except bleached oats, that are of good natural color.

(c) *Ergoty oats*. Oats that contain more than 0.10 percent ergot.

(d) *Extra-heavy oats*. Oats that have a test weight per bushel of 40 pounds or more.

(e) *Garlicky oats*. Oats that contain 4 or more green garlic bulblets or an equivalent quantity of dry or partly dry bulblets in 500 grams of oats.

(f) *Heavy oats*. Oats that have a test weight per bushel of 38 pounds or more but less than 40 pounds.

(g) *Smutty oats*. Oats that have kernels covered with smut spores to give a smutty appearance in mass, or that contain more than 0.2 percent of smut balls.

(h) *Thin oats*. Oats that contain more than 20.0 percent of oats and other matter, except fine seeds, that pass through a 0.064 × ⅜ oblong-hole sieve but remain on top of a 5/64 triangular-hole sieve after sieving according to procedures prescribed in FGIS instructions.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24441, June 30, 1987]

## Subpart H—United States Standards for Rye

TERMS DEFINED

### § 810.1201 Definition of rye.

Grain that, before the removal of dockage, consists of 50 percent or more of common rye (*Secale cereale* L.) and not more than 10 percent of other grains for which standards have been established under the United States Grain Standards Act and that, after

the removal of dockage, contains 50 percent or more of whole rye.

### § 810.1202 Definition of other terms.

(a) *Damaged kernels*. Kernels, pieces of rye kernels, and other grains that are badly ground-damaged, badly weather-damaged, diseased, frost-damaged, germ-damaged, heat-damaged, insect-bored, mold-damaged, sprout-damaged, or otherwise materially damaged.

(b) *Dockage*. All matter other than rye that can be removed from the original sample by use of an approved device in accordance with procedures prescribed in FGIS instructions. Also, underdeveloped, shriveled, and small pieces of rye kernels removed in properly separating the material other than rye and that cannot be recovered by properly rescreening and recleaning.

(c) *Foreign material*. All matter other than rye that remains in the sample after the removal of dockage.

(d) *Heat-damaged kernels*. Kernels, pieces of rye kernels, and other grains that are materially discolored and damaged by heat.

(e) *Other grains*. Barley, corn, cultivated buckwheat, einkorn, emmer, flaxseed, guar, hull-less barley, nongrain sorghum, oats, Polish wheat, popcorn, poulard wheat, rice, safflower, sorghum, soybeans, spelt, sunflower seed, sweet corn, triticale, wheat, and wild oats.

(f) *Sieve—0.064 × ⅜ oblong-hole sieve*. A metal sieve 0.032 inch thick with oblong perforations 0.064 by 0.375 (⅜) inch.

(g) *Thin rye*. Rye and other matter that passes through a 0.064 × ⅜ oblong-hole sieve after sieving according to procedures prescribed in FGIS instructions.

## PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.1203 Basis of determination.

Other determinations not specifically provided for under the general provisions are made on the basis of the grain when free from dockage, except the determination of odor is made on either the basis of the grain as a whole or the grain when free from dockage.

## GRADES AND GRADE REQUIREMENTS

### § 810.1204 Grades and grade requirements for rye.

| Grade | Minimum test weight per bushel (pounds) | Maximum limits of— | | | | |
|---|---|---|---|---|---|---|
| | | Foreign material | | Damaged kernels | | Thin Rye (percent) |
| | | Foreign matter other than wheat (percent) | Total (percent) | Heat damaged (percent) | Total (percent) | |
| U.S. No. 1 | 56.0 | 1.0 | 3.0 | 0.2 | 2.0 | 10.0 |
| U.S. No. 2 | 54.0 | 2.0 | 6.0 | 0.2 | 4.0 | 15.0 |
| U.S. No. 3 | 52.0 | 4.0 | 10.0 | 0.5 | 7.0 | 25.0 |
| U.S. No. 4 | 49.0 | 6.0 | 10.0 | 3.0 | 15.0 | ..... |

U.S. Sample grade—

U.S. Sample grade is rye that:

(a) Does not meet the requirements for the grades U.S. Nos. 1, 2, 3, or 4; or

(b) Contains 8 or more stones or any numbers of stones which have an aggregate weight in excess of 0.2 percent of the sample weight, 2 or more pieces of glass, 3 or more crotalaria seeds (*Crotalaria* spp.), 2 or more castor beans (*Ricinus communis* L.), 4 or more particles of an unknown foreign substance(s) or a commonly recognized harmful or toxic substance(s), 2 or more rodent pellets, bird droppings, or equivalent quantity of other animal filth per 1⅛ to 1¼ quarts of rye; or

(c) Has a musty, sour, or commercially objectionable foreign odor (except smut or garlic odor); or

(d) Is heating or otherwise of distinctly low quality.

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

**§ 810.1205 Special grades and special grade requirements.**

(a) *Ergoty rye*. Rye that contains more than 0.30 percent of ergot.

(b) *Garlicky rye*. Rye that contains in a 1,000-gram portion more than six green garlic bulblets or an equivalent quantity of dry or partly dry bulblets.

(c) *Light garlicky rye*. Rye that contains in a 1,000-gram portion two or more, but not more than six, green garlic bulblets or an equivalent quantity of dry or partly dry bulblets.

(d) *Light smutty rye*. Rye that has an unmistakable odor of smut, or that contains in a 250-gram portion smut balls, portions of smut balls, or spores of smut in excess of a quantity equal to 14 smut balls but not in excess of a quantity equal to 30 smut balls of average size.

(e) *Plump rye*. Rye that contains not more than 5.0 percent of rye and other matter that passes through a 0.064×3/8 oblong-hole sieve.

(f) *Smutty rye*. Rye that contains in a 250-gram portion smut balls, portions of smut balls, or spores of smut in excess of a quantity equal to 30 smut balls of average size.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24441, June 30, 1987]

## Subpart I—United States Standards for Sorghum

TERMS DEFINED

**§ 810.1401 Definition of sorghum.**

Grain that, before the removal of dockage, consists of 50 percent or more of whole kernels of sorghum (*Sorghum bicolor* (L.) Moench) excluding nongrain sorghum and not more than 10.0 percent of other grains for which standards have been established under the United States Grain Standards Act.

**§ 810.1402 Definition of other terms.**

(a) *Broken kernels*. All matter which passes through a 5/64 triangular-hole sieve and over a 2–1/2/64 round-hole sieve according to procedures prescribed in FGIS instructions.

(b) *Broken kernels and foreign material*. The combination of broken kernels and foreign material as defined in paragraph (a) and (f) of this section.

(c) *Classes*. There are four classes of sorghum: Sorghum, Tannin sorghum, White sorghum, and Mixed sorghum.

(1) *Sorghum*. Sorghum which is low in tannin content due to the absence of a pigmented testa (subcoat) and contains less than 98.0 percent White sorghum and not more than 3.0 percent Tannin sorghum. The pericarp color of this class may appear white, yellow, pink, orange, red, or bronze.

(2) *Tannin sorghum*. Sorghum which is high in tannin content due to the presence of a pigmented testa (subcoat) and contains not more than 10.0 percent non-Tannin sorghum. The pericarp color of this class is usually brown but may also be white, yellow, pink, orange, red, or bronze.

(3) *White sorghum*. Sorghum which is low in tannin content due to the absence of a pigmented testa (subcoat) and contains not more than 2.0 percent sorghum of other classes. The pericarp color of this class is white or translucent and includes sorghum containing spots that, singly or in combination, cover 25.0 percent or less of the kernel.

(4) *Mixed sorghum*. Sorghum which does not meet the requirements for any of the classes Sorghum, Tannin sorghum, or White sorghum.

(d) *Damaged kernels*. Kernels, pieces of sorghum kernels and other grains that are badly ground damaged, badly weather damaged, diseased, frost-damaged, germ-damaged, heat-damaged, insect-bored, mold-damaged, sprout-damaged, or otherwise materially damaged.

(e) *Dockage*. All matter other than sorghum that can be removed from the original sample by use of an approved device according to procedures prescribed in FGIS instructions. Also, underdeveloped, shriveled, and small pieces of sorghum kernels removed in properly separating the material other than sorghum.

(f) *Foreign material*. All matter, except sorghum, which passes over the number 6 riddle and all matter other than sorghum that remains on top of the 5/64 triangular-hole sieve according to procedures prescribed in FGIS instructions.

(g) *Heat-damaged kernels.* Kernels, pieces of sorghum kernels, and other grains that are materially discolored and damaged by heat.

(h) *Nongrain sorghum.* Seeds of broomcorn, Johnson-grass, *Sorghum almum* Parodi, sorghum-sudangrass hybrids, sorgrass, sudangrass, and sweet sorghum (*sorgo*).

(i) *Pericarp.* The pericarp is the outer layers of the sorghum grain and is fused to the seedcoat.

(j) *Sieves.*

(1) *1.98 mm (5/64 (0.0781) inches) triangular-hole sieve.* A metal sieve 0.81 mm (0.032 inches) thick with equilateral triangular perforations the inscribed circles of which are 1.98 mm (0.0781 inches) in diameter.

(2) *0.99 mm (2 1/2 /64 (0.0391) inches) round-hole sieve.* A metal sieve 0.81 mm (0.032 inch) thick with round holes 0.99 mm (0.0391 inches) in diameter.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24437, June 30, 1987; 52 FR 28534, July 31, 1987; 57 FR 58971, Dec. 14, 1992]

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.1403 Basis of determination.

Each determination of broken kernels and foreign material is made on the basis of the grain when free from dockage. Each determination of class, damaged kernels, heat-damaged kernels, and stones is made on the basis of the grain when free from dockage and that portion of the broken kernels, and foreign material that will pass through a 1.98 mm (5/64 inches) triangular-hole sieve. Other determinations not specifically provided for in the general provisions are made on the basis of the grain as a whole except the determination of odor is made on either the basis of the grain as a whole or the grain when free from dockage, broken kernels, and foreign material removed by the 1.98 mm (5/64 inches) triangular-hole sieve.

[57 FR 58971, Dec. 14, 1992]

GRADES AND GRADE REQUIREMENTS

### § 810.1404 Grades and grade requirements for sorghum.

| Grading factors | Grades U.S. Nos.[1] | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| Minimum pound limits of: | | | | |
| Test weight per bushel | 57.0 | 55.0 | 53.0 | 51.0 |
| Maximum percent limits of: | | | | |
| Damaged kernels: | | | | |
| Heat (part of total) | 0.2 | 0.5 | 1.0 | 3.0 |
| Total | 2.0 | 5.0 | 10.0 | 15.0 |
| Broken kernels and foreign material: | | | | |
| Foreign material (part of total) | 1.5 | 2.5 | 3.5 | 4.5 |
| Total | 4.0 | 7.0 | 10.0 | 13.0 |
| Maximum count limits of: | | | | |
| Other material: | | | | |
| Animal filth | 9 | 9 | 9 | 9 |
| Castor beans | 1 | 1 | 1 | 1 |
| Crotalaria seeds | 2 | 2 | 2 | 2 |
| Glass | 1 | 1 | 1 | 1 |
| Stones[2] | 7 | 7 | 7 | 7 |
| Unknown foreign substance | 3 | 3 | 3 | 3 |
| Cockleburs | 7 | 7 | 7 | 7 |

| Grading factors | Grades U.S. Nos.[1] | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |

U.S. Sample grade is Sorghum that:
(a) Does not meet the requirements for U.S. Nos. 1, 2, 3, or 4; or
(b) Has a musty, sour or commercially objectionable foreign odor (except smut odor); or
(c) Is badly weathered, heating or distinctly low quality.

[1] Sorghum which is distinctly discolored shall not grade higher than U.S. No. 3.
[2] Aggregate weight of stones must also exceed 0.2 percent of sample weight.

[57 FR 58971, Dec. 14, 1992]

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

### § 810.1405 Special grades and special grade requirements.

*Smutty sorghum.* Sorghum that has kernels covered with smut spores to give a smutty appearance in mass, or that contains 20 or more smut balls in 100 grams of sorghum.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24441, June 30, 1987]

## Subpart J—United States Standards for Soybeans

TERMS DEFINED

### § 810.1601 Definition of soybeans.

Grain that consists of 50 percent or more of whole or broken soybeans (*Glycine max* (L.) Merr.) that will not pass through an 8/64 round-hole sieve and not more than 10.0 percent of other grains for which standards have been established under the United States Grain Standards Act.

### § 810.1602 Definition of other terms.

(a) *Classes.* There are two classes for soybeans: Yellow soybeans and Mixed soybeans.

(1) *Yellow soybeans.* Soybeans that have yellow or green seed coats and which in cross section, are yellow or have a yellow tinge, and may include not more than 10.0 percent of soybeans of other colors.

(2) *Mixed soybeans.* Soybeans that do not meet the requirements of the class Yellow soybeans.

(b) *Damaged kernels.* Soybeans and pieces of soybeans that are badly ground-damaged, badly weather-damaged, diseased, frost-damaged, germ-damaged, heat-damaged, insect-bored, mold-damaged, sprout-damaged, stinkbug-stung, or otherwise materially damaged. Stinkbug-stung kernels are considered damaged kernels at the rate of one-fourth of the actual percentage of the stung kernels.

(c) *Foreign material.* All matter that passes through an 8/64 round-hole sieve and all matter other than soybeans remaining in the sieved sample after sieving according to procedures prescribed in FGIS instructions.

(d) *Heat-damaged kernels.* Soybeans and pieces of soybeans that are materially discolored and damaged by heat.

(e) *Purple mottled or stained.* Soybeans that are discolored by the growth of a fungus; or by dirt; or by a dirt-like substance(s) including nontoxic inoculants; or by other nontoxic substances.

(f) *Sieve—8/64 round-hole sieve.* A metal sieve 0.032 inch thick perforated with round holes 0.125 (8/64) inch in diameter.

(g) *Soybeans of other colors.* Soybeans that have green, black, brown, or bicolored seed coats. Soybeans that have green seed coats will also be green in cross section. Bicolored soybeans will have seed coats of two colors, one of which is brown or black, and the brown or black color covers 50 percent of the seed coats. The hilum of a soybean is not considered a part of the seed coat for this determination.

(h) *Splits.* Soybeans with more than 1/4 of the bean removed and that are not damaged.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.1603 Basis of determination.

Each determination of class, heat-damaged kernels, damaged kernels, splits, and soybeans of other colors is made on the basis of the grain when free from foreign material. Other determinations not specifically provided for under the general provisions are

made on the basis of the grain as a whole.

GRADES AND GRADE REQUIREMENTS

### § 810.1604 Grades and grade requirements for soybeans.

| Grading factors | Grades U.S. Nos. | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 – – s4 |
| | **Minimum pound limits of:** | | | |
| Minimum test weight per bushel | 56.0 | 54.0 | 52.0 | 49.0 |
| | **Maximum percent limits of:** | | | |
| Damaged kernels: | | | | |
| Heat (part of total) | 0.2 | 0.5 | 1.0 | 3.0 |
| Total | 2.0 | 3.0 | 5.0 | 8.0 |
| Foreign material | 1.0 | 2.0 | 3.0 | 5.0 |
| Splits | 10.0 | 20.0 | 30.0 | 40.0 |
| Soybeans of other colors [1] | 1.0 | 2.0 | 5.0 | 10.0 |
| | **Maximum count limits of:** | | | |
| Other material: | | | | |
| Animal filth | 9 | 9 | 9 | 9 |
| Castor beans | 1 | 1 | 1 | 1 |
| Crotalaria seeds | 2 | 2 | 2 | 2 |
| Glass | 0 | 0 | 0 | 0 |
| Stones [2] | 3 | 3 | 3 | 3 |
| Unknown foreign substance | 3 | 3 | 3 | 3 |
| Total [3] | 10 | 10 | 10 | 10 |

U.S. Sample grade Soybeans that:
(a) Do not meet the requirements for U.S. Nos. 1, 2, 3, or 4; or
(b) Have a musty, sour, or commercially objectionable foreign odor (except garlic odor); or
(c) Are heating or of distinctly low quality.
[1] Disregard for Mixed soybeans.
[2] In addition to the maximum count limit, stones must exceed 0.1 percent of the sample weight.
[3] Includes any combination of animal filth, castor beans, crotalaria seeds, glass, stones, and unknown foreign substances. The weight of stones is not applicable for total other material.

[59 FR 10573, Mar. 7, 1994]

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

### § 810.1605 Special grades and special grade requirements.

(a) *Garlicky soybeans.* Soybeans that contain 5 or more green garlic bulblets or an equivalent quantity of dry or partly dry bulblets in a 1,000 gram portion.

(b) *Purple mottled or stained soybeans.* Soybeans with pink or purple seed coats as determined on a portion of approximately 400 grams with the use of an FGIS Interpretive Line Photograph.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24441, June 30, 1987; 59 FR 10573, Mar. 7, 1994]

## Subpart K—United States Standards for Sunflower Seed

TERMS DEFINED

### § 810.1801 Definition of sunflower seed.

Grain that, before the removal of foreign material, consists of 50.0 percent or more of cultivated sunflower seed (*Helianthus annuus* L.) and not more than 10.0 percent of other grains for which standards have been established under the United States Grain Standards Act.

### § 810.1802 Definition of other terms.

(a) *Cultivated sunflower seed.* Sunflower seed grown for oil content. The term seed in this and other definitions

related to sunflower seed refers to both the kernel and hull which is a fruit or achene.

(b) *Damaged sunflower seed*. Seed and pieces of sunflower seed that are badly ground-damaged, badly weather-damaged, diseased, frost-damaged, heat-damaged, mold-damaged, sprout-damaged, or otherwise materially damaged.

(c) *Dehulled seed*. Sunflower seed that has the hull completely removed from the sunflower kernel.

(d) *Foreign material*. All matter other than whole sunflower seeds containing kernels that can be removed from the original sample by use of an approved device and by handpicking a portion of the sample according to procedures prescribed in FGIS instructions.

(e) *Heat-damaged sunflower seed*. Seed and pieces of sunflower seed that are materially discolored and damaged by heat.

(f) *Hull (Husk)*. The ovary wall of the sunflower seed.

(g) *Kernel*. The interior contents of the sunflower seed that are surrounded by the hull.

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.1803 Basis of determination.

Each determination of heat-damaged kernels, damaged kernels, test weight per bushel, and dehulled seed is made on the basis of the grain when free from foreign material. Other determinations not specifically provided for in the general provisions are made on the basis of the grain as a whole, except the determination of odor is made on either the basis of the grain as a whole or the grain when free from foreign material.

GRADES AND GRADE REQUIREMENTS

### § 810.1804 Grades and grade requirements for sunflower seed.

| Grade | Minimum test weight per bushel (pounds) | Maximum limits of— | | |
|---|---|---|---|---|
| | | Damaged Sunflower Seed | | Dehulled seed (percent) |
| | | Heat Damaged (percent) | Total (Percent) | |
| U.S. No. 1 | 25.0 | 0.5 | 5.0 | 5.0 |
| U.S. No. 2 | 25.0 | 1.0 | 10.0 | 5.0 |

U.S. Sample grade—

U.S. Sample grade is sunflower seed that:

(a) Does not meet the requirements for the grades U.S. Nos. 1 or 2; or

(b) Contains 8 or more stones which have an aggregate weight in excess of 0.20 percent of the sample weight, 2 or more pieces of glass, 3 or more crotalaria seeds (*Crotalaria* spp.), 2 or more castor beans (*Ricinus communis* L.), 4 or more particles of an unknown foreign substance(s), or a commonly recognized harmful or toxic substance(s), 10 or more rodent pellets, bird droppings, or equivalent quantity of other animal filth per 600 grams of sunflower seed; or

(c) Has a musty, sour, or commercially objectionable foreign odor; or

(d) Is heating or otherwise of distinctly low quality.

## Subpart L—United States Standards for Triticale

TERMS DEFINED

### § 810.2001 Definition of triticale.

Grain that, before the removal of dockage, consists of 50 percent or more of triticale (*X Triticosecale* Wittmack) and not more than 10 percent of other grains for which standards have been established under the United States Grain Standards Act and that, after the removal of dockage, contains 50 percent or more of whole triticale.

