

Assembly Hearing Slip

(Please print plainly)

Date: 4/20/95  
Bill No. AB230  
Or  
Subject Grain Security  
Name Ron Statz  
Street Address or Route Number PO Box 663  
City & Zip Code Sauk City WI 53583  
Representing NFO

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.  
Assembly Sergeant at Arms  
Room 210 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: April 20, 1995  
Bill No. 230 AB  
Or  
Subject  
Name Robert Karls  
Street Address or Route Number 2976 Triverton Pike Road  
City & Zip Code Madison WI 53711  
Representing WI Soybean Association

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.  
Assembly Sergeant at Arms  
Room 210 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: April 20, 1995  
Bill No. AB230  
Or  
Subject  
Name Charles Pellwitz  
Street Address or Route Number 2976 Triverton Pike  
City & Zip Code  
Representing

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

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Assembly Sergeant at Arms  
Room 210 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: April 20, 1995  
Bill No. AB 230  
Or  
Subject

Name: Paul Zimmerman  
Street Address or Route Number: 7010 Mineral Point Road  
City & Zip Code: Madison WI 53705  
Representing: Wisconsin Farm Bureau

Speaking In favor:   
Speaking against:   
Registering In favor:   
Registering against:   
Speaking for Information only; Neither for nor against:

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Room 210 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: April 20  
Bill No. AB 230  
Or  
Subject Grain Security

Name: Rep. Gus John  
Street Address or Route Number:  
City & Zip Code:  
Representing:

Speaking In favor:   
Speaking against:   
Registering In favor:   
Registering against:   
Speaking for Information only; Neither for nor against:

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Room 210 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: April 20, 1995  
Bill No. AB-230  
Or  
Subject

Name: John Norton  
Street Address or Route Number: 2911 Applecume Dr  
City & Zip Code: Madison Wis  
Representing: Wis Dept of Agriculture  
Trade & Consumer Protection

Speaking In favor:   
Speaking against:   
Registering In favor:   
Registering against:   
Speaking for Information only; Neither for nor against:

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Room 210 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 4-20-95

Bill No. AB 230

Or  
Subject

Ronald Senff  
(Name)

W3186 Pardeeville Rd  
(Street Address or Route Number)

Cambria WI 53923  
(City & Zip Code)

WCGA  
(Representing)

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms  
Room 210 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: APRIL 20, 1995

Bill No. AB 230

Or  
Subject

RAY SCHMITT  
(Name)

6200 GISHKEL DR., SUITE 204  
(Street Address or Route Number)

MADISON, WI 53713  
(City & Zip Code)

WISCONSIN AGRI-SERVICE ASSN., INC  
(Representing)

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms  
Room 210 West  
State Capitol  
Madison, WI 53702

## Assembly Committee on Agriculture

DATE April 20<sup>th</sup>, 1995

Moved by Hahn Seconded by Olsen

AB 230 SB \_\_\_\_\_ Clearinghouse Rule \_\_\_\_\_

AJR \_\_\_\_\_ SJR \_\_\_\_\_ Appointment \_\_\_\_\_

A \_\_\_\_\_ SR \_\_\_\_\_ Other \_\_\_\_\_

A/S Amdt. \_\_\_\_\_

A/S Amdt. \_\_\_\_\_ to A/S Amdt. \_\_\_\_\_

A/S Sub Amdt. \_\_\_\_\_

A/S Amdt. \_\_\_\_\_ to A/S Sub Amdt. \_\_\_\_\_

A/S Amdt. \_\_\_\_\_ to A/S Amdt. \_\_\_\_\_ to A/S Sub Amdt. \_\_\_\_\_

Be recommended for:

Passage

Introduction

Adoption

Rejection

Indefinite Postponement

Tabling

Concurrence

Nonconcurrence

Confirmation

	Committee Member	Aye	No	Absent	Not Voting
1.	Ott, Alvin (Chair)	✓			
2.	Ward, David (Vice-Chair)	✓			
3.	Ainsworth, John	✓			
4.	Zukowski, Robert	✓			
5.	Otte, Clifford	✓			
6.	Skindrud, Richard	✓			
7.	Hahn, Eugene	✓			
8.	Olsen, Luther	✓			
9.	Gronemus, Barbara	✓			
10.	Baldus, Al	✓			
11.	Reynolds, Martin	✓			
12.	Springer, Thomas	✓			
13.	Wilder, Michael	✓			
14.	Dueholm, Robert	✓			
15.					
16.					
17.					
18.					
Totals		14	0	0	0

