SUPREME COURT OF ILLINOIS

State Bank of Cherry v. CGB Enterprises, Inc.

2013 IL 113836 (Ill. 2013) · No. 113836 · Decided April 1, 2013

SUMMARY

The Illinois Supreme Court held that the Food Security Act of 1985 governed notice of a secured party's interest in farm products. It concluded that the Act requires strict compliance with its direct-notice requirements, including identifying the county where the products are produced or located. Because the bank's notices omitted the county, the grain buyer took the crops free of the bank's security interest, and the appellate court's judgment was affirmed.

CASE DETAILS

COURT	Supreme Court of Illinois
WRITING FOR THE COURT	Justice Garman; Chief Justice Kilbride; Justice Thomas; Justice Karmeier; Justice Theis; Justice Freeman; Justice Burke
JURISDICTION	Illinois
DECIDED	April 1, 2013
DOCKET	113836
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the Illinois Appellate Court for the Third District after the appellate court reversed a circuit-court order granting the plaintiff secured party summary judgment and denying the defendant buyer judgment on the pleadings. The Illinois Supreme Court granted leave to appeal.
STANDARD OF REVIEW	Statutory interpretation, summary judgment, and judgment on the pleadings are reviewed de novo.
PRECEDENTIAL VALUE	Published, precedential decision of the Illinois Supreme Court
PARTIES	State Bank of Cherry v. CGB Enterprises, Inc.

TOPICS

secured transactions · uniform commercial code · statutory interpretation · plain meaning rule · commercial litigation

PRACTICE AREAS

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

QUESTIONS PRESENTED

1. Whether section 1631(e)(1)(A) of the Food Security Act of 1985 requires strict compliance or permits substantial compliance with the direct-notice requirements.
2. Whether notices that failed to identify the county or parish where the farm products were produced or located satisfied the Act's direct-notice requirements.
3. Whether the circuit court properly granted the secured party summary judgment and denied the buyer judgment on the pleadings.

HOLDINGS

1. A secured party must strictly comply with the direct-notice requirements of 7 U.S.C. § 1631(e)(1)(A) to cause a buyer of farm products to take subject to the secured party's security interest.
2. The notices were insufficient because they did not identify the county or parish where the secured crops were produced or located.
3. The circuit court erred in granting the bank summary judgment and denying CGB judgment on the pleadings because CGB purchased the crops free of the bank's security interest as a matter of law.

KEY QUOTATIONS

> *"Therefore, a secured party must strictly comply with the notice requirements of section 1631(e) in order to provide sufficient direct written notice under the Act."* (¶ 62)

> *"We hold that a secured party must strictly comply with the direct notice provisions of 7 U.S.C. § 1631(e)(1)(A) in order to sufficiently notify a buyer of the secured party's security interest."* (¶ 70)

> *"Plaintiff's notices that omitted the county in which the secured property was located were insufficient under the direct notice provision of the Act."* (¶ 70)

FACTUAL BACKGROUND

State Bank of Cherry held a security interest in Lawrence Rogowski's crops and their proceeds. The bank sent CGB Enterprises notices stating that the bank had a security interest in Rogowski's crops, but the notices left blank the section requiring identification of the property and county or parish where the crops were produced or located. CGB sold Rogowski's crops and paid $35,617.87 in proceeds directly to Rogowski. The bank later obtained an unsatisfied deficiency judgment against Rogowski and sought recovery from CGB.

PROCEDURAL HISTORY

State Bank of Cherry sued CGB Enterprises, alleging that CGB failed to protect the bank's security interest when it purchased crops and paid the proceeds directly to the debtor. The La Salle County circuit court denied CGB's motion to dismiss, later granted the bank summary judgment, and denied CGB's motion for judgment on the pleadings. The appellate court reversed, holding that the bank's notices did not strictly comply with the Food Security Act. The Illinois Supreme Court affirmed the appellate court.

DISPOSITION

affirmed

CASES CITED

- Sandholm v. Kuecker, 2012 IL 111443, ¶ 41
- Farm Credit Midsouth, PCA v. Farm Fresh Catfish Co., 371 F.3d 450 (8th Cir. 2004)
- First National Bank in Toledo v. Effingham-Clay Service Co., 261 Ill. App. 3d 890 (1994)
- In re Printz, 478 B.R. 876, 883 (Bankr. C.D. Ill. 2012)
- Lisco State Bank v. McCombs Ranches, Inc., 752 F. Supp. 329 (D. Neb. 1990)
- People's Bank v. Bryan Brothers Cattle Co., 504 F.3d 549 (5th Cir. 2007)
- Sprietsma v. Mercury Marine, 197 Ill. 2d 112, 119-20 (2001), rev'd on other grounds, 537 U.S. 51 (2002)
- Melena v. Anheuser-Busch, Inc., 219 Ill. 2d 135, 141 (2006)
- Wilson v. Norfolk & Western Ry. Co., 187 Ill. 2d 369, 381 (1999)
- Weiland v. Telectronics Pacing Systems, Inc., 188 Ill. 2d 415, 422-23 (1999)
- Carr v. Gateway, Inc., 241 Ill. 2d 15, 21 (2011)
- Carter v. SSC Odin Operating Co., 237 Ill. 2d 30, 40 (2010)
- People v. Williams, 235 Ill. 2d 178, 187 (2009)
- City of Chicago v. Comcast Cable Holdings, L.L.C., 231 Ill. 2d 399, 414 (2008)
- U.S. Bank National Ass'n v. Clark, 216 Ill. 2d 334, 352 (2005)
- Boyer v. Atchison, Topeka & Santa Fe Ry. Co., 38 Ill. 2d 31, 34 (1967)
- Bowman v. American River Transportation Co., 217 Ill. 2d 75, 91-92 (2005)
- Bishop v. Burgard, 198 Ill. 2d 495, 507 (2002)
- First National Bank & Trust v. Miami County Cooperative Ass'n, 897 P.2d 144 (Kan. 1995)
- Snyder v. Heidelberger, 2011 IL 111052, ¶ 16
- Lutheran Social Service of Minnesota v. United States, 758 F.2d 1283, 1289 (8th Cir. 1985)
- People v. Hudson, 228 Ill. 2d 181, 193 (2008)
- Carver v. Bond/Fayette/Effingham Regional Board of School Trustees, 146 Ill. 2d 347, 353 (1992)
- In re Marriage of O'Neill, 138 Ill. 2d 487, 495-96 (1990)
- Schultz v. Illinois Farmers Insurance Co., 237 Ill. 2d 391, 399-400 (2010)
- County Mutual Insurance Co. v. Carr, 372 Ill. App. 3d 335, 339 (2007)