

Tennessee Grain Indemnity Fund

S. Aaron Smith
Assistant Professor
Department of Agricultural and Resource
Economics
University of Tennessee Institute of Agriculture

Overview

- Purpose
- History
- Claims
- Out of State Producers
- Dealers and Warehouseurs
- Kentucky

Purpose

- A fund managed by TDA that compensates producers for losses caused by a grain dealer or warehouse failure.

History

- Created in 1989 by the Tennessee general assembly.
- In 1990 a majority of grain producers voted in favor of an assessment of:
 - \$0.01/bu for soybeans
 - \$0.005/bu for other grain (corn, sorghum, wheat)

History

- Original legislation provided for a minimum balance of \$3 million which was reached and assessments ceased in April 1997.
- Reactivation of the assessment is initiated when the fund balance fell below \$3 million.
- In 2011, an amendment was passed to increase minimum balance to \$10 million.

History

- Effective March 1, 2013, all grain warehouses and dealers were notified to initiate bushel assessments from producers.
- Assessments continue until the fund balance reaches \$10 million, at which time the assessments shall be suspended.
- Assessments are reinstated when the minimum fund balance falls below \$8 million.

Claims

- Any claimant who has incurred a financial loss due to a failure of a secured commodity dealer shall be entitled to be compensated for:
 - eighty-five percent (85%) of a valid claim;
 - a maximum of one hundred thousand dollars (\$100,000); and
 - subject to a maximum amount of three and one third (3 1/3) percent of the balance of the indemnity fund at the time of the failure.

Claims

- Any claimant who has incurred a financial loss due to the failure of a warehouseman and who has surrendered a warehouse receipt for payment or holds a warehouse receipt and cannot receive value shall be compensated for:
 - 100% of the claim;
 - subject to a maximum amount of three and one third (3 1/3) percent of the balance of the indemnity fund at the time of the failure.

Claims

- Within 90 days of the commissioner's approval of a valid claim payment will be made from the grain indemnity fund.
- To the maximum extent that funds are, or may be available for such purpose, the remaining balance of the claims shall be paid by the department from the assets and other security of the failed dealer

Out of State Producers

- Commodity producers from outside Tennessee shall not be subject to the assessment if they certify to the commodity dealer or warehouseman that they are out-of-state producers by completing a form given to the commodity dealer or warehouseman in order to obtain the exemption.
- A commodity producer from outside of Tennessee may be subject to the assessment and therefore awarded all the protection of this part if the producer so chooses and meets the requirements.

**NON RESIDENT EXEMPTION
TENNESSEE COMMODITY INDEMNITY FUND**

Date: _____

FIRM: _____ **LICENSE NO.** _____
(Dealer or Warehouse)

I _____
(Non-resident's name)

(Address) (phone)

certify that I am a resident of _____ and as such request to be exempt
(State)

from participating in the Tennessee Commodity Indemnity Program. The following grain is to be exempt:

KIND OF GRAIN: _____

QUANTITY OF GRAIN: _____

DEPOSITOR'S SIGNATURE

MANAGER'S SIGNATURE

AG-0487

Refunds

- Any producer may receive a refund of the assessment collected.
- Requests for refunds shall be made within 90 days of the date the amount was deducted.
- By voluntarily submitting to a refund, the producer foregoes any protection or compensation provided by the Tennessee grain indemnity fund.

TENNESSEE DEPARTMENT OF AGRICULTURE
REGULATORY SERVICES DIVISION
ELLINGTON AGRICULTURAL CENTER
BOX 40627
NASHVILLE, TENNESSEE 37204
REFUND OF GRAIN INDEMNITY FUND ASSESSMENT

Pursuant to Tennessee Code Annotated §43-32-206:

Within ninety (90) days of an assessment being withheld by the purchaser, any producer may request a refund of the assessments collected from the producer.

