

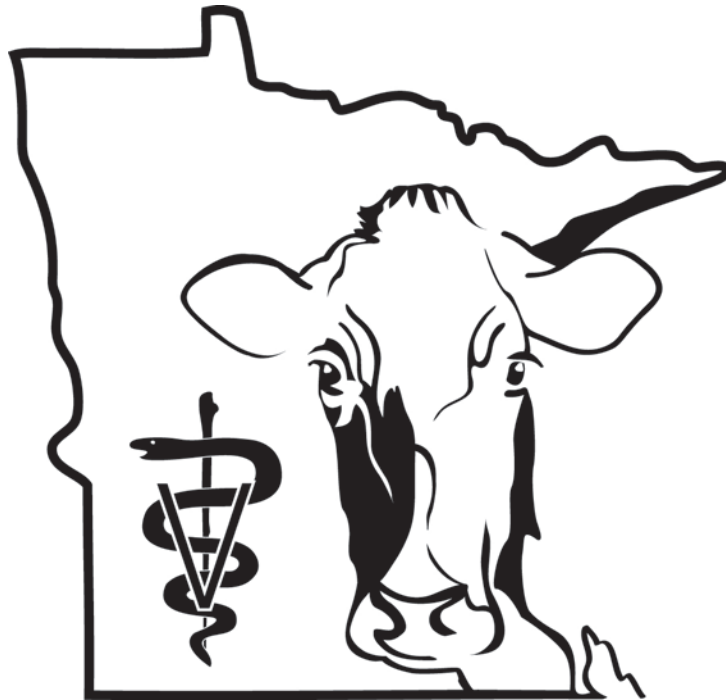
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ST. PAUL, MINNESOTA
UNITED STATES OF MINNESOTA

Who Moved My Cheese? “The Minnesota Story on Animal Ag Regulations & the Environment”

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 Agricultural Development Specialist
 Minnesota Department of Agriculture

Has your cheese been moved in the past few years, months or days? If it has, welcome to reality and don't expect things to stay stagnant in the business of dairy in the near future. In fact Minnesota Dairy industry is and has always faced changes, but the past 10 years have been accelerated and very significant. The Minnesota Department of Agriculture keeps an on-going inventory of all dairy farms in the State and inspects all grade A dairy farms at least 2 times per year – grade B farms at least one time per year. Current farm inventory numbers are as follows:

<u>COUNTY</u>	<u>GRADE A</u>	<u>GRADE B</u>	<u>TOTAL</u>	<u>COUNTY</u>	<u>GRADE A</u>	<u>GRADE B</u>	<u>TOTAL</u>
Aitkin	16	14	30	Jackson	7	3	10
Anoka	4	3	7	Kanabec	47	13	60
Becker	112	19	131	Kandiyohi	115	18	133
Betrarni	37	4	41	Kittson	5		5
Benton	185	16	201	Koochiching	4		4
Big Stone	14	3	17	LacQuiParle	15	15	30
Blue Earth	19	9	28	Lake/Woods	3		3
Brown	104	25	129	LeSueur	44	9	53
Carlton	26	12	38	Lincoln	27	20	47
Carver	162	42	204	Lyon	18	8	26
Cass	23	24	47	McLeod	131	38	169
Chippewa	9	1	10	Mahnomen	33	3	36
Chisago	46	10	56	Marshall	19	2	21
Clay	27	5	32	Martin	13	6	19
Clearwater	15	13	28	Meeker	92	16	108
Cottonwood	14	7	21	Mille Lacs	90	28	118
Crow Wing	27	14	41	Morrison	423	64	487
Dakota	50	5	55	Mower	62	6	68
Dodge	59	6	65	Murry	37	16	53
Douglas	170	29	199	Nobles	32	16	53
Fairbault	14	4	18	Norman	18	4	22
Fillmore	152	94	246	Olmsted	137	24	161
Freeborn	35	7	42	Otter Tail	439	62	501
Goodhue	245	19	264	Pennington	15	7	22
Grant	24	6	30	Pine	105	46	151
Hennipen	42	1	43	Pipestone	48	16	64
Houston	121	31	152	Polk	39	13	52
Hubbard	9	2	11	Pope	108	12	120
Isanti	10	5	15	Ramsey	1		1
Itasca	6	3	9	Red Lake	23	1	24

