

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 34

BY AGRICULTURAL AFFAIRS COMMITTEE

AN ACT

RELATING TO COMMODITY DEALERS; AMENDING SECTION 69-503, IDAHO CODE, TO REVISE LICENSE PROVISIONS, TO REQUIRE CERTAIN INSURANCE AND TO MAKE A TECHNICAL CORRECTION.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 69-503, Idaho Code, be, and the same is hereby amended to read as follows:

69-503. LICENSE REQUIREMENTS – FINANCIAL RESPONSIBILITY. (1) A person shall not engage in the business of a commodity dealer in this state without having obtained a license issued by the department.

(2) The type of license required shall be determined as follows:

(a) A class 1 license is required if the commodity dealer purchases agricultural commodities by credit-sale contract or if the value of the agricultural commodities purchased by the commodity dealer from producers during the previous twelve (12) month period exceeds two hundred and fifty thousand dollars (\$250,000), or if the value of the agricultural commodities expected to be purchased by the commodity dealer from the producers during the succeeding twelve (12) month period will exceed two hundred and fifty thousand dollars (\$250,000). Any other commodity dealer may elect to be licensed as a class 1 commodity dealer.

(b) A class 2 license is required for any commodity dealer if the value of the agricultural commodities purchased by the commodity dealer from producers during the previous twelve (12) month period exceeds ten thousand dollars (\$10,000) and is less than two hundred and fifty thousand dollars (\$250,000), ~~and~~ or if the value of the agricultural commodities expected to be purchased by the commodity dealer from producers during the succeeding twelve (12) month period will be more than ten thousand dollars (\$10,000) but less than two hundred and fifty thousand dollars (\$250,000). A class 2 licensee whose purchases from producers exceed two hundred and fifty thousand dollars (\$250,000) in value during any twelve (12) month period shall immediately apply for a class 1 license. If a class 1 license is denied, the person shall immediately cease doing business as a commodity dealer.

(3) An application for a license to engage in business as a commodity dealer shall be filed with the department and shall be on a form prescribed by the department. A separate license is required for each location at which records are maintained for transactions of the commodity dealer.

(4) A license application shall include the following:

(a) The name of the applicant;

(b) The names of the officers and directors if the applicant is a corporation;

(c) The names of the partners if the applicant is a partnership;

1 (d) The location of the principal place of business; and

2 (e) Any other reasonable information the department finds necessary to carry out the  
3 provisions and purposes of this chapter.

4 (5) A license applicant shall further provide a sufficient and valid bond as specified in  
5 section 69-506, Idaho Code.

6 (6) A license applicant shall further provide a complete financial statement setting forth  
7 the applicant's assets, liabilities and net worth. This financial statement shall be prepared  
8 by an independent certified public accountant or a licensed public accountant according to  
9 generally accepted accounting principles. The commodity dealer shall have and maintain  
10 current assets equal to or greater than current liabilities. Assets shall be shown at original cost  
11 less depreciation. Upon written request filed with the department, the director may allow asset  
12 valuations in accordance with a competent appraisal.

13 (7) In order to receive and retain a commodity dealer's license the following additional  
14 conditions must be satisfied:

15 (a) For a class 1 license a commodity dealer shall have and maintain a net worth of at  
16 least fifty thousand dollars (\$50,000) or maintain a bond in the amount of two thousand  
17 dollars (\$2,000) for each one thousand dollars (\$1,000) or fraction thereof of net worth  
18 deficiency; however, a person shall not be licensed as a class 1 commodity dealer if the  
19 person has a net worth of less than twenty-five thousand dollars (\$25,000). A bond  
20 submitted for purposes of this subsection shall be in addition to any bond otherwise  
21 required under the provisions of this chapter.

22 (b) For a class 2 license a commodity dealer shall have and maintain a net worth of  
23 at least twenty-five thousand dollars (\$25,000) or maintain a bond in the amount of two  
24 thousand dollars (\$2,000) for each one thousand dollars (\$1,000) or fraction thereof of net  
25 worth deficiency; however, a person shall not be licensed as a class 2 commodity dealer if  
26 the person has a net worth of less than ten thousand dollars (\$10,000). A bond submitted  
27 for purposes of this subsection shall be in addition to any bond otherwise required under  
28 the provisions of this chapter.

29 (8) The department may require additional information or verification regarding the  
30 financial resources of the applicant and the applicant's ability to pay producers for agricultural  
31 commodities purchased from them.

32 (9) Any commodity dealer that accepts physical delivery of a commodity purchased  
33 directly from producers, for which the producers have not been paid, must insure the value of  
34 all commodities in his possession at full market price for physical perils until all liabilities to  
35 producers have been paid.