

**House File 508 - Introduced**

HOUSE FILE 508  
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 131)

**A BILL FOR**

1 An Act providing for the marketing of grain by licensed warehouse  
2 operators and grain dealers, including by providing for  
3 indemnity fees and the indemnification of grain depositors and  
4 sellers for losses following the cessation of a license or  
5 bankruptcy.

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

unofficial

1 Section 1. Section 203.1, subsection 3, Code 2025, is amended  
2 to read as follows:

3 3. "~~Credit-sale contract~~" means a ~~contract for the sale~~  
4 ~~of grain pursuant to which the sale price is to be paid~~  
5 ~~more than thirty days after the delivery of the grain to the~~  
6 ~~buyer, or a contract which is titled as a credit-sale contract,~~  
7 ~~including but not limited to those contracts commonly referred~~  
8 ~~to as deferred-payment contracts, contract or a deferred-pricing~~  
9 ~~contracts, and price-later contracts contract.~~

10 Sec. 2. Section 203.1, Code 2025, is amended by adding the  
11 following new subsections:

12 NEW SUBSECTION. 4A. "~~Deferred-payment contract~~" means a  
13 contract for the purchase of grain if all of the following apply:

14 a. The purchase price is agreed to by the licensed grain  
15 dealer and the seller by the date of the grain's delivery as  
16 provided in section 203.8.

17 b. Under the terms of the contract, the licensed grain  
18 dealer's payment of the purchase price to the seller may be  
19 made on a date later than the last date for scheduled payments  
20 made by the licensed grain dealer to sellers for delivered  
21 grain according to the licensed grain dealer's standard business  
22 operation.

23 NEW SUBSECTION. 4B. "~~Deferred-pricing contract~~" means a  
24 contract for the purchase of grain if all of the following apply:

25 a. The purchase price is not agreed to by the licensed grain  
26 dealer and the seller by the date of the grain's delivery as  
27 provided in section 203.8.

28 b. Under the terms of the contract, the licensed grain  
29 dealer's payment of the purchase price to the seller may be  
30 made on a date later than the last date for scheduled payments  
31 made by the licensed grain dealer to sellers for delivered  
32 grain according to the licensed grain dealer's standard business  
33 operation.

34 Sec. 3. Section 203.8, subsection 1, Code 2025, is amended to  
35 read as follows:

1 1. a. A grain dealer licensed or required to be licensed  
2 pursuant to section 203.3 shall pay the purchase price to the  
3 seller for grain upon as follows:

4 (1) Upon delivery or later upon demand by the seller, but,  
5 If the seller does not make a demand, the grain dealer shall pay  
6 the purchase price not later than thirty days after delivery by  
7 the seller unless in last date for scheduled payments made by the  
8 licensed grain dealer to sellers for delivered grain according to  
9 the grain dealer's standard business operation.

10 (2) In accordance with the terms of a credit-sale contract  
11 that satisfies the requirements of this chapter. The department  
12 shall adopt rules for payment by check and electronic funds  
13 transfer.

14 b. A grain dealer licensed or required to be licensed  
15 pursuant to section 203.3 shall not hold a check for the purchase  
16 of grain more than five days after the grain dealer issues a  
17 check to the seller. After that date, the grain dealer shall  
18 deliver the check in person or by mail to the seller's last known  
19 address. The department shall adopt rules pursuant to chapter  
20 17A for a grain dealer's payment by check and electronic funds  
21 transfer.

22 Sec. 4. Section 203.15, subsection 4, paragraph c,  
23 subparagraph (1), subparagraph division (b), Code 2025, is  
24 amended to read as follows:

25 (b) The grain dealer files a bond with the department in the  
26 amount of ~~one~~ two hundred fifty thousand dollars payable to the  
27 department.

28 Sec. 5. Section 203.15, subsection 6, Code 2025, is amended  
29 to read as follows:

30 ~~6. A grain dealer who purchases grain by credit-sale contract~~  
31 ~~shall obtain from the seller a signed acknowledgment stating~~  
32 ~~that the seller has received notice that grain purchased by~~  
33 ~~credit-sale contract is not protected by the grain depositors and~~  
34 ~~sellers indemnity fund. The form for the acknowledgment shall~~  
35 ~~be prescribed by the department, and the licensed grain dealer~~

1 ~~and the seller shall each be provided a copy. A contract's use~~  
2 of terms defined in section 203.1 shall not determine whether  
3 a contract is a credit-sale contract or a type of credit-sale  
4 contract.

