

NDGDA Comments-Proposed licensing changes December 2014

The North Dakota Grain Dealers Association represents over 90% of the licensed grain warehouses in the North Dakota. Organized in 1911, our purpose is to further the interests of the cooperative and independent concerns of North Dakota engaged in the handling, processing and distribution of grain and other like commodities. We have worked closely with the PSC in the past toward the same goal-A healthy industry serving it's customers with honesty and integrity. With that goal in mind we offer the following points regarding the proposed licensing changes.

- The proposed changes would remove the current capacity "bands" and increase the amount of bond required on facilities in the 1st 1-6 years of operation. We understand the reason for proposing more bonding on companies that have been in business a shorter amount of time and don't necessarily see a problem with it, but removing the 25,000 bu. bands could pose a problem for bond agencies and facilities alike as well as the PSC who must process the increases. Any change in capacity will require a new bond regardless of the size of capacity change. We suggest keeping the current "bands" and implementing a percentage increase for companies that fall into the 1-6 year category. Another consequence is joint ventures between two established companies-Will the increased bonding be required for those?
- The proposed rules would require additional bonding for those facilities that have a purchase volume greater than 7 times the storage capacity. Once again we understand the reasoning for additional bonding. Most of those type of facilities are engaged in some type of processing, but we would rather see a measure that addresses processors specifically. This rule could unintentionally penalize elevators that are among the financially strongest in the industry.
- The proposed rules would offer a bond reduction for those facilities willing to implement a conversion policy shorter than the 45 days currently in the law. We don't see this being implemented widely in the industry. Here is an example-An elevator that has a capacity of 1,000,000 would require a \$350,000 bond. A 30% reduction (10 day conversion policy) would make that a \$245,000 bond. The bond premium saving amounts to less than \$800 which would not be enough of an incentive to implement conversion policy. Another factor to consider is who will be doing the checking for compliance and how much time would be involved for such a compliance check.

- The proposed rule changes would increase the amount of the maximum bond from 1.5 million to 2 million. May impact a few elevators. Probably won't be a problem for those that it would impact.
- The proposed rule changes would increase the amount of bond required by roving grain buyers. Don't see a problem with this requirement. May not affect many members.

Closing comments: As stated earlier, NDGDA wants a strong and healthy industry and will support changes that will promote that, but we also believe the system we have in place works. The question we would ask is this: Would any of these changes have prevented any of the insolvencies that have happened in the past 10 years? If not, then why make any of these changes?