

Reprint 4/10/85

MAR 12 1985

Place On Calendar

HOUSE FILE 554

BY COMMITTEE ON AGRICULTURE

(Formerly House Study Bill 185)

Passed House, Date 4-10-85 (p. 1437) Passed Senate, Date 4-23-85

Vote: Ayes 88 Nays 5 Vote: Ayes 42 Nays 2

Approved May 24, 1985

A BILL FOR

1 An Act relating to the security interest in farm products pur-
 2 chased by a buyer in the ordinary course of business from
 3 a person engaged in farming operations and providing
 4 penalties.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HOUSE FILE 554

H-3547

1 Amend House File 554 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. Section 714.1, Code 1985, is amended
5 by adding the following new subsection 7 and
6 renumbering the remaining subsection:

7 NEW SUBSECTION. 7. If the person is engaged in
8 farming operations, sells or otherwise transfers a
9 farm product as defined in section 554.9109,
10 subsection 3, in which the person has granted a
11 security interest pursuant to chapter 554, article 9,
12 unless prior to the sale or transfer the person does
13 either of the following:

14 a. Notifies the secured party of the sale or
15 transfer, obtains the secured party's written
16 permission for the sale or transfer, and distributes
17 the proceeds in accordance with the written
18 permission.

19 b. Within five business days of the sale or
20 transfer, the person either satisfies the debt for
21 which the security interest was granted or pays the
22 entire proceeds to the secured party.

23 To determine the degree of theft pursuant to
24 section 714.2, the value is determined by aggregating
25 the value of all security interests granted by the
26 person on the farm product sold or transferred for
27 which the person has not complied with either
28 paragraph "a" or "b".

H-3547 FILED MARCH 29, 1985 BY HUMMEL of Benton

w/d 4/10 (p. 1437)

1 Section 1. Section 554.9307, subsection 1, Code 1985, is
2 amended to read as follows:

3 1. Except as provided in subsection 4, a buyer in
4 ordinary course of business (subsection 9 of section 554.1201)
5 other than a person buying farm products from a person engaged
6 in farming operations as defined in section 554.1201,
7 subsection 9, takes free of a security interest created by
8 that person's seller even though the security interest is
9 perfected and even though the buyer knows of its existence.
10 For purposes of this section, a buyer or buyer in ordinary
11 course of business includes any commission merchant, selling
12 agent, or other person engaged in the business of receiving
13 livestock as defined in section 189A.2 on commission for or on
14 behalf of another.

15 Sec. 2. Section 554.9307, Code 1985, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 4. a. A buyer in ordinary course of
18 business buying farm products from a person engaged in farming
19 operations takes free of a security interest created by that
20 person's seller even though the security interest is perfected
21 and even though the buyer knows of its existence, unless the
22 buyer receives prior written notice of the security interest.
23 "Written notice" means an original financing statement
24 effective under section 554.9402, or a carbon, photographic,
25 or other reproduction of an original financing statement
26 signed by the debtor or a notice on a form prescribed by the
27 secretary of state, or a carbon, photographic, or other
28 reproduction of the form that contains all of the following:
29 (1) The full name, address, and social security or tax
30 identification number of the debtor.
31 (2) The full name and address of the secured party.
32 (3) A description of the collateral.
33 (4) The date and location of the filing of the financing
34 statement.
35 (5) The date and signature of the secured party.

1 (6) The date and signature of the debtor.

2 b. The written notice expires on the earlier of either of
3 the following dates:

4 (1) Eighteen months after the date the secured party signs
5 the notice.

6 (2) When the debt that appears on the notice is satisfied.

7 c. For the notice to be effective, the buyer of the farm
8 products must have received the notice prior to the time the
9 buyer has made full payment to the person engaged in farming
10 operations. The notice is not effective against any payments
11 made prior to receipt of the notice.

12 d. Within fifteen days of the satisfaction of the debt,
13 the secured party shall inform in writing each potential buyer
14 listed by the debtor to whom the notice provided in paragraph
15 "e" has been sent that the debt has been satisfied.

16 e. A debtor engaged in farming operations who has created
17 a security interest in farm products shall provide the secured
18 party with a written list of potential buyers of the farm
19 products at the time the debt is incurred if the secured party
20 requests such a list. The debtor shall not sell the farm
21 products to a buyer who does not appear on the list unless the
22 secured party has given prior written permission or the debtor
23 applies the proceeds the debtor receives from the sale to the
24 debt within fifteen days of the date of sale. A debtor who
25 knowingly or intentionally sells the farm products in
26 violation of this paragraph is guilty of a serious
27 misdemeanor.

28 f. A buyer of farm products buying from a person engaged
29 in farming operations shall issue a check for payment jointly
30 to the debtor and those secured parties from whom the buyer
31 has received prior written notice of a security interest. A
32 buyer who issues a check jointly payable as specified in this
33 subsection takes the farm products free of a security interest
34 created by that person's seller. A buyer who does not issue a
35 check jointly payable as specified in this subsection does not

1 take the farm products free of a security interest created by
2 that person's seller. A buyer shall not withhold all or part
3 of the payment to satisfy a prior debt. However, the buyer
4 may withhold the costs incurred by the purchaser to market or
5 transport the farm products if such costs are part of the
6 agreement to purchase the farm products.

7

EXPLANATION

8 This bill provides that a buyer in the ordinary course of
9 business who purchases farm products from a person engaged in
10 a farming operation takes free of a security interest created
11 by the seller unless prior to making full payment the buyer
12 receives a notice from the secured party that the secured
13 party has a security interest. The debtor is required to pro-
14 vide the secured party if requested a list of potential
15 buyers. The debtor is guilty of a serious misdemeanor if the
16 debtor knowingly or intentionally sells the farm products to
17 another person unless the secured party has given written
18 permission or the debtor satisfies the debt within fifteen
19 days of the date of sale. A buyer who receives notice of the
20 security interest shall issue any payment check jointly in the
21 name of the seller and the secured party.