MOTION CARRIED

MOTION FAILED

# EUGENE HAHN

State Representative • 47th Assembly District



April 20, 1995

**Chairman:**  
Assembly Committee on  
Tourism & Recreation

Honorable Al Ott  
Chairman, Assembly Committee on Agriculture  
318 North  
State Capitol

Dear Chairman Ott;

Thank you for allowing me to testify on Assembly Bill (AB) 230. The proposed legislation is designed to improve security protection for grain producers; ease current requirements that apply to small grain dealers; make the law more workable; and clarify current law.

The bill is a mirror of a Department of Agriculture, Trade and Consumer Protection emergency rule, which was approved by the DATCP Board September of 1994. This bill will provide more protection for producers under Chapter 127 of the Warehouse Keepers and Grain Dealers Security Act.

Just recently two area examples of the shortcomings of Chapter 127 are; the Hamre Feed incident in Deforest and the M & W AG Service in Waterloo. DeForest area farmers were left holding bad checks that totaled more than \$1.4 million, and Waterloo area producers checks were not honored, which resulted in DATCP suspending the dealer's license. It's clear that the current law doesn't adequately protect the producer from warehouse keepers and grain dealers who over extend themselves.



Under AB 230 grain dealers and warehouse keepers will be tracked in order to warn producers of a possible failure by requiring those dealers who use deferred payment contracts for the purchase of grain to file a financial statement and meet minimum financial standards.

In addition, AB 230 will strengthen producer security by requiring grain dealers to make full and final payment within 180 days of the date of purchase for any deferred payment contract after the price has been determined.

AB 230 is the product of consensus and hard work by producers, industry professionals and DATCP officials attempting to close loopholes in the law and provide security for farmers, ware house keepers, and grain dealers.

Thank you,

Eugene Hahn  
State Representative

cc: committee members

## Summary of Proposed Legislation

*The proposed revisions to the law are intended to do the following:*

1. To update the current statutory language. Examples of this type of revision are:
  - The deletion of the word registration and the insertion of the word license wherever the word registration appears in the statute.
  - The deletion of the word annually and the insertion of the words fiscal year end.
2. The incorporation of ATCP 99 language into Chapter 127 for consistency purposes. Examples of this type of revision are:
  - Clarification of the 50,000 bushel limit for exempt warehouse keeper.
  - Allows grain dealers 7 calendar days to make payment to producers for grain before a deferred payment contract would have to be issued (except exempt grain dealers).
  - The indemnification of the insurer (by warehouse keepers) to provide for a deductible under the policy.
3. The creation of a Class B2 grain dealer for feed mills who purchase under \$50,000 of grain in a fiscal year. This will allow small feed mills to purchase grain by company check and pay only a minimal license fee of \$50. The current statutory language requires registration as a Class B grain dealer and a registration fee of \$175.
4. To alleviate conflicts between generally accepted accounting principles and Chapter 127, the creation of statutory language was necessary to allow warehouse keepers and grain dealers to transfer equity held in a corporation and/or a partnership into the sole proprietors financial statement at historical cost or at market value, if the financial statement is audited. Warehouse keepers and grain dealers who are sole proprietors will realize a cost savings by being allowed to use the historical cost basis in the preparation of a sole proprietor's reviewed or audited financial statement.
5. To establish statutory language to allow for seasonal fluctuations of certain current assets and liabilities in financial statements to be offset and eliminated in the calculation of certain ratios used by the department to determine if the warehouse keeper or Class A grain dealer meets minimum financial standards under Chapter 127.
6. To establish statutory language to allow warehouse keepers and grain dealers to request a 30 day extension of the deadline for the filing of financial statements.
7. Requires Class B grain dealers who use deferred payment contracts for the purchase of grain from producers to file a financial statement and meet minimum financial standards under Chapter 127.

