



## ORGANIC FARMERS ASSOCIATION



### FARMER PROTECTION FROM BUYER BANKRUPTCY

#### ISSUE OVERVIEW:

The U.S. organic market is the fastest growing domestic agricultural market. For some organic commodities, demand has increased faster than the domestic supply.

The U.S. relies on imports of organic grains and oilseed crops to meet demand from the organic dairy and livestock sectors. Approximately 64% of the supply of organic soybeans were imported in 2019, but U.S. farmers are working hard to close that gap, reducing organic soybean imports in 2021 by 17% and increasing production by 65% (USDA ERS). As the domestic organic market grows, organic farmers need protection from organic buyers who file for bankruptcy. The USDA has invested \$300 in organic transition and organic market growth. **In order for farmers to invest in organic transition, they need protections for secure markets.**

#### THE PROBLEM: GRAIN BUYER BANKRUPTCIES

On July 8th, 2021, Pipeline Foods based in Fridley, MN filed for Chapter 11 bankruptcy in Delaware where it was incorporated. According to the company's website, it had contracts with 1,461 growers in 2019 from across the greater Midwest Region and Canada.

Farmers failed to receive payments for grain delivered and were held to contracts to deliver grain to a company unable to pay for it. Depending on the state, some farmers received compensation for grain delivered through Indemnity Funds or Bond Programs. Then one-year later in June 2022, farmers who had sold grain to

Pipeline within 90 days before the bankruptcy *and had been paid upon delivery*, received a claw-back letter requiring that they return their payment for the grain they had sold and delivered to Pipeline. This has devastated farmers, caused much confusion, and put many farmers in an unstable financial position.

On October 24, 2022, another organic grain buyer, Global Processing, Inc., based in Kanawha, IA, filed for Chapter 11 bankruptcy in the State of Iowa. The company operated four other locations across Illinois and Nebraska.

#### ORGANIC FARMERS NEED PROTECTIONS

Farmers in other industries have protections against buyer bankruptcies. Fruit & Vegetable farmers are protected by the PACA trust, which puts sellers of fresh and frozen fruits and vegetables in a priority status in the event their buyers become insolvent or file for bankruptcy protection. For grain farmers, many of them rely on state funded Indemnity Funds or Bond Programs, the latter rarely covers all the claims in a large bankruptcy and neither protect farmers from claw-back letters. Organic Farmers Association is interested in working to help find a solution to better protect farmers from buyer bankruptcy and claw-back and ensure stable organic markets.

From 2021-2023, two large organic grain companies have declared bankruptcy, putting farmers in financial risk.