<u>COUNTY</u>	<u>GRADE A</u>	<u>GRADE B</u>	<u>TOTAL</u>	<u>COUNTY</u>	<u>GRADE A</u>	<u>GRADE B</u>	<u>TOTAL</u>
Redwood	24	15	39	Swift	33	6	39
Renville	39	11	50	Todd	337	74	411
Rice	133	28	161	Traverse			0
Rock	29	9	38	Wabasha	211	36	247
Roseau	37	8	45	Wadena	84	18	102
St. Louis	23	4	27	Waseca	40	5	45
Scott	75	12	87	Washington	28	1	29
Sherburne	14	5	19	Watonwan	10	3	13
Sibley	96	24	120	Wilkin	13	1	14
Stearns	963	94	1057	Winona	270	52	322
Steele	81	16	97	Wright	169	37	206
Stevens	10	3	13	Y. Medicine	18	10	28

The Minnesota dairy industry supports 53,696 jobs. It ranks forth for employment in Minnesota's manufacturing industries and accounts for more than the combined employment of 3-M, Dayton Hudson and Northwest airlines. In addition the dairy industry impacts the State economy at the rate of \$2.7 billion annually and milk accounted for 18.6% of the total value of Ag products in the State in 1998. The rural economy is closely linked to the overall economic success of the State.

Dairying by the numbers

- \$1.00 worth of feed converts to \$3.38 in milk value.
- Each \$2.60 bushel of corn contributes \$9.57 to the economic base of the community when marketed as milk.
- Dairy cows in Minnesota consume 60 million bushels of corn, 545,000 tons of corn silage, 2.45 million tons of hay and 400,000 tons of high protein feed each year.
- Each 1000 cows within a community contribute approximately \$2,694,000 in farm income and employs 12 people.
- Dairy production and processing in Minnesota employs over 22,000 workers.
- The number of dairy farms in Minnesota has declined by nearly 37% since 1993, with a herd size increase of 32%.
- Minnesota's market share has dropped from 8.3% in 1960 to 5.83% in 1999.
- Current trends project milk production to drop from 9.2 billion pounds in 1998 to 7.8 billion pounds in 2008.

Changes & Possible Suggestions for improving Minnesota Dairy Industry:

Feedlot Regulatory Changes:

H.F.No. 3692 contains the following key changes and directs the commissioner of agriculture to an education and training system for certified private manure applicators. Beginning in 2005, a private manure applicator would be required to have three hours of training every three years to apply manure from a feedlot with over 300 animal units that does not have an updated manure management plan.

The second part of the bill makes several changes to the feedlot permitting statute, including:

1. A definition of animal unit for the purpose of feedlot permitting.
2. Requiring the MPCA or county issuing a feedlot permit to comply with an existing statute that requires permits to be issued within 60 days for applications after 10 1 2001.
3. Providing that once the new rules become effective, the PCA may only add additional requirements based on law changes.
4. Providing that discharge from land applied manure and manure stockpiles that are managed according to PCA rules are not subject to a fine for a discharge violation.
5. Providing that land applied manure and manure stockpiles that do not discharge into defined water bodies and are managed according to PCA rule, are not discharges.
6. Restricting the PCA or counties from requiring upgrades of certain feedlots.
7. Specifying that feedlots must be defined as a contracted animal feeding operation

Change farm business structure laws to coincide with other states.

Provide opportunity for dairy families to enhance their life quality by farming together and to be more competitive by pooling and focusing their resources. Encourage the use of business structure tools such as Limited Liability Companies and 501C Cooperatives, (Value Added Cooperative) like other agricultural and non-agricultural business.

- Allow the pooling of resources to operate multifamily networks.
- Additional sources of reinvestment capital with shared risk.
- Limit liability risks to the amount invested.
- Ease the intergenerational transfer of assets.
- Share work responsibilities to support enhanced family life.
- Enable modernization to be more competitive and generate greater income.
- Enable networks of complementary farming networks.

Enable use of economic development funds and programs for dairy development.

For example, the Minnesota Tourism Loan Program provides low-interest loans to tourism-related businesses to upgrade or develop new facilities. Other examples of financing and grant programs sponsored by the Minnesota Department of Trade and Economic Development include the Capital Access Program, the Minnesota Investment Fund, the Minnesota Job Skills Partnership, the Rural Challenge Grant Program and the Small Business Development Loan Program.

Updated the Minnesota Rural Finance Authority (RFA) program.

