

# STATE PROTECTIONS FOR GRAIN GROWERS

The organic market is growing rapidly and it is important. Protecting yourself and your farm doesn't always have to fall squarely on your shoulders alone. But what other avenues are available to grain farmers who may face challenges with buyers?

Knowing your state's protections, and those of the states where you deliver grain, will help you make smart marketing decisions and allow you to act quickly and decisively if something goes wrong in your grain business. Many states regulate grain warehouses and grain dealers and this may benefit farmers who find themselves in contract disputes with buyers.

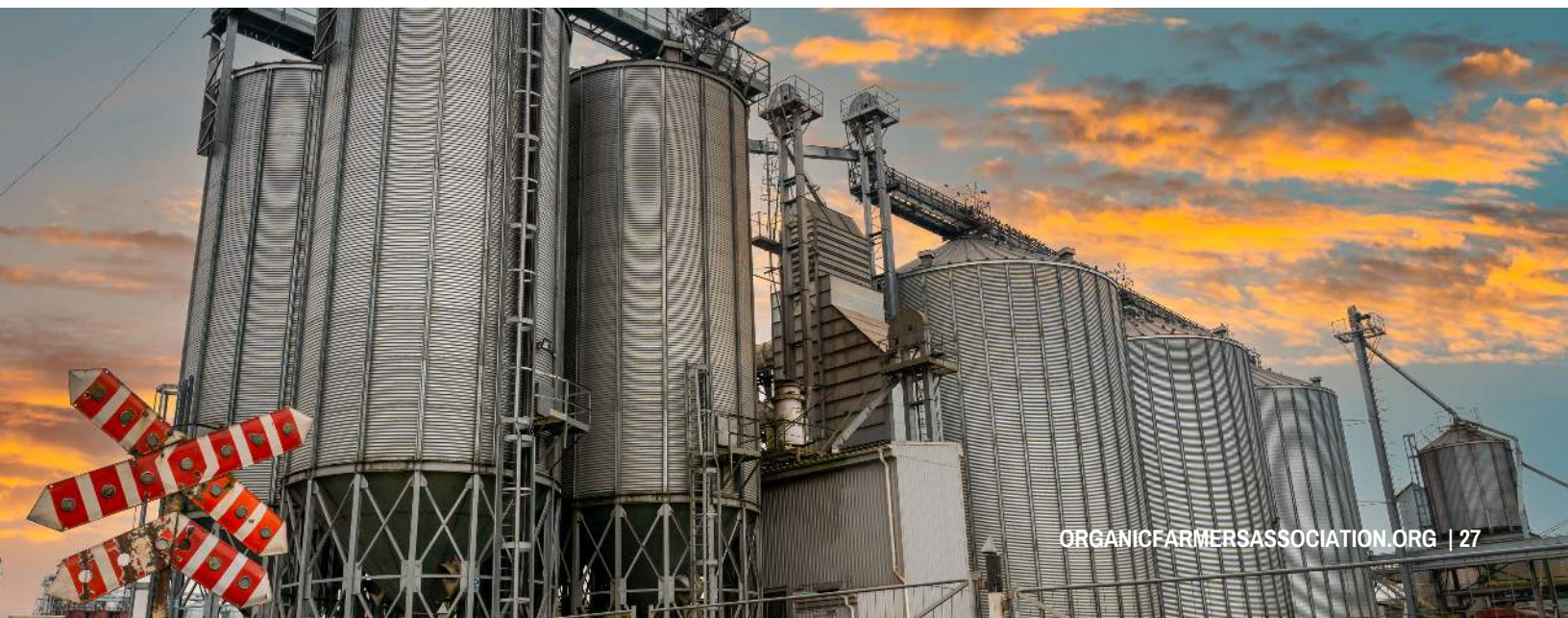
## DEALER VS WAREHOUSE

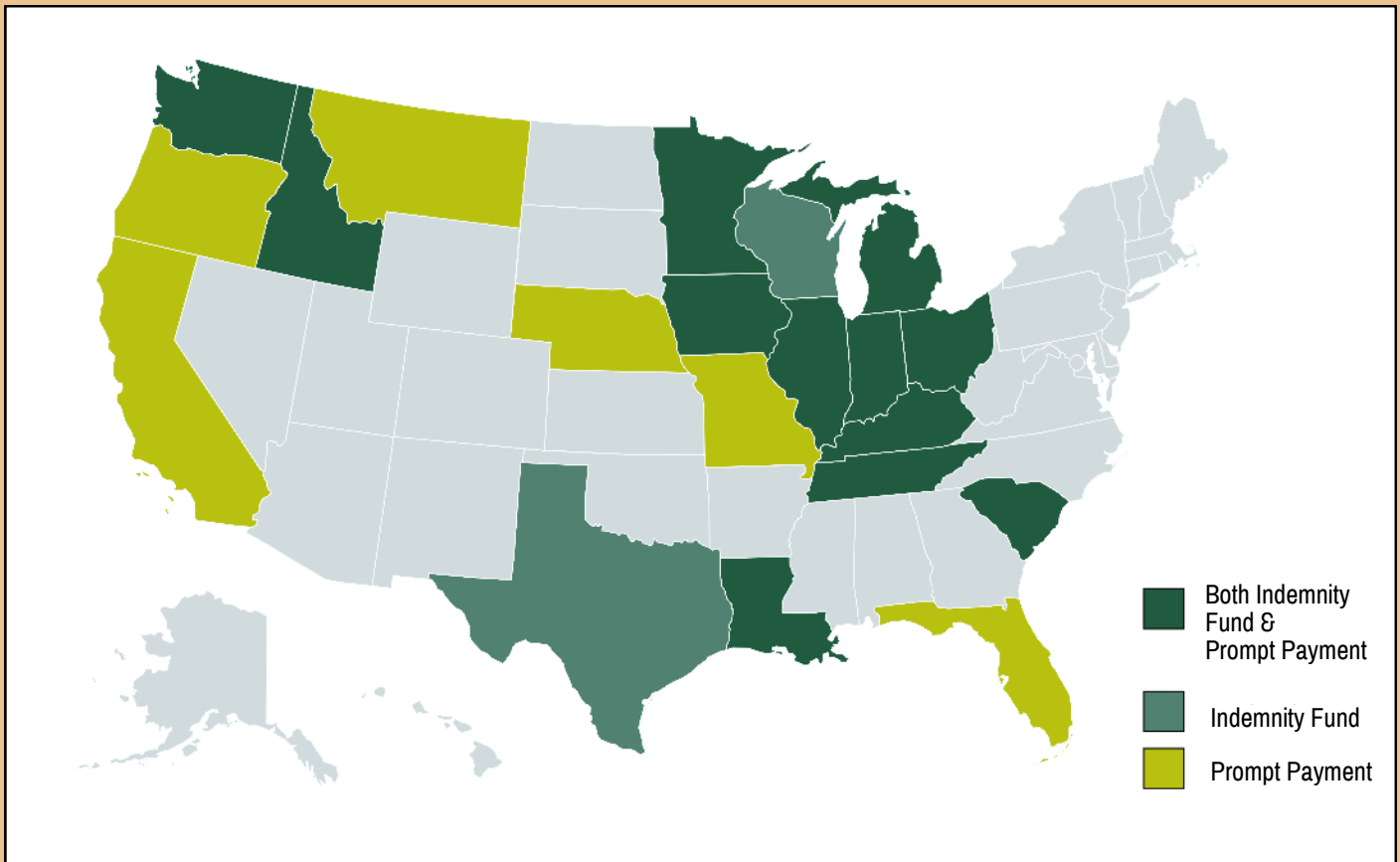
Quick Refresher: Working with dealers involves transferring ownership of the grain from farmers to dealers, but farmers continue to be the owners of grain when working with warehouses.

Warehouses may be licensed under either state or federal license, which offer slightly different protections. Most states have requirements for both dealers and warehouses to work within their state, and requirements vary tremendously. Currently, only 34 states regulate grain dealers and 30 states regulate grain warehouses.

## WHERE TO START

If your state has regulations in place for both dealers and warehouses, review to identify areas of concern that may affect your business. Make adjustments in your contracts as needed. If your state does not have sufficient regulations, now is the time to speak to your state representatives to shore up these protections. Minnesota did just that in 2023 by introducing an indemnity fund after their bonding protections proved to provide inadequate protections to farmers caught in the recent organic grain bankruptcies.





