

Annual Report

Agricultural Producer Security Trust Fund

Year Ended June 30, 2010

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Division of Trade and Consumer Protection
Bureau of Business Trade Practices
Producer Security Section

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**Wisconsin Agricultural Producer Security Trust Fund
Statement of Cash Balances, Revenues and Expenditures**

	Years Ended		
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenues			
Assessments			
Grain Dealer	\$ 431,954.39	\$ 409,472.76	\$ 332,614.80
Grain Warehouse Keeper	56,214.73	38,417.27	43,066.75
Milk Contractor	708,613.19	895,870.98	921,196.12
Vegetable Contractor	30,031.00	20,075.50	23,710.10
Total Assessments	1,226,813.31	1,363,836.51	1,320,587.77
License Fees & Administrative Revenue			
Grain Dealer	307,877.75	162,345.00	159,319.00
Grain Warehouse Keeper	282,225.00	151,900.00	157,881.00
Milk Contractor	148,616.93	163,330.59	171,887.30
Vegetable Contractor	69,913.72	12,032.17	8,664.20
Total License Fees & Monthly Fees	808,633.40	489,607.76	497,751.50
Interest Revenue	24,544.17	121,304.04	336,928.28
Grain Dealer – Audits for Marketing Boards	10,009.79	6,937.75	6,543.75
Miscellaneous Revenue	-	-	163.00
Total Revenues	\$ 2,070,000.67	\$ 1,981,686.06	\$ 2,161,974.30
Expenditures			
Salaries and Fringe			
Grain Dealer	\$ 283,540.08	\$ 291,445.61	\$ 286,410.48
Grain Warehouse Keeper	280,939.85	294,332.17	276,837.89
Milk Contractor	280,351.90	276,642.31	299,708.70
Vegetable Contractor	77,932.84	78,045.05	83,495.35
Total Salaries and Fringe	922,764.67	940,465.14	946,452.42
Supplies and Services			
Grain Dealer	63,748.73	66,813.21	73,621.79
Grain Warehouse Keeper	61,829.54	59,636.62	56,429.11
Milk Contractor	46,254.49	52,216.92	51,061.22
Vegetable Contractors	10,965.71	12,503.45	11,686.57
Total Supplies and Services	182,798.47	191,170.20	192,798.68
Premium Paid on Financial Backing	-	316,600.00	-
Default Payments to Producers	-	-	-
Miscellaneous Expenditure	-	163.00	-
Total Expenditures	\$ 1,105,563.14	\$ 1,448,398.34	\$ 1,139,251.11
Net Total Revenues Less Total Expenditures	964,437.53	533,287.72	1,022,723.19
Beginning Cash Balance	9,611,936.28	9,078,648.57	8,055,925.38
Ending Cash Balance	\$ 10,576,373.81	\$ 9,611,936.29	\$ 9,078,648.57

Wisconsin Agricultural Producer Security Trust Fund
Notes to Statement of Cash Balances, Revenues and Expenditures

OVERVIEW

The Wisconsin Agricultural Producer Security Trust Fund (the fund) is established under Section 25.463, Wis. Stats. and is administered by the Department of Agriculture, Trade and Consumer Protection (the department). The fund is maintained within the department's Agricultural Producer Security Program (the program). The program is governed by Ch. 126 of the Wisconsin Statutes. The purpose of the program is to provide some level of assurance that milk, grain and vegetable producers will be paid for their products. Generally, persons who purchase grain, milk or vegetables from Wisconsin producers, and grain warehouse keepers who store producer owned grain, are required to comply with the provisions of Ch. 126, Wis. Stats. Collectively, these parties are defined as "contractors".

Revenues into the fund consist mostly of assessments and license fees paid by licensed contractors. Expenditures to the fund include administrative expenditures of operating the program, and any costs associated with insurance or other backing for the fund. Further, should a contractor fail to pay a grain, milk or vegetable producer, that producer may be able to make a claim against the fund for partial reimbursement.

Note 1 – Accounting Methodology

The Statements of Cash Balances, Revenues and Expenditures are presented using the cash basis method of accounting. Revenues are recognized when received by the Fund, and expenditures are recognized when disbursed from the Fund.

Responsibility for management of the fund is split. The fund is managed within the State of Wisconsin Accounting System, known as WISMART. The State of Wisconsin, Department of Administration is responsible for the overall management of this system. In addition, the State of Wisconsin Investment Board oversees management of investment activities. (See Chapter 25, Wis. Stats.)

Within the department, the Division of Management Services (DMS) manages and accounts for the overall bank activity and administers transactions as part of WISMART. In addition, state law¹ requires the department to account for the balance in the fund that is attributable to each of the four contractor license types within the program. Accordingly, the Division of Trade and Consumer Protection (the division) maintains a parallel, but more detailed accounting system. The four industry license type categories are:

- ❑ Grain Dealers
- ❑ Grain Warehouse Keepers
- ❑ Milk Contractors
- ❑ Vegetable Contractors

¹ Section 126.05(2), Wis. Stats.

On a monthly basis, the division enters revenues and expenditures from the state's accounting system, allocates interest revenue, and then reconciles balances, revenues, and expenditures to the "Cash Balance Report" maintained by DMS.

The Fund has two general functions in each of the four Fund industry categories:

- Indemnity Functions
- Administrative Functions

Four separate industry groups multiplied by two separate functions means that there are actually eight separate portions, or "subaccounts", to the fund. The division's accounting system maintains revenues, expenditures, and balances for each of these subaccounts separately.

The indemnity functions category consists of assessment revenues collected from contractors. Indemnity functions expenditures include any payments to producers as a result of default claims and any payments to insurance or financial services companies for the financial backing of the Fund.² The administrative functions category consists of license fee revenues and expenditures related to administering the program.

DMS maintains a monthly Cash Balance Report. This is a record of cash activity segregated by industry category, but does not account for the monthly cash balances in each of the industry categories or functions. The division accounts for the monthly cash balances in each of the industry categories and functions, and allocates any revenues and expenditures not categorized by the DMS. The division reconciles its records to WISMART and to the Cash Balance Report every month.

Note 2 – Statements of Revenues, Expenditures, and Cash Balances by Industry Group

Revenues, expenditures, and cash balances for each of the eight separate subaccounts are reported below. In addition, there is a statement combining the indemnity function and administrative function subaccounts for each of the four license groups.

² Please refer to Section 126.06, Wis. Stats., for provisions relating to contingent financial backing of the Fund.

Revenues, expenditures, and net cash balances for grain dealer subaccounts are show below:

Grain Dealer	<i>Years Ended</i>		
	<i>June 30, 2010</i>	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Indemnity Function			
Revenues			
Assessments Collected	\$ 431,954.39	\$ 409,472.76	\$ 332,614.80
Interest Income	6,178.41	28,404.47	75,403.65
Total Revenues	438,132.80	437,877.23	408,018.45
Expenditures			
Premiums on Financial Backing	-	64,408.60	-
Default Payments to Producers	-	-	-
License Fee Credits (transfer to Admin. Func.)	-	-	-
Total Expenditures	-	64,408.60	-
Net Revenues Less Expenditures	438,132.80	373,468.63	408,018.45
Beginning Balance	2,724,292.11	2,350,823.49	1,942,805.04
Ending Balance - Indemnity Function	\$ 3,162,424.91	\$ 2,724,292.12	\$ 2,350,823.49
Administrative Function			
Revenues			
License Fee Credits (transfer from Indem. Func.)	-	-	-
License Fees Collected	\$ 307,877.75	\$ 162,345.00	\$ 159,319.00
Gross License Fees	307,877.75	162,345.00	159,319.00
Audits for Marketing Boards	10,009.79	6,937.75	6,543.75
Miscellaneous Income	-	-	40.75
Interest Income	-	-	-
Total Revenues	317,887.54	169,282.75	165,903.50
Expenditures			
Salaries and Fringe	283,540.08	291,445.61	286,410.48
Supplies and Services	63,748.73	66,813.21	73,621.79
Miscellaneous Expenditures	-	40.75	-
Total Expenditures	347,288.81	358,299.57	360,032.27
Net Revenues Less Expenditures	(29,401.27)	(189,016.82)	(194,128.77)
Beginning Balance	(800,417.92)	(611,401.10)	(417,272.33)
Ending Balance -- Administrative Function	\$ (829,819.19)	\$ (800,417.92)	\$ (611,401.10)
Combined Indemnity Function plus Administrative Function			
Total Revenue (net of licensee fee credits)	\$ 756,020.34	\$ 607,159.98	\$ 573,921.95
Total Expenditures (net of license fee credits)	347,288.81	422,708.17	360,032.27
Net Revenues Less Expenditures	408,731.53	184,451.81	213,889.68
Beginning Balance	1,923,874.19	1,739,422.39	1,525,532.71
Ending Balance, Grain Dealer	\$ 2,332,605.72	\$ 1,923,874.20	\$ 1,739,422.39

