Public Law 104–48
104th Congress

An Act

Nov. 15, 1995
[H.R. 1103]

To amend the Perishable Agricultural Commodities Act, 1930, to modernize, streamline, and strengthen the operation of the Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Perishable Agricultural Commodities Act Amendments of 1995.
7 USC 499a note.

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Perishable Agricultural Commodities Act Amendments of 1995".

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Addition of definitions of retailer and grocery wholesaler.
Sec. 3. Gradual elimination of annual license fee for retailers and grocery wholesalers that are dealers.
Sec. 4. Establishment and alteration of license fees for commission merchants, dealers (other than retailers and grocery wholesalers), and brokers.
Sec. 5. Increase in penalties for operating without a license and increase in late renewal fee.
Sec. 6. Statutory trust on commodities and sale proceeds.
Sec. 7. Authority of Department of Agriculture regarding possible violations.
Sec. 8. Filing and handling fees for reparation complaints.
Sec. 9. Consideration of collateral fees and expenses.
Sec. 10. Clarification of misbranding prohibition.
Sec. 11. Imposition of civil penalty in lieu of license suspension or revocation.
Sec. 12. Extension of sanctions to persons responsibly connected to a commission merchant, dealer, or broker.

SEC. 2. ADDITION OF DEFINITIONS OF RETAILER AND GROCERY WHOLESALER.

Section 1(b) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499a(b)), is amended by adding at the end the following new paragraphs:

"(11) The term 'retailer' means a person that is a dealer engaged in the business of selling any perishable agricultural commodity at retail.

"(12) The term 'grocery wholesaler' means a person that is a dealer primarily engaged in the full-line wholesale distribution and resale of grocery and related nonfood items (such as perishable agricultural commodities, dry groceries, general merchandise, meat, poultry, and seafood, and health and beauty care items) to retailers. However, such term does not include a person described in the preceding sentence if the person is primarily engaged in the wholesale distribution and resale of perishable agricultural commodities rather than other grocery and related nonfood items.".

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SEC. 3. GRADUAL ELIMINATION OF ANNUAL LICENSE FEE FOR RETAILERS AND GROCERY WHOLESALERS THAT ARE DEALERS.

(a) ELIMINATION OF ANNUAL FEES OVER THREE-YEAR PERIOD.—Subsection (b) of section 3 of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499c), is amended—

(1) by inserting "(1) APPLICATION FOR LICENSE.—" before the start of the first sentence and adjusting the margin to conform to paragraph (3);

(2) by striking the third and fourth sentences;

(3) by inserting "(5) PERISHABLE AGRICULTURAL COMMODITIES ACT FUND.—" before the start of the fifth sentence and adjusting the margin to conform to paragraph (3);

(4) by striking the last sentence; and

(5) by inserting before paragraph (5) (as so designated) the following new paragraphs:

"(3) ONE-TIME FEE FOR RETAILERS AND GROCERY WHOLESALERS THAT ARE DEALERS.—During the three-year period beginning on the date of the enactment of the Perishable Agricultural Commodities Act Amendments of 1995, a retailer or grocery wholesaler making an initial application for a license under this section shall pay the license fee required under subparagraph (A), (B), or (C) of paragraph (4) for license renewals in the year in which the initial application is made. After the end of such period, a retailer or grocery wholesaler making an initial application for a license under this section shall pay an administrative fee equal to $100. In either case, a retailer or grocery wholesaler paying a fee under this paragraph shall not be required to pay any fee for renewal of the license for subsequent years.

"(4) GRADUAL ELIMINATION OF ANNUAL FEES FOR RETAILERS AND GROCERY WHOLESALERS THAT ARE DEALERS.—In the case of a retailer or grocery wholesaler that holds a license under this section as of the date of the enactment of the Perishable Agricultural Commodities Act Amendments of 1995, payments for the renewal of the license shall be made pursuant to the following schedule:

"(A) For anniversary dates occurring during the one-year period beginning on the date of the enactment of the Perishable Agricultural Commodities Act Amendments of 1995, the licensee shall pay a renewal fee in an amount equal to 100 percent of the applicable renewal fee (subject to the $4,000 aggregate limit on such payments) in effect under this subsection on the day before such enactment date.

