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and Shale Law**

An Overview of State Grain Dealers Statutes in the United States

National Agricultural Law Center Webinar Series

June 18, 2025





Impacts of Grain Dealer Failure

Grain dealer files for bankruptcy, state ag department says



[Business Record Staff](#) | Mar 27, 2025 | 3:23 pm | <1 min read time | 92 words | [Environment](#), [All Latest News](#)

IA Farms Lose \$1.3M in Store Failure

Iowa Farms lose \$1.3M in B&B Farm Store Failure

8/24/2022 | 2:42 PM CDT



By [Todd Neeley](#), DTN Environmental Editor

Connect with Todd:

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Farmers Unpaid Years After Pennfield Bankruptcy

Philip Gruber Staff Writer Aug 30, 2014 Updated Dec 7, 2022

Pay woes for grain growing tendrils

Concern raised in 2 other states

September 14, 2014 by Jack Weatherly

Indictment charges ex-Iowa grain dealer with stealing \$4 million from soybean growers



[Donnelle Eller](#)

Des Moines Register

Nov. 22, 2024, 10:56 a.m. CT



Today's Webinar:

- Key Resources
- Grain Dealers vs. Grain Warehouses
- Provisions in State Grain Dealers Statutes



NAVIGATION

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AGRICULTURAL NUTRIENT MANAGEMENT
AGRITOURISM
ALTERNATIVE DISPUTE RESOLUTION (ADR)
ANIMAL CRUELTY
ANIMAL IDENTIFICATION
BIOFUELS
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COTTAGE FOOD
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GRAIN GRADING
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MEAT PROCESSING
NATIONAL POLLUTANT DISCHARGE
ELIMINATION SYSTEM (NPDES)
NOXIOUS WEEDS
OWNERSHIP OF AG LAND
PARTITION LAWS
RECREATIONAL USE
**>> REGULATION OF GRAIN SALES &
STORAGE**

Regulation of Grain Sales & Storage

Elizabeth R. Rumley, Senior Staff Attorney
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As a result of several recent elevator and grain dealer failures in the United States, the National Agricultural Law Center has begun a project to outline and digitize the state requirements for those entities to operate. Requirements are very different from state to state, ranging from no regulation at all to very significant regulation, including licensing, bonding, statutory liens, and civil and criminal sanctions.

This project involves the regulations set up to address both warehouses and grain dealers. Warehouses are involved in the storage of grain. Typically, ownership is maintained by the grower, rather than being transferred to the warehouse. Warehouses are regulated by either state or federal government, depending on the entity with whom the warehouse is licensed. To read more about warehouse licensing on the federal level, click [here](#). On the other hand, a grain dealer is a person or entity involved in buying, receiving or exchanging grain from the grower. Typically, an interaction with a grain dealer requires a transfer of ownership (title) to that dealer. Largely, regulation of grain dealers has occurred on the state level, and varies significantly from place to place.

The primary aim of this compilation is to provide the researcher with easy and free access to a state's statutory language by simply clicking on the link in the chart below. It may be useful for producers interested in learning more about protections in place that ensure payment for their crop, to individuals who wish to learn more about getting into the business of grain dealing, and to policy makers deciding what, if any, changes should be made to their state laws. *Updated December 3, 2024.*

To read a short overview publication of typical state regulatory provisions, please [click here](#).

To access the compilation of state laws relating to grain dealers (including citations), [click here](#).



