



News & Views

A Monthly Publication Dedicated to the Feed, Seed, Grain and Farm Supply Industries of Wisconsin

Somebody Asked ■

Q.: I know last year with the increase in cost for a state warehouse license a number of my competitors switched over to a federal license from the state one. I let time slip past last year and just had questions about how the whole process would work. It looks like there were no problems for the folks that moved over last year, so please tell me again what I need to do to switch.

A.: We have spoken with a number of members who are in the same situation as you. That is, rather than be in the first group that switched; you simply took a more cautious approach and now, seeing no issues or problems, are serious about a possible change over to the federal warehouse system.

You should first be aware there is a major difference between the state and federal warehouse programs, which can lead to different cost levels with each program. The state currently requires a minimum producer security assessment payment of \$100 for licensees with capacity under 500K bushels and \$250 for those licensees with capacity over 500K bushels based on the operation's financial ratios. Of course, these are minimums; your individual financial ratios and volume could result in substantially higher cost levels. This assessment fee is in addition to the minimum state warehouse license fee of \$1,000.

USDA also takes a different approach to protecting producers in case of a warehouse default. A federal warehouse license requires a third-party surety bond to be purchased based on the licensed capacity. The amount of the required federal bond is determined by a combination of storage capacity and net worth of the facility. If you would like to work through an Excel spreadsheet comparison of the two programs relative costs, please contact the WASA office.

Historically, DATCP has only required those warehouses in the relative worst financial condition to purchase a bond to indemnify their farmer customers in case of default. This has resulted in a learned behavior on the part of some bond underwriters. They hear "Wisconsin," "warehouse," and "bond" and assume the worst without even looking at the underlying financials. Typically, state warehouse bonds have been quoted in the \$10 to \$20 range per \$1,000 of bond simply due to historic adverse selection of the applicants.

We are aware of quotes from surety companies for a federal warehouse license bond with a high average figure of \$2.50/\$1000. Your operation's bonding costs may vary (higher or lower) depending on your individual financial status. But this is a figure we have been quoted for an average financial status warehouse licensee in Wisconsin. We wish to be very clear; this is not for a "problem child" operation. If you have been quoted a high rate for bonding costs, please contact the WASA office and we can give you alternatives for you to compare which may provide more reasonable cost levels.

Please also be aware of two very important side issues regarding application for a federal warehouse license. First, possession of a federal warehouse license does not in any way or manner relieve you of maintaining a valid and current Wisconsin state grain dealer's license. One allows you to store depositor's grain, the other permits you to buy producer grain; two very different activities. If you are successful in migrating from a state to a federal warehouse license, you will still receive state grain dealer audits.

Secondly, the state warehouse licensing system has a "hard" renewal date of September 1st. That is; every license renews on that date. If someone were to obtain a new state license, for example on July 1, the licensee would be required to pay a full year's fee

for the period of July 1 to August 31, and then pay another full year's fee for the following license year on September 1. There are no partial year fees or pro rata fee schedules with the state. So if you plan to go from a Wisconsin to a federal warehouse license, you must have a valid federal license in place prior to the expiration of your current state license in order to avoid your operation paying another full year's worth of state warehouse licensing fees.

In order to give yourself the best shot at having a federal warehouse license **in hand** by September 1, you must have a completed application back to USDA Kansas City no later than the **second week of July**. This will hopefully enable you to receive a federal license sometime in August so that your payment of licensing fees to both the state and federal governments for "double coverage" is at the bare minimum.

If you would like further information, please contact the WASA office and we can direct you to the appropriate individuals in that office to further your discussion.

Bowers Feed & Grain ■

We've received numerous phone calls from members asking "What is going on with Bowers?" For those not aware of the company or the situation, perhaps a little clarification should be given first. Bowers is a business located in Wrightstown which is primarily engaged in the feed business. Since September 2009, the company has not had either a valid Wisconsin grain dealer or warehouse license because the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) did not renew their licenses at that time.

Earlier this month the Wisconsin Attorney General's (AG) office announced a Consent Judgment with the company which included a \$100,000 civil forfeiture. (The entire press release from the AG's office is included with this newsletter.) We will not go into detail regarding the case except to say, as noted in the press release; this followed a three year investigation. The decree bars Bowers from buying grain directly from producers for a period of 15 months, and they were required to both cover

existing producer storage obligations and get those total obligations under 50,000 bushels. The storage portion of the consent decree required compliance earlier this month. It should be noted this action affects only the grain buying and storage functions of the business.