5 Sec. 6. Section 203D.1, Code 2025, is amended by adding the  
6 following new subsections:

7 NEW SUBSECTION. 2A. "*Deferred-payment contract*" means the  
8 same as defined in section 203.1.

9 NEW SUBSECTION. 2B. "*Deferred-pricing contract*" means the  
10 same as defined in section 203.1.

11 NEW SUBSECTION. 8A. "*Indemnity fees*" or "*fees*" means a  
12 participation fee and per-bushel fee as provided in sections  
13 203D.3 and 203D.3A.

14 Sec. 7. Section 203D.1, subsections 14 and 16, Code 2025, are  
15 amended to read as follows:

16 14. a. "*Purchased grain*" means ~~grain~~ any of the following:

17 (1) Grain entered in the company-owned paid position as  
18 evidenced on the grain dealer's daily position record.

19 (2) Grain purchased under a deferred-pricing contract.

20 b. "*Purchased grain*" does not include grain that is subject  
21 to an exempt transaction based on documentation satisfactory to  
22 the department showing that the grain dealer did any of the  
23 following:

24 (1) Purchased the grain from the United States government or  
25 any of its subdivisions or agencies.

26 (2) Purchased the grain from a person licensed as a grain  
27 dealer in any jurisdiction.

28 (3) Purchased the grain under a ~~credit-sale~~ deferred-payment  
29 contract.

30 (4) Entered the grain in the company-owned paid position as a  
31 cancellation of a collateral warehouse receipt.

32 (5) Entered the grain in the company-owned paid position as  
33 an intra-company location transfer.

34 16. a. "*Seller*" means a person who sells grain which, that  
35 the person has produced or caused to be produced, to a licensed

1 grain dealer, ~~but excludes a person who executes a credit-sale~~  
2 ~~contract as a seller as provided in section 203.15. However,~~  
3 ~~"seller"~~

4 b. "Seller" does not include any of the following:

5 ~~a.~~ (1) A person licensed as a grain dealer in any  
6 jurisdiction who sells grain to a licensed grain dealer.

7 ~~b.~~ (2) A person who sells grain that is not produced in this  
8 state unless such grain is delivered to a licensed grain dealer  
9 at a location in this state as the first point of sale.

10 (3) A person who sells grain pursuant to a deferred-payment  
11 contract.

12 Sec. 8. Section 203D.3, subsection 4, Code 2025, is amended  
13 to read as follows:

14 4. The moneys collected under this section and deposited  
15 in the fund shall be used exclusively to indemnify depositors  
16 and sellers as provided in section 203D.6 ~~and to pay the~~  
17 ~~administrative costs of this chapter.~~

18 Sec. 9. Section 203D.3A, unnumbered paragraph 1, Code 2025,  
19 is amended to read as follows:

20 The department shall collect indemnity fees, including  
21 participation fees and per-bushel fees as provided in this  
22 section, if established imposed by the board pursuant to section  
23 203D.5, at rates determined by the board as provided in that  
24 section. ~~A person required to pay a fee shall use licensee shall~~  
25 remit indemnity fees and forms and deliver the payment to the  
26 department as required by the department.

27 Sec. 10. Section 203D.3A, subsection 1, paragraph a,  
28 subparagraph (1), Code 2025, is amended to read as follows:

29 (1) In calculating the amount of the initial participation  
30 fee, an applicant for a new license shall be deemed a licensee  
31 paying the full annual amount of the participation fee owing on  
32 the licensee's first anniversary date ~~as provided in paragraph~~  
33 ~~"b"~~. The department must be satisfied that the applicant is  
34 calculating the amount due in good faith and using the best  
35 information available.

1     (a) For a licensed grain dealer, the anniversary date is the  
2 last date to apply for the renewal of the grain dealer's license  
3 before the license expires as provided in section 203.5.