By make the RFA program more accessible for financing dairy modernization, the State can serve dairy farmers better. For example, it would be beneficial to provide innovative financing for the purchase of dairy cattle and to raise the net worth and loan maximums to better accommodate current dairy modernization needs.

Provide cost share funding for environmental compliance.

This can be done to assist producers in making the changes needed to meet evolving requirements. One option is the appointment of a study committee to explore potential sources of assistance for helping producers bring their operations into compliance.

Encourage reinvestment and modernization.

This can be done through tax incentives for investment, guaranteed low-interest loans, etc.

Provide cost-share dairy business planning grants.

This will help farm families assess and plan their future.

Continue dairy advisory teams to assist on-farm problem solving through public private partnerships.

Continue Job Skill Partnership Training programs for training dairy farm labor.

Establish a Minnesota Dairy Benchmarking program.

Ideally this would include a program that provides producers with financial and production performance information on successful dairies in the State and elsewhere, regardless of size or type of production system. This data set should include detailed profiles of cost and return information, investments, and productions parameters for making comparisons relative to kinds of production practices and size and types of dairy farms. This program should be designed to benchmark performance of Minnesota herds with the nation's best herds.

Improve the user friendliness of the State's regulatory system

Streamline the environmental permitting process, and reduce uncertainty and risk in the process by being consistent with regulation among states and provide technical review of early plans.

Protect the rights of producers.

Land use and zoning policies are under local government authority. Urbanization and non-farm neighbors encroaching on agricultural areas often create conflict over livestock production. Currently there is little or no protection for established livestock farmers to contact their operations, even when using normal, accepted good management practices. It would be beneficial to provide formal protection for the rights of these established producers in agricultural areas to continue and or change their operations within the parameters of good environmental stewardship.

Establish timelines and clarity

To address farmers' concerns about going through the State regulatory process, it is important to ensure clarity and fairness in the permitting process. This can be done by requiring a government authority to base approval or denial on existing regulations and policies. What is needed is a user-friendly set of rules that clearly outlines requirements and the approval process from start to finish, with established timelines for each step.

Efforts should be made to better inform producers and instill confidence in the regulatory process. Manure storage and handling systems require major investments that can only be justified over long term use. Producers seek a greater level of certainty that they will be able use the investment for its useful life.

Establish a dairy profit center at the University of Minnesota

Campus-based extension faculty resources with dairy program responsibilities have been significantly reduced over time due to retirements and reassignment of faculty. County extension faculties struggle to develop expertise and meet the needs of modern dairy farmers due to their broad generalist assignments and an insufficient focus. As a result current extension systems are failing to meet the high level needs of modern agriculture.

Sources:

Minnesota Department of Agriculture Dairy Division
MDA - Minnesota Dairy Business Climate Study 2000 , BJ Conlin
Minnesota Legislature HF No 3692

Financing Dairy Expansion Projects

Agricultural lenders in Minnesota may use a variety of credit sources in financing dairy initiatives. Three of the most commonly used resources are the Minnesota Rural Finance Authority (RFA), the US Small Business Administration, and the USDA Farm Service Agency.

Minnesota Rural Finance Authority

The purpose of the RFA's programs is to purchase participation interests in loans to be made available by agricultural lenders to farmers on terms and conditions not available from other credit sources. The RFA will purchase a 45% interest in the lender's first mortgage (up to \$100,000) to an eligible farmer. A participation in the Livestock Expansion Loan Program may be up to \$250,000. This participation interest is set up on a reduced interest rate to improve the farmer's cash flow and to share the risk of making the loan with the lender. The RFA and lender become partners and each owns a pro-rata share of the mortgage.

Most appropriate financing for dairy producers will probably be the Agricultural Improvement or the Livestock Expansion Loan Programs. See program details on the Loan Comparison Chart in the center of this handout.

US Small Business Administration Loans

Two loan programs are available from the US Small Business Administration, the SBA 504 Loan Program and the SBA 7(a) Loan Program. Details of these programs are provided on the back page of this handout.

Farm Service Agency (Formerly Farmer's Home Administration)

Farm Service Agency (FSA) may guarantee loans made by eligible agricultural lenders to farm families for farm ownership, improvements, and operating purposes. Guaranteed loans are made and serviced by legally organized private lending institutions. FSA provides the lender with a guarantee not to exceed 90% of any loss of principal and interest on the loan.

