

House File 2596 - Introduced

HOUSE FILE 2596
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 745)

A BILL FOR

1 An Act regulating the marketing of grain, and making penalties
2 applicable.

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

unofficial

DIVISION I
GRAIN DEALERS

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Section 1. Section 203.3, subsection 4, paragraph b, Code 2026, is amended to read as follows:

b. (1) The grain dealer shall submit to the department, as required by the department, a financial statement that is accompanied by an unqualified opinion based upon an audit performed by a certified public accountant licensed in this state.

(2) Notwithstanding subparagraph (1), if a grain dealer does not purchase grain by credit-sale contract, the department may accept any of the following:

(a) A qualification in an opinion based on an audit that is unavoidable by any audit procedure that is permitted under generally accepted accounting principles. An opinion that is qualified because of a limited audit procedure or because the scope of an audit is limited shall not be accepted by the department.

(b) A financial statement that is accompanied by the report of a certified public accountant licensed in this state. The report must be based upon a review performed by the certified public accountant. The report shall be in lieu of an unqualified opinion based on an audit. However, at any time, upon good cause, the department may require the grain dealer to submit to the department a subsequent financial statement that is accompanied by the report.

(3) The department shall not require ~~that~~ a grain dealer to submit to the department more than one such unqualified opinion based on an audit per year.

(4) A grain dealer shall submit one or more financial statements to the department in addition to the financial statement accompanied by an unqualified opinion based on an audit as required in this paragraph if the department determines that it is necessary to verify the grain dealer's financial status or compliance with this section.

1 Sec. 2. Section 203.3, subsection 5, paragraph b, Code 2026,
2 is amended to read as follows:

3 b. (1) The grain dealer shall submit to the department,
4 as required by the department, a financial statement that
5 is accompanied by an unqualified opinion based upon an audit
6 performed by a certified public accountant licensed in this
7 state.

8 (2) Notwithstanding subparagraph (1), the department may
9 accept any of the following:

10 (a) A qualification in an opinion based on an audit that
11 is unavoidable by any audit procedure that is permitted under
12 generally accepted accounting principles. An opinion that is
13 qualified because of a limited audit procedure or because the
14 scope of an audit is limited shall not be accepted by the
15 department.

16 (b) A financial statement that is accompanied by the report
17 of a certified public accountant licensed in this state. The
18 report must be based upon a review performed by the certified
19 public accountant. The report shall be in lieu of an unqualified
20 opinion based on an audit. However, at any time, upon good
21 cause, the department may require the grain dealer to submit
22 to the department a subsequent financial statement that is
23 accompanied by the report.

24 (3) The department shall not require ~~that~~ a grain dealer to
25 submit to the department more than one ~~such~~ unqualified opinion
26 based on an audit per year.

27 (4) A grain dealer shall submit one or more financial
28 statements to the department in addition to the financial
29 statement accompanied by an unqualified opinion based on an audit
30 required in this paragraph if the department determines that it
31 is necessary to verify the grain dealer's financial status or
32 compliance with this section.

33 Sec. 3. Section 203.8, subsection 2, paragraph a, Code 2026,
34 is amended to read as follows:

35 a. (1) ~~"Delivery"~~ Subject to subparagraph (2), "delivery"

1 means the transfer of title to and possession of grain by a
2 seller to a grain dealer or to another person in accordance with
3 the terms of an agreement of by the seller and the grain dealer.

4 (2) Unless title to grain was previously transferred pursuant
5 to an ordinary cash-sale contract, title to grain sold by
6 credit-sale contract is deemed to have transferred to the grain
7 dealer when all of the following occurs:

8 (a) The credit-sale contract is signed by both the grain
9 dealer and the seller.

10 (b) The grain dealer has possession of the grain or another
11 person has possession of the grain in accordance with the terms
12 of the credit-sale contract.

13 Sec. 4. Section 203.12, subsection 1, Code 2026, is amended
14 to read as follows:

15 1. Upon the cessation of a grain dealer license by
16 revocation, cancellation, or expiration pursuant to section
17 203.10 or upon the filing of a petition in bankruptcy by a
18 grain dealer, any claim for the purchase price of grain against
19 the grain dealer shall be made in writing and filed with the
20 grain dealer and with the issuer of a deficiency bond or of
21 an irrevocable letter of credit and with the department within
22 one hundred twenty days after the date of the cessation or the
23 filing of a petition in bankruptcy, whichever occurs earlier. A
24 failure to make this timely claim relieves the issuer and the
25 grain depositors and sellers indemnity fund provided in chapter
26 203D of all obligations to the claimant.