Summary of Proposed Legislation

8. Equity requirements under the financial standards for Class A or Class B (if deferred payment is used by the Class B grain dealer) would change effective September 1, 1995. The new standards would be a minimum of \$15,000 or the equity required by the ratio of total liabilities to equity of 5.0 to 1, whichever is greater. The implementation of the 5.0 to 1 debt to equity ratio also eliminates the maximum equity cap of \$500,000.
9. Security requirements for grain dealers would change September 1, 1995 and September 1, 1996. The amount of security to be filed with the department, would be obtained from averaging the highest three (3) months of purchases from producers during the last twelve months. Security would be equal to the average of the highest three months when multiplied by the percent indicated below.
  - 1995 - Avg. of the highest three months X 20% = amount of security to be filed with the department.
  - 1996 - Avg. of the highest three months X 35% = amount of security to be filed with the department.

In addition to the 20% or 35% security filed with the department, additional security will be required if a grain dealer has outstanding deferred payment contracts payable to producers. Additional security will be equal to the total owed to producers for all deferred payment contracts as of the last day of the previous month, or as of any other date specifically indicated by the department. The current \$500,000 cap on security has also been eliminated.

10. Security filed in the form of an irrevocable bank letter of credit would have to be continuous and subject to cancellation only upon 90 day's written notice to the department.
11. Grain dealers must make full and final payment to producers for grain within 180 days of the date of purchase for any deferred payment contract that has established a specific price per bushel.

The proposed changes to Chapter 127 will update statutory language, make the law consistent with ATPC 99, ease restrictions placed on small grain businesses, increase the workability of the law in conjunction with the industry, enhance the financial standards and security aspects of the law by directly linking industry practices that are risk oriented for producers and by removing the \$500,000 caps that were placed on equity and security.

# WISCONSIN AGRI-SERVICE ASSOCIATION, INC.

6200 Gisholt Drive, Suite 204, Madison, Wisconsin 53713

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Telephone: 608-223-1111  
Fax: 608-223-1147

To: Assembly Agriculture Committee

From: Ray "Cardie" Schmitt  
Executive Vice President

Date: April 20, 1995

Reference: AB 230 - GRAIN DEALERS AND WAREHOUSE KEEPERS  
LEGISLATION

Wisconsin Agri-Service Association, (WASA), the association of the Wisconsin Grain, Feed, Seed, and Farm Supply Dealers, urges your support for the passage of AB 230, the Grain Dealers and Warehousekeepers legislation.

AB 230 gives the Wisconsin Grain Producers additional protection by removing the \$500,000.00 cap on equity or security that is currently in the law regarding the maximum amount of equity or security required of Grain Dealers and Warehouses and replaces it with a requirement that they must have a total liabilities to equity ratio of 5 to 1 after certain collateralized liabilities are removed from the calculations. Those that are unable to attain this 5 to 1 ratio are required to file security with the Department of Agriculture.

The amount of security required of those dealers that cannot attain the 5 to 1 ratio is based upon a percentile of the average of each dealer's previous years highest three months grain purchases. These are not three consecutive months, but any three of the dealers fiscal year in which the highest amounts of grain purchases have occurred. The percentile of the average of these three months will become 35% on September 1, 1996 if AB 230 becomes law this session.

Under this Bill the Class B Dealer that purchases, more than \$50,000.00 but less than \$400,000.00 worth of grain, from producers for his feed mill operation and uses deferred contracts is required to comply with the aforementioned financial requirements or file security. In addition to complying to those financial requirements this dealer must also file an annual financial statement with the Department of Agriculture.

In addition to the above, any Class A or B dealers which are required to file security with the Department of Agriculture and which use either deferred payment and/ or deferred pricing contracts must provide additional security equal to the amount of outstanding liabilities created by those deferred contracts. Furthermore, any grain which is purchased by Class A or B Dealers under a deferred payment arrangement must be paid within 180 days from the date the grain is delivered and the Dealer takes title to the grain.

