

# House Research Act Summary

**CHAPTER:** 254

**SESSION:** 2004 Regular Session

**TOPIC:** Agriculture Omnibus Policy Act

**Date:** May 18, 2004

**Analyst:** Sam Rankin, 651-296-5047

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd](http://www.house.mn/hrd).

---

## Overview

Chapter 254 is the omnibus agriculture policy bill. It contains several minor housekeeping amendments to existing statute plus a few new policy directions for the state. People who home-can pickles, fruits, and vegetables are now allowed to sell limited amounts annually at community or social events or a farmers' market. The century-old law governing state aid to county fairs is modernized and simplified. The requirement for detailed ownership information for ethanol producers is mostly eliminated. Several Rural Finance Authority loan programs are tweaked to increase the maximum value of state participation loans. Electronic documents and electronic signatures can now be used in the grain trading and warehousing business. Holders of a nonimmigrant treaty investment visas will be allowed to own farm land and operate dairy enterprises if they meet certain requirements and timelines. Corporate farm law is amended to allow out-of-state ownership in a family farm limited liability company under certain circumstances. A farmer's defense against nuisance liability suits for common agricultural operations is strengthened. And, trespassing in a farm bio-security area is made a gross misdemeanor.

### Section

- 1 Loan criteria; shared savings loan program.** Changes the interest rate on shared savings loans from a flat six percent to a floating rate that cannot exceed three percent until June 30, 2007, and six percent after that date.
- 2 Livestock production policy.** States that the policy of the state is to promote livestock production on family farms and articulates the benefits of doing so.

Section

- 3 Prohibited pesticide use; mosquito control programs.** Provides that the required public meetings to notify citizens of an intent to do aerial spraying for mosquito control must be held within each city or town where the pesticide treatment is to be made, and the time and location of the meetings must be convenient for residents.
- 4 Commercial manure application requirement.** The training and certification program for private manure applicators is remodeled as an extension of the commercial animal waste technician program. For feedlots with 300 animal units or more, a commercial animal waste technician must be hired to land apply the manure unless the feedlot owner has an updated manure management plan that meets PCA rules.
- 5 Home-processed and home-canned fruits and vegetables.** Adds home-canned pickles, fruits, and vegetables with a pH of 4.6 or lower to those foods currently excluded from requirements that a seller obtain a state license before selling canned food products to the public. This exclusion would exempt a person who sells these products at a community or social event or a farmers' market. The exemption applies only to a person who receives less than \$5,000 per year from the sale of these products. Also, the bill requires specific labeling indicating who canned the product and the date of canning. The commissioners of agriculture and health and the Minnesota Extension Service are urged to provide information and technical services to improve the safety of home-canned foods.
- 6 County fair aid; pro rata distribution; conditions.**

A county agricultural society does not become disqualified for failing to hold an annual fair if the cause is a calamity or an epidemic declared by the board of animal health. In existing statute, only a declaration by the commissioner of health could trigger the waiver from disqualification.

Also, this section reduces the minimum required members for an agricultural society from 25 to 15 members.

A list of premiums posted on an Internet web site will now qualify as adequate public announcement of the prizes to be awarded at the county fair. Currently, paper copies must be published and distributed.

The information an agricultural society is required to provide annually to the commissioner of agriculture is reduced to information on premiums paid, and it does not necessarily have to be on forms provided by the commissioner.

The types of exhibits eligible for premiums is expanded to include "other products of a creative nature."

Premiums paid for horse pulls, tractor pulls, demolition derbies, and racing cannot be included in the calculation of state aid to the fairs.

- 7 Entitlement for pro rata distribution.** The paperwork and procedures for receipt of state aid for county fairs is simplified.
- 8 Annual meetings, reports.** The explicit content of the reports given by officers of the agricultural society at the annual meeting of an agricultural society is simplified. A certified copy of the annual report will not need to be filed with the commissioner of agriculture and the county recorder. The reports of an agricultural society are public data and available for

Section

inspection by any person.