### § 810.2002 Definition of other terms.

(a) *Damaged kernels*. Kernels, pieces of triticale kernels, and other grains that are badly ground-damaged, badly weather-damaged, diseased, frost-damaged, germ-damaged, heat-damaged, insect-bored, mold-damaged, sprout-damaged, or otherwise materially damaged.

(b) *Defects*. Damaged kernels, foreign material, and shrunken and broken

kernels. The sum of these three factors may not exceed the limit for the factor defects for each numerical grade.

(c) *Dockage*. All matter other than triticale that can be removed from the original sample by use of an approved device according to procedures prescribed in FGIS instructions. Also, underdeveloped, shriveled, and small pieces of triticale kernels removed in properly separating the material other than triticale and that cannot be recovered by properly rescreening or recleaning.

(d) *Foreign material*. All matter other than triticale.

(e) *Heat-damaged kernels*. Kernels, pieces of triticale kernels, and other grains that are materially discolored and damaged by heat.

(f) *Other grains*. Barley, corn, cultivated buckwheat, einkorn, emmer, flaxseed, guar, hull-less barley, nongrain sorghum, oats, Polish wheat, popcorn, poulard wheat, rice, rye, safflower, sorghum, soybeans, spelt, sunflower seed, sweet corn, wheat, and wild oats.

(g) *Shrunken and broken kernels*. All matter that passes through a 0.064 x 3/8 oblong-hole sieve after sieving according to procedures prescribed in FGIS instructions.

(h) *Sieve—0.064 × ⅜ oblong-hole sieve*. A metal sieve 0.032 inch thick with oblong perforations 0.064 inch by 0.375 (3/8) inch.

[52 FR 24418, June 30, 1987; 52 FR 28534, July 31, 1987]

## PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.2003 Basis of determination.

Each determination of heat-damaged kernels, damaged kernels, material other than wheat or rye, and foreign material (total) is made on the basis of the grain when free from dockage and shrunken and broken kernels. Other determinations not specifically provided for under the general provisions are made on the basis of the grain when free from dockage except the determination of odor is made on either the basis of the grain as a whole or the grain when free from dockage.

## GRADES AND GRADE REQUIREMENTS

### § 810.2004 Grades and grade requirements for triticale.

| Grade | Minimum test weight per bushel (pounds) | Maximum limits of— | | | | | |
|---|---|---|---|---|---|---|---|
| | | Damaged Kernels | | Foreign material | | Shrunken and broken kernels (percent) | Defects [3] (percent) |
| | | Heat damaged (percent) | Total [1] (percent) | Material other than wheat or rye (percent) | Total [2] (percent) | | |
| U.S. No. 1 | 48.0 | 0.2 | 2.0 | 1.0 | 2.0 | 5.0 | 5.0 |
| U.S. No. 2 | 45.0 | 0.2 | 4.0 | 2.0 | 4.0 | 8.0 | 8.0 |
| U.S. No. 3 | 43.0 | 0.5 | 8.0 | 3.0 | 7.0 | 12.0 | 12.0 |
| U.S. No. 4 | 41.0 | 3.0 | 15.0 | 4.0 | 10.0 | 20.0 | 20.0 |

U.S. Sample grade—

U.S. Sample grade is triticale that:

(a) Does not meet the requirements for the grades U.S. Nos. 1, 2, 3, or 4; or

(b) Contains 8 or more stones or any number of stones which have an aggregate weight in excess of 0.2 percent of the sample weight, 2 or more pieces of glass, 3 or more crotalaria seeds (*Crotalaria* spp.), 2 or more castor beans (*Ricinus communis* L.), 4 or more particles of an unknown foreign substance(s) or a commonly recognized harmful or toxic substance(s), 2 or more rodent pellets, bird droppings, or equivalent quantity of other animal filth per 1⅛ to 1¼ quarts of triticale; or

(c) Has a musty, sour, or commercially objectionable foreign odor (except smut or garlic odor); or

(d) Is heating or otherwise of distinctly low quality.

[1] Includes heat-damaged kernels.

[2] Includes material other than wheat or rye.

[3] Defects include damaged kernels (total), foreign material (total) and shrunken and broken kernels. The sum of these three factors may not exceed the limit for defects for each numerical grade.

[52 FR 24418, June 30, 1987; 52 FR 28534, July 31, 1987]

SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

### § 810.2005 Special grades and special grade requirements.

(a) *Ergoty triticale*. Triticale that contains more than 0.10 percent of ergot.

(b) *Garlicky triticale*. Triticale that contains in a 1,000 gram portion more than six green garlic bulblets or an equivalent quantity of dry or partly dry bulblets.

(c) *Light garlicky triticale*. Triticale that contains in a 1,000 gram portion two or more, but not more than six, green garlic bulblets or an equivalent quantity of dry or partly dry bulblets.

(d) *Light smutty triticale*. Triticale that has an unmistakable odor of smut, or that contains in a 250 gram portion smut balls, portions of smut balls, or spores of smut in excess of a quantity equal to 14 smut balls, but not in excess of a quantity equal to 30 smut balls of average size.

(e) *Smutty triticale*. Triticale that contains in a 250 gram portion smut balls, portions of smut balls, or spores of smut in excess of a quantity equal to 30 smut balls of average size.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24441, June 30, 1987]

## Subpart M—United States Standards for Wheat

TERMS DEFINED

### § 810.2201 Definition of wheat.

Grain that, before the removal of dockage, consists of 50 percent or more common wheat (*Triticum aestivum* L.), club wheat (*T. compactum* Host.), and durum wheat (*T. durum* Desf.) and not more than 10 percent of other grains for which standards have been established under the United States Grain Standards Act and that, after the removal of the dockage, contains 50 percent or more of whole kernels of one or more of these wheats.

### § 810.2202 Definition of other terms.

(a) *Classes*. There are eight classes for wheat: Durum wheat, Hard Red Spring wheat, Hard Red Winter wheat, Soft Red Winter wheat, Hard White wheat, Soft White wheat, Unclassed wheat, and Mixed wheat.

(1) *Durum wheat*. All varieties of white (amber) durum wheat. This class is divided into the following three subclasses:

(i) *Hard Amber Durum wheat*. Durum wheat with 75 percent or more of hard and vitreous kernels of amber color.

(ii) *Amber Durum wheat*. Durum wheat with 60 percent or more but less than 75 percent of hard and vitreous kernels of amber color.

(iii) *Durum wheat*. Durum wheat with less than 60 percent of hard vitreous kernels of amber color.

(2) *Hard Red Spring wheat*. All varieties of Hard Red Spring wheat. This class shall be divided into the following three subclasses.

(i) *Dark Northern Spring wheat*. Hard Red Spring wheat with 75 percent or more of dark, hard, and vitreous kernels.

(ii) *Northern Spring wheat*. Hard Red Spring wheat with 25 percent or more but less than 75 percent of dark, hard, and vitreous kernels.

(iii) *Red Spring wheat*. Hard Red Spring wheat with less than 25 percent of dark, hard, and vitreous kernels.

(3) *Hard Red Winter wheat*. All varieties of Hard Red Winter wheat. There are no subclasses in this class.

(4) *Soft Red Winter wheat*. All varieties of Soft Red Winter wheat. There are no subclasses in this class.

(5) *Hard White wheat*. All hard endosperm white wheat varieties. There are no subclasses in this class.

(6) *Soft White wheat*. All soft endosperm white wheat varieties. This class is divided into the following three subclasses:

(i) *Soft White wheat*. Soft endosperm white wheat varieties which contain not more than 10 percent of white club wheat.

(ii) *White Club wheat*. Soft endosperm white club wheat varieties containing not more than 10 percent of other soft white wheats.

(iii) *Western White wheat*. Soft White wheat containing more than 10 percent of white club wheat and more than 10 percent of other soft white wheats.

(7) *Unclassed wheat*. Any variety of wheat that is not classifiable under other criteria provided in the wheat standards. There are no subclasses in this class. This class includes any

wheat which is other than red or white in color.

(8) *Mixed wheat.* Any mixture of wheat that consists of less than 90 percent of one class and more than 10 percent of one other class, or a combination of classes that meet the definition of wheat.

(b) *Contrasting classes.* Contrasting classes are:

(1) Durum wheat, Hard White wheat, Soft White wheat, and Unclassed wheat in the classes Hard Red Spring wheat and Hard Red Winter wheat.

(2) Hard Red Spring wheat, Hard Red Winter wheat, Hard White wheat, Soft Red Winter wheat, Soft White wheat, and Unclassed wheat in the class Durum wheat.

(3) Durum wheat and Unclassed wheat in the class Soft Red Winter wheat.

(4) Durum wheat, Hard Red Spring wheat, Hard Red Winter wheat, Soft Red Winter wheat, and Unclassed wheat, in the classes Hard White wheat and Soft White wheat.

(c) *Damaged kernels.* Kernels, pieces of wheat kernels, and other grains that are badly ground-damaged, badly weather-damaged, diseased, frost-damaged, germ-damaged, heat-damaged, insect-bored, mold-damaged, sprout-damaged, or otherwise materially damaged.

(d) *Defects.* Damaged kernels, foreign material, and shrunken and broken kernels. The sum of these three factors may not exceed the limit for the factor defects for each numerical grade.

(e) *Dockage.* All matter other than wheat that can be removed from the original sample by use of an approved device according to procedures prescribed in FGIS instructions. Also, underdeveloped, shriveled, and small pieces of wheat kernels removed in properly separating the material other than wheat and that cannot be recovered by properly rescreening or recleaning.

(f) *Foreign material.* All matter other than wheat that remains in the sample after the removal of dockage and shrunken and broken kernels.

(g) *Heat-damaged kernels.* Kernels, pieces of wheat kernels, and other grains that are materially discolored and damaged by heat which remain in the sample after the removal of dockage and shrunken and broken kernels.

(h) *Other grains.* Barley, corn, cultivated buckwheat, einkorn, emmer, flaxseed, guar, hull-less barley, nongrain sorghum, oats, Polish wheat, popcorn, poulard wheat, rice, rye, safflower, sorghum, soybeans, spelt, sunflower seed, sweet corn, triticale, and wild oats.

(i) *Shrunken and broken kernels.* All matter that passes through a 0.064 × ⅜ oblong-hole sieve after sieving according to procedures prescribed in the FGIS instructions.

(j) *Sieve—0.064 × ⅜ oblong-hole sieve.* A metal sieve 0.032 inch thick with oblong perforations 0.064 inch by 0.375 (⅜) inch.

[52 FR 24418, June 30, 1987, as amended at 54 FR 48736, Nov. 27, 1989; 57 FR 58966, Dec. 14, 1992]

PRINCIPLES GOVERNING THE APPLICATION OF STANDARDS

### § 810.2203 Basis of determination.

Each determination of heat-damaged kernels, damaged kernels, foreign material, wheat of other classes, contrasting classes, and subclasses is made on the basis of the grain when free from dockage and shrunken and broken kernels. Other determinations not specifically provided for under the general provisions are made on the basis of the grain when free from dockage, except the determination of odor is made on either the basis of the grain as a whole or the grain when free from dockage.

[52 FR 24418, June 30, 1987; 52 FR 28534, July 31, 1987]

GRADES AND GRADE REQUIREMENTS

### § 810.2204 Grades and grade requirements for wheat.

(a) Grades and grade requirements for all classes of wheat, except Mixed wheat.

| Grading Factors | Grades U.S. Nos. | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Minimum pound limits of: | | | | | |
| Test weight per bushel: | | | | | |
| Hard Red Spring wheat or White Club wheat | 58.0 | 57.0 | 55.0 | 53.0 | 50.0 |
| All other classes and subclasses | 60.0 | 58.0 | 56.0 | 54.0 | 51.0 |
| Maximum percent limits of: | | | | | |
| Defects: | | | | | |
| Damaged kernels. | | | | | |
| Heat (part of total) | 0.2 | 0.2 | 0.5 | 1.0 | 3.0 |
| Total | 2.0 | 4.0 | 7.0 | 10.0 | 15.0 |
| Foreign material | 0.4 | 0.7 | 1.3 | 3.0 | 5.0 |
| Shrunken and broken kernels | 3.0 | 5.0 | 8.0 | 12.0 | 20.0 |
| Total [1] | 3.0 | 5.0 | 8.0 | 12.0 | 20.0 |
| Wheat of other classes:[2] | | | | | |
| Contrasting classes | 1.0 | 2.0 | 3.0 | 10.0 | 10.0 |
| Total [3] | 3.0 | 5.0 | 10.0 | 10.0 | 10.0 |
| Stones | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Maximum count limits of: | | | | | |
| Other material: | | | | | |
| Animal filth | 1 | 1 | 1 | 1 | 1 |
| Castor beans | 1 | 1 | 1 | 1 | 1 |
| Crotalaria seeds | 2 | 2 | 2 | 2 | 2 |
| Glass | 0 | 0 | 0 | 0 | 0 |
| Stones | 3 | 3 | 3 | 3 | 3 |
| Unknown foreign substance | 3 | 3 | 3 | 3 | 3 |
| Total [4] | 4 | 4 | 4 | 4 | 4 |
| Insect-damaged kernels: | | | | | |
| In 100 grams | 31 | 31 | 31 | 31 | 31 |

U.S. Sample grade is Wheat that:
(a) does not meet the requirements for U.S. Nos. 1, 2, 3, 4, or 5; or
(b) has a musty, sour or commercially objectionable foreign odor (except smut or garlic odor); or
(c) is heating or of distinctly low quality.

[1] Includes damaged kernels (total), foreign material, shrunken and broken kernels.
[2] Unclassed wheat of any grade may contain not more than 10.0 percent of wheat of other classes.
[3] Includes contrasting classes.
[4] Includes any combination of animal filth, castor beans, crotalaria seeds, glass, stones, and unknown foreign substance.

(b) *Grades and grade requirements for Mixed wheat*. Mixed wheat is graded according to the U.S. numerical and U.S. Sample grade requirements of the class of wheat that predominates in the mixture, except that the factor wheat of other classes is disregarded.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24442, June 30, 1987; 57 FR 58966, Dec. 14, 1992]

## SPECIAL GRADES AND SPECIAL GRADE REQUIREMENTS

### § 810.2205 Special grades and special grade requirements.

(a) *Ergoty wheat*. Wheat that contains more than 0.05 percent of ergot.

(b) *Garlicky wheat*. Wheat that contains in a 1,000 gram portion more than two green garlic bulblets or an equivalent quantity of dry or partly dry bulblets.

(c) *Light smutty wheat*. Wheat that has an unmistakable odor of smut, or which contains, in a 250-gram portion, smut balls, portions of smut balls, or spores of smut in excess of a quantity

equal to 5 smut balls, but not in excess of a quantity equal to 30 smut balls of average size.

(d) *Smutty wheat.* Wheat that contains, in a 250 gram portion, smut balls, portions of smut balls, or spores of smut in excess of a quantity equal to 30 smut balls of average size.

(e) *Treated wheat.* Wheat that has been scoured, limed, washed, sulfured, or treated in such a manner that the true quality is not reflected by either the numerical grades or the U.S. Sample grade designation alone.

[52 FR 24418, June 30, 1987, as amended at 52 FR 24442, June 30, 1987; 57 FR 58967, Dec. 14, 1992]

# PART 868—GENERAL REGULATIONS AND STANDARDS FOR CERTAIN AGRICULTURAL COMMODITIES

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SPECIAL GRADES, SPECIAL GRADE REQUIREMENTS, AND SPECIAL GRADE DESIGNATIONS

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AUTHORITY: Secs. 202–208, 60 Stat. 1087, as amended (7 U.S.C. 1621 *et seq.*).

## Subpart A—Regulations

SOURCE: 53 FR 3722, Feb. 9, 1988, unless otherwise noted. Redesignated at 60 FR 16364, Mar. 30, 1995.

DEFINITIONS

### § 868.1 Meaning of terms.

(a) *Construction.* Words used in the singular form are considered to imply the plural and vice versa, as appropriate.

(b) *Definitions.* For the purpose of these regulations, unless the context requires otherwise, the following terms have the meanings given for them in this paragraph.

(1) *Act*. The Agricultural Marketing Act of 1946, as amended (secs. 202–208, 60 Stat. 1087, as amended, 7 U.S.C. 1621 *et seq*.).

(2) *Administrator*. The Administrator of the Grain Inspection, Packers and Stockyards Administration or any person to whom the Administrator's authority has been delegated.

(3) *Appeal inspection service*. A review by the Service of the results of an original inspection or retest inspection service.

(4) *Applicant*. An interested person who requests any inspection service with respect to a commodity.

(5) *Authorized inspector*. A Department employee authorized by the Administrator to inspect a commodity in accordance with the Act, regulations, standards, and instructions.

(6) *Board appeal inspection service*. A review by the Board of Appeals and Review of the results of an original inspection or appeal inspection service on graded commodities.

(7) *Board of Appeals and Review or Board*. The Board of Appeals and Review of the Service that performs Board appeal inspection services.

(8) *Business day*. The established field office working hours, any Monday through Friday that is not a holiday, or the working hours and days established by a cooperator.

(9) *Carrier*. A truck, trailer, truck/trailer(s) combination, railroad car, barge, ship, or other container used to transport bulk, sacked, or packaged commodity.

(10) *Commodity*. Agricultural commodities and products thereof that the Secretary has assigned to the Service for inspection under the Act, including but not limited to dry beans, grain, hops, lentils, oilseeds, dry peas, split peas, and rice.

(11) *Continuous inspection*. The conduct of inspection services in an approved plant where one or more official inspection personnel are present during the processing of a commodity to make in-process examinations of the preparation, processing, packing, and warehousing of the commodity and to determine compliance with applicable sanitation requirements.

(12) *Contract service*. Any service performed under a contract between an applicant and the Service.

(13) *Contractor*. Any person who enters into a contract with the Service or with a cooperator to perform specified inspection services.

(14) *Cooperator*. An agency or department of the Federal Government which has an interagency agreement or State agency which has a reimbursable agreement with the Service.

(15) *Cooperator inspection service*. The inspection service provided by a cooperator under the regulations. Under this service, inspection certificates are issued by the cooperator and all fees and charges are collected by the cooperator, except as provided in the agreement.

(16) *Department*. The United States Department of Agriculture.

(17) *Factor*. A quantified physical or chemical property identified in official standards, specifications, abstracts, contracts, or other documents whose measurement describes a specific quality of a commodity.

(18) *Field office*. An office of the Service designated to perform, monitor, or supervise inspection services.

(19) *Grade*. A grade designating a level of quality as defined in the commodity standards promulgated pursuant to the Act.

(20) *Graded commodity*. Commodities for which the Service has promulgated Standards under the Act and commodities which are tested by the Service at a field office or by a cooperator for specific physical factors using approved equipment and an inspector's interpretation of visual conditions.

(21) *Holiday*. The legal public holidays specified in paragraph (a) of section 6103, title 5, of the United States Code (5 U.S.C. 6103(a)) and any other day declared to be a holiday by Federal Statute or Executive Order. Under section 6103 and Executive Order 10357, as amended, if the specified legal public holiday falls on a Saturday, the preceding Friday shall be considered to be the holiday, or if the specified legal public holiday falls on a Sunday, the following Monday shall be considered to be the holiday.

(22) *Inspection certificate*. A written or printed official document which is approved by the Service and which shows the results of an inspection service performed under the Act.

(23) *Inspection service*. (i) Applying such tests and making examinations of a commodity and records by official personnel as may be necessary to determine the kind, class, grade, other quality designation, the quantity, or condition of commodity; performing condition of container, carrier stowage examinations; and any other services as related to commodities, as necessary; and (ii) issuing an inspection certificate.

(24) *Instructions*. The Notices, Instructions, Handbooks, and other directives issued by the Service.

(25) *Interagency agreement*. An agreement between the Service and other agencies or departments of the Federal Government to conduct commodity inspection services as authorized in the Act.

(26) *Interested person*. Any person having a contract or other financial interest in a commodity as the owner, seller, purchaser, warehouseman, carrier, or otherwise.

(27) *Licensee*. Any person licensed by the Service.