FSA Guaranteed Agricultural Credit Loans

Type	Loan Purpose	Max Amount	Interest Rate	Terms	Security
OPERATING	Operating	\$400,000	Negotiated	Up to 1 Yr	Crops
	Livestock		Negotiated	Up to 7 Yrs	Livestock
	Equipment		Negotiated	Up to 7 Yrs	Equipment
FARM OWNERSHIP	Real Estate	\$300,000	Negotiated	Up to 40 Yrs	Real Estate

For further information, contact:

Harold Stanislawski, Agricultural Development Specialist, Minnesota Department of Agriculture
127 Mill Street South, Fergus Falls, MN 56537
218/739-7632

RURAL FINANCE AUTHORITY

LOAN COMPARISON CHART

Requirements	Basic Farm and Seller Assisted**** Loan Programs	Aggie Bond Beginning Farmer Program	Agricultural Improvement Program
Residency:	Minnesota only	CLOSED, NO	Minnesota only
Farm location:	Minnesota only	ALLOCATIONS	Minnesota only
Maximum net worth:	\$237,000	AVAILABLE	\$237,000
Loan purposes:	Real estate	N/A	Any physical improvement to farm operation. (No refinancing)
Financing allowed:	1st real estate mortgage filed by local lender. Additional \$\$ help by the seller. ****	N/A	Provide a 1st real mortgage as collateral for improvement. Mortgage does not need to cover the entire farm.
Equity required:	10% minimum. Lender may require higher down payment. Seller may help. ****	N/A	Negotiated with Lender and RFA.
Interest rate:	RFA - Call for current quote. Lender-negotiate. Seller-negotiate. ****	N/A	RFA - Call for current quote. Lender-negotiate.
Loan amounts:	No limits - but RFA participation 45% of 1st mortgage to a max of \$100,000.	N/A	No limits - but RFA participation 45% of 1st mortgage to a max of \$100,000.
Sales between related persons?	Yes	N/A	N/A
Off-farm income okay?	Yes	N/A	Yes
Must show adequate management skills?	Yes	N/A	Yes
Must be or become a full time farmer?	Yes	N/A	Yes
Must farm unit?	Yes	N/A	Yes
Must contact local SWCD office?	Yes	N/A	Yes Permits required?
Must purchase insurance?	Yes	N/A	Recommended
Must attend farm management classes?	Yes	N/A	N/A
RFA Fees:	\$50 app fee (non-refundable)	N/A	\$50 app fee (non-refundable)

FOR ADDITIONAL INFORMATION CALL THE RFA STAFF

Gary Blahosky, Sr. Loan Officer at 612-296-4985;
 Jim Boerboom, Director; Wayne Marzolf, Assistant Director;
 Lori Singer, RFA Secretary at 612-297-3557.
 TTY Relay Service 1-800-627-3529

OR WRITE:

MN Department of Agriculture
 Rural Finance Authority
 90 West Plato Boulevard
 St. Paul, MN 55107

LOAN COMPARISON CHART - continued

<u>Requirements</u>	<u>Restructure II Program</u>	<u>Livestock Expansion Program</u>	<u>Value Added "Stock" Loan Program</u>
Residency:	Minnesota only	Same	Same
Location of property	Minnesota only	Same	Same
Maximum net worth:	\$400,000	\$400,000	\$237,000
Income requirements:	50% avg annual gross income from farming. Positive cash flow. Equity of less than 50%.	Demonstrate ability to repay the loan.	Same
Loan purposes:	Restructure existing ag debt only caused by unpredictable events.	<u>NEW state-of-the-art</u> improvements to farm operation. (No refinancing).	Purchase "new" issue stock in a Minnesota value added co-op. (No refinancing).
Financing allowed:	1st real estate mortgage.	Same	Stock purchased from the Cooperative.
Equity required:	Negotiated per RFA guidelines.	Same	Determined by number of shares purchased.
Interest rate:	RFA - Call for current quote. Lender-negotiate.	Same	Same
Loan amounts:	No limits - but RFA participation 45% of 1st mortgage to a max of \$100,000.	No limit - but RFA participation 45% of mortgage to a max of \$250,000.	No limits - but RFA participation 45% of stock loan to a max of \$24,000.
Off-farm income okay?	Yes	Yes	Yes
Must show adequate management skills?	Yes	Yes	Yes
Farm full time?	Yes	Yes	Yes
Must farm unit?	Yes	Yes	Yes
Must contact local SWCD office?	Yes	Yes Permits required?	N/A
Must be reviewed by U of M extension; allow tours for 2 years.	N/A	Yes	N/A
RFA Fees:	\$50 application fee (non-refundable) 0.5% origination fee on RFA portion only! 20 year or less amortization req'd.	\$50 app fee (non-refundable) 0.5% orig fee for 10 yr or less amortization 1.0% orig fee for more than 10 year amortization	\$50 app fee (non-refundable)

