

# Legislative Analysis



## FARM PRODUCE INSURANCE ACT AMENDMENTS

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**Senate Bill 900 as passed by the Senate**  
**Sponsor: Sen. Joe Hune**  
**House Committee: Agriculture**  
**Senate Committee: Commerce**  
**Complete to 5-31-16**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

The Farm Produce Insurance Act (Public Act 198 of 2003) established a program in which producers of dry edible beans, soybeans, small grains, cereal grains, or corn contribute a percentage of their proceeds from licensed grain dealers to a special fund, and then can recover from the fund for losses caused by a grain dealer's financial failure. The program is voluntary and producers can request refunds of their contributions.<sup>1</sup>

Senate Bill 900 would amend the act so that in any fiscal year in which the board of the Farm Produce Insurance Authority certifies that the Insurance Fund contains more than \$10 million (instead of more than \$5 million, as now), a producer will not have to pay producer premiums and a licensed grain dealer will not have to collect the premiums.

Currently, a producer is not eligible for reimbursement from the Fund for a claim if, among other things, title to the farm produce that is the subject of the claim was transferred by the producer more than two years before the date the claim is submitted. Under the bill, a producer would not be eligible for reimbursement from the Fund for a claim if the producer transferred title to the farm produce more than 18 months before the date the claim was submitted.

Also the bill would strike a provision that allows a licensed grain dealer to keep 0.1% (one-tenth of one percent) of premiums it collects until the authority has received \$5 million in producer premiums.

The act establishes producer premium of not more than 0.2% (two-tenths of one percent, or \$2 per \$1,000) of the net proceeds from all farm produce sold by a producer to a licensed grain dealer. When the produce is sold to a licensee, the grain dealer deducts the producer premium from the proceeds of sale and pays the premium to the authority on behalf of the producer. According to MDARD, due to a major grain dealer bankruptcy, the premium was recently reinstated by the Authority Board at the 0.2% rate, effective October 1, 2015.

### FISCAL IMPACT:

A fiscal analysis is in process.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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<sup>1</sup> See the FAQ about the program on the MDARD website:  
[http://www.michigan.gov/mdard/0,4610,7-125-1568\\_2387\\_46268-109655--,00.html](http://www.michigan.gov/mdard/0,4610,7-125-1568_2387_46268-109655--,00.html)