

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS

IN RE:)
)
TERRY E. HODSON and) Bankruptcy Case No. 03-60936
MARLENE G. HODSON,)
)
Debtors.)

OPINION

This matter having come before the Court on a Motion for Authority to Apply Crop Proceeds and Objection of Debtors, Terry Hodson and Marlene Hodson, to Motion for Authority to Apply Crop Proceeds; the Court, having heard arguments of counsel and being otherwise fully advised in the premises, makes the following findings of fact and conclusions of law pursuant to Rule 7052 of the Federal Rules of Bankruptcy Procedure.

Findings of Fact

1. On November 25, 2003, a hearing was held in Benton, Illinois, on the Motion of Farm Credit Services of Illinois, PCA ("PCA") to liquidate crops. That Motion was granted by the Court on December 4, 2003, over the Debtors' objection.
2. Pursuant to the terms of the Order, PCA was authorized to harvest the Debtors' remaining 2003 crops with the issue of liens, security interests and claims to that crop to be determined at a later date with any such liens and security interests to attach to the sale proceeds.
3. PCA has accounted to the Trustee and the Debtors for the proceeds received which it is currently holding pursuant to the Court Order.

4. A summary of the crop proceeds received and the expenses incurred in harvesting the crops is set out in Paragraph 4 of the Motion for Authority to Apply Crop Proceeds.

5. PCA has a valid first lien by virtue of its security interest in the proceeds superior to the claims of all interested parties.

6. However, in collecting the crop proceeds, PCA has been notified by Mont Eagle Mills, Inc. that it inadvertently paid over one of the landlord's share of the 2003 crops to PCA.

7. Landlord, Conover Farms, is entitled to \$556.84 of the corn proceeds and \$853.22 of the bean proceeds.

8. The parties have agreed that William Hodson will have a period of 30 days, up to and including July 8, 2004, in which to assert any landlord lien he may have that could attach to the crop proceeds at issue.

Conclusions of Law

The Court has carefully reviewed the case authority submitted by the parties at hearing on June 7, 2004, and finds that the case submitted by Movant, Farm Credit Services of Illinois, PCA, of Hartford Underwriters Insurance Company v. Union Planters Bank, N.A., 120 S.Ct. 1942, 147 L.Ed.2d 1 (2000), accurately sets out the law in this matter relating to the administrative claims which the Debtors make as to the crop proceeds from the 2003 crop. Based upon the case authority submitted by the Movant, the Court must find that the harvest expenses and input expenses which the Debtors seek to have paid from the crop proceeds amount to administrative expenses, and that these expenses do not trump the secured lien of the Movant. There is no authority for the Debtors to receive administrative expense payments from the secured proceeds of the 2003 crop.

Given the clear case authority, the Court finds that the Movant should be allowed to apply the crop proceeds to its debt, subject to the payment of landlord, Conover Farms, in the amount of \$556.84 for corn proceeds and \$853.22 for bean proceeds. As stated above, the landlord, William Hodson, will have a period of 30 days within which to assert any landlord's lien he may have. Movant, Farm Credit Services of Illinois, PCA, is directed to hold funds in reserve pending the possible assertion of a landlord's lien.

ENTERED: June 9, 2004.

/s/Gerald D. Fines
GERALD D. FINES
United States Bankruptcy Judge