



# Iowa Grain Warehouse Best Management Practices Related to Grain Receiving and Fee Collection

June 2, 2020

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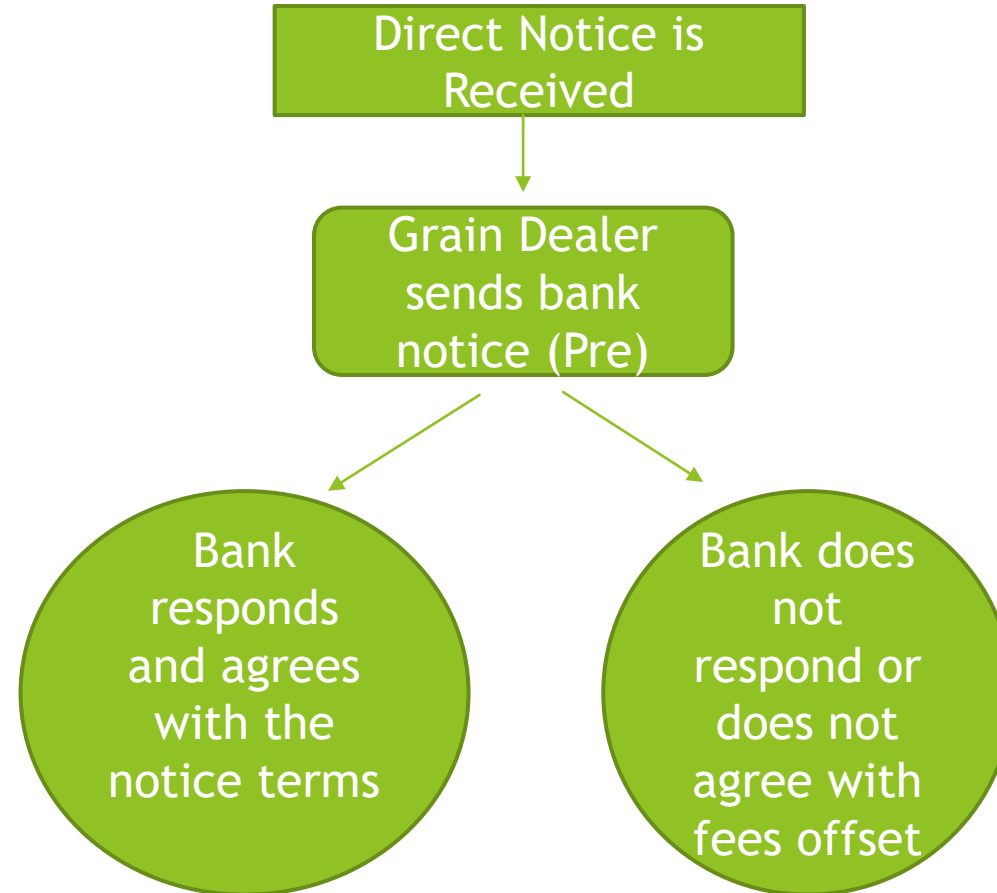
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# Issue overview

- ▶ A recent Iowa Supreme Court ruling that involved an Iowa Warehouse Licensed Grain Dealer and an Iowa based Bank has caused the industry to reflect upon current practices.
- ▶ The following slides provide a set of recommendations that are intended to act as a guide to potentially mitigate the Iowa Warehouse Grain Dealers risk of loss under certain circumstances.
- ▶ Ideally, Legislative action is needed to place the grain dealer in a priority position as it relates to the collection of certain normal and standard fees.
- ▶ The State of Iowa is a Direct Notice State related to UCC and Notice. Because Iowa is a Direct Notice State 2 different and distinct procedures for grain settlement should be applied
- ▶ In very simple terms Direct Notice is the activity of a lender notifying a grain buyer in writing that it wishes to have all checks written as both the producer and the bank as beneficiaries.
- ▶ The process described below is not applicable when are states are grown that have central filing ( MN, SD, NE,)
- ▶ Fees can include storage, quality discounts, load out fees, drying if not billed to accounts receivable