Revenues, expenditures, and net cash balances for the grain warehouse keeper subaccounts are shown below:

Grain Warehouse Keeper	Years Ended		
	June 30, 2010	June 30, 2009	June 30, 2008
Indemnity Function			
Revenues			
Assessments Collected	\$ 56,214.73	\$ 38,417.27	\$ 43,066.75
Interest Income	858.86	4,132.42	10,866.70
Total Revenues	57,073.59	42,549.69	53,933.45
Expenditures			
Premiums on Financial Backing	-	-	-
Default Payments to Producers	-	-	-
License Fee Credits (transfer to Admin. Func.)	-	-	-
Total Expenditures	-	-	-
Net Revenues Less Expenditures	57,073.59	42,549.69	53,933.45
Beginning Balance	379,941.68	337,391.99	283,458.54
Ending Balance - Indemnity Function	\$ 437,015.27	\$ 379,941.68	\$ 337,391.99
Administrative Function			
Revenues			
License Fee Credits (transfer from Indem. Func.)	-	-	-
License Fees Collected	\$ 282,225.00	\$ 151,900.00	\$ 157,881.00
Gross License Fees	282,225.00	151,900.00	157,881.00
Miscellaneous Income	-	-	40.75
Interest Income	-	-	-
Total Revenues	282,225.00	151,900.00	157,921.75
Expenditures			
Salaries and Fringe	280,939.85	294,332.17	276,837.89
Supplies and Services	61,829.54	59,636.62	56,429.11
Miscellaneous Expenditure	-	40.75	-
Total Expenditures	342,769.39	354,009.54	333,267.00
Net Revenues Less Expenditures	(60,544.39)	(202,109.54)	(175,345.25)
Beginning Balance	(816,725.76)	(614,616.22)	(439,270.97)
Ending Balance -- Administrative Function	\$ (877,270.15)	\$ (816,725.76)	\$ (614,616.22)
Combined Indemnity Function plus Administrative Function			
Total Revenue (net of license fee credits)	\$ 339,298.59	\$ 194,449.69	\$ 211,855.20
Total Expenditures (net of license fee credits)	342,769.39	354,009.54	333,267.00
Net Revenues Less Expenditures	(3,470.80)	(159,559.85)	(121,411.80)
Beginning Balance	(436,784.08)	(277,224.23)	(155,812.43)
Ending Balance, Grain Warehouse Keeper	\$ (440,254.88)	\$ (436,784.08)	\$ (277,224.23)

Revenues, expenditures, and net cash balances for the milk contractor subaccounts are show below:

Milk Contractor	<i>Years Ended</i>		
	<i>June 30, 2010</i>	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Indemnity Function			
Revenues			
Assessments Collected	\$ 708,613.19	\$ 895,870.98	\$ 921,196.12
Interest Income	14,379.57	71,668.01	197,413.15
Total Revenues	722,992.76	967,538.99	1,118,609.27
Expenditures			
Premiums on Financial Backing	-	191,411.46	-
Default Payments to Producers	-	-	-
License Fee Credits (transfer to Admin. Func.)	249,178.77	215,033.86	209,730.63
Total Expenditures	249,178.77	406,445.32	209,730.63
Net Revenues Less Expenditures	473,813.99	561,093.67	908,878.64
Beginning Balance	6,693,322.34	6,132,228.67	5,223,350.04
Ending Balance - Indemnity Function	\$ 7,167,136.33	\$ 6,693,322.34	\$ 6,132,228.67
Administrative Function			
Revenues			
License Fee Credits (transfer from Indem. Func.)	\$ 249,178.77	\$ 215,033.86	\$ 209,730.63
License Fees Collected	148,616.93	163,330.59	171,887.30
Gross License Fees	397,795.70	378,364.45	381,617.93
Miscellaneous Income	-	-	40.75
Interest Income	753.02	3,413.19	8,857.52
Total Revenues	398,548.72	381,777.64	390,516.20
Expenditures			
Salaries and Fringe	280,351.90	276,642.31	299,708.70
Supplies and Services	46,254.49	52,216.92	51,061.22
Miscellaneous Expenditures	-	40.75	-
Total Expenditures	326,606.39	328,899.98	350,769.92
Net Revenues Less Expenditures	71,942.33	52,877.66	39,746.28
Beginning Balance	334,810.03	281,932.37	242,186.09
Ending Balance -- Administrative Function	\$ 406,752.36	\$ 334,810.03	\$ 281,932.37
Combined Indemnity Function plus Administrative Function			
Total Revenue (net of license fee credits)	\$ 872,362.71	\$ 1,134,282.77	\$ 1,299,394.84
Total Expenditures (net of license fee credits)	326,606.39	520,311.44	350,769.92
Net Revenues Less Expenditures	545,756.32	613,971.33	948,624.92
Beginning Balance	7,028,132.38	6,414,161.05	5,465,536.13
Ending Balance -- Milk Contractor	\$ 7,573,888.70	\$ 7,028,132.38	\$ 6,414,161.05

Revenues, expenditures, and net cash balances for the vegetable contractor subaccounts are show below:

Vegetable Contractor	<i>Years Ended</i>		
	<i>June 30, 2010</i>	<i>June 30, 2009</i>	<i>June 30, 2008</i>
Indemnity Functions			
Revenues			
Assessments Collected	\$ 30,031.00	\$ 20,075.50	\$ 23,710.10
Interest Income	2,347.57	13,685.95	44,387.26
Total Revenues	32,378.57	33,761.45	68,097.367
Expenditures			
Premiums on Financial Backing	-	60,779.94	-
Default Payments to Producers	-	-	-
License Fee Credits (transfer to Admin. Func.)	102,292.03	65,971.51	58,861.24
Total Expenditures	102,292.03	126,751.45	58,861.24
Net Revenues Less Expenditures	(69,913.46)	(92,990.00)	9,236.12
Beginning Balance	1,151,837.02	1,244,827.02	1,235,590.90
Ending Balance - Indemnity Function Grain Dealers	\$ 1,081,923.56	\$ 1,151,837.02	\$ 1,244,827.02
Administrative Functions			
Revenues			
License Fee Credits (transfer from Indem. Func.)	102,292.03	65,971.51	58,861.24
License Fees Collected	69,913.72	12,032.17	8,664.20
Gross License Fees	\$ 172,205.75	\$ 78,003.68	\$ 67,525.44
Miscellaneous Income	-	-	40.75
Interest Income	26.73	-	-
Total Revenues	172,232.48	78,003.68	67,566.19
Expenditures			
Salaries and Fringe	77,932.84	78,045.05	83,495.35
Supplies and Services	10,965.71	12,503.45	11,686.57
Miscellaneous Expenditures	-	40.75	-
Total Expenditures	88,898.55	90,589.25	95,181.92
Net Revenues Less Expenditures	83,333.93	(12,585.57)	(27,615.73)
Beginning Balance	(55,123.22)	(42,537.65)	(14,921.92)
Ending Balance -- Administrative Function	\$ 28,210.71	\$ (55,123.22)	\$ (42,537.65)
Combined Indemnity Function plus Administrative Function			
Total Revenue (net of license fee credits)	\$ 102,319.02	\$ 45,793.62	\$ 76,802.31
Total Expenditures (net of license fee credits)	88,898.55	151,369.19	95,181.92
Net Revenues Less Expenditures	13,420.47	(105,575.57)	(18,379.61)
Beginning Balance	1,096,713.80	1,202,289.37	1,220,668.98
Ending Balance -- Vegetable Contractor	\$ 1,110,134.27	\$ 1,096,713.80	\$ 1,202,289.37

Note 3 – Revenues

The tables below represent a more detailed presentation of revenue into the fund. Please note that these tables do not include license fee credits as revenue. (For more information on license fee credits, see Note 5.)