(28) *Nongraded commodity*. Nonprocessed commodities which are chemically tested for factors not included in the Standards under the Act or the U.S. Grain Standards Act (7 U.S.C. 71 *et seq.*) and processed commodities.

(29) *Nonregular workday*. Any Sunday or holiday.

(30) *Official inspector*. Any official personnel who performs, monitors, or supervises the performance of inspection service and certifies the results of inspection of the commodity.

(31) *Official personnel*. Any authorized Department employee or person licensed by the Administrator to perform all or specified functions under the Act.

(32) *Official sampler*. Any official personnel who performs, monitors, or supervises the performance of sampling of a commodity.

(33) *Official technician*. Any official personnel who performs, monitors, or supervises the performance of specified inspection services and certifies the results thereof, other than certifying the grade of a commodity.

(34) *Origin*. The geographical area or place where the commodity is grown.

(35) *Original inspection service*. An initial inspection of a community.

(36) *Person*. Any individual, partnership, association, corporation, or other business entity.

(37) *Plant*. The premises, buildings, structure, and equipment (including but not limited to machines, utensils, vehicles, and fixtures located in or about the premises) used or employed in the preparation, processing, handling, transporting, and storage of commodities.

(38) *Regular workday*. Any Monday through Saturday that is not a holiday.

(39) *Regulations*. The regulations in this part.

(40) *Reimbursable agreement*. An agreement between the Service and State agencies to conduct commodity inspection services authorized pursuant to the Act.

(41) *Retest inspection service*. To test, using the same laboratory procedures, a factor(s) of nongraded commodities previously tested.

(42) *Secretary*. The Secretary of Agriculture of the United States or any person to whom the Secretary's authority has been delegated.

(43) *Service*. The Federal Grain Inspection Service of the Grain Inspection, Packers and Stockyards Administration of the United States Department of Agriculture.

(44) *Service representative*. An employee authorized by the Service or a person licensed by the Administrator.

(45) *Specification*. A document which clearly and accurately describes the essential and technical requirements for items, materials, or services including requested inspection procedures.

(46) *Standards*. The commodity standards in this part that describe the physical and biological condition of a commodity at the time of inspection.

(47) *Submitted sample*. A sample submitted by or for an applicant for inspection.

(48) *Test*. A procedure to measure a factor using specialized laboratory equipment involving the application of

established scientific principles and laboratory procedures.

[53 FR 3722, Feb. 9, 1988, as amended at 60 FR 5835, Jan. 31, 1995. Redesignated at 60 FR 16364, Mar. 30, 1995, and amended at 63 FR 29531, June 1, 1998]

ADMINISTRATION

### § 868.5 Administrator.

The Administrator, under the authority delegated by the Secretary, is charged with administering the programs and functions authorized under the Act and the regulations concerning those commodities assigned by the Secretary to the Service.

### § 868.6 Nondiscrimination—policy and provisions.

In implementing, administering, and enforcing the Act and the regulations, standards, and instructions, it is the policy of the Service to promote adherence to the provisions of the Civil Rights Act of 1964 (42 U.S.C. 2000a *et seq.*).

### § 868.7 Procedures for establishing regulations and standards.

Notice of proposals to prescribe, amend, or revoke regulations and standards shall be published in accordance with applicable provisions of the Administrative Procedures Act (5 U.S.C. 551 *et seq.*). Any interested person desiring to file a petition for the issuance, amendment, or revocation of regulations or standards may do so in accordance with 7 CFR 1.28 of the regulations of the Office of the Secretary of Agriculture.

### § 868.8 Complaints and reports of alleged violations.

(a) *General.* Except as provided in paragraph (b) of this section, complaints and reports of violations involving the Act or the regulations, standards, and instructions issued under the Act should be filed with the Service in accordance with 7 CFR 1.133 of the regulations of the Office of the Secretary of Agriculture and these regulations and the instructions.

(b) *Retest inspection and appeal inspection service.* Complaints involving the results of inspection services shall, to the extent practicable, be submitted as requests for retest inspection, appeal inspection, or Board appeal inspection services as set forth in these regulations.

(Approved by the Office of Management and Budget under control number 0580–0011)

### § 868.9 Provisions for hearings.

Opportunities shall be provided for hearings either in accordance with the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary under Various Statutes (7 CFR part 1, subpart H) or in accordance with FGIS procedures as appropriate.

### § 868.10 Information about the Service, Act, and regulations.

Information about the Service, Act, regulations, standards, rules of practice, instructions, and other matters related to the inspection of commodities may be obtained by telephoning or writing the U.S. Department of Agriculture, Federal Grain Inspection Service, P.O. Box 96454, Washington, DC 20090–6454, or any field office or cooperator.

### § 868.11 Public information.

(a) *General.* This section is issued in accordance with §§1.1 through 1.23 of the regulations of the Secretary in part 1, subpart A, of subtitle A of title 7 (7 CFR 1.1 through 1.23), and appendix A thereto, implementing the Freedom of Information Act (5 U.S.C. 552). The Secretary's regulations, as implemented by this section, govern the availability of records of the Service to the public.

(b) *Public inspection and copying.* Materials maintained by the Service, including those described in 7 CFR 1.5, will be made available, upon a request which has not been denied, for public inspection and copying at the U.S. Department of Agriculture, Federal Grain Inspection Service, 1400 Independence Avenue SW., Washington, DC 20250. The public may request access to these materials 8:00 a.m.–4:30 p.m. Monday through Friday except for holidays.

(c) *Indexes.* The Service shall maintain an index of all material required to be made available in 7 CFR 1.5. Copies of these indexes will be maintained at the location given in paragraph (b) of this section. Notice is hereby given

that quarterly publication of these indexes is unnecessary and impracticable because the material is voluminous and does not change often enough to justify the expense of quarterly publication. However, upon specific request, copies of any index will be provided at a cost not to exceed the direct cost of duplication.

(d) *Requests for records*. Requests for records under 5 U.S.C. 552(a)(3) shall be made in accordance with 7 CFR 1.6 and shall be addressed as follows: Office of the Administrator, Federal Grain Inspection Service, FOIA Request, U.S. Department of Agriculture, P.O. Box 96454, Washington, DC 20090–6454.

(e) *FOIA Appeals*. Any person whose request, under paragraph (d) of this section, is denied shall have the right to appeal such denial in accordance with 7 CFR 1.13. Appeals shall be addressed to the Administrator, Federal Grain Inspection Service, FOIA Appeal, U.S. Department of Agriculture, P.O. Box 96454, Washington, DC 20090–6454.

(f) *Disclosure of information*. FGIS employees or persons acting for FGIS under the Act shall not, without the consent of the applicant, divulge or make known in any manner any facts or information acquired pursuant to the Act, regulations, or instructions except as authorized by the Administrator, by a court of competent jurisdiction, or otherwise by law.

[53 FR 3722, Feb. 9, 1988, as amended 54 FR 5923, Feb. 7, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.12 Identification.

All official personnel shall have in their possession and present upon request, while on duty, the means of identification furnished to them by the Department.

### § 868.13 Regulations not applicable for certain purposes.

These regulations do not apply to the inspection of grain under the United States Grain Standards Act, as amended (7 U.S.C. 71 *et seq.*) or the inspection of commodities under the United States Warehouse Act, as amended (7 U.S.C. 241 *et seq.*).

## CONDITIONS FOR OBTAINING OR WITHHOLDING SERVICE

### § 868.20 Availability of services.

(a) *Original inspection service*. Original inspection services are available according to this section and §§ 868.40 through 868.44.

(b) *Retest inspection and appeal inspection services*. Retest inspection, appeal inspection, and Board appeal inspection services are available according to §§ 868.50 through 868.52 and §§ 868.60 through 868.63.

(c) *Proof of authorization*. A cooperator or the Service may request satisfactory proof that an applicant is an interested person or their authorized agent.

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

### § 868.21 Requirements for obtaining service.

(a) *Consent and agreement by applicant*. In submitting a request for inspection service, the applicant and the owner of the commodity consent to the requirements specified in paragraphs (b) through (j) of this section.

(b) *Written confirmation*. Verbal requests for inspection service shall be confirmed in writing upon request. Each written request shall be made in English and shall include:

(1) The date filed;

(2) The identification, quantity, and location of the commodity;

(3) The type of service(s) requested;

(4) The name and mailing address of the applicant and, if made by an authorized agent, the agent's name and mailing address; and

(5) Any other relevant information that the official with whom the application is filed may request.

A written request or a written confirmation of a verbal request shall be signed by the applicant or a duly authorized agent.

(c) *Names and addresses of interested persons*. When requested, each applicant for inspection service shall show on the application form the name and mailing address of each known interested person.

(d) *Surrender of superseded certificates*. Superseded certificates must be promptly surrendered.

(e) *Accessibility*. (1) *Commodities*. Each commodity lot inspected shall be arranged so the entire lot may be examined or, if necessary, a representative sample, as appropriate, can be obtained. If the entire lot is not accessible for examination or a representative sample cannot be obtained, the inspection shall be restricted to an examination or sampling of the accessible portion and the results certified as stated in § 868.34.

(2) *Origin records*. When an applicant requests origin inspection, the records indicating the origin of the commodity to be inspected shall be made accessible for examination and verification by official personnel.

(f) *Plant examination*. Plant surveys shall be performed upon request. Survey results shall be reported in writing to a designated plant official. If the plant is approved as a result of the survey, inspection service may begin or continue at a time agreed upon by the plant management and the cooperator or Service. If the plant is not approved as a result of the survey, inspection service shall be conditionally withheld pursuant to the procedures in § 868.24.

(g) *Working space*. An applicant must provide adequate and separate space when inspection service is performed at a plant.

(h) *Loading and unloading conditions*. Each applicant for inspection service shall provide or arrange for suitable conditions in the—

(1) Loading and unloading areas and the truck and railroad holding areas;

(2) Pier or dock areas;

(3) Deck and stowage areas of a carrier;

(4) Other service areas; and

(5) Equipment used in loading or unloading, processing, and handling the commodity.

Suitable conditions are those which will facilitate accurate inspection, maintain the quantity and the quality of the commodity that is to be inspected, and not be hazardous to the health and safety of official personnel as prescribed in the instructions.

(i) *Timely arrangements*. Requests for inspection service shall be made in a timely manner; otherwise, official personnel may not be available to provide the requested service. ''Timely manner'' shall mean not later than 2 p.m., local time, of the preceding business day.

(j) *Payment of bills*. Each applicant for inspection service shall pay bills for the service pursuant to §§ 868.90–868.92.

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### § 868.22 Withdrawal of request for inspection service by applicant.

An applicant may withdraw a request for inspection service any time before official personnel release results, either verbally or in writing. Reimbursement of expenses, if any, shall be made pursuant to § 868.26.

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

### § 868.23 Dismissal of request for inspection service.

(a) *Conditions for dismissal*. (1) *General*. A cooperator or the Service shall dismiss requests for inspection service when:

(i) Performing the requested service is not practicable or possible.

(ii) The cooperator or the Service lacks authority under the Act or regulations to provide the inspection service requested or is unable to comply with the Act, regulations, standards, or instructions.

(iii) Sufficient information is not available to make an accurate determination.

(2) *Original inspection service*. A request for original inspection service shall be dismissed if an original inspection has already been performed and circumstances do not prevent a retest inspection, appeal inspection, or Board appeal inspection from being performed on the same lot.

(3) *Retest inspection service*. A request for a retest inspection service shall be dismissed by official personnel when:

(i) The factor requested was not tested during the original inspection;

(ii) The condition of the commodity has undergone a material change;

(iii) A representative file sample is not available;

(iv) The applicant requests that a new sample be obtained;

(v) The request is for a graded commodity; or

(vi) The reasons for the retest inspection are frivolous.

(4) *Appeal inspection service.* A request for an appeal inspection service shall be dismissed by official personnel when:

(i) The scope is different from the scope of the original inspection service;

(ii) The condition of the commodity has undergone a material change;

(iii) The request specifies a file sample and a representative file sample is not available;

(iv) The applicant requests that a new sample be obtained and a new sample cannot be obtained; or

(v) The reasons for the appeal inspection are frivolous.

(5) *Board appeal inspection service.* A request for a Board appeal inspection service shall be dismissed by official personnel when:

(i) The scope is different from the scope of the original inspection service;

(ii) The condition of the commodity has undergone a material change;

(iii) A representative file sample is not available;

(iv) The applicant requests that a new sample be obtained; or

(v) The reasons for the Board appeal inspection are frivolous.

(b) *Procedure for dismissal.* The cooperator or the Service shall notify the applicant of the proposed dismissal of service. If correctable, the applicant will be afforded reasonable time to take. corrective action or to demonstrate there is no basis for the dismissal. If corrective action has not been adequate, the applicant will be notified of the decision to dismiss the request for service, and any results of service shall not be released.

### § 868.24 Conditional withholding of service.

(a) *Conditional withholding.* A cooperator or the Service shall conditionally withhold service when an applicant fails to meet any requirement prescribed in § 868.21.

(b) *Procedure for withholding.* The cooperator or the Service shall notify the applicant of the reason for the proposal to conditionally withhold service. The applicant will then be afforded reasonable time to take corrective action or to demonstrate that there is no basis for withholding service. If corrective action has not been adequate, the applicant will be notified of the decision to withhold service; and any results of service shall not be released.

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

### § 868.25 Denial or withdrawal of service.

(a) *General.* Service may be denied or withdrawn because of (1) any willful violation of the Act, regulations, standards, or instructions or (2) any interference with or obstruction of any official personnel in the performance of their duties by intimidation, threat, assault, or any other improper means.

(b) The Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary under Various Statutes (7 CFR part 1, subpart H) shall be followed in the denial or withdrawal of service.

### § 868.26 Expenses of the cooperator or the Service.

For any request that has been withdrawn, dismissed, or withheld under §§ 868.22, 868.23, or 868.24, respectively, each applicant shall pay expenses incurred by the cooperator or the Service.

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

## INSPECTION METHODS AND PROCEDURES

### § 868.30 Methods and order of performing inspection service.

(a) *Methods.* (1) *General.* All sampling and inspection services performed by official personnel shall be made in accordance with the regulations, standards, and the instructions.

(2) *Lot inspection service.* A lot inspection service shall be based on official personnel obtaining representative samples, examining the commodity in the entire lot, and making an accurate analysis of the commodity on the basis of the samples.

(3) *Submitted sample inspection service.* A submitted sample inspection service shall be based on a submitted sample of

sufficient size to enable official personnel to perform an accurate, complete analysis. The sample size will be prescribed in the instructions. If a complete analysis cannot be performed because of an inadequate sample size or other conditions, the request shall be dismissed or a factor only inspection may be performed upon request.

(b) *Order of service.* Inspection services shall be performed, to the extent practicable, in the order in which requests for service are received.

(c) *Recording receipt of documents.* Each document submitted by or on behalf of an applicant for inspection service shall be promptly stamped or similarly marked by official personnel to show the date of receipt.

(d) *Conflicts of interest.* (1) Official personnel shall not perform or participate in performing an inspection service on a commodity or a carrier or container in which the official personnel have a direct or indirect financial interest.

(2) Official personnel shall not perform, participate in performing, or issue a certificate if the official personnel participated in a previous inspection or certification of the lot unless there is only one authorized person available at the time and place of the requested inspection service.

### § 868.31 Kinds of inspection services.

(a) *General.* The inspection of commodities shall be according to the—

(1) Standards of class, grade, other quality designation, quantity, or condition for such commodities promulgated by the Administrator; or

(2) Specifications prescribed by Federal agencies; or

(3) Specifications of trade associations or organizations; or

(4) Other specifications as requested by applicant; or

(5) The instructions.

The kinds of services provided and the basis for performing the services include those specified in paragraphs (b) through (m) of this section. Some or all of these services are provided when performing a complete inspection service.

(b) *Quality inspection service.* This service consists of official personnel—

(1) Obtaining representative sample(s) of an identified commodity lot;

(2) Examining, grading, or testing the sample(s);

(3) Examining relevant records for the lot; and

(4) Certifying the results.

(c) *Submitted sample inspection service.* This service consists of official personnel grading or testing a sample submitted by the applicant and certifying the results.

(d) *Examination service.* This service consists of official personnel examining supplies without the use of special laboratory equipment or procedures to determine conformance to requirements requested by the applicant and certifying the results.

(e) *Checkweighing service (container).* This service consists of official personnel—

(1) Weighing a selected number of containers from a commodity lot;

(2) Determining the estimated total gross, tare, and net weights or the estimated average gross or net weight per filled container; and

(3) Certifying the results.

(f) *Bulk weighing service.* This service consists of official personnel—

(1) Completely supervising the loading or the unloading of an identified lot of bulk or containerized commodity,

(2) Physically weighing or completely supervising the weighing of the commodity; and

(3) Certifying the results.

(g) *Checkloading service.* This service consists of official personnel—

(1) Performing a stowage examination;

(2) Computing the number of filled commodity containers loaded aboard the carrier;

(3) Observing the condition of commodity containers loaded aboard the carrier;

(4) If practicable, sealing the carrier; and

(5) Certifying the results.

(h) *Checkcounting service.* This service consists of official personnel determining the total number of filled outer containers in a lot to determine that the number of containers shown by the applicant is correct and certifying the results.

(i) *Condition inspection service.* This service consists of official personnel determining the physical condition of

the commodity by determining whether an identifiable commodity lot is water damaged, fire damaged, or has rodent or bird contamination, insect infestation, or any other deteriorating condition and certifying the results.

(j) *Condition of food containers service.* This service consists of official personnel determining the degree of acceptability of the containers with respect to absence of defects which affect the serviceability, including appearance as well as usability, of the container for its intended purpose and certifying the results.

(k) *Observation of loading service.* This service consists of official personnel determining that an identified lot has been moved from a warehouse or carrier and loaded into another warehouse or carrier and certifying the results.

(l) *Plant approval service.*[1] This service consists of official personnel performing a plant survey to determine if the plant premises, facilities, sanitary conditions, and operating methods are suitable to begin or continue inspection service.

(m) *Stowage examination service.* This service consists of official personnel visually determining if an identified carrier or container is clean; dry; free of infestation, rodents, toxic substances and foreign odor; and suitable to store or carry commodities and certifying the results.

### § 868.32 Who shall inspect commodities.

Official commodity inspections shall be performed only by official personnel.

### § 868.33 Sample requirements; general.

(a) *Samples for lot inspection service.* (1) *Original lot inspection service.* The sample(s) on which the original inspection is determined shall be—

(i) Obtained by official personnel;

(ii) Representative of the commodity in the lot;

(iii) Protected by official personnel from manipulation, substitution, and improper or careless handling; and

(iv) Obtained within the prescribed area of responsibility of the cooperator or field office performing the inspection service.

(2) *Retest lot inspection service.* The sample(s) on which the retest is determined shall meet the requirements of paragraph (a)(1) of this section. The retest inspection shall be performed on the basis of a file sample(s), and the samples shall meet the requirements prescribed in § 868.35(e).

(3) *Appeal lot inspection service.* For an appeal lot inspection service, the sample(s) on which the appeal is determined shall meet the requirements of paragraph (a)(1) of this section. If the appeal inspection is performed on the basis of a file sample(s), the samples shall meet the requirements prescribed in § 868.35(e). In accordance with § 868.61(b), an applicant may request that a new sample be obtained and examined as part of the appeal inspection service.

(4) *Board appeal lot inspection service.* A Board appeal lot inspection service shall be performed on the basis of file sample.

(b) *Sampler requirement.* An official sampler shall sample commodities and forward the samples to the appropriate cooperator or field office or other location as specified. A sampling report signed by the sampler shall accompany each sample. The report shall include the identity, quantity, and location of the commodity sampled; the name and mailing address of the applicant; and all other information regarding the lot as may be required.

(c) *Representative sample.* A sample shall not be considered representative of a commodity lot unless the sample—

(1) Has been obtained by official personnel;

(2) Is of the size prescribed in the instructions; and

(3) Has been obtained, handled, and submitted in accordance with the instructions.