Regulations that offer the most protections for farmers may be prompt payment and indemnity funds. Bonding also provides some protection, but is determinant by the number of claims. Here’s a closer look:

### Prompt Payment

These provisions help ensure growers will be paid within a certain period of time after delivery of the grain. Only 11 states support these regulations for grain dealers and 13 states regarding warehouse payments. For example, a farmer selling grain to a grain dealer in Iowa is protected under Prompt Payment law (Iowa Code § 203.8; .15) to demand payment of the purchase price “upon delivery or demand by the seller [farmer], but not later than thirty days after delivery by the seller.” If a buyer does not pay under these protections you should notify the entity where the buyer’s grain license is held so they can investigate. It may be an indication of financial trouble.

### Indemnity Funds

In this system, money is paid into a general fund by state legislation or industry stakeholders. Eligibility to claim funds varies among states, but typically occurs when payment for delivered grain is not made, or if the grain dealer or warehouse becomes insolvent. Eleven states enforce this for grain dealers and 14 states for warehouses (Minnesota was added in 2023). 🌱

### HELPFUL RESOURCES FROM THE NATIONAL AGRICULTURAL LAW CENTER:

- Read a short overview publication of [typical state regulatory provisions](#)
- Access the [compilation of state laws relating to grain dealers](#) (including citations)
- Access the [compilation of state laws relating to grain warehouses](#) (including citations)