4     (b) For a licensed warehouse operator, the anniversary date  
5 is the last date to apply for the renewal of the warehouse  
6 operator's license before the license expires as provided in  
7 section 203C.37.

8     Sec. 11. Section 203D.3A, subsection 1, paragraph b, Code  
9 2025, is amended to read as follows:

10     b. A licensee shall pay remit a participation fee in one  
11 installment as part of a license renewal application in the  
12 same manner provided in paragraph "a". However, the licensee  
13 may elect to remit the participation fee on four successive  
14 installment dates, with each installment date occurring on in  
15 the month succeeding the last date of the fund's assessment  
16 quarter as provided in section 203D.3, on December 15, March  
17 15, June 15, and September 15. The licensee shall pay remit  
18 twenty-five percent of the total participation fee assessed on  
19 each installment date. However, nothing in this subsection  
20 prevents a licensee from paying the participation fee on an  
21 accelerated basis. A licensee shall pay the first installment  
22 on the last date of the fund's assessment quarter immediately  
23 following the licensee's anniversary date.

24     ~~(1) For a licensed grain dealer, the anniversary date is the~~  
25 ~~last date to apply for the renewal of the grain dealer's license~~  
26 ~~before the license expires as provided in section 203.5.~~

27     ~~(2) For a licensed warehouse operator, the anniversary date~~  
28 ~~is the last date to apply for the renewal of the warehouse~~  
29 ~~operator's license before the license expires as provided in~~  
30 ~~section 203C.37.~~

31     Sec. 12. Section 203D.3A, subsection 2, Code 2025, is amended  
32 to read as follows:

33     2. a. A licensed grain dealer shall remit a per-bushel fee  
34 shall be assessed on all purchased grain.

35     b. The licensed grain dealer shall forward remit the

1 per-bushel fee to the department on a quarterly basis in the  
 2 manner and using ~~the forms~~ a form prescribed by the department.  
 3 The licensed grain dealer shall remit the per-bushel fee and form  
 4 on four successive installment dates, with each installment date  
 5 occurring in the month succeeding the last assessment quarter as  
 6 provided in section 203D.3, on December 15, March 15, June 15,  
 7 and September 15.

8 c. A licensee licensed grain dealer is delinquent if the  
 9 licensee grain dealer fails to ~~submit~~ remit the full quarterly  
 10 per-bushel fee ~~or quarterly forms~~ and form when due or if,  
 11 upon examination, an underpayment of the fee is found by the  
 12 department. The licensed grain dealer is subject to a penalty of  
 13 ten dollars for each day the licensed grain dealer is delinquent  
 14 or an amount equal to the amount of the deficiency, whichever  
 15 is less. However, a licensee licensed grain dealer who fails to  
 16 ~~submit~~ remit the full quarterly per-bushel fee or ~~quarterly forms~~  
 17 form when due, is subject to a minimum payment of ten dollars.  
 18 The department may establish and apply a margin of error in  
 19 determining whether a licensed grain dealer is delinquent. ~~The~~  
 20 ~~per-bushel fee shall be collected only once on each bushel of~~  
 21 ~~grain.~~

22 ~~e.~~ d. The per-bushel fee shall not be collected more than  
 23 once on each bushel of grain. A licensed grain dealer may ~~choose~~  
 24 ~~to~~ pass on the cost of a per-bushel fee to the sellers by an  
 25 itemized discount noted on the settlement sheet. However, if the  
 26 per-bushel fee is not in effect, ~~no~~ a licensed grain dealer shall  
 27 not make such a discount on the purchase of grain. A discount  
 28 made nominally for the per-bushel fee while the per-bushel fee is  
 29 not in effect is grounds for a license suspension or revocation  
 30 under chapter 203.