"(B) For anniversary dates occurring during the one-year period beginning at the end of the period in subparagraph (A), the licensee shall pay a renewal fee in an amount equal to 75 percent of the amount paid by the licensee under subparagraph (A).

"(C) For anniversary dates occurring during the one-year period beginning at the end of the period in subparagraph (B), the licensee shall pay a renewal fee in an amount equal to 50 percent of the amount paid by the licensee under subparagraph (A).

"(D) After the end of the three-year period beginning on the date of the enactment of the Perishable Agricultural Commodities Act Amendments of 1995, the licensee shall

not be required to pay any fee if the licensee seeks renewal of the license.".

(b) STYLISTIC AMENDMENTS.—Such section is further amended—

(1) by striking the section heading and "SEC. 3. (a)" and inserting the following:

"SEC. 3. LICENSES.

"(a) LICENSE REQUIRED; PENALTIES FOR VIOLATIONS.—";

(2) in subsection (b), by inserting "APPLICATION AND FEES FOR LICENSES.—" after "(b)"; and

(3) in subsection (c), by inserting "USE OF TRADE NAMES.—" after "(c)".

SEC. 4. ESTABLISHMENT AND ALTERATION OF LICENSE FEES FOR COMMISSION MERCHANTS, DEALERS (OTHER THAN RETAILERS AND GROCERY WHOLESALERS), AND BROKERS.

(a) DISCRETION OF SECRETARY TO ESTABLISH AND ALTER FEES.—Section 3(b) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499c(b)), is amended by inserting after paragraph (1), as designated by section 3(a)(1), the following new paragraph:

"(2) LICENSE FEES.—Upon the filing of an application under paragraph (1), the applicant shall pay such license fees, both individually and in the aggregate, as the Secretary determines necessary to meet the reasonably anticipated expenses for administering this Act and the Act to prevent the destruction or dumping of farm produce, approved March 3, 1927 (7 U.S.C. 491–497). Thereafter, the licensee shall pay such license fees annually or at such longer interval as the Secretary may prescribe. The Secretary shall take due account of savings to the program when determining an appropriate interval for renewal of licenses. The Secretary shall establish and alter license fees only by rulemaking under section 553 of title 5, United States Code, except that the Secretary may not alter the fees required under paragraph (3) or (4) for retailers and grocery wholesalers that are dealers. Effective on the date of the enactment of the Perishable Agricultural Commodities Act Amendments of 1995 and until such time as the Secretary alters such fees by rule, an individual license fee shall equal $550 per year, plus $200 for each branch or additional business facility operated by the applicant in excess of nine such facilities, as determined by the Secretary, subject to an annual aggregate limit of $4,000 per licensee. Any increase in license fees prescribed by the Secretary under this paragraph shall not take effect unless the Secretary determines that, without such increase, the funds on hand as of the end of the fiscal year in which the increase takes effect will be less than 25 percent of the projected budget to administer such Acts for the next fiscal year. In no case may a license fee increase by the Secretary take effect before the end of the three-year period beginning on the date of the enactment of the Perishable Agricultural Commodities Act Amendments of 1995.".

Effective date.

(b) REPEAL OF CURRENT CAP ON RESERVE FUNDS.—Paragraph (5) of such section, as designated by section 3(a)(3), is amended by striking the sentence that begins with "The amount of money".