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HOUSE FILE 554

H-3630

1 Amend House File 554 as follows:

2 1. Page 1, line 3, by striking the word and
3 figure "subsection 4" and inserting the following:
4 "subsections 4 and 5".

5 2. By striking page 1, line 15 through page 3,
6 line 6 and inserting the following:

7 "Sec. 2. Section 554.9307, Code 1985, is amended
8 by adding the following new subsections:

9 NEW SUBSECTION. 4. a. A buyer in ordinary course
10 of business buying farm products, which is livestock
11 as defined in section 172D.1, subsection 7, from a
12 person engaged in farming operations takes free of a
13 security interest created by that person's seller even
14 though the security interest is perfected unless the
15 buyer receives prior written notice of the security
16 interest. "Written notice" means a writing which may
17 contain information regarding more than one debtor and
18 more than one lien and contains all of the following:

19 (1) The full name, address, and social security or
20 tax identification number of the debtor.

21 (2) The full name and address of the secured
22 party.

23 (3) A description of the collateral.

24 (4) The date and signature of the secured party.

25 b. The written notice expires on the earlier of
26 either of the following dates:

27 (1) Eighteen months after the date the secured
28 party signs the notice.

29 (2) When the debt that appears on the notice is
30 satisfied.

31 c. For the notice to be effective, the buyer of
32 the livestock must have received the notice prior to
33 the time the buyer has made full payment to the person
34 engaged in farming operations. The notice is not
35 effective against any payments made prior to receipt
36 of the notice.

37 d. Within fifteen days of the satisfaction of the
38 debt, the secured party shall inform in writing each
39 potential buyer listed by the debtor to whom the
40 notice provided in paragraph "e" has been sent that
41 the debt has been satisfied.

42 e. A debtor engaged in farming operations who has
43 created a security interest in farm products which is
44 livestock shall provide the secured party with a
45 written list of potential buyers of the farm products
46 at the time the debt is incurred if the secured party
47 requests such a list. The debtor shall not sell the
48 livestock to a buyer who does not appear on the list
49 unless the secured party has given prior written
50 permission or the debtor applies the proceeds the

1 debtor receives from the sale to the debt within
2 fifteen days of the date of sale. A debtor who
3 knowingly or intentionally sells the livestock in
4 violation of this paragraph is guilty of an aggravated
5 misdemeanor.

6 f. A buyer of farm products which is livestock
7 buying from a person engaged in farming operations
8 shall issue a check for payment jointly to the debtor
9 and those secured parties from whom the buyer has
10 received prior written notice of a security interest.
11 A buyer who issues a check jointly payable as
12 specified in this subsection takes the livestock free
13 of a security interest created by that person's
14 seller. A buyer who does not issue a check jointly
15 payable as specified in this subsection does not take
16 the livestock free of a security interest created by
17 that person's seller. A buyer shall not withhold all
18 or part of the payment to satisfy a prior debt.
19 However, the buyer may withhold the costs incurred by
20 the purchaser to market or transport the livestock if
21 such costs are part of the agreement to purchase the
22 livestock.

23 NEW SUBSECTION. 5. a. A buyer in ordinary course
24 of business buying farm products other than livestock
25 from a person engaged in farming takes free of a
26 security interest created by that person's seller, if
27 all of the following conditions are met:

28 (1) The buyer shall obtain from the seller or the
29 seller's designated agent an affidavit of disclosure
30 of security interest.

31 (2) The seller or the seller's designated agent
32 shall complete and sign the affidavit and disclose the
33 name and address of any person who holds a security
34 interest in the farm products or makes a written
35 disclosure that a security interest has not been given
36 in the farm products.

37 (3) The buyer pays for the farm product by
38 issuing a check jointly in the name of the seller and
39 the name of all secured parties listed in the
40 affidavit.

41 b. The department of agriculture shall adopt by
42 rule a form to be used for the affidavit required in
43 paragraph "a". The affidavit shall clearly and
44 conspicuously state that the failure to fully disclose
45 all persons holding a security interest in the farm
46 product being sold is an aggravated misdemeanor.

47 c. A seller or the seller's agent who fails to
48 fully disclose in the affidavit required in paragraph
49 "a" all persons holding a security interest in the
50 farm products being sold is guilty of an aggravated

Page Three

1 misdemeanor."

BY FOGARTY of Palo Alto
VAN MAANEN of Mahaska
H-3630, FILED APRIL 3, 1985

4/3 4/10 (p. 1433)

PELLETT of Cass
HALVORSON of Webster
CARTER of Henry

HOUSE FILE 554

H-3669

1 Amend House File 554 as follows:
2 1. Page 1, line 9, by striking the words "and
3 even though the buyer knows of its existence" and
4 inserting the following: "~~and-even-though-the-buyer~~
5 ~~knows-of-its-existence~~".
6 2. By striking page 1, line 15, through page 3,
7 line 6, and inserting the following:
8 "Sec. 2. Section 554.9307, Code 1985, is amended
9 by adding the following new subsection:
10 NEW SUBSECTION. 4. a. A buyer in ordinary course
11 of business buying farm products from a person engaged
12 in farming operations takes free of a security
13 interest created by that person's seller even though
14 the security interest is perfected, unless the buyer
15 receives prior written notice of the security
16 interest, or unless the buyer purchases the farm
17 products outside of the seller's trade area, or the
18 buyer's principal place of business is located outside
19 of the seller's trade area. The "seller's trade area"
20 consists of the county in which the seller resides or
21 a county that is contiguous to or corners upon the
22 county where the seller resides. "Written notice"
23 means a writing which may contain information
24 regarding more than one debtor and more than one lien
25 and contains all of the following:
26 (1) The full name, address and social security or
27 tax identification number of the debtor.
28 (2) The full name and address of the secured
29 party.
30 (3) A description generally identifying the farm
31 products subject to the security interest.
32 (4) The date and signature of the secured party.
33 b. The written notice expires on the earlier of
34 either of the following dates:
35 (1) Eighteen months after the date the secured
36 party signs the notice.
37 (2) When the debt that appears on the notice is
38 satisfied.
39 c. For the notice to be effective, the buyer of
40 the farm products must have received the notice prior
41 to the time the buyer has made full payment to the
42 person engaged in farming operations. The notice is
43 not effective against any payments made prior to
44 receipt of the notice.
45 d. A debtor engaged in farming operations who has
46 created a security interest in farm products shall
47 provide the secured party with a written list of
48 potential buyers of the farm products at the time the
49 debt is incurred if the secured party requests such a
50 list. The debtor shall not sell the farm products to

H-3662
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1 a buyer who does not appear on the list or is not in
2 the debtor's trade area unless the secured party has
3 given prior written permission or the debtor applies
4 the proceeds the debtor receives from the sale to the
5 debt within fifteen days of the date of sale. A
6 debtor who knowingly or intentionally, sells the farm
7 products in violation of this paragraph is guilty of
8 an aggravated misdemeanor.