(d) *Protecting samples.* Official personnel shall protect samples from manipulation, substitution, and improper

[1] Compliance with the requirements in this paragraph does not excuse failure to comply with all applicable sanitation rules and regulations of city, county, State, Federal, or other agencies having jurisdiction over such plants and operations.

and careless handling which would deprive the samples of their representativeness or which would change the physical and chemical properties of the commodity from the time of sampling until inspection services are completed and file samples have been discarded.

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### § 868.34 Partial inspection.

When the entire lot is not accessible for examination or a representative sample cannot be obtained from the entire lot, the certificate shall state the estimated quantity of the commodity in the accessible portion and the quantity of the entire lot. The inspection shall be limited to the accessible portion. In addition, the words ''Partial Inspection'' shall be printed or stamped on the certificate.

### § 868.35 Sampling provisions by level of service.

(a) *Original inspection service.* (1) *Lot inspection service.* Each original lot inspection service shall be made on the basis of one or more representative samples obtained by official personnel from the commodity in the lot and forwarded to the appropriate location.

(2) *Submitted sample service.* Each original submitted sample inspection service shall be performed on the basis of the sample as submitted.

(b) *Retest inspection service.* Each retest inspection service performed on a commodity lot or a submitted sample shall be based on an analysis of the file sample.

(c) *Appeal inspection service.* (1) *Lot inspection service.* Each appeal inspection service on a commodity lot shall be made on the basis of a file sample or, upon request, a new sample.

(2) *Submitted sample service.* Each appeal inspection service on the commodity in a submitted sample shall be based on an analysis of the file sample.

(d) *Board appeal inspection service.* Each Board appeal inspection service performed on a commodity lot or submitted sample shall be based on an analysis of the file sample.

(e) *Use of file samples.* (1) *Requirements for use.* A file sample that is retained by official personnel in accordance with the procedures prescribed in the instructions shall be considered representative for retest inspection, appeal inspection, and Board appeal inspection service if: (i) The file samples have remained at all times in the custody and control of the official personnel that performed the inspection service and (ii) the official personnel who performed the inspection service in question and those who are to perform the retest inspection, the appeal inspection, or the Board appeal inspection service determines that the samples were representative of the commodity at the time the inspection service was performed and that the quality or condition of the commodity in the samples has not since changed.

(2) *Certificate statement.* The certificate for a retest inspection, appeal inspection, or Board appeal inspection service which is based on a file sample shall show the statement ''Results based on file sample.''

### § 868.36 Loss of identity.

(a) *Lots.* The identity of a packaged lot, bulk lot, or sublot of a commodity shall be considered lost if:

(1) A portion of the commodity is unloaded, transferred, or otherwise removed from the carrier or location after the time of original inspection, unless the identity is preserved; or

(2) More commodity or other material, including a fumigant or insecticide, is added to the lot after the original inspection was performed, unless the addition of the fumigant or insecticide was performed in accordance with the instructions; or

(3) At the option of official personnel performing an appeal inspection or Board appeal inspection service, the identity of a commodity in a closed carrier or container may be considered lost if the carrier or container is not sealed or the seal record is incomplete.

(b) *Carriers and containers.* The identity of a carrier or container shall be considered lost if (1) the stowage area is cleaned, treated, fumigated, or fitted after the original inspection was performed or (2) the identification has been changed since the original inspection.

(c) *Submitted sample.* The identity of a submitted sample of a commodity shall be considered lost if:

(1) The identifying number, mark, or symbol for the sample is lost or destroyed; or

(2) The sample has not been retained and protected by official personnel as prescribed in the regulations and the instructions.

ORIGINAL INSPECTION SERVICE

**§ 868.40 Who may request original inspection service.**

Any interested person may apply for inspection service.

**§ 868.41 Contract service.**

Any interested person may enter into a contract with a cooperator or the Service whereby the cooperator or Service will provide original inspection services for a specified period, and the applicant will pay a specific fee.

**§ 868.42 How to request original inspection service.**

(a) *General.* Requests may be made verbally or in writing. Verbal requests shall be confirmed in writing when requested by official personnel. All written requests shall include the information specified in § 868.21. Copies of request forms may be requested from the cooperator or the Service. If all required documentation is not available when the request is made, it shall be provided as soon as it is available. At their discretion, official personnel may withhold inspection service pending receipt of the required documentation.

(b) *Request requirements.* Requests for original inspection service, other than submitted sample inspections, must be made with the cooperator or the Service responsible for the area in which the service will be provided. Requests for submitted sample inspections may be made with any cooperator or any field office that provides original inspection service. Requests for inspection of commodities during loading, unloading, handling, or processing shall be received far enough in advance so official personnel can be present.

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**§ 868.44 New original inspection.**

When circumstances prevent a retest inspection, appeal inspection, or Board appeal inspection, an applicant may request a new original inspection on any previously inspected lot; except that a new original inspection may not be performed on an identifiable commodity lot which, as a result of a previous inspection, was found to be contaminated with filth, other than insect fragments in nongraded processed products, or to contain a deleterious substance. A new original inspection shall be based on a new sample and shall not be restricted to the scope of any previous inspection. A new original inspection certificate shall not supersede any previously issued certificate.

RETEST INSPECTION SERVICE

**§ 868.50 Who may request retest inspection service.**

(a) *General.* Any interested person may request a retest inspection service on nongraded commodities. When more than one interested person requests a retest inspection service, the first interested person to file is the applicant of record. Only one retest inspection service may be performed on any original inspection service.

(b) *Scope of request.* A retest inspection service may be requested for any or all quality factors tested but shall be limited to analysis of the file sample.

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**§ 868.51 How to request retest inspection service.**

(a) *General.* Requests shall be made with the field office responsible for the area in which the original inspection service was performed. Verbal requests shall be confirmed in writing, upon request, as specified in § 868.21. Copies of request forms may be obtained from the field office upon request. If at the time the request is filed and the documentation required by § 868.21 is not available, official personnel may, at their discretion, withhold service pending the receipt of the required documentation.

(b) *Request requirements.* Requests will be considered filed on the date they are received by official personnel.

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### § 868.52 Certificating retest inspection results.

(a) *General.* Retest inspection certificates shall be issued according to § 868.70 and instructions. The certificate shall show the results of the factor(s) retested and the original results not included in the retest service.

(b) *Required statements on retest certificates.* Each retest inspection certificate shall show the statements required by this section, § 868.71, and the instructions.

(1) Each retest inspection certificate shall clearly show the term ''Retest'' and a statement identifying the superseded original certificate. The superseded certificate shall be considered null and void as of the date of the retest certificate. When applicable, the certificate shall also show a statement as to which factor(s) result is based on the retest inspection service and that all other results are those of the original inspection service.

(2) If the superseded certificate is in the custody of the Service, the superseded certificate shall be marked ''Void.'' If the superseded certificate is not in the custody of the Service at the time the retest certificate is issued, a statement indicating that the superseded certificate has not been surrendered shall be shown on the retest certificate.

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

## APPEAL INSPECTION SERVICE

### § 868.60 Who may request appeal inspection service.

(a) *General.* Any interested person may request appeal inspection or Board appeal inspection service. When more than one interested person requests an appeal inspection or Board appeal inspection service, the first interested person to file is the applicant of record. Only one appeal inspection may be obtained from any original inspection or retest inspection service for nongraded commodities. Only one Board appeal inspection may be obtained from any original or appeal inspection service for graded commodities. Board appeal inspection shall be performed on the basis of the file sample.

(b) *Kind and scope of request.* When the results for more than one kind of service are reported on a certificate, an appeal inspection or Board appeal inspection service, as applicable, may be requested on any or all kinds of services reported on the certificate. The scope of an appeal inspection service will be limited to the scope of the original inspection or, in the case of a Board appeal inspection service, the original or appeal inspection service. A request for appeal inspection of a retest inspection will be based upon the scope of the original inspection. If the request specifies a different scope, the request shall be dismissed. An appeal inspection for grade shall include a review of all factors that: (1) Determine the grade and (2) are reported on the original or, in the case of a Board appeal inspection, the original or appeal inspection certificate.

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### § 868.61 How to request appeal inspection service.

(a) *General.* Requests shall be made with the field office responsible for the area in which the original service was performed. Requests for Board appeal inspections may be made with the Board of Appeals and Review or the field office that performed the appeal inspection. Verbal requests must be confirmed in writing, upon request, as specified in § 868.21. Copies of request forms may be obtained from the field office upon request. If at the time the request is made the documentation required by § 868.21 is not available, official personnel may, at their discretion, withhold service pending the receipt of the required documentation.

(b) *Request requirements.* (1) This subparagraph is applicable to rice inspection only. Except as may be agreed upon by the interested persons, the application shall be made: (i) Before the rice has left the place where the inspection being appealed was performed and

(ii) no later than the close of business on the second business day following the date of the inspection being appealed. However, the Administrator may extend the time requirement as deemed necessary.

(2) Subject to the limitations of paragraph (b)(3) of this section, the applicant may request that an appeal inspection be based on: (i) The file sample or (ii) a new sample. However, an appeal inspection shall be based on a new sample only if the lot can positively be identified by official personnel as the one that was previously inspected and the entire lot is available and accessible for sampling and inspection. Board appeals shall be on the basis of the file sample.

(3) An appeal inspection shall be limited to a review of the sampling procedure and an analysis of the file sample when, as a result of a previous inspection, the commodity was found to be contaminated with filth (other than insect fragments in nongraded processed products) or to contain a deleterious substance. If it is determined that the sampling procedures were improper, a new sample shall be obtained if the lot can be positively identified as the lot which was previously inspected and the entire lot is available and accessible for sampling and inspection.

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### § 868.62 Who shall perform appeal inspection service.

(a) *Appeal*. For graded commodities, the appeal inspection service shall be performed by the field office responsible for the area in which the original inspection was performed. For nongraded commodities, the appeal inspection service shall be performed by the Service's Commodity Testing Laboratory.

(b) *Board appeal*. Board appeal inspection service shall be performed only by the Board of Appeals and Review. The field office will act as a liaison between the Board of Appeals and Review and the applicant.

### § 868.63 Certificating appeal inspection results.

(a) *General*. An appeal inspection certificate shall be issued according to § 868.70 and instructions. Except as provided in paragraph (b)(2) of this section, only the results of the appeal inspection or Board appeal inspection service shall be shown on the appeal inspection certificate.

(b) *Required statements*. Each appeal inspection certificate shall show the statements required by this section, § 868.71, and instructions.

(1) Each appeal inspection certificate shall clearly show: (i) The term ''Appeal'' or ''Board Appeal'' and (ii) a statement identifying the superseded certificate. The superseded certificate shall be considered null and void as of the date of the appeal inspection or Board appeal inspection certificate.

(2) When the results for more than one kind of service are reported on a certificate, the appeal or Board appeal inspection certificate shall show a statement of which kind of service(s) results are based on the appeal or Board appeal inspection service and that all other results are those of the original inspection, retest inspection, or appeal inspection service.

(3) If the superseded certificate is in the custody of the Service, the superseded certificate shall be marked ''Void.'' If the superseded original inspection, retest inspection, or appeal inspection certificate is not in the custody of the Service at the time the appeal certificate is issued, a statement indicating that the superseded certificate has not been surrendered shall be shown on the appeal certificate.

(c) *Finality of Board appeal inspection*. A Board appeal inspection shall be the final appeal inspection service except that for nongraded commodities an appeal shall be the final appeal inspection.

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## OFFICIAL CERTIFICATES

### § 868.70 Official certificates; issuance and distribution.

(a) *Required issuance*. An inspection certificate shall be issued to show the

results of each kind and each level of inspection service.

(b) *Distribution*—(1) *Original.* The original and one copy of each inspection certificate shall be distributed to the applicant or the applicant's order. In addition, one copy of each inspection certificate shall be filed with the office providing the inspection; and, if the inspection is performed by a cooperator, one copy shall be forwarded to the appropriate field office. If requested by the applicant prior to issuance of the inspection certificate, additional copies not to exceed a total of three copies will be furnished at no extra charge.

(2) *Retest and appeal inspection service.* In addition to the distribution requirements in paragraph (b)(1) of this section, one copy of each retest or appeal inspection certificate will be distributed to each interested person of record or the interested person's order and to the cooperator or field office that issued the superseded certificate.

(3) *Additional copies.* Additional copies of certificates will be furnished to the applicant or interested person upon request. Fees for extra copies in excess of three may be assessed according to the fee schedules established by the cooperator or the Service.

(c) *Prompt issuance.* An inspection certificate shall be issued before the close of business on the business day following the date the inspection is completed.

(d) *Who may issue a certificate.* (1) *Authority.* Certificates for inspection services may be issued only by official personnel who are specifically authorized or licensed to perform and certify the results reported on the certificate.

(2) *Exception.* The person in the best position to know whether the service was performed in an approved manner and that the determinations are accurate and true should issue the certificate. If the inspection is performed by one person, the certificate should be issued by that person. If an inspection is performed by two or more persons, the certificate should be issued by the person who makes the majority of the determinations or the person who makes the final determination. Supervisory personnel may issue a certificate when the individual is licensed or authorized to perform the inspection being certificated.

(e) *Name requirement.* The name or the signature, or both, of the person who issued the inspection certificate shall be shown on the original and all copies of the certificate.

(f) *Authorization to affix names.* (1) *Requirements.* The names or the signatures, or both, of official personnel may be affixed to official certificates which are prepared from work records signed or initialed by the person whose name will be shown. The agent affixing the name or signature, or both, shall: (i) Be employed by a cooperating agency or the Service, (ii) have been designated to affix names or signatures, or both, and (iii) hold a power of attorney from the person whose name or signature, or both, will be affixed. The power of attorney shall be on file with the employing cooperating agency or the Service as appropriate.

(2) *Initialing.* When a name or signature, or both, is affixed by an authorized agent, the initials of the agent shall appear directly below or following the name or signature of the person.

(g) *Advance information.* Upon request, the contents of an official certificate may be furnished in advance to the applicant and any other interested person, or to their order, and any additional expense shall be borne by the requesting party.

(h) *Certification; when prohibited.* An official certificate shall not be issued for service after the request for an inspection service has been withdrawn or dismissed.

### § 868.71 Official certificate requirements.

Official certificates shall—

(a) Be on standard printed forms prescribed in the instructions;

(b) Be in English;

(c) Be typewritten or handwritten in ink and be clearly legible;

(d) Show the results of inspection services in a uniform, accurate, and concise manner;

(e) Show the information required by §§ 868.70–868.75; and

(f) Show only such other information and statements of fact as are provided

in the instructions authorized by the Administrator.

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### § 868.72 Certification of results.

(a) *General.* Each official certificate shall show the results of the inspection service.

(b) *Graded commodities.* Each official certificate for graded commodities shall show—

(1) The class, grade, or any other quality designation according to the official grade standards;

(2) All factor information requested by the applicant; and

(3) All grade determining factors for commodities graded below the highest quality grade.

### § 868.73 Corrected certificates.

(a) *General.* The accuracy of the statements and information shown on official certificates must be verified by the individual whose name or signature, or both, is shown on the official certificate or by the authorized agent who affixed the name or signature, or both. Errors found during this process shall be corrected according to this section.

(b) *Who may correct.* Only official personnel or their authorized agents may make corrections, erasures, additions, or other changes to official certificates.

(c) *Corrections prior to issuance.* No corrections, erasures, additions, or other changes shall be made which involve identification, quality, or quantity. If such errors are found, a new official certificate shall be prepared and issued and the incorrect certificate marked ''Void.'' Otherwise, errors may be corrected provided that—

(1) The corrections are neat and legible;

(2) Each correction is initialed by the individual who corrects the certificate; and

(3) The corrections and initials are shown on the original and all copies.

(d) *Corrections after issuance.* (1) *General.* If errors are found on an official certificate at any time up to a maximum of 1 year after issuance, the errors shall be corrected by obtaining the incorrect certificate and replacing it with a corrected certificate. When the incorrect certificate cannot be obtained, a corrected certificate can be issued superseding the incorrect one.

(2) *Certification requirements.* The same statements and information, including permissive statements, that were shown on the incorrect certificate, along with the correct statement or information, shall be shown on the corrected certificate. According to this section and the instructions, corrected certificates shall show—

(i) The terms ''Corrected Original'' and ''Corrected Copy,''

(ii) A statement identifying the superseded certificate and the corrections,

(iii) A statement indicating the superseded certificate was not surrendered when the incorrect certificate was not submitted; and

(iv) A new serial number.

In addition, the incorrect certificate shall be marked ''Void'' when submitted.

(e) *Limitations.* Corrected certificates cannot be issued for a certificate that has been superseded by another certificate or on the basis of a subsequent analysis for quality.

### § 868.74 Divided-lot certificates.

(a) *General.* When commodities are offered for inspection and are certificated as a single lot, the applicant may exchange the inspection certificate for two or more divided-lot certificates.

(b) *Application.* Requests for divided-lot certificates shall be made—

(1) In writing;

(2) By the applicant who made the initial request;

(3) To the office that issued the outstanding certificate;

(4) Within 5 business days of the outstanding certificate date; and

(5) Before the identity of the commodity has been lost.

(c) *Quantity restrictions.* Divided-lot certificates shall not show an aggregate quantity different than the total quantity shown on the superseded certificate.

(d) *Surrender of certificate.* The certificate that will be superseded shall—

(1) Be in the custody of the cooperator or the Service;

(2) Be marked ''Void,'' and

(3) Show the identification of the divided-lot certificates.

(e) *Certification requirements*. The same information and statements, including permissive statements, that were shown on the superseded certificate shall be shown on each divided-lot certificate. Divided-lot certificates shall show—

(1) A statement indicating the commodity was inspected as an undivided lot;

(2) The terms ''Divided-Lot Original,'' and the copies shall show ''Divided-Lot Copy;''

(3) The same serial number with numbered suffix (for example, 1764–1, 1764–2, 1764–3, and so forth); and

(4) The quantity specified by the request.

(f) *Issuance and distribution*. Divided-lot certificates shall be issued no later than the close of business on the next business day after the request and be distributed according to § 868.70(b).

(g) *Limitations*. After divided-lot certificates have been issued, further dividing or combining is prohibited except with the approval of the Service.

(Approved by the Office of Management and Budget under control number 0580–0012)

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

### § 868.75 Duplicate certificates.

Upon request, a duplicate certificate may be issued for a lost or destroyed official certificate.

(a) *Application*. Requests for duplicate certificates shall be filed—

(1) In writing;

(2) By the applicant who requested the service covered by the lost or destroyed certificate; and

(3) With the office that issued the initial certificate.

(b) *Certification requirements*. The same information and statements, including permissive statements, that were shown on the lost or destroyed certificate shall be shown on the duplicate certificate. Duplicate certificates shall show: (1) The terms ''Duplicate Original,'' and the copies shall show ''Duplicate Copy'' and (2) a statement that the certificate was issued in lieu of a lost or destroyed certificate.

(c) *Issuance*. Duplicate certificates shall be issued as promptly as possible and distributed according to § 868.70(b).

(d) *Limitations*. Duplicate certificates shall not be issued for certificates that have been superseded.

(Approved by the Office of Management and Budget under control number 0580–0012)

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

## LICENSED INSPECTORS, TECHNICIANS, AND SAMPLERS

### § 868.80 Who may be licensed.

(a) *Inspectors*. The Administrator may license any person to inspect commodities and to perform related services if the individual—

(1) Is employed by a cooperator, is a contractor, or is employed by a contractor;

(2) Possesses the qualifications prescribed in the instructions; and

(3) Has no interest, financial or otherwise, direct or indirect in merchandising, handling, storing, or processing the kind of commodities or related products to be inspected.

The Administrator may require applicants to be examined for competency at a specific time and place and in a prescribed manner.

(b) *Technicians or samplers*. The Administrator may license any person as a technician to perform official specified laboratory functions, including sampling duties and related services, or as a sampler to draw samples of commodities and perform related services if the individual: (1) Possesses proper qualifications as prescribed in the instructions and (2) has no interest, financial or otherwise direct or indirect in merchandising, handling, storing, or processing the kind of commodities or related products to be chemically analyzed, mechanically tested, sampled, and so forth. The Administrator may require applicants to be examined for competency at a specific time and place and in a prescribed manner.

