

House Study Bill 500 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON PAUSTIAN)

A BILL FOR

1 An Act relating to credit transactions involving grain
2 by providing for a grain warehouse lien, and including
3 applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

GRAIN WAREHOUSE LIEN

Section 1. NEW SECTION. 571A.1 Definitions.

As used in this chapter, unless the context otherwise requires:

1. "*Grain*" means the same as defined in section 203.1.

2. "*Grain depositor*" means a person having a legal interest in grain who delivers that grain to a licensed grain warehouse.

3. "*Grain warehouse lien*" or "*lien*" means the lien created pursuant to section 571A.4.

4. "*Licensed grain warehouse*" means any of the following:

a. A licensed warehouse as defined in section 203C.1.

b. A warehouse operator licensed by the United States department of agriculture as provided by 7 U.S.C. §241 et seq.

Sec. 2. NEW SECTION. 571A.2 Applicable law.

Unless expressly superseded by a provision of this chapter, chapter 554, article 9, shall govern parties and transactions described in this chapter. For purposes of chapter 554, article 9, all of the following apply:

a. A grain warehouse lien is an agricultural lien.

b. Grain subject to a grain warehouse lien is a farm product. The grain is a fungible good.

c. A licensed grain warehouse is a secured party.

d. A licensed grain warehouse shall act in the ordinary course of business and in a commercially reasonable manner.

e. (1) A grain depositor who incurs an obligation for obtaining a service furnished by a licensed grain warehouse pursuant to section 571A.3 is a debtor. Notwithstanding section 554.9102, a grain depositor is deemed a debtor even if the grain depositor's legal interest is a security interest, agricultural lien, or other lien in grain.

(2) For purposes of section 554.9606, a default occurs when a grain depositor fails to satisfy the incurred obligation as described in section 571A.3.

2. This chapter does not create a possessory lien as

1 provided in section 554.9333 and does not affect a lien held by
2 a licensed grain warehouse under section 554.7209.

3 **Sec. 3. NEW SECTION. 571A.3 Obligation incurred.**

4 1. A grain depositor incurs an obligation when delivering
5 grain to a licensed grain warehouse and the licensed grain
6 warehouse furnishes a service with respect to storing, drying,
7 conditioning, processing, or transporting grain for the benefit
8 of the grain depositor. The service may include any act
9 performed by the licensed grain warehouse that preserves the
10 grain or its value as provided in section 554.9207.

11 2. The obligation may be incurred by written agreement or
12 as required by law. Notwithstanding section 554.2201, the
13 obligation may be incurred by oral agreement. Evidence of the
14 obligation may include but is not limited to the licensed grain
15 warehouse's issuance of a warehouse receipt, scale ticket, or
16 any other confirmatory memoranda or expression recognized under
17 chapter 554, article 2.

18 **Sec. 4. NEW SECTION. 571A.4 Lien created.**

19 1. A grain warehouse lien is created. The lien secures the
20 satisfaction of an obligation incurred by a grain depositor as
21 provided in section 571A.3.

22 2. The lien is effective and attaches to the grain when the
23 licensed grain warehouse takes possession of the grain.

24 3. The lien attaches to both the grain and any identifiable
25 cash proceeds, as described in section 554.9315, subsection 2,
26 from the sale of the grain.

27 4. The amount of the lien is the entire amount of the
28 outstanding obligation owed by the grain depositor to the
29 licensed grain warehouse pursuant to section 571A.3.

30 **Sec. 5. NEW SECTION. 571A.5 Automatic perfection —**
31 **priority.**

32 1. *a.* A grain warehouse lien is automatically perfected at
33 the time the lien becomes effective pursuant to section 571A.4.

34 *b.* The lien is no longer perfected under this section when
35 the licensed grain warehouse relinquishes possession of the

1 grain.

2 2. The perfected lien has priority over a conflicting
3 security interest, agricultural lien, or other lien in the same
4 grain, including a security interest or lien that was perfected
5 prior to the effective date of the grain warehouse lien.

6 Sec. 6. NEW SECTION. 571A.6 **Perfection by filing —**
7 **priority.**

8 1. A grain warehouse lien that is effective may also be
9 perfected by filing a financing statement in the office of the
10 secretary of state as provided in section 554.9308.

11 2. *a.* The financing statement must substantially meet the
12 requirements of section 554.9502, subsection 1, and include
13 all applicable information described in section 554.9516. In
14 addition, the collateral description in the financing statement
15 must at least include the type and number of bushels of grain
16 subject to the lien and each crop year in which the licensed
17 grain warehouse furnished a service in respect to the grain
18 subject to the lien.

19 *b.* Filing a financing statement as provided in paragraph
20 "a" satisfies all requirements for the perfection of an
21 agricultural lien as provided in chapter 554, article 9.