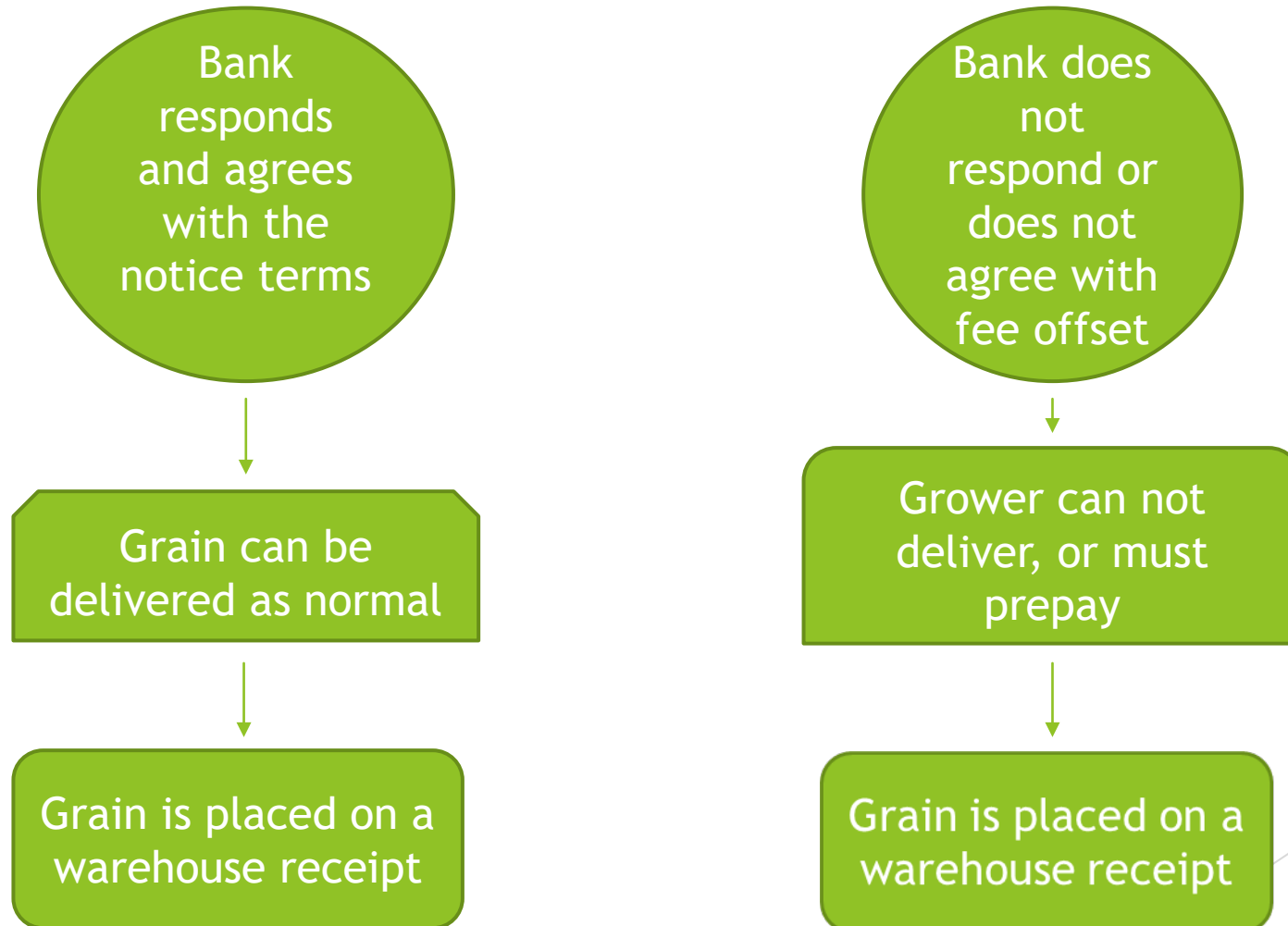
# Process Decision Tree

- ▶ Direct Notice is provided prior to grain being received



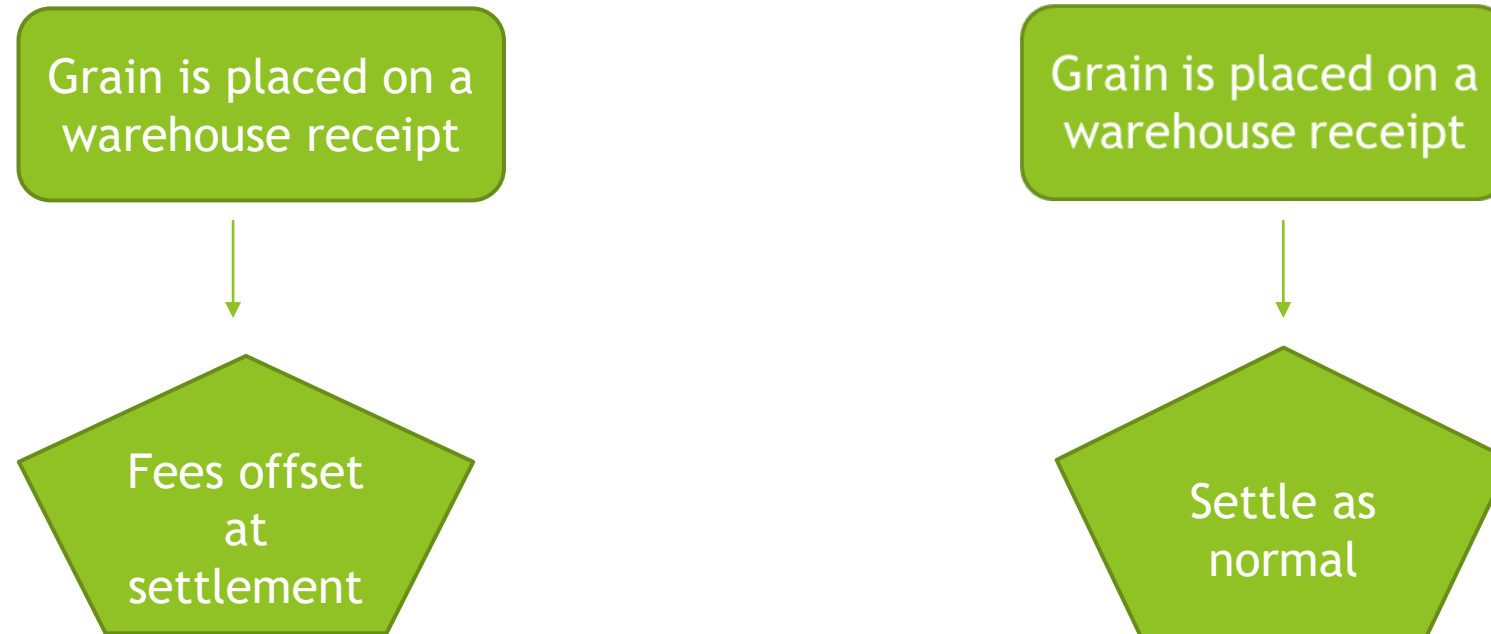
# Process Decision Tree

- ▶ Direct Notice is provided before the grain has been received



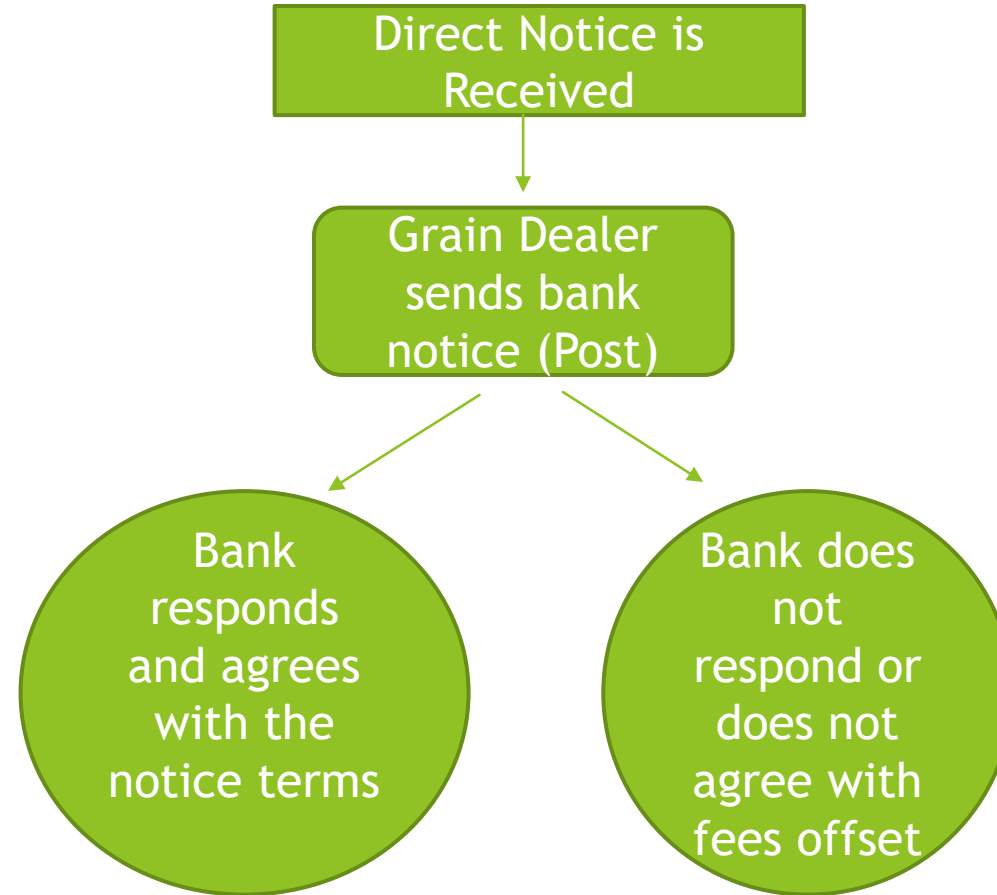
# Process Decision Tree

- ▶ Direct Notice is provided prior to grain being received



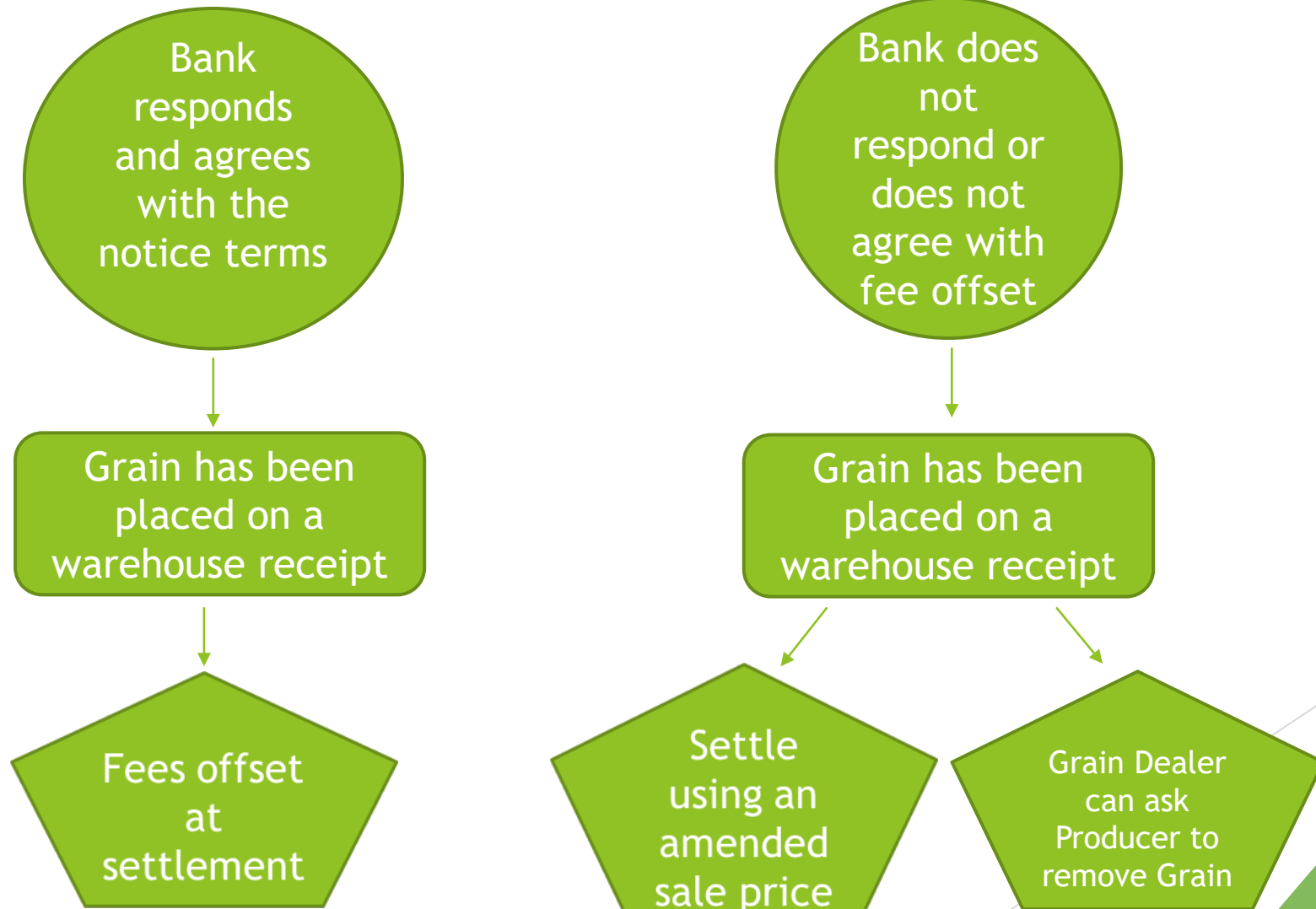
# Process Decision Tree

- ▶ Direct Notice is provided after the grain has been received



# Process Decision Tree

- ▶ Direct Notice is provided after the grain has been received





# Amended Sale Price

- ▶ The Grain Warehouse and Grain Dealer Chapters of the Iowa Code ( the “ACTS” ) allows for the concept of amended or altered sales price
- ▶ The ACTS states that the buyer has the right to dictate the price of the grain to be purchased
