

2-14-2023

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Thank you, Mr. Chair Putnam and Ms. Chair Vang members of the committee,

For the record my name is Martin Phillips and I am here to testify for the grain indemnity fund.

We are a 3rd generation small Minnesota farm south of Mankato. We are certified organic in 42 crops that we raise every year. We host a u-pick 'Pumpkin Junction' event each year with out charging an entrance fee relying on our pumpkin, vegetable, ornamental, concession stand sales to bring low cost entertainment to family's across southern Minnesota and Northern Iowa.

In 2021 we had a organic corn contract with Pipeline Foods of Hope MN. To sell them our 2020 organic corn harvest that was scheduled for delivery to their facility in July of 2021. We started hauling on 6-14-2021 with the last delivery made on 6-29-2021. They wanted the organic corn as soon as possible and we kindly hauled all 16 semi loads as quick as we could totaling 15,093.929 bushels.

On July 8th of 2021 we were informed that Pipeline Foods had filed a company wide bankruptcy chapter 11 in Delaware on all of it's creditors. We are a small farm of 420 acres with little land owned of the 420 acres. The resulting loss amounts to \$ 112,175 dollars. We had a operating loan with Compeer Financial that we could not pay off except by using monies we had set aside for paying land rents, that of course went unpaid.

Still today we have not recouped a single penny and the struggle still goes on. One of the biggest eye openers is that Pipeline Foods was only required to post a \$ 500,000 thousand dollar bond. That bond was meant to help reimburse unsecured creditors in the event of a bankruptcy. The bankruptcy court has sent us a letter suggesting that we might receive .9 to 1.1 % of our losses and still nothing has been resolved in regards to the bond. The bankruptcy court has now demanded that the Minnesota Department of Ag send them all the information in regards to this bond and what each farmer might be owed. Their letter of intent is to make sure that no farmer / unsecured creditor will receive too much money in comparison to farmers in other states that there might be a more fair settlement overall.

What this has done to us is destroyed a credit rating in the mid 700's and reduced it to the mid 500's. This has wiped out many past profitable years of income and put this small farm's life in jeopardy. Life is always hard on a small farm and loosing access to credit resources not only limits your growth potential, but also your quality of life for each member of the farm and the children who plan on working the farm in the future.

In 2022 we had 2 organic soybean contracts with Global Processing, one for \$ 32.50/bushel and the other for \$ 36.00/bushel and the organic soybeans were to be delivered in January of 2023.

In October of 2022 Global Processing filed a company wide bankruptcy chapter 11 in Iowa. I have been told they only had a \$ 50,000 thousand dollar bond in Minnesota.

The good news is that we have not delivered the organic soybeans. The bad news is that when the bankruptcy court in Iowa releases the contracts from Global Processing and we can sell where ever we can find a market, the current organic soybean prices have fallen to \$ 22.00/bushel. This represents a potential financial loss of \$ 115,857 dollars if the grain price stays at this level and does not fall to a lower level.

We are advocating for an indemnity fund that will better protect the small farmers of this state, I know one of the arguments against this fund is that farmers do not need an additional fee to pay, but I put it to you, that a small fee of 2 dollars on \$ 1,000 of grain sales according to the Minnesota Farmers Union. This would be a small price to pay by the farmers of this great state and each farmer could opt out.

In closing farmers are the very backbone of our local society. The food producers of our great nation!!! Lisa and I thank you for all your hard work concerning this issue to protect the farms in the state.

Sincerely,

Martin & Lisa Phillips @ Blue Skye Farms