

# Website Offers Tips For Farmers When Elevator Fails

URBANA, ILL.

By following a list of “good practices,” Illinois farmers can maximize their protection under the Illinois Grain Code, according to a new University of Illinois Extension report. The report, “Illinois Grain Insurance Fund: Protecting Farmers if an Elevator Fails,” (<http://www.farmdoc.uiuc.edu/legal/index.asp>) is available on Extension’s farmdoc website.

The report, made possible with the support of the Illinois Bar Foundation and State Bar Association, reviews what payment assurance exists when a grain elevator fails, focusing on protection afforded to farmers and their lenders.

“This article may be of special interest to farmers in light of the failure of several Illinois elevators during the past year,” said Donald L. Uchtmann, a professor emeritus in the Department of Agricultural and Consumer Economics, who co-authored the report with colleague A. Bryan Endres.

In the article, Uchtmann and Endres review a number of the Illinois Grain Insurance Fund’s provisions and conclude by recommending a list of good practices.

“Do not store grain worth more than \$1 million at any one warehouse licensed by the Illinois Department of Agriculture as the maximum recovery is \$1 million per claimant,” the authors noted. “To assure 100 percent coverage for up to \$1 million in sales of grain to a grain dealer, always insist on being paid within 21 days of delivering and pricing the grain for

sale.”

To ensure at least 85 percent coverage on grain delivered for sale, for which the price has been determined but payment has been delayed more than 21 days, farmers should never let more than 160 days pass before being paid in full and never let the amount owed by any one licensee for such delayed payment sales exceed \$250,000.

The authors recommend that to assure at least 85 percent coverage on “price-later” grain sales, a farmer should always be paid within 160 days of the later of delivering or pricing the grain and within 365 days of the later of delivering the grain or entering into the price-later contract.

“Never let the unpaid value of such price-later sales to any one licensee exceed \$250,000,” they write. “Also, understand the risks and benefits associated with ‘farmer marketing programs’ or other ‘higher risk’ services offered by licensees.”

To farmers who deliver grain to a grain elevator, the Illinois Grain Insurance Fund is analogous to the Federal Deposit Insurance Corporation, which insures the deposits of those who keep money in the bank.

“Farmers can take comfort in the fact that elevator failure is unlikely, given stringent regulatory requirements of the Illinois Grain Code, and, if a licensed elevator should fail, farmers have the protections of the Illinois Grain Insurance Fund,” said Uchtmann. Δ