9 e. A buyer of farm products buying from a person
10 engaged in farming operations shall issue a check for
11 payment jointly to the debtor and those secured
12 parties from whom the buyer has received prior written
13 notice of a security interest. A buyer who issues a
14 check jointly payable as specified in this subsection
15 takes the farm products free of a security interest
16 created by that person's seller. A buyer who does not
17 issue a check jointly payable as specified in this
18 subsection does not take farm products free of a
19 security interest created by that person's seller. A
20 buyer shall not withhold all or part of the payment to
21 satisfy a prior debt. However, the buyer may withhold
22 the costs incurred by the purchaser to market or
23 transport the farm products if such costs are part of
24 the agreement to purchase the farm products."

H-3662 FILED APRIL 1, 1985 BY TABOR of Jackson
Adopted as amended by 3719 & 3722
4/10/85 (p. 1436)

HOUSE FILE 554

H-3663

1 Amend House amendment H-3630 to House File 554 as
2 follows:

- 3 1. Page 2, line 40, by inserting after the word
- 4 "who" the following: "knowingly or intentionally".
- 5 2. Page 2, line 60, by inserting after the word
- 6 "sold" the following: "and who has not received prior
- 7 written permission from the secured party to sell the
- 8 farm products and who does not apply the proceeds of
- 9 the sale to the debt within fifteen days of the sale".

H-3663 FILED APRIL 1, 1985 BY PELLETT of Cass
Please also 4/10 (p. 1433)

HOUSE FILE 554

H-3666

- 1 Amend House File 554 as follows:
- 2 1. By striking page 1, line 15 through page 3, line
- 3 6.

H-3666 FILED APRIL 4, 1985 BY COCHRAN of Webster
w/d 4/10 (p. 1437)

HOUSE FILE 554

H-3686

1 Amend amendment H-3672 to House File 554 as
2 follows:

3 1. Page 1, by inserting after line 11 the
4 following:

5 "____. Page 3, by inserting after line 6 the
6 following:

7 "Sec. ____ . Section 554.9404, subsection 1, Code
8 1985, is amended to read as follows:

9 1. If a financing statement covering consumer
10 goods is filed on or after January 1, 1975, then
11 within one month or within ten days following written
12 demand by the debtor after there is no outstanding
13 secured obligation and no commitment to make advances,
14 incur obligations or otherwise give value, the secured
15 party must file with each filing officer with whom the
16 financing statement was filed, a termination statement
17 to the effect that the secured party no longer claims
18 a security interest under the financing statement,
19 which shall be identified by file number. If a
20 financing statement covering farm products is filed,
21 then within sixty days, or within ten days following
22 written demand by the debtor, after there is no
23 outstanding secured objection and no commitment to
24 make advances, incur obligations, or otherwise give
25 value, the secured party shall file with each filing
26 officer with whom the financing statement was filed, a
27 termination statement to the effect that the secured
28 party no longer claims a security interest under the
29 financing statement which shall be identified by file
30 number. In other cases whenever there is no
31 outstanding secured obligation and no commitment to
32 make advances, incur obligations or otherwise give
33 value, the secured party must on written demand by the
34 debtor send the debtor, for each filing officer with
35 whom the financing statement was filed, a termination
36 statement to the effect that the secured party no
37 longer claims a security interest under the financing
38 statement, which shall be identified by file number.
39 A termination statement signed by a person other than
40 the secured party of record must be accompanied by a
41 separate written statement of assignment signed by the
42 secured party of record complying with section
43 554.9405, subsection 2, including payment of the
44 required fee. If the affected secured party fails to
45 file such a termination statement as required by this
46 subsection, or to send such a termination statement
47 within ten days after proper demand therefor the
48 affected secured party shall be liable to the debtor
49 for one hundred dollars, and in addition for any loss
50 caused to the debtor by such failure."

Page 2

1 2. Renumber as necessary.

H-3686 FILED APRIL 8, 1985

Clair 4/8 7/10 (p 1436)

by Pellett of Cass

Handorf of Marshall

HOUSE FILE 554

H-3672

1 Amend House File 554 as follows:

- 2 1. Page 1, by striking lines 23 through 28 and
- 3 inserting the following: ""Written notice" means a
- 4 writing which may contain information regarding more
- 5 than one debtor and more than one lien and shall
- 6 contain all of the following:".
- 7 2. Page 1, by striking lines 33 and 34.
- 8 3. Page 2, by striking line 1.
- 9 4. Page 2, line 26, by striking the words "a
- 10 serious" and inserting the following: "an
- 11 aggravated".
- 12 5. Renumber as necessary.