I am hereby requesting reimbursement of the one (1) cent per bushel check-off withheld from payment for soybeans and/or the one-half (1/2) cent per bushel check-off for other grains which I sold to:

Lic. No.	Grain Dealer/Warehouse	Date	Commodity	Bu.
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

I am enclosing a settlement sheet showing the amount of grain sold, and that the respective monies were deducted from the price I received for these commodities.

NOTICE: BY VOLUNTARILY SUBMITTING TO A REFUND, THE PRODUCER FORGOES ANY PROTECTION OR COMPENSATION PROVIDED BY THE TENNESSEE GRAIN INDEMNITY FUND. Reinstatement will require the repayment of all refunds plus interest.

Producer's Name _____
(please print) (Telephone Number)

Producer's Address _____
(Street or Physical Location) (P.O. Box)

(City) (State) (Zip)

_____ Phone# _____
e-mail address

(Producer's Signature) (Date)

AG-0486 Refunds are a taxable event. SS/EIN # (required for a refund): _____

Reinstatement

- Producers who have requested and received a refund of an assessment may re-enter the program by petitioning the department/commissioner for approval of re-entry into the program and by placing an amount equal to all previous assessment refunds plus interest in an escrow account in a local bank.

Payouts

- Since the fund's creation, \$958,996 has been paid in claims to 76 producers.

Categories of Commodity Dealers or Warehouseman Licenses

- Incidental grain dealers
 - <\$100k
- Class 2
 - Purchase \$100k <, >\$500k
- Class 1
 - Purchase >500k per year

Dealers and Warehouses

- No person shall engage in business as a commodity dealer or warehouseman in the state of Tennessee without a license issued by the TDA.
- For all commodity dealer or warehouseman licenses, with the exception of incidental commodity dealers, non-secured, the application shall be accompanied by a financial statement setting forth information as prescribed by the commissioner by lawfully promulgated rule.

Dealers and Warehouses

- Point of initial sale collection
 - The bushel assessments shall, on or before the 20th day of the month following the end of the month in which such commodities are sold to the purchaser, be remitted by the purchaser to the Department of Agriculture to be deposited in the fund.
- The books and records of all purchasers of commodities, which shall clearly indicate the producer and the amount of the assessment, shall be at all times open for inspection during regular business hours.

TENNESSEE COMMODITY PRODUCER INDEMNITY FUND MONTHLY REPORT

PURCHASER INFORMATION: Commodity Dealer or Warehousemen License No. _____

Name _____

Address _____

City _____ Zip: _____

County _____ Phone: _____

Contact Person _____ Date: _____

BUSHEL PURCHASED DURING MONTH OF _____, 20 _____

Soybeans: _____ X 1 cent = \$ _____

Other Grains _____ X ½ cent = \$ _____

TOTAL = \$ _____

REMIT ON OR BEFORE THE TWENTIETH (20TH) DAY OF THE MONTH FOLLOWING THE END OF THE MONTH IN WHICH SUCH COMMODITIES ARE PURCHASED TO:

AG INPUTS
REGULATORY SERVICES DIVISION
TN DEPT. OF AGRICULTURE
BOX 40627, NASHVILLE, TN 37204

PLEASE MAKE CHECK PAYABLE TO: TN COMMODITY INDEMNITY FUND

Catch All

- The commissioner may enter into a reciprocal agreement with a contiguous state having a similar program.

Kentucky

- Kentucky Grain Insurance Fund - 0.0025% of the value of the grain purchased is collected (all licensed purchasers).
- Fund has a \$10 million minimum balance (currently above the minimum balance so the assessment is not being collected).

General Rule of Thumb

- If a producer pays into an indemnity fund they are likely eligible to receive a payment if a business failure occurs.

TDA Contacts

- Grain dealers and warehouses contact Evan Boyd, (731) 514-5708 / Evan.Boyd@tn.gov
- Commodity producers contact David Waddell, (615) 837-5331 / David.Waddell@tn.gov