
Minnesota prohibits certain corporate and business ownership structures from farming or obtaining an interest in agricultural land under the Corporate Farm Law (Minn. Stat. § 500.24).

Corporate Farm Law Overview and General Prohibition

Corporate farm laws generally prohibit certain types of entities from obtaining an interest in or farming agricultural land. Minnesota is one of eight states to restrict corporate ownership of farms; the others are Iowa, Kansas, Missouri, North Dakota, Oklahoma, South Dakota, and Wisconsin.

In Minnesota, a corporation, limited liability company, pension or investment fund, irrevocable trust, or limited partnership may not engage in farming nor can they directly or indirectly own or obtain any interest in agricultural land unless the entity falls under an exception (see below). This general prohibition does not apply to certain authorized or family farm ownership structures if the entity submits a conservation plan and files an annual report with the Minnesota Department of Agriculture (MDA).

Minnesota's corporate farm law applies to agricultural land, meaning real estate used for or capable of being used for farming. And the law's scope of farming includes the production of agricultural products, livestock or livestock products, milk or milk products, and fruit or other horticultural products. The law does not apply to:

- food processing, refining, or packaging operations;
- the provision of spraying or harvesting services by a processor or distributor of farm products;
- the production of timber or forest products;
- the production of poultry or poultry products; or
- raising livestock for delivery to a corporation for slaughter or processing.

If an entity does not fall under any of the exempted categories, then that entity may petition the MDA for a personal exemption from the general prohibition. The MDA may issue an exemption for the business entity if the department finds that the exemption would not contradict the purpose of the statute (protecting the family farm as a basic economic unit) and the petitioning entity would not have a significant impact on the agricultural industry and economy.

Exemptions to the General Prohibition

The general prohibition against business entities engaging in farming or obtaining an interest in agricultural land does not apply to entities that (1) meet specific statutory definitions, (2) file an annual report with the MDA, and (3) submit a conservation plan.

The corporate farm law provides definitions for acceptable exempt entities including family farms, family farm corporations, family farm trusts, family farm partnerships, authorized farm corporations, authorized livestock farm corporations, authorized partnerships, and authorized farm limited liability companies. These exempted entity types have common requirements including:

- a residency requirement where one or more of the entity owners must reside on or actively operate the farm;
- a familial requirement where a majority of the owners must be related within three degrees according to civil family law;
- a natural persons requirement where all or a majority of the owners must be living human beings;
- a maximum number of owners; and
- a maximum acreage in which the entity has a direct or indirect interest.

Other types of operations or organizations exempt from the corporate farm law include research or experimental farms, breeding stock farms, aquatic farms, religious farms, utility corporations, development organizations, and nonprofit corporations. Additionally, certain types of land or methods of obtaining land are exempt, including:

- exempt land (grandfathered in by varying dates depending on the business structure);
- gifted land;
- repossessed land; and
- de minimis (an entity that receives less than \$150 per acre of gross revenue from rental or agricultural production and has an interest in less than 40 acres).

Enforcement

A court may order a business entity that violates the corporate farm law to divest from the agricultural land. Any land not properly divested within five years of the order will face a foreclosure. Noncompliance can also jeopardize MDA grant eligibility and Rural Finance Authority financing.

Constitutional Issues: Dormant Commerce Clause

Corporate farm laws run into issues relating to the dormant commerce clause implied in the federal constitution. Generally, the dormant commerce clause restricts states from discriminating against or placing an undue burden on interstate commerce.¹

States do not have an unlimited ability to restrict corporate ownership of agricultural land. Courts have previously taken issue with elements in other states' corporate farm laws for violating the dormant commerce clause. The elements courts have determined violate the dormant commerce clause include residency requirements and domestic corporation standards.² To date, no party has successfully challenged Minnesota's corporate farm law.



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¹ U.S. Const. art. 1, § 8, cl. 3; *Nat'l Pork Producers Council v. Ross*, 598 U.S. 356, 369 (2023).

² The Eighth Circuit held that the residency requirement favors Nebraska residents and those that live in such close proximity to Nebraska farms that they could feasibly commute to them violates the dormant commerce clause. *Jones v. Gale*, 470 F.3d 1261, 1268 (8th Cir., 2006). The North Dakota U.S. District Court did not find residency requirements to violate the dormant commerce clause but took issue with a domestic requirement that required all corporations to be incorporated in North Dakota. *North Dakota Farm Bureau, Inc. v. Stenehjem*, 333 F.Supp.3d 900, 916 (D.N.D., 2018). Another corporate farm law did not have sufficient support for the "legitimate local interest" to justify a discriminatory intent. *S. Dakota Farm Bureau, Inc. v. Hazeltine*, 340 F.3d 583, 597 (8th Cir. 2003).