



[SF 556](#) – Grain Indemnity Fund, Checkoffs (LSB2529SV)
Staff Contact: Austin Brinks (515.725.2200) austin.brinks@legis.iowa.gov
Fiscal Note Version – New

Description

[Senate File 556](#) does the following:

- Renames the Corn Promotion Fund as the Corn Marketing Fund, and requires 25.0% of the money deposited into the Corn Marketing Fund to be transferred to the Grain Indemnity Fund.
- Deems the money deposited into the Corn Marketing Fund and transferred to the Corn Checkoff Account and the Grain Indemnity Fund to be public funds.
- Repeals the fees collected from licensed grain dealers and warehouse operators that are deposited into the Grain Indemnity Fund.
- Changes the limits on the Grain Indemnity Fund to a ceiling of \$20.0 million and a floor of \$10.0 million and increases the payout limit for claims to \$600,000.
- Requires the Grain Indemnity Fund Board beginning May 1, 2024, to review the Grain Indemnity Fund annually to determine whether the 25.0% transfer should be suspended or reinstated.

Background

The Grain Indemnity Fund was established in 1986 to aid persons who incur financial losses from selling or storing grain in a warehouse licensed with the Iowa Department of Agriculture and Land Stewardship (IDALS). The Grain Indemnity Fund Board oversees the Fund and determines if claims are valid, adjusts the per-bushel fee paid, and approves the administration costs related to the Grain Indemnity Fund. Iowa Code section [203D.5](#) requires all grain dealers and warehouse operators to participate in the Grain Indemnity Fund by paying fees that are deposited into the Fund. Fees deposited in the Fund have been suspended since 1988 but are required to be reinstated if the Fund falls below a balance of \$3.0 million. As of March 31, 2023, the cash balance of the Grain Indemnity Fund was \$2.4 million. Under current law, if a claim is eligible for payment, the Board provides for payment of 90.0% of the loss, but not more than \$300,000.

[Agricultural checkoff programs](#) are funded completely by producers and industry stakeholders of a certain commodity. The goal of each program is to increase market demand for a specific commodity, and by increasing demand, increase prices for producers of that commodity. Common activities undertaken by checkoff programs to increase commodity demand include generic commodity advertising, market research, product development, and consumer education.

Iowa Code chapter [185C](#) establishes the Iowa Corn Promotion Board. The Board currently collects an assessment of \$0.01 per bushel of corn sold and the assessment is refundable. This assessment is set by the Board, and any increase in the assessment collected must be voted on by producers through a special referendum. The current maximum assessment is \$0.03 per bushel. The five-year average for deposits to the Corn Promotion Fund is approximately \$25.0 million per year.

Assumptions

- Annual checkoff deposits will match the five-year average of deposits.
- 25.0% of the assessments that are deposited in the Corn Marketing Fund will be transferred to the Grain Indemnity Fund.

Fiscal Impact

The Grain Indemnity Fund will receive an annual transfer of \$6.3 million from the Corn Marketing Fund for FY 2024 until FY 2027 when the Fund is estimated to reach the \$20.0 million statutory maximum. However, there may be an unknown number of claims that reduce the balance of the Fund, which would increase the time it would take for the Fund to reach its statutory maximum.

Sources

Department of Agriculture and Land Stewardship
Legislative Services Agency

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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