H-3672 FILED APRIL 4, 1985

BY FOGARTY of Palo Alto

P. 10-22 o/s 4/10 (f. 1436)

HOUSE FILE 554

H-3722

1 Amend amendment H-3669 to House File 554 as
2 follows:

3 1. Page 2, by inserting after line 24 the
4 following:

5 "____. Page 3, by inserting after line 6 the
6 following:

7 "Sec. ____ Section 554.9404, subsection 1, Code
8 1985, is amended to read as follows:

9 1. If a financing statement covering consumer
10 goods is filed on or after January 1, 1975, then
11 within one month or within ten days following written
12 demand by the debtor after there is no outstanding
13 secured obligation and no commitment to make advances,
14 incur obligations or otherwise give value, the secured
15 party must file with each filing officer with whom the
16 financing statement was filed, a termination statement
17 to the effect that the secured party no longer claims
18 a security interest under the financing statement,
19 which shall be identified by file number. If a
20 financing statement covering farm products is filed,
21 then within sixty days, or within ten days following
22 written demand by the debtor, after there is no
23 outstanding secured objection and no commitment to
24 make advances, incur obligations, or otherwise give
25 value, the secured party shall file with each filing
26 officer with whom the financing statement was filed, a
27 termination statement to the effect that the secured
28 party no longer claims a security interest under the
29 financing statement which shall be identified by file
30 number. In other cases whenever there is no
31 outstanding secured obligation and no commitment to
32 make advances, incur obligations or otherwise give
33 value, the secured party must on written demand by the
34 debtor send the debtor, for each filing officer with
35 whom the financing statement was filed, a termination
36 statement to the effect that the secured party no
37 longer claims a security interest under the financing
38 statement, which shall be identified by file number.
39 A termination statement signed by a person other than
40 the secured party of record must be accompanied by a
41 separate written statement of assignment signed by the
42 secured party of record complying with section
43 554.9405, subsection 2, including payment of the
44 required fee. If the affected secured party fails to
45 file such a termination statement as required by this
46 subsection, or to send such a termination statement
47 within ten days after proper demand therefor the
48 affected secured party shall be liable to the debtor
49 for one hundred dollars, and in addition for any loss
50 caused to the debtor by such failure."

H-3722
Page Two

1 2. Renumber as necessary.

H-3722 FILED APRIL 10, 1985
ADOPTED (*p. 1436*)

BY PELLETT of Cass
HANDORF of Marshall

HOUSE FILE 554

H-3719

1 Amend House amendment H-3669 to House File 554 as
2 follows:

3 1. Page 2, line 5, by inserting after the word
4 "sale" the following: "or delivery, whichever is
5 later".

H-3719 FILED APRIL 10, 1985 BY HARBOR of Mills
ADOPTED (*p. 1435*)

HOUSE FILE 554

H-3725

1 Amend House File 554 as follows:

2 1. Title page, by striking lines 1 through 4 and
3 inserting the following: "An Act relating to security
4 interests in farm products and providing penalties."

H-3725 FILED APRIL 10, 1985 BY PELLETT of Cass
ADOPTED BY UNANIMOUS CONSENT

(*page 1427*)

Sen. Ag 4/10/85

HOUSE FILE 554

BY COMMITTEE ON AGRICULTURE

Substituted for S.F. 348 4/11/85

(As Amended and Passed by the House April 10, 1985)

Passed House, Date 4-10-85 (p. 1437) Passed Senate, Date 4-23-85 (p. 1608)

Vote: Ayes 88 Nays 5 Vote: Ayes 42 Nays 2

Approved May 24, 1985

Repassed Senate 4-29-85 (p. 1748)

40-6

A BILL FOR

1 An Act relating to security interests in farm products and
2 providing penalties.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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House Amendments _____

1 Section 1. Section 554.9307, subsection 1, Code 1985, is
2 amended to read as follows:

3 1. A Except as provided in subsection 4, a buyer in
4 ordinary course of business (subsection 9 of section 554.1201)
5 other than a person buying farm products from a person engaged
6 in farming operations as defined in section 554.1201,
7 subsection 9, takes free of a security interest created by
8 that person's seller even though the security interest is
9 perfected and even though the buyer knows of its existence.
10 For purposes of this section, a buyer or buyer in ordinary
11 course of business includes any commission merchant, selling
12 agent, or other person engaged in the business of receiving
13 livestock as defined in section 189A.2 on commission for or on
14 behalf of another.

15 Sec. 2. Section 554.9307, Code 1985, is amended by adding
16 the following new subsection:

17 NEW SUBSECTION. 4. a. A buyer in ordinary course of
18 business buying farm products from a person engaged in farming
19 operations takes free of a security interest created by that
20 person's seller even though the security interest is
21 perfected, unless the buyer receives prior written notice of
22 the security interest, or unless the buyer purchases the farm
23 products outside of the seller's trade area, or the buyer's
24 principal place of business is located outside of the seller's
25 trade area. The "seller's trade area" consists of the county
26 in which the seller resides or a county that is contiguous to
27 or corners upon the county where the seller resides. "Written
28 notice" means a writing which may contain information
29 regarding more than one debtor and more than one lien and
30 contains all of the following:

31 (1) The full name, address and social security or tax
32 identification number of the debtor.

33 (2) The full name and address of the secured party.

34 (3) A description generally identifying the farm products
35 subject to the security interest.

1 (4) The date and signature of the secured party.

2 b. The written notice expires on the earlier of either of
3 the following dates:

4 (1) Eighteen months after the date the secured party signs
5 the notice.

6 (2) When the debt that appears on the notice is satisfied.

7 c. For the notice to be effective, the buyer of the farm
8 products must have received the notice prior to the time the
9 buyer has made full payment to the person engaged in farming
10 operations. The notice is not effective against any payments
11 made prior to receipt of the notice.

12 d. A debtor engaged in farming operations who has created
13 a security interest in farm products shall provide the secured
14 party with a written list of potential buyers of the farm
15 products at the time the debt is incurred if the secured party
16 requests such a list. The debtor shall not sell the farm
17 products to a buyer who does not appear on the list or is not
18 in the debtor's trade area unless the secured party has given
19 prior written permission or the debtor applies the proceeds
20 the debtor receives from the sale to the debt within fifteen
21 days of the date of sale or delivery, whichever is later. A
22 debtor who knowingly or intentionally sells the farm products
23 in violation of this paragraph is guilty of an aggravated
24 misdemeanor.

