

AN ACT

relating to the creation and functions of the Texas Grain Producer Indemnity Board.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 41.001, Agriculture Code, is amended to read as follows:

Sec. 41.001. POLICY. It is in the interest of the public welfare of the State of Texas that the producers of any agricultural commodity be permitted and encouraged to develop, carry out, and participate in programs of research, disease and insect control, predator control, education, indemnification, and promotion designed to encourage the production, marketing, and use of the agricultural commodity. The purpose of this chapter is to authorize and prescribe the necessary procedures by which the producers of an agricultural commodity grown in this state may finance those programs. The programs may be devised to alleviate any circumstance or condition that serves to impede the production, marketing, or use of any agricultural commodity.

SECTION 2. Section 41.058(e), Agriculture Code, is amended to read as follows:

(e) The board may act separately or in cooperation with any person in developing, carrying out, and participating in programs of research, disease and insect control, predator control, education, indemnification, and promotion designed to encourage

1 the production, marketing, and use of the commodity on which the
2 assessment is levied.

3 SECTION 3. Chapter 41, Agriculture Code, is amended by
4 adding Subchapter I to read as follows:

5 SUBCHAPTER I. TEXAS GRAIN PRODUCER INDEMNITY BOARD

6 Sec. 41.201. DEFINITIONS. In this subchapter:

7 (1) "Board" means the Texas Grain Producer Indemnity
8 Board.

9 (2) "Claim initiation date" means the earliest date on
10 which a grain buyer:

11 (A) files for federal bankruptcy protection;

12 (B) becomes the subject of an involuntary
13 bankruptcy proceeding;

14 (C) is found to be insolvent by a court or a state
15 or federal licensing agency;

16 (D) is ordered by a court having jurisdiction to
17 pay a judgment to a grain producer; or

18 (E) loses its public warehouse license under:

19 (i) the United States Warehouse Act (7
20 U.S.C. Section 241 et seq.); or

21 (ii) Chapter 14.

22 (3) "Financial failure" means an event described by
23 Subdivision (2)(A), (B), (C), (D), or (E).

24 (4) "Grain" means corn, soybeans, wheat, and grain
25 sorghum.

26 (5) "Grain buyer" means a person who buys grain from a
27 grain producer or stores unsold grain for a grain producer. The

1 term includes:

- 2 (A) a purchaser;
- 3 (B) a warehouseman;
- 4 (C) a processor; or
- 5 (D) a commercial handler.

6 (6) "Grain producer" means a person, including the
7 owner of a farm on which grain is produced, or the owner's tenant or
8 sharecropper, engaged in the business of producing grain or causing
9 grain to be produced for commercial purposes.

10 Sec. 41.202. DECLARATION OF POLICY. (a) The legislature
11 intends for the board to indemnify grain producers for economic
12 hardships in the event that a grain buyer is unable to pay the grain
13 producer for the grain producer's grain.

14 (b) The board shall be the certified organization to
15 indemnify grain producers under this subchapter.

16 Sec. 41.203. CONFLICT WITH GENERAL COMMODITY LAW
17 PROVISIONS. To the extent that this subchapter conflicts with
18 other provisions of this chapter, this subchapter prevails.

19 Sec. 41.204. BOARD. (a) The board is composed of:

20 (1) one representative of each of the following
21 organizations or their successor organizations who is recommended
22 to the commissioner by the board of directors of the organization
23 and appointed by the commissioner:

- 24 (A) the Corn Producers Association of Texas;
- 25 (B) the Texas Wheat Producers Association;
- 26 (C) the Texas Grain Sorghum Association;
- 27 (D) the Texas Soybean Association; and

1 (E) the Texas Farm Bureau; and
2 (2) the following members, appointed by the
3 commissioner:

4 (A) one representative of the Texas Agricultural
5 Cooperative Council or its successor organization;

6 (B) one representative of the Texas Grain & Feed
7 Association or its successor organization;

8 (C) one representative of the non-warehouse
9 grain-buying industry; and

10 (D) one member with expertise in production
11 agriculture financing.

12 (b) Members of the board serve staggered terms of two years
13 each and may serve for a maximum of three terms.

