

1999 HOUSE AGRICULTURE
HCR 3045


1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3045

House Agriculture Committee

Conference Committee

Hearing Date 2-11-99

Tape Number	Side A	Side B	Meter #
Two HCR 3045	x		27 to 30
Committee Clerk Signature 			

Minutes:

Summary of Resolution: Protection for farmers when elevators or grain buyers go insolvent.

Rep Mueller: Purpose of this study is to find out if this is a serious problem & time for the Legislature to put in place some form of protection for the Farmers in case of grain warehouse insolvency or grain buyers too. We are asking them to study credit sales contracts to see what the consequences can be if they go insolvent, What happens to the farmers in this case. Need to determine if these sales could be a problem.

John Mielke: Ex Sec of the PSC. (Testimony attached) The commission supports the resolution. The use of credit sales contracts has risen dramatically in the past few years. some estimates are for 40% to 60% of all grain sales are now using some form of credit sales contracts.

Dan Kuntz: ND Grain Dealers Assoc. Neutral on this resolution We will participate in the study if it takes place. Currently the seller is warned that there is no coverage for credit sale contracts

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House Agriculture Committee

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We can't say with certain that the clean record we have in the past will continue. If a fund in started to take care of this it will tempt companies to be more risky because they don't have to stand the loss.

Lance Gabee: Ex Dir ND Grain Dealers Assoc... Support the concept of an indemnity fund to cover loss's that might take place.

Chm Nicholas asked for the committee intent and Rep Brusegaard move a DO PASS and that it be placed on the consent calender. second by Rep Nowatzki. Unanimous vote.

Date: 2-16-99
Roll Call Vote #:

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 3045

House AGRICULTURE Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Consent Calendar

Motion Made By Brusegaard Second By Nowatzki

Representatives	Yes	No	Representatives	Yes	No
Eugene Nicholas, Chaiman			Bob Stefonowicz		
Dennis E. Johnson, Vice Chm					
Thomas T. Brusegaard					
Earl Rennerfeldt					
Chet Pollert					
Dennis J. Renner					
Michael D. Brandenburg					
Gil Herbel					
Rick Berg					
Myron Koppang					
John M. Warner					
Rod Froelich					
Robert E. Nowatzki					
Phillip Mueller					

Total (Yes) UNANIMOUS No _____

Absent _____

Floor Assignment _____

REPORT OF STANDING COMMITTEE (410)
February 12, 1999 11:01 a.m.

Module No: HR-29-2738
Carrier: Nicholas
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HCR 3045: Agriculture Committee (Rep. Nicholas, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HCR 3045 was placed on the Tenth order on the calendar.

1999 SENATE AGRICULTURE

HCR 3045

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3045

Senate Agriculture Committee

Conference Committee

Hearing Date 3/12/99

Tape Number	Side A	Side B	Meter #
1		X	4845-END
2	X		0-258
Committee Clerk Signature <i>Tricia Johnson</i>			

Minutes:

Senator Wanzek called the meeting to order, roll call was taken, all were present.

Senator Wanzek opened the hearing on HCR 3045.

Representative Mueller introduced the bill. Asks the legislative council to study credit sale contracts.

Representative Pollert spoke in support of the bill.

Senator Sand: Tell me what a credit sale contract is.

Representative Pollert: Basically anything over 30 days.

Senator Urlacher: This is a quite a serious situation. Do you agree with that?

Representative Pollert: Yes.

Jon Mielke spoke in support of the bill. Testimony enclosed.

Senator Wanzek closed the hearing on HCR 3045.

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Senate Agriculture Committee

Bill/Resolution Number Hcr 3045

Hearing Date 3/12/99

Senator Klein made the motion for a Do Pass.

Senator Urlacher seconded.

ROLL CALL: 7 Yes, 0 No

CARRIER: Senator Kroeplin

Date: 3/12

Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HCR 3045

Senate Agriculture Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Consent Calendar

Motion Made By Klein Seconded By Urlacher

Senators	Yes	No	Senators	Yes	No
Senator Wanzek	✓				
Senator Klein	✓				
Senator Sand	✓				
Senator Urlacher	✓				
Senator Kinnoin	✓				
Senator Kroepelin	✓				
Senator Mathern	✓				

Total (Yes) 7 No 0

Absent _____

Floor Assignment Senator Kroepelin

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 12, 1999 1:30 p.m.

Module No: SR-45-4684
Carrier: Kroeplin
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HCR 3045: Agriculture Committee (Sen. Wanzek, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HCR 3045 was placed on the Tenth order on the calendar.

1999 TESTIMONY

HCR 3045

HCR No. 3045

Presented by: Jon Mielke, Executive Secretary
Public Service Commission

Before: House Committee on Agriculture
Representative Eugene J. Nicholas, Chairman

Date: February 11, 1999

TESTIMONY

Chairman Nicholas and committee members, my name is Jon Mielke. I am the executive secretary of the Public Service Commission. I also serve as the director of the Commission's Licensing Division. The Licensing Division is responsible for licensing and regulating grain elevators and grain buyers in North Dakota.

