



March 19, 2024

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

RE: SF 4225 - Grain Indemnity Provisions

Dear Chairman Putnam and Committee Members,

On behalf of the Minnesota Grain and Feed Association (MGFA), a 117-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 reiterate our concerns with the grain indemnity provisions to be contained in SF 4225, the committee's omnibus policy bill.

While MGFA is supportive of the amended annual grain purchase threshold over \$7.5M to allow for reviewed or audited financial statements and the audited financial statement requirement for purchases greater than \$20M, we have concerns about the looser financial reporting allowance for annual purchases under \$7.5M.

As I testified to last week, switching from Generally Accepted Accounting Principles (GAAP) to national or international accounting standards will allow for tax or cash basis accounting. While this change will make it easier for a smaller grain buyer or elevator to secure a non-audit CPA firm to prepare their financials and will likely cost less for financial statement preparation, it could also bring a certain level of risk. If accrual basis financials are not being presented, MDA may not be getting the full picture about the potential liabilities a grain buyer or elevator may have related to their grain obligations. Using tax or cash basis accounting, income can be either under or overstated. In the end, this change will allow for more relaxed oversight of small grain buyers and warehouses and establish a non-uniform financial reporting standard across all grain licensees.

Although MDA states 97% of all grain purchases will be covered by reviewed or audited financial statements, that still places approximately **half a billion dollars** of grain purchases at risk by using looser financial standards, and in turn jeopardizing your legacy piece of legislation, the grain indemnity fund.

Furthermore, MDA's overly confident position that they can adequately monitor and evaluate the financial integrity of over 300 licensees each year is dubious at best. MDA's grain division does not employ an accountant or auditor skilled in reviewing financial statements. This bill also does not provide for any additional actions of financial oversight MDA will take beyond what they already do.

Finally, MGFA does not support eliminating the CEO & Board certification of a licensee's financial statement. The Board of Directors has a fiduciary responsibility to its members and as such, should be willing & able to attest to the accuracy of their financial statement.

Eventually, your decision to support the above changes will catch up with us. Eliminating the grain bond program, with the ongoing financial monitoring provided by surety companies, in conjunction with reducing the financial reporting standard for certain grain licensees, will not make the grain industry or Minnesota producers more secure. In time, we will be back here again, to re-evaluate if these changes are in the best interest of all stakeholders.

Sincerely,

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

Laura Lemke
MGFA Executive Director