14 (c) The directors described by Subsection (a)(1) shall
15 select a chair and vice chair from among those directors.

16 (d) A vacancy on the board, including a vacancy resulting
17 from the failure of a board member to fulfill the board member's
18 responsibilities, shall be filled in the manner provided by
19 Subsection (a). If a vacancy on the board is the result of an
20 organization described by Subsection (a) dissolving or failing to
21 fulfill its responsibilities under this subchapter, the
22 commissioner may fill the vacancy by appointing an individual from
23 the sector or industry represented by the organization.

24 Sec. 41.205. DUTIES OF BOARD. (a) The board shall meet at
25 least quarterly to:

26 (1) review expenses of the board, claims made to the
27 board by grain producers, and amounts paid on claims by the board;

1 (2) coordinate all matters relating to the board,
2 including the board's budget under Section 41.059, and the revenues
3 necessary to accomplish the purposes of the board;

4 (3) establish, maintain, or adjust the rate of
5 assessments collected under Section 41.206; and

6 (4) determine the most effective use of the board's
7 budget to provide protection to grain producers.

8 (b) Notwithstanding Chapter 551, Government Code, the board
9 may hold an open or closed meeting by telephone conference call or
10 videoconference if:

11 (1) immediate action or a quarterly meeting is
12 required; and

13 (2) the location at which a quorum of the board
14 convenes is inconvenient for any member of the board.

15 (c) A meeting under Subsection (b) is subject to the notice
16 requirements of Chapter 551, Government Code.

17 (d) Notice of a meeting under Subsection (b) must specify
18 that the location at which meetings of the board are usually held is
19 the location of the meeting.

20 (e) Each part of an open meeting under Subsection (b) shall
21 be conducted in a manner that is audible to the public at the
22 location specified in the notice of the meeting. The board shall
23 ensure that each open meeting is tape recorded and that the tape
24 recording is made available to the public after the meeting.

25 Sec. 41.206. COLLECTION OF ASSESSMENT. (a) Except as
26 provided by this subsection, a grain buyer shall collect
27 assessments in the manner prescribed for processors under Section

1 41.081. Section 41.081(b) does not apply to the collection of
2 assessments under this section.

3 (b) Except as provided by Subsection (c), not later than the
4 10th day of each quarter of the calendar year, the grain buyer shall
5 remit the amount collected during the preceding quarter to the
6 secretary-treasurer of the board for deposit with the bank selected
7 by the board under Section 41.060.

8 (c) The grain buyer may retain a portion of the assessment
9 in an amount determined by the board to cover the grain buyer's
10 administrative costs in collecting the assessment.

11 (d) The board shall notify the grain producer of the manner
12 by which the grain producer may initiate a claim under Section
13 41.208. The notice may be provided in a manner determined by the
14 board.

15 Sec. 41.207. ASSESSMENTS; APPLICABILITY OF OTHER LAW.

16 (a) An assessment levied on grain producers shall be applied by
17 the board to efforts relating to the indemnification of grain
18 producers in this state, including administrative costs of
19 conducting an assessment referendum.

20 (b) Assessments collected by the board are not state funds
21 and are not required to be deposited in the state treasury.

22 (c) Sections 41.082 and 41.083 do not apply to an assessment
23 collected under this subchapter.

24 Sec. 41.208. INITIATION OF CLAIM. (a) A grain producer who
25 has delivered grain to a grain buyer may initiate a claim with the
26 board as provided by board rule if:

27 (1) the grain buyer has suffered a financial failure

1 and:

2 (A) has failed to pay to a grain producer an
3 amount owed to the grain producer; or

4 (B) is unable to deliver to the grain producer
5 grain held by the grain buyer for the grain producer as a bailment;
6 and

7 (2) the grain producer provides to the board:

8 (A) written documentation showing that the grain
9 was delivered to the grain buyer; and

10 (B) a copy of the written contract for purchase
11 of the grain signed by the grain producer and the grain buyer and
12 showing:

13 (i) the agreed price for the grain;

14 (ii) the amount of grain purchased; and

15 (iii) any other relevant term required by
16 the board to establish facts related to the claim.