- 9 Appropriations by municipalities.** Removes a \$1,000 per year cap on the amount a city or township can contribute to an agricultural society for holding a fair.
- 10 Appropriations for county fairs.** Removes historic caps on the amounts a county board can appropriate to an agricultural society to assist in maintaining a county fair.
- 11 Sites and buildings.** Eliminates a cap of \$7,500 on the amount a county can appropriate for purposes of buying fair ground property and erecting buildings on the grounds.
- 12 Exemption from zoning ordinances.** Clarifies that county fair buildings are exempt from zoning ordinances whether owned by the county or a county agricultural society.
- 13 Ethanol producer payments.** Amends existing statute to reduce the requirement (adopted in 2003) that an ethanol plant applying for producer payments after June 30, 2003, must disclose its ownership structure and principal shareholders.
- 14 Eligibility for restructured loans; net worth.** Increases the allowable maximum net worth of a restructured loan applicant from \$400,000 to \$660,000 and changes the base year from 1999 to 2004 for calculation of the inflation index.
- 15 Eligibility for beginning farmer loans.** Current law allows eligibility for a loan if the applicant has a net worth not exceeding a base value of \$200,000 times a multiplier representing the consumer price index adjustments since 1991. The base value amount is amended to \$350,000 and the new base index year is adjusted to 2004.
- 16 State participation; beginning farmer loan program.** Increases the maximum state participation in a loan under the beginning farmer loan program from \$125,000 to \$200,000.
- 17 State participation; restructuring loan program.** Increases the maximum state participation share in the loan under the restructuring program from \$150,000 to \$225,000.
- 18 State participation; seller-sponsored loan program.** Increases the maximum state participation share in a loan under the seller-sponsored loan program from \$125,000 to \$200,000.
- 19 State participation; agricultural improvement loan program.** Increases the maximum state participation share in a loan under the agricultural improvement loan program from \$125,000 to \$200,000.
- 20 Total net worth limit.** Establishes a maximum net worth of an applicant for the agricultural improvement loan program at a base value of \$350,000 plus an amount in subsequent years adjusted for the consumer price index inflation rate after 2004.
- 21 State participation; livestock expansion loan program.** Increases the maximum state participation share in a loan under the livestock expansion loan program from \$250,000 to \$275,000. Also raises the net worth limit cap from \$400,000 to \$660,000 and changes the base year from 1999 to 2004 for calculation of the inflation index.
- 22 State participation; value-added agricultural product stock purchase loan program.** Increases the maximum state participation share in a loan under the value-added agricultural product stock loan program from \$24,000 to \$40,000.
- 23 Low or moderate net worth.** Amends the definition of low or moderate net worth for purposes of the agricultural development program under the Rural Finance Authority (chapter 41C) to reflect net worth value adjustments made in section 1 for other RFA loan programs. The base net worth value is adjusted from \$200,000 to \$350,000 and as in sections 14, 15, and 21 above, the base year for inflation adjustments is changed to 2004.
- 24 Dairy modernization grants.** Authorizes the commissioner of employment and economic development to disburse funds to regional or statewide development organizations for dairy modernization grants. The commissioner, along with the commissioner of agriculture, is to

**Section**

establish the application process and provide a basis for screening grants to dairy farm operators. Eligible uses for grant funds include the construction or improvement of buildings, facilities, and equipment for dairy animals.

- 25** **Authorized activities.** Allows veterinarians in compliance with subdivision 6 (created by section 26, below) to perform teaching, demonstration, and research duties for the education of veterinarians and pathologists at the Veterinary Diagnostic Laboratory, University of Minnesota.
- 26** **Faculty licensure.** Creates a new subdivision allowing certain veterinary clinicians at the University to treat animals at the Medical Center if they don't possess the same license required of other veterinary practitioners but meet criteria in this subdivision.

The practitioner must have held a hard-to-fill faculty position at the College of Veterinary Medicine for five years or more prior to 2003 or been specialty board certified by AVMA. If these criteria are met the clinician may practice in the specialty area while employed by the Veterinary Medical Center

Or, a specialty practitioner in a hard-to-fill faculty position at the University who has graduated from a board-approved foreign veterinary school may be issued a temporary faculty clinician license. The temporary license is valid for two years and allows the licensee to practice in the specialty area while employed by the Veterinary Medical Center. The holder of a temporary license may be issued two-year extensions to the license if enrolled in a PhD program. Holders who are not enrolled in a PhD program may be granted a single two-year license extension. In both cases the extensions are contingent upon demonstrating suitable progress in an academic program.

Temporary and specialty faculty clinician licensees are governed by the same rules of practice as other state-licensed veterinarians.

License fees and late payment fees for temporary and specialty practitioners are the same as for other state-licensed veterinarians.

- 27** **Definition; electronic document.** Defines electronic document for purposes of grain purchase contracts and voluntary extension of credit contracts.
- 28** **Definition; electronic signature.** Defines electronic signature for purposes of executing or signing documents.
- 29** **Grain buyer's bond.** The amount of a bond required of a grain buyer is based on gross annual purchases of grain—larger purchasers being required to be bonded at a higher level. The highest required bond amount in current law is \$50,000 for a buyer with gross annual purchases of \$3,000,000. An amendment to this section adds additional categories for large buyers. The new minimum required bond will be \$150,000 for a buyer with gross annual purchases of over \$24,000,000.

A grain buyer who has filed a bond with the Commissioner prior to July 1, 2004, is not required to meet the new, higher bond amounts until July 1, 2006.

- 30** **Financial statements.** The level of the minimum financial statement required to be submitted by an applicant for a grain buyer's bond is increased from a "compilation report" to a "reviewed financial statement or audit" or a "compilation report prepared by a grain commission firm approved by the commissioner..."