27 Sec. 5. Section 203.12A, subsection 5, Code 2026, is amended
28 to read as follows:

29 5. The Iowa grain indemnity fund board, upon written demand
30 of the grain dealer, shall file a termination statement with the
31 secretary of state, if after one hundred eighty days from the
32 date that the lien is perfected the grain dealer's license has
33 not ceased by revocation, cancellation, or expiration pursuant to
34 section 203C.10. Upon filing the termination statement, the lien
35 becomes unperfected. The board shall also deliver a copy of the

1 termination statement to the grain dealer.

2 DIVISION II

3 GRAIN OPERATORS

4 Sec. 6. Section 203C.6, subsection 4, paragraph b, Code 2026,
5 is amended to read as follows:

6 b. (1) The warehouse operator shall submit to the
7 department, as required by the department, a financial statement
8 that is accompanied by an unqualified opinion based upon an
9 audit performed by a certified public accountant licensed in this
10 state.

11 (2) Notwithstanding subparagraph (1), the department may
12 accept any of the following:

13 (a) A qualification in an opinion based on an audit that
14 is unavoidable by any audit procedure that is permitted under
15 generally accepted accounting principles. An opinion that is
16 qualified because of a limited audit procedure or because the
17 scope of an audit is limited shall not be accepted by the
18 department.

19 (b) A financial statement that is accompanied by the report
20 of a certified public accountant licensed in this state. The
21 report must be based upon a review performed by the certified
22 public accountant. The report shall be in lieu of an unqualified
23 opinion based on an audit. However, at any time, upon good
24 cause, the department may require the warehouse operator to
25 submit to the department a subsequent financial statement that is
26 accompanied by the report.

27 (3) The department shall not require that a warehouse
28 operator to submit to the department more than one such
29 unqualified opinion based on an audit per year.

30 (4) A warehouse operator shall submit one or more financial
31 statements to the department in addition to the financial
32 statement accompanied by an unqualified opinion based on an audit
33 as required in this paragraph if the department determines that
34 it is necessary to verify the warehouse operator's financial
35 status or compliance with this section.

1 Sec. 7. Section 203C.6, subsection 5, paragraph b, Code 2026,
2 is amended to read as follows:

3 b. (1) The warehouse operator shall submit to the
4 department, as required by the department, a financial statement
5 that is accompanied by an unqualified opinion based upon an
6 audit performed by a certified public accountant licensed in this
7 state.

8 (2) Notwithstanding subparagraph (1), the department may
9 accept any of the following:

10 (a) A qualification in an opinion based on an audit that
11 is unavoidable by any audit procedure that is permitted under
12 generally accepted accounting principles. An opinion that is
13 qualified because of a limited audit procedure or because the
14 scope of an audit is limited shall not be accepted by the
15 department.

16 (b) A financial statement that is accompanied by the report
17 of a certified public accountant licensed in this state. The
18 report must be based upon a review performed by the certified
19 public accountant. The report shall be in lieu of an unqualified
20 opinion based on an audit. However, at any time, upon good
21 cause, the department may require the warehouse operator to
22 submit to the department a subsequent financial statement that is
23 accompanied by the report.

24 (3) The department shall not require that a warehouse
25 operator to submit more than one such unqualified opinion based
26 on an audit per year.

27 (4) A warehouse operator shall submit one or more financial
28 statements to the department in addition to the financial
29 statement accompanied by an unqualified opinion based on an audit
30 as required in this paragraph if the department determines that
31 it is necessary to verify the warehouse operator's financial
32 status or compliance with this section.

33 Sec. 8. Section 203C.12A, subsection 5, Code 2026, is amended
34 to read as follows:

35 5. The Iowa grain indemnity fund board shall upon written

1 demand of the warehouse operator file a termination statement
2 with the secretary of state, if after one hundred eighty days
3 from the date that the lien is perfected the warehouse operator's
4 license has not ceased by ~~revocation, cancellation, or expiration~~
5 pursuant to section 203C.10. Upon filing the termination
6 statement, the lien becomes unperfected. The board shall also
7 deliver a copy of the termination statement to the warehouse
8 operator.

