

## MEETING MINUTES

### AGRICULTURAL PRODUCER SECURITY COUNCIL

November 8, 2010

#### **Call to order**

The Agricultural Producer Security Council held a meeting on Wednesday, November 8, 2010, at the headquarters of the Wisconsin Department of Agriculture, Trade and Consumer Protection, 2811 Agriculture Drive, Madison, Wisconsin.

#### **Attendance**

Nine council members were present: Ron Statz, John Manske, John Petty, Louise Hemstead, Jim Zimmerman, John Umhoefer, Dave Daniels, Nick George, and Duane Maatz.

One council member, Craig Myhre, was absent.

DATCP staff members present were Eric Hanson, Kevin LeRoy and Jeremy McPherson.

#### **Agenda Item I. Approve minutes from July 20, 2010 meeting.**

**Motion** to Approve Minutes from the July 20, 2010 meeting. Motion was approved unanimously.

#### **Agenda Item II Financial Report**

The official agenda split this item into two parts. Part A was a discussion of the Annual Financial Report for the Fiscal Year ended June 30, 2010. Part B was a discussion of the quarterly report for quarter ended September 30, 2010. However, the group agreed to discuss the September 30 quarterly financial report along with Agenda Item III. Therefore, discussion under Agenda Item II was limited to the annual report.

Kevin LeRoy led a discussion of the twenty-eight page annual financial report. As the group progressed through the report, Kevin pointed some of the revenues expenses and balances; particularly how they compared to the previous two years.

John Umhoefer and others commented that they would like to see future versions of the Annual Report include a section that reports some measure of risk and exposure to losses. For example, the report could provide the number of contractors whose outstanding obligations to producers are fully covered by the fund compared to all license contractors. Or, for another example, the report could include a percentage of all debts owed to producers that the fund could fully cover. These new statistics could then be used as an ongoing measure of the effectiveness of having the fund.

#### **Agenda Item III Financial Status of Grain Warehouse Keeper Licensing Program**

A significant portion of the meeting time was spent discussing the finances of the grain Warehouse Keeper portion of the Producer Security Fund. As of September 30, 2010, the Grain Warehouse Keeper portion of the fund had a deficit balance of \$250,036. In

summary, Grain Warehouse Keeper expenses have exceeded revenue for several years. The new license fees that took effect in September 2009 stopped the downward trend, but even then, revenues and expenses were basically level; thereby continuing the overall deficit position. At its previous meeting (July 20, 2010), the Council agreed that it would discuss long-term options at this meeting.

Ron Stats said that the grain warehouse keeper portion of the program did not appear to be benefiting the other three.

John Petty said that we seem to be at a point where we need to increase license fees (again) or end the grain warehouse keeper portion of the program. And increasing fees is just delaying the end of the program because that would provide even more incentive for licensees to move to the federal program.

Jim Zimmerman said that security is important. He often advises producers to sell to at least two different operators in order to minimize their risk in the event of a default.

John Petty said that it is important for the state to provide some level of assurance that producers are dealing with somebody who has some level of integrity.

Louise Hemstead, Dave Daniels, and Nick George all expressed a desire to have a more detailed analysis of the risk that a potential grain warehouse default would have to the fund in general. John Manske added that the Council should meet in the first six months of 2011 and look at risk assessments.

John Umhoefer said that the grain warehouse keeper portion does not have a single dollar of equity, and therefore should be gone.

Duane Maatz said that his group's members are really split on Producer Security in general. The produce growers absolutely need this program. The chip growers absolutely hate it, and the french-fry growers rely on it as a bargaining tool in contracts.

#### **Agenda Item IV      Survey of Recent Defaults in Other States**

This agenda item was not discussed.

#### **Agenda Item V      Other Business**

John Manske said that the Cooperative Network was looking into the possibility of having s. 15.137(1)(a), Wis. Stats., amended. This is the law that lists groups that are represented on the Producer Security Council. Currently, the list includes, "Wisconsin Federation of Cooperatives." However, that organization changed its name to "Cooperative Network" a couple years ago. John said that the organization would like to have the correct name listed in the statute.

**Motion** by John Petty, seconded by Dave Daniels: *The council accepts John Manske as the proxy for the current appointment period; and accepts Cooperative Network to serve as a proxy for the Federation of Cooperatives.* Motion approved unanimously.

**Next Meeting.**

The group agreed to schedule a meeting for April 4, 2011 at 9:00 am. They asked that staff have the following for that meeting:

- A risk assessment, of the grain warehouse keeper program and other programs.
- Analysis (costs and benefits) of combining the grain dealer and grain warehouse keeper portions of the fund.
- Analysis of what would be lost if there were no State of Wisconsin Grain Warehouse Keeper security program.

**Motion** to adjourn was approved.