SUPREME COURT OF IOWA

First State Bank v. Clark

635 N.W.2d 29 (Iowa 2001) · No. No. 99-1995 · Decided October 10, 2001

SUMMARY

The Iowa Supreme Court held that a perfected security interest in crop proceeds continued under Iowa Code section 554.9306(2) even though the proceeds were paid directly to an unsecured creditor rather than received by the debtor. The court concluded that the payment remained identifiable proceeds subject to the bank's security interest, reversed summary judgment for the unsecured creditor, and remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of Iowa
WRITING FOR THE COURT	Cady, Justice
JURISDICTION	Iowa
DECIDED	October 10, 2001
DOCKET	No. 99-1995
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from the district court's grant of summary judgment to Johnson Chemicals in First State Bank's conversion action concerning crop-sale proceeds subject to a perfected security interest.
STANDARD OF REVIEW	Review for errors at law. Summary judgment is upheld when there is no genuine issue of material fact; because the facts were undisputed, the court reviewed whether the district court correctly applied the law to those facts.
PRECEDENTIAL VALUE	Published Iowa Supreme Court opinion; precedential.
PARTIES	First State Bank, Nora Springs v. William Clark and Mike Clark, d/b/a Johnson Chemicals

TOPICS

secured transactions · uniform commercial code · statutory interpretation · commercial litigation · commercial

PRACTICE AREAS

secured transactions · commercial litigation · uniform commercial code

QUESTIONS PRESENTED

1. Whether Iowa Code section 554.9306(2) requires crop-sale proceeds to be received directly by the debtor before a perfected security interest continues in those proceeds.
2. Whether the payment made by St. Ansgar Mills to Johnson Chemicals constituted identifiable proceeds subject to First State Bank's security interest.

HOLDINGS

1. Iowa Code section 554.9306(2) does not require proceeds to be directly received by the debtor. A perfected security interest continues in identifiable proceeds even when the proceeds are paid to a third party rather than to the debtor.
2. The $6,758.80 payment to Johnson Chemicals constituted identifiable proceeds subject to First State Bank's security interest, despite not having been paid to Yezek.

KEY QUOTATIONS

> *"Except where this Article otherwise provides, a security interest continues in collateral notwithstanding sale, exchange or other disposition thereof unless the disposition was authorized by the secured party in the security agreement or otherwise, and also continues in any identifiable proceeds including collections received by the debtor."* (at 31)

> *"We conclude section 554.9306(2) does not require the proceeds to be directly received by the debtor."* (at 33-34)

> *"The payment received by Johnson Chemicals constituted proceeds subject to First State's security interest, even though it was paid to Johnson Chemicals rather than to Yezek."* (at 34)

FACTUAL BACKGROUND

First State Bank financed Daniel Yezek's farming operation and perfected a security interest in his corn crop and crop proceeds. Although the bank notified Grain Millers, Inc. of its security interest, Yezek sold the corn to a different elevator, St. Ansgar Mills, Inc., which had not received notice. Yezek directed St. Ansgar Mills to pay $6,758.80 in sale proceeds to Johnson Chemicals, an unsecured creditor, rather than to Yezek. Johnson Chemicals refused to turn the payment over to First State Bank.

PROCEDURAL HISTORY

First State Bank had a perfected security interest in Daniel Yezek's corn crop and its proceeds. Yezek sold the crop to St. Ansgar Mills, which paid the proceeds to Johnson Chemicals, an unsecured creditor, without receiving notice of the bank's security interest. The district court granted Johnson Chemicals summary judgment, concluding that the bank's security interest did not continue in proceeds never received by Yezek. The Supreme Court of Iowa reversed and remanded for consideration of the bank's summary-judgment motion.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand for consideration of First State Bank's motion for summary judgment.

CASES CITED

- St. Ansgar Mills, Inc. v. Streit, 613 N.W.2d 289, 292 (Iowa 2000)
- Eastern Idaho Prod. Credit Ass'n v. Idaho Gem, Inc., 122 Idaho 946, 842 P.2d 282, 286-87 (1992)
- First Interstate Bank v. Arizona Agrochemical Co., 731 P.2d 746, 748 (Colo. Ct. App. 1986)
- Scallop Petroleum Co. v. Banque Trad-Credit Lyonnais (France) S.A., 690 F. Supp. 184, 190 (S.D.N.Y. 1988)
- Norfolk Prod. Credit Ass'n v. Bank of Norfolk, 220 Neb. 593, 371 N.W.2d 276, 279 (1985)
- Lake Ontario Prod. Credit Ass'n v. Partnership of Grove, 138 A.D.2d 930, 526 N.Y.S.2d 985, 986 (N.Y. App. Div. 1988)
- In re Reliance Equities, Inc., 966 F.2d 1338, 1340-41 (10th Cir. 1992)
- Am. Nat'l Bank v. Cloud, 201 Cal. App. 3d 766, 247 Cal. Rptr. 325, 330 (1988)
- Producers Cotton Oil Co. v. Amstar Corp., 197 Cal. App. 3d 638, 242 Cal. Rptr. 914, 919-21 (1988)
- Farnum v. C.J. Merrill, Inc., 264 A.2d 150, 155-56 (Me. 1970)
- Vacura v. Haar's Equip., Inc., 364 N.W.2d 387, 392 (Minn. 1985)
- Prod. Credit Ass'n v. Melland, 278 N.W.2d 780, 788-89 (N.D. 1979)
- Baker Prod. Credit Ass'n v. Long Creek Meat Co., 266 Or. 643, 513 P.2d 1129, 1132-35 (1973)
- Cent. Washington Bank v. Mendelson-Zeller, Inc., 113 Wash. 2d 346, 779 P.2d 697, 704-05 (1989)
- Centerre Bank, N.A. v. New Holland Div. of Sperry Corp., 832 F.2d 1415, 1419-20 (7th Cir. 1987)
- State v. Jennie Coulter Day Nursery, 218 N.W.2d 579, 582 (Iowa 1974)
- State v. DeCamp, 622 N.W.2d 290, 294 (Iowa 2001)
- In re Munger, 495 F.2d 511, 513 (9th Cir. 1974)
- Farmers & Merchants Nat'l Bank v. Sooner Co-op., Inc., 766 P.2d 325, 327-28 (Okla. 1989)
- Waits v. United Fire & Cas. Co., 572 N.W.2d 565, 573 (Iowa 1997)
- Humboldt Trust & Sav. Bank v. Entler, 349 N.W.2d 778, 782-83 (Iowa Ct. App. 1984)
- Metter Banking Co. v. Fisher Foods, Inc., 183 Ga. App. 441, 359 S.E.2d 145, 147-48 (1987)
- Fort Collins Prod. Credit Ass'n v. Carroll Dairy, 37 Colo. App. 536, 553 P.2d 95, 98 (1976)
- Ellefson v. Centech Corp., 606 N.W.2d 324, 332 (Iowa 2000)
- Meyer v. City of Des Moines, 475 N.W.2d 181, 184 (Iowa 1991)