AgCountry v. Wayland State Bank

Summary judgment (2021)

Minnesota District Court, Seventh Judicial District

56-CV-20-471 (Minn. Dist. Ct. July 8, 2021)

IN THIS EDITION

Complete order and memorandum

Original collection page locators

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Independent edition prepared October 29, 2026

Source PDF page 28

STATE OF MINNESOTA	IN DISTRICT COURT
COUNTY OF OTTER TAIL	SEVENTH JUDICIAL DISTRICT
AgCountry Farm Credit Services PCA, Plaintiff, vs. Wayland State Bank, Defendant.	**ORDER AND MEMORANDUM DENYING MOTION FOR SUMMARY JUDGMENT** Court File No. 56-CV-20-471

On April 12, 2021, the above-entitled matter came on for hearing before the Honorable Kevin M. Miller of District Court, at the Otter Tail County Courthouse in Fergus Falls, Minnesota, via remote technology, on Defendants' Motion for Summary Judgment. Attorney Jon Brakke appeared on behalf of Plaintiff. Attorney Christopher Morris appeared on behalf of Defendant. The parties each submitted briefs and affidavits to support their arguments. The parties also orally argued their positions at the hearing.

Based upon the entire file, the applicable law, the arguments of the parties, and for the reasoning set forth in the attached Memorandum, IT IS HEREBY ORDERED THAT:

1. Defendants' Motion for Summary Judgment is **DENIED**.

2. The attached Memorandum is incorporated by reference herein.

Dated: 7/8/21

BY THE COURT:
Kevin M. Miller
Judge of District Court

Source PDF page 29

Memorandum

Undisputed Facts and Procedural Background

1. An entity by the name of CMS Farms of New York Mills, Inc. (hereinafter "CMS") is indebted to Plaintiff, AgCountry Farm Credit Services PCS (hereinafter "AgCountry") in the principal amount of $500,000.00. This loan was executed pursuant to the terms of a Promissory Note/Loan Agreement dated April 6, 2018 (hereinafter "Note"). As collateral for the Note, CMS granted AgCounty a security interest in all farm products; all livestock, born or unborn; all accounts; and all proceeds. Craig Salmela appears to have or have had an ownership interest in CMS.

2. CMS defaulted on the Note and owes AgCountry $356,588.08 plus accruing interest.

3. In December 2018, CMS used $293,144.97 of the funds from the Note to purchase 5,450 nursery pigs from PIC USA, Inc. (hereinafter "PIC").

4. PIC is an abbreviation for Pig Improvement Company and is a company focused on breeding and hog genetics.

5. Wayland State Bank (hereinafter "Wayland") extended a series of business loans to a company called PEBS Minnesota LLP (hereinafter "PEBS"). The loan was secured via security agreement and the funds were used to purchase livestock from PIC and to acquire a hog facility (real estate) from CMS.

6. PEBS raised pigs as an ongoing source of semen for PIC.

7. PEBS executed a bill of sale and assignment to an individual named Craig Salmela for nursery pigs. PEBS applied to proceeds from the sale of the pigs to a debt it owed Wayland. On January 2, 2019, CMS used $45,000 from the Note to purchase 1,250 sows.

Source PDF page 30

8. On January 10, 2019, PEBS executed a bill of sale and assignment to Craig Salmela for 1,250 sows. PEBS applied the proceeds from the sale to a debt it owed to Wayland.

Disputed Facts

1. Plaintiff alleges that CMS transferred the pigs it purchased using funds from the Note to PEBS and that PEBS then sold those same pigs and applied the proceeds to amounts that PEBS owed to Wayland.

Legal Analysis

I. Summary Judgment

Plaintiff brought this action on alleging three counts: (1) Priority of Security Interests; (2) Unjust Enrichment; and (3) Accounting. Defendant brought a motion for summary judgment on April 12, 2021, positing that there is no genuine issue of material fact for the Court to resolve.

Summary judgment is appropriate when the evidence, viewed in the light most favorable to the nonmoving party, shows that there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. MINN. R. CIV. P. 56.01; *Stringer v. Minn. Vikings Football Club, LLC*, 705 N.W.2d 746, 753 (Minn. 2005). On Summary Judgment, it is improper for the court to weigh facts or determine the credibility of affidavits and other evidence. *DLH, Inc. v. Russ*, 566 N.W.2d 60, 70 (Minn. 1997); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249 (1986). The moving party bears the burden of showing the absence of an issue of material fact. *Stringer*, 705 N.W.2d at 754. A material fact is one whose resolution will affect the result or outcome of the case. *Zappa v. Fahey*, 245 N.W.2d 258, 259-60 (Minn. 1976); *Anderson*, 477 U.S. at 248. Affidavits supporting and opposing a motion for Summary Judgment must set forth facts as would be admissible in evidence. MINN. R. CIV. P. 56.05. "When Source PDF page 31 deciding any summary-judgment motion, the district court must disregard hearsay evidence that would be inadmissible at trial." *In re Trusts A & B of Divine*, 672 N.W.2d 912, 921 (Minn. App. 2004).