31 Sec. 13. Section 203D.5, subsection 1, unnumbered paragraph  
 32 1, Code 2025, is amended to read as follows:

33 The board shall annually review the debits of and credits  
 34 to the grain depositors and sellers indemnity fund created  
 35 in section 203D.3 and shall determine whether to impose the

1 participation fee and per-bushel fee as provided in section  
2 203D.3A, make adjustments to the indemnity fees effective on the  
3 previous September 1, or waive the indemnity fees as necessary to  
4 comply with this section. The board shall make the determination  
5 not later than May 1 of each year. The board shall impose  
6 the indemnity fees or adjust the indemnity fees effective on  
7 the previous September 1 in accordance with chapter 17A. The  
8 imposition or adjustment of the indemnity fees shall become  
9 effective as follows:

10 Sec. 14. Section 203D.5, subsections 4 and 5, Code 2025, are  
11 amended to read as follows:

12 4. If on the last date of the fund's assessment year as  
13 provided in section 203D.3 the assets of the fund exceed eight  
14 sixteen million dollars, less any encumbered balances or pending  
15 or unsettled claims, all of the following apply:

16 a. The participation fee as provided in section 203D.3A  
17 shall be waived and shall not be assessable or owing for the  
18 following assessment year of the fund. However, the licensee  
19 shall continue to ~~pay~~ remit any owing participation fee that was  
20 in effect on the prior September 1.

21 b. The per-bushel fee as provided in section 203D.3A shall  
22 be waived and shall not be assessable or owing for the following  
23 assessment year. The waiver shall also apply to purchased grain  
24 that is unpriced on the last date of the fund's assessment year.  
25 However, the licensed grain dealer shall remit any per-bushel fee  
26 that is owing on that date.

27 5. The board shall reinstate the indemnity fees as provided  
28 in this section if the assets of the fund, less any unencumbered  
29 balances or pending or unsettled claims, are ~~three~~ eight million  
30 dollars or less.

31 Sec. 15. Section 203D.6, subsection 1, Code 2025, is amended  
32 to read as follows:

33 1. *Persons who may file claims.* A depositor or seller may  
34 file a claim with the department for indemnification ~~of a loss~~  
35 from the grain depositors and sellers indemnity fund. A claim

1 shall be filed in the manner prescribed by rules adopted by the  
2 board department.

3 Sec. 16. Section 203D.6, subsection 4, paragraph d, Code  
4 2025, is amended to read as follows:

5 d. That the claim derives from a covered transaction. For  
6 purposes of this paragraph, a claim derives from a covered  
7 transaction if the claimant is a any of the following:

8 (1) A depositor who delivered the grain to a licensed  
9 warehouse operator within six months of the incurrence date for  
10 a claim period as provided in subsection 2.

11 (2) A seller who transferred title to the grain to a  
12 licensed grain dealer, other than by credit-sale contract a  
13 deferred-payment contract, within six months of the incurrence  
14 date for a claim period as provided in subsection 2, or if the  
15 claimant is a depositor who delivered the grain to a licensed  
16 warehouse operator.

17 Sec. 17. Section 203D.6, subsections 5, 6, and 8, Code 2025,  
18 are amended to read as follows:

19 5. Value Dollar value of loss — warehouse depositor  
20 claims.

21 a. The board shall determine the dollar value of a claim loss  
22 incurred by a depositor holding a warehouse receipt or a scale  
23 weight ticket for grain that the depositor delivered for storage  
24 to the licensed warehouse operator.

25 b. (1) If the department has been appointed by the court  
26 as receiver of the grain assets of the warehouse operator, the  
27 dollar value of a loss shall be presumed to be as stated in  
28 the plan of disposition approved by the court. If the warehouse  
29 operator has filed a petition in bankruptcy, the dollar value of  
30 a loss shall be presumed to be based upon the fair market price,  
31 free-on-board from the site of the warehouse operator, being paid  
32 to producers for grain by the grain terminal operator nearest the  
33 warehouse operator on the date the petition was filed. If there  
34 is neither a department receivership nor a bankruptcy filing, the  
35 dollar value of a loss shall be presumed to be based upon the

1 fair market price, free-on-board from the site of the warehouse  
2 operator, being paid to producers for grain by the grain terminal  
3 operator nearest the warehouse operator on the ~~date of license~~  
4 ~~revocation or cancellation~~ incurrence date. If more than one  
5 incurrence date applies to a claim, the board may choose between  
6 the two. However, the board may accept an alternative ~~valuation~~  
7 value of a ~~claim~~ loss upon a showing of just cause by the  
8 depositor or department.

