

AGRICULTURAL LANDHOLDING RESTRICTIONS

10.1 Definitions.

As used in this chapter and in chapter 10B, unless the context otherwise requires:

1. *"Actively engaged in farming"* means that a natural person, including a shareholder or an officer, director, or employee of a corporation, or a member or manager of a limited liability company, does any of the following:
 - a. Inspects the production activities periodically and furnishes at least half of the value of the tools used for crop or livestock production and pays at least half the direct cost of crop or livestock production.
 - b. Regularly and frequently makes or takes an important part in making management decisions substantially contributing to or affecting the success of the farm operation.
 - c. Performs physical work which significantly contributes to crop or livestock production.
2. *"Agricultural land"* means the same as defined in section 9H.1.
3. *"Authorized entity"* means an authorized farm corporation; authorized limited liability company; limited partnership, other than a family farm limited partnership; or an authorized trust as defined in section 9H.1.
4. *"Commodity share landlord"* means a natural person or a general partnership as provided in chapter 486A in which all partners are natural persons, who owns at least one hundred fifty acres of agricultural land, if the owner receives rent on a commodity share basis, which may be either a share of the crops or livestock produced on the land.
5. *"Cooperative association"* means an entity which is structured and operated on a cooperative basis pursuant to 26 U.S.C. § 1381(a) and which meets the definitional requirements of an association as provided in 12 U.S.C. § 1141(j)(a) or 7 U.S.C. § 291.
6. *"Family farm entity"* means a family farm corporation, family farm limited liability company, family farm limited partnership, or family trust, as defined in section 9H.1.
7. *"Farm estate"* means the real and personal property of a decedent, a ward, or a trust as provided in chapters 633 and 633A, if at least sixty percent of the gross receipts from the estate comes from farming.
8. *"Farmers cooperative association"* means a cooperative association organized under chapter 490 or 499, if all of the following conditions are satisfied:
 - a. All of the following apply:
 - (1) Qualified farmers must hold at least a fifty-one percent equity interest in the cooperative association, including fifty-one percent of each class of members' equity.
 - (2) The following persons must hold at least a seventy percent equity interest in the cooperative association, including seventy percent of each class of members' equity:
 - (a) A qualified farmer.
 - (b) A family farm entity.

(c) A commodity share landlord.

b. As used in this subsection, "*members' equity*" includes but is not limited to issued shares, including common stock or preferred stock, regardless of a right to receive dividends or earning distributions. However, "*members' equity*" does not include nonvoting common stock or nonvoting membership interests. A security such as a warrant or option that may be converted to voting stock shall be considered as issued shares.

c. For purposes of this subsection, a person who was a qualified person within the last ten years shall be treated as a qualified person.

9. "*Farmers cooperative limited liability company*" means a limited liability company organized under chapter 490A, if cooperative associations hold one hundred percent of all membership interests in the limited liability company. Farmers cooperative associations must hold at least seventy percent of all membership interests in the limited liability company. If more than one type of membership interest is established, including any series as provided in section 490A.305 or any class or group as provided in section 490A.307, farmers cooperative associations must hold at least seventy percent of all membership interests of that type.

10. "*Farmers entity*" means a networking farmers entity, farmers cooperative limited liability company, or farmers cooperative association.

11. "*Farming*" means the same as defined in section 9H.1.

12. "*Grain*" means the same as defined in section 203.1.

13. "*Intra-company loan agreement*" means an agreement involving a loan, if the parties to the agreement are members of the same farmers cooperative limited liability company, and according to the terms of the loan a member which is a regional cooperative association directly or indirectly loans money to a member which is a farmers cooperative association, on condition that the money, including any interest, must be repaid by the member which is a farmers cooperative association to the regional cooperative association or another person. A loan agreement does not include an operating loan agreement, in which all of the following apply:

a. The money is required to be repaid within ninety days from the date that the farmers cooperative association receives the money, and the money is actually repaid by that date.

b. The money is used to pay for reasonable and ordinary expenses of the farmers cooperative association in conducting its affairs.

14. "*Livestock*" means an animal belonging to the bovine, caprine, equine, ovine, or porcine species, ostriches, rheas, emus, farm deer as defined in section 170.1, or poultry.

15. "*Networking farmers corporation*" means a corporation, other than a family farm corporation as defined in section 9H.1, organized under chapter 490 if all of the following conditions are satisfied:

a. All of the following apply:

(1) Qualified farmers must hold at least fifty-one percent of all issued shares of the corporation. If more than one class of shares is authorized, qualified farmers must hold at least fifty-one percent of all issued shares in each class.

(2) Qualified persons must hold at least seventy percent of all issued shares of the corporation. If more than one class of shares is authorized, qualified persons must hold at least seventy percent of all issued shares in each class.

b. As used in paragraph "a", *"issued shares"* includes but is not limited to common stock or preferred stock, or each class of common stock or preferred stock, regardless of voting rights or a right to receive dividends or earning distributions. A security such as a warrant or option that may be converted to stock shall be considered as issued shares.

