

*Only Warehouseman storing for Public may be licensed.*

Among the requirements of the law and the regulations, one of the most important features is that the warehouse must be open to the public generally for storage of commodities for which the warehouseman has been licensed. No warehouseman can be licensed unless he does a public storage business. In other words, warehouses operated for the storage only of the warehouseman's products are not licensable. In the past year much has appeared in the press with reference to the Secretary of Agriculture licensing the farmer to store grain on his farm in his own private granary. Such storage is not licensable under the law, and not a single farmer has been licensed under this law.

*Other Pre-requisites to becoming licensed.*

Other important provisions of the law are that the warehouseman must file with the Secretary of Agriculture a bond in acceptable amount and terms prior to becoming licensed. He must have a warehouse which is suitable for the storage of the commodity. Some one competent to inspect, grade, and weigh products must be available at the warehouse. The warehouseman must possess a certain amount of net assets and must have a reputation for clean business dealings. The man in charge of the warehouse must be competent to manage the warehouse and know how to care properly for the products. If the warehouseman or the licensed inspector consider a product in such condition as to not be suitable for storage, it must not under any circumstances be accepted for storage. A positive duty rests on the warehouseman to guard and protect the products at all times against deterioration to the same degree as if the products were his own. To meet this requirement the warehouseman must show that he has the necessary reconditioning and other equipment.

*Inspection Service before licensing.*

In order that none but properly qualified warehousemen may be admitted into the system, no warehouseman is licensed until he has passed such examination and inspection as the Department may prescribe. This means that upon filing an application by a warehouseman an inspector or examiner is sent to make an examination of the warehouse, to investigate thoroughly the past business relations of the applicant, to determine his financial responsibility, his integrity in business relations, and to finally examine into the qualifications and integrity of the men who will be in charge of the warehouse and who will do the weighing, inspecting, and grading. These examinations are comprehensive and thorough. As an illustration of their far-reaching consequences, the Department has in the past insisted that the superintendents of certain plants would have to be removed before a license would be granted, and men placed in charge who would be acceptable to the Department. It has even insisted that certain individuals on the board of directors of corporations would have to be removed before the warehousing corporation would be licensed. It has in the past denied a great many applications, and has frequently refused to relicense warehousemen who had been licensed but who failed to observe the Act and the regulations after licensing. In fact, it has in many instances suspended and cancelled licenses for violations of the law and regulations.

*Inspections after licensing.*

The purpose of these investigations prior to licensing is to maintain what the Department regards as a proper standard among licensees. But the real backbone of the warehouse law is not in the law itself, but in its administration. A law may be perfectly worded so as to accomplish a desired purpose. Regulations may be issued under the law just as perfect as the law itself. It is common observation, however, that the best law and the best regulations may fall far short of accomplishing their purpose if not soundly administered. Any banker who has handled a fair amount of warehousing paper realizes the importance of proper administration back of a law. In administering the United States Warehouse Act, the Department of Agriculture maintains examiners or inspectors for the purpose of making examinations at irregular intervals of every licensee. An effort is made to make such examinations at least four times each year. The warehouseman is not advised in advance when the inspector will visit him. Neither does the Department necessarily content itself with four examinations annually. If it finds conditions existing which it does not approve of, the warehouseman may be subjected to an examination within a week after previous examination. There have been some warehouses examined every month when the Department suspected certain transactions were taking place, and even more frequently. One thing in which the Department is most exacting in these examinations following licensing is that there must be on store in the warehouse a sufficient amount of the kind and grade of the commodity to cover all outstanding receipts, and, in the case of identity-preserved products, a check is made to determine that the identical product placed in storage, as represented by the outstanding receipt, is actually in the warehouse.

In the course of these inspections consideration is given to see that the products are properly protected, that no increased risks have been placed about the warehouse since it was licensed, that the management has remained unchanged, and that the financial status of the licensee has not decreased or become impaired. In making these inspections the examiners are rotated. It seldom happens that the same inspectors check the same warehouse twice in succession.

*Importance of Examinations.*

The importance of these subsequent examinations is apparent to any one who has dealt extensively in warehouse collateral. It is common knowledge that in more than one instance a substitution of commodities has been practised, that the commodities have been switched from the warehouse in which the receipt showed they were stored to some other warehouse, that receipts have been issued