25 e. A buyer of farm products buying from a person engaged
26 in farming operations shall issue a check for payment jointly
27 to the debtor and those secured parties from whom the buyer
28 has received prior written notice of a security interest. A
29 buyer who issues a check jointly payable as specified in this
30 subsection takes the farm products free of a security interest
31 created by that person's seller. A buyer who does not issue a
32 check jointly payable as specified in this subsection does not
33 take farm products free of a security interest created by that
34 person's seller. A buyer shall not withhold all or part of
35 the payment to satisfy a prior debt. However, the buyer may

1 withhold the costs incurred by the purchaser to market or
2 transport the farm products if such costs are part of the
3 agreement to purchase the farm products.

4 Sec. 3. Section 554.9404, subsection 1, Code 1985, is
5 amended to read as follows:

6 1. If a financing statement covering consumer goods is
7 filed on or after January 1, 1975, then within one month or
8 within ten days following written demand by the debtor after
9 there is no outstanding secured obligation and no commitment
10 to make advances, incur obligations or otherwise give value,
11 the secured party must file with each filing officer with whom
12 the financing statement was filed, a termination statement to
13 the effect that the secured party no longer claims a security
14 interest under the financing statement, which shall be
15 identified by file number. If a financing statement covering
16 farm products is filed, then within sixty days, or within ten
17 days following written demand by the debtor, after there is no
18 outstanding secured objection and no commitment to make
19 advances, incur obligations, or otherwise give value, the
20 secured party shall file with each filing officer with whom
21 the financing statement was filed, a termination statement to
22 the effect that the secured party no longer claims a security
23 interest under the financing statement which shall be
24 identified by file number. In other cases whenever there is
25 no outstanding secured obligation and no commitment to make
26 advances, incur obligations or otherwise give value, the
27 secured party must on written demand by the debtor send the
28 debtor, for each filing officer with whom the financing
29 statement was filed, a termination statement to the effect
30 that the secured party no longer claims a security interest
31 under the financing statement, which shall be identified by
32 file number. A termination statement signed by a person other
33 than the secured party of record must be accompanied by a
34 separate written statement of assignment signed by the secured
35 party of record complying with section 554.9405, subsection 2,

1 including payment of the required fee. If the affected
2 secured party fails to file such a termination statement as
3 required by this subsection, or to send such a termination
4 statement within ten days after proper demand therefor the
5 affected secured party shall be liable to the debtor for one
6 hundred dollars, and in addition for any loss caused to the
7 debtor by such failure.

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1 Amend House File 554 as amended, passed, and
2 reprinted by the House as follows:

3 1. By striking page 1, line 15 through page 4,
4 line 7 and inserting the following:

5 "Sec. 2. Section 554.9307, Code 1985, is amended
6 by adding the following new subsection:

7 NEW SUBSECTION. 4. a. A buyer in ordinary course
8 of business buying farm products from a person engaged
9 in farming operations takes free of a security
10 interest created by that person's seller even though
11 the security interest is perfected and even though the
12 buyer knows of its existence, unless the buyer
13 receives prior written notice of the security
14 interest. "Written notice" means a writing which may
15 contain information regarding more than one debtor and
16 more than one lien and shall contain all of the
17 following:

18 (1) The full name, address, and social security or
19 tax identification number of the debtor.

20 (2) The full name and address of the secured
21 party.

(3) A description of the collateral.

(4) The date and signature of the secured party.

24 b. The written notice expires on the earlier of
25 either of the following dates:

26 (1) Eighteen months after the date the secured
27 party signs the notice.

28 (2) When the debt that appears on the notice is
29 satisfied.

30 c. For the notice to be effective, the buyer of
31 the farm products must have received the notice prior
32 to the time the buyer has made full payment to the
33 person engaged in farming operations. The notice is
34 not effective against any payments made prior to
35 receipt of the notice.

36 d. Within fifteen days of the satisfaction of the
37 debt, the secured party shall inform in writing each
38 potential buyer listed by the debtor to whom the
39 notice provided in paragraph "e" has been sent that
40 the debt has been satisfied.

41 e. A debtor engaged in farming operations who has
42 created a security interest in farm products shall
43 provide the secured party with a written list of
44 potential buyers of the farm products at the time the
45 debt is incurred if the secured party requests such a
46 list. The debtor shall not sell the farm products to
a buyer who does not appear on the list unless the
secured party has given prior written permission or
49 the debtor applies the proceeds the debtor receives
50 from the sale to the debt within fifteen days of the

S-3807 page 2

1 date of sale. A debtor who knowingly or intentionally
2 sells the farm products in violation of this paragraph
3 is guilty of an aggravated misdemeanor.
4 f. A buyer of farm products buying from a person
5 engaged in farming operations shall issue a check for
6 payment jointly to the debtor and those secured
7 parties from whom the buyer has received prior written
8 notice of a security interest. A buyer who issues a
9 check jointly payable as specified in this subsection
10 takes the farm products free of a security interest
11 created by that person's seller. A buyer who does not
12 issue a check jointly payable as specified in this
13 subsection does not take the farm products free of a
14 security interest created by that person's seller. A
15 buyer shall not withhold all or part of the payment to
16 satisfy a prior debt. However, the buyer may withhold
17 the costs incurred by the purchaser to market or
18 transport the farm products if such costs are part of
19 the agreement to purchase the farm products."

S-3807 Filed April 18, 1985

*Adopted 4/23/85 (p. 1601)
(as amended 4/29/85)*

By BOSWELL, PRIEBE, GETTINGS,
WALDSTEIN, VANDE HOEF, HESTER,
SOORHOLTZ, A. MILLER, PALMER,
HOLT, NEIGHBOUR, GOODWIN, BROWN,
RODGERS, NYSTROM, WELLS and
C. MILLER

S-3791

HOUSE FILE 554

1 Amend House File 554 as amended, passed and
2 reprinted by the House as follows:
3 1. Page 1, line 31, by striking the words
4 "social security or".