(Approved by the Office of Management and Budget under control number 0580–0012)

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, Mar. 30, 1995; 63 FR 29531, June 1, 1998]

### § 868.81 Licensing procedures.

(a) *Application.* An application for a license, the renewal of a license, or the return of a suspended license shall be submitted to the Service on forms furnished by the Service. Each application shall be in English, be typewritten or legibly written in ink, show all information prescribed by the application form, and be signed by the applicant.

(b) *Examinations and reexaminations.* Applicants for a license and individuals who are licensed to perform any or all inspection services shall, at the discretion of the Service, submit to examinations or reexaminations to determine their competency to perform the inspection functions for which they desire to be or are licensed.

(c) *Termination.* (1) *Procedure.* Each license shall terminate according to the termination date shown on the license and as specified by the schedule in this paragraph. The termination date for a license shall be no less than 3 years or more than 4 years after the issuance date for the initial license; thereafter, every 3 years. Upon request of a licensee and for good cause shown, the termination date may be advanced or delayed by the Administrator for a period not to exceed 60 days.

TERMINATION SCHEDULE

| Last name beginning with | Termination date |
|---|---|
| A | January. |
| B | February. |
| C, D | March. |
| E, F, G | April. |
| H, I, J | May. |
| K, L | June. |
| M | July. |
| N, O, P, Q | August. |
| R | September. |
| S, T, U, V | October. |
| W | November. |
| X, Y, Z | December. |

The Service shall issue a termination notice 60 days before the termination date. The notice shall give detailed instructions for requesting renewal of license, state whether a reexamination is required, and, if a reexamination is required, give the scope of the examination. Failure to receive a notice from the Service shall not exempt a licensee from the responsibility of having the license renewed by the termination date.

(2) *Exception.* The license of an individual under contract with the Service shall terminate upon termination of the contract.

(d) *Surrender of license.* Each license that is terminated or which is suspended or revoked under § 868.84 shall be promptly surrendered to the Administrator or other official of the Service designated by the Administrator.

(Approved by the Office of Management and Budget under control number 0580–0012)

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

### § 868.82 Voluntary cancellation or suspension of license.

Upon request by a licensee, the Service may cancel a license or suspend a license for a period of time not to exceed 1 year. A license that has been voluntarily suspended shall be returned by the Service upon request by the licensee within 1 year, subject to the provisions of § 868.81(a) and (b); a license that has been cancelled shall be considered void and shall not be subject to return or renewal.

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

### § 868.83 Automatic suspension of license by change in employment.

A license issued to an individual shall be automatically suspended when the individual ceases to be employed by the cooperator. If the individual is reemployed by the cooperator or employed by another cooperator within 1 year of the suspension date and the license has not terminated in the interim, upon request of the licensee, the license will be reinstated subject to the provisions of § 868.81(a) and (b).

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

### § 868.84 Suspension or revocation of license.

(a) *General.* (1) An inspector's, technician's, or sampler's license may be suspended or revoked if the licensee: (i) Willfully, carelessly, or through incompetence fails to perform the duties specified in the Act, regulations, standards, or the instructions or (ii) becomes incapable of performing required duties.

(2) A license may not be suspended or revoked until the individual: (i) Has been served notice, in person or by registered mail, that suspension or revocation of the license is under consideration for reasons set out in the notice and (ii) has been given an opportunity for a hearing.

(b) *Procedure for summary action.* In cases where the public health, interest, or safety require, the Administrator may summarily suspend an inspector's, technician's, or sampler's license without prior hearing. In such cases, the licensee shall be advised of the factors which appear to warrant suspension or revocation of the license. The licensee shall be accorded an opportunity for a hearing before the license is finally suspended or revoked.

(c) *Procedures for other than summary action.* Except in cases of willfulness or those described in paragraph (b) of this section, the Administrator, before instituting proceedings for the suspension or revocation of a license, shall provide the licensee an opportunity to demonstrate or achieve compliance with the Act, regulations, standards, and instructions. If the licensee does not demonstrate or achieve compliance, the Administrator may institute proceedings to suspend or revoke the license.

(The information collection requirements contained in paragraph (c) have been approved by the Office of Management and Budget under control number 0580–0012)

FEES

## § 868.90 Fees for certain Federal inspection services.

(a) The fees shown in table 1 apply to Federal Commodity Inspection Services specified below.

TABLE 1—HOURLY RATES [1, 3]

[Fees for Inspection of Commodities Other Than Rice]

| | |
|---|---|
| Hourly Rates (per service representative): | |
| Monday to Friday —$33.00 | |
| Saturday, Sunday, and Holidays—$42.80 | |
| Miscellaneous Processed Commodities [2]: | |
| (1) Additional Tests (cost per test, assessed in addition to the hourly rate): | |
| (i) Aflatoxin Test (Thin Layer Chromatography) | $51.40 |
| (ii) Falling Number | $12.00 |
| (iii) Aflatoxin Test Kit | $7.50 |
| Graded Commodities (Beans, Peas, Lentils, Hops, and Pulses): | |
| (1) Additional Tests—Unit Rates (Beans, Peas, Lentils): | |
| (i) Field run (per lot or sample) | $22.70 |
| (ii) Other than field run (per lot or sample) | $13.50 |
| (iii) Factor analysis (per factor) | $5.50 |
| (2) Additional Tests—Unit Rates (Hops): | |
| (i) Lot or sample (per lot or sample) | $29.00 |
| (3) Additional Tests—Unit Rates (Nongraded Nonprocessed Commodities): | |
| (i) Factor analysis (per factor) | $5.50 |
| (4) Stowage examination (service-on- request) [4] | |
| (i) Ship (per stowage space) | § 50.00 (minimum $250 per ship) |
| (ii) Subsequent ship examinations (same as original) | (minimum $150 per ship) |
| (iii) Barge (per examination) | $40.00 |
| (iv) All other carriers (per examination) | $15.00 |

[1] Fees for original commodity inspection and appeal inspection services include, but are not limited to, sampling, grading, weighing, stowage examinations, pre-inspection conferences, sanitation inspections, and other services requested by the applicant and that are performed within 25 miles of the field office. Travel and related expenses (commercial transportation costs, mileage, and per diem) will be assessed in addition to the hourly rate for service beyond the 25-mile limit. Refer to § 868.92, Explanation of service fees and additional fees, for all other service fees except travel and per diem.

[2] When performed at a location other than the Commodity Testing Laboratory.

[3] Faxed and extra copies of certificates will be charged at $1.50 per copy.

[4] If performed outside of normal business, 1½ times the applicable unit fee will be charged.

(b) In addition to the fees, if any, for sampling or other requested service, a fee will be assessed for each laboratory test (original, retest, or appeal) listed in table 2 of this section.

(c) If a requested test is to be reported on a specified moisture basis, a fee for a moisture test will also be assessed.

(d) Laboratory tests referenced in table 2 of this section will be charged at the applicable laboratory fee when performed at field locations other than at the applicant's facility.

TABLE 2—FEES FOR LABORATORY TEST SERVICES [1]

| Laboratory tests | Fees |
|---|---|
| (1) Alpha monoglycerides | $18.00 |
| (2) Aflatoxin test (other than TLC or Minicolumn method) | 22.50 |
| (3) Aflatoxin (TLC) | 48.00 |
| (4) Aflatoxin (Minicolumn method) | 25.00 |
| (5) Appearance & odor | 3.00 |
| (6) Ash | 8.50 |
| (7) Bacteria count | 10.00 |
| (8) Baking test (cookies) | 28.00 |
| (9) Bostwick (cooked) | 12.60 |
| (10) Bostwick (uncooked/cook test/dispersibility) | 6.50 |
| (11) Brix | 8.00 |
| (12) Calcium | 12.50 |
| (13) Carotenoid color | 12.50 |
| (14) Cold test (oil) | 10.00 |
| (15) Color test (syrups) | 6.50 |
| (16) Cooking test (other than corn soy blend) | 7.00 |
| (17) Crude fat | 10.00 |
| (18) Crude fiber | 13.00 |
| (19) Dough handling (baking) | 8.50 |
| (20) E. coli | 19.00 |
| (21) Falling number | 12.00 |
| (22) Fat (acid hydrolysis) | 14.00 |
| (23) Fat stability (A.O.M.) | 27.00 |
| (24) Flash point (open & close cup) | 14.00 |
| (25) Free fatty acid | 12.00 |
| (26) Hydrogen ion activity (ph) | 9.50 |
| (27) Iron enrichment | 15.00 |
| (28) Iodine number/value | 9.50 |
| (29) Linolenic acid (fatty acid profile) | 50.00 |
| (30) Lipid phosphorous | 47.00 |
| (31) Livibond color | 10.00 |
| (32) Margarine (nonfat solids) | 23.60 |
| (33) Moisture | 6.00 |
| (34) Moisture average (crackers) | 4.00 |
| (35) Moisture & volatile matter | 8.50 |
| (36) Performance test (prepared bakery mix) | 32.00 |
| (37) Peroxide value | 13.50 |
| (38) Phosphorus | 14.00 |
| (39) Popcorn kernels (total defects) | 19.00 |
| (40) Popping ratio/value popcorn | 19.00 |
| (41) Potassium bromate | 20.00 |
| (42) Protein | 7.50 |
| (43) Rope spore count | 31.50 |

TABLE 2—FEES FOR LABORATORY TEST SERVICES [1]—Continued

| Laboratory tests | Fees |
|---|---|
| (44) Salmonella | 40.00 |
| (45) Salt or sodium content | 12.50 |
| (46) Sanitation (filth light) | 24.00 |
| (47) Sieve test | 5.00 |
| (48) Smoke point | 22.00 |
| (49) Solid fat index | 85.00 |
| (50) Specific volume (bread) | 21.80 |
| (51) Staphylococcus aureus | 24.50 |
| (52) Texture | 6.50 |
| (53) Tilletia controversa kuhn (TCK) (Qualitative) | 25.20 |
| (54) Tilletia controversa kuhn (TCK) (Quantitative) | 76.00 |
| (55) Unsaponifiable matter | 25.00 |
| (56) Urease activity | 12.50 |
| (57) Visual exam (hops pellet) | 7.50 |
| (58) Visual exam (insoluable impurities oils & shortenings) | 5.00 |
| (59) Visual exam (pasta) | 10.50 |
| (60) Visual exam (processed grain products) | 12.00 |
| (61) Visual exam (total foreign material other than cereal grains) | 6.50 |
| (62) Vitamin enrichment | 7.00 |
| (63) Vomitoxin (TLC) | 40.00 |
| (64) Vomitoxin (Qualitative) | 30.00 |
| (65) Vomitoxin (Quantitative) | 40.00 |
| (66) Water activity | 20.00 |
| (67) Wiley melting point | 12.50 |
| (68) Other laboratory tests | [2] |

[1] When laboratory test service is provided for GIPSA by a private laboratory, the applicant will be assessed a fee which, as nearly as practicable, covers the costs to GIPSA for the service provided.

[2] Fees for other laboratory tests not referenced in this table will be based on the applicable hourly rate listed in table 1 of this section.

[61 FR 66535, Dec. 18, 1996]

## § 868.91 Fees for certain Federal rice inspection services.

The fees shown in Tables 1 and 2 apply to Federal rice inspection services.

TABLE 1.—HOURLY RATES/UNIT RATE PER CWT

[Fees for Federal Rice Inspection Services]

| Service [1] | Regular workday (Monday-Saturday) | Nonregular workday (Sunday-Holiday) |
|---|---|---|
| Contract (per hour per Service representative) | $42.80 | $59.60 |
| Noncontract (per hour per Service representative) | 52.40 | 72.40 |
| Export Port Services (per hundredweight) [2] | .052 | .052 |

[1] Original and appeal inspection services include: Sampling, grading, weighing, and other services requested by the applicant when performed at the applicant's facility.

[2] Services performed at export port locations on lots at rest.

TABLE 2.—UNIT RATES

| Service [1, 3] | Rough rice | Brown rice for processing | Milled rice |
|---|---|---|---|
| Inspection for quality (per lot, sublot, or sample inspection) | $34.50 | $29.80 | $21.20 |
| Factor analysis for any single factor (per factor): | | | |
| (a) Milling yield (per sample) | 26.75 | 26.75 | — |
| (b) All other factors (per factor) | 12.70 | 12.70 | 12.70 |

TABLE 2.—UNIT RATES—Continued

| Service [1, 3] | Rough rice | Brown rice for processing | Milled rice |
|---|---|---|---|
| Total oil and free fatty acid | — | 42.00 | 42.00 |
| Interpretive line samples: [2] | | | |
| (a) Milling degree (per set) | — | — | 89.20 |
| (b) Parboiled light (per sample) | — | — | 22.35 |
| Extra copies of certificates (per copy) | 3.00 | 3.00 | 3.00 |

[1] Fees apply to determinations (original or appeals) for kind, class, grade, factor analysis, equal to type, milling yield, or any other quality designation as defined in the U.S. Standards for Rice or applicable instructions, whether performed singly or in combination at other than at the applicant's facility.

[2] Interpretive line samples may be purchased from the U.S. Department of Agriculture, GIPSA, FGIS, Technical Services Division, 10383 North Executive Hills Boulevard, Kansas City, Missouri 64153–1394. Interpretive line samples also are available for examination at selected FGIS field offices. A list of field offices may be obtained from the Director, Field Management Division, USDA, GIPSA, FGIS, 1400 Independence Avenue, SW, STOP 3630, Washington, DC 20250–3630. The interpretive line samples illustrate the lower limit for milling degrees only and the color limit for the factor ''Parboiled Light'' rice.

[3] Fees for other services not referenced in table 2 will be based on the noncontract hourly rate listed in § 868.90, table 1.

[65 FR 16788, Mar. 30, 2000]

## § 868.92 Explanation of service fees and additional fees.

(a) *Costs included in the fees.* Fees for official services in §§ 868.90 and 868.91 include—

(1) The cost of performing the service and related supervision and administrative costs;

(2) The cost of per diem, subsistence, mileage, or commercial transportation to perform the service for rice inspection only in § 868.91, table 1. See § 868.90, table 1, footnote 1, for fees for inspection of commodities other than rice.

(3) The cost of first-class mail service;

(4) The cost of overtime and premium pay; and

(5) The cost of certification except as provided in § 868.92(c).

(b) *Computing hourly rates.* Hourly fees will be assessed in quarter hour increments for—

(1) Travel from the FGIS field office or assigned duty location to the service point and return; and

(2) The performance of the requested service, less mealtime.

(c) *Additional fees.* Fees in addition to the applicable hourly or unit fee will be assessed when—

(1) An applicant requests more than the original and three copies of a certificate;

(2) An applicant requests onsite typing of certificates or typing of certificates at the FGIS field office during other than normal working hours; and

(3) An applicant requests the use of express-type mail or courier service.

(d) *Application of fees when service is delayed by the applicant.* Hourly fees will be assessed when—

(1) Service has been requested at a specified location;

(2) A Service representative is on duty and ready to provide service but is unable to do so because of a delay not caused by the Service; and

(3) FGIS officials determine that the Service representative(s) cannot be utilized elsewhere or cannot be released without cost to the Service.

(e) *Application of fees when an application for service is withdrawn or dismissed.* Hourly fees will be assessed to the applicant for the scheduled service if the request is withdrawn or dismissed after the Service representative departs for the service point or if the request for service is not withdrawn or dismissed by 2 p.m. of the business day preceding the date of scheduled service. However, hourly fees will not be assessed to the applicant if FGIS officials determine that the Service representative can be utilized elsewhere or if the Service representative can be released without cost to the Service.

(f) *To whom fees are assessed.* Fees for official services including additional fees as provided in § 868.92(c) shall be assessed to and paid by the applicant for the Service.

(g) *Advance payment.* As necessary, the Administrator may require that fees shall be paid in advance of the performance of the requested service. Any fees paid in excess of the amount due shall be used to offset future billings,

unless a request for a refund is made by the applicant.

(h) *Time and form of payment.* (1) *Fees for Federal inspection service.* Bills for fees assessed under the regulations for official services performed by FGIS shall be paid by check, draft, or money order, payable to U.S. Department of Agriculture, Federal Grain Inspection Service.

(2) *Fees for cooperator inspection service.* Fees for inspection services provided by a cooperator shall be paid by the applicant to the cooperator in accordance with the cooperator's fee schedule.

[53 FR 3722, Feb. 9, 1988. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995; 61 FR 66536, Dec. 18, 1996]

## Subpart B—Marketing Standards

SOURCE: 62 FR 6706, Feb. 13, 1997, unless otherwise noted.

### § 868.101 General information.

The Grain Inspection, Packers and Stockyards Administration (GIPSA) of the U.S. Department of Agriculture (USDA) facilitates the fair and efficient marketing of agricultural products by maintaining voluntary grade standards for Beans, Whole Dry Peas, Split Peas, and Lentils, which provide a uniform language for describing the quality of these commodities in the marketplace. These standards may cover (but are not limited to) terms, classes, quality levels, performance criteria, and inspection requirements. Procedures contained in this part set forth the process which GIPSA will follow in developing, issuing, revising, suspending, or terminating the U.S. standards for Beans, Whole Dry Peas, Split Peas, and Lentils. Communications about GIPSA standards in general should be addressed to the Administrator, GIPSA, USDA, 1400 Independence Avenue, S.W., Washington, D.C. 20250–3601.

### § 868.102 Procedures for establishing and revising grade standards.

(a) GIPSA will develop, revise, suspend, or terminate grade standards if it determines that such action is in the public interest. GIPSA encourages interested parties to participate in the review, development, and revision of grade standards. Interested parties include growers, producers, processors, shippers, distributors, consumers, trade associations, companies, and State or Federal agencies. Such persons may at any time recommend that GIPSA develop, revise, suspend, or terminate a grade standard. Requests for action should be in writing, and should be accompanied by a draft of the suggested change, as appropriate.

(b) GIPSA will:

(1) Determine the need for new or revised standards;

(2) Collect technical, marketing, or other appropriate data;

(3) Conduct research regarding new or revised standards, as appropriate; and

(4) Draft the proposed standards.

(c) If GIPSA determines that new standards are needed, existing standards need to be revised, or the suspension or termination of existing standards is justified, GIPSA will undertake the action with input from interested parties.

### § 868.103 Public notification of grade standards action.

(a) After developing a standardization proposal, GIPSA will publish a notice in the FEDERAL REGISTER proposing new or revised standards or suspending or terminating existing standards. The notice will provide a sufficient comment period for interested parties to submit comments.

(b) GIPSA will simultaneously issue a news release about these actions, notifying the affected industry and general public. GIPSA will also distribute copies of proposals to anyone requesting a copy or to anyone it believes may be interested, including other Federal, State, or local government agencies.

(c) All comments received within the comment period will be made part of the public record maintained by GIPSA, will be available to the public for review, and will be considered by GIPSA before final action is taken on the proposal.

(d) Based on the comments received, GIPSA's knowledge of standards, grading, marketing, and other technical factors, and any other relevant information, GIPSA will decide whether the

proposed actions should be implemented.

(e) If GIPSA concludes that the changes as proposed or with appropriate modifications should be adopted, GIPSA will publish the final changes in the FEDERAL REGISTER as a final notice. GIPSA will make the grade standards and related information available in printed form and electronic media.

(f) If GIPSA determines that proposed changes are not warranted, or otherwise are not in the public interest, GIPSA will either publish in the FEDERAL REGISTER a notice withdrawing the proposal, or will revise the proposal and again seek public input.

## Subpart C—United States Standards for Rough Rice

NOTE TO THE SUBPART: Compliance with the provisions of these standards does not excuse failure to comply with the provisions of the Federal Food, Drug, and Cosmetic Act, or other Federal laws.

SOURCE: 42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, unless otherwise noted.

TERMS DEFINED

### § 868.201 Definition of rough rice.

Rice (*Oryza sativa* L.) which consists of 50 percent or more of paddy kernels (see § 868.202(i)) of rice.

[34 FR 7863, May 17, 1969. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

### § 868.202 Definition of other terms.

For the purposes of these standards, the following terms shall have the meanings stated below:

(a) *Broken kernels*. Kernels of rice which are less than three-fourths of whole kernels.