If the moving party presents a prima facie case for Summary Judgment, the burden shifts to the nonmoving party to demonstrate the existence of specific disputed facts that create a genuine issue of material fact for trial. MINN. R. CIV. P. 56.05; *Thiele v. Stich*, 425 N.W.2d 580, 583 (Minn.

1988). This demonstration requires more than resting on the averments or denials of the party's pleading. MINN. R. CIV. 56.05; *Stringer*, 705 N.W.2d at 753. In other words, "[s]peculation, general assertions, and promises to produce evidence at trial are not sufficient to create a genuine issue of material fact for trial." *Nicollet Restoration, Inc. v. City of St. Paul*, 533 N.W.2d 845, 848 (Minn. 1995). The nonmoving party must demonstrate a genuine issue of material fact by presenting "substantial evidence" that creates more than "a metaphysical doubt as to a factual issue" and that is "sufficiently probative with respect to an essential element of the nonmoving party's case to permit reasonable persons to draw different conclusions." DLH, 566 N.W.2d at 70-71. Further, Summary Judgment is appropriate when a non-moving party fails to make a showing sufficient to establish the existence of an element essential to the party's case. *Bersch v. Rgnonti & Assocs.*, 584 N.W.2d 783, 786 (Minn. App. 1998).

Here, there is no question that there is a material fact in dispute. However, Defendant alleges that Plaintiff has failed to make a showing sufficient to establish the existence of elements essential to their case. It is this issue to which Court now turns.

Priority of Security Interests

The first claim in the matter is a priority of security interests, which follows the legal structure of a common law action for conversion. The elements of common law conversion are Source PDF page 32 as follows: (1) the plaintiff holds a property interest; and (2) defendant deprives plaintiff of that interest. *Olson v. Moorhead Country Club,* 568 N.W.2d 871, 872 (Minn.App.1997), *review denied* (Minn. Oct. 31, 1997). A party's acceptance of property subject to a security interest constitutes conversion. *See Farmers State Bank of Delavan v. Easton Farmers Elevator*, 457 N.W.2d 763, 766 (Minn.Ct. App.1990). Good faith does not provide a defense for a claim of conversion. *Dairy Farm Leasing Co. v. Haas Livestock Selling Agency,* 458 N.W.2d 417, 419 (Minn.App.1990).

The record before the Court indicates that the Plaintiff believes that the Defendant has deprived the Plaintiff of its property interest in a security interest with CMS. This security interest regards the collateral used to secure Plaintiff's Promissory Note with CMS, encompassing all farm products; all livestock, born or unborn; all accounts; and all proceeds from CMS. CMS defaulted on its loan payments due under the Note, and Plaintiff alleges that that CMS transferred the pigs it purchased using funds from the Note to PEBS, and that PEBS then sold those same pigs and applied the proceeds to amounts that PEBS owed to Defendant. Whether this chain of events supports a common law claim for conversion is undecided. Plaintiff clearly has a property interest in its security interest from CMS, thus the first element of conversion is fulfilled. The second element of conversion is at issue here, and it is to this element that the Court now turns.

Plaintiff has provided the Court with a prima facie case that Wayland accepted proceeds from PEBS that may be AgCountry's collateral. Plaintiff has demonstrated its execution of a Promissory Note with CMS that provided Plaintiff with a security interest in the pigs and the accounts and proceeds of those pigs as collateral. Plaintiff has also provided evidence that the pigs and money flowing from their transfer through different third parties may have resulted in Source PDF page 33 Defendant's acceptance of Plaintiff's security interests in said pigs. This tenuous chain of events provides a

prima facie showing of sufficient evidence to establish the existence of elements essential to a claim for conversion.

Defendant's good faith in the matter does not provide a defense for Plaintiff's common law claim for conversion. Defendant may very well have accepted the proceeds stemming from Plaintiff's security interest without knowledge of Plaintiff's interest. Thus, the Court finds that there is a genuine issue of material fact in the Plaintiff's claim regarding the Priority of Security Interests.

Unjust Enrichment

"In order to establish a claim for unjust enrichment, the claimant must show that another party knowingly received something of value to which he was not entitled, and that the circumstances are such that it would be unjust for that person to retain the benefit." *Schumacher v. Schumacher,* 627 N.W.2d 725, 729 (Minn. Ct. App. 2001); *ServiceMaster of St. Cloud v. GAB Bus. Servs., Inc.,* 544 N.W.2d 302, 306 (Minn.1996); *see also, Acton Constr. Co. v. State,* 383 N.W.2d 416, 417 (Minn.App.1986). It is not enough for the Plaintiffs to show that Defendant benefited from the efforts of Plaintiffs; Plaintiffs must show that Defendant was "unjustly enriched in the sense that the term unjustly could mean illegally or unlawfully." *Schumacher* at 729.