(c) CONFORMING AMENDMENTS REGARDING THIS SECTION AND SECTION 3.—Section 4(a) of such Act (7 U.S.C. 499d(a)) is amended—

(1) in the matter preceding the provisos, by striking "any anniversary date thereof unless the annual fee has been paid" and inserting "the anniversary date of the license at the end of the annual or multiyear period covered by the license fee unless the licensee submits the required renewal application and pays the applicable renewal fee (if such fee is required)";

(2) in the first proviso, by striking "the necessity of paying the annual fee" and inserting "the necessity of renewing the license and of paying the renewal fee (if such fee is required)"; and

(3) in the second proviso, by striking "annual fee" and inserting "renewal fee (if required)".

SEC. 5. INCREASE IN PENALTIES FOR OPERATING WITHOUT A LICENSE AND INCREASE IN LATE RENEWAL FEE.

(a) LICENSE PENALTIES.—Section 3(a) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499c(a)), as amended by section 3(b)(1), is further amended—

(1) by striking "$500" and inserting "$1,000"; and

(2) by striking "$25" both places it appears and inserting "$250".

(b) LATE FILING FEES.—Section 4(a) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499d(a)), as amended by section 4(c), is further amended in the second proviso by striking "plus $5" and inserting "plus $50".

SEC. 6. STATUTORY TRUST ON COMMODITIES AND SALE PROCEEDS.

(a) REPEAL OF SECRETARIAL NOTIFICATION REQUIREMENT.—Paragraph (3) of section 5(c) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499e(c)), is amended in the first sentence by striking "and has filed such notice with the Secretary".

(b) CLARIFICATION OF CONTENT OF NOTIFICATION.—Such paragraph is further amended by inserting after the first sentence the following new sentence: "The written notice to the commission merchant, dealer, or broker shall set forth information in sufficient detail to identify the transaction subject to the trust.".

(c) ADDITIONAL METHOD OF NOTIFICATION FOR LICENSEES.—Such section is further amended—

(1) by redesignating paragraph (4) as paragraph (5); and

(2) by inserting after paragraph (3) the following new paragraph:

"(4) In addition to the method of preserving the benefits of the trust specified in paragraph (3), a licensee may use ordinary and usual billing or invoice statements to provide notice of the licensee's intent to preserve the trust. The bill or invoice statement must include the information required by the last sentence of paragraph (3) and contain on the face of the statement the following: 'The perishable agricultural commodities listed on this invoice are sold subject to the statutory trust authorized by section 5(c) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499e(c)). The seller of these commodities retains a trust claim over these commodities, all inventories of food or other products derived from these commodities, and any receivables or proceeds from the sale of these commodities until full payment is received.'.".

SEC. 7. AUTHORITY OF DEPARTMENT OF AGRICULTURE REGARDING POSSIBLE VIOLATIONS.

(a) DISCIPLINARY VIOLATIONS.—Subsection (b) of section 6 of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499f), is amended to read as follows:

Rules.

"(b) DISCIPLINARY VIOLATIONS.—Any officer or agency of any State or Territory having jurisdiction over commission merchants, dealers, or brokers in such State or Territory and any other interested person (other than an employee of an agency of the Department of Agriculture administering this Act) may file, in accordance with rules prescribed by the Secretary, a written notification of any alleged violation of this Act by any commission merchant, dealer, or broker. In addition, any official certificates of the United States Government or States or Territories of the United States and trust notices filed pursuant to section 5 shall constitute written notification for the purposes of conducting an investigation under subsection (c). The identity of any person filing a written notification under this subsection shall be considered to be confidential information. The identity of such person, and any portion of the notification to the extent that it would indicate the identity of such person, are specifically exempt from disclosure under section 552 of title 5, United States Code (commonly known as the Freedom of Information Act), as provided in subsection (b)(3) of such section.".

(b) GROUNDS AND PROCESS OF INVESTIGATIONS.—Subsection (c) of such section is amended to read as follows:

"(c) INVESTIGATION OF COMPLAINTS AND NOTIFICATIONS.—

"(1) COMMENCING OR EXPANDING AN INVESTIGATION.—If there appears to be, in the opinion of the Secretary, reasonable grounds for investigating a complaint made under subsection (a) or a written notification made under subsection (b), the Secretary shall investigate such complaint or notification. In the course of the investigation, if the Secretary determines that violations of this Act are indicated other than the alleged violations specified in the complaint or notification that served as the basis for the investigation, the Secretary may expand the investigation to include such additional violations.