GRAIN DEALERS REGULATORY COMPILATION

VIRTUAL RESOURCE ROOM NAVIGATION

SCOPE

GRAIN DEALER REGULATIONS –
BONDS

GRAIN DEALER REGULATIONS –
LICENSING

GRAIN DEALER REGULATIONS – CIVIL /
CRIMINAL PENALTIES

GRAIN DEALER REGULATIONS –
INDEMNITY FUNDS

GRAIN DEALER REGULATIONS –
AUDITING

GRAIN DEALER REGULATIONS – LIENS

GRAIN DEALER REGULATIONS –
PROMPT PAYMENTS

Scope

In the United States, statutes regulating grain dealers vary widely state to state and often include provisions relating to bonding, indemnity funds, licensing, auditing, failure, liens, and penalties. The National Agricultural Law Center has created a resource compiling these statutes in a chart organized by state and specific provisions. This resource, [Regulation & Requirements for Grain Dealers](#), provides a convenient method to see which provisions apply to each state. The National Agricultural Law Center has also created a resource for grain warehouses, [Regulation & Requirements for Grain Warehouses](#), which is not referenced in the research here.

Here, we have built upon the National Agricultural Law Center's grain dealer research and provided a more detailed look at these regulations. Most of the regulatory provisions (bonding, indemnity funds, licensing, etc.) can be broken down into additional sections. The research here provides a way to examine each of these sections and compare the language from state to state.

This resource room is intended to represent a collection of legal resources relating to grain dealer regulations. While the Center for Agricultural and Shale Law makes every effort to maintain and update the content furnished in this resource room, no warranty or other guarantee is made regarding the timeliness or accuracy of any information provided.

<https://aglaw.psu.edu>

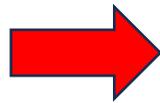


Grain Dealers vs. Grain Warehouses

- Grain Dealer
 - person or entity that purchases grain from grower
 - generally involves a transfer of title
- Grain Warehouse
 - person or entity that stores grain for grower
 - ownership of grain generally retained by grower

Grain Sales and Storage in Context

1. Bonding and/or Indemnity Fund Provisions for Default
(State statutes)

 a. **Grain Dealers / Grain Warehouses**

* See also U.S. Warehouse Act

b. Milk Dealers—Pennsylvania

2. Trust Provisions for Default (Federal statutes)

a. Packers & Stockyards Act (1921)

b. Perishable Agricultural Commodities Act (1930)



Why Regulate Grain Dealers?

- Ensure that growers are paid
- Minimize impact of an individual dealer failure
- Using licensure, prompt payment, and other requirements to keep/push certain actors out of industry
- Provide stability to commodity market



State Grain Dealer Statutes

- Licensing
- Auditing
- Prompt Payment
- Failure to Pay
- Bonding
- Indemnity Fund
- Statutory Liens
- Penalties



Grain Dealer – Licensing Provisions

Licensure required in approx. 32 states:

- Most states require any individual or entity who plans to conduct business as a grain dealer to obtain a license
- Some states except cash buyers (immediate payment) from licensure requirement

Application process:

- Financial statements, prepared by certified accountant, generally required
- CAL and IND require criminal background check



Grain Dealer – Licensing Provisions

Renewal:

- Generally, license must be renewed annually, either based on the date of issuance or for the calendar year
- Some states allow for renewal for more than one year
- Some states allow for renewal based on payment of fee while others require financial review and/or premises inspection



Grain Dealer – Licensing Provisions

Filing / Renewal Fees:

- May be a fixed amount for all applicants or may be based upon volume of commodities handled

Posting:

- Licenses required to be posted “in plain view of public” or in a “conspicuous” location
- Generally must be posted in additional locations, including trucks or tractors
- CAL requires directors and partners to have a card showing their license



Grain Dealer – Licensing Provisions

Common Bases for License Denial / Suspension / Revocation:

- Violations of the statute or regulations
- False or misleading statements on application
- Refusal to submit to inspection or audit
- Refusal to provide financial records or documents on request
- Failure to file required bonds
- License suspension or revocation in another state



Grain Dealer – Licensing Provisions

Contesting a License Denial / Suspension / Revocation:

- Notice of adverse action is required
- Hearing may be set automatically or it may be held upon request
- Administrative appeal rights are sometimes provided



Grain Dealer – Auditing Requirements

Auditing provisions are included by approx. 31 states.

