Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5509 (as passed by the House)
Sponsor: Representative Jeff Mayes
House Committee: Agriculture
Senate Committee: Agriculture

Date Completed: 5-7-08

CONTENT

The bill would amend the Farm Produce Insurance Act to allow only credits and offsets associated with farm produce sold "in this state" to be deducted from a claim under the Act; revise the requirements for denying a claim; and revise the terms under which a producer that reenters the program may receive payment under the Act.

The Act established the Farm Produce Insurance Fund to reimburse an agricultural producer for losses incurred if a grain dealer fails or is unable to pay a claim after the producer has delivered produce to the dealer. Participating producers must pay into the Fund a premium of up to 0.2% of the net proceeds from all produce sold to a licensed grain dealer (a licensee) in the State.

A producer may submit a claim for reimbursement from the Fund if the producer has surrendered warehouse receipts as part of a sale of farm produce to a licensee that failed within 21 days after the surrender of the receipts, and the producer was not fully paid for the produce. If the Michigan Department of Agriculture (MDA) finds that the claim in valid and the board of the Farm Produce Insurance Authority approves if it, the board must pay an amount from the Fund.

The Act defines "valid claim" as a claim arising from a failure of a licensee that is found valid by the MDA and is approved by the Farm Produce Insurance Authority board, less all credits and offsets associated with farm produce sold by a producer to the licensee. The bill would limit that provision to farm produce sold *in this State* by a producer to the licensee.

The bill would require the board to deny the payment of a claim if it determined that the claimant had engaged in marketing practices that contributed to the claimant's loss. Currently, the board must deny a claim if the marketing practices have "substantially" contributed to the loss.

The Act permits a producer to request a refund of a premium paid into the Fund. A producer that receives a refund is not entitled to participate in the program or to receive any payment under the Act unless it reenters the program by meeting certain conditions.

The Act specifies that beginning 90 days after reentry, a producer that reenters the farm produce insurance program is eligible for reimbursement of claims under the program. The bill, instead, provides that a producer that reentered the program would be eligible for any failure that occurred at least 90 days after reentry.

MCL 285.313 et al. Legislative Analyst: Curtis Walker

FISCAL IMPACT

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

Fiscal Analyst: Jessica Runnels