A cause of action for unjust enrichment may be based on 'situations where it would be morally wrong for one party to enrich himself at the expense of another. *Cady v. Bush,* 166 N.W.2d 358, 361-362 (Minn. 1969). The Court does not need to believe that the elements of unjust enrichment are fulfilled before ruling that summary judgment is inappropriate; only that Source PDF page 34 the movant has met its burden establishing sufficient evidence to support the elements for a claim of unjust enrichment.

Plaintiff has alleged that Defendant was unjustly enriched by knowingly receiving Plaintiff's security interest under the Note executed with CMS, and that Defendant's retention of that benefit is unjust under the circumstances. The undisputed fact that Plaintiff has not been able to recover the loan amount due under its Promissory Note with CMS is not enough to support a claim for unjust enrichment, nor is the undisputed fact that Defendant PEBS applied the proceeds from the January 10th sale and assignment with Craig Salmela to a debt it owed to Wayland.

However, Plaintiff's contends that the chain of events, from the Note executed with CMS to Wayland's debt to Defendant, demonstrates a case of unjust enrichment. The preliminary evidence provided by the Plaintiff of this chain of events is enough to survive a motion for summary judgment, providing the Court with a prima facie showing of evidence sufficient to support an element essential to the Plaintiff's claim for unjust enrichment.

Accounting

Accounting is an equitable remedy known "that compels the disclosure of money or property held or obtained by a particular party but which belongs to another." *Elliott v. Noah's Ark Processors, LLC*, No. 37-CV-11-200 (Minn.Dist.Ct. Jan. 28, 2013). See also *Keough v. St. Paul Milk Co.*, 205 Minn. 96, 103, 285 N.W. 809, 815 (1939) (describing an accounting as an equitable remedy); *Raymond Farmers Elevator Co. v. American Surety Co. of New York*, 207 Minn. 117, 290 N.W. 231 (1940) (action for accounting held an equitable action for monetary damages); 1A C.J.S. Accounting § 21 (2005) ("Equity has jurisdiction to compel an accounting when one party has profits in which another is entitled to share."). Remedies for accounting are available "primarily in two circumstances: when a fiduciary owes an equitable duty to account Source PDF page 35 and when the accounts at issue are exceedingly complicated." *Fafinski v. Benepartum Law Group*, No. 19HA-CV-10-5838 (Minn.Dist.Ct. May 09, 2012) (citing *United Prairie Bank- Mountain Lake v. Haugen Nutrition & Equipment*, LCC, N.W.2d (Minn. 2012)). The required prerequisite to maintain a suit for accounting, like other equitable remedies, is "the absence of an adequate remedy at law." *Landgraf v. Ellsworth*, 126 N.W.2d 766, 769 (Minn. 1964). Furthermore, accounting is "an extraordinary remedy usually available only when legal remedies are inadequate." *See Lefkowitz v. Citi-Equity Group, Inc.,* 146 F.3d 609, 611 (8th Cir.1998) (citing *Bradshaw v. Thompson*, 785 454 F.2d 75, 79 (6th Cir.1972)).

In this case, Plaintiff has presented evidence to demonstrate that the accounts at issue are exceedingly complicated and may require an equitable remedy like accounting. Additionally, if the Plaintiffs claims for conversion and unjust enrichment ultimately fail, the Plaintiff may still be successful on a claim for accounting if the Court deems the equitable remedy is necessary due to the "absence of adequate remed[ies] at law." *Landgraf* at 769. Plaintiff has provided evidence that there may be a present inequity in this case, where the complex transfers and assignments of pigs and their proceeds have resulted in a detriment to the Plaintiff, as they have not been able to recover damages under CMS's defaulted loan payments.

Further, both parties have agreed that Defendant received proceeds from PEBS to satisfy outstanding debt. The issue in question is whether those proceeds were connected to Plaintiff's security interest in its Promissory Note with CMS. The parties have presented conflicting evidence regarding this issue, yet viewing the evidence in the light most favorable to the nonmoving party demonstrates that there is genuine issue of fact with sufficient evidence to support an essential element of Plaintiff's claim for accounting. Thus, the accounting claim also survives Defendant's motion for summary judgment.

Source PDF page 36

Conclusion

Because the record reflects a genuine dispute of material fact with a prima facie showing sufficient to establish the existence of an element essential to the case, the Court is compelled to deny Defendant's motion. For the foregoing reasons, summary judgment is **DENIED.**

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