REVENUE DETAIL			
GRAIN DEALER			
	<u>FY 09-10</u>	<u>FY 08-09</u>	<u>FY 07-08</u>
Indemnity Function Subaccount			
Assessments	254,310.12	275,061.67	163,095.28
Deferred Payment Assessments	173,445.68	132,080.00	168,291.04
Penalty -- Late Assessment	4,198.59	2,331.09	1,228.48
Interest (Allocated)	6,178.41	28,404.47	75,403.65
Subtotal -- Indemnity Function Subaccount	438,132.80	437,877.23	408,018.45
Administrative Function Subaccount			
Annual License Fees		141,570.00	138,619.00
Annual License Application Fee	7,350.00		
Annual License Fee (based on purchases)	287,000.00		
Additional Locations License Fee	9,725.00		
Surcharge -- Non-audited Financial Statement		16,575.00	16,900.00
Penalty -- Late Financial Statement	1,000.00	1,600.00	1,200.00
Penalty -- Late License Renewal	1,100.00	1,100.00	1,100.00
Penalty -- Operating Without License -- New	500.00	1,000.00	1,000.00
Penalty -- Operating Without License -- Renewal	1,000.00	500.00	500.00
Audit Services for Marketing Boards	202.75	6,937.75	6,543.75
Audit Services for Corn Marketing Board	4,253.50		
Audit Services for Soybean Marketing Board	5,756.29		
Interest (Allocated)			
Miscellaneous (Allocated)			40.75
Subtotal -- Administrative Function Subaccount	317,887.54	169,282.75	165,903.50
Total Revenue Grain Dealer	756,020.34	607,159.98	573,921.95

**REVENUE DETAIL
GRAIN WAREHOUSE KEEPER**

	<u>FY 09-10</u>	<u>FY 08-09</u>	<u>FY 07-08</u>
Indemnity Function Subaccount			
Assessments	55,478.41	37,672.84	42,766.75
Penalty -- Late Assessment	736.32	744.43	300.00
Interest (Allocated)	858.86	4,132.42	10,866.70
Subtotal -- Indemnity Function Subaccount	57,073.59	42,549.69	53,933.45
Administrative Function Subaccount			
License Fee		10,900.00	11,965.08
License Filing Fee	2,800.00		
Additional Locations Fee	5,475.00		
Inspection Fees	242,100.00	137,000.00	143,515.92
Supplemental Inspection Fee	29,550.00		
Penalty -- Operating w/o license -- New		2,000.00	1,500.00
Penalty -- Operating w/o License -- Renew	1,000.00	500.00	
Penalty -- Late Financial Statement	400.00	500.00	600.00
Penalty -- Late License Renewal	900.00	1,000.00	300.00
Interest (Allocated)			
Miscellaneous (Allocated)			40.75
Subtotal -- Administrative Function Subaccount	282,225.00	151,900.00	157,921.75
Total Revenue -- Grain Warehouse Keeper	339,298.59	194,449.69	211,855.20

**REVENUE DETAIL
MILK CONTRACTOR**

	<u>FY 09-10</u>	<u>FY 08-09</u>	<u>FY 07-08</u>
Indemnity Function Subaccount			
Assessments	706,785.14	891,790.14	919,308.77
Penalty -- Late Assessment	1,828.05	4,080.84	1,887.35
Interest (Allocated)	14,379.57	71,668.00	197,413.15
Subtotal -- Indemnity Function Subaccount	722,992.76	967,538.98	1,118,609.27
Administrative Function Subaccount			
Monthly License Fee	145,105.89	158,891.38	164,905.26
Annual License Fee	2,950.00	2,600.00	2,550.00
Penalty -- Late Financial Statement	400.00	600.00	1,000.00
Penalty -- Late License Renew & Monthly Fees	125.70	1,239.21	3,432.04
Penalty -- Late Monthly Fees	35.34		
Interest (Allocated)	753.02	3,413.19	8,857.52
Miscellaneous (Allocated)			40.75
Subtotal -- Administrative Function Subaccount	149,369.95	166,743.78	180,785.57
Total Revenue -- Milk Contractor	872,362.71	1,134,282.76	1,299,394.84

**VEGETABLE CONTRACTOR
REVENUE DETAIL**

	<u>FY 09-10</u>	<u>FY 08-09</u>	<u>FY 07-08</u>
Indemnity Function Subaccount			
Assessments	29,981.00	19,783.50	22,761.00
Deferred Payment Assessment		192.00	
Penalty -- Late Assessment	50.00	100.00	949.10
Interest (allocated)	2,347.57	13,685.95	44,387.26
Subtotal - Indemnity Function Subaccount	32,378.57	33,761.45	68,097.36
Administrative Function Subaccount			
Annual License Application Fee	1,475.00	1,131.32	933.72
Contract Obligation License Fee	54,459.01	4,800.85	1,330.48
License Fee -- Nonparticipating Potato Buyer	13,079.71	6,000.00	6,000.00
Penalty -- Operating w/o License (New)	500.00		
Penalty -- Late License Fee	100.00	100.00	400.00
Penalty -- Late Financial Statement	300.00		
Interest (Allocated)	26.73		
Miscellaneous (Allocated)			40.75
Subtotal -- Administrative Function Subaccount	69,940.45	12,032.17	8,704.95
Total Revenue – Vegetable Contractor	102,319.02	45,793.62	76,802.31

Assessments

The division maintains billing and account receivable systems that track assessments by individual contractor and by license year. Each contractor’s assessment amount is based on multiplying the “assessment rate” by the contractor’s total purchases (or storage capacity in the case of grain warehouse keepers).

Generally, assessment rates are calculated using a complex formula that is based on the contractor’s current ratio and debt-to-equity ratio. The assessment rate is higher for contractors having weaker financial positions. The assessment rate for contractors that are not required to file a financial statement are a fixed rate based on the number of years the contractor contributed to the Fund. The department calculates the annual assessment at the beginning of each license year.³

Statute and Rule Changes to Assessment Rates and Amounts

The statutory assessment rates for the grain warehouse keeper portion of the program and the milk contractor portion of the program were modified before the beginning of Fiscal Year 2010. Generally, assessments rates for grain warehouse keepers increased by 50% over previous rates. Assessment rates for certain milk contractors were reduced. The amount of the reduction – if any depends on a given milk contractor’s debt to equity ratio.

