



FARM PRODUCE INSURANCE AUTHORITY

Farm Produce Insurance Act Act 198 of 2003

Frequently Asked Questions for Producers

The following is a list of answers to frequently asked questions received by Farm Bureau and the Michigan Department of Agriculture and Rural Development (MDARD) about the Farm Produce Insurance Program.

1. What is the Farm Produce Insurance Authority and how was it created?

The Michigan Farm Produce Insurance Program was created by Public Act 198 of 2003 to protect producers in the event of a farm produce dealer's financial failure. It secures producers' investments and protects their future by establishing a fund to pay eligible producers if a farm produce dealer fails.

2. What farm produce is covered by the Act?

"Farm produce" means one or more of dry edible beans, soybeans, small grains, cereal grains, or corn.

3. What are the FPIA assessments?

The FPIA currently collects an administrative assessment of 0.00015 on an ongoing basis to cover program costs. When the FPIA Indemnity Fund drops below \$3 million, the 0.002 program assessment is reinstated until the FPIA Indemnity Fund reached the \$10 million ceiling. When the program and the administrative assessments are running concurrently, grain dealers will collect 0.00215, or \$2.15 for \$1,000 of grain sold.

4. Are the farm produce assessments to be taken out after all other normal charges and checkoffs?

Yes, assessments are to be deducted after normal charges and checkoffs. Normal charges generally include drying, quality adjustments, and storage costs. Freight or trucking are not considered normal charges.

5. How should the producer be notified of the deduction?

The deduction should be clearly identified in the producer's settlement statement as to the amount and that it is for the Farm Produce Insurance Fund.

6. Can producers choose not to participate in the program?

Yes. Producers who choose not to be covered by the program can request a refund of their premiums by completing a refund request form each year including documentation showing the premiums withheld for the previous 12 months. Producers are required to submit refund forms and supporting documentation to the Farm Produce Insurance Authority, PO Box 30017, Lansing MI 48909-7517 within 12 months of sale. For information about the program as well as refund request forms, please visit our website www.michigan.gov/graindealers. Producers who request a refund are not eligible to receive any indemnity payments under the program to cover future losses.

7. Aren't registered grain dealers bonded?

Yes, the Michigan Grain Dealers Act requires bonding but only to cover grain merchandisers and truckers. The required bond is \$100,000. There is also an option for a net deficiency bond to cover the difference between what the licensee reports for net allowable assets and what the Grain Dealers Act requires.

8. If they are, why is this necessary?

In previous years, we have experienced approximately 60 elevator failures in Michigan with losses to producers totaling about \$13 million.

9. How does one make a claim if needed?

In the event of a grain elevator failure, the Michigan Department of Agriculture and Rural Development would seize and liquidate all grain assets and remit the proceeds to producers in the order of priority according to the documentation. Coverage for any remaining losses would be submitted by producers to the FPIA for approval by the board.

For a copy of the Farm Produce Insurance Authority Act (PA 198 of 2003, as amended), a list of current licensed grain dealers, or forms, please visit www.michigan.gov/graindealers. If you have any questions, please contact me at (517) 284-5642 or haarerj@michigan.gov. Thank you.

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