  - ▶ Buyer does not have to purchase grain at the current posted price
  - ▶ The code states the buyer must pay the purchase price (which IDALS has historically interpreted as the price originally agreed to and memorialized in a written agreement). A seller can certainly agree to an amended price that is lower than the original amount but that modification must be agreed upon by both parties. The grain dealer would not be able to unilaterally alter a fixed -price contract at a later date.

# Grain Removal

- ▶ The ACTS allows for the concept of grain removal from a warehouse licensed facility
- ▶ Grain loadout charges or fees are part of the grain warehouse tariff structure
- ▶ The grain buyer has the right to charge the seller the tariff rate for the act of loading out the seller's grain

# Direct Notice received before grain is delivered notice

May 1, 2020

[Name on Notice]  
[CREDITOR]  
[Address]  
[Address]

RE: [CREDITOR] Security Notice for [PRODUCER]

Dear [Name on Notice]:

[ELEVATOR] is in receipt of your written notice of security interest in, including your request to be joint payee of the sale proceeds of, the [PRODUCTS (*i.e.* 2020 corn and soybeans)] of [PRODUCER] sold to [ELEVATOR].

Please be advised that prior to the sale, [PRODUCER] may incur grain service fees from [ELEVATOR] associated with the bushels of grain sold to [ELEVATOR]. These grain service fees may include, but are not limited to, drying, storage, quality discounts, freight, marketing fees, and grain check-offs. These services are generally required to maintain the quality, condition and/or merchantability of the grain. [ELEVATOR] follows long-standing industry practice of deducting grain service fees associated with the bushels of grain sold to [ELEVATOR] as part of the final grain settlement to the producer. [ELEVATOR] provides each producer an accounting of the service fees included in their final grain settlement. Our grain service fees are also available on our website.

Due to your notice, prior to [ELEVATOR] accepting [PRODUCTS] from [PRODUCER], [ELEVATOR] requires that [CREDITOR] agrees to allow [ELEVATOR] to deduct from the sale proceeds any and all grain service fees associated with the [PRODUCTS] sold to [ELEVATOR] by [PRODUCER]. If [CREDITOR] agrees to allow [ELEVATOR] to deduct its grain service fees from the sale proceeds, please sign and return the enclosed Acknowledgement. If [CREDITOR] does not agree to allow [ELEVATOR] to deduct its grain services fees from the sale proceeds, [ELEVATOR] will not be able to accept any [PRODUCTS] from [PRODUCER].