³ For more details about the assessment calculation, please see Wisconsin Statutes Sections 126.15, 126.30, 126.46, 126.60 and Wisconsin Administrative Code Sections ATPC 99.135, ATPC 99.255, ATPC 100.135 and ATPC 101.255. Further, assessment calculators are available by clicking into the various areas of https://datcp.wi.gov/Pages/Programs_Services/AgriculturalProducerSecurity.aspx

Further, prior to January 2009, the minimum assessment amount for all contributing contractors was \$20. In 2009 new administrative rules dictate minimum assessment amounts based on the contractors' relative size. Minimum assessment amounts are now \$100, \$200, or \$500 for grain dealers, milk contractors and vegetable contractors; and \$100 or \$250 for grain warehouse keepers.

In addition to the assessments based on current ratio and debt to equity ratio; in some cases there is an assessment applied to deferred payment transactions. Up until January 2010 this deferred payment assessment applied to the grain dealer and vegetable contractor program areas. However, 2009 Wisconsin Act 296 repealed this assessment for vegetable contractors.

License Fees and Inspection Fees

License fees must be paid in order to obtain a license. Whereas *assessments* (discussed above) are intended to provide a source of funding in the event producers need to be reimbursed for a default; *license fees* are meant to pay for the operating expenditures of the program. Hence, *assessment revenue* is reported in the indemnity function subaccounts and *license fee revenue* is reported in the administrative function subaccounts. Further, whereas *assessment rates* are partially based on the amount of risk a given licensee poses (they incorporate the licensee's balance sheet ratios into the formula) – license fees are based simply on the overall purchases (or storage capacity) of the licensee.

Early in Fiscal Year 2010, DATCP staff reorganized how it uses various revenue codes across the producer security program. Therefore, in the tables above, the revenues for Fiscal Year 2010 are not exactly comparable to the previous years listed. Generally, the 2010 numbers represent a more detailed presentation. Specifically, the differences are:

- Grain Dealer Revenue Detail
 - License fees.
 - In FY 09-10, the nonrefundable annual license application fee, the additional locations fee and the base license fee (based on volume of grain) are each listed separately. In FY 08-09 and 07-08, these amounts are combined into one line item (along with a per-truck license fee that was repealed in 2009).
 - Further, these license fees were significantly modified by the new administrative rule that passed in 2009. The individual amounts are compared in the table below.

Changes in Grain Dealer License Fees

	After January 2009 (FY 09-10)	Before January 2009
Nonrefundable license processing fee	\$25	\$25
Base license fee	1/10 cent per bushel of grain purchased, rounded to the nearest \$100. Except license fee is limited to a minimum of \$100 and a maximum of \$10,000	\$50 if less than \$50,000 in purchases. \$200 if at least \$50,000 but less than \$500,000 in purchases. \$500 if at least \$500,000.
Additional locations fee (for each location greater than one)	\$100	\$225 if grain dealer also had Wisconsin grain purchases of at least \$500,000
Truck license fee	\$0	\$45
Surcharge for filing non-audited financial statement	\$0	\$425

- Audit services for marketing boards. While on site for routine grain dealer audits, the bureau regularly performs compliance exams on behalf of the Wisconsin Corn Marketing Board and the Wisconsin Soybean Marketing Board to confirm grain dealers are properly reporting check-off obligations to those organizations. The bureau then bills the marketing boards for time spent doing this work. In FY 09-10, the amount billed to each of the two boards is listed separately. In FY 08-09 and 07-08, these amounts are combined into a single line item.
- Grain Warehouse Keeper Revenue Detail
 - License fees. In FY 09-10, the nonrefundable annual license application fee and the additional locations license fee are each listed on separate line items. In FY 08-09 and 07-08, these amounts are combined into a single line item.
 - Inspection Fees. In FY 09-10, the Grain Warehouse Keeper inspection fee and the supplemental inspection fee (for locations greater than one) are each listed separately. In FY 08-09 and 07-08, these supplemental inspection fees are included in the line labeled “Inspection Fees”.
 - Further, these license fees and inspection fees were significantly modified by the new administrative rule that passed in 2009. The individual amounts are compared in the table below.

Changes in Grain Warehouse Keeper License Fees

	After January 2009 (FY 09-10)	Before January 2009
Nonrefundable license processing fee	\$25	\$25
Additional locations fee	\$25 for each grain warehouse location.	\$25 for each grain warehouse location.
Inspection Fee based on capacity in bushels:	¼ cent (\$0.0025) per bushel of licensed grain storage capacity, rounded to the nearest \$1,000. Except license fee is limited to a minimum of \$1,000 and a maximum of \$10,000	\$500 if capacity less than 150,000 bushels. \$550 if capacity between 150,000 and 250,000 bushels. \$600 if capacity between 250,000 and 500,000 bushels. \$650 if capacity between 500,000 and 750,000 \$700 if capacity between 750,000 and 1,000,000 bushels \$800 if capacity between 1,000,000 and 2,000,000 bushels. \$900 if capacity between 2,000,000 and 3,000,000 bushels. \$1,000 if capacity between 3,000,000 and 4,000,000 bushels. \$1,100 if combined capacity greater than 4,000,000.
Supplemental inspection fee, for each location greater than one.	\$275	\$275

- Milk Contractor – Late License Renewal and Monthly Fees. For most of FY 09-10, late fees for failing to submit a license renewal by the due date and late fees for failing to file monthly license fees by the due date are recorded in separate line items. However, for the first couple months of FY 09-10 and in all previous fiscal years, these amounts are combined in a single line item.

Unlike the other three license types, milk contractor license fees did not see any changes in rates last year.

- Vegetable Contractor. Unlike the other three license types, there are no significant differences between the classifications of the various types of revenue received in the three fiscal years shown above. There were, however, significant changes to the statutory license fee rates.

Changes in Vegetable Contractor License Fees

	After January 2009 (FY 09-10)	Before January 2009
Nonrefundable license processing fee	\$25	\$25
Contact Obligation Fees	\$25 plus \$0.0875 for each \$100 of contract obligations	\$25 plus \$0.0575 for each \$100 of contract obligations
License Fee for Nonparticipating Potato Buyer	The lesser of: \$25 plus \$0.0875 for each dollar of contract obligations; or \$2,000.	\$500

Late Payment Surcharges and Other Penalties

Under both the license fee and assessment provisions of the producer security law; there are several penalties and surcharges. In general, these include:

- Late fee for failing to file an annual license renewal application and license fee payment. (\$100)
- Late fee for failing to pay a monthly license fee when due (milk contractors only). (20% of the amount due)
- Late fee for failing to file a required financial statement. (\$100)
- Surcharge for operating without a licenses. (\$500)
- Late fee for failing to pay an assessment installment by the required due date. (\$50 or 10% of the amount due; whichever is greater)

Interest Revenue

The Wisconsin Department of Administration deposits interest into the fund at the end of each month. The interest rate is determined monthly based on the overall return on the State of Wisconsin's entire cash holdings. The division allocates interest revenue among the eight subaccounts based on each subaccount's prior month ending balance as a percentage of the entire fund. Except that, in the event that a subaccount has a negative balance, that subaccount is ignored and the interest is allocated among the subaccounts with positive balances. Generally, the monthly interest rates received by the fund rise and fall along with other interest rates throughout the national economy. For the Fiscal Years ended June 30, 2010, 2009 and 2008; the Fund received interest revenue of \$24,544.17, \$121,304, and \$336,928 respectively. This means that average annualized interest rates for these three years were 0.26%, 1.34%, and 4.18% respectively.

Miscellaneous Revenue and Expenditure

The fund received \$163.00 in miscellaneous revenue during Fiscal Year 2008. This was the result of redepositing an amount into the fund after a check issued during a previous accounting period was never cashed. In both cases, the miscellaneous revenue was allocated equally among the four industry group administrative function subaccounts because the department was unable to determine which group the original expenditure belonged to. However, the Department of Administration reversed this entry a few months into Fiscal Year 2009. Therefore, the financial statements show a \$163 miscellaneous expense. As with the miscellaneous income the previous year, the expense amount was allocated equally among the four industry groups.

