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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. **666**

February 5, 2007

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The bill was read for the first time and referred to the Committee on Agriculture, Rural Economies and Veterans Affairs

1.1 A bill for an act  
1.2 relating to agriculture; establishing a dairy animal revolving loan program;  
1.3 appropriating money; amending Minnesota Statutes 2006, section 41B.06;  
1.4 proposing coding for new law in Minnesota Statutes, chapter 41B.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. [41B.056] DAIRY ANIMAL REVOLVING LOAN PROGRAM.

1.7 Subdivision 1. Establishment. The authority must establish and implement  
1.8 a dairy animal revolving loan program to help Minnesota dairy producers purchase  
1.9 additional dairy animals, thereby increasing the level of milk production in the state. State  
1.10 appropriations for the program must be matched dollar for dollar by private, federal,  
1.11 or other nonstate funds.

1.12 Subd. 2. Eligibility. Notwithstanding section 41B.03, to be eligible for this program  
1.13 a borrower must:

1.14 (1) be a resident of Minnesota or general partnership or a family farm corporation,  
1.15 authorized farm corporation, family farm partnership, or authorized farm partnership as  
1.16 defined in section 500.24, subdivision 2;

1.17 (2) be a producer who has not received payments from a dairy cooperative or other  
1.18 consortium of dairy producers in exchange for participating in a milk supply management  
1.19 program;

1.20 (3) demonstrate that the loan will be used to finance the purchase of dairy heifers  
1.21 and cows, resulting in an increase in the borrower's annual level of milk production; and

1.22 (4) demonstrate an ability to repay the loan.

1.23 Subd. 3. Loans. (a) The authority may make a direct loan or participate in a loan  
1.24 with an eligible lender to a borrower who is eligible under subdivision 2. A direct loan or

2.1 the authority's participation interest in a loan from an eligible lender must be no more than  
 2.2 \$500 per each dairy heifer or cow the borrower commits to purchase, up to a maximum of  
 2.3 200 eligible dairy heifers or cows, or \$100,000 per borrower. Repayment terms of the  
 2.4 authority's participation interest may differ from repayment terms of the lender's retained  
 2.5 portion of the loan.

2.6 (b) A direct loan or the authority's participation interest in a loan from an eligible  
 2.7 lender must be for a term of seven years. Borrowers must not be required to make any  
 2.8 payment of principal or interest in the first year of the loan. In the second year, the  
 2.9 borrower must be required to pay only any accrued interest. The authority must amortize  
 2.10 the loan over the remaining five years so that the borrower is required to make equal  
 2.11 payments, including principal and interest, in each of the final five years.

2.12 (c) The authority must establish an appropriate interest rate for the initial dairy  
 2.13 animal loans and may review and adjust the interest rate annually as necessary. The  
 2.14 authority must make a good faith effort to set the interest rate at no more than three percent.

2.15 (d) Refinancing of existing debt is not an eligible purpose.

2.16 (e) A direct loan or loan participation under this program must be made using money  
 2.17 in the revolving loan account established in section 41B.06.

2.18 (f) Security for the loans must be a personal note executed by the borrower and  
 2.19 whatever other security is required by the authority.

2.20 (g) The authority may impose a reasonable, nonrefundable application fee for a  
 2.21 direct loan or a loan participation. The authority may review the fee annually and make  
 2.22 adjustments as necessary. The initial application fee is \$50. Application fees received by  
 2.23 the authority must be deposited in the revolving loan account established in section 41B.06.

2.24 Sec. 2. Minnesota Statutes 2006, section 41B.06, is amended to read:

2.25 **41B.06 RURAL FINANCE AUTHORITY REVOLVING LOAN ACCOUNT.**

2.26 There is established in the rural finance administration fund a Rural Finance  
 2.27 Authority revolving loan account that is eligible to receive appropriations and the transfer  
 2.28 of loan funds from other programs. All repayments of financial assistance granted  
 2.29 from this account, including principal and interest, must be deposited into this account.  
 2.30 Interest earned on money in the account accrues to the account, and the money in the  
 2.31 account is appropriated to the commissioner of agriculture for purposes of the Rural  
 2.32 Finance Authority dairy animal, livestock equipment, methane digester, and value-added  
 2.33 agricultural product loan programs, including costs incurred by the authority to establish  
 2.34 and administer the programs.

3.1       Sec. 3. **APPROPRIATION.**

3.2               \$2,000,000 is appropriated in fiscal year 2007 from the general fund to the  
3.3 commissioner of agriculture for deposit in the Rural Finance Authority revolving loan  
3.4 account established in Minnesota Statutes, section 41B.06, to fund the loan program in  
3.5 section 1.

3.6       Sec. 4. **EFFECTIVE DATE.**

3.7               Sections 1 to 3 are effective the day following final enactment.