Record retention requirements:

- Generally, grain dealers are required to retain records of each sale – grower’s name, date of sale, condition of grain, and amount paid
- Record retention period varies from one year (FL, GA) to six years (IND, IA, SD)
 - Some states require record retention for a “reasonable” period of time without providing a specific period of time



Grain Dealer – Auditing Requirements

Investigation provisions:

- Most states allow for an investigation or audit at any time deemed necessary by the governing board
- Some states authorize investigation based upon receipt of a complaint, a motion by the Commissioner/Director, or a change in business management
- Some states require annual audits or investigations



Grain Dealer – Auditing Requirements

Investigation provisions:

- Many states list specific items that are subject to seizure for an investigation including books, papers, receipts, scales, farm products, other financial documents, etc.
- Failure to comply with investigation or audit request can result in license revocation or fine, usually not to exceed \$1000 per day of non-compliance



Grain Dealer – Prompt Payment Requirements

Approx. 11 states contain specific prompt payment requirements.

- Why do most statutes not contain this requirement?

Time of payment:

- Time of payment is generally controlled by contract
- Where contract does not specify time of payment, most states require payment within 30 days of delivery
 - Required prompt payment time varies from 10 days to 6 months (FL)



Grain Dealer – Prompt Payment Requirements

Manner of payment:

- Most statutes do not specify a manner of payment
- Some states require payment by check, electronic transfer, cash, or cashier's check.



Grain Dealer – Failure to Pay / Perform

Approx. 14 states address dealer failure to pay or fulfill orders

Insolvency:

- Upon receipt of notice of dealer insolvency, board will appoint a receiver or trustee to handle dealer's assets
 - Generally through judicial proceedings
- Most states provide procedures for the seizure of assets
 - Some states require written consent from lienholders before seizure



Grain Dealer – Failure to Pay / Perform

Liquidation:

- Notice is generally provided to all potential claimants before liquidation of assets begins
- Some states require notice be provided at other stages of the liquidation process
- Most states allow for liquidation expenses to be reimbursed from the dealer's assets



Grain Dealer – Failure to Pay / Perform

Distribution of Assets:

- Generally, Department of Agriculture will determine distribution of assets to creditors and claimants based on priority
 - States may require court-approved report



Grain Dealer Statutes – Bonding vs. Indemnity

Bonding:

- Grain dealer is required purchase a bond that can be drawn upon for payment in the event of default.

Indemnity Fund:

- A fund is maintained that is used for payments in the event of default.
 - Who pays into the fund?
 - What is the process for distribution of claims.

States can utilize both approaches.



Grain Dealer Statutes – Bonding Requirements

Approx. 30 states have bonding requirements:

- Most states require a surety bond
 - Three parties: purchaser of bond (grain dealer), obligee (usually the state), and guarantor (company providing the bond)
- States typically have a trustee to oversee administration of process



Grain Dealer Statutes – Bonding Requirements

Amount of bond:

- Minimum bond requirement is typically \$5,000 to \$25,000.
- Maximum bond requirement is typically \$100,000 to \$1,000,000
- Bond requirement is frequently a percentage of value of farm products purchased

Delivery of bond:

- Generally required to be delivered to the Department of Agriculture or to the Secretary/Commissioner



Grain Dealer Statutes – Bonding Requirements

Cancellation of bond:

- If grain dealer intends to cancel a bond from a specific surety, dealer generally must provide Department of Agriculture with a notice of intent to cancel and must deliver a replacement bond within a specified amount of time – usually 30 to 90 days



Grain Dealer Statutes – Bonding Requirements

Substitutes for Bond:

- Some states do not require posting a bond where a substitute financial replacement such as government security or irrevocable letter of credit is provided
- Some states do not require posting a bond for cash sales or where there is evidence of dealer net assets equal or greater to the bond requirements



Grain Dealer Statutes – Bonding Requirements

Procedures upon Default:

- When payment is not made, seller of grain normally must file complaint or claim with Department of Agriculture
- Complaint or claim normally must be filed within 180 days of the default
- The guarantor will pay the funds to the state.
- The trustee will oversee the distribution of the bond proceeds to the sellers
 - Generally, funds will be distributed pro rata in the event the proceeds are less than the aggregate claims



Grain Dealer Statutes – Indemnity Funds

Approx. 13 statutes establish a grain dealer indemnity fund.

