



ARKANSAS RICE GROWERS A S S O C I A T I O N

STEPS TO RESOLVE EFFECTS OF GRIAN COMPANY FAULURES

Again and again farmers are faced with a situation where a grain facility acts illegally and the farmer is left holding the bag. His grain is somewhere, quite often in a grain bin he can see. He will not get paid for it. Even though he has not been paid his grain is the property of somebody else. How does this happen? And how does it happen again and again and again?

I think it is time for a complete review of the grain industry. How grain is sold and the contracts they are sold under. Why should a farmer always be the loser in this situation. And this is especially true in rice. You can get paid for most other grains within a matter of a few days of delivery. Rice often takes weeks or even months. Farmers bear the brunt of added interest and cash flow issues. This delay in payment increases the chance your grain is moved off site and the risk of loss of your crop is even greater. Farmers perform on their side of the contract and HOPE that the other side performs.

And it is not just the grain contract that needs to be reviewed. The practice of trading of unpriced grain between buyers also needs to come under review. The grain industry will not talk about this "swap" but on the rare occasions they do we are told "it happens every day". Company ABC needs rice to sell to a customer. They do not have the rice in inventory. Instead of going to the market to buy rice, they go to another grain company and "borrow" grain to fill the contract. The rice is repaid "in kind" when supply is high. So demand is masked. This swapping of unpriced rice costs farmer millions of dollars every year. It distorts supply and demand factors in the marketplace. As a rice farmer I can tell you that "supply is tight" rarely if ever makes a difference in the cash price for rice.

Arkansas would benefit from a Grain Indemnity Fund that steps in in situations like this to help those affected. Most states around us have programs like this.

The Ark Agriculture Department needs to be fully funded so they can administer the changes that need to be made. Simply moving the grain check-off funds into the Ark Dept of Ag would solve this problem without any more additional funding.

The farmer wants a fair price for his crop. The grain industry rarely delivers that, especially in rice. And we want paid for a crop we deliver. Far too often that does not happen. It is time the state and national legislatures took a look at what is happening and changed the system for the better. Yesterday I heard a farmer from Brinkley say "This (Turner Grain) thing will kill this town".

**ARKANSAS RICE GROWERS
A S S O C I A T I O N**

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**STEPS TO RESOLVE GRAIN COMPANY FAILURES AND THEIR NEGATIVE EFFECTS
ON FARMERS AND COMMUNITIES**

1. Change the contract between Farmer and First Buyer by Statute:
 - a. Grain remains the farmer's property until he is paid in full for his crop.
 1. Grain does not show up on a grain company's balance sheet until farmer is paid in full
 - b. Weight tickets be required to have minimum information:
 1. Buyer and Seller name and address
 2. Delivery location
 3. Time and Date
 4. Complete sample quality data
 5. Trailer license number
 - c. Farmer should be paid completely for his grain within 10 days after the performance of his part of the contract.
2. All Grain Buyers should be Licensed and Bonded with over site by the Ark Dept of Agriculture.
3. Fully fund the Ark Dept of Agriculture:
 - a. Moving the Grain Check-Off Funds into the Ark Dept of Agriculture (where they should have been from the beginning) would fund the Ark Ag Dept without any additional funding.
4. Create an Ark. Indemnity Fund administered by the Ark Dept of Ag and funded by money from the Check-Off Funds.
5. Ark Dept of Ag will oversee the License and Bonding of Grain Companies.
 - a. Administer Licenses.
 1. Spot Checks.
 2. Check weight tickets.
 3. Check inventory.
 4. Check Farmer payment.
 - A. Any payment not made by 10 days will trigger an inspection.
 - B. Violations are self-reported and incur a daily fine.
 - C. Violations not self-reported incur a daily fine 10X.
 1. Farmers may report violations.
6. The practice of trading or "Swapping" unpriced grain needs to end.
 - a. Grain may not move from one-grain facility to that of another owner without a contract for sale with a price.

Exceptions:

 1. Where the rice is stored and not sold to a third party.
 2. Where the grain is used for logistical advantage and is replaced immediately.