9 Sec. 9. Section 203C.14, subsection 2, paragraphs a and c,
10 Code 2026, are amended to read as follows:

11 a. Upon the cessation of a warehouse operator's license ~~due~~
12 ~~to revocation, cancellation, or expiration~~ pursuant to section
13 203C.10 or upon the filing of a petition in bankruptcy by
14 a warehouse operator, a claim against the warehouse operator
15 arising under this chapter shall be made in writing with the
16 warehouse operator, with the issuer of a bond on agricultural
17 products other than bulk grain, a deficiency bond, or an
18 irrevocable letter of credit, and, if the claim relates to bulk
19 grain, with the department. The claim must be made within one
20 hundred twenty days after the cessation of the license or the
21 filing of a petition in bankruptcy, whichever occurs earlier.
22 The failure to make a timely claim relieves the issuer and, if
23 the claim relates to bulk grain, the grain depositors and sellers
24 indemnity fund provided in chapter 203D of all obligations to the
25 claimant.

26 c. This subsection does not apply if a receiver is appointed
27 as provided in this chapter pursuant to a petition ~~which~~ that is
28 filed by the department prior to the expiration of one hundred
29 twenty days after cessation of a warehouse operator's license
30 pursuant to section 203C.10.

31 Sec. 10. Section 203C.18, subsection 3, Code 2026, is amended
32 to read as follows:

33 3. A form for a warehouse receipt shall only be printed by
34 a person approved by the department. A form for a warehouse
35 receipt shall be printed in accordance with specifications set

1 forth by the department. A warehouse operator shall surrender to
2 the department all forms for warehouse receipts that are unused
3 at the time that the warehouse operator's license is suspended
4 or ceases ~~due to revocation, cancellation, or expiration~~ pursuant
5 to section 203C.10. The warehouse operator shall surrender the
6 warehouse receipts in a manner required by the department.

7 DIVISION III

8 GRAIN DEPOSITORS AND SELLERS INDEMNIFICATION

9 Sec. 11. Section 203D.3A, subsection 2, Code 2026, is amended
10 by adding the following new paragraph:

11 NEW PARAGRAPH. e. (1) If the per-bushel fee is passed on to
12 a seller, the per-bushel fee shall occur at the time of payment.

13 (2) As used in subparagraph (1), "payment" means the same as
14 defined in section 203.8.

15 Sec. 12. Section 203D.6, subsection 8, paragraph a, Code
16 2026, is amended to read as follows:

17 a. Upon a determination by the board that an eligible claim
18 satisfies the requirements in subsection 4, the board shall
19 indemnify the claimant as a depositor under subsection 5, and a
20 seller under subsection 6. Upon a determination by the board
21 that an eligible repayment claim was filed by that seller under
22 section 203D.6A ~~derives from the same covered transaction during~~
23 ~~the claim period, and the repayment loss incurred for that claim,~~
24 the board shall indemnify the claimant ~~as a seller~~ subject to the
25 requirements of this section ~~and section 203D.6A~~.

26 Sec. 13. Section 203D.6A, subsection 2, Code 2026, is amended
27 to read as follows:

28 2. To be timely, a seller must file a repayment claim with
29 the department not later than sixty days after the amount of the
30 seller's loss is finalized by a bankruptcy court, whether by an
31 order issued, judgment entered, or settlement agreement approved.
32 However, if a seller's loss is based upon a bankruptcy court's
33 default judgment, to be timely, the seller must file a repayment
34 claim with the department not later than sixty days after the
35 bankruptcy court's default judgment is entered or a subsequent

1 settlement agreement is approved and entered, whichever is later.

2 EXPLANATION

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

5 BACKGROUND. The department of agriculture and land stewardship
6 (DALs) regulates grain marketing transactions under three
7 interrelated Code chapters. The first two Code chapters regulate
8 grain marketers, including Code chapter 203 providing for the
9 regulation of a grain dealer purchasing grain from a seller and
10 Code chapter 203C providing for the regulation of a warehouse
11 operator storing grain for a depositor. Code chapter 203D
12 establishes the grain depositors and sellers indemnity fund
13 (indemnity fund) created to indemnify a seller or depositor
14 against a financial loss due to the management of the grain by
15 the grain dealer or warehouse operator.