Thank you for your prompt attention to this matter.

Sincerely,

[CEO NAME]  
Chief Executive Officer

CC: [PRODUCER]

## ACKNOWLEDGEMENT

[CREDITOR] agrees to allow [ELEVATOR] to deduct any and all grain service fees associated the [PRODUCTS] sold to [ELEVATOR] by [PRODUCER].

[CREDITOR]

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

# Direct Notice received after grain is delivered notice

May 1, 2020

**Delivered via Certified Mail**

[Name on Notice]  
[CREDITOR]  
[Address]  
[Address]

RE: [CREDITOR] Security Notice for [PRODUCER]

Dear [Name on Notice]:

[ELEVATOR] is in receipt of your written notice of security interest in, including your request to be joint payee of the sale proceeds of, the [PRODUCTS (*i.e.* 2020 corn and soybeans)] of [PRODUCER] sold to [ELEVATOR].

Please be advised that as of the date of our receipt of the notice, [PRODUCER] has incurred \$XXX.XX in grain service fees associated with the [PRODUCTS] and may incur additional grain service fees from [ELEVATOR] associated with the [PRODUCTS] prior to their sale to [ELEVATOR]. These grain service fees may include, but are not limited to, drying, storage, quality discounts, freight, marketing fees, and grain check-offs. These services are generally required to maintain the quality, condition and/or merchantability of the grain. [ELEVATOR] follows long-standing industry practice of deducting grain service fees associated with the bushels of grain sold to [ELEVATOR] as part of the final grain settlement to the producer. [ELEVATOR] provides each producer an accounting of the service fees included in their final grain settlement. Our grain service fees are also available on our website.

Due to your notice, prior to [ELEVATOR] purchasing [PRODUCTS] from [PRODUCER], [ELEVATOR] requires that [CREDITOR] agrees to allow [ELEVATOR] to deduct from the sale proceeds any and all grain service fees associated with the [PRODUCTS] sold to [ELEVATOR] by [PRODUCER]. If [CREDITOR] agrees to allow [ELEVATOR] to deduct its grain service fees from the sale proceeds, please sign and return the enclosed Acknowledgement by [DATE (*14 days*)]. If [CREDITOR] does not agree to allow [ELEVATOR] to deduct its grain services fees from the sale proceeds, [PRODUCER] and/or [CREDITOR] is required to remove [PRODUCTS] from [ELEVATOR] within 21 days of the date of this letter. [PRODUCER] will be charged a loadout fee of \$XXX.XX, which must be paid prior to [ELEVATOR] loading out any [PRODUCTS] from received from [PRODUCER]. If arrangements are not made to remove the [PRODUCTS] within such period, [ELEVATOR] will take all legal actions necessary and available to remove such [PRODUCTS] from its premises and recoup its grain service fees and any other fees or costs incurred in such removal.

Thank you for your prompt attention to this matter.

Sincerely,

[CEO NAME]  
Chief Executive Officer

## ACKNOWLEDGEMENT

[CREDITOR] agrees to allow [ELEVATOR] to deduct any and all grain service fees associated the [PRODUCTS] sold to [ELEVATOR] by [PRODUCER].

[CREDITOR]

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Name

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Title

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Date

Warehouse receipt should be either non-negotiable or negotiable using Department of Ag template format to ensure lien language is included. Storage agreement.

WARNING: ORIGINAL DOCUMENT HAS A TIME WATERMARK AND IS NOT EMBEDDED IN PDFS - GREEN & RED

LICENSE NO. W-4829  
CODE NO.

**WAREHOUSE RECEIPT** SU No. 02791  
**STATELINE COOPERATIVE**  
**BURT, IOWA**  
(A Corporation Operating Under the Laws of the State of Iowa)

The above named warehouse operator, Licensed under Iowa Code Chapter 203C has received for storage bulk grain of the amount, kind and grade, as determined in accordance with the OFFICIAL GRAIN STANDARDS OF THE UNITED STATES, for which this receipt is issued, subject to the provisions of Iowa Code Chapters 203C and 203D, and the applicable Rules. Said grain is fully insured by the above named Warehouse Operator, unless the grain is owned by CCC and the Warehouse Operator has filed a copy of the uninsured rate, against loss or damage by fire, windstorm, and inherent explosion.