(b) *Chalky kernels*. Whole or large broken kernels of rice which are one-half or more chalky.

(c) *Classes*. The following four classes:

Long Grain Rough Rice
Medium Grain Rough Rice
Short Grain Rough Rice
Mixed Rough Rice

Classes shall be based on the percentage of whole kernels, large broken kernels, and types of rice.

(1) ''Long grain rough rice'' shall consist of rough rice which contains more than 25 percent of whole kernels and which after milling to a well-milled degree, contains not more than 10 percent of whole or broken kernels of medium or short grain rice.

(2) ''Medium grain rough rice'' shall consist of rough rice which contains more than 25 percent of whole kernels and which after milling to a well-milled degree, contains not more than 10 percent of whole or large broken kernels of long grain rice or whole kernels of short grain rice.

(3) ''Short grain rough rice'' shall consist of rough rice which contains more than 25 percent of whole kernels and which, after milling to a well-milled degree, contains not more than 10 percent of whole or large broken kernels of long grain rice or whole kernels of medium grain rice.

(4) ''Mixed rough rice'' shall consist of rough rice which contains more than 25 percent of whole kernels and which, after milling to a well-milled degree, contains more than 10 percent of ''other types'' as defined in paragraph (h) of this section.

(d) *Damaged kernels*. Whole or broken kernels of rice which are distinctly discolored or damaged by water, insects, heat, or any other means, and whole or large broken kernels of parboiled rice in non-parboiled rice. ''Heat-damaged kernels'' (see paragraph (e) of this section) shall not function as damaged kernels.

(e) *Heat-damaged kernels*. Whole or large broken kernels of rice which are materially discolored and damaged as a result of heating, and whole or large broken kernels of parboiled rice in non-parboiled rice which are as dark as, or darker in color than, the interpretive line for heat-damaged kernels.

(f) *Milling yield*. An estimate of the quantity of whole kernels and total milled rice (whole and broken kernels combined) that are produced in the milling of rough rice to a well-milled degree.

(g) *Objectionable seeds*. Seeds other than rice, except seeds of *Echinochloa crusgalli* (commonly known as barnyard grass, watergrass, and Japanese millet).

(h) *Other types*. (1) Whole kernels of: (i) Long grain rice in medium or short grain rice, (ii) medium grain rice in long or short grain rice, (iii) short

grain rice in long or medium grain rice, and (2) Large broken kernels of long grain rice in medium or short grain rice and large broken kernels of medium or short grain rice in long grain rice.

NOTE: Broken kernels of medium grain rice in short grain rice and large broken kernels of short grain rice in medium grain rice shall not be considered other types.

(i) *Paddy kernels*. Whole or broken unhulled kernels of rice.

(j) *Red rice*. Whole or large broken kernels of rice on which there is an appreciable amount of red bran.

(k) *Seeds*. Whole or broken seeds of any plant other than rice.

(l) *Smutty kernels*. Whole or broken kernels of rice which are distinctly infected by smut.

(m) *Types of rice*. The following three types:

Long grain
Medium grain
Short grain

Types shall be based on the length–width ratio of kernels of rice that are unbroken and the width, thickness, and shape of kernels of rice that are broken as prescribed in FGIS instructions.

(n) *Ungelatinized kernels*. Whole or large broken kernels of parboiled rice with distinct white or chalky areas due to incomplete gelatinization of the starch.

(o) *Whole and large broken kernels*. Rice (including seeds) that (1) passes over a 6 plate (for southern production), or (2) remains on top of a 6 sieve (for western production).

(p) *Whole kernels*. Unbroken kernels of rice and broken kernels of rice which are at least three-fourths of an unbroken kernel.

(q) *6 sieve*. A metal sieve 0.032-inch thick, perforated with rows of round holes 0.0938 (6/64) inch in diameter.

(r) *6 plate*. A laminated metal plate 0.142-inch thick, with a top lamina 0.051-inch thick, perforated with rows of round holes 0.0938 (6/64) inch in diameter, and a bottom lamina 0.091-inch thick, without perforations.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, May 18, 1989; 54 FR 51344, Dec. 14, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

PRINCIPLES GOVERNING APPLICATION OF STANDARDS

### § 868.203 Basis of determination.

The determination of seeds, objectionable seeds, heat-damaged kernels, red rice and damaged kernels, chalky kernels, other types, color, and the special grade Parboiled rough rice shall be on the basis of the whole and large broken kernels of milled rice that are produced in the milling of rough rice to a well-milled degree. When determining class, the percentage of (a) whole kernels of rough rice shall be determined on the basis of the original sample, and (b) types of rice shall be determined on the basis of the whole and large broken kernels of milled rice that are produced in the milling of rough rice to a well-milled degree. Smutty kernels shall be determined on the basis of the rough rice after it has been cleaned and shelled as prescribed in FGIS instructions, or by any method that is approved by the Administrator as giving equivalent results. All other determinations shall be on the basis of the original sample. Mechanical sizing of kernels shall be adjusted by handpicking as prescribed in FGIS instructions, or by any method that is approved by the Administrator as giving equivalent results.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.204 Interpretive line samples.

Interpretive line samples showing the official scoring line for factors that are determined by visual examinations shall be maintained by the Federal Grain Inspection Service, U.S. Department of Agriculture, and shall be available for reference in all inspection offices that inspect and grade rice.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982. Redesignated at 54 FR 21403, May 18, 1989, and 60 FR 16364, Mar. 30, 1995]

### § 868.205 Milling requirements.

In determining milling yield (see § 868.202(f)) in rough rice, the degree of milling shall be equal to, or better

than, that of the interpretive line sample for ''well-milled'' rice.

[42 FR 40869, Aug. 12, 1977. Redesignated at 54 FR 21413, May 18, 1989. Further redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

### § 868.206 Milling yield determination.

Milling yield shall be determined by the use of an approved device in accordance with procedures prescribed in FGIS instructions. For the purpose of this paragraph, ''approved device'' shall include the McGill Miller No. 3 and any other equipment that is approved by the Administrator as giving equivalent results.

NOTE: Milling yield shall not be determined when the moisture content of the rough rice exceeds 18.0 percent.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; Redesignated and amended at 54 FR 21403, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.207 Moisture.

Water content in rough rice as determined by an approved device in accordance with procedures prescribed in the FGIS instructions. For the purpose of this paragraph, ''approved device'' shall include the Motomco Moisture Meter and any other equipment that is approved by the Administrator as giving equivalent results.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982. Redesignated at 54 FR 21403, May 18, 1989; 54 FR 51344, Dec. 14, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.208 Percentages.

(a) *Rounding*. Percentages are determined on the basis of weight and are rounded as follows:

(1) When the figure to be rounded is followed by a figure greater than or equal to 5, round to the next higher figure; e.g., report 6.36 as 6.4, 0.35 as 0.4, and 2.45 as 2.5.

(2) When the figure to be rounded is followed by a figure less than 5, retain the figure; e.g., report 8.34 as 8.3 and 1.22 as 1.2.

(b) *Recording*. All percentages, except for milling yield, are stated in whole and tenth percent to the nearest tenth percent. Milling yield is stated to the nearest whole percent.

[54 FR 21403, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.209 Information.

Requests for the Rice Inspection Handbook, Equipment Handbook, or for information concerning approved devices and procedures, criteria for approved devices, and requests for approval of devices should be directed to the U.S. Department of Agriculture, Federal Grain Inspection Service, P.O. Box 96454, Washington, DC 20090–6454, or any field office or cooperator.

[54 FR 21404, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

GRADES, GRADE REQUIREMENTS, AND GRADE DESIGNATIONS

## § 868.210 Grades and grade requirements for the classes of Rough Rice. (See also § 868.212.)

| Grade | Maximum limits of— | | | | | | | Color requirements [1] (minimum) |
|---|---|---|---|---|---|---|---|---|
| | Seeds and heat-damaged kernels | | | Red rice and damaged kernels (singly or combined) (Percent) | Chalky kernels [1 2] | | Other types [3] (Percent) | |
| | Total (singly or combined) (Number in 500 grams) | Heat-damaged kernels and objectionable seeds (singly or combined) (Number in 500 grams) | Heat-damaged kernels (Number in 500 grams) | | In long grain rice (Percent) | In medium or short grain rice (Percent) | | |
| U.S. No. 1 | 4 | 3 | 1 | 0.5 | 1.0 | 2.0 | 1.0 | Shall be white or creamy. |
| U.S. No. 2 | 7 | 5 | 2 | 1.5 | 2.0 | 4.0 | 2.0 | May be slightly gray. |
| U.S. No. 3 | 10 | 8 | 5 | 2.5 | 4.0 | 6.0 | 3.0 | May be light gray. |
| U.S. No. 4 | 27 | 22 | 15 | 4.0 | 6.0 | 8.0 | 5.0 | May be gray or slight rosy. |
| U.S. No. 5 | 37 | 32 | 25 | 6.0 | 10.0 | 10.0 | 10.0 | May be dark gray or rosy. |
| U.S. No. 6 | 75 | 75 | 75 | [4] 15.0 | 15.0 | 15.0 | 10.0 | May be dark gray or rosy. |
| U.S. Sample grade | U.S. Sample grade shall be rough rice which: (a) does not meet the requirements for any of the grades from U.S. No. 1 to U.S. No. 6, inclusive; (b) contains more than 14.0 percent of moisture; (c) is musty, or sour, or heating; (d) has any commercially objectionable foreign odor; or (e) is otherwise of distinctly low quality. | | | | | | | |

[1] For the special grade Parboiled rough rice, see § 868.212(b).
[2] For the special grade Glutinous rough rice, see § 868.212(d).
[3] These limits do not apply to the class Mixed Rough Rice.
[4] Rice in grade U.S. No. 6 shall contain not more than 6.0 percent of damaged kernels.

[56 FR 55978, Oct. 31, 1991. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

## § 868.211 Grade designation.

(a) The grade designation for all classes of rough rice, except Mixed Rough Rice, shall include in the following order: (1) The letters ''U.S.''; (2) the number of the grade or the words ''Sample grade,'' as warranted; (3) the words ''or better'' when applicable and requested by the applicant prior to inspection; (4) the class; (5) each applicable special grade (see § 868.213); and (6) a statement of the milling yield.

(b) The grade designation for the class Mixed Rough Rice shall include, in the following order: (1) The letters ''U.S.''; (2) the number of the grade or the words ''Sample grade,'' as warranted; (3) the words ''or better,'' when applicable and requested by the applicant prior to inspection; (4) the class; (5) each applicable special grade (see § 868.213); (6) the percentage of whole kernels of each type in the order of predominance; (7) the percentage of large broken kernels of each type in the order of predominance; (8) the percent of material removed by the No. 6 sieve or the No. 6 sizing plate; (9) when applicable, the percentage of seeds; and (10) a statement of the milling yield.

NOTE: Large broken kernels other than long grain, in Mixed Rough Rice, shall be certificated as ''medium or short grain.''

[42 FR 40869, Aug. 12, 1977, as amended at 54 FR 51344, Dec. 14, 1989. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

SPECIAL GRADES, SPECIAL GRADE REQUIREMENTS, AND SPECIAL GRADE DESIGNATIONS

### § 868.212 Special grades and requirements.

A special grade, when applicable, is supplemental to the grade assigned under § 868.210. Such special grades for rough rice are established and determined as follows:

(a) *Infested rough rice.* Tolerances for live insects for infested rough rice are defined according to sampling designations as follows:

(1) *Representative sample.* The representative sample consists of the work portion, and the file sample if needed and when available. The rough rice (except when examined according to paragraph (a)(3) of this section will be considered infested if the representative sample contains two or more live weevils, or one live weevil and one or more other live insects injurious to stored rice or five or more other live insects injurious to stored rice.

(2) *Lot as a whole (stationary).* The lot as a whole is considered infested when two or more live weevils, or one live weevil and one or more other live insects injurious to stored rice, or five or more other live insects injurious to stored rice, or 15 or more live Angoumois moths or other live moths injurious to stored rice are found in, on, or about the lot.

(3) *Sample as a whole during continuous loading/unloading.* The minimum sample size for rice being sampled during continuous loading/unloading is 500 grams per each 100,000 pounds of rice. The sample as a whole is considered infested when a component (as defined in FGIS instructions) contains two or more live weevils, or one live weevil and one or more other live insects injurious to stored rice, or five or more other live insects injurious to stored rice.

(b) *Parboiled rough rice.* Parboiled rough rice shall be rough rice in which the starch has been gelatinized by soaking, steaming, and drying. Grades U.S. No. 1 to U.S. No. 6 inclusive, shall contain not more than 10.0 percent of ungelatinized kernels. Grades U.S. No. 1 and U.S. No. 2 shall contain not more than 0.1 percent, grades U.S. No. 3 and U.S. No. 4 not more than 0.2 percent, and grades U.S. No. 5 and U.S. No. 6 not more than 0.5 percent of nonparboiled rice. If the rice is: (1) Not distinctly colored by the parboiling process, it shall be considered ''Parboiled Light''; (2) distinctly but not materially colored by the parboiling process, it shall be considered ''Parboiled''; (3) materially colored by the parboiling process, it shall be considered ''Parboiled Dark.'' The color levels for ''Parboiled Light,'' ''Parboiled,'' and ''Parboiled Dark'' rice shall be in accordance with the interpretive line samples for parboiled rice.

NOTE: The maximum limits for ''Chalky kernels,'' ''Heat-damaged kernels,'' ''Kernels damaged by heat,'' and the ''Color requirements'' shown in § 868.210 are not applicable to the special grade ''Parboiled rough rice.''

(c) *Smutty rough rice.* Smutty rough rice shall be rough rice which contains more than 3.0 percent of smutty kernels.

(d) *Glutinous rough rice.* Glutinous rough rice shall be special varieties of rice (Oryza sativa L. glutinosa) which contain more than 50 percent chalky kernels. Grade U.S. No. 1 shall contain not more than 1.0 percent of nonchalky kernels, grade U.S. No. 2 not more than 2.0 percent of nonchalky kernels, grade U.S. No. 3 not more than 4.0 percent of nonchalky kernels, grade U.S. No. 4 not more than 6.0 percent of nonchalky kernels, grade U.S. No. 5 not more than 10.0 percent of nonchalky kernels, and grade U.S. No. 6 not more than 15.0 percent of nonchalky kernels.

NOTE: The maximum limits for ''Chalky kernels'' in § 868.210 are not applicable to the special grade ''Glutinous rough rice.''

(e) *Aromatic rough rice.* Aromatic rough rice shall be special varieties of rice (Oryza sativa L. scented) that have a distinctive and characteristic aroma; e.g., basmati and jasmine rice.

[42 FR 40869, Aug. 12, 1977, as amended at 54 FR 21406, May 18, 1989; 56 FR 55978, Oct. 31, 1991; 58 FR 68016, Dec. 23, 1993. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

### § 868.213 Special grade designation.

The grade designation for infested, parboiled, smutty, glutinous, or aromatic rough rice shall include, following the class, the word(s) ''Infested,'' ''Parboiled Light,'' ''Parboiled,'' ''Parboiled Dark,'' ''Smutty,'' ''Glutinous,'' or ''Aromatic,'' as warranted, and all other information prescribed in § 868.211.

[58 FR 68016, Dec. 23, 1993. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

## Subpart D—United States Standards for Brown Rice for Processing

NOTE TO THE SUBPART: Compliance with the provisions of these standards does not excuse failure to comply with the provisions of the Federal Food, Drug, and Cosmetic Act, or other Federal laws.

SOURCE: 42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, unless otherwise noted. Redesignated at 60 FR 16364, Mar. 30, 1995.

TERMS DEFINED

### § 868.251 Definition of brown rice for processing.

Rice (*Oryza sativa* L.) which consists of more than 50.0 percent of kernels of brown rice, and which is intended for processing to milled rice.

### § 868.252 Definition of other terms.

For the purposes of these standards, the following terms shall have the meanings stated below:

(a) *Broken kernels*. Kernels of rice which are less than three-fourths of whole kernels.

(b) *Brown rice*. Whole or broken kernels of rice from which the hulls have been removed.

(c) *Chalky kernels*. Whole or broken kernels of rice which are one-half or more chalky.

(d) *Classes*. There are four classes of brown rice for processing.

Long Grain Brown Rice for Processing.
Medium Grain Brown Rice for Processing.
Short Grain Brown Rice for Processing.
Mixed Brown Rice for Processing.

Classes shall be based on the percentage of whole kernels, broken kernels, and types of rice.

(1) ''Long-grain brown rice for processing'' shall consist of brown rice for processing which contains more than 25.0 percent of whole kernels of brown rice and not more than 10.0 percent of whole or broken kernels of medium- or short-grain rice.

(2) ''Medium-grain brown rice for processing'' shall consist of brown rice for processing which contains more than 25.0 percent of whole kernels of brown rice and not more than 10.0 percent of whole or broken kernels of long-grain rice or whole kernels of short-grain rice.

(3) ''Short-grain brown rice for processing'' shall consist of brown rice for processing which contains more than 25.0 percent of whole kernels of brown rice and not more than 10.0 percent of whole or broken kernels of long-grain rice or whole kernels of medium-grain rice.

(4) ''Mixed brown rice for processing'' shall be brown rice for processing which contains more than 25.0 percent of whole kernels of brown rice and more than 10.0 percent of ''other types'' as defined in paragraph (i) of this section.

(e) *Damaged kernels*. Whole or broken kernels of rice which are distinctly discolored or damaged by water, insects, heat, or any other means (including parboiled kernels in nonparboiled rice and smutty kernels). ''Heat-damaged kernels'' (see paragraph (f) of this section) shall not function as damaged kernels.

(f) *Heat-damaged kernels*. Whole or broken kernels of rice which are materially discolored and damaged as a result of heating and parboiled kernels in nonparboiled rice which are as dark as, or darker in color than, the interpretive line for heat-damaged kernels.

(g) *Milling yield*. An estimate of the quantity of whole kernels and total milled rice (whole and broken kernels combined) that is produced in the milling of brown rice for processing to a well-milled degree.

(h) *Objectionable seeds*. Whole or broken seeds other than rice, except seeds of *Echinochloa crusgalli* (commonly known as barnyard grass, watergrass, and Japanese millet).

(i) *Other types*. (1) Whole kernels of: (i) Long grain rice in medium or short grain rice and medium or short grain rice in long grain rice, (ii) medium

grain rice in long or short grain rice, (iii) short grain rice in long or medium grain rice, (2) broken kernels of long grain rice in medium or short grain rice and broken kernels of medium or short grain rice in long grain rice.

NOTE: Broken kernels of medium grain rice in short grain rice and broken kernels of short grain rice in medium grain rice shall not be considered other types.

(j) *Paddy Kernels*. Whole or broken unhulled kernels and whole or broken kernels of rise having a portion or portions of the hull remaining which cover one-half (½) or more of the whole or broken kernel.

(k) *Red rice*. Whole or broken kernels of rice on which the bran is distinctly red in color.

(l) *Related material*. All by-products of a paddy kernel, such as the outer glumes, lemma, palea, awn, embryo, and bran layers.

(m) *Seeds*. Whole or broken seeds of any plant other than rice.

(n) *Smutty kernels*. Whole or broken kernels of rice which are distinctly infected by smut.

(o) *Types of rice*. There are three types of brown rice for processing:

Long grain
Medium grain
Short grain

Types shall be based on the length/width ratio of kernels of rice that are unbroken and the width, thickness, and shape of kernels of rice that are broken as prescribed in FGIS instructions.

(p) *Ungelantinized kernels*. Whole or broken kernels of parboiled rice with distinct white or chalky areas due to incomplete gelatization of the starch.

(q) *Unrelated material*. All matter other than rice, related material, and seeds.

(r) *Well-milled kernels*. Whole or broken kernels of rice from which the hulls and practically all of the embryos and the bran layers have been removed.

(s) *Whole kernels*. Unbroken kernels of rice and broken kernels of rice which are at least three-fourths of an unbroken kernel.