The Commission supports this resolution and would gladly participate in an interim study of the use of credit-sale contracts.

This study resolution is a direct result of provisions in H.B. 1156 and S.B. 2153. As a part of these bills, the PSC proposed that grain elevators and grain buyers be required to obtain bond coverage to protect farmers who sell their grain via credit-sale. These provisions have been amended out of the bills.

The Commission raised this issue because of trends that it has observed in the marketing of grain – the use of credit-sale contracts has risen drastically in the past decade. By some estimates, between forty and sixty percent of all grain sales may now involve some form of credit-sale contract.

Given the lack of bond coverage for this type transaction, farmers' risk against grain elevator insolvencies has also skyrocketed. The Commission felt an obligation to bring this matter to the Legislature's attention. We want to know if it is the Legislature's continuing intent to have this type transaction unprotected against grain elevator or grain buyer insolvency.

The Commission noted in its testimony on these bills that requiring bond protection for credit-sale transactions was probably unacceptable given the high cost and limited availability of coverage. Our testimony also suggested, however, that the Legislature may want to consider the use of a farmer-financed indemnity fund to provide the desired protection. Information concerning bond costs and possible indemnity fund features are attached to our testimony.

The Commission went to great lengths to involve the grain industry and farm and commodity groups in discussions surrounding this issue. Since farmers will ultimately pay for whatever protection is provided, we expected that the Legislature would want the farm community's input on this matter.

The Commission believes that the study called for by HCR 3045 will prompt further discussion on this matter. We are also appreciative of the discussions that have already taken place. Hopefully the farm community is now more aware of the risks associated with credit-sale transactions and is marketing its grain and selecting its buyers accordingly.

Mr. Chairman, that concludes our testimony. I would be happy to respond to any questions that you or your committee may have.

11 AM
Fri - MAR 12
ROOSEVELT PARK
AM

HCR 3045

FOR PHIL MUELLER

1:30 PM
FRI MAR 07

SENATE

IM---

WANZEL

CHAIRMAN NICHOLAS AND ~~FELLENZ~~ MEMBERS OF THE ~~HOUSE~~ AG COMMITTEE,
HOUSE CONCURRENT RESOLUTION 3045 IS A PRODUCT OF SOME
SUB-COMMITTEE WORK DONE IN ^{The House} ~~THE~~ AG COMMITTEE WHEN WE WORKED WITH
hb1156. THE RESOLUTION ASKS THE LEGIS COUNSEL TO STUDY CREDIT SALES
CONTRACTS TO DETERMINE IF A NEED EXISTS TO PROTECT THOSE SALES IN
CASE OF AN ELEVATOR OR GRAIN BUYER INSOLVENCY AND HOW THIS
PROTECTION MIGHT BE ACHIEVED.

THESE TYPES OF SALES ARE NOT COVERED BY THE GRAIN BUYER'S BOND.
TODAY CREDIT SALES MAY ACCOUNT FOR HALF OF ALL GRAIN SALES IN ND.
THAT WOULD REPRESENT APPROXIMATELY \$750 MILLION. GROWTH IN THE USE
OF CREDIT SALES CONTRACTS HAS GREATLY INCREASED THE RISK BEING
FACED BY FARMERS. A SINGLE ELEVATOR INSOLVENCY COULD FORCE DOZENS
OF FARMERS OUT OF BUSINESS.

THE PURPOSE OF THE STUDY WOULD BE TO DETERMINE IF UNSECURED CREDIT
SALES IS IN FACT A POTENTIAL PROBLEM AND THEN, IF THOUGHT NECESSARY,
TO DETERMINE A COURSE OF ACTION THAT WOULD SECURE THESE SALES FOR
THE FARMER WHO MAKES THEM.

THE USE OF CREDIT SALES INSTRUMENTS HAS INCREASED DRAMATICALLY IN
RECENT YEARS. THE TIME IS RIGHT FOR THE LEGISLATURE TO REVISIT THIS
ISSUE TO SEE IF SOME FORM OF PROTECTION SHOULD BE PUT INTO PLACE FOR
THE BENEFITS OF FARMERS WHO SELL THE GRAIN VIA CREDIT-SALES. IF SOME
FORM OF PROTECTION IS WARRANTED, THE STUDY COULD ALSO DETERMINE
WHAT LEVEL IS APPROPRIATE AND HOW IT COULD BEST BE PAID FOR.

I'VE ASKED JOHN MEILKE FROM THE PSC TO JOIN US TODAY TO ALSO TALK
ABOUT HCR3045

QUESTIONS?

HCR No. 3045

Presented by: Jon Mielke, Executive Secretary
Public Service Commission

Before: Senate Committee on Agriculture
Senator Terry M. Wanzek, Chairman

Date: March 12, 1999

TESTIMONY

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