GRAIN IS STORED IN WAREHOUSE LICENSED AT **BURT, KOSSUTH COUNTY, IOWA**  
RECEIVED FOR THE ACCOUNT OF \_\_\_\_\_ DATE RECEIPT ISSUED: \_\_\_\_\_

DATE GRAIN DEPOSITED: \_\_\_\_\_

Kind of Grain	Grade and Class	Test Weight	Moisture	Heat Damage	Total Damage	Bean Splits	Foreign Material

Other Factors (Protein, Sound Oats, etc.)	Grain (1, Pol, Mill)	Grain & Shells	Net Pounds	Net Bushels

Received by: \_\_\_\_\_ Paid Whse. handling \_\_\_\_\_ Date Storage Pre-paid thru \_\_\_\_\_

REMARKS

WAREHOUSE LIENS

Storage }  
Delivery } Per Tariff(s)  
Other Charges }

Upon return of this receipt properly endorsed and the payment of all warehouse liens, said grain will be delivered, if Receipt

is NEGOTIABLE, to \_\_\_\_\_

is NON-NEGOTIABLE, to \_\_\_\_\_

**STATELINE COOPERATIVE**

By \_\_\_\_\_

Warehouse Operator or Authorized Agent

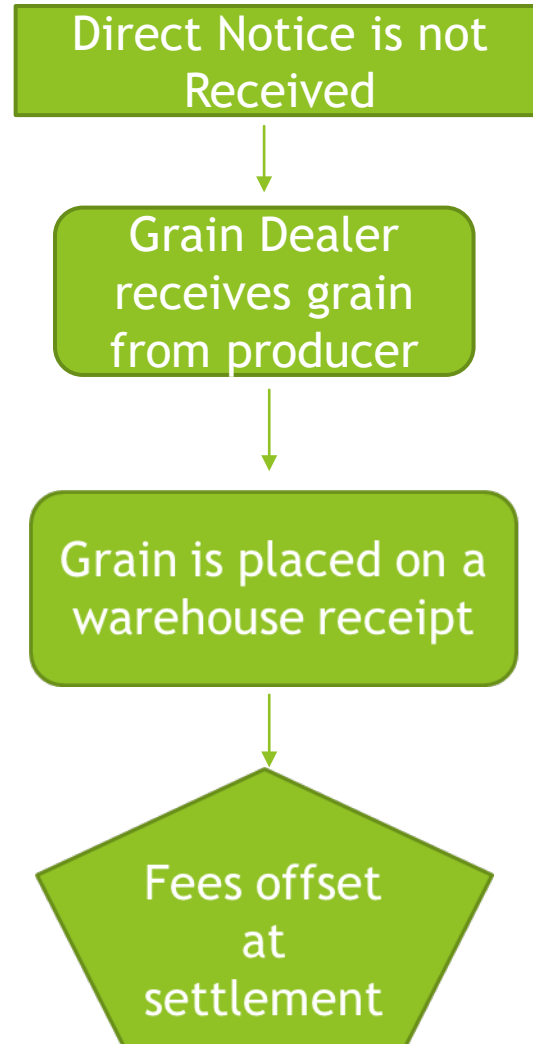
WHITE - Original Receipt    CANARY - Warehouse Operator's Copy of Original Receipt    GREEN - Owner's Copy of Original Receipt

# When Direct Notice is not given the grain dealer has expanded rights

- ▶ When Direct Notice is not given to the grain dealer the process can be less cumbersome
- ▶ 1985 Food Security Act allows for transactions to occur in a “buyer in the ordinary course of business manner”

# Process Decision Tree

- ▶ Direct Notice not received



# In Summary

- ▶ The process of grain transactions will become more cumbersome.
- ▶ The prior recommendations have been provided after material discussions with all affected grain industry groups. This process in no way replaces a legislatively backed priority lien.
- ▶ Several of the concepts contemplated in this presentation are abnormal to the current grain trade standards. The processes described are what should be considered Best Management Practices until a legislative resolution is reached



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