S-3791 Filed April 17, 1985

By LIND

Placed o/o 4/23 (p. 1602)

1 Amend amendment S-3807 to House File 554 as
2 amended, passed, and reprinted by the House as
3 follows:

4 1. By striking page 1, line 7 through page 2,
5 line 19 and inserting the following:

6 "NEW SUBSECTION. 4. a. At the time a security
7 interest is taken in farm products, the secured party
8 shall issue to the person granting the security
9 interest a certificate evidencing the security
10 interest. The certificate shall contain a statement
11 that, without written permission from the secured
12 party, a person who buys the farm products in which
13 the security interest is taken shall issue all checks
14 jointly to the seller and the secured party.

15 o. At the request of the person selling farm
16 products a lender shall issue a certificate that the
17 person does not have a security interest in the farm
18 products if the person in fact does not have such a
19 security interest.

20 c. A buyer in the ordinary course of business
21 buying farm products from a person selling farm
22 products takes free of a security interest created by
23 that person's seller even though the security interest
24 is perfected if all of the following conditions are
25 met:

26 (1) At the time of sale, the buyer requests that
27 the seller or the seller's designated agent present to
28 the buyer all certificates relating to the farm
29 products being sold which have not been superseded by
30 a more recent certificate.

31 (2) The buyer refuses to issue a check or
32 otherwise pay until the seller or the seller's
33 designated agent has provided the buyer with
34 certificates on the farm products.

35 (3) The buyer issues the check payable jointly to
36 the seller and all persons listed in the certificates
37 presented as having a security interest in the farm
38 products.

39 (4) A person who sells farm products without
40 presentment of a certificate shall sign a statement
41 provided by the buyer stating that there are no
42 security interests in the farm products.

43 d. The secretary of state shall prescribe pursuant
44 to the rulemaking procedures of chapter 17A the form
45 and content of the certificate and statement required
46 by this section.

47 e. A seller of farm products is guilty of an
48 aggravated misdemeanor if the seller does any of the
49 following:

50 (1) Alters a certificate issued under paragraph

SENATE 23
APRIL 23, 1985

S-3916 page 2

1 "a" or "b".
2 (2) Sells farm products without presenting to the
3 buyer all certificates on the farm products which have
4 been issued and have not been superseded.
5 (3) Presents the buyer with a certificate that has
6 been superseded.
7 (4) Executes a statement pursuant to paragraph
8 "c", subparagraph (4), that there are no security
9 interests on the farm products when the seller knows
10 that there are security interests on the farm
11 products."

S-3916 Filed April 22, 1985
Adopted 4/23/85 (p. 1601)

By PRIEBE, TAYLOR, TIEDEN, DOYLE
WALDSTEIN, A. MILLER, SOORHOLTZ,
COLEMAN, PALMER & RODGERS

S-3913

HOUSE FILE 554

1 Amend the amendment S-3807 to House File 554 as
2 amended, passed and reprinted by the House as
3 follows:
4 1. Page 1, line 18, by striking the words "social
5 security or".

S-3913 Filed April 22, 1985
Placed c/o 4/23 (p. 1601)

By LIND

521

1 Amend House File 554 as amended, P
2 reprinted by the House as follows:
3 1. Page 4, by inserting after line
4 following:
5 "Sec. _____ Section 554.9403, subject
6 1985, is amended to read as follows:
7 5. _____ stamping a uniform fee for filing and index
8 the date and copy furnished for an original be as follow
9 a. Four dollars for a continuation statement if
10 prescribed by the secretary of state, and otherw
11 statement if the statement is in the financing
12 five dollars. However, if the statement is in the
13 for a security interest on farm products then the
14 shall be eight dollars if the secretary of state
15 standard form prescribed by the secretary of state
16 otherwise form prescribed by the secretary of state
17 b. Four dollars for a continuation statement if
18 the secretary of state, and otherwise form prescribed by
19 the secretary of state, and otherwise form prescribed by
20 the secretary of state, and otherwise form prescribed by
21 However, if the statement is in the financing
22 security interest on farm products then the fee shall
23 be eight dollars if the secretary of state, and
24 otherwise form prescribed by the secretary of state,
25 Sec. _____ Section 554.9407, subsections 2 and 3,
26 Code 1985, are amended to read as follows:
27 2. _____ Upon a verbal request of a person, the filing
28 officer shall verbally request a person, the filing
29 presently effective financing information concerning a
30 fee for a verbal request of a person, the filing
31 dollars. The request for a verbal request is for a
32 certificate from the filing officer may confirm the
33 information from the filing officer shall be no charge for
34 is one dollar. However, if the request is in
35 a verbal request for a verbal request of a person, the filing
36 From a verbal request of a person, the filing
37 officer shall issue a certificate showing whether
38 there is on file on the date and hour stated therein,
39 officer shall issue a certificate showing whether
40 any presently effective financing statement or
41 verified lien statement and any financing statement or
42 particular lien statement and any financing statement or
43 verified lien statement and any financing statement or
44 giving the date and address of filing of each such party
45 and the names of the request for a certified
46 herein. The uniform fee for the certification
47 be four dollars if the request for the certification
48 on a form conforming to standards prescribed

SENATE 8
APRIL 24, 1985

S-3921 page 2

1 secretary of state; otherwise, five dollars. Upon
2 request and the payment of the appropriate fee the
3 filing officer shall furnish a certified copy of any
4 filed financing statement or financing statement
5 changes or verified lien statement or lien statement
6 changes for a uniform fee of one dollar per page.
7 However, there shall be no charge for a verbal request
8 or a certificate if the request is from a buyer of
9 farm products and the request is in regards to the
10 farm products."
11 2. Renumber as necessary.

S-3921 Filed April 23, 1985

By MURPHY

w/d 4/23/85 (p. 1602)

SENATE AMENDMENT TO HOUSE FILE 554

H-3996

1 Amend House File 554 as amended, passed, and
2 reprinted by the House as follows:

3 1. By striking page 1, line 15 through page 4,
4 line 7 and inserting the following:

5 "Sec. 2. Section 554.9307, Code 1985, is amended
6 by adding the following new subsection:

7 NEW SUBSECTION. 4. a. At the time a security
8 interest is taken in farm products, the secured party
9 shall issue to the person granting the security
10 interest a certificate evidencing the security
11 interest. The certificate shall contain a statement
12 that, without written permission from the secured
13 party, a person who buys the farm products in which
14 the security interest is taken shall issue all checks
15 jointly to the seller and the secured party.

