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March 13, 2023

To the Minnesota House Ag Committee:

I would like to address to the House Ag Committee my concerns regarding the current proposed indemnity fund.

The first concern I have is that one of the potential unintended consequences of having this indemnity fund is that it could promote risky marketing behaviors and decisions by farmers. There seems to be an overall lack of preventative measures in the current bill that would minimize future failures, while potentially giving the farmer a sense that there is more security because of the new indemnity fund that is being proposed. As I understand, the current proposal has a three-year length of coverage which I believe is too long. There are very few producers who sell grain that far in advance due to the uncertainty of the commodity and fertilizer markets, cash rent, and other inputs. I have personally experienced customers who have passed away or who neglected to remember they have grain sold that far in advance and there are multiple issues with both of these experiences that I would happy to share in more detail. Three years adds more risk to the farmer and the grain buyer, not less.

The second concern I have is that there are alternative options to an indemnity fund. Several surrounding states have more comprehensive protection for the producer that I believe the state of Minnesota needs to explore and understand before moving forward with the current recommended proposal. Additionally, there is deferred payment insurance that is available if producers want to be protected 100%.

The third concern I have is overall regulations and oversight of grain dealers in the state of Minnesota. I believe this is where the state must focus the vast majority of its efforts to ensure there is financial oversight to the individuals and customers who have grain dealers' licenses and who are applying for grain dealers' licenses. There must be more emphasis on the business who has the license, their financial wellbeing, their ability to cover all obligations, including credit sale contracts by the state. My fundamental belief is that if there is oversight and auditing done by the state of Minnesota, there would be less focus on creating an indemnity fund because the state and the farmers of Minnesota would have better knowledge and understanding of who they are selling grain to, their financial status and their ability to manage risk on behalf of the producers and their business.

The cost of capital, rising commodity prices and increased interest rates all are driving risk to the farmer and to the grain dealer. I truly believe that there are systems in place within the state of Minnesota and throughout the Midwest that we need to expand on and explore, not increase indemnity funds that will add more cost to the farmer, the grain dealer and the state.

I would be happy to assist in this challenge and look forward to an open discussion on how we can better protect our farmers in Minnesota, the grain dealers and the overall health of Agriculture in Minnesota.

Matt Ashton

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