"(2) ISSUANCE OF COMPLAINT BY SECRETARY; PROCESS.—In the opinion of the Secretary, if an investigation under this subsection substantiates the existence of violations of this Act, the Secretary may cause a complaint to be issued. The Secretary shall have the complaint served by registered mail or certified mail or otherwise on the person concerned and afford such person an opportunity for a hearing thereon before a duly authorized examiner of the Secretary in any place in which the subject of the complaint is engaged in business. However, in complaints wherein the amount claimed as damages does not exceed $30,000, a hearing need not be held and proof in support of the complaint and in support of respondent's answer may be supplied in the form of depositions or verified statements of fact.

"(3) SPECIAL NOTIFICATION REQUIREMENTS FOR CERTAIN INVESTIGATIONS.—Whenever the Secretary initiates an investigation on the basis of a written notification made under subsection (b) or expands such an investigation, the Secretary shall promptly notify the subject of the investigation of the existence of the investigation and the nature of the alleged

violations of this Act to be investigated. Not later than 180 days after providing the initial notification, the Secretary shall provide the subject of the investigation with notice of the status of the investigation, including whether the Secretary intends to issue a complaint under paragraph (2), terminate the investigation, or continue or expand the investigation. The Secretary shall provide additional status reports at the request of the subject of the investigation and shall promptly notify the subject of the investigation whenever the Secretary terminates the investigation.".

(c) INCREASE IN THRESHOLD FOR SHORTENED PROCEDURE CASES.—Subsection (d) of such section is amended by striking "$15,000" both places it appears and inserting "$30,000".

(d) STYLISTIC AMENDMENTS.—Such section is further amended—

(1) by striking the section heading and "SEC. 6." and inserting the following:

"SEC. 6. COMPLAINTS, WRITTEN NOTIFICATIONS, AND INVESTIGATIONS.";

(2) in subsection (d), by inserting "DECISIONS ON COMPLAINTS.—" after "(d)"; and

(3) in subsection (e), by inserting "BOND REQUIRED FOR CERTAIN COMPLAINTS.—" after "(e)".

SEC. 8. FILING AND HANDLING FEES FOR REPARATION COMPLAINTS.

(a) PERMANENT FILING AND HANDLING FEES.—Section 6(a) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499f(a)), is amended—

(1) by striking "(a)" and inserting the following:

"(a) REPARATION COMPLAINTS.—

"(1) PETITION; PROCESS.—"; and

(2) by adding at the end the following new paragraph:

"(2) FILING AND HANDLING FEES.—A person submitting a petition to the Secretary under paragraph (1) shall include a filing fee of $60 per petition. If the Secretary determines under paragraph (1) that the facts contained in the petition warrant further action, the person or persons submitting the petition shall submit to the Secretary a handling fee of $300. The Secretary may not forward a copy of the complaint to the commission merchant, dealer, or broker involved until after the Secretary receives the required handling fee. The Secretary shall deposit fees submitted under this paragraph into the Perishable Agricultural Commodities Act Fund provided for by section 3(b). The Secretary may alter the fees specified in this paragraph by rulemaking under section 553 of title 5, United States Code.".

(b) INCLUSION OF HANDLING FEE IN CALCULATION OF DAMAGES.—Section 5(a) of such Act (7 U.S.C. 499e(a)) is amended by inserting after "damages" the following: "(including any handling fee paid by the injured person or persons under section 6(a)(2))".

(c) CONFORMING AMENDMENT TO TEMPORARY FEE AUTHORITY.—Public Law 103–276 (7 U.S.C. 499f note) is repealed.

SEC. 9. CONSIDERATION OF COLLATERAL FEES AND EXPENSES.