Furthermore there is no arbitrary pre-set limit as to the amount of equity or security a Dealer would need to have or provide. The amount, aside from the initial amount of \$15,000.00 which is required to obtain a license, would be dependent upon the amount of yearly grain purchases each Dealer makes. This feature of AB 230 gives the grain producer an increasing amount of protection as the producers and the dealers business grows. This very unique feature of AB 230 provides security for the Wisconsin Grain Producer and at the same time allows the Wisconsin Grain industry to grow and flourish.

AB 230 also creates a new class of grain dealer, a Class B2 Dealer. A Class B2 dealer is a feed mill that purchases less than \$50,000.00 of grain per year and does not use any type of deferred payment or deferred pricing contracts. A B2 Dealer can pay his grain purchases by a company check and he is not required to file a financial statement or meet any stringent financial standards unless he does not make payment for the purchased grain within seven days from the delivery and taking of title of the grain. This eases the burden on many small feed mills, which buy only small amounts of grain for their feed mill operations, of having to pay cash at the time of the purchase.

This bill addresses the majority of the risks which the Wisconsin Grain Producers could encounter when selling their grains. It addresses these risks in straightforward ways that are fair and equitable to all the parties concerned. Yet the manner in which it addresses these risks does not create a deterrent or a barrier which would limit Wisconsin Grain Dealers and Feed Mills from operating their businesses efficiently and profitably.

**THE MEMBERSHIP OF WISCONSIN AGRI-SERVICE ASSOCIATION  
SUPPORTS THE PASSAGE OF AB 230!**



State of Wisconsin  
Tommy G. Thompson, Governor

## Department of Agriculture, Trade and Consumer Protection

Alan T. Tracy, Secretary

2811 Agriculture Drive  
Madison, Wisconsin 53704-6777

PO Box 8911  
Madison, WI 53708-8911

Hearing Testimony - Assembly Bill 230  
Assembly Agriculture Committee  
Room 417 North, State Capital  
April 20, 1995

Chairman Ott and Members:

I am here on behalf of the Department of Agriculture, Trade and Consumer Protection testifying today in support of Assembly Bill 230, and wish to thank State Rep. Eugene Hahn for his sponsorship of the proposal and the prompt attention which this committee and its chairman has given to this bill.

The proposed changes in Assembly Bill 230 will update statutory language, make the law consistent with ATCP 99, ease restrictions placed on small grain businesses, increase the workability of the law in conjunction with the industry, enhance the financial standards and security aspects of the law by directly linking industry practices that are risk oriented to security levels and remove the \$500,000 upper threshold currently in place for equity and security.

### **Background**

In 1980, the legislature created Ch. 127, stats., which provided for Wisconsin's first direct regulation of grain warehouse keepers and grain dealers. At the time, the state was in the process of becoming a major cash grain state, but a few major warehouse failures and recurrent instances of non-payment of producers by grain dealers had led producers, a significant portion of the industry, and the department to believe that, if the industry was to continue to grow, Wisconsin had to join the other cash grain states in providing a credible regulatory framework for the industry.

The original law provided minimum financial standards for grain warehouse keepers and required the filing of bonds or other forms of security by warehouse keepers who did not meet the minimums. Warehouse keepers who stored less than 50,000 bushels were exempt from the financial requirement but were not exempt from the other requirements of the statutes. These requirements included keeping an adequate supply of grain on hand to meet obligations to depositors, maintaining a daily position record and giving depositors written evidence of storage. However, there were no minimum financial standards for grain dealers, who could obtain a certificate of registration upon submission of a properly completed application and payment of a \$25 fee. These requirements did not apply to "exempt" grain dealers, who paid producers for grain with certified check, money order, barter or advanced money transfer arrangement with a bank which is evidenced in writing.

Over the past 15 years, Chapter 127 has been amended a number of times, progressively strengthening the regulation. In 1991, provisions were added creating three classes of grain dealers, and requiring that Class A grain dealers file financial statements showing that they meet minimum financial standards or file a bond or security.

The enactment of Chapter 127 and the amendments have been a stabilizing factor to the industry, reduced losses to producers in default situations, promoted open competition and created additional markets for producers to sell their grain.

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Security would be equal to the average of the highest three months when multiplied by the percent indicated for the years 1995 and 1996.

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