Note 4 – Expenditures

Employee Expenditures

Before July 1, 2009, the program had a total of 14.52 Full Time Employees (FTEs) authorized to the program. However, the 2009-2011 Biennial Budget permanently eliminated 1.10 FTE from the program. Therefore, since July 1, 2009 the authorized position authority stands at 13.42 FTE. The division has authority (with approval from the Department of Administration) to allocate FTEs within the license type subaccounts. The division strives to place each FTE in the industry subaccount for which that person performs most of their duties. Positions that cannot be directly tied to an individual industry subaccount are distributed as fairly as possible among the four subaccounts. The division has periodically made revisions to the allocations to ensure they reflect the actual work being done as accurately as possible. During Fiscal Year 2009-2010, several adjustments were made to the distribution of FTEs within the program.

Allocation of the authorized FTEs, as of June 30, 2010, is shown in the schedule below.

	Grain Dealer	Grain Warehouse Keeper	Milk Contractor	Vegetable Contractors	Total
Agricultural Auditor	2.80	2.20	3.05	0.75	8.80
Agricultural Auditor Supervisor	0.25	0.25	0.25	0.25	1.00
Budget and Policy Analyst		0.20			0.20
Financial Specialist	0.67		0.25		0.92
Office Operations Associate	0.60	0.40			1.00
Trade Practices Analyst			0.70		0.70
Unassigned (and vacant)	0.80				0.80
TOTAL	5.12	3.05	4.25	1.00	13.42

Expenditure Detail

Below, is a detail of expenditures incurred by each of the four program areas. With the exception of “Contingent Financial Backing”, all expenditures were incurred from the administrative function subaccounts.

GRAIN DEALER			
EXPENDITURE DETAIL			
	FY 2009-2010	FY 2008-2009	FY 2007-2008
Contingent Financial Backing	\$ -	\$ 64,408.60	\$ -
Personnel Expenditures			
Classified Civil Services Salaries	188,077.65	194,887.63	194,721.11
Fringe Benefit Expenditure	95,462.43	96,557.98	91,689.37
Subtotal:	283,540.08	291,445.61	286,410.48
Supplies & Services			
Advertising/Legal Notices	848.90	-	-
Contractual Services Exp	1,630.00	2,031.00	-
Dues and Subscriptions	115.75	100.00	100.00
Indirect Cost Allowance	11,229.62	12,454.00	15,485.68
Insurance	1,278.17	1,283.33	1,429.45
Minor Equipment & Software	-	-	47.94
Mailing	1,021.46	948.20	889.30
Non State or Non-STS Calls	668.22	969.58	1,183.94
Other Admin & Operating	1,741.39	1,785.50	3,889.98
Printing	439.81	71.38	129.01
Rent/Lease of Equipment	83.40	-	
Rent Privately-Owned Space	-	397.84	1,447.19
Rental of State-Owned Space	25,966.25	25,245.58	27,172.32
Materials & Supplies - Other	1,240.79	388.50	510.31
STS Charges	58.29	53.81	59.28
Travel & Training/In-State	3,631.51	5,136.21	3,573.06
Travel & Training/Out-of-State	69.97	351.13	268.60
Other Travel & Training Exp	13,725.20	15,597.15	17,435.73
Subtotal:	63,748.73	66,813.21	73,621.79
Miscellaneous Expenditure	-	40.75	-
Total Grain Dealer Expenditures	\$ 347,288.81	\$ 422,708.17	\$ 360,032.27

**GRAIN WAREHOUSE KEEPER
EXPENDITURE DETAIL**

	FY 2009-2010	FY 2008-2009	FY 2007-2008
Contingent Financial Backing	\$ -	\$ -	\$ -
Personnel Expenditures			
Classified Civil Services Salaries	190,789.01	203,303.58	191,985.65
Fringe Benefit Expenditure	90,150.84	91,028.59	84,852.24
Subtotal:	280,939.85	294,332.17	276,837.89
Supplies & Services			
Contractual Services Exp	1,880.00	1,723.00	-
Dues and Subscriptions	115.75	100.00	100.00
Indirect Cost Allowance	11,229.62	12,454.00	13,671.80
Insurance	1,390.29	1,108.78	1,234.78
Minor Equipment & Software	-	-	31.96
Mailing	434.01	504.43	477.58
Non State or Non-STS Calls	667.29	854.05	802.80
Other Admin & Operating	1,221.53	1,221.53	3,012.48
Printing	111.37	23.80	95.87
Rent/Lease of Equipment	83.40	-	-
Rent Privately-Owned Space	-	397.84	1,447.19
Rental of State-Owned Space	25,966.25	25,245.58	23,323.25
Materials & Supplies - Other	2,318.32	275.22	424.44
STS Charges	25.17	35.25	45.39
Other Telecommunications	-	-	-
Travel & Training/In-State	3,335.83	2,440.76	2,934.13
Travel & Training/Out-of-State	-	150.00	268.61
Other Travel & Training Exp	13,050.71	13,102.38	8,558.83
Subtotal:	61,829.54	59,636.62	56,429.11
Miscellaneous Expenditure	-	40.75	-
Total Grain Warehouse Keeper Expenditures	\$ 342,769.39	\$ 354,009.54	\$ 333,267.00

**MILK CONTRACTOR
EXPENDITURE DETAIL**

	FY 2009-2010	FY 2008-2009	FY 2007-2008
Contingent Financial Backing	\$ -	\$ 191,411.46	\$ -
Personnel Expenditures			
Classified Civil Services Salaries	189,993.73	191,878.83	209,310.93
Fringe Benefit Expenditure	90,358.17	84,763.48	90,397.77
Subtotal:	280,351.90	276,642.31	299,708.70
Supplies & Services			
Contractual Services Exp	1,705.00	1,924.00	100.00
Dues and Subscriptions	387.75	276.50	300.00
Indirect Cost Allowance	12,595.07	9,477.00	15,052.54
Insurance	1,279.67	1,095.74	1,220.25
Minor Equipment & Software	-	17.50	47.94
Maint. & Repair - Land/Struct.	164.63	-	98.00
Mailing	1,204.13	1,312.85	1,414.73
Maint. & Repair - Other Equipment	78.40	97.82	-
Non State or Non-STS Calls	1,417.53	1,800.57	1,733.85
Other Admin & Operating	1,160.07	1,160.07	2,839.88
Printing	510.56	311.44	448.12
Rent/Lease of Equipment	393.72	393.72	-
Rent Privately-Owned Space	816.28	3,370.24	-
Rental of State-Owned Space	17,731.48	20,742.10	19,532.75
Materials & Supplies - Other	1,523.52	1,344.75	553.64
STS Charges	217.14	312.14	256.93
Travel & Training/In-State	2,474.80	2,508.31	3,528.70
Travel & Training/Out-of-State	169.28	756.00	236.10
Other Travel & Training Exp	2,425.46	5,316.17	3,697.79
Subtotal:	46,254.49	52,216.92	51,061.22
Miscellaneous Expenditure		40.75	
Total Milk Contractor Expenditures	\$ 326,606.39	\$ 520,311.44	\$ 350,769.92