Section

- 31 **Contracts reduced to writing.** An extension of credit contract in an electronic format and with an applied electronic signature is valid. A lot of grain must not at any time be secured by both an electronic and a paper contract.
- 32 **Definition; electronic document.** Defines “electronic document” as they may be used for warehouse receipts, grain purchase contracts, and voluntary extensions of credit contracts.
- 33 **Definition; electronic grain warehouse receipt.** Defines “electronic grain warehouse receipt” as a negotiable instrument in the form of an electronic document.
- 34 **Definition; electronic signature.** Defines “electronic signature” as it applies to the intent of a person to sign a record.
- 35 **Form of grain warehouse receipt.** Allows for the issuance of a valid electronic grain warehouse receipt by a USDA licensed and approved vendor if the electronic version contains the same information as would be required on a paper grain warehouse receipt. A lot of grain must not at any time be secured by both an electronic and a paper warehouse receipt. An electronic warehouse receipt may be redeemed via electronic signature.
- 36 **Reinstatement of a cooperative under chapter 308A.** Extends indefinitely the one-year window during which a cooperative may be retroactively reinstated after a registration lapse or dissolution.
- 37 **Reinstatement of a cooperative under chapter 308B.** Extends indefinitely the one-year window during which a cooperative may be retroactively reinstated after a registration lapse or dissolution.
- 38 **Definition; permanent resident alien of the United States.** Amends the existing definition of permanent resident alien to include a person admitted to the United States under a nonimmigrant treaty investment visa. A person admitted under this type of visa must live in Minnesota at least 10 months out of every 12-month period. Also, the visa holder is limited to dairy farming and the ownership of no more than 1,500 acres of agricultural land. The visa holder must be actively pursuing citizenship status within 3 years of arrival.
- 39 **Determination of alien status.** Establishes the presumption that a person who has been absent from the state for more than 2 months out of any 12-month period is not a permanent resident alien. Requires that a person admitted under a nonimmigrant treaty investment visa must report to the commissioner within 30 days the purchase of agricultural land and annually thereafter.
- 40 **Penalty, failure to report.** Failure of a visa holder to report to the commissioner of agriculture and to register annually is a gross misdemeanor.
- 41 **Definitions; family farm trust and family farm limited liability company.** Amends the existing definition of “family farm trust” to not require a family member to reside on or actively operate the farm if the trust leases the land to a family farm, a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm limited liability company, a family farm trust, an authorized farm limited liability company, a family farm partnership, or an authorized farm partnership.

Removes some archaic language in definitions relating to corporate farm law.

Amends the existing definition of “family farm limited liability company” to not require a family member to reside on the farm or actively operate the farm if the land was owned by one of the parties for a period of five years before its transfer to the limited liability company.

- 42 **Lease agreement; conservation practice protection.** Adds family farm trusts to a list of

**Section**

organizational structures that must protect conservation practices on leased land.

- 43 Definition; generally accepted agricultural practices.** Creates a new definition of “generally accepted agricultural practices” for purposes of nuisance claims against farming operations.
- 44 Agricultural operation not a nuisance.** The existing shield from nuisance liability is amended to strengthen the current exemption after the first two years of operation or after a major expansion. The new language provides a rebuttable presumption that an agricultural operation is not a public or private nuisance if the agricultural operation meets three criteria. The operation must be 1) be located in an agriculturally zoned area, 2) comply with all federal, state, and county regulations and permits, and 3) operate with generally accepted agricultural practices.
- The amendment removes existing limits to the shield against a nuisance claim if the agricultural operation causes injury or direct threat of injury to a person’s health or safety. It also removes an existing provision that says the protection does not apply to water pollution issues.
- 45 Exposing domestic animals to disease.** A person who intentionally exposes domestic animals or farm-raised deer, game birds, fish, or other animals listed by Agriculture Department rule to an animal disease is guilty of a gross misdemeanor and is liable for civil damages equal to three times the value of the exposed animals.
- 46 Trespass on agricultural land.** A person who intentionally and without permission enters a livestock area that has been properly posted as a bio-security area is guilty of a gross misdemeanor. Minimum requirements for properly posting are stipulated. Penalty does not apply to state or county regulatory agents conducting an inspection on posted property.
- 47 Dairy producer payment report.** Requires the commissioner of agriculture to report to the legislature on programs to provide a milk production incentive for dairy farmers.
- 48 Delayed payments in 2003.** An ethanol producer that was denied ethanol producer payments in 2003 for refusing to disclose ownership information is to be given the payments not later than 60 days after the effective date of section 13.
- 49 Repealer.** Repeals provisions of county fair law that are not needed after the recodification in sections 6 to 12.
- 50 Effective date.** Identifies sections that are effective the day following final enactment and makes the provisions for electronic signatures effective on July 1, 2004.