N/A = Not applicable

THE RFA STAFF MAY BE CONTACTED BY E-MAIL AT:

Jim Boerboom, Director - Jim.Boerboom@state.mn.us

Wayne Marzolf, Assistant Director - Wayne.Marzolf@state.mn.us

Gary Blahosky, Sr. Loan Officer - Gary.Blahosky@state.mn.us

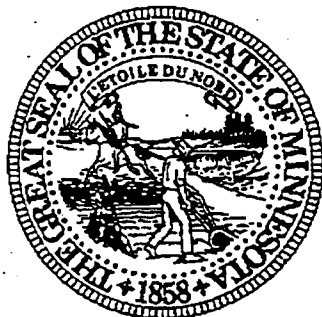
Lori Singer, Secretary - Lori.Singer@state.mn.us

SMALL BUSINESS ADMINISTRATION LOANS

PROGRAM ⇨	SBA 504 LOAN PROGRAM	SBA 7(a) LOAN PROGRAM
TYPE ⇨	Direct loan through a 504 Development Corporation	Bank loan with SBA Guarantee (Maximum Guarantee of 80% of loan)
ELIGIBLE BORROWER ⇨	Business with a net worth < \$6 million and an average profit in past 3 years < \$2 million	Measured by sales or number of employees (Ex: Retail - avg sales < \$3.5 million)
STRUCTURE ⇨	50% -- Bank Loan 35% -- SBA 504 Loan 15% -- Equity	60-100% -- Bank 0-40% -- Equity (Guaranteed bank loan)
USE ⇨	Fixed assets only (Land, Building, Machinery)	Working capital, real estate, machinery
AMOUNT OF SBA LOAN ⇨	Not less than \$50,000 and not more than \$750,000	SBA will guarantee up to \$750,000
TERM OF SBA LOAN ⇨	10 to 20 years depending on the use	Up to 25 years depending on the use
INTEREST RATE OF SBA LOAN ⇨	Approximately 1% above 5 to 10 year Treasury Bond	Maximum of 2.25% to 2.75% above Prime Rate
FEES ⇨	3.25% of the SBA 504 Loan	2% to 3.875% of Guaranteed Dollars + application fee (if any)
ADMINISTRATION ⇨	SBA 504 Development Company completes all work associated with the loan: analysis, approval, packaging, servicing.	SBA 504 Development Company can write the loan application for the business. The bank completes the credit analysis.

MINNESOTA'S 504 DEVELOPMENT COMPANIES

Central MN Development Co. 1308 Coon Rapids Blvd. #202 Coon Rapids, MN 55433 Connie Hills 612/755-2304	Minnesota Business Finance, Inc. 4039 West Division St., Ste. 219 St. Cloud, MN 56301 Robert Alexander 612/255-1685	Region 9 Development Corp. 410 South Fifth Street PO Box 3367 Mankato, MN 56001 507/387-5646	Southeastern MN 504 Dev. Inc. PO Box 265 Rochester, MN 55904 Dwayne Lee 507/288-6442
Minneapolis Economic Dev. Co. Crown Roller Mill Suite 600, 105-5th Ave. S. Minneapolis, MN 55402-2534 Russell Knighton 612/673-5095	Prairieland Economic Dev. Corp. 2524 Broadway Avenue Slayton, MN 56172 Randy Jorgenson 507/836-8549	St. Paul Metro East Dev. Corp. 25 Empire Drive St. Paul, MN 55103 Kristen Wood 612/225-4900	Twin Cities Metro Certified Dev. Co. 4105 Lexington Ave. N. Suite 170 Arden Hills, MN 50726 Robert Heck 612/481-8081



Business Structures For Dairies in Minnesota

Prepared By

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Dairy farming today is taking on various forms of business structures to help manage the day-to-day activities of the business. Dairy farms are becoming larger and more complex, as multiple family owners, active and passive investors, and joint ventures spring up among the neighboring crop and livestock operations. This document addresses the many questions that Minnesota dairy farmers have regarding business structures and farming operations.

