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SFA

BILL ANALYSIS

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Senate Bill 1173 (as introduced 6-2-98)
Sponsor: Senator George A. McManus, Jr.
Committee: Farming, Agribusiness, and Food Systems

Date Completed: 6-3-98

CONTENT

The bill would amend the Grain Dealers Act by requiring a license application to be accompanied by a bond only for a grain dealer who was a bailee of farm produce and issued warehouse receipts or who did not own a farm produce or handling facility, or did not own a vehicle for transporting farm produce, instead of all grain dealers as currently required. A bond would apply only to warehouse receipt transactions. The term of a blanket surety bond would be continuous, but the liability of the surety would not accumulate for each successive license period while the bond was in effect and the liability would not be affected by the number of claimants.

Currently, an application for a grain dealer's license must be made on form provided by the Director of the Department of Agriculture, filed 30 days in advance of a license expiration date if there is an outstanding license, and accompanied by a sufficient bond or an irrevocable letter of credit in favor of the Department that fulfills the Act's requirements. Under the bill, the license application would have to be accompanied by a bond or letter of credit, if the grain dealer were a bailee of farm produce and issued warehouse receipts or were a grain dealer who did not own a farm produce or handling facility or did not own a vehicle used to transport farm produce.

The Act requires a bond to run to the Department with sufficient surety conditioned for the faithful performance of the duties of a grain dealer and compliance with all State laws relating to grain dealers. The bill would require, instead, that a bond run to the Department and apply only to warehouse receipt transactions.

The Act requires that the bond amount for a grain dealer who is a bailee of farm produce or who issues warehouse receipts be \$15,000 for the first 10,000 bushels of storage capacity of the grain dealer, plus \$5,000 for each additional 10,000 bushel capacity used for the storage of warehouse receipted farm produce. Under the bill, this bond amount would apply to a grain dealer who was a farm produce bailee and who issued warehouse receipts.

Currently under the Act, instead of meeting the bonding requirements described above, a person owning at least two farm produce storage facilities may furnish a blanket surety bond equal to the sum of the requirements for the individual facilities, except that when the requirements are at least \$400,000 a blanket bond in the amount of \$400,000 is considered sufficient to meet the Act's requirements. The bond must show the address and capacity of each facility. The bill would add that the term of the bond would have to be continuous and the total and aggregate liability of the surety on the obligation would be limited to the amount specified in the Act. Although the obligation would be continuous in nature, the liability of the surety would not accumulate for each successive license period during which the bond was in effect and the liability would not be affected by the

number of claimants involved in the transactions covered by that bond.

MCL 285.67a

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: G. Cutler

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.