

UNITED STATES BANKRUPTCY COURT
For the Southern District of Iowa

In the Matter of :
HARRY E. SAXTON and :
RUTH B. SAXTON, : Case No. 88-191-C H
 : Chapter 7
Debtors. :
- - - - -

ORDER--MOTION TO DETERMINE PROPERTY OF THE ESTATE
AND FOR DELIVERY OF PROPERTY TO TRUSTEE

On June 14, 1989, a hearing was held on the motion to determine property of the estate and for delivery of property to trustee. August B. Landis appeared on behalf of the Chapter 7 Trustee Donald E. Neiman (hereinafter "Trustee"). Neither Debtors nor counsel representing them appeared at the hearing. At the conclusion of said hearing, the Court took the matter under advisement.

This is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(E). The Court, upon review of the pleadings, arguments of counsel and brief, now enters its findings and conclusions pursuant to Fed.R.Bankr.P. 7052.

FINDINGS OF FACT

1. On February 27, 1987, Harry Saxton (hereinafter "Saxton") executed a contract with the Commodity Credit Corporation (hereinafter "CCC") to participate in the ten-year Conservation Reserve Program (hereinafter "CRP"). Pursuant to said contract, Saxton was required to place designated acreage of farmland into a non-productive conservation plan for a period of ten years. In return, Saxton was entitled to

receive contract payments from the CCC.

2. On May 4, 1987, Saxton's contract was approved by the CCC.

3. On January 29, 1988, Saxton filed a joint Chapter 7 petition with his wife, Ruth Saxton.

4. On February 2, 1988, Trustee was appointed.

5. At the §341 first meeting of creditors on March 11, 1988, Saxton informed Trustee that during October 1988 he would receive a CRP payment of \$27,058.00. Trustee instructed Saxton to forward the CRP payment to Trustee if Saxton received the payment directly from the CCC.

6. Saxton has received the \$27,058.00 CRP payment from the CCC pursuant to the CRP contract but has not turned over said check to Trustee and refuses to do so absent an order from this Court.

7. On April 7, 1989, Trustee filed the instant motion to determine property of the estate and for delivery of the property to Trustee. In said motion, Trustee argued Saxton's CRP contract is property of the estate under 11 U.S.C. §541(a)(1) and that the post-petition CRP payment constitutes "proceeds" from the CRP contract and is property of the estate pursuant to 11 U.S.C. §541(a)(6).

DISCUSSION

Two issues are presented in this case. The first is whether Saxton's CRP contract is property of the estate. The second is

whether the post-petition CRP contract payment is property of the estate.

Bankruptcy Code §541(a) provides that when a debtor files a petition, an estate is created consisting of "all legal or equitable interests of the debtor in property as of the commencement of the case." 11 U.S.C. §541(a)(1) (emphasis added). Congress intended said section to be construed as broadly as possible to encompass all types and kinds of property. Matter of Hunerdosse, 85 B.R. 999, 1003 (Bankr. S.D. Iowa 1988). A debtor's contract rights in agriculture program payments are not property of the estate if the contract is not executed by the government as of the date debtor's petition is filed. In re Schneider, 864 F.2d 683, 685-86 (10th Cir. 1988); In re Fowler, 41 B.R. 962, 963 (Bankr. N.D. Iowa 1984). If, however, the contract is signed and fully approved prior to the filing of the petition, debtor's contract rights thereunder are property of the estate. See Id.

In the case *sub judice* Saxton's CRP contract was signed and fully approved nearly nine months before the petition was filed. Given the broad definition of property of the estate and the above authorities, the Court concludes Saxton's CRP contract and rights thereunder are property of the estate.

The second issue is whether the post-petition payment under the

CRP contract is also property of the estate. Bankruptcy Code §541(a)(6) provides that property of the estate also includes "[p]roceeds, product,

offspring, rents or profits of or from property of the estate, except such as our earnings from services performed by an individual debtor after the commencement of the case." While the Bankruptcy Code does not define the term "proceeds", the Iowa Uniform Commercial Code defines "proceeds" as "whatever is received upon the sale, exchange, collection, or other disposition of collateral or proceeds." Iowa Code §554.9306(1) (emphasis added). The Court agrees with Trustee's analogy that Saxton's post-petition CRP payment constitutes "proceeds" of the CRP contract because said payment is what is received upon the "collection or other disposition" of the CRP contract. As a result, the Court concludes Saxton's CRP payment is property of the estate under §541(a)(6).

Saxton remains in possession of the CRP payment that is property of the bankruptcy estate. Bankruptcy Code §521 sets out the debtor's duties and provides that the debtor "shall . . . (4) if the trustee is serving in the case, surrender to the trustee all property of the estate. . . ." 11 U.S.C. §521(4) (emphasis added). Compliance with the duties imposed by §521 is mandatory, not optional. As a result,

Saxton must surrender the CRP payment which is property of the estate to Trustee.

CONCLUSION AND ORDER

WHEREFORE, based on the foregoing analysis, the Court concludes Saxton's CRP contract is property of the estate under §541(a)(1) and his post-petition CRP contract payment is property of the estate under §541(a)(6).

IT IS ACCORDINGLY ORDERED THAT THE Debtors, Harry E. Saxton and Ruth B. Saxton, shall deliver the CRP payment of \$27,058.00 to the Trustee, Donald F. Neiman.

Dated this 16TH day of June, 1988.

RUSSELL J. HILL

U.S. BANKRUPTCY JUDGE