

House Study Bill 249

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
JUDICIARY BILL BY
CHAIRPERSON PAULSEN)

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

A BILL FOR

1 An Act relating to liens associated with agricultural production,
2 by providing for the termination of those liens.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 3041HC 81
5 da/sh/8

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1 1 Section 1. Section 579A.2, subsection 3, paragraph b, Code
1 2 2005, is amended to read as follows:
1 3 b. The lien terminates one year after the cattle have left
1 4 the custom cattle feedlot. ~~Section 554.9515 shall not apply~~
~~1 5 to a financing statement perfecting the lien.~~ The lien may be
1 6 terminated by the custom cattle feedlot operator who files a
1 7 termination statement as provided in chapter 554, article 9.
1 8 Sec. 2. Section 579B.4, subsection 1, paragraph b, Code
1 9 2005, is amended to read as follows:
1 10 b. For a lien arising out of producing a crop, the lien
1 11 becomes effective the day that the crop is first planted. In
1 12 order to perfect the lien, the contract producer must file a
1 13 financing statement in the office of the secretary of state as
1 14 provided in section 554.9308. The contract producer must file
1 15 a financing statement for the crop within forty-five days
1 16 after the crop is first planted. The lien terminates one year
1 17 after the crop is no longer under the authority of the
1 18 contract producer. For purposes of this section, a crop is no
1 19 longer under the authority of the contract producer when the
1 20 crop or a warehouse receipt issued by a warehouse operator
1 21 licensed under chapter 203C for grain from the crop is no
1 22 longer under the custody or control of the contract producer.
~~1 23 Section 554.9515 shall not apply to a financing statement~~
~~1 24 perfecting the lien.~~ The lien may be terminated by the
1 25 contract producer who files a termination statement as
1 26 provided in chapter 554, article 9.

EXPLANATION

1 28 In 2001, the general assembly enacted H.F. 549 (2001 Iowa
1 29 Acts, ch. 25) which amended provisions in Code chapters 579A
1 30 and 579B, two of the agricultural lien statutes, in part to
1 31 better conform with provisions in revised Article 9 of the
1 32 uniform commercial code (Code chapter 554), which was enacted
1 33 during the previous session. With limited exceptions, new
1 34 Article 9 governs the creation, priority, and enforcement of
1 35 creditor's consensual liens, which are defined as security
2 1 interests in personal property and fixtures.
2 2 Code chapters 579A and 579B are similar and provide special
2 3 creditor rights to a person who keeps livestock or grows a
2 4 crop on the person's land on behalf of someone else who owns
2 5 the livestock or crop. Code chapter 579A provides for cattle
2 6 feeding operations and Code chapter 579B provides for
2 7 production operations for both livestock (including beef and
2 8 dairy cattle) and crops under contract. The two chapters
2 9 afford protection to a person who owns land or facilities and
2 10 keeps livestock or grows a crop at that location. Under Code
2 11 chapter 579A, that person is known as a custom cattle feedlot
2 12 operator, and under Code chapter 579B, the person is known as
2 13 a contract producer. The custom cattle feedlot operator or
2 14 contract producer is provided a right to file a lien on the
2 15 commodities produced under contract (livestock, milk, or a
2 16 crop) which may include cash from the sale of the commodity.
2 17 The lien enjoys super priority status as long as it is
2 18 perfected by filing a U.C.C. financing statement with the
2 19 secretary of state. A lien under Code chapter 579A terminates

2 20 one year after the cattle have left the custom cattle feedlot.
2 21 A lien under Code chapter 579B terminates one year after the
2 22 livestock or crop is no longer under the authority of the
2 23 contract producer.
2 24 Both Code chapters provide that in order to perfect the
2 25 lien, the contract producer must file a financing statement in
2 26 the office of the secretary of state in the same manner as
2 27 other secured parties under Code section 554.9308, which
2 28 provides that a filed financing statement is effective for a
2 29 period of five years after the date of filing. Both Code
2 30 chapters also provide that Code section 554.9515 does not
2 31 apply. That section provides that a financing statement is
2 32 effective for a period of five years after the date of filing
2 33 before it lapses, unless a continuation statement is filed for
2 34 another five-year period. The chapters contemplate that the
2 35 lien would terminate prior to the five-year period. The
3 1 effect of the bill is to allow the perfecting financing
3 2 statement to expire in the same manner as other financing
3 3 statements, even though the lien may have terminated prior to
3 4 that date.
3 5 LSB 3041HC 81
3 6 da:nh/sh/8