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February 28, 2023

Chairman Aric Putnam  
Senate Agriculture, Broadband and Rural Development Committee  
3215 Minnesota Senate Office Building  
St Paul, MN 55155

RE: SF 2218 – Grain Indemnity Account

Dear Chairman Putnam & Committee Members,

The Minnesota Grain and Feed Association is a 116-year-old non-profit, voluntary membership organization which represents the interests of the State's grain elevator and feed mill industry. On behalf of our membership, I would like to share our opposition to SF 2218 and the concerns we have regarding the creation of a grain indemnity fund in Minnesota.

Although the grain elevator industry is sympathetic to producer losses in an insolvency or bankruptcy situation, from a policy standpoint, the MGFA opposes a grain indemnity fund for a few reasons:

- Removes most of the risk from a producer's grain marketing decisions which could encourage a willingness to make riskier choices
- Removes the incentive for producers to do their due diligence when entering a business relationship with grain buyers
- Increases added administrative burdens to industry for collection & submission of fees

This bill, as introduced, also applies the assessment to all grain transactions. MGFA feels very strongly that if producers are to benefit from such a program, the fee should be collected from the producer at the first point of sale.

Unfortunately, SF 2218 does nothing to address future insolvencies in the grain industry and reduces regulatory oversight. Instead, this bill simply creates a big pot of money that MDA can dole out in the event of a future elevator failure. Other states with grain indemnity funds appear to have much more robust programs with dedicated staff and specific metrics grain buyers need to meet in order to operate. This bill does not seek to create that kind of stability in Minnesota. Our goal should be to minimize or prevent insolvencies so that an indemnity fund isn't needed or doesn't have to be used. Under this bill, the proposed indemnity fund simply becomes a revolving fund and another tax on producers.

In recent years there has been a lot of discussion about protecting Minnesota grain producers from grain buyer insolvencies. Our industry strongly dislikes learning of any grain buyer insolvency or bankruptcy as it automatically gives the entire industry a black eye. As such, the MGFA has supported increased financial reporting for grain buyer licensees and is open to a reasonable increase in grain bond amounts more reflective of current market conditions. We also feel a comprehensive education campaign for producers covering

voluntary extension of credit contract risks and responsibilities, grain bonding and deferred payment contract insurance would be beneficial as well.

In closing, MGFA appreciates the opportunity to provide testimony and we encourage you to seriously consider these points above when discussing SF 2218.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Laura Lemke', with a stylized, cursive script.

Laura Lemke  
Executive Director  
Minnesota Grain & Feed Association