16. *"Networking farmers entity"* means a networking farmers corporation or networking farmers limited liability company.

17. *"Networking farmers limited liability company"* means a limited liability company, other than a family farm limited liability company as defined in section 9H.1, organized under chapter 490A if all of the following conditions are satisfied:

a. Qualified farmers must hold at least fifty-one percent of all membership interests in the limited liability company. If more than one type of membership interest is established, including any series as provided in section 490A.305 or any class or group as provided in section 490A.307, qualified farmers must hold at least fifty-one percent of all membership interests of that type.

b. Qualified persons must hold at least seventy percent of all membership interests in the limited liability company. If more than one type of membership interest is established, including any series as provided in section 490A.305 or any class or group as provided in section 490A.307, qualified persons must hold at least seventy percent of all membership interests of that type.

18. *"Operation of law"* means a transfer by inheritance, devise, or bequest, court order, dissolution decree, order in bankruptcy, insolvency, replevin, foreclosure, execution sale, the execution of a judgment, the foreclosure of a real estate mortgage, the forfeiture of a real estate contract, or a transfer resulting from a decree for specific performance.

19. *"Qualified farmer"* means any of the following:

a. A natural person actively engaged in farming.

b. A general partnership as provided in chapter 486A in which all partners are natural persons actively engaged in farming.

c. A farm estate.

20. *"Qualified commodity share landlord"* means a commodity share landlord, if the owner of the agricultural land was actively engaged in farming the land or a family member of the owner is or was actively engaged in farming the land, if the family member is related to the owner as a spouse, parent, grandparent, lineal ascendant of a grandparent or spouse, or other lineal descendant of a grandparent or spouse.

21. *"Qualified person"* means a person who is any of the following:

a. A qualified farmer.

b. A family farm entity.

c. A qualified commodity share landlord.

22. *"Regional cooperative association"* means a cooperative association other than a farmers cooperative association.

10.2 Interests described.

As used in this chapter, the following apply:

1. A person holds an interest in agricultural land if the person either directly or indirectly owns or leases the agricultural land in this state.
2. A person holds an interest in a farmers entity if the person holds an interest as any of the following:
 - a. A shareholder of a networking farmers corporation.
 - b. A member of a networking farmers limited liability company.
 - c. A member of a farmers cooperative association.
 - d. A member of a farmers cooperative limited liability company.

98 Acts, ch 1110, §102, 301

10.3 Landholdings restricted.

1. Notwithstanding section 9H.4, a networking farmers corporation may hold agricultural land in this state if it meets all of the following conditions:
 - a. The networking farmers corporation does not hold an interest in agricultural land of more than six hundred forty acres.
 - b. At least seventy-five percent of the networking farmers corporation's gross receipts are from the sale of livestock or livestock products.
2.
 - a. An interest in agricultural land held by a networking farmers corporation shall be attributable as an interest in agricultural land held by a shareholder having an interest in the networking farmers corporation. The shareholder shall be deemed to hold an interest in agricultural land held by the networking farmers corporation in proportion to the interest that the shareholder holds in the networking farmers corporation.
 - b. Except to the extent provided in this paragraph, a shareholder holding agricultural land by attribution shall be subject to landholding restrictions imposed pursuant to the Code, including sections 9H.4, 9H.5, 9I.3, and 501.103. However, notwithstanding section 9H.4, a cooperative association may hold an interest in any number of farmers entities, if the total number of acres held by the farmers entities and attributable to the cooperative association is six hundred forty acres or less.
 - c. The shareholder's proportionate interest shall be calculated by multiplying the number of acres of agricultural land held by the networking farmers corporation by the percentage interest in the networking farmers corporation held by the shareholder.
3. In the event of a transfer of an interest in the networking farmers corporation by operation of law, the corporation may disregard the transfer for purposes of determining compliance with subsection 1 for a period of two years after the transfer.

98 Acts, ch 1110, §103, 301

10.4 Multiple interests restricted.

1. A person who holds an interest in a networking farmers corporation holding an interest in agricultural land pursuant to section 10.3 shall not hold an interest in another farmers entity if any of the following applies:

- a. The person holds a twenty-five percent or greater interest in a networking farmers corporation having six or fewer stockholders.
- b. The person holds a fifteen percent or greater interest in a networking farmers corporation having seven or more stockholders.

2. A person who holds a majority interest in an authorized entity shall not hold a majority interest in a networking farmers corporation.

3. A qualified commodity share landlord who owns an interest in a networking farmers corporation holding agricultural land under section 10.3 must rent an additional one hundred fifty acres of agricultural land on a commodity share basis for each farmers entity holding agricultural land under this chapter in which the commodity share landlord acquires an interest.

98 Acts, ch 1110, §104, 301

10.5 Landholdings restricted.

1. Notwithstanding section 9H.4, a networking farmers limited liability company may hold agricultural land in this state if it meets all of the following conditions:

a. The networking farmers limited liability company does not hold an interest in agricultural land of more than six hundred forty acres.

b. At least seventy-five percent of the networking farmers limited liability company's gross receipts from farming are from the sale of livestock or livestock products.

2. