

**Hasselberg, Williams, Grebe,  
Snodgrass & Birdsall**  
Attorneys and Counselors

# AGRI-BUSINESS LEGAL NEWS



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## **MF GLOBAL: A Fixable Mess or a Long-Term Shakeup?**

And the phone began to ring. “Have you heard about MF Global? “I think my account is frozen.” “Will I ever get my money back?” “What will the Department of Agriculture do?” When we started receiving these calls, we, like everyone else, did not know all of the answers. However, we were more fortunate than most. Having been in the agri-business industry for decades, we were able to contact folks we have known for a long time. We began to piece together what was happening, and what direction it might take. We were able to return those phone calls promptly and start providing guidance.

While we have more information now, the extent of the damage to grain elevators and the industry is still unknown. We know that up to \$1.2 billion is missing. The Trustee has made distributions, up to 72%, and claims are being filed for the balance, but no one knows how much, if any, will be recovered. We know that some elevators were required to re-post their margins. Fortunately, regulatory agencies and others in the industry did not panic.

While the potential loss of substantial amounts of money is disturbing, the long-term damage to the industry might be even more significant. Everyone thought that the MF Global

customer funds were segregated and could not be touched. The industry believed that there was no risk. This led to stability and confidence in the exchanges and markets.

Now, that confidence has been shaken, not only for grain elevators, but for their lenders and others in the industry. Clearly, the oversight currently in place is inadequate.

We are still waiting to see how the MF Global matter will play out. In the short term, everyone is waiting to see how much the Trustee can recover and return to the commodities customers. In the long term, we will see how the regulators plan to improve and adjust to restore confidence and stability in these accounts.

We will continue to monitor these matters as they move toward resolution. If you have any questions about your claim follow up, assistance with your lender, or any other MF Global matters, please feel free to contact us.

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**Hasselberg, Williams, Grebe, Snodgrass & Birdsall** is a proud member of the Grain and Feed Association of Illinois and the National Grain and Feed Association. We have extensive experience in agricultural law representing grain elevators, cooperatives and other agricultural businesses throughout the State of Illinois, including: grain contracts; grain industry commercial litigation; Illinois Grain Code and Illinois Department of Agriculture matters; and arbitrations before the National Grain and Feed Association. **Jim Grebe** has been practicing law and been an active member of the agri-business community for more than 30 years. Jim, along with **Bill Streeter**, **Chuck Urban** and **Dave Wentworth**, lead our firm's Agri-Business Law Practice Group.

## Are You Ready For Master Agreements?

We have been around long enough to remember when most farmers would do business with a handshake. A phone call to place an order was enough to make the farmer feel that he or she was obligated. Unfortunately, in the past few years, the market's volatility and the general business climate have eroded some of that handshake ideal. Some farmers, faced with sharp price swings, have failed to honor their contracts. Because of what we saw a few years ago, we began to strongly recommend (even more than in prior years) that elevators have well drafted, fully signed contracts for every transaction. While this remains the best option, from a legal standpoint, some of our clients have found it cumbersome to get a signature on a full blown legal document every time a producer places an order.

One solution to this issue is a master agreement. As you may be aware, a master agreement is a longer, more detailed agreement setting forth the terms under which the elevator will work with a customer. Then, for each transaction, a much shorter and simpler document can be signed that sets forth the terms of the particular transaction. The net result is that the long document full of legalese needs to be reviewed and signed only once. If done properly, the time and effort to review the particular legal terms can be done one time up front, making the transactions during the rest of the year simpler and cleaner.

Master agreements are not for everyone. Some elevators are comfortable with the current way that they do business, and it suits them just fine. Also, a master agreement might be useful for some of your customers, but not really needed for others. It is a determination that only you can make.

We view the move toward master agreements as a developing trend. We have drafted agreements for some of our clients who are beginning to use them with more frequency. Some clients find them particularly helpful for new or large customers, or corporate or LLC entities. These are situations where there might be more risk, and the master agreement can help reduce that risk.

If you have not already done so, we encourage you to think about whether or not master agreements are appropriate for your company. As you reflect on the 2011 harvest, think about whether or not there are transactions where having a master agreement would have been helpful. You might find that it will take a bit more work to get one executed, but will save you and your staff time and effort during your busier periods. Master agreements can also be used for input agreements, if that is a part of your business.

If you have any questions about master agreements or any other agri-business issues, please give us a call.

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### Grain and Feed Association of Illinois Convention

We will be at the Grain and Feed Association Convention in Schaumburg. If you see us, please say hello.

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