(t) *6 plate*. A laminated metal plate 0.142-inch thick, with a top lamina 0.051-inch thick, perforated with rows of round holes 0.0938 (6/64) inch in diameter, and a bottom lamina 0.091-inch thick, without perforations.

(u) *6½ sieve*. A metal sieve 0.032-inch thick, perforated with rows of round holes 0.1016 (6½/64) inch in diameter.

[13 FR 9479, Dec. 31, 1948, as amended at 44 FR 73008, Dec. 17, 1979; 47 FR 34516, Aug. 10, 1982; 54 FR 21403, 21406, May 18, 1989; 54 FR 51344, Dec. 14, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

PRINCIPLES GOVERNING APPLICATION OF STANDARDS

### § 868.253 Basis of determination.

The determination of kernels damaged by heat, heat-damaged kernels, parboiled kernels in nonparboiled rice, and the special grade Parboiled brown rice for processing shall be on the basis of the brown rice for processing after it has been milled to a well-milled degree. All other determinations shall be on the basis of the original sample. Mechanical sizing of kernels shall be adjusted by handpicking as prescribed in FGIS instructions, or by any method which gives equivalent results.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, 21406, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.254 Broken kernels determination.

Broken kernels shall be determined by the use of equipment and procedures prescribed in FGIS instructions, or by any method which gives equivalent results.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, May 18, 1989. Redesignated at 54 FR 21406, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.255 Interpretive line samples.

Interpretive line samples showing the official scoring line for factors that are determined by visual observation shall be maintained by the Federal Grain Inspection Service, U.S. Department of Agriculture, and shall be available for reference in all inspection offices that inspect and grade rice.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, May 18, 1989. Redesignated at 54 FR 21406, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.256 Milling requirements.

In determining milling yield (see § 868.252(g)) in brown rice for processing, the degree of milling shall be equal to, or better than, that of the interpretive line sample for ''well-milled'' rice.

[42 FR 40869, Aug. 12, 1977. Redesignated at 21406, May 18, 1989. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

### § 868.257 Milling yield determination.

Milling yield shall be determined by the use of an approved device in accordance with procedures prescribed in FGIS instructions. For the purpose of this paragraph, ''approved device'' shall include the McGill Miller No. 3 and any other equipment that is approved by the Administrator as giving equivalent results.

NOTE: Milling yield shall not be determined when the moisture content of the brown rice for processing exceeds 18.0 percent.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, May 18, 1989. Redesignated at 54 FR 21406, May 18, 1989. Further redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.258 Moisture.

Water content in brown rice for processing as determined by an approved device in accordance with procedures prescribed in FGIS instructions. For the purpose of this paragraph, ''approved device'' shall include the Motomco Moisture Meter and any other equipment that is approved by the Administrator as giving equivalent results.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, May 18, 1989. Redesignated at 54 FR 21406, May 18, 1989. Further redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.259 Percentages.

(a) *Rounding*. Percentages are determined on the basis of weight and are rounded as follows:

(1) When the figure to be rounded is followed by a figure greater than or equal to 5, round to the next higher figure; e.g., report 6.36 as 6.4, 0.35 as 0.4, and 2.45 as 2.5.

(2) When the figure to be rounded is followed by a figure less than 5, retain the figure, e.g., report 8.34 as 8.3 and 1.22 and 1.2.

(b) *Recording*. All percentages, except for milling yield, are stated in whole and tenth percent to the nearest whole percent. Milling yield is stated to the nearest whole percent.

[54 FR 21406, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.260 Information.

Requests for the Rice Inspection Handbook, Equipment Handbook, or for information concerning approved devices and procedures, criteria for approved devices, and requests for approval of devices should be directed to the U.S. Department of Agriculture, Federal Grain Inspection Service, P.O. Box 96454, Washington, DC 20090–6454, or any field office or cooperator.

[54 FR 21406, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30,1995]

GRADES, GRADE REQUIREMENTS, AND GRADE DESIGNATIONS

### § 868.261 Grade and grade requirements for the classes of brown rice for processing. (See also § 868.263.)

| Grade | Maximum limits of— | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Paddy kernels | | Seeds and heat-damaged kernels | | | Red rice and damaged kernels (singly or combined) (percent) | Chalky kernels [1, 2] (percent) | Broken kernels removed by a 6 plate or a 6½ sieve [3] (percent) | Other types [4] | Wellmilled kernels (percent) |
| | Percent | Number in 500 grams | Total (singly or combined) (number in 500 grams) | Heat-damaged kernels (number in 500 grams) | Objectionable seeds (number in 500 grams) | | | | | |
| U.S. No. 1 .... | — | 20 | 10 | 1 | 2 | 1.0 | 2.0 | 1.0 | 1.0 | 1.0 |
| U.S. No. 2 .... | 2.0 | — | 40 | 2 | 10 | 2.0 | 4.0 | 2.0 | 2.0 | 3.0 |
| U.S. No. 3 .... | 2.0 | — | 70 | 4 | 20 | 4.0 | 6.0 | 3.0 | 5.0 | 10.0 |
| U.S. No. 4 .... | 2.0 | — | 100 | 8 | 35 | 8.0 | 8.0 | 4.0 | 10.0 | 10.0 |
| U.S. No. 5 .... | 2.0 | — | 150 | 15 | 50 | 15.0 | 15.0 | 6.0 | 10.0 | 10.0 |
| U.S. Sample grade | U.S. Sample grade shall be brown rice for processing which (a) does not meet the requirements for any of the grades from U.S. No. 1 to U.S. No. 5, inclusive; (b) contains more than 14.5 percent of moisture; (c) is musty, or sour, or heating; (d) has any commercially objectionable foreign odor; (e) contains more than 0.2 percent of related material or more than 0.1 percent of unrelated material; (f) contains two or more live weevils or other live insects; or (g) is otherwise of distinctly low quality. | | | | | | | | | |

[1] For the special grade Parboiled brown rice for processing, see § 868.263(a).
[2] For the special grade Glutinous brown rice for processing, see § 868.263(c).
[3] Plates should be used for southern production rice and sieves should be used for western production rice, but any device or method which gives equivalent results may be used.
[4] These limits do not apply to the class Mixed Brown Rice for Processing.

[56 FR 55979, Oct. 31, 1991. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

### § 868.262 Grade designation.

(a) The grade designation for all classes of brown rice for processing, except Mixed Brown Rice for Processing, shall include in the following order: (1) The letters ''U.S.''; (2) the number of the grade or the words ''Sample grade,'' as warranted; (3) the words ''or better,'' when applicable and requested by the applicant prior to inspection; (4) the class; and (5) each applicable special grade (see § 868.264).

(b) The grade designation for the class Mixed Brown Rice for Processing shall include in the following order: (1) The letters ''U.S.''; (2) the number of the grade or the words ''Sample grade,'' as warranted; (3) the words ''or better,'' when applicable and requested by the applicant prior to inspection; (4) the class; (5) each applicable special grade (see § 868.264); (6) the percentage of whole kernels of each type in the order of predominance; and when applicable; (7) the percentage of broken kernels of each type in the order of predominance; and (8) the percentage of seeds, related material, and unrelated material.

NOTE: Broken kernels other than long grain, in Mixed Brown Rice for Processing, shall be certificated as ''medium or short grain.''

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

SPECIAL GRADES, SPECIAL GRADE REQUIREMENTS, AND SPECIAL GRADE DESIGNATIONS

### § 868.263 Special grades and special grade requirements.

A special grade, when applicable, is supplemental to the grade assigned under § 868.262. Such special grades for brown rice for processing are established and determined as follows:

(a) *Parboiled brown rice for processing.* Parboiled brown rice for processing shall be rice in which the starch has been gelatinized by soaking, steaming, and drying. Grades U.S. Nos. 1 to 5, inclusive, shall contain not more than 10.0 percent of ungelatinized kernels. Grades U.S. No. 1 and U.S. No. 2 shall contain not more than 0.1 percent, grades U.S. No. 3 and U.S. No. 4 not more than 0.2 percent, and grade U.S.

No. 5 not more than 0.5 percent of nonparboiled rice.

NOTE: The maximum limits for ''chalky kernels,'' ''Heat-damaged kernels,'' and ''Kernels damaged by heat'' shown in § 868.261 are not applicable to the special grade ''Parboiled brown rice for processing.''

(b) *Smutty brown rice for processing.* Smutty brown rice for processing shall be rice which contains more than 3.0 percent of smutty kernels.

(c) *Glutinous brown rice for processing.* Glutinous brown rice for processing shall be special varieties of rice (Oryza sativa L. glutinosa) which contain more than 50 percent chalky kernels. Grade U.S. No. 1 shall contain not more than 1.0 percent of nonchalky kernels, grade U.S. No. 2 not more than 2.0 percent of nonchalky kernels, grade U.S. No. 3 not more than 4.0 percent of nonchalky kernels, grade U.S. No. 4 not more than 6.0 percent of nonchalky kernels, and grade U.S. No. 5 not more than 10.0 percent of nonchalky kernels.

NOTE: The maximum limits for ''Chalky kernels'' in § 868.261 are not applicable to the special grade ''Glutinous brown rice for processing.''

(d) *Aromatic brown rice for processing.* Aromatic brown rice for processing shall be special varieties of rice (Oryza sativa L. scented) that have a distinctive and characteristic aroma; e.g., basmati and jasmine rice.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 56 FR 55979, Oct. 31, 1991; 58 FR 68016, Dec. 23, 1993. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

### § 868.264 Special grade designation.

The grade designation for parboiled, smutty, glutinous, or aromatic brown rice for processing shall include, following the class, the word(s) ''Parboiled,'' ''Smutty,'' ''Glutinous,'' or ''Aromatic,'' as warranted, and all other information prescribed in § 868.262.

[58 FR 68016, Dec. 23, 1993. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

## Subpart E—United States Standards for Milled Rice

NOTE TO THE SUBPART: Compliance with the provisions of these standards does not excuse failure to comply with the provisions of the Federal Food, Drug, and Cosmetic Act, or other Federal laws.

SOURCE: 42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, unless otherwise noted. Redesignated at 60 FR 16364, Mar. 30, 1995.

TERMS DEFINED

### § 868.301 Definition of milled rice.

Whole or broken kernels of rice (*Oryza sativa* L.) from which the hulls and at least the outer bran layers have been removed and which contain not more than 10.0 percent of seeds, paddy kernels, or foreign material, either singly or combined.

[48 FR 24859, June 3, 1983. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.302 Definition of other terms.

For the purposes of these standards, the following terms shall have the meanings stated below:

(a) *Broken kernels.* Kernels of rice which are less than three-fourths of whole kernels.

(b) *Brown rice.* Whole or broken kernels of rice from which the hulls have been removed.

(c) *Chalky kernels.* Whole or broken kernels of rice which are one-half or more chalky.

(d) *Classes.* There are seven classes of milled rice. The following four classes shall be based on the percentage of whole kernels, and types of rice:

Long Grain Milled Rice.
Medium Grain Milled Rice.
Short Grain Milled Rice.
Mixed Milled Rice.

The following three classes shall be based on the percentage of whole kernels and of broken kernels of different size:

Second Head Milled Rice.
Screenings Milled Rice.
Brewers Milled Rice.

(1) ''Long grain milled rice'' shall consist of milled rice which contains more than 25.0 percent of whole kernels of milled rice and in U.S. Nos. 1 through 4 not more than 10.0 percent of whole or broken kernels of medium or short grain rice. U.S. No. 5 and U.S. No. 6 long grain milled rice shall contain not more than 10.0 percent of whole kernels of medium or short grain milled rice (broken kernels do not apply).

(2) ''Medium grain milled rice'' shall consist of milled rice which contains more than 25.0 percent of whole kernels of milled rice and in U.S. Nos. 1 through 4 not more than 10.0 percent of whole or broken kernels of long grain rice or whole kernels of short grain rice. U.S. No. 5 and U.S. No. 6 medium grain milled rice shall contain not more than 10.0 percent of whole kernels of long or short grain milled rice (broken kernels do not apply).

(3) ''Short grain milled rice'' shall consist of milled rice which contains more than 25.0 percent of whole kernels of milled rice and in U.S. Nos. 1 through 4 not more than 10.0 percent of whole or broken kernels of long grain rice or whole kernels of medium grain rice. U.S. No. 5 and U.S. No. 6 short grain milled rice shall contain not more than 10.0 percent of whole kernels of long or medium grain milled rice (broken kernels do not apply).

(4) ''Mixed milled rice'' shall consist of milled rice which contains more than 25.0 percent of whole kernels of milled rice and more than 10.0 percent of ''other types'' as defined in paragraph (i) of this section. U.S. No. 5 and U.S. No. 6 mixed milled rice shall contain more than 10.0 percent of whole kernels of ''other types'' (broken kernels do not apply).

(5) ''Second head milled rice'' shall consist of milled rice which, when determined in accordance with § 868.303, contains:

(i) Not more than (*a*) 25.0 percent of whole kernels, (*b*) 7.0 percent of broken kernels removed by a 6 plate, (*c*) 0.4 percent of broken kernels removed by a 5 plate, and (*d*) 0.05 percent of broken kernels passing through a 4 sieve (southern production); or

(ii) Not more than (*a*) 25.0 percent of whole kernels, (*b*) 50.0 percent of broken kernels passing through a 6½ sieve, and (*c*) 10.0 percent of broken kernels passing through a 6 sieve (western production).

(6) ''Screenings milled rice'' shall consist of milled rice which, when determined in accordance with § 868.303, contains:

(i) Not more than (*a*) 25.0 percent of whole kernels, (*b*) 10.0 percent of broken kernels removed by a 5 plate, and (*c*) 0.2 percent of broken kernels passing through a 4 sieve (southern production); or

(ii) Not more than (*a*) 25.0 percent of whole kernels and (*b*) 15.0 percent of broken kernels passing through a 5½ sieve; and more than (*c*) 50.0 percent of broken kernels passing through a 6½ sieve and (*d*) 10.0 percent of broken kernels passing through a 6 sieve (western production).

(7) ''Brewers milled rice'' shall consist of milled rice which, when determined in accordance with § 868.303, contains not more than 25.0 percent of whole kernels and which does not meet the kernel-size requirements for the class Second Head Milled Rice or Screenings Milled Rice.

(e) *Damaged kernels.* Whole or broken kernels of rice which are distinctly discolored or damaged by water, insects, heat, or any other means, and parboiled kernels in nonparboiled rice. ''Heat-damaged kernels'' (see paragraph (g) of this section) shall not function as damaged kernels.

(f) *Foreign material.* All matter other than rice and seeds. Hulls, germs, and bran which have separated from the kernels of rice shall be considered foreign material.

(g) *Heat-damaged kernels.* Whole or broken kernels of rice which are materially discolored and damaged as a result of heating and parboiled kernels in nonparboiled rice which are as dark as, or darker in color than, the interpretive line for heat-damaged kernels.

(h) *Objectionable seeds.* Seeds other than rice, except seeds of *Echinochloa crusgalli* (commonly known as barnyard grass, watergrass, and Japanese millet).

(i) *Other types.* (1) Whole kernels of: (i) Long grain rice in medium or short grain rice, (ii) medium grain rice in long or short grain rice, (iii) Short grain rice in long or medium grain rice, and (2) broken kernels of long grain rice in medium or short grain rice and broken kernels of medium or short grain rice in long grain rice, except in U.S. No. 5 and U.S. No. 6 milled rice. In U.S. No. 5 and U.S. No. 6 milled rice, only whole kernels will apply.

NOTE: Broken kernels of medium grain rice in short grain rice and broken kernels of short grain rice in medium grain rice shall not be considered other types.

(j) *Paddy Kernels*. Whole or broken unhulled kernels of rice; whole or broken kernels of brown rice, and whole or broken kernels of milled rice having a portion or portions of the hull remaining which cover one-eighth (1/8) or more of the whole or broken kernel.

(k) *Red rice*. Whole or broken kernels of rice on which there is an appreciable amount of red bran.

(l) *Seeds*. Whole or broken seeds of any plant other than rice.

(m) *Types of rice*. There are three types of milled rice as follows:

Long grain.
Medium grain.
Short grain.

Types shall be based on the length-width ratio of kernels of rice that are unbroken and the width, thickness, and shape of kernels that are broken, prescribed in FGIS instructions.

(n) *Ungelatinized kernels*. Whole or broken kernels of parboiled rice with distinct white or chalky areas due to incomplete gelatinization of the starch.

(o) *Well-milled kernels*. Whole or broken kernels of rice from which the hulls and practically all of the germs and the bran layers have been removed.

NOTE: This factor is determined on an individual kernel basis and applies to the special grade Undermilled milled rice only.

(p) *Whole kernels*. Unbroken kernels of rice and broken kernels of rice which are at least three-fourths of an unbroken kernel.

(q) *5 plate*. A laminated metal plate 0.142–inch thick, with a top lamina, 0.051–inch thick, perforated with rows of round holes 0.0781 (5/64) inch in diameter, 5/32 inch from center to center, with each row staggered in relation to the adjacent rows, and a bottom lamina 0.091-inch thick, without perforations.

(r) *6 plate*. A laminated metal plate 0.142-inch thick, with a top lamina 0.051-inch thick, perforated with rows of round holes 0.0938 (6/64) inch in diameter, 5/32 inch from center to center, with each row staggered in relation to the adjacent rows, and a bottom lamina 0.091–inch thick, without perforations.

(s) *2½ sieve*. A metal sieve 0.032-inch thick, perforated with rows of round holes 0.0391 (2½/64) inch in diameter, 0.075-inch from center to center, with each row staggered in relation to the adjacent rows.

(t) *4 sieve*. A metal sieve 0.032-inch thick, perforated with rows of round holes 0.0625 (4/64) inch in diameter, 1/8 inch from center to center, with each row staggered in relation to the adjacent rows.

(u) *5 sieve*. A metal sieve 0.032-inch thick, perforated with rows of round holes 0.0781 (5/64) inch in diameter, 5/32 inch from center to center, with each row staggered in relation to the adjacent rows.

(v) *5½ sieve*. A metal sieve 0.032-inch thick, perforated with rows of round holes 0.0859 (5½/64) inch in diameter, 9/64 inch from center to center, with each row staggered in relation to the adjacent rows.

(w) *6 sieve*. A metal sieve 0.032-inch thick, perforated with rows of round holes 0.0938 (6/64) inch in diameter, 5/32 inch from center to center, with each row staggered in relation to the adjacent rows.

(x) *6½ sieve*. A metal sieve 0.032-inch thick, perforated with rows of round holes 0.1016 (6½/64) inch in diameter, 5/32 inch from center to center, with each row staggered in relation to the adjacent rows.

(y) *30 sieve*. A woven wire cloth sieve having 0.0234-inch openings, with a wire diameter of 0.0153 inch, and meeting the specifications of American Society for Testing and Materials Designation E–11–61, prescribed in FGIS instructions.

[13 FR 9479, Dec. 31, 1948, as amended at 44 FR 73008, Dec. 17, 1979; 47 FR 34516, Aug. 10, 1982; 54 FR 21403, 21406, May 18, 1989; 54 FR 51345, Dec. 14, 1989. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

## PRINCIPLES GOVERNING APPLICATION OF STANDARDS

### § 868.303 Basis of determination.

All determinations shall be on the basis of the original sample. Mechanical sizing of kernels shall be adjusted by handpicking, as prescribed in FGIS instructions, or by any method which gives equivalent results.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, 21406, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.304 Broken kernels determination.

Broken kernels shall be determined by the use of equipment and procedures prescribed in FGIS instructions or by any method which gives equivalent results.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, May 18, 1989. Redesignated at 54 FR 21406, May 18, 1989 and 60 FR 16364, Mar. 30, 1995]

### § 868.305 Interpretive line samples.

Interpretive line samples showing the official scoring line for factors that are determined by visual observation shall be maintained by the Federal Grain Inspection Service, U.S. Department of Agriculture, and shall be available for reference in all inspection offices that inspect and grade rice.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982. Redesignated at 54 FR 21406, May 18, 1989 and 60 FR 16364, Mar. 30, 1995]

### § 868.306 Milling requirements.

The degree of milling for milled rice; i.e., ''well milled,'' ''reasonably well milled,'' and ''lightly milled'' shall be equal to, or better than, that of the interpretive line samples for such rice.