22 3. *a.* A financing statement may be filed during the period
23 that the grain warehouse lien is automatically perfected under
24 section 571A.5. The lien perfected by filing under this
25 paragraph has priority over a conflicting security interest,
26 agricultural lien, or other lien, including a security interest
27 or lien that was perfected prior to the effective date of the
28 grain warehouse lien.

29 *b.* A financing statement may be filed after the period
30 that the grain warehouse lien is automatically perfected under
31 section 571A.5. The lien perfected by filing under this
32 paragraph has priority over a conflicting security interest,
33 agricultural lien, or other lien in the grain as provided in
34 section 554.9322 in the same manner as if the grain warehouse
35 lien had never been automatically perfected.

1 c. If the licensed grain warehouse relinquishes possession
2 of the grain and no financing statement is filed, the lien
3 is unperfected until a financing statement is filed. An
4 unperfected lien has priority over a conflicting security
5 interest, agricultural lien, or other lien in the grain as
6 provided in section 554.9322 in the same manner as if the grain
7 warehouse lien had never been automatically perfected.

8 Sec. 7. NEW SECTION. 571A.7 Enforcement.

9 1. After a grain depositor's default, the licensed grain
10 warehouse may enforce a grain warehouse lien in the same manner
11 provided for agricultural liens pursuant to chapter 554,
12 article 9, part 6.

13 2. After the grain depositor's default, and during the
14 period that the grain is automatically perfected under section
15 571A.5, the licensed grain warehouse may dispose of the grain
16 as if the licensed grain warehouse were taking possession and
17 disposing of the grain pursuant to chapter 554, article 9, part
18 6.

19 DIVISION II

20 CONFORMING PROVISIONS

21 Sec. 8. Section 554.7209, Code 2020, is amended by adding
22 the following new subsection:

23 NEW SUBSECTION. 6. A warehouse that is a lienholder under
24 this section may enforce a grain warehouse lien as provided in
25 chapter 571A to the extent allowed in that chapter and in lieu
26 of the lien created pursuant to this section.

27 Sec. 9. Section 570.1, subsection 2, unnumbered paragraph
28 1, Code 2020, is amended to read as follows:

29 In order to perfect a lien in farm products as defined
30 in [section 554.9102](#), which is created under [this section](#), a
31 landlord must file a financing statement as required by section
32 554.9308, subsection 2. Except as provided in [chapters 571,](#)
33 [571A,](#) [572,](#) [579A,](#) [579B,](#) and [581](#), a perfected lien in the farm
34 products has priority over a conflicting security interest or
35 lien, including a security interest or lien that was perfected

1 prior to the creation of the lien under [this section](#), if the
2 lien created in [this section](#) is perfected on either of the
3 following dates:

4 Sec. 10. Section 570A.5, subsection 2, Code 2020, is amended
5 to read as follows:

6 2. Except as provided in [section 570A.2, subsection 3](#), the
7 lien shall have equal priority to a lien or security interest
8 which is perfected prior to the time that the agricultural
9 supply dealer lien is perfected. However, a all of the
10 following exceptions apply:

11 a. A landlord's lien that is perfected pursuant to section
12 570.1 shall have priority over a conflicting agricultural
13 supply dealer lien as provided in [section 570.1](#), ~~and a~~ that
14 section.

15 b. A harvester's lien that is perfected pursuant to section
16 571.3 shall have priority over a conflicting agricultural
17 supply dealer lien as provided in [section 571.3A](#).

18 c. (1) A grain warehouse lien that is perfected pursuant
19 to section 571A.5 shall have priority over a conflicting
20 agricultural supply dealer lien.

21 (2) A grain warehouse lien that is perfected pursuant
22 to section 571A.6 shall have priority over a conflicting
23 agricultural supply dealer lien only as provided in that
24 section.

25 Sec. 11. Section 571.3A, subsection 2, Code 2020, is amended
26 to read as follows:

27 2. a. A harvester's lien that is perfected under section
28 571.3 shall have priority over a conflicting security interest
29 in harvested crops regardless of when such security interest
30 is perfected.

31 b. A perfected harvester's lien shall have priority over
32 a conflicting landlord's lien as provided in [chapter 570](#),
33 regardless of when such landlord's lien is perfected.

34 c. (1) A grain warehouse lien that is perfected pursuant to
35 section 571A.5 shall have priority over a conflicting perfected

1 harvester's lien.

2 (2) A grain warehouse lien that is perfected pursuant to
3 section 571A.6 shall have priority over a conflicting perfected
4 harvester's lien only as provided in that section.

5 Sec. 12. Section 579B.4, subsection 4, paragraph a,
6 subparagraph (2), Code 2020, is amended to read as follows:

7 (2) Notwithstanding subparagraph (1), a commodity
8 production contract lien shall not be superior to a any of the
9 following:

10 (a) A court-ordered lien provided in section 717.4 or a.