However, it has been reported in a state agricultural newspaper the company is also currently under investigation by DATCP's Agricultural Resource Management Division (ARM). This division of DATCP is responsible for oversight and compliance with state and federal statutes and regulations concerning feed, fertilizer and pesticides. The only comment from ARM staff is that no comments will be given regarding current, ongoing investigations.

One other point of interest in this case of which you should be aware; the AG's investigation showed during the period of time which the company was illegally procuring grain from producers by paying with company checks rather than the required, under the circumstances, cash or certified check. As a result, a number of producers were owed money for their delivered grain. At this time, no producers have yet entered claims resulting from Bowers non-payment for grain against the state's Agricultural Producer Security Fund (also known as the Indemnity Fund). In the event claims are made under these circumstances, WASA will argue vigorously for the Department to deny the eligibility of such claims. This is due to the fact the producers were selling to an unlicensed buyer. The fund is and has been funded by licensed buyers and is intended to cover producers in case of payment default by a *licensed* dealer at the time of the sale. The Association's statements on this subject continuously have reminded producers to deal only licensed dealers in order to protect themselves.

Annual Dues Notices■

Dues notices were sent out for the 2010-2011 year beginning the first week of June. Thank you to all the members that have renewed their membership in the Association. We appreciate your continued support of YOUR association.

Roesler Scholarship Recipients ■

WASA is pleased to announce the 2010 recipients of the Eldon Roesler Scholarships. Four scholarships were awarded this year due to the continued success of the WASA Golf “Fore” Scholarships fund-raisers. The Eldon Roesler Scholarship is available to any student that is a resident of Wisconsin and is studying at a Wisconsin University, college or vocational school in an agriculture discipline or with the stated intent of pursuing a career in an agriculture-related field. To be eligible, the student must have completed a minimum of one year of study, have a minimum of a 2.75 cumulative grade point average on a 4.0 scale, and can demonstrate in written form qualities of leadership, academic ability, and financial need. This year’s recipients are:

Jenn Krultz – University of Wisconsin-River Falls

Michele Belling- University of Wisconsin-Platteville

Ashley Julka- University of Wisconsin-River Falls

Carissa Levash- University of Wisconsin- Madison

Jenn Krultz of Greenwood is the daughter of Deb Krultz. Jenn is currently studying Dairy Science with a minor in Agronomy at the University of Wisconsin-River Falls. Her ultimate career goal is to operate her own a dairy farm. She is presently employed at Hyland Dairy.

Michele Belling of Lomira is the daughter of Robert and Sharon Belling. Michele is currently studying Animal Science – Dairy at the University of Wisconsin-Platteville. Her intended career upon graduation is to be a Dairy Nutritionist or Herd Manager. Michele is currently employed by Beldo Farms and the UW-Platteville.

Ashley Julka of Rosendale is the daughter of Randy and Marilyn Julka. Ashley is currently studying Agriculture Marketing Communications with a minor in Journalism at the University of Wisconsin-River Falls. Her intended career upon graduation is to work for an agriculturally-based company in the fields of Journalism, Marketing, or Public Relations.

Carissa Levash of Brillion is the daughter of Jerry and Tracey Levash. Carissa is currently studying Dairy Science with a minor of Agribusiness at the University of Wisconsin-Madison. Her intention upon graduation is to be in either Dairy Sales or Marketing. She is presently employed at the Babcock Institute of International Dairy Research & Development at the UW-Madison.

We also would like to thank the members of the WASA Scholarship Committee for their time and effort in reviewing all the applications and the selection of the winners. The members of the Committee are Chairman Tim Bucheit of Farm City Elevator - Orfordville and Jake Jacobsen, General Farm Supply - Marshfield.

WASA Directory Update■

The following updates should be made to your WASA Directory.

New:

**Mercury Trade Group LLC
104 Wisconsin St.
PO Box 636
Darien, WI 53114
Phone: (815) 335-4005**

As additions or changes are made throughout the year, we will notify you here in *WASA N & V*.

In addition, the 2010 Directory will be off to the printer within the next couple weeks, so you should be receiving your copy sometime next month.

Looking Down the Road■

July 28 -29 NGFA/Grain Journal Safety,
Health & Environmental Quality
Conference
Hilton Omaha, Omaha, NE

Sept. 9 WASA Golf Outing
Lawsonia Golf Course
Green Lake
(WASA BOD meeting will be held
prior to the event)