9 (2) Notwithstanding subparagraph (1), all of the following  
10 apply:

11 (a) The dollar value of a loss for corn shall not exceed the  
12 dollar value for a loss of U.S. No. 2 yellow corn according to  
13 grain standards adopted by the federal grain inspection service  
14 of the United States department of agriculture.

15 (b) The dollar value of a loss for soybeans shall not  
16 exceed the dollar value of a loss for U.S. No. 2 yellow  
17 soybeans according to grain standards adopted by the federal  
18 grain inspection service of the United States department of  
19 agriculture.

20 c. All depositors filing claims under this section shall be  
21 bound by the dollar value loss determined by the board. The  
22 dollar value loss of the loss is the outstanding balance on the  
23 validated claim at time of payment from the fund.

24 6. ~~Value~~ Dollar value of loss — grain dealer seller  
25 claims.

26 a. The dollar value of a ~~claim~~ loss incurred by a seller who  
27 has sold grain or delivered grain for sale or exchange and who is  
28 a creditor of the licensed grain dealer for all or part of the  
29 dollar value of a loss of the grain shall be based on the amount  
30 stated on the obligation on the date of the sale.

31 b. (1) If the sold grain was unpriced, the dollar value  
32 of a ~~claim~~ loss shall be presumed to be based upon the fair  
33 market price, free-on-board from the site of the grain dealer,  
34 being paid to producers for grain by the grain terminal operator  
35 nearest the grain dealer on the incurrence ~~date of the license~~

1 ~~revocation or cancellation or the filing of a petition in~~  
2 ~~bankruptcy.~~ If more than one incurrence date applies to a claim,  
3 the board may choose between the two. However, the board may  
4 accept an alternative valuation dollar value of a ~~claim~~ loss upon  
5 a showing of just cause by the seller or department.

6 (2) Notwithstanding subparagraph (1), all of the following  
7 apply:

8 (a) The dollar value of a loss for corn shall not exceed the  
9 dollar value for a loss of U.S. No. 2 yellow corn according to  
10 grain standards adopted by the federal grain inspection service  
11 of the United States department of agriculture.

12 (b) The dollar value of a loss for soybeans shall not  
13 exceed the dollar value of a loss for U.S. No. 2 yellow  
14 soybeans according to grain standards adopted by the federal  
15 grain inspection service of the United States department of  
16 agriculture.

17 c. All sellers filing claims under this section shall be  
18 bound by the dollar value of a loss determined by the board.  
19 The dollar value of the loss is the outstanding balance on the  
20 validated claim at the time of payment from the fund.

21 8. *Payment of claims.*

22 a. Upon a determination that the claim is eligible for  
23 payment indemnification, the board shall provide for payment of  
24 ninety percent of pay a claimant based on the dollar value of the  
25 loss, as determined by the board for a depositor's claim under  
26 subsection 5, but not or for a seller's claim under subsection  
27 6. The board shall pay the claimant according to the following  
28 schedule:

29 (1) For a depositor, the board shall pay ninety percent of  
30 the loss but not more than three hundred thousand dollars per  
31 claimant.

32 (2) (a) For a seller, except for a seller who sold the grain  
33 under credit-sale contract, the board shall pay ninety percent of  
34 the loss but not more than three hundred thousand dollars.

35 (b) For a seller who sold the grain pursuant to a credit-sale

1 contract, one of the following:

2 (i) If the grain was sold pursuant to a deferred-pricing  
3 contract, the board shall pay seventy percent of the loss but not  
4 more than two hundred ten thousand dollars.

5 (ii) If the grain was sold pursuant to a deferred-payment  
6 contract, the board shall not pay any percent or amount of the  
7 loss.

8 b. (1) If at any time the board determines that there  
9 are insufficient funds moneys in the fund to make payment of  
10 indemnify all claims, the board may shall order that payment  
11 be deferred on specified claims be indemnified according to the  
12 following order:

13 (a) First to depositors and sellers equally as determined by  
14 the board, except for sellers who sold the grain pursuant to  
15 deferred-pricing contracts.

16 (b) Second to sellers who sold the grain pursuant to  
17 deferred-pricing contracts.

18 (2) The board may establish one or more claim indemnification  
19 periods based on the amount of moneys in the fund and the amount  
20 required to indemnify all eligible claims.