**VEGETABLE CONTRACTOR
EXPENDITURE DETAIL**

	FY 2009-2010	FY 2008-2009	FY 2007-2008
Contingent Financial Backing	\$ -	\$ 60,779.94	\$ -
Personnel Expenditures			
Classified Civil Services Salaries	54,230.55	55,407.83	59,705.57
Fringe Benefit Expenditure	23,702.29	22,637.22	23,789.78
Subtotal:	77,932.84	78,045.05	83,495.35
Supplies & Services			
Contractual Services Exp	426.00	481.00	-
Dues and Subscriptions	15.75	-	-
Indirect Cost Allowance	2,739.32	3,685.50	3,763.13
Insurance	343.83	275.10	305.06
Minor Equipment & Software	-	-	15.98
Mailing	163.99	127.08	184.98
Non State or Non-STS Calls	153.44	238.15	288.51
Other Admin & Operating	625.91	625.91	1,171.12
Printing	153.38	79.61	25.88
Rent Privately-Owned Space	219.76	842.56	-
Rental of State-Owned Space	4,432.82	5,185.54	4,883.18
Materials & Supplies - Other	0.54	63.57	71.15
STS Charges	-	-	5.96
Travel & Training/In-State	996.47	740.43	909.86
Other Travel & Training Exp	694.50	159.00	61.76
Subtotal:	10,965.71	12,503.45	11,686.57
Miscellaneous Expenditure		40.75	
Total Vegetable Contractor Expenditures	\$ 88,898.55	\$ 151,369.19	\$ 95,181.92

Generally, supplies and services expenditures are charged to the individual subaccounts based on employee allocations. For example, the Wisconsin Department of Administration collects rent for office space from the department. The department allocates the rent expenditures across the agency based on the number of FTEs in each individual program. Therefore, the allocation of FTEs among the four subaccounts has a direct impact on supplies and services expenditure amounts listed in the schedules above.

Contingent Financial Backing / Trade Credit Insurance Premium Expenditure

The department entered into a trade credit insurance policy during Fiscal Year 2008-2009. This policy specifically named seventeen of the largest contributing contractors. Had one of the named contractors defaulted on payments to producers, DATCP would have made a claim against the policy to cover a portion of the producers' losses. The policy period began on July 1, 2008. DATCP made a premium payment of \$316,600 in August 2008. The premium was split proportionally among the three indemnity fund groups that benefited from the policy, based on

the amount of coverage each group received. (The policy did not cover grain warehousing activities.) The department allowed this policy to expire without renewal in June, 2009. For more discussion of the policy, please Note 7 on page 27 of this report.

Note 5 –Fund Balances and Statutory Trigger Amounts

License Fee Credits

The crediting of excess Fund balances over the minimum threshold is an integral component of the program. Should the balance attributable to any one of the four industry groups exceed the specified minimum threshold, the department must use a portion of the excess as a credit to the next year’s license fees owed by contributing contractors in that particular industry. The minimum balance threshold for each industry group is as follows:

- Grain Dealers \$2,000,000 on June 30 [s. 126.11(6), Wis. Stats.]
- Grain Warehouses Keepers \$ 300,000 on June 30 [s. 126.26(5), Wis. Stats.]
- Milk Contractors \$4,000,000 on February 28 [s. 126.42(3), Wis. Stats.]
- Vegetable Contractors \$ 825,000 on November 30 [s. 126.56(6), Wis. Stats.]

In the event any of the industry groups exceed the thresholds listed above, the department, in the following license year, issues a license fee credit to each contributing contractor who files a timely application. For the Grain Dealer, Milk Contractor and Vegetable Contractor license groups, the amount of the credit is fifty percent (50%) of the excess. In the case of the Grain Warehouse Keeper license group, the amount of the credit is twelve and a half percent (12.5%) of the excess. The credit is allocated among the contractors based on the total amount paid in license fees over the four preceding license years.

The vegetable contractor and milk contractor license groups received license fee credits in each of the last three years. As of May 31, 2010 the balance in the grain dealer subaccounts was \$2,329,361. Therefore, when grain dealer licensees began their new license year on September 1, there was \$164,680 in license fee credits available.

Minimum and Maximum Fund Balances

Ch. 126, Wis. Stats., permits the department to modify fund assessments by administrative rule. Further, the statute *requires* the department to modify assessments in order to maintain fund balances greater than the minimum and less than the maximum amounts.⁴ These amounts are as follows:

	Minimum Statutory Balance	Actual Balance as of June 30, 2010	Maximum Statutory Balance
Grain Dealers	\$ 1,000,000	\$ 2,332,606	\$ 6,000,000
Grain Warehouse Keepers	\$ 200,000	\$ (440,255)	\$ 1,000,000
Milk Contractors	\$ 3,000,000	\$ 7,573,889	\$ 12,000,000
Vegetable Contractors	\$ 800,000	\$ 1,110,134	\$ 3,000,000
Entire Fund	\$ 5,000,000	\$ 10,576,374	\$ 22,000,000

⁴ Section 126.88, Wis. Stats.

Assessment Holiday

Pursuant to the administrative rule modifications effective January 2009, contractors who have been contributing contractors for at least five years may forego paying any fund assessments for a license year if certain minimum fund balances are met:

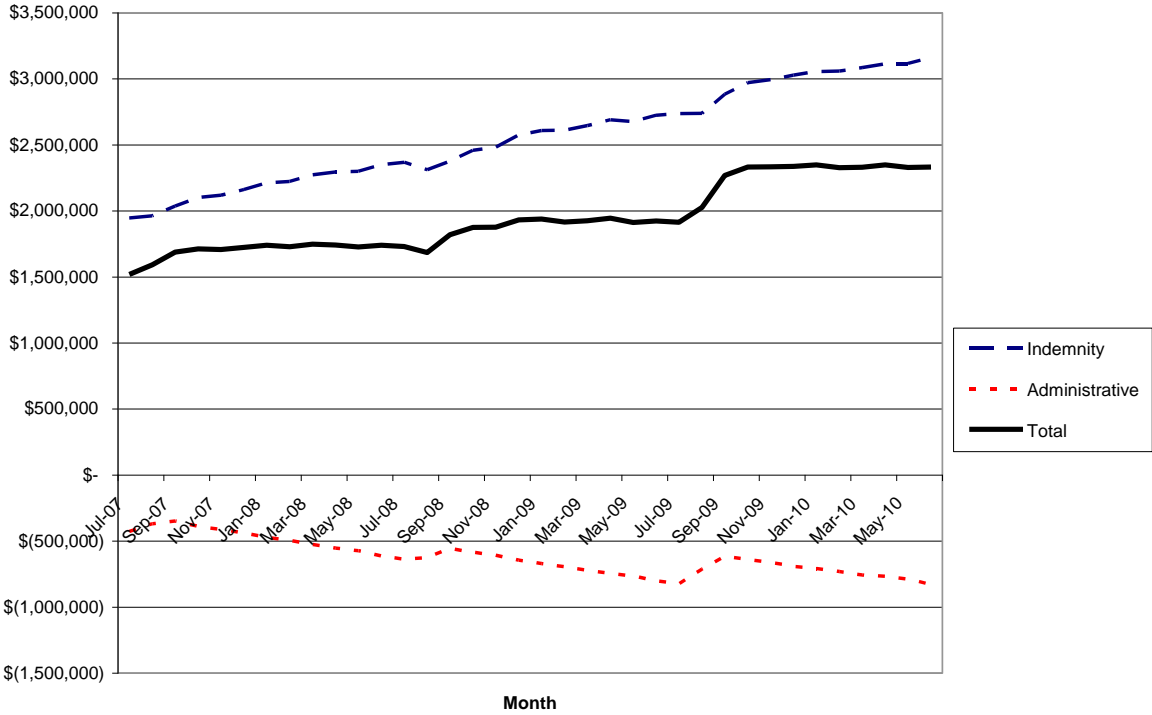
- The fund balance attributable to individual industry groups must be at least:
 - \$3,000,000 for grain dealers
 - \$500,000 for grain warehouse keepers
 - \$6,000,000 for milk contractors
 - \$1,500,000 for vegetable contractors
- The overall fund balance must be at least \$11,000,000.

Since the overall fund balance did not exceed \$11,000,000 there were no assessment holidays during the period of this report.

