



March 27, 2023

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

RE: SF 1955 - Grain Indemnity Account Appropriation

Dear Chair Putnam and Committee Members,

On behalf of the Minnesota Grain and Feed Association (MGFA), a 116-year-old non-profit, voluntary membership organization which represents the interests of the grain elevator and feed mill industries of this state, I would like to share our opposition to SF 1955, specifically the portion that relates to the grain indemnity fund appropriation.

From a policy standpoint, MGFA opposes the creation of an indemnity fund in Minnesota for a variety of reasons, including that it:

- 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 the grain industry for collection & submission of fees.

Unfortunately, the legislation to create a grain indemnity fund in Minnesota ignores the root of the problem in favor of protecting farmers. MGFA believes there should be more attention given to minimizing future insolvencies through regulatory actions, not less. As such, MGFA strongly encourages you to keep the current grain bonding requirements for grain buyers & warehouses in place. Grain surety bonding is a screening process by an independent third-party surety that provides a minimum threshold through financial reporting that licensees must attain to participate in the grain business in Minnesota. By eliminating the requirement of grain bonding for grain buyers & warehouses in Minnesota, except for new licensees, you are removing the evaluation, analysis and oversight of a grain buyer or warehouse's financials provided by surety companies.

Our current grain surety bonding levels have been identified as being inadequate for today's grain business. As we have previously testified to, MGFA is open to a reasonable stepped-up increase in grain bonding levels, although it cannot be said often enough that the purpose and amount of a grain surety bond is not meant to make any producer whole in the event of an insolvency. Grain bonds are not insurance. If producers want insurance to protect their grain contracts, they should purchase it on an individual basis.

Regarding the requirement of financial reporting, while we appreciate the bill appears to retain the reporting requirements to MDA, we are disappointed in the modifications. As a point of policy, MGFA does not support the use of compilation reports in financial reporting due to the lack of accountability in producing the report. Aside

from a CPA putting the numbers into a specific format, there can be no assurances made regarding the viability of the financial information.

In addition to the allowance of lesser-quality financial reporting to MDA, MGFA still has concerns over the lack of staff at the department to adequately review and evaluate these financial reports. It defeats the purpose of the regulatory action if the reports being submitted to MDA are not being evaluated by someone knowledgeable or trained to read them.

Finally, regarding the payment limitations for the indemnity fund, MGFA would rather see reduced coverage amounts and a much tighter time frame than 36 months. While grain indemnity funds do differ from state to state, surrounding states do not cover this level of payout on grain transactions (\$750,000) or for this length of time (up to 3 years). These levels of protections paired with an extended time period such as this could potentially lead to a quick draw-down on the fund in an insolvency situation and force producers to replenish the fund more often.

Thank you for the opportunity to provide testimony and we encourage you to seriously consider these points above when discussing the grain indemnity fund appropriation.

Sincerely,



Laura Lemke
Executive Director
Minnesota Grain & Feed Association