21 The department, upon the board's instruction, shall hold those  
22 unindemnified claims for payment until the board determines that  
23 the fund again contains sufficient assets until the next payment  
24 period or payment periods as moneys in the fund are available.

25 EXPLANATION

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

28 BACKGROUND — GRAIN DEALERS AND WAREHOUSE OPERATORS. This bill  
29 amends provisions regulating marketers of grain, referred to as  
30 grain dealers purchasing grain (Code chapter 203), and grain  
31 warehouse operators storing grain under bailment (Code chapter  
32 203C). The bill also provides for sellers of grain to licensed  
33 grain dealers, and depositors storing grain with a licensed grain  
34 warehouse, by indemnifying losses resulting from the sale or  
35 deposit (Code chapter 203D).

1 BACKGROUND — LICENSURE REQUIREMENTS. The department of  
2 agriculture and land stewardship (DALs) licenses a grain dealer  
3 purchasing at least 1,000 bushels from producers of that grain  
4 (sellers) during any calendar month (Code section 203.1). DALs  
5 licenses a warehouse operator in the business of operating a  
6 warehouse for the storage of bushels on behalf of title holders  
7 (depositors) (Code section 203C.1). Alternatively, a warehouse  
8 operator may be regulated by the United States department of  
9 agriculture under the United States Warehouse Act (7 U.S.C.  
10 ch. 10). A state license application must be accompanied by  
11 a financial statement (Code sections 203.3 and 203C.6). A  
12 grain dealer must meet certain net worth requirements to be  
13 issued a class 1 license and purchase grain by credit-sale  
14 contract. Normally, a grain dealer's financial statement must  
15 be accompanied by an unqualified opinion based upon an audit  
16 performed by a certified public accountant licensed in this  
17 state. However, DALs may accept a qualification in an opinion  
18 because of the audit procedures used. DALs may also accept a  
19 review by a certified public accountant in lieu of an unqualified  
20 opinion.

21 BACKGROUND — CREDIT-SALE CONTRACTS. A credit-sale contract  
22 (also referred to as deferred-payment contract, deferred-pricing  
23 contract, or price-later contract) involves a transaction for the  
24 sale of grain in which the grain's producer is the seller and  
25 the licensed grain dealer is the buyer. The purchase price is  
26 to be paid to the seller by the licensed grain dealer more than  
27 30 days after the seller's delivery of the grain to the licensed  
28 grain dealer or a person designated by the licensed grain dealer  
29 (Code sections 203.1 and 203.8). Generally, there are two  
30 types of credit-sale contracts, a deferred-pricing contract and  
31 a deferred-payment contract. In both cases, the seller's payment  
32 amount is delayed until after the sale (transfer of title) and  
33 delivery. Under a deferred-pricing contract, the payment amount  
34 is unknown at the time of sale and delivery, with the expectation  
35 that the seller will receive a higher price in the future.

1 Under a deferred-payment contract, the purchase price has been  
2 determined upon, or within a short time after, the grain's sale  
3 and delivery. By deferring payment, the seller elects to claim  
4 income from the sale in the subsequent tax year assuming a more  
5 beneficial tax rate will apply in that year (e.g., expecting a  
6 reduction in farm income). In order to purchase grain under  
7 a credit sale contract, a licensed grain dealer must comply  
8 with a number of requirements, including a number of financial  
9 conditions based on net worth or a deficiency bond or irrevocable  
10 letter of credit. The licensed grain dealer's last financial  
11 statement must be accompanied by an unqualified opinion by a  
12 certified public accountant or alternatively the licensed grain  
13 dealer must file a bond with DALs in the amount of \$100,000.

14 BACKGROUND — GRAIN DEPOSITORS AND SELLERS INDEMNITY FUND. A  
15 seller selling grain to a licensed grain dealer or a depositor  
16 depositing grain with a licensed warehouse operator may be  
17 reimbursed for a loss incurred by the failure of the licensee  
18 to honor a contractual obligation regarding the transaction (Code  
19 section 203D.6). A payment is made from the grain depositors  
20 and sellers indemnity fund (indemnity fund) upon a determination  
21 that the claim is eligible for indemnification by the Iowa grain  
22 indemnity fund board (indemnity board) acting in cooperation  
23 with DALs. To be timely, a claim must be filed within a claim  
24 period. The claim period begins on either of two incurrence  
25 dates and ends 120 days later. An incurrence date is either  
26 when the license of the grain dealer or warehouse operator's  
27 license ceases (is revoked or voluntarily canceled) or the date  
28 a petition is filed in bankruptcy.