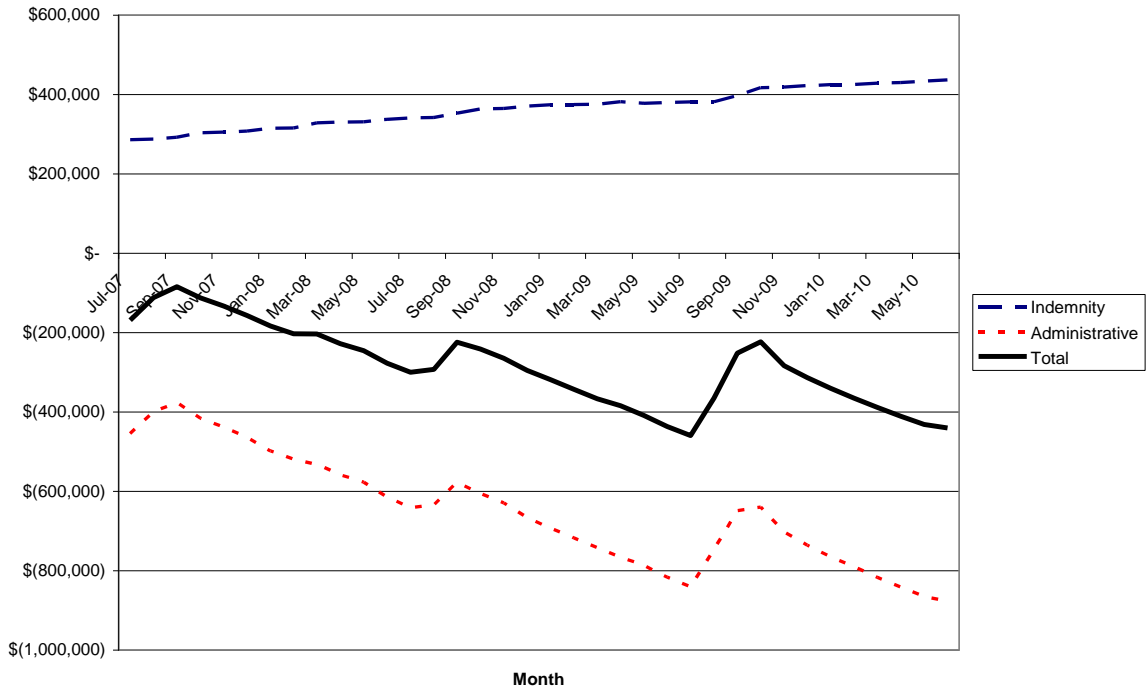
Subaccount Monthly Cash Balances

Cash balances in each subaccount at the end of each month during the Fiscal Years 2008, 2009 and 2010 are shown in the charts below. There is a chart for each of the four industry groups, plus a chart for the overall Fund. On each chart, there are lines representing the month-end balance for the indemnity function subaccount, administrative function subaccount, and the net of both.

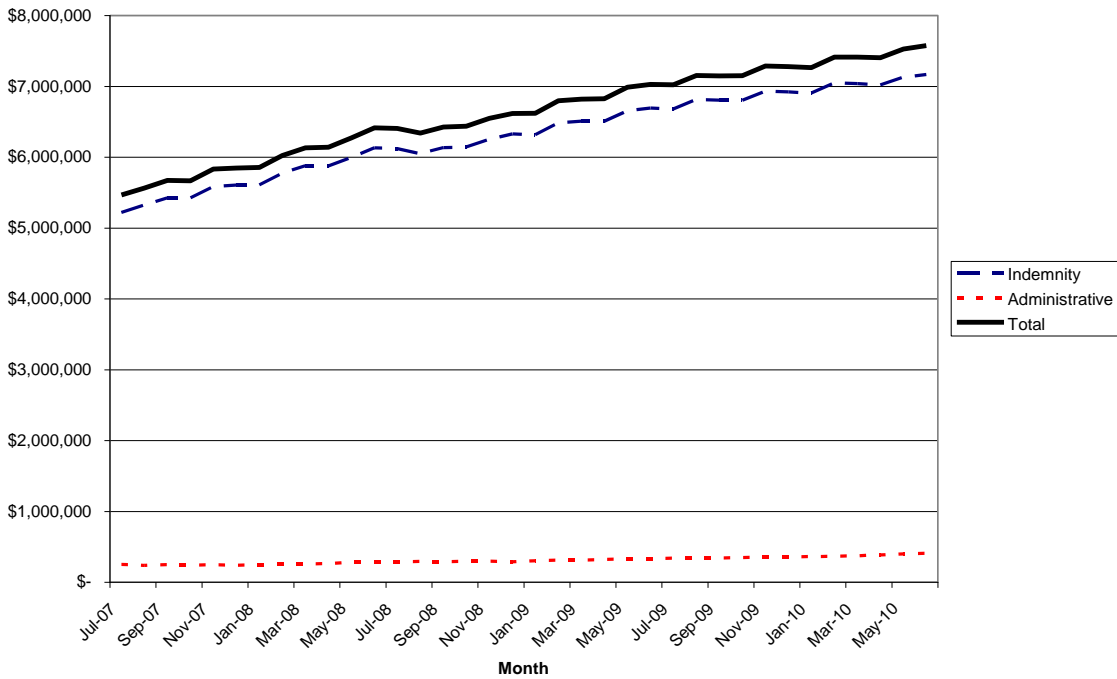
Fund Balances Attributable to Grain Dealers



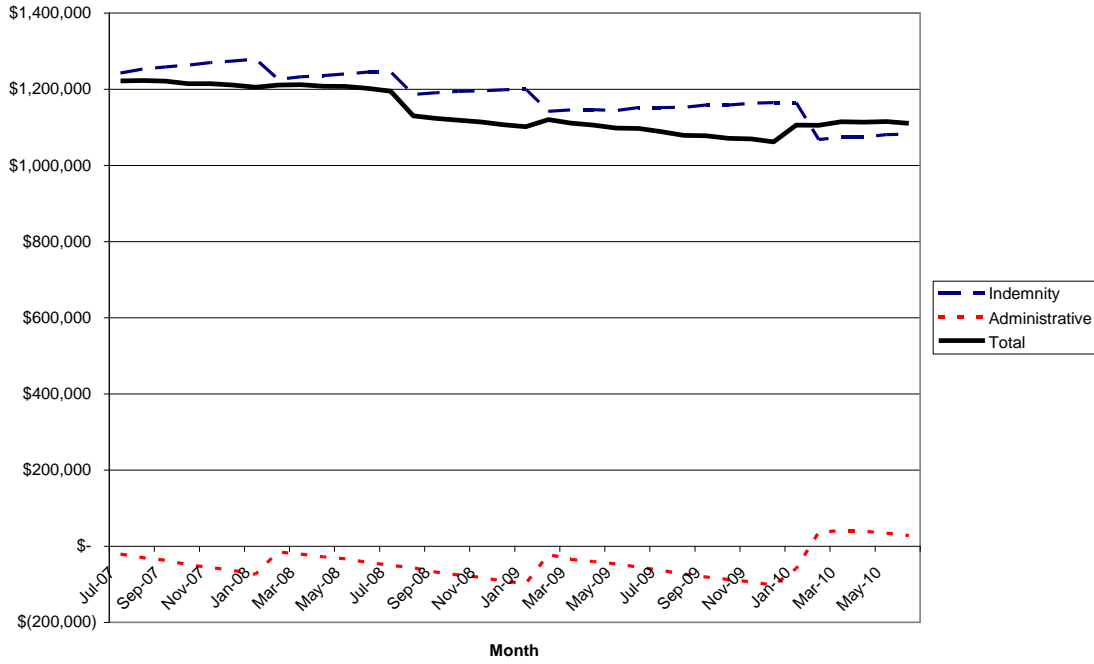
Fund Balances Attributable to Grain Warehouse Keepers



