

Subject Grain elevators
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Overview

This bill would create a program administered by the Minnesota Department of Agriculture (MDA) to provide indemnity payments to farmers when an elevator or other grain buyer defaults on a voluntary extension of credit contract. The indemnity program would be funded initially by a onetime transfer from the general fund, with ongoing funding provided by an assessment levied on each voluntary extension of credit contract.

Under current law, a voluntary extension of credit contract is a contract to purchase a specific amount of grain from a producer in which title to the grain passes to the grain buyer upon delivery, but the price is to be determined or payment for the grain is to be made at a later date (Minn. Stat. § 223.16, subd. 16). Voluntary extension of credit contracts are not covered by the surety bond that licensed grain buyers are generally required to maintain (Minn. Stat. § 223.175).

Summary

Section	Description
1	<p>Citation.</p> <p>Expands the citation for the Grain Buyers Act to include the new indemnity section proposed in this bill.</p>
2	<p>Applicability.</p> <p>Extends applicability of existing defined terms in the Grain Buyers Act to apply to the new indemnity section proposed in this bill.</p>
3	<p>Indemnity assessment.</p> <p>Requires each grain buyer who enters into a voluntary extension of credit contract to deduct from the sale price an assessment equal to 2/10 of one percent of the gross value of the grain if the buyer agrees to defer payment for 60 days or less. The assessment would be 3/10 of one percent if payment is deferred for more than 60 days. Requires grain buyers to itemize the assessment in a written confirmation given to the seller and remit assessment dollars to MDA quarterly. MDA would deposit these revenues in a new Grain Credit Contract Indemnity Account. Suspends collection of the assessment if the</p>

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4	<p>balance in the Grain Credit Contract Indemnity Account exceeds \$6,000,000. Collection would resume when the account balance falls below \$3,000,000.</p> <p>Rules. Extends MDA’s existing rulemaking authority under the Grain Buyers Act to include the new indemnity program proposed in this bill.</p>
5	<p>Indemnity payments. Establishes the indemnity program and its permanent funding source.</p> <p>Subd. 1. Establishment. Creates the Grain Credit Contract Indemnity Program and requires MDA to administer it.</p> <p>Subd. 2. Eligibility. Provides that a grain producer is eligible to receive payment under the new indemnity program if the grain buyer defaults on the voluntary extension of credit contract entered into by the buyer and producer.</p> <p>Subd. 3. Application. Requires a producer to submit a claim to MDA within 180 days of the grain buyer’s alleged breach of contract. Requires MDA to promptly determine the validity of each claim. If MDA denies a producer’s claim, the bill allows the producer to challenge MDA’s decision via a contested case proceeding through the state Office of Administrative Hearings.</p> <p>Subd. 4. Court order. Authorizes MDA to request that the appropriate district court issue an order appointing a trustee or receiver to manage and supervise a grain buyer in default.</p> <p>Subd. 5. Payment limitation. Caps the total amount a producer may receive for each breach of contract to the lesser of \$280,000 or 80 percent of the amount the grain buyer owes the farmer. Requires MDA to prorate claims and payments if money in the indemnity account is not sufficient to fully pay all valid claims. When additional money becomes available, the bill would require MDA to resume payment on existing claims until each producer is compensated to the limit specified in this subdivision.</p> <p>Subd. 6. Debt obligation; subrogated claim. Provides that an indemnity payment issued by MDA constitutes a debt obligation for the grain buyer in default and authorizes MDA to take legal action against the grain buyer to recoup this amount plus reasonable costs, attorney fees, and interest. Requires MDA to deposit any amount recovered from the grain buyer in the indemnity account. Requires each grain producer who receives an indemnity payment to transfer to MDA the producer’s right to collect an equivalent dollar amount of the voluntary extension of credit contract in default.</p>

Section	Description
	Subd. 7. Account; appropriation. Creates the new indemnity account in the agricultural fund. Appropriates money in the account to MDA to issue indemnity payments under this section.
6	Transfer. Transfers \$2,000,000 onetime from the general fund to the new indemnity account.
7	Effective date. Specifies that this act would take effect on July 1, 2019.



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