16 b. At the request of the person selling farm
17 products a lender shall issue a certificate that the
18 person does not have a security interest in the farm
19 products if the person in fact does not have such a
20 security interest.

21 c. A buyer in the ordinary course of business
22 buying farm products from a person selling farm
23 products takes free of a security interest created by
24 that person's seller even though the security interest
25 is perfected if all of the following conditions are
26 met:

27 (1) At the time of sale, the buyer requests that
28 the seller or the seller's designated agent present to
29 the buyer all certificates relating to the farm
30 products being sold which have not been superseded by
31 a more recent certificate.

32 (2) The buyer refuses to issue a check or
33 otherwise pay until the seller or the seller's
34 designated agent has provided the buyer with
35 certificates on the farm products.

36 (3) The buyer issues the check payable jointly to
37 the seller and all persons listed in the certificates
38 presented as having a security interest in the farm
39 products.

40 (4) A person who sells farm products without
41 presentment of a certificate shall sign a statement
42 provided by the buyer stating that there are no
43 security interests in the farm products.

44 d. The secretary of state shall prescribe pursuant
45 to the rulemaking procedures of chapter 17A the form
46 and content of the certificate and statement required
47 by this section.

48 e. A seller of farm products is guilty of an
49 aggravated misdemeanor if the seller does any of the
50 following:

H-3996
Page Two

- 1 (1) Alters a certificate issued under paragraph
- 2 "a" or "b".
- 3 (2) Sells farm products without presenting to the
- 4 buyer all certificates on the farm products which have
- 5 been issued and have not been superseded.
- 6 (3) Presents the buyer with a certificate that has
- 7 been superseded.
- 8 (4) Executes a statement pursuant to paragraph
- 9 "c", subparagraph (4), that there are no security
- 10 interests on the farm products when the seller knows
- 11 that there are security interests on the farm
- 12 products."

H-3996 FILED APRIL 24, 1985

RECEIVED FROM THE SENATE

*House refused to concur 4/26/85 (p. 1760)
Senate received 4/29 (p. 1747)*

HOUSE FILE 554

H-4058

- 1 Amend the Senate amendment, H-3996, to House File
- 2 554, as amended, passed, and reprinted by the House,
- 3 as follows:
- 4 1. Page 2, by striking line 12 and inserting the
- 5 following: "products.
- 6 Sec. ____ Section 570A.4, Code 1985, is amended by
- 7 adding the following new unnumbered paragraph:
- 8 NEW UNNUMBERED PARAGRAPH. Notwithstanding
- 9 subsection 5, any agricultural supply dealer filing a
- 10 verified lien under subsection 5, shall request from
- 11 the secretary of state a certificate or from any other
- 12 source a statement showing any effective financing
- 13 statement or verified lien statements naming the
- 14 debtor and the crops or livestock to which the lien
- 15 attaches."

H-4058 FILED APRIL 25, 1985 BY KOENIGS of Mitchell

4/15 4/26 (p. 1760)

NSB 185

Agriculture

Study Bill 185

Agriculture: Fogarty, Chair; Carter, Halvorson of Webster, Pellett and Van Maanen.

HOUSE FILE 554

BY (PROPOSED COMMITTEE ON AGRICULTURE BILL)

*now
HP 554*

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the security interest in farm products pur-
2 chased by a buyer in the ordinary course of business from
3 a person engaged in farming operations and providing
4 penalties.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. _____ H.F. _____

1 Section 1. Section 554.9307, subsection 1, Code 1985, is
2 amended to read as follows:

3 1. A Except as provided in subsection 4, a buyer in
4 ordinary course of business (subsection-9-of-section-554.1201)
5 other-than-a-person-buying-farm-products-from-a-person-engaged
6 in-farming-operations as defined in section 554.1201,
7 subsection 9, takes free of a security interest created by
8 that person's seller even though the security interest is
9 perfected and even though the buyer knows of its existence.

10 Sec. 2. Section 554.9307, Code 1985, is amended by adding
11 the following new subsection:

12 NEW SUBSECTION. 4. a. A person buying farm products from
13 a person engaged in farming operations is not protected by
14 subsection 1 if the person has received prior written notice
15 of the security interest. "Written notice" means an original
16 financing statement effective under section 554.9402, or a
17 carbon, photographic, or other reproduction of an original
18 financing statement signed by the debtor or a notice on a form
19 prescribed by the secretary of state, or a carbon,
20 photographic, or other reproduction of the form that contains
21 all of the following:

22 (1) The full name and address of the debtor.
23 (2) The full name and address of the secured party.
24 (3) A description of the collateral.
25 (4) The date and location of the filing of the financing
26 statement.

27 (5) The date and signature of the secured party.

28 (6) The date and signature of the debtor.

29 b. The written notice expires on the earlier of either of
30 the following dates:

31 (1) Eighteen months after the date the secured party signs
32 the notice.

33 (2) When the debt that appears on the notice is satisfied.

34 c. For the notice to be effective, the buyer of the farm
35 products must have received the notice prior to the time the

1 buyer has made full payment to the person engaged in farming
2 operations. The notice is not effective against any payments
3 made prior to receipt of the notice.

4 d. Within fifteen days of the satisfaction of the debt,
5 the secured party shall inform in writing each potential buyer
6 listed by the debtor to whom the notice provided in paragraph
7 "e" has been sent that the debt has been satisfied.

8 e. A debtor engaged in farming operations who has created
9 a security interest in farm products shall provide the secured
10 party with a written list of potential buyers of the farm
11 products at the time the debt is incurred if the secured party
12 requests such a list. The debtor shall not sell the farm
13 products to a buyer who does not appear on the list unless the
14 secured party has given prior written permission or the debtor
15 satisfies the debt within fifteen days of the date of sale. A
16 debtor who knowingly or intentionally sells the farm products
17 in violation of this paragraph is guilty of a serious
18 misdemeanor.