Creation of Indemnity Fund:

- Statutes identify or establish a Board / Corporation / Commission to oversee fund including matters relating to assessments, maximum limits of the fund, procession claims, investigating failures to pay, and approving administrative costs

Stated Purpose of Indemnity Fund:

- General purposes are to pay claimants, pay authorized refunds, and pay expenses to administer fund



Grain Dealer Statutes – Indemnity Funds

Assessment Rate:

- Some states use a per bushel assessment rate – normally in the range of \$.01 - \$.02 per bushel
- Some states base the assessment of total value of grain sold – normally with the value multiplied by a factor in the range of .0025

Collection of Assessment:

- The grain dealer collects the assessment from the producer at the point of sale
- The grain dealer sends the assessment to the fund



Grain Dealer Statutes – Indemnity Funds

Refund of Assessment:

- Some states allow a grower to request a refund, which removes the grower from the protection of the program
- A refunded grower can petition for reentry, and if approved for reentry pay all refunded assessment fees plus interest.



Grain Dealer Statutes – Indemnity Funds

Minimum and Maximum Fund Amounts:

- Required minimums in the fund can be as low as \$250,000
- Maximum fund balances can be as high as \$25,000,000
- Once the fund reaches the maximum amount, collection of assessments normally stops

Grain Dealer Statutes – Indemnity Funds

Filing of Claim:

- Producer files claim with written evidence such as a contract, receipts, settlement sheet
- Claim normally must be filed within 30 to 90 days from the date of nonpayment

Notice of Claim:

- The Board/Commission generally must publish a notice of failure to pay and provide the dealer with an opportunity to respond and/or request a hearing



Grain Dealer Statutes – Indemnity Funds

Investigation of Claim:

- The Board / Commission will investigate the claim and determine its validity

Payment of Claim:

- The claim will be paid at a rate of 80% to 100% of the claim



Grain Dealer Statutes – Indemnity Funds

Remedies Against Dealer:

- The payment of a claim from the indemnity fund constitutes a debt against the dealer
- The Board / Commission is generally authorized to pursue judicial action against the dealer to recover the funds paid out
- Some states consider the dealer's failure to repay funds as a misdemeanor



Grain Dealer Statutes – Bonding vs. Indemnity

Bonding:

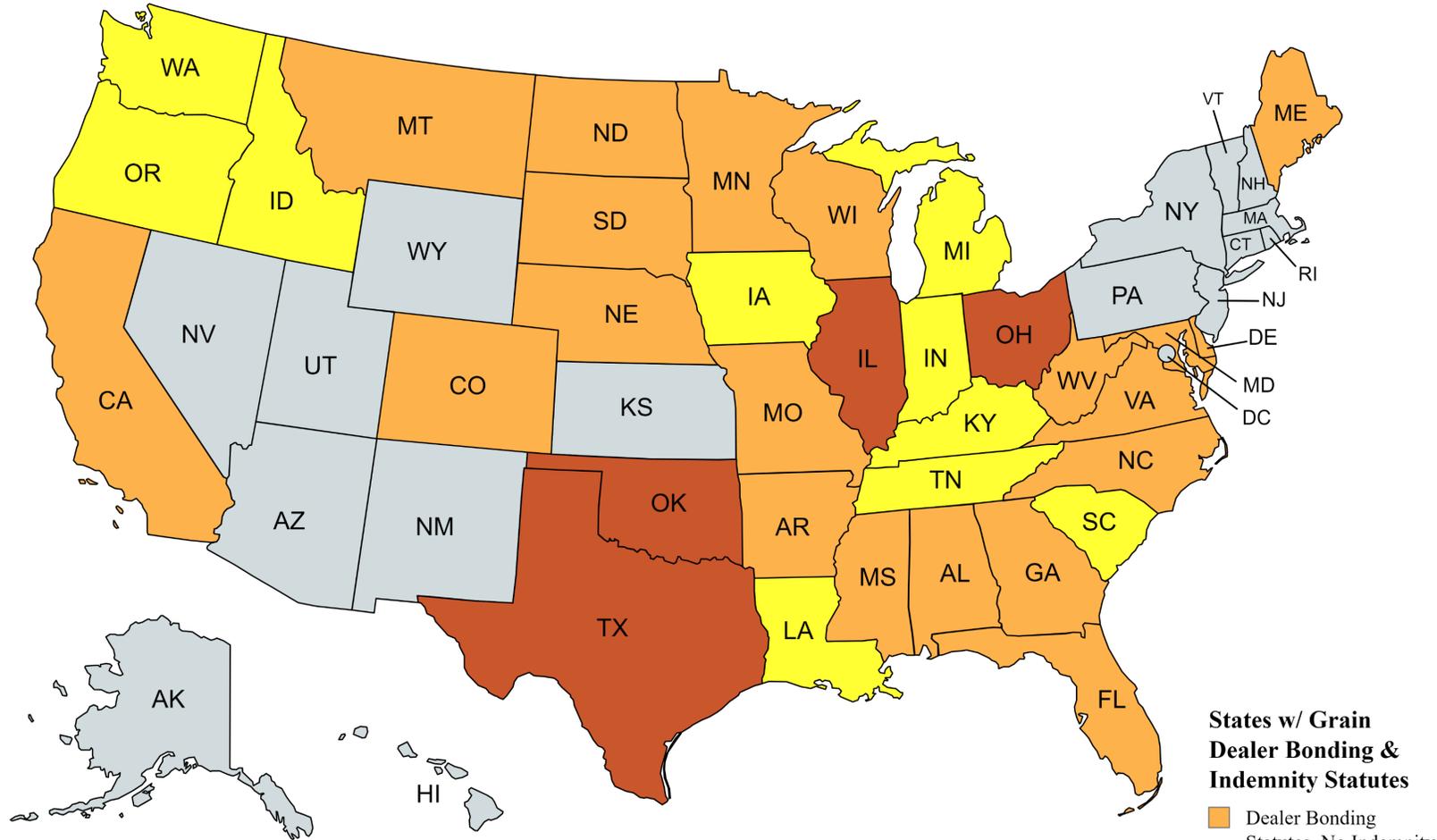
- Direct financial burden is on grain dealer
- Lesser direct state involvement in process

Indemnity Fund:

- Cost can more easily be imposed on producer
 - Ability for producers to opt out
- Requires more state infrastructure to operate
- Can remove requirement if sufficient reserves obtained



States with Grain Bonding/Indemnity Requirements





Grain Dealer Statutes – Statutory Liens

Approximately 10 states provide for statutory liens in their Grain Dealer statute.

Attachment:

- Some states provide for automatic attachment upon delivery of grain
- Some states require other documentation and filing before attachment

Duration:

- Statutory lien generally exists until financial obligation is satisfied
- Some states terminate the lien after a specified amount of time, such as 180 days after attachment



Grain Dealer Statutes – Statutory Liens

Priority:

- Some states provide for first priority over other security interests



Grain Dealer Statutes – Penalties

Approximately 33 states provide for civil or criminal penalties for violation of statute

Injunctions / Cease and Desist Orders:

- Most states provide for authority to issue a cease and desist order
- State provisions vary widely on standards for, duration of, and procedures required to implement cease and desist authority
- Some states require judicial involvement in order to implement cease and desist authority



Grain Dealer Statutes – Penalties

Acts that may Subject Dealer to Penalties:

- Operating without a license
- Failure to cooperate with inspections or investigations
- Failing to follow processes or requirements in statute
- Making false statements
- Committing fraud



Grain Dealer Statutes – Penalties

Civil Penalties:

- Most statutes identify which violations will subject dealer to civil penalties
- Civil penalties generally include monetary fines and suspension/revocation of licensure
- Civil fines generally range from \$500 to \$3,000 per violation



Grain Dealer Statutes – Penalties

Criminal Penalties:

- Most statutes identify which violations will subject dealer to criminal penalties
- Criminal penalties include misdemeanors and felonies
- The severity of criminal sanctions vary from state to state
 - Sanctions range up fines not exceeding \$10,000 or imprisonment of ten years



Grain Dealer Statutes – Penalties

Hearings:

- Most statutes provide for varying procedures, but require notice and hearing before the imposition of civil penalties
- Criminal penalties are issued by a court of law after conviction



Grain Dealer Statutes – References

- National Agricultural Law Center, State Compilation, Regulation of Grain Sales & Storage - <https://nationalaglawcenter.org/state-compilations/grainsalesstorage/>
- *Recent State Updates to Grain Indemnity*, Jeremy Garcia & Emily Stone - <https://nationalaglawcenter.org/grain-indemnity/>
- *Federal and State Regulation of Grain Warehouses and Grain Warehouse Bankruptcy*, Neil Hamilton & Jake Looney, 27 S.D. L. Rev. 334 (1982) - https://nationalaglawcenter.org/wp-content/uploads/assets/bibarticles/hamiltonlooney_warehouses.pdf



Grain Dealer Statutes – References

- Farmers’ Guide to Grain Buyers Laws: A Survey of Two States: Farmers’ Legal Action Group Inc. (FLAG) (Dec. 18, 2023) - https://organicfarmersassociation.org/wp-content/uploads/2024/09/OFA_FLAG-Farmers-Guide-Grain-Buyer-Laws_Y1Q4.docx-1.pdf
- United States Warehouse Act, USDA Agricultural Marketing Service - <https://www.ams.usda.gov/rules-regulations/uswa>



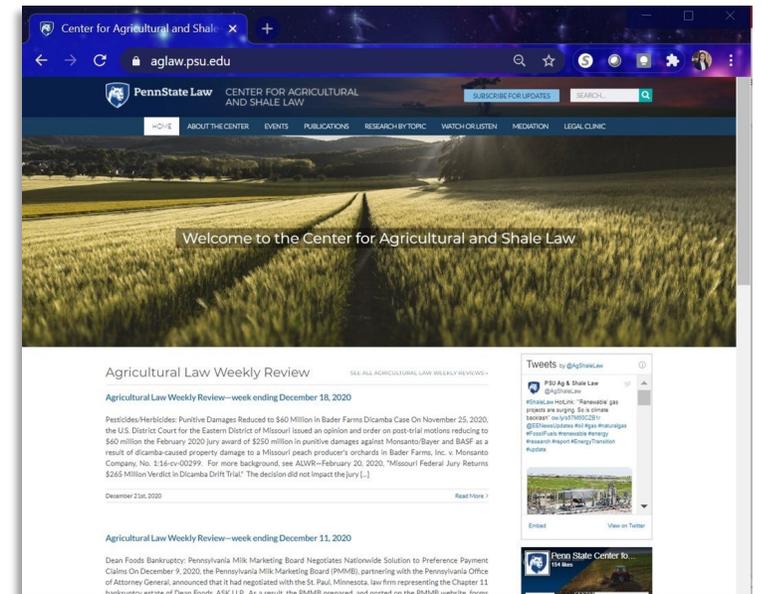
Grain Dealer Statutes – References

- *Grain Dealer Regulatory Compendium*, Penn State Center for Agricultural and Shale Law - <https://aglaw.psu.edu/research-by-topic/library-guide/grain-dealers-regulatory-compilation/>

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