

SENATE JOINT RESOLUTION NO. 15

INTRODUCED BY B. TUTVEDT

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A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY OF BONDING REQUIREMENTS RELATED TO AGRICULTURAL COMMODITIES.

WHEREAS, Montana's agricultural industry for grain, oilseed crops, and other crops is participating in an increasingly complex global economy with new customers, new products, and new markets; and

WHEREAS, Montana agricultural commodities produced and delivered to buyers in Montana continue to increase in value, as does the value of undelivered, unsettled, or outstanding commodity contracts; and

WHEREAS, grain buyers both large and small are entering Montana grain markets for the first time; and

WHEREAS, the existing bonding requirements for these transactions were established in the past under the premise of a dissimilar and much smaller grain economy; and

WHEREAS, Montana agricultural commodity producers may be at risk financially because of archaic bonding requirements; and

WHEREAS, risk may also be attached to commodities not in immediate possession of a producer or a public warehouse, such as undelivered agricultural commodities or those in transit to a third party; and

WHEREAS, it is in the interest of the Montana agricultural commodities industry to quantify the real and potential shortfall in bonding requirements as well as the cost of adequate bonding; and

WHEREAS, responsible adjustments to the agricultural commodities industry bonding requirements and law will require an accurate assessment of outstanding liabilities incurred in the sale and trade of Montana crops.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Council be requested to designate an appropriate interim committee, pursuant to section 5-5-217, MCA, or direct sufficient staff resources to study the current bonding requirements relevant to the Montana agricultural commodities industry to determine:

(1) how the current bonding requirements affect the stakeholders in the agricultural commodities industry from the producers to the public warehouses, from the small independent producer or elevator to the large,



1 multinational producer or warehouse;

2 (2) what bonding levels might be adequate and what mechanisms may be needed to set bonding limits
3 for the various stakeholders to reflect asset evaluation;

4 (3) what amount of capital is appropriate and necessary to offset the risk involved;

5 (4) bonding costs to the grain industry in the event that increased bonding levels would be warranted,
6 taking into consideration a representative sampling of costs for both large and small commodity dealers; and

7 (5) how transparency of commodity dealer assets and liabilities could be improved so potential
8 customers can make well-informed decisions.

9 BE IT FURTHER RESOLVED, that the study committee and staff are encouraged to work with the
10 Department of Agriculture to incorporate the studies and reports that the department has collected regarding
11 current bonding requirements and information from other states.

12 BE IT FURTHER RESOLVED, that if the study is assigned to staff, any findings or conclusions be
13 presented to and reviewed by an appropriate committee designated by the Legislative Council.

14 BE IT FURTHER RESOLVED, that all aspects of the study, including presentation and review
15 requirements, be concluded prior to September 15, 2012.

16 BE IT FURTHER RESOLVED, that the final results of the study, including any findings, conclusions,
17 comments, or recommendations of the appropriate committee, be reported to the 63rd Legislature.

18 - END -