17 (b) A claim under this section must:

18 (1) be initiated:

19 (A) not more than 60 days after the applicable
20 claim initiation date; or

21 (B) before a date determined by the board to be
22 reasonable, if the board determines such a date; and

23 (2) be for a loss of grain delivered to the grain buyer
24 not more than one year before the applicable claim initiation date.

25 Sec. 41.209. PAYMENT OF CLAIM. (a) After a claim is
26 initiated by a grain producer under Section 41.208, the board may
27 take any action necessary to:

1 (1) investigate the grain producer's claim; and

2 (2) determine the amount due to the grain producer
3 within the limit prescribed by Subsection (b) and subject to
4 Subsection (f).

5 (b) In determining the amount due to a grain producer under
6 Subsection (a) for a loss of grain, the board may award the grain
7 producer not more than 90 percent of:

8 (1) the value of the grain on the claim initiation
9 date, as determined by board rule, if the grain has not been sold;
10 or

11 (2) the contract price of the grain, if the grain has
12 been sold.

13 (c) The board shall make a determination under Subsection
14 (a) within a reasonable period of time as established by the board.

15 (d) Except as provided by Subsection (e), the board shall,
16 not later than the 30th day after the date the board makes a
17 determination under Subsection (a):

18 (1) pay to the grain producer the amount determined
19 under Subsection (a); or

20 (2) notify the grain producer that the grain
21 producer's claim is denied.

22 (e) If claims filed with the board that are due to grain
23 producers under this section exceed the amount of the board's
24 budget allocated for the payment of claims, the board shall pay each
25 grain producer on a prorated basis without regard to the order in
26 which claims are made or approved. The board shall pay the
27 remainder of the amount owed to each grain producer on a prorated

1 basis from future revenue as the revenue is collected.

2 (f) The board may deny a grain producer's claim in whole or
3 in part:

4 (1) if the grain producer has failed to pay
5 assessments for the current growing season under Section 41.206;

6 (2) if the applicable grain buyer has a history of
7 failure to collect assessments as required by Section 41.206;

8 (3) if the documentation submitted by the grain
9 producer in support of the grain producer's claim is incomplete,
10 false, or fraudulent;

11 (4) to prevent the grain producer from recovering from
12 multiple payments an amount greater than the amount the grain
13 producer lost due to the financial failure of a grain buyer or to
14 the grain buyer's refusal, failure, or inability to deliver to the
15 grain producer grain held by the grain buyer as a bailment,
16 including:

17 (A) payments made by the board;

18 (B) payments made from a grain warehouse
19 operator's bond;

20 (C) payments ordered by a bankruptcy court; or

21 (D) a recovery under a state or federal crop
22 insurance policy or program; or

23 (5) if documentation submitted by the grain producer
24 demonstrates that deferred payment on sold grain was beyond normal
25 and customary practices.

26 (g) Notwithstanding Subsection (f)(3), if the board
27 determines that the documentation submitted in support of a grain

1 producer's claim is incomplete, the board shall give the grain
2 producer an opportunity to provide complete documentation.

3 (h) The board may adopt rules specifying the circumstances
4 under which a claim may be denied in whole or in part under
5 Subsection (f).

6 Sec. 41.210. REIMBURSEMENT OF BOARD BY GRAIN BUYER;
7 SUBROGATION OF RIGHTS. (a) If the board pays a claim against a
8 grain buyer, the board is subrogated to all rights of the grain
9 producer against:

10 (1) the grain buyer, to the extent of the amount paid
11 to a grain producer by the board; and

12 (2) any other entity from which the grain producer is
13 entitled to a payment for the loss giving rise to the grain
14 producer's claim under this subchapter.

15 (b) Funds recovered under this section shall be deposited
16 with the depository bank selected by the board under Section
17 41.060.

18 Sec. 41.211. RULES. Except as provided by Section 41.212,
19 the board may adopt rules as necessary to implement this
20 subchapter, including rules relating to:

21 (1) notice and collection of assessments;

22 (2) the management of the board's budget;

23 (3) administration of the board's duties;

24 (4) the statewide referendum conducted under Section
25 41.212;

26 (5) the selection of agents, designees, or devices to
27 carry out the intent of the board; and

1 (6) guidelines for industry practices that do or do
2 not qualify for indemnification by the board.