[42 FR 40869, Aug. 12, 1977. Redesignated at 54 FR 21406, May 18, 1989 and 60 FR 16364, Mar. 30, 1995]

### § 868.307 Moisture.

Water content in milled rice as determined by an approved device in accordance with procedures prescribed in FGIS instructions. For the purpose of this paragraph, ''approved device'' shall include the Motomco Moisture Meter and any other equipment that is approved by the Administrator as giving equivalent results.

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 47 FR 34516, Aug. 10, 1982; 54 FR 21403, May 18, 1989. Redesignated at 54 FR 21406, May 18, 1989 and 60 FR 16364, Mar. 30, 1995]

### § 868.308 Percentages.

(a) *Rounding*. Percentages are determined on the basis of weight and are rounded as follows:

(1) When the figure to be rounded is followed by a figure greater than or equal to 5, round to the next higher figure; e.g., report 6.36 as 6.4, 0.35 as 0.4, and 2.45 as 2.5.

(2) When the figure to be rounded is followed by a figure less than 5, retain the figure, e.g., report 8.34 as 8.3 and 1.22 and 1.2.

(b) *Recording*. The percentage of broken kernels removed by a 5 plate in U.S. Nos. 1 and 2 Milled Rice and the percentage of objectionable seeds in U.S. No. 1 Brewers Milled Rice is reported to the nearest hundredth percent. The percentages of all other factors are recorded to the nearest tenth of a percent.

[54 FR 21406, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

### § 868.309 Information.

Requests for the Rice Inspection Handbook, Equipment Handbook, or for information concerning approved devices and procedures, criteria for approved devices, and requests for approval of devices should be directed to the U.S. Department of Agriculture, Federal Grain Inspection Service, P.O. Box 96454, Washington, DC 20090–6454, or any field office or cooperator.

[54 FR 21407, May 18, 1989. Redesignated at 60 FR 16364, Mar. 30, 1995]

**§ 868.310 Grade and grade requirements for the classes Long Grain Mixed Rice, Mixed Grain Miller Rice, Short Grain Miller Rice, and Mixed Miller Rice. (See also § 868.315.)**

| Grade | Maximum limits of— | | | | | | | | | | | Color requirements [1] | Minimum milling requirements [5] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Seeds, heat damaged, and paddy kernels (singly or combined) | | Red rice and damaged kernels (singly or combined) (percent) | Chalky kernels [1, 2] | | Broken kernels | | | | Other types [4] | | | |
| | Total (Number in 500 grams) | Heat damaged kernels and objectionable seeds (Number in 500 grams) | | In long grain rice (percent) | In medium or short grain rice (percent) | Total (percent) | Removed by a 5 plate [3] (percent) | Removed by a 6 plate [3] (percent) | Through a 6 Sieve [3] (percent) | Whole kernels (percent) | Whole and broken kernels (percent) | | |
| U.S. No. 1 | 2 | 1 | 0.5 | 1.0 | 2.0 | 4.0 | 0.04 | 0.1 | 0.1 | — | 1.0 | Shall be white or creamy. | Well milled. |
| U.S. No. 2 | 4 | 2 | 1.5 | 2.0 | 4.0 | 7.0 | 0.06 | 0.2 | 0.2 | — | 2.0 | May be slightly gray. | Well milled. |
| U.S. No. 3 | 7 | 5 | 2.5 | 4.0 | 6.0 | 15.0 | 0.1 | 0.8 | 0.5 | — | 3.0 | May be light gray. | Reasonably well milled. |
| U.S. No. 4 | 20 | 15 | 4.0 | 6.0 | 8.0 | 25.0 | 0.4 | 2.0 | 0.7 | — | 5.0 | May be gray or slightly rosy. | Reasonably well milled. |
| U.S. No. 5 | 30 | 25 | [5] 6.0 | 10.0 | 10.0 | 35.0 | 0.7 | 3.0 | 1.0 | 10.0 | — | May be dark gray or rosy. | Lightly milled. |
| U.S. No. 6 | 75 | 75 | [6] 15.0 | 15.0 | 15.0 | 50.0 | 1.0 | 4.0 | 2.0 | 10.0 | — | May be dark gray or rosy. | Lightly milled. |

U.S. Sample grade: U.S. Sample grade small be milled rice of any of these classes which: (a) does not meet the requirements for any of the grades from U.S. No. 1 to U.S. No. 6, inclusive; (b) contains more than 15.0 percent of moisture; (c) is musty or sour, or heating; (d) has any commercially objectionable foreign odor; (e) contains more than 0.1 percent of foreign material; (f) contains two or more live or dead weevils or other insects, insect webbing, or insect refuse; or (g) is otherwise of distinctly low quality.

[1] For the special grade Parboiled milled rice, see § 868.315(c).
[2] For the special grade Glutinous milled rice, see § 868.315(e).
[3] Plates should be used for southern production rice; and sieves should be used for western production rice, but any device or method which gives equivalent results may be used.
[4] These limits do not apply to the class Mixed Milled Rice.
[5] For the special grade Undermilled milled rice, see § 868.315(d).
[6] Grade U.S. No. 6 shall contain not more than 6.0 percent of damaged kernels.

[56 FR 55979, Oct. 31, 1991. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

## § 868.311 Grades and grade requirements for the class Second Head Milled Rice. (See also § 868.305.)

| Grade | Maximum limits of— | | | | Color requirements [1] | Minimum milling requirements [2] |
|---|---|---|---|---|---|---|
| | Seeds, heat-damaged, and paddy kernels (singly or combined) | | Red rice and damaged kernels (singly or combined) (percent) | Chalky kernels [1 3] (percent) | | |
| | Total (Number in 500 grams) | Heat-damaged kernels and objectionable seeds (Number in 500 grams) | | | | |
| U.S. No. 1 | 15 | 5 | 1.0 | 4.0 | Shall be white or creamy. | Well milled. |
| U.S. No. 2 | 20 | 10 | 2.0 | 6.0 | May be slightly gray | Well milled. |
| U.S. No. 3 | 35 | 15 | 3.0 | 10.0 | May be light gray | Reasonably well milled. |
| U.S. No. 4 | 50 | 25 | 5.0 | 15.0 | May be gray or slightly rosy. | Reasonably well milled. |
| U.S. No. 5 | 75 | 40 | 10.0 | 20.0 | May be dark gray or rosy. | Lightly milled. |
| U.S. Sample grade | | | | | | |

U.S. Sample grade shall be milled rice of this class which: (a) does not meet the requirements for any of the grades from U.S. No. 1 to U.S. No. 5, inclusive; (b) contains more than 15.0 percent of moisture; (c) is musty or sour, or heating; (d) has any commercially objectionable foreign odor; (e) contains more than 0.1 percent of foreign material; (f) contains two or more live or dead weevils or other insects, insect webbing, or insect refuse; or (g) is otherwise of distinctly low quality.

[1] For the special grade Parboiled milled rice, see § 868.315(c).
[2] For the special grade Undermilled milled rice, see § 868.315(d).
[3] For the special grade Glutinous milled rice, see § 868.315(e).

[56 FR 55980, Oct. 31, 1991. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

## § 868.312 Grades and grade requirements for the class Screenings Milled Rice. (See also § 868.315.)

| Grade | Maximum limits of— | | | Color requirements [1] | Minimum milling requirements [2] |
|---|---|---|---|---|---|
| | Paddy kernels and seeds | | Chalky kernels [1 3] (percent) | | |
| | Total (singly or combined) (number in 500 grams) | Objectionable seeds (number in 500 grams) | | | |
| U.S. No. 1 [4 5] | 30 | 20 | 5.0 | Shall be white or creamy. | Well milled. |
| U.S. No. 2 [4 5] | 75 | 50 | 8.0 | May be slightly gray | Well milled. |
| U.S. No. 3 [4 5] | 125 | 90 | 12.0 | May be light gray or slightly rosy. | Reasonably well milled. |
| U.S. No. 4 [4 5] | 175 | 140 | 20.0 | May be gray or rosy | Reasonably well milled. |
| U.S. No. 5 | 250 | 200 | 30.0 | May be dark gray or very rosy. | Lightly milled. |
| U.S. Sample grade— | | | | | |

U.S. Sample grade shall be milled rice of this class which: (a) does not meet the requirements for any of the grades from U.S. No. 1 to U.S. No. 5, inclusive; (b) contains more than 15.0 percent of moisture; (c) is musty, or sour, or heating; (d) has any commercially objectionable foreign odor; (e) has a badly damaged or extremely red appearance; (f) contains more than 0.1 percent of foreign material; (g) contains two or more live or dead weevils or other insects, insect webbing, or insect refuse; or (h) is otherwise of distinctly low quality.

[1] For the special grade Parboiled milled rice, see § 868.315(c).
[2] For the special grade Undermilled milled rice, see § 868.315(d).
[3] For the special grade Glutinous milled rice, see § 868.315(e).
[4] Grades U.S. No. 1 to U.S. No. 4, inclusive, shall contain not more than 3.0 percent of heat-damaged kernels, kernels damaged by heat and/or parboiled kernels in nonparboiled rice.
[5] Grades U.S. No. 1 to U.S. No. 4, inclusive, shall contain not more than 1.0 percent of material passing through a 30 sieve.

[56 FR 55981, Oct. 31, 1991. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

**§ 868.313 Grades and grade requirements for the class Brewers Milled Rice. (See also § 868.315.)**

| Grade | Maximum limits of—Paddy kernels and seeds | | Color requirements[1] | Minimum milling requirements[2] |
|---|---|---|---|---|
| | Total (singly or combined) (Percent) | Objectionable seeds (Percent) | | |
| U.S. No. 1[3, 4] | 0.5 | 0.05 | Shall be white or creamy | Well milled. |
| U.S. No. 2[3, 4] | 1.0 | 0.1 | May be slightly gray | Well milled. |
| U.S. No. 3[3, 4] | 1.5 | 0.2 | May be light gray or slightly rosy | Reasonably well milled. |
| U.S. No. 4[3, 4] | 3.0 | 0.4 | May be gray or rosy | Reasonably well milled. |
| U.S. No. 5 | 5.0 | 1.5 | May be dark gray or very rosy | Lightly milled. |
| U.S. Sample Grade shall be milled rice of this class which: (a) Does not meet the requirements for any of the grades from U.S. No. 1 to U.S. No. 5 inclusive; (b) contains more than 15.0 percent of moisture; (c) is musty, or sour, or heating; (d) has any commercially objectionable foreign odor; (e) has a badly damaged or extremely red appearance; (f) contains more than 0.1 percent of foreign material; (g) contains more than 15.0 percent of broken kernels that will pass through a 2½ sieve; (h) contains two or more live or dead weevils or other insects, insect webbing or insect refuse; or (i) is otherwise of distinctly low quality | | | | |

[1] For the special grade Parboiled milled rice, see § 868.315(c).
[2] For the special grade Undermilled milled rice, see § 868.315(d).
[3] Grades U.S. No. 1 to U.S. No. 4, inclusive, shall contain not more than 3.0 percent of heat-damaged kernels, kernels damaged by heat and/or parboiled kernels in nonparboiled rice.
[4] Grades U.S. No. 1 to U.S. No. 4, inclusive, shall contain not more than 1.0 percent of material passing through a 30 sieve. This limit does not apply to the special grade Granulated brewers milled rice.

[42 FR 40869, Aug. 12, 1977, as amended at 54 FR 21407, May 18, 1989. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

**§ 868.314 Grade designations.**

(a) The grade designation for all classes of milled rice, except Mixed Milled Rice, shall include in the following order: (1) The letters ''U.S.''; (2) the number of the grade or the words ''Sample grade'', as warranted; (3) the words ''or better,'' when applicable and requested by the applicant prior to inspections; (4) the class; and (5) each applicable special grade (see § 868.316).

(b) The grade designation for the class Mixed Milled Rice shall include, in the following order: (1) The letters ''U.S.''; (2) the number of the grade or the words ''Sample grade'', as warranted; (3) the words ''or better,'' when applicable and requested by the applicant prior to inspection; (4) the class; (5) each applicable special grade (see § 868.316); (6) the percentage of whole kernels of each type in the order of predominance and when applicable; (7) the percentage of broken kernels of each type in the order of predominance; and (8) the percentage of seeds and foreign material.

NOTE: Broken kernels other than long grain, in Mixed Milled Rice, shall be certificated as ''medium or short grain.''

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977. Redesignated and amended at 60 FR 16364, Mar. 30, 1995]

SPECIAL GRADES, SPECIAL GRADE REQUIREMENTS, AND SPECIAL GRADE DESIGNATIONS

**§ 868.315 Special grades and special grade requirements.**

A special grade, when applicable, is supplemental to the grade assigned under § 868.314. Such special grades for milled rice are established and determined as follows:

(a) *Coated Milled Rice.* Coated milled rice shall be rice which is coated, in whole or in part, with substances that are safe and suitable as defined in the regulation issued pursuant to the Federal Food, Drug, and Cosmetic Act at 21 CFR 130.3(d).

(b) *Granulated brewers milled rice.* Granulated brewers milled rice shall be milled rice which has been crushed or granulated so that 95.0 percent or more will pass through a 5 sieve, 70.0 percent or more will pass through a 4 sieve, and

not more than 15.0 percent will pass through a 2½ sieve.

(c) *Parboiled milled rice.* Parboiled milled rice shall be milled rice in which the starch has been gelatinized by soaking, steaming, and drying. Grades U.S. No. 1 to U.S. No. 6, inclusive, shall contain not more than 10.0 percent of ungelatinized kernels. Grades U.S. No. 1 and U.S. No. 2 shall contain not more than 0.1 percent, grades U.S. No. 3 and U.S. No. 4 not more than 0.2 percent, and grades U.S. No. 5 and U.S. No. 6 not more than 0.5 percent of nonparboiled rice. If the rice is: (1) Not distinctly colored by the parboiling process, it shall be considered ''Parboiled Light''; (2) distinctly but not materially colored by the parboiling process, it shall be considered ''Parboiled''; (3) materially colored by the parboiling process, it shall be considered ''Parboiled Dark.'' The color levels for ''Parboiled Light,'' ''Parboiled,'' and ''Parboiled Dark'' shall be in accordance with the interpretive line samples for parboiled rice.

NOTE: The maximum limits for ''Chalky kernels,'' ''Heat-damaged kernels,'' ''Kernels damaged by heat,'' and the ''Color requirements'' in §§868.310, 868.311, 868.312, and 868.313 are not applicable to the special grade ''Parboiled milled rice.''

(d) *Undermilled milled rice.* Undermilled milled rice shall be milled rice which is not equal to the milling requirements for ''well milled,'' ''reasonably well milled,'' and ''lightly milled'' rice (see §868.306). Grades U.S. No. 1 and U.S. No. 2 shall contain not more than 2.0 percent, grades U.S. No. 3 and U.S. No. 4 not more than 5.0 percent, grade U.S. No. 5 not more than 10.0 percent, and grade U.S. No. 6 not more than 15.0 percent of well-milled kernels. Grade U.S. No. 5 shall contain not more than 10.0 percent of red rice and damaged kernels (singly or combined) and in no case more than 6.0 percent of damaged kernels.

NOTE: The ''Color and milling requirements'' in §§868.310, 868.311, 868.312, and 868.313 are not applicable to the special grade ''Undermilled milled rice.''

(e) *Glutinous milled rice.* Glutinous milled rice shall be special varieties of rice (Oryza sativa L. glutinosa) which contain more than 50 percent chalky kernels. For long grain, medium grain, and short grain milled rice, grade U.S. No. 1 shall contain not more than 1.0 percent of nonchalky kernels, grade U.S. No. 2 not more than 2.0 percent of nonchalky kernels, grade U.S. No. 3 not more than 4.0 percent of nonchalky kernels, grade U.S. No. 4 not more than 6.0 percent of nonchalky kernels, grade U.S. No. 5 not more than 10.0 percent of nonchalky kernels, and grade U.S. No. 6 not more than 15.0 percent of nonchalky kernels. For second head milled rice, grade U.S. No. 1 shall contain not more than 4.0 percent of nonchalky kernels, grade U.S. No. 2 not more than 6.0 percent of nonchalky kernels, grade U.S. No. 3 not more than 10.0 percent of nonchalky kernels, grade U.S. No. 4 not more than 15.0 percent of nonchalky kernels, and grade U.S. No. 5 not more than 20.0 percent of nonchalky kernels. For screenings milled rice, there are no grade limits for percent of nonchalky kernels. For brewers milled rice, the special grade ''Glutinous milled rice'' is not applicable.

NOTE: The maximum limits for ''Chalky kernels,'' shown in §§868.310, 868.311, and 868.312 are not applicable to the special grade ''Glutinous milled rice.''

(f) *Aromatic milled rice.* Aromatic milled rice shall be special varieties of rice (Oryza sativa L. scented) that have a distinctive and characteristic aroma; e.g., basmati and jasmine rice.

(Secs. 203, 205, 60 Stat. 1087, 1090 as amended; 7 U.S.C. 1622, 1624)

[42 FR 40869, Aug. 12, 1977; 42 FR 64356, Dec. 23, 1977, as amended at 48 FR 24859, June 3, 1983; 54 FR 21403, 21407, May 18, 1989; 56 FR 55981, Oct. 31, 1991; 58 FR 68016, Dec. 23, 1993. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

### § 868.316 Special grade designation.

The grade designation for coated, granulated brewers, parboiled, undermilled, glutinous, or aromatic milled rice shall include, following the class, the word(s) ''Coated,'' ''Granulated,'' ''Parboiled Light,'' ''Parboiled,'' ''Parboiled Dark,'' ''Undermilled,'' ''Glutinous,'' or ''Aromatic,'' as warranted, and all other information prescribed in §868.314.

[58 FR 68016, Dec. 23, 1993. Redesignated and amended at 60 FR 16364, 16365, Mar. 30, 1995]

# FINDING AIDS

A list of CFR titles, subtitles, chapters, subchapters and parts and an alphabetical list of agencies publishing in the CFR are included in the CFR Index and Finding Aids volume to the Code of Federal Regulations which is published separately and revised annually.

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# Material Approved for Incorporation by Reference

**(Revised as of January 1, 2001)**

The Director of the Federal Register has approved under 5 U.S.C. 552(a) and 1 CFR Part 51 the incorporation by reference of the following publications. This list contains only those incorporations by reference effective as of the revision date of this volume. Incorporations by reference found within a regulation are effective upon the effective date of that regulation. For more information on incorporation by reference, see the preliminary pages of this volume.

**7 CFR (PARTS 700–899)**

**GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (FEDERAL GRAIN INSPECTION SERVICE), DEPARTMENT OF AGRICULTURE**

| | 7 CFR |
|---|---|
| **Corn Refiners Association, Inc.** | |
| Available from: Federal Grain Inspection Service, Director, Technical Services Center, 10383 North Executive Hills Blvd., Kansas City, MO 64153-1394 | |
| Corn Refiners Association Method A-20, Analysis for Starch in Corn, Second revision, April 15, 1986, Standard Analytical Methods of the Member Companies of the Corn Refiners Association, Inc.. | 801.7 |
| **Federal Grain Inspection Service, Quality Assurance and Research Division** | |
| 10383 North Executive Hills Blvd., Kansas City, MO 64153–1394 | |
| ''Comparison of Kjeldahl Method for Determination of Crude Protein in Cereal Grains and Oilseeds with Generic Combustion Method: Collaborative Study'', July/August 1993, Ronald Bicsak, *Journal of AOAC International* Vol. 76, No. 4, 1993 (subsequently approved by the AOAC International as the Combustion method, AOAC International Method 992.23). | 801.7 |
| **National Institute of Standards and Technology (formerly National Bureau of Standards)** | |
| Publications available from: U.S. Government Printing Office, Washington, DC 20403 | |
| Handbook 44—''Specifications, Tolerances, and Other Technical Requirements for Weighing and Measuring Devices'' (1990 ed.). | 802.0 |
| Handbook 105–1—''Specifications and Tolerances for Field Standard Weights'' (Revised 1990). | 802.0 |

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