19 f. A purchaser of farm products buying from a person en-
20 gaged in farming operations shall issue a check for payment
21 jointly to the debtor and those secured parties from whom the
22 purchaser has received prior written notice of a security in-
23 terest. A purchaser who fails to issue a jointly payable
24 check is not protected by this section. A purchaser shall not
25 withhold all or part of the payment to satisfy a prior debt.
26 However, the purchaser may withhold the costs incurred by the
27 purchaser to market or transport the farm products if such
28 costs are part of the agreement to purchase the farm products.

29 EXPLANATION

30 This bill provides that a buyer in the ordinary course of
31 business who purchases farm products from a person engaged in
32 a farming operation takes free of a security interest created
33 by the seller unless prior to making full payment the buyer
34 receives a notice from the secured party that the secured
35 party has a security interest. The debtor is required to pro-

S.F. _____ H.F. _____

1 vide the secured party if requested a list of potential
2 buyers. The debtor is guilty of a serious misdemeanor if the
3 debtor knowingly or intentionally sells the farm products to
4 another person unless the secured party has given written
5 permission or the debtor satisfies the debt within fifteen
6 days of the date of sale. A purchaser who receives notice of
7 the security interest shall issue any payment check jointly in
8 the name of the seller and the secured party.

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HOUSE FILE 554

AN ACT

RELATING TO SECURITY INTERESTS IN FARM PRODUCTS AND PROVIDING PENALTIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 554.9307, subsection 1, Code 1985, is amended to read as follows:

1. A Except as provided in subsection 4, a buyer in ordinary course of business (subsection 9 of section 554.1201) other than a person buying farm products from a person engaged in farming operations as defined in section 554.1201, subsection 9, takes free of a security interest created by that person's seller even though the security interest is perfected and even though the buyer knows of its existence. For purposes of this section, a buyer or buyer in ordinary course of business includes any commission merchant, selling agent, or other person engaged in the business of receiving livestock as defined in section 189A.2 on commission for or on behalf of another.

Sec. 2. Section 554.9307, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 4. a. A buyer in ordinary course of business buying farm products from a person engaged in farming operations takes free of a security interest created by that person's seller even though the security interest is perfected, unless the buyer receives prior written notice of the security interest, or unless the buyer purchases the farm products outside of the seller's trade area, or the buyer's principal place of business is located outside of the seller's trade area. The "seller's trade area" consists of the county in which the seller resides or a county that is contiguous to or corners upon the county where the seller resides. "Written notice" means a writing which may contain information regarding more than one debtor and more than one lien and

contains all of the following:

- (1) The full name, address and social security or tax identification number of the debtor.
 - (2) The full name and address of the secured party.
 - (3) A description generally identifying the farm products subject to the security interest.
 - (4) The date and signature of the secured party.
- b. The written notice expires on the earlier of either of the following dates:
- (1) Eighteen months after the date the secured party signs the notice.
 - (2) When the debt that appears on the notice is satisfied.
- c. For the notice to be effective, the buyer of the farm products must have received the notice prior to the time the buyer has made full payment to the person engaged in farming operations. The notice is not effective against any payments made prior to receipt of the notice.
- d. A debtor engaged in farming operations who has created a security interest in farm products shall provide the secured party with a written list of potential buyers of the farm products at the time the debt is incurred if the secured party requests such a list. The debtor shall not sell the farm products to a buyer who does not appear on the list or is not in the debtor's trade area unless the secured party has given prior written permission or the debtor applies the proceeds the debtor receives from the sale to the debt within fifteen days of the date of sale or delivery, whichever is later. A debtor who knowingly or intentionally sells the farm products in violation of this paragraph is guilty of an aggravated misdemeanor.
- e. A buyer of farm products buying from a person engaged in farming operations shall issue a check for payment jointly to the debtor and those secured parties from whom the buyer has received prior written notice of a security interest. A buyer who issues a check jointly payable as specified in this subsection takes the farm products free of a security interest created by that person's seller. A buyer who does not issue a

check jointly payable as specified in this subsection does not take farm products free of a security interest created by that person's seller. A buyer shall not withhold all or part of the payment to satisfy a prior debt. However, the buyer may withhold the costs incurred by the purchaser to market or transport the farm products if such costs are part of the agreement to purchase the farm products.

Sec. 3. Section 554.9404, subsection 1, Code 1985, is amended to read as follows:

1. If a financing statement covering consumer goods is filed on or after January 1, 1975, then within one month or within ten days following written demand by the debtor after there is no outstanding secured obligation and no commitment to make advances, incur obligations or otherwise give value, the secured party must file with each filing officer with whom the financing statement was filed, a termination statement to the effect that the secured party no longer claims a security interest under the financing statement, which shall be identified by file number. If a financing statement covering farm products is filed, then within sixty days, or within ten days following written demand by the debtor, after there is no outstanding secured objection and no commitment to make advances, incur obligations, or otherwise give value, the secured party shall file with each filing officer with whom the financing statement was filed, a termination statement to the effect that the secured party no longer claims a security interest under the financing statement which shall be identified by file number. In other cases whenever there is no outstanding secured obligation and no commitment to make advances, incur obligations or otherwise give value, the secured party must on written demand by the debtor send the debtor, for each filing officer with whom the financing statement was filed, a termination statement to the effect that the secured party no longer claims a security interest under the financing statement, which shall be identified by file number. A termination statement signed by a person other than the secured party of record must be accompanied by a

separate written statement of assignment signed by the secured party of record complying with section 554.9405, subsection 2, including payment of the required fee. If the affected secured party fails to file such a termination statement as required by this subsection, or to send such a termination statement within ten days after proper demand therefor the affected secured party shall be liable to the debtor for one hundred dollars, and in addition for any loss caused to the debtor by such failure.

DONALD D. AVENSON
Speaker of the House

ROBERT T. ANDERSON
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 554, Seventy-first General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved May 24, 1985

TERRY E. BRANSTAD
Governor