3 Sec. 41.212. REFERENDUM; BALLOTING. (a) The commissioner
4 shall conduct a referendum of grain producers to determine the
5 maximum amount that may be assessed to a grain producer under
6 Section 41.206.

7 (b) Only a grain producer who has sold grain to a grain buyer
8 in the 36 months preceding the date of the referendum is eligible to
9 vote in the referendum.

10 (c) An eligible grain producer may vote only once in a
11 referendum.

12 (d) Each grain producer's vote is entitled to equal weight
13 regardless of the grain producer's volume of production.

14 (e) A referendum is approved if the referendum meets the
15 requirements of Section 41.031.

16 (f) Individual voter information, including an individual's
17 vote in a referendum conducted under this section, is confidential
18 and not subject to disclosure under Chapter 552, Government Code.

19 (g) The board shall locate private sources, including the
20 organizations described by Section 41.204(a)(1), to pay all
21 expenses incurred in conducting a referendum.

22 (h) The commissioner shall adopt rules as necessary to
23 implement this section.

24 Sec. 41.213. NOTICE OF REFERENDUM. (a) The commissioner
25 shall give public notice of:

26 (1) the date, hours, and polling places for voting in
27 the referendum conducted under Section 41.212;

1 (2) the estimated amount of the assessment proposed to
2 be collected, as determined by the board, and the basis for which
3 the assessment will be collected; and

4 (3) a description of the manner in which the
5 assessment is to be collected and the proceeds administered and
6 used.

7 (b) The commissioner shall publish the notice under
8 Subsection (a) in one or more statewide or regional newspapers that
9 provide reasonable notice throughout the state. The notice shall
10 be published at least 90 days before the date of the referendum. In
11 addition, at least 90 days before the date of the referendum the
12 commissioner shall give direct written notice to the county agent
13 in each county of this state.

14 Sec. 41.214. REFUND OF ASSESSMENTS. (a) Except as provided
15 by Subsection (d), a grain producer who has paid an assessment under
16 Section 41.206 may obtain a refund of the amount paid by filing an
17 application for refund with the board.

18 (b) The application must:

19 (1) be in writing, on a form prescribed by the board
20 for that purpose; and

21 (2) be accompanied by:

22 (A) proof of payment of the assessment; and

23 (B) an affidavit stating that the grain producer
24 does not wish to participate in or be covered by the indemnification
25 established under this subchapter.

26 (c) A grain producer who receives a refund under this
27 section may not make a claim for indemnification under Section

1 41.208 for the grain for which the refund was received.

2 (d) If requests for refunds under this section exceed the
3 amount of the board's budget allocated for the payment of claims,
4 the board shall issue refunds to each grain producer on a prorated
5 basis without regard to the order in which requests for refunds are
6 made. The board shall pay the remainder of the amount owed to each
7 grain producer on a prorated basis from future revenue as the
8 revenue is collected.

9 Sec. 41.215. ANNUAL REPORT. (a) The board shall submit a
10 report to the commissioner annually that contains a summary of the
11 board's activities and a review of the board's effectiveness.

12 (b) The board shall post the report online on the board's
13 Internet website.

14 SECTION 4. (a) As soon as practicable on or after the
15 effective date of this Act, but not later than December 31, 2011,
16 the entities specified in Section 41.204, Agriculture Code, as
17 added by this Act, shall recommend and the commissioner of
18 agriculture shall appoint the members of the Texas Grain Producer
19 Indemnity Board in compliance with that section to serve terms that
20 begin January 1, 2012.

21 (b) The members of the board appointed under Subsection (a)
22 of this section shall draw lots to determine which initial terms of
23 four members expire January 1, 2013, and which initial terms of five
24 members expire January 1, 2014.

25 SECTION 5. This Act takes effect September 1, 2011.

President of the Senate

Speaker of the House

I certify that H.B. No. 1840 was passed by the House on May 5, 2011, by the following vote: Yeas 144, Nays 2, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 1840 on May 18, 2011, by the following vote: Yeas 144, Nays 2, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 1840 was passed by the Senate, with amendments, on May 13, 2011, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor