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# SELECTED TRADE RULES, STATUTES, REGULATIONS AND PRACTICES AFFECTING GRAIN PRODUCER MARKETING TRANSACTIONS IN LOUISIANA

by

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Events surrounding the financial failure of a grain elevator and warehouse operation in Southeast Missouri during the past two years focused national attention on a problem producers have long faced in marketing grain throughout the United States. In that case, one grower took dramatic action in an effort to recover grain stored in the warehouse after it was seized by a federal court in response to the warehouse being declared insolvent.

At about the same time, six out of a total of some 200 similar operations doing business with Louisiana growers were found to be insolvent. As a result the Louisiana legislature became concerned and tightened up its statutes dealing with public warehouses storing grain and with grain dealer licensing.

During hearings leading up to the legislation it was apparent that the matter is laden with confusion. And, it was often stated that no amount of legislation could eliminate the problem without creating even greater ones. Bonding, for example sufficient to cover all potential losses, was said to be prohibitive in cost and further was not available to and thus would eliminate many of those currently competing to buy from farmers.

Feeling that growers and others needed more information about the potential for such problems and of their impact when caught up in them, our department has undertaken a study of topics thought to be closely associated. Review of the literature and of research projects now underway revealed very little attention devoted to it.

One study by the Illinois Legislative Council found 77 such cases throughout the United States during the years 1974 through 1979 and put total proven grower claims against them at about \$20 million. Recovery by growers amounted to 28 percent by 1979 and that of non-farmer claimants 16 percent. Assuming no further recoveries, the average loss per each of the 3,000 growers involved amounted to approximately \$4,000 ranging up to \$23,000.

In the present study, data from a sample of Louisiana firms which survived the 1981-82 marketing season will be compared to similar data on those which failed. Financial data are being obtained from the State Department of Agriculture which is responsible for administering state legislation dealing with warehousemen and grain dealers in Louisiana. A survey is also being

conducted to obtain data on the two groups such as how scale tickets are marked when grain is received, the extent to which storage was done under bonded public warehouse receipts, storage charges and free storage time allowed, use of delayed pricing and premiums taken for that, extent of use of basis contracts and grain pools, advances if any made to growers on delayed pricing and basis contracts and in grain pools, quality discounts taken and hedging methods used.

Concurrently closely related statutes and literature published on issues surrounding these topics are being examined. Because of the expense and time involved in full bankruptcy court liquidation, claimants often choose roughshod voluntary settlements

rather than letting such proceedings run the full course.

The study is thus expected to develop: 1) a measure of the chances of becoming involved in bankruptcy proceedings in marketing of grower owned grain in Louisiana, 2) outstanding differences between certain characteristics of grain firms that survived and those which failed in the state during the 1981-92 marketing season, 3) the extent to which various marketing procedures were used by growers during that year, and 4) concise summaries of issues of potential importance to growers likely to develop from such proceedings.