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 BILL ANALYSIS

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Senate Bill 1396 (as introduced 6-22-10)
Sponsor: Senator Gerald Van Woerkom
Committee: Agriculture and Bioeconomy

Date Completed: 6-24-10

CONTENT

The bill would amend the Grain Dealers Act to permit the Michigan Department of Agriculture (MDA) to adjust grain dealers' fees annually, rather than every three years. The bill also would repeal a section of the Act that requires a grain dealer to provide a surety bond to the MDA before being licensed under the Act.

Grain Dealers' Fees

The Act prohibits a person from acting or offering to act as a grain dealer in the State without a license from the MDA. ("Grain dealer" means a person engaged in the business of receiving, buying, exchanging, selling, or storing farm produce in this State, with certain exceptions. The term includes a farm produce trucker, grain merchandiser, or processor.)

A grain dealer must pay a license fee to the MDA with an application for a license or license renewal.

The current fee is the sum of the amounts shown in Table 1, as applicable:

Table 1

For each receiving point with a total bushel capacity of:	
1 - 100,000	\$158
100,001 - 200,000	\$236
200,001 - 300,000	\$315
300,001 - 400,000	\$394
400,001 or more	\$473
For vehicles owned by a farm producer trucker:	
One vehicle	\$210
Each additional vehicle	\$105
For a grain merchandiser's license	\$473

The grain dealer's fee must be deposited into the Grain Dealer's Fees Fund, to be used by the MDA Director to carry out duties required by law. The bill specifies that the MDA would be the administrator of the Fund for auditing purposes.

The Act authorizes the MDA to adjust the fee schedule every three years by an amount determined by the State Treasurer to reflect the cumulative annual percentage change in

the Detroit consumer price index (CPI) over that three-year period. The adjustment may not to exceed 5%, and must be rounded to the nearest whole dollar.

The bill would permit the MDA to adjust the fee every year to reflect the annual percentage change in the Detroit CPI over that period, not to exceed 5%. The fee would have to be rounded to the nearest \$5 increment.

Repeal of Surety Bond Requirement

The bill would repeal Section 27 of the Act. Under that section, before a license is issued to a grain dealer (other than a grain merchandiser or farm produce trucker), the grain dealer must provide a bond to the MDA that secures the dealer's warehouse receipts and open storage transactions.

The amount of the bond must be \$15,000 for the first 10,000 bushels of storage capacity and \$5,000 for each additional 10,000-bushel capacity or fraction of that capacity. A grain dealer who owns two or more facilities may furnish separate bonds for each facility or a blanket bond. A blanket bond must be for the cumulative amount described above for each facility or \$400,000, whichever is less.

MCL 285.68

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would have an indeterminate impact on revenue to the Department of Agriculture from grain dealers' license fees. The bill would allow an adjustment of license fees annually rather than every three years. Whether the bill would result in a potential increase of revenue to the Department cannot be determined at this time, and would depend on the change in the Detroit consumer price index. In recent years, this change has ranged from a negative percentage to about 3%.

Fiscal Analyst: Bruce Baker

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.