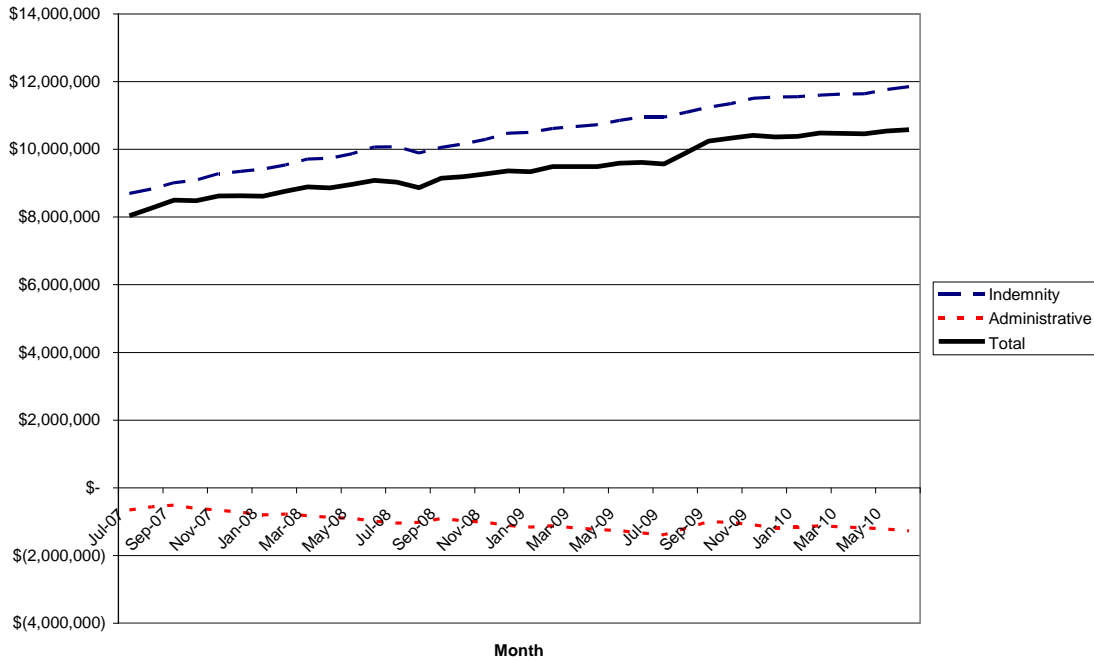
Fund Balances Attributable to Milk Contractors



Fund Balances Atributable to Vegetable Contractors



Overall Fund Balance



Note 6 – Individual Security

The department holds security from some licensed contractors for the benefit of producers. The security can be filed in the form of an irrevocable letter of credit, commercial surety bond, certificate of deposit or cash. Security is held for various reasons which include the following:

- **Disqualified:** Contractors who have a financial statement that shows negative owners equity when they are first applying for a license must file individual security. These contractors do not contribute to the fund.
- **Deferred Payment:** Grain dealers that use deferred payment and have debt to equity ratios that do not meet the minimum statutory requirement must file individual security in addition to contributing to the fund.
- **Estimated Default Exposure in Excess of \$20 million.** Contributing contractors who do not meet minimum financial ratios and whose estimated default exposure exceeds \$20 million dollars are required to post security in an amount equal to the difference between the contractor's estimated default exposure and \$20 million. These contractors receive a proportionate reduction in their annual assessments.
- **Voluntary:** Contributing contractors may voluntarily file security to cover the difference between the maximum amount that can be paid out of the Fund and the contractor's estimated default exposure. These contractors receive a proportionate reduction in their annual assessments.
- **Other:** If a contributing contractor is unable to file a required financial statement for initial licensing, is otherwise unable to comply with statutory provisions, or presents an especially excessive risk to producers, the department may require individual security.

As of June 30, 2010, the department held a total of \$53,797,532 in individual securities. As of June 30, 2009, the department held a total of \$63,081,311. On both dates, all security was from either grain dealers or milk contractors. There was no security from either grain warehouse keepers or vegetable contractors. The total amount of security held as of June 30, 2010, by type of security and reason it was held, is shown in the table below.

	Bonds	Letter of Credit	CDs and other cash equivalents	Total Security
Grain Dealers				
Disqualified	\$ -	\$ -	\$ -	\$ -
Deferred Payment	110,000	108,000	160,498	378,498
Exposure Greater than \$20 Million	-	-	-	-
Voluntary	5,000,000	-	-	5,000,000
Other	875,000	-	-	875,000
Total	\$ 5,985,000	\$ 108,000	\$ 160,498	\$ 6,253,498
Milk Contractors				
Disqualified	\$ -	\$ 615,992	\$ 146,844	\$ 762,836
Exposure Greater than \$20 Million	8,049,325	-	-	8,049,325
Voluntary	37,798,073	-	-	37,798,073
Other	-	500,000	433,800	933,800
Total	\$ 45,847,398	\$ 1,115,992	\$ 580,644	\$ 47,544,034

Note 7 – Miscellaneous Activities

Bowers Feed & Grain, Inc

DATCP entered into a series of enforcement actions against Bowers Feed & Grain, Inc. (“Bowers”). DATCP denied Bower’s grain dealer license for multiple violations of the producer security grain dealer law, including failure to timely pay producers for grain. Bowers voluntarily did not renew its grain warehouse keeper license after DATCP auditors found numerous and repeated violations of the producer security grain warehouse law.

Grain dealers may legally purchase grain in Wisconsin without a license; but only if all grain is paid by means of cash-on-delivery or barter. Grain warehouse keepers may store no more than 50,000 bushels of grain for others without a license. Additionally unlicensed grain warehouse keepers and grain dealers are required to follow many of the same regulatory requirements as licensed grain dealers and warehouse keepers.

During the 2010 license year, DATCP auditors discovered that Bowers continued to violate both the grain dealer law and grain warehouse keeper law. DATCP prepared an investigative report and referred the case to the Wisconsin Department of Justice. As a result, Bowers stipulated to a consent judgment that, among other things, involved a forfeiture of \$100,000 and a stipulation not to apply for a grain dealer or warehouse license until the 2011 license year.

Legal action is still ongoing.

Trade Credit Insurance Policy

As noted in the Annual Report of the Year Ended June 30, 2009, Atradius had offered to renew DATCP’s trade credit insurance policy with a 30% reduction in approved credit limits and a 20% increase in policy premium rate. Given the dramatic reduction in coverage and increase in premiums, the policy with Atradius was allowed to expire without renewal. DATCP explored other options and carriers to replace its trade credit insurance policy; however, it found no viable and cost effective alternative.

2009 Wisconsin Act 296

Some significant changes to the producer security law were enacted in May of 2010. Many of these statutory changes grew out of recommendations made by the Producer Security Work Group, which was organized by Secretary Rod Nilsestuen in 2007. In summary, the changes to the statute include:

- Clarify that the department *may* purchase contingent financial backing – not a requirement.
- Allow more contractors to file a less costly *reviewed* financial statement as opposed to an *audited* financial statement.
- Shorten the amount of time DATCP is required to hold individual security for certain milk contractors, allowing DATCP to return security when milk prices are falling.
- Disallow specific types of producer claims. For example:
 - Transactions between jointly-owned companies.

- Grain deferred payment contracts where payment terms extend beyond 120 days past delivery.
- Vegetable contractor deferred payment contracts where payment terms extend beyond January 31 of the following year.
- Formalize the procedure for disqualifying an existing contractor from the fund.
- Eliminate purchases from a jointly owned producer (at least 50% ownership stake in both entities) for purposes of calculating assessments and financial statement filing requirements (because Fund coverage is no longer available for these related-party transactions).
- Make minor changes to the claims pay-out procedures if the Fund has Trade Credit Insurance at the time of the default.
- Delete expired and/or outdated sections of the statute.