(a) DEFINITION.—Section 1(b) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499a(b)), is amended by inserting

after paragraph (12), as added by section 2, the following new paragraph:

"(13) The term 'collateral fees and expenses' means any promotional allowances, rebates, service or materials fees paid or provided, directly or indirectly, in connection with the distribution or marketing of any perishable agricultural commodity.".

(b) USE OF DEFINITION.—Section 2 of such Act (7 U.S.C. 499b) is amended—

(1) by striking "commerce—" in the matter before paragraph (1) and inserting "commerce:";

(2) by striking the semicolon at the end of each paragraph and inserting a period; and

(3) in paragraph (4), by adding at the end the following new sentence: "However, this paragraph shall not be considered to make the good faith offer, solicitation, payment, or receipt of collateral fees and expenses, in and of itself, unlawful under this Act.".

SEC. 10. CLARIFICATION OF MISBRANDING PROHIBITION.

Section 2(5) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499b(5)), is amended—

(1) by striking "commerce: *Provided,* That" and inserting "commerce. However,"; and

(2) by adding at the end the following new sentence: "A person other than the first licensee handling misbranded perishable agricultural commodities shall not be held liable for a violation of this paragraph by reason of the conduct of another if the person did not have knowledge of the violation or lacked the ability to correct the violation.".

SEC. 11. IMPOSITION OF CIVIL PENALTY IN LIEU OF LICENSE SUSPENSION OR REVOCATION.

Section 8 of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499h), is amended by adding at the end the following new subsection:

"(e) ALTERNATIVE CIVIL PENALTIES.—In lieu of suspending or revoking a license under this section when the Secretary determines, as provided by section 6, that a commission merchant, dealer, or broker has violated section 2 or subsection (b) of this section, the Secretary may assess a civil penalty not to exceed $2,000 for each violative transaction or each day the violation continues. In assessing the amount of a penalty under this subsection, the Secretary shall give due consideration to the size of the business, the number of employees, and the seriousness, nature, and amount of the violation. Amounts collected under this subsection shall be deposited in the Treasury of the United States as miscellaneous receipts.".

SEC. 12. EXTENSION OF SANCTIONS TO PERSONS RESPONSIBLY CONNECTED TO A COMMISSION MERCHANT, DEALER, OR BROKER.

(a) EXCEPTION TO DEFINITION.—Section 1(b)(9) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499a(b)(9)), is amended by adding at the end the following new sentence: "A person shall not be deemed to be responsibly connected if the person demonstrates by a preponderance of the evidence that the person was not actively involved in the activities resulting in a violation of this Act and that the person either was only nominally

a partner, officer, director, or shareholder of a violating licensee or entity subject to license or was not an owner of a violating licensee or entity subject to license which was the alter ego of its owners.".

(b) EXTENSION OF EMPLOYMENT SANCTION.—Section 8(b) of such Act (7 U.S.C. 499h(b)) is amended by adding at the end the following new sentence: "The Secretary may extend the period of employment sanction as to a responsibly connected person for an additional one-year period upon the determination that the person has been unlawfully employed as provided in this subsection.".

(c) CONFORMING AMENDMENT REGARDING LICENSING SANCTION.—Section 4 of such Act (7 U.S.C. 499d) is amended—

(1) in subsection (b), by inserting "is prohibited from employment with a licensee under section 8(b) or" after "with the applicant," in the matter preceding subparagraph (A); and

(2) in subsection (c), by adding at the end the following new sentence: "The Secretary may not issue a license to an applicant under this subsection if the applicant or any person responsibly connected with the applicant is prohibited from employment with a licensee under section 8(b).".

Approved November 15, 1995.

LEGISLATIVE HISTORY—H.R. 1103:

HOUSE REPORTS: No. 104–207 (Comm. on Agriculture).
CONGRESSIONAL RECORD, Vol. 141 (1995):
July 28, considered and passed House.
Nov. 7, considered and passed Senate.