29 BACKGROUND — FEES. In addition to license fees deposited into  
30 the general fund of the state (Code sections 203.6 and 203C.33),  
31 each licensee may be required to remit either one or two special  
32 fees (indemnity fees) deposited in the indemnity fund, referred  
33 to as a participation fee and per-bushel fee. The licensed  
34 grain dealer's participation fee is calculated according to the  
35 following formula: the assessment rate of not more than \$0.014

1 multiplied by all bushels of purchased grain during the grain  
2 dealer's prior fiscal year with a minimum of \$50 and no maximum  
3 limit. The licensed grain dealer's per-bushel fee is calculated  
4 according to a similar formula: the assessment rate of not more  
5 than \$0.25 multiplied by all bushels of purchased grain for the  
6 grain dealer's assessment year with no minimum and a \$500 maximum  
7 limit. The qualifying term "purchased grain" equals the total  
8 number of bushels purchased from sellers minus a number of exempt  
9 bushels purchased, including those purchased under credit-sale  
10 contract (Code section 203D.1). Purchased grain is reported to  
11 DALS as "paid company-owned" (Code section 203D.1). The licensed  
12 warehouse operator's participation fee is based on the number  
13 of bushels of storage capacity of the warehouse (Code section  
14 203D.5). An assessment year begins September 1 and ends August  
15 31 (Code sections 203D.3 and 203D.5). The assessment year is  
16 further divided into four three-month assessment quarters. A  
17 grain dealer or warehouse operator may remit a participation  
18 fee annually (with an application for an initial license or the  
19 renewal of a license) or on a quarterly basis. A grain dealer  
20 must remit a per-bushel fee on a quarterly basis (Code section  
21 203D.3A).

22 BACKGROUND — INDEMNITY BOARD REVIEW OF INDEMNITY FUND. The  
23 indemnity board must annually review the debits of and credits  
24 to the indemnity fund and by May 1 determine whether to impose  
25 the indemnity fees, make adjustments to the existing indemnity  
26 fees, or waive the existing indemnity fees as necessary to comply  
27 with two triggers. The balance in the indemnity fund triggers  
28 the indemnity fees waiver or reinstatement (Code section 203D.5).  
29 When the balance in the indemnity fund reaches \$8 million, the  
30 indemnity fees are automatically waived. The indemnity fees are  
31 reinstated by the indemnity board if the balance in the fund is  
32 \$3 million or less (Code section 203D.5). The triggered waiver  
33 or reinstatement is effective on the first day of the following  
34 assessment year (September 1). A licensee is required to remit  
35 the outstanding amount of the waived participation fee that

1 is otherwise owing for the current assessment year. However,  
2 a licensed grain dealer is no longer obligated to remit the  
3 outstanding amount of the per-bushel fee otherwise owing for that  
4 period, unless the amount is delinquent (Code section 203D.5).

5 BACKGROUND — INDEMNITY FUND — VALUE OF LOSS. Generally, a  
6 loss incurred by a depositor (holding a warehouse receipt or  
7 scale weight ticket) or seller who is a party to a sale may be  
8 determined using several methods of valuation. For a depositor,  
9 it may be a court order hearing a matter in receivership.  
10 Otherwise, the loss is based on the fair market price paid to  
11 producer sellers at a nearby terminal on an incurrence date. For  
12 a seller, it may be the sales price agreed to by the parties. If  
13 the grain has not yet been priced, the loss is again based on the  
14 fair market price paid at the terminal on one of those incurrence  
15 dates. In any case, from the determined loss is deducted any  
16 amount recovered by the depositor or seller through other legal  
17 or equitable remedies, including the liquidation of assets (Code  
18 section 203D.6).

