# Grain Insurance Fund protects Kentucky producers

*This article was provided by Kentucky Department of Agriculture.*

FRANKFORT, Ky. – Thanks to the Kentucky Grain Insurance Fund, grain farmers across the Commonwealth are protected against the financial failure of grain elevators and other licensed businesses that buy or store their grain in Kentucky.

"Kentucky has a very good track record when it comes to the financial stability of its grain industries," Agriculture Commissioner Ryan Quarles said. "The fund hasn't been tapped to pay a claim to a farmer in almost 16 years, since October 2000. The fund is valued at $4.8 million, so our producers can rest assured that it will be there if they ever need it."

Every business in Kentucky that purchases grain must be licensed. There are two types of licenses: for dealers, who must pay farmers within 30 days of receiving their grain, and for warehouses, which can hold grain for more than 30 days.

Every licensed grain business must have a surety bond in place ranging from $1,500 to $1 million, depending on the amount of business that they do.

If a grain business becomes financially insolvent and unable to pay a farmer, the bond is used. The Grain Insurance Fund would kick in when the value of the bond was exhausted.

Carrie Pendleton and Richard West (coordinator of the KDA's grain program) inspect grain businesses to ensure that their grain and contractual agreements with producers are secured and stable. The licensed grain business' financial and accounting records are audited to ensure that the farmers of the Commonwealth are being paid for their grain commodities.

"We audit them and look at their books," said John Cook, executive director of the Kentucky Department of Agriculture's Office of Consumer and Environmental Protection. "When we license them, we are saying that these people are safe to do business with."

Any producer that sells grain to a business for the purpose of processing for resale should ask if that business holds a grain license with the state of Kentucky. Farmers are unable to collect unpaid claims from unlicensed businesses.

The Grain Insurance Fund is supported by an assessment of one-quarter of 1 percent (.0025) of the value of grain purchased from producers. Since the value of the fund is well above the required value of $3 million, the assessment currently is not being collected.

"We will not collect an assessment unless the fund falls below $3 million," Cook said. "If it does, we'll take the fund back up to $10 million because, over the years, grain prices have changed [since the $3 million cap was set], so there's more exposure to risk now."

The Kentucky Grain Insurance Corporation board of directors, which oversees the fund, met on March 9 to certify that it was worth more than $3 million. Its value has risen to nearly $5 million due to interest earned and 16 years of no payouts. The farmer-owned money is held by the Kentucky Office of Financial Management.

The nine-member board consists of Commissioner Quarles, Attorney General Andy Beshear, Auditor of Public Accounts Mike Harmon, and six other board members appointed by the commissioner. Of the six, two each represent the Kentucky Farm Bureau Federation, the Kentucky National Farmers Organization, and the Kentucky Feed and Grain Association.

If a producer is unable to be paid for grain by a licensed Kentucky business, he or she should call the Grain Licensing and Regulation Branch of the KDA's Division of Consumer and Environmental Protection at (502) 782-9207 and file a claim.

"When a claim is filed, it triggers an investigation," Cook said. "Our investigators determine whether the business is just slow paying or hurting financially. If we declare it financially insolvent, the commissioner would call a special board meeting and pull the [surety] bond."

If the amount paid to the farmer or farmers exceeds the value of the bond, the Grain Insurance Fund would be there to make up the difference.

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