11 (b) A veterinarian's lien created under chapter 581, if such
12 lien is perfected as an agricultural lien.

13 (c) (1) A grain warehouse lien that is perfected pursuant
14 to section 571A.5.

15 (2) A grain warehouse lien that is perfected pursuant to
16 section 571A.6, but only as provided in that section.

17 DIVISION III

18 APPLICABILITY

19 Sec. 13. APPLICABILITY. This Act applies to grain first
20 delivered by a grain depositor on or after the effective date
21 of this Act.

22 EXPLANATION

23 The inclusion of this explanation does not constitute agreement with
24 the explanation's substance by the members of the general assembly.

25 GENERAL. This bill creates new Code chapter 571A which
26 provides for a special lien referred to as a "grain warehouse
27 lien". The lien is imposed pursuant to a financial obligation
28 incurred by a debtor for certain services performed by a
29 creditor who is delivered possession of grain. For purposes
30 of the uniform commercial code (UCC), article 9, the lien is
31 considered an agricultural lien. The lien also attaches to
32 any identifiable cash proceeds resulting from the sale of the
33 grain. The grain is considered a fungible good meaning that
34 it may be comingled with other equivalent grain stored in bulk
35 and the creditor is not required to provide for its special

1 identification or segregation.

2 PARTIES. Under the bill, the debtor is a grain depositor
3 (e.g., farmer) who has a legal interest in the grain and
4 relinquishes possession of the grain to a grain warehouse. The
5 creditor is a grain warehouse licensed by either the department
6 of agriculture and land stewardship under Code chapter 203C or
7 by the United States department of agriculture under the United
8 States Warehouse Act, codified in 7 U.S.C. ch. 10.

9 OBLIGATION SUBJECT TO THE LIEN. The financial obligation
10 incurred by the grain depositor is limited to those services
11 related to storing, drying, conditioning, processing, or
12 transporting the grain performed by the licensed grain
13 warehouse. The services may also include any act performed by
14 the licensed grain warehouse that preserves the grain or its
15 value (see Code section 554.9207).

16 PERFECTING THE LIEN — PRIORITY. The warehouse lien is
17 perfected in two ways. First, the lien is automatically
18 perfected at the time the licensed grain warehouse takes
19 possession of the grain. During the period of possession,
20 the lien enjoys a super-priority status over any competing
21 creditor's interest. Thus, a licensed warehouse could enforce
22 the lien before all other competing security interests and
23 statutory liens, including agricultural liens, and common law
24 liens regardless of when the competing security interest or
25 lien was perfected. The automatic perfection terminates when
26 the licensed grain dealer relinquishes possession of the grain.
27 However, the licensed warehouse may retain its super-priority
28 status by filing a financing statement (UCC-1) with the
29 secretary of state during the period that the possessory lien
30 is perfected. If the financing statement is filed after
31 the period that the grain warehouse lien is automatically
32 perfected, or the lien is never perfected after that period,
33 the lien has priority over a conflicting security interest,
34 agricultural lien, or other lien in the grain in the same
35 manner as provided for other agricultural liens as if the lien

1 had never been automatically perfected.

2 BACKGROUND. Under Iowa's version of the UCC, article 9,
3 a security interest is created by a contract referred to as
4 a security agreement executed by a creditor and debtor that
5 creates a financial obligation (Code section 554.9201). The
6 security interest attaches to the debtor's collateral (Code
7 section 554.9203) and based on that agreement the creditor
8 may perfect the security interest by filing a financing
9 statement with the secretary of state (Code section 554.9310).
10 Possession is also a means to perfect a security interest,
11 including general warehouse lien allowed under the UCC,
12 article 7 (Code section 554.7209). In addition, various Code
13 chapters existing outside the UCC create agricultural liens in
14 commodities produced by a farming operation. An agricultural
15 lien is a statutory lien that may secure the payment of a
16 financial obligation associated with commodity production, and
17 is not necessarily possessory, meaning that it may continue to
18 cover the commodity after harvest and delivery (Code section
19 554.9102(1)(e)). However, an agricultural lien must be
20 perfected by filing a financing statement with the secretary
21 of state (Code section 554.9310). Once a lien is created, it
22 receives a degree of priority over the covered collateral among
23 competing creditors seeking to enforce a debt. Generally,
24 under the UCC, article 9, the status of a creditor's priority
25 is based on the date of the security interest's perfection.
26 However, certain statutes outside the UCC, article 9, provide
27 a special status to lienholders, including those holding
28 agricultural liens.

29 APPLICABILITY. The bill applies to grain first delivered by
30 a grain depositor on or after the effective date of this Act.