19 BACKGROUND — INDEMNITY FUND — PAYMENT OF CLAIMS. A claim  
20 must meet eligibility requirements, including that it is timely  
21 filed, there is evidence of a loss incurred by a claimant, and  
22 the claim derives from a covered transaction. For a claimant  
23 who is a depositor, a covered transaction requires that the grain  
24 must have been delivered to a licensed warehouse operator. For  
25 a claimant who is a seller, a covered transaction requires that  
26 title be transferred within six months of the incurrence date.  
27 A covered transaction excludes sale by credit-sale contract. A  
28 seller or depositor is entitled to be reimbursed 90 percent of a  
29 loss but not more than \$300,000.

30 BILL'S PROVISIONS — CREDIT-SALE CONTRACTS — LICENSED  
31 GRAIN DEALER'S FINANCIAL CONDITIONS. The bill amends financial  
32 conditions required for a licensed grain dealer holding a class 1  
33 license to purchase grain by credit-sale contract. Specifically,  
34 a licensed grain dealer who did not submit a financial statement  
35 accompanied by an unqualified opinion must file a bond with DAL

1 for \$250,000.

2 BILL'S PROVISIONS — INDEMNITY FEES — PAYMENT SCHEDULE. The  
3 bill provides that a grain dealer or warehouse operator may pay  
4 the participation fee in one installment as part of the license  
5 renewal or on four successive installment dates on December 15,  
6 March 15, June 15, and September 15. The bill provides that the  
7 grain dealer must pay the per-bushel fee on the same installment  
8 dates.

9 BILL'S PROVISIONS — INDEMNITY FEES — TRIGGERS. The bill  
10 adjusts both triggers waiving or reinstating the two indemnity  
11 fees. The bill increases from \$8 million to \$16 million the  
12 balance in the indemnity fund required to trigger a waiver and  
13 increases from \$3 million to \$8 million the balance in the  
14 indemnity fund required to trigger a reinstatement.

15 BILL'S PROVISIONS — INDEMNITY FEES IMPOSED ON CREDIT-SALE  
16 CONTRACT TRANSACTIONS. The bill provides that grain sold by  
17 deferred-pricing contract is considered purchased grain and  
18 grain sold by deferred-payment contract is not. Therefore, a  
19 licensed grain dealer is only assessed an indemnity fee on the  
20 deferred-pricing contract grain.

21 BILL'S PROVISIONS — INDEMNITY FUND — DOLLAR VALUE OF  
22 LOSS. The bill provides special valuation rules for losses  
23 involving corn or soybeans. The dollar value of a loss for  
24 corn cannot exceed the dollar value for a loss of U.S. No. 2  
25 yellow corn according to grain standards adopted by the federal  
26 grain inspection service of the United States department of  
27 agriculture. The dollar value of a loss for soybeans cannot  
28 exceed the dollar value of a loss for U.S. No. 2 yellow soybeans  
29 according to grain standards adopted by that same agency.  
30 A dollar loss incurred under a deferred-pricing contract is  
31 presumed the same as any other loss in which the price for  
32 the grain has not been determined (e.g., determined by the fair  
33 market price at the nearest terminal on the incurrence date).

34 BILL'S PROVISIONS — INDEMNITY FUND — PAYMENT OF CLAIMS. The  
35 bill provides that the sale of grain by deferred-pricing contract

1 is no longer excluded from the meaning of a covered transaction  
2 and a seller may therefore claim a dollar loss resulting from  
3 the grain dealer's default. The bill provides for the payment  
4 to claimants based on an order of priority. The first priority  
5 is provided to a depositor or seller, other than a seller who  
6 sold grain by credit-sale contract. The payout remains the  
7 same: 90 percent of the loss but not more than \$300,000. The  
8 second priority is provided to a seller who sold grain pursuant  
9 to a deferred-pricing contract. In that case, the payout is  
10 reduced to 70 percent of the loss but not more than \$210,000.  
11 A deferred-payment contract remains ineligible for payment.

12 BILL'S PROVISIONS — INDEMNITY FUND — ORDER OF PAYMENTS. The  
13 board may determine when payments are to be made depending upon  
14 moneys in the indemnity fund. Payments are to be made on an  
15 equal basis between depositors and sellers with one exception. A  
16 seller whose grain was sold under a deferred-pricing contract is  
17 indemnified after depositors and other sellers.