



*Forging a partnership between farmers and consumers.
•Working together for Ohio's farmers•*

Good afternoon Chairman Hite, Ranking Member Gentile, and members of the Senate Agriculture Committee.

My name is Brandon Kern. I am director of state policy for the Ohio Farm Bureau Federation. The Ohio Farm Bureau is a grassroots organization representing more than 214,000 member families located in all 88 of Ohio's counties. While our membership encompasses a broad swath of Ohioans from farmer to consumer and all stages in between, our policy is developed in a grassroots process by representatives from our more than 60,000 farmer members. Agriculture is Ohio's number one industry, adding \$107 billion to our economy every year.

Thank you for the opportunity to testify in support of Senate Bill 66, legislation that would make several changes to the grain indemnity program, including an increase in the amount of the fund cap to \$15 million.

The grain indemnity fund was created in 1983 to reimburse farmers in the event a licensed grain elevator became insolvent. In 2004 the indemnity cap was increased from \$8 million to \$10 million, and farmers paid the corresponding half-cent assessment for a two year period before the new cap was reached. In 2004, the Ohio Department of Agriculture (ODA) paid out approximately \$2.5 million from the fund. At today's grain prices, that payout would be approximately \$6.6 million.

Historic increases in agriculture commodity prices have fueled new debate about the appropriate level of funding for the grain indemnity fund. Since the last time the fund cap was raised, corn prices have increased approximately 225 percent, soybeans have increased 147 percent and wheat has increased 191 percent. An analysis provided to Farm Bureau from ODA recently evaluated what the department calls the middle third of commodity handlers. These are essentially mid-sized grain elevators. Based on total bushels handled and current prices, the department estimates these middle third handlers take in a gross dollar average of \$13,599,572 worth of product a year, an amount that could be covered by a \$15 million fund. Considering the impact the failure of a grain elevator could have on farmers at current prices, OFBF believes increasing the grain indemnity fund cap is a reasonable approach at this time.

In addition to increasing the fund cap, Ohio Farm Bureau firmly supports changes in the bill that would ensure producers' claims are honored in full based on when their grain is priced rather than if it is priced on delivery. This was a major concern to OFBF and its members after the failure of Archbold Grain and the reduction in the claims of some farmers who had delayed pricing contracts with the elevator.

We also support the bill's provision which would establish a statutory priority for ODA's lien against the elevators assets in the result of failure. This clarification will avoid costly litigation in the future.

Some interested parties have advocated for a comprehensive review of the program and for exploring new ways to fund such a program. We encourage this review and would hope that lawmakers and the Department of Agriculture will work with us to that end. We believe this should include long-term considerations about how the fund is administered.

In addition, there are other issues related to commodity handlers that are not addressed in the legislation before you. For example, Farm Bureau policy supports increasing the licensing exemption to 50,000 bushels per year, when written bailment agreements are entered into between farmers or between farmers and landlords. A comprehensive review of the program would also provide an opportunity to address issues such as this one.

Farm Bureau appreciates the time and consideration that has been put into the formulation of this legislation. We would like to thank Chairman Hite for the role he has played to coordinate interested party discussion on this issue. We would also like to thank Director Daniels and his staff at ODA for providing information to help answer questions we had about the proposed changes.

Again, thank you for your time and consideration. I would be happy to answer any questions you may have at this time.