



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4311 (Substitute S-3 as reported)
Sponsor: Representative Tom Meyer
House Committee: Agriculture and Resource Management
Senate Committee: Agriculture, Forestry and Tourism

CONTENT

The bill would create the "Farm Produce Insurance Act" to establish a program in which producers of dry beans, grains, or corn would contribute a percentage of their proceeds to a new fund, and could recover from the fund for losses caused by a grain dealer's financial failure. The bill would do the following:

- Create the Farm Produce Insurance Fund to provide for reimbursement to a participating producer for losses suffered when a grain dealer declared insolvency or was otherwise unable to pay its claimants.
- Establish the Farm Produce Insurance Authority to direct and control the Fund.
- Provide for the Authority to be governed by a nine-member board representing grain dealers, producers, and agricultural lenders.
- Require participating producers to pay a premium of up to 0.2% of the net proceeds from all farm produce sold by a producer to a licensed grain dealer, to be deducted from proceeds at the time of sale.
- Provide for a refund of this premium to a producer who agreed not to participate in the program.
- Require the board to take action when it determined that a grain dealer had failed financially.
- Provide that violators would be guilty of a misdemeanor, punishable by a maximum fine of \$5,000.
- Repeal the Michigan Agricultural Commodity Insurance Act, which provides for the establishment of the Michigan Agricultural Commodity Insurance Fund to insure agricultural commodities against losses due to the failure of a licensed grain dealer.

Legislative Analyst: Claire Layman

FISCAL IMPACT

The bill would have no net fiscal impact on the State. The proposed Farm Produce Insurance Fund would receive producer premiums, money from other sources, and investment earnings. It would be used to pay claims, refunds, and administrative expenses. The board could employ necessary personnel. Administrative expenses would be capped at \$250,000, presumably per fiscal year. This cap would not apply to legal expenses incurred by the Authority.

The Michigan Department of Agriculture (MDA) would be responsible for notifying licensed grain dealers about their duties regarding the collection of premiums, as well as verifying the accuracy of the books and records of licensed grain dealers pertaining to producer premiums. The MDA, Grain Dealer Audit Section would be eligible for reimbursement from the proposed Fund to cover any costs associated with services provided to the Authority. Currently, the Grain Dealer Audit Section is responsible for auditing licensed grain dealers in the State, every 12 to 18 months. Because of the existing presence of Grain Dealer Audit Section personnel at

licensed grain dealers, it is likely that the Authority would contract with the MDA to carry out some of its responsibilities under the bill. It is estimated that there would be no net fiscal impact on the Department, as its costs would be covered by the \$250,000 available to the Authority for administrative expenses.

All expenditures from the Fund would have to be audited by a certified accountant annually, at a minimum. The board would have to publish an annual financial report and make it available to the public.

Public libraries would receive additional penal fine revenue from the proposed misdemeanor penalty. For select violations, the court would be required to order a grain dealer to pay to the Fund any premiums collected by the dealer that it owed to the Fund, with interest, if applicable.

Date Completed: 10-20-03

Fiscal Analyst: Craig Thiel

Floor\hb4311

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.