16 Under Code chapter 203, in a cash sale transaction, a grain
17 dealer must pay the seller the purchase price for grain upon the
18 grain's delivery or upon demand for payment by the seller (Code
19 section 203.8). Delivery occurs when title to and possession of
20 the grain is transferred to the grain dealer or another person in
21 accordance with the terms of the contract (Code section 203.8).
22 One special type of sale is the use of a credit-sale contract in
23 which a grain dealer enters a contract with a seller for the sale
24 of grain and delivery of the grain has occurred but payment has
25 not been made either because the price has not been agreed to (a
26 deferred-pricing contract) or the price has been agreed to but
27 payment is to be made more than 30 days later (a deferred-payment
28 contract) (Code section 203.15). Under both Code chapters 203
29 and 203C, DALs regulates a grain dealer and warehouse operator
30 by issuing a license and conducting inspections of their business
31 operations. A grain dealer or warehouse operator must be issued
32 either a class 1 or class 2 license based on the size of the
33 business operation with a class 1 license requiring higher net
34 worth requirements (Code sections 203.3 and 203C.6). However, a
35 class 1 license is required for a grain dealer who enters into a

1 credit-sale contract regardless of the size of the grain dealer's
2 operation. A class 1 or class 2 licensee must annually submit to
3 DALS a financial statement accompanied by an unqualified opinion
4 based upon an audit performed by a certified public accountant
5 (CPA) licensed in this state. In 2025, the general assembly
6 enacted 2025 Iowa Acts, chapter 105 (2025 Act), which eliminated
7 provisions that allowed a licensed grain dealer or licensed grain
8 warehouse operator to submit a financial statement accompanied
9 by a report of a state-licensed CPA based upon a review in lieu
10 of an unqualified opinion. The 2025 Act allowed the indemnity
11 fund to cover a loss arising from a deferred-payment contract
12 (Code sections 203D.6 and 203D.6A). The 2025 Act also provided
13 a separate process for a seller to be indemnified for a loss
14 resulting from the seller having received from the grain dealer
15 an amount from the purchased grain that the seller was required
16 to later pay back to the grain dealer's bankruptcy estate (Code
17 section 203D.6A). A license of a grain dealer or warehouse
18 operator may cease due to any one of three causes, including
19 revocation by DALS, cancellation by the grain dealer, or the
20 expiration of the license by operation of law. All of these
21 causes are covered under Code sections 203.10 and 203C.10. Upon
22 any of these causes, a seller may claim the purchase price for
23 the sold grain, which may trigger a claim for a loss under the
24 indemnity fund.

25 BILL'S PROVISIONS. Division I of this bill amends Code section
26 203.8 by providing that unless title to grain was previously
27 transferred pursuant to an ordinary cash sale contract, title to
28 grain sold by credit-sale contract is deemed to have transferred
29 to the grain dealer upon two conditions: (1) the credit-sale
30 contract is signed by both the grain dealer and the seller and
31 (2) the grain dealer or another person has possession of the
32 grain in accordance with the terms of the credit-sale contract.

33 Divisions I and II of the bill amend Code sections 203.3
34 and 203C.6A by allowing a grain dealer (except a grain dealer
35 entering into a credit-sale contract) or a warehouse operator to

1 again submit a financial statement accompanied by a report of a
2 state-licensed CPA based upon a review in lieu of an unqualified
3 opinion. Divisions I and II of the bill provide that a claim for
4 a loss incurred by a seller or depositor may be triggered by the
5 filing of a bankruptcy petition by a grain dealer or warehouse
6 operator. The bill also amends a number of provisions that refer
7 to the revocation, cancellation, or expiration of the license by
8 instead referring to either Code section 203.10 or 203C.10, which
9 describe those types of actions.

10 Division III of the bill amends Code section 203D.6 by
11 providing for the indemnification of a seller for grain purchased
12 by a grain dealer that the seller was required to pay back later
13 in bankruptcy. The claim may proceed upon a determination that
14 an eligible repayment claim was filed with DALs by the seller as
15 required by statute. Finally, division III amends Code section
16 203D.6A by providing for the timeliness of a repayment claim in
17 the case of a bankruptcy court's default judgment. In that case,
18 the seller must file a claim not later than 60 days after the
19 court's judgment or a settlement agreement is approved, whichever
20 is later.