Challenges of Building a Dairy Business

Today's dairy entrepreneurs are experiencing situations that dairy farmers have not had to face in the past. These include the increased use of hired labor, environmental regulations, and the need for large sums of capital in growing dairy operations. To find **capital** and build **equity**, business partners are often needed to secure appropriate financing. In addition, the Minnesota Corporate Farm Law is often misunderstood or misinterpreted. In this regard, this paper should help guide you in deciding if your current business organization is meeting your needs, or if you need to choose a different form of business structure.

Definitions of Legal Structures in Minnesota

****This is only a very basic, brief summary of the law. Before you choose any business form, it is very important that you contact an attorney as to the legality and/or an accountant as to the tax and economic consequences.****

Sole Proprietorship - Owned by one person who has full control and responsibility for the business.

General Partnership - A partnership that has two or more owners who carry on a business and who share in the profits or losses. Each partner is held liable for the full debts of the partnership if the partnership is not able to pay its debts. The partners can all participate in the management and each partner can bind the partnership to contractual obligations.

Limited Partnerships - The limited partnership has at least one general partner and at least one limited partner. The general partner are liable for the full debts of the partnership. The limited partners are not liable for the debts of the partnership unless they have personally guaranteed the partnership debt or are liable as a result of individual action other than being a limited partner. Limited partners are not allowed to participate in the management of the partnership business.

Limited Liability Partnership - This entity has an unlimited number of shareholders, but only natural persons, partnerships and other entities certified under the corporate farm law can participate. Partners may elect to have some of the partners have less than joint and several liability.

Family Farm Corporations - These entities have an unlimited number of shareholders, but the majority of the interest and the majority of the shareholders must be related within the 3rd degree of kindred. Eligible shareholders include partnerships, natural persons, limited partnerships, and limited liability partnerships.

Authorized Farm Corporations - Eligible shareholders must be natural persons. Shareholders are limited to five, but no relation is required. Limited liability is offered in this structure. As a general rule, a corporation is a tax paying entity, but it depends on whether the corporation is organized as Subchapter "C" or Subchapter "S." Dividends paid to shareholders, however, are fully taxable.

Limited Liability Companies - ILLEGAL IN MINNESOTA FARMING OPERATIONS

Figure 1. illustrates various business structures and includes some options not currently legal in Minnesota for dairy operations. It is important to consult an attorney for legal advice when selecting and implementing a business. Information on how the Minnesota Corporate Farm Law is regulated and questions relating to the law can be addressed to the Minnesota Department of Agriculture, 90 West Plato Blvd., St. Paul, MN 55108. Attention: Corporate Farm Law Administrator.

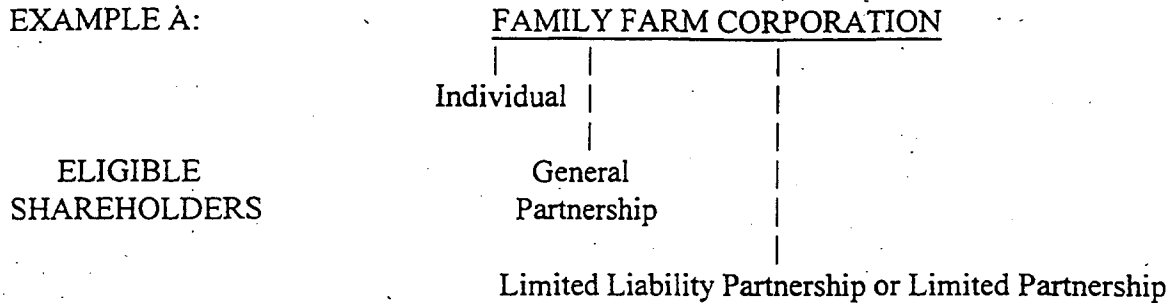
Figure 1

ENTITY TYPE	ELIGIBLE SHAREHOLDERS	INELIGIBLE SHAREHOLDERS	NUMBER OF SHAREHOLDERS	LIMITED LIABILITY	PASS-THROUGH TAXATION	DAIRY AND ROW CROP ELIGIBLE
General Partnerships	Natural persons, partnerships, other entities certified under the corporate farm law.	Entities that are not certifiable under the corporate farm law, <i>i.e.</i> partnership of non-qualifying corporations.	Unlimited.	No. Joint and several liability exists for each partner.	Yes.	Yes.
Limited Partnerships						
A. Family Farm Limited Partnerships	Natural persons, partnerships, limited partnerships, limited liability partnerships.	Corporations, limited liability companies.	Unlimited, but the majority of the shareholders must be related within the 3rd degree of kindred.	Yes, for limited partners. However, there must be at least one general partner that retains liability.	Yes.	Yes.
B. Authorized Farm Limited Partnerships	Natural persons.	All non-natural persons such as partnerships and corporations.	Up to 5. No relation required.	Yes, for limited partners. However, there must be at least one general partner that retains liability.	Yes.	Yes.
Corporations						
A. Family Farm Corporations	Natural persons, partnerships, limited partnerships, limited liability partnerships.	Corporations, limited liability companies.	Unlimited, but the majority of the shareholders must be related within the 3rd degree of kindred.	Yes.	Depends on whether the corporation is a Subchapter "C" or Subchapter "S."	Yes.
B. Authorized Farm Corporations	Natural persons.	All non-natural persons such as partnerships and corporations.	Up to 5. No relation required.	Yes.	Depends on whether the corporation is a Subchapter "C" or Subchapter "S."	Yes.
C. Authorized Livestock Farm Corporation	Natural persons and family farm corporations.	All non-natural persons other than family farm corporations.	Unlimited, but 75% must be farmers, and 51% of the 75% must be livestock farmers.	Yes.	Depends on whether the corporation is a Subchapter "C" or Subchapter "S."	No. Only eligible for corporations engaged in livestock production other than dairy cattle.
Limited Liability Partnerships	Natural persons, partnerships, other entities certified under the corporate farm law.	Entities that are not certifiable under the corporate farm law, <i>i.e.</i> partnership of non-qualifying corporations.	Unlimited.	Yes. The partners may elect to have some of the partners have less than joint and several liability.	Yes.	Yes.
Cooperatives	Treated the same as corporations.					
Business Trusts	Treated the same as corporations.					
Limited Liability Companies	Prohibited. No exceptions.					

Hybrid Organizations

Businesses can be organized by combining two or more entities or ownership forms.

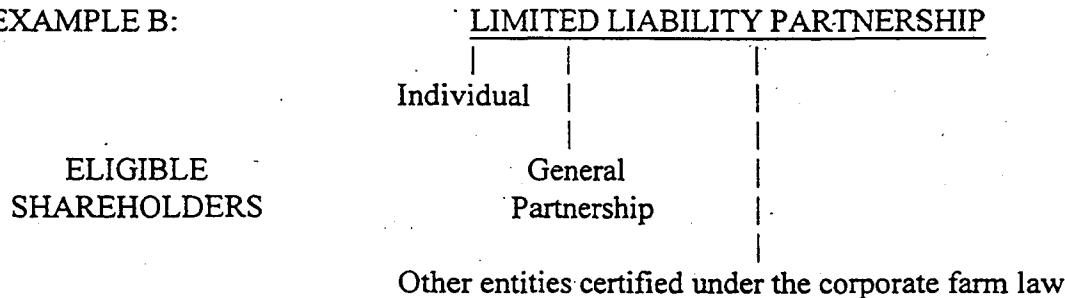
EXAMPLE A:



Any combination of the above can be used, with an unlimited amount of shareholders, however a majority of the shareholders must be related within the 3rd degree of kindred and non-natural persons can not be related to individuals. The related individuals must make up the majority of shareholders and must own the majority of the voting stock.

Notice that no corporations or limited liability companies are eligible to be shareholders in family farm corporations.

EXAMPLE B:



Any combination above can be used, and there can be an unlimited number of shareholders in a limited liability partnership.

Notice that only corporations that qualify under the corporate farm law can be eligible shareholders.

These are only two general examples of hybrid organizations. There are numerous other ways to create such organizations, each with their own restrictions. It is also important to remember that there are other requirements that need to be satisfied when applying for certification. Because each entity or ownership form has its own restrictions, it is impossible to make broad generalizations about compliance with the corporate farm law. The best thing to do is to contact an attorney or the Minnesota Department of Agriculture, where situations can be dealt with on a case-by-case basis.



Minnesota
Pollution
Control
Agency

Frequently
Asked
Questions

Why Are Laws for Manure Application Tougher Than for Application of Commercial Inorganic Fertilizer?

Feedlot Rule Revision, January 2000

Why have different laws for manure and commercial fertilizer?

There are numerous differences between manure and commercial fertilizer that warrant varying levels of regulatory requirements. Some of these differences are described here:

Different potential contaminants

Differences in the physical, chemical and biological properties of commercial inorganic fertilizer and manure are one reason for differences in land-application requirements. Manure has compounds that decrease oxygen in receiving waters, potentially affecting the abundance, health and species of aquatic life. These oxygen-demanding substances are not found in commercial inorganic fertilizer.

Manure also has bacteria, viruses, and other human and animal disease-causing organisms (pathogens) which are not present in commercial fertilizer. While verifiable human-disease outbreaks from manure pathogens are uncommon in the United States, there are more than 40 diseases that can be transferred from animal manure to humans, and still others that can be transferred to other livestock.

Phosphorus to nitrogen ratio

Phosphorus is found in both commercial

fertilizers and manure, and phosphorus runoff from both sources can cause surface-water problems. However, in manure, phosphorus and nitrogen are inseparable -- whereas the amount of these nutrients can be ordered individually for commercial fertilizer.

Typically, manure-application rates are based on nitrogen needs, resulting in phosphorus-application amounts that are commonly two to ten times the crop's phosphorus needs. Continuous manure application at these rates can result in phosphorus accumulation in the soil, leading to greater transport of phosphorus to surface waters. One pound of phosphorus added to a lake can grow roughly 500 pounds of weeds and algae.

Different Application Processes

Manure and many commercial fertilizers contain ammonia, a form of nitrogen, which can be toxic to aquatic life at elevated concentrations. However, there can be differences in the way manure and commercial fertilizer are applied. Manure is often applied to the soil surface, increasing the potential for

Minnesota Pollution Control Agency, 520 Lafayette Road North, St. Paul, Minnesota 55155-4194

(651) 296-6300, toll-free (800) 657-3864, TTY (651) 282-5332 or (800) 657-3864

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ammonia runoff. Commercial fertilizer ammonia is always placed below the soil surface, decreasing the potential for ammonia runoff.

Different Times of Application

Manure is frequently applied during winter months, while commercial fertilizer is rarely applied during this time. Winter application poses greater potential water-quality risks since: 1) injection or incorporation is usually not possible, 2) runoff potential increases due to restricted soil infiltration, and 3) buffer vegetation is dormant and is less effective in reducing pollutants in runoff.

Different Costs

Manure is increasingly being sold to non-livestock producers as a valuable soil amendment. However, a majority of manure generated in Minnesota is not sold, but is applied onto land that is owned or rented by the livestock producer. Manure is usually not purchased and it often costs more to spread it thinner. Therefore, there can be less incentive for judicious manure application compared to inorganic commercial fertilizer which is purchased. In addition, the cost of applying the manure properly is much greater than the cost of applying commercial fertilizer.

Different Complexities

There are several additional complexities related to applying manure at proper rates compared to commercial fertilizer. While these complexities can be reasonably managed, they can create more obstacles or resistance for applying manure at proper rates. Some of these complexities include: 1) manure-nutrient content is highly variable and needs to be tested; 2) much of the equipment for manure application makes uniform spreading and knowledge of spreading rates difficult when compared to commercial fertilizer, and therefore field calibration of application equipment is very important; 3) plant-available nitrogen from manure is released over a two to three year period, requiring careful record keeping for proper nitrogen crediting from previous years, and 4) application methods and weather have greater effect on the availability of nitrogen from manure

compared to commercial fertilizer. These challenges often create greater farmer uncertainty that nitrogen from manure will be available for the crop, and consequently often lead to overapplication of nitrogen.

Different Track Records

Studies completed in 1993 and 1994 by the Minnesota Department of Agriculture and University of Minnesota examined nitrogen rates applied to crops in four different areas of Minnesota, including west central, south central, southeast and central parts of the state. Results showed that nitrogen rates exceeded University recommended rates by an average of 44 lbs/acre/year. In all four regions, producers applied nitrogen at rates close to University recommendations when commercial fertilizer was the sole added source of nitrogen. When legumes and/or manure were added as nitrogen sources, average total nitrogen available for the crops greatly exceeded University recommendations for crop uptake.

For More Information

For more information about the Feedlot Rule Revision, contact Julie Swiler, information officer at the MPCA, (651) 296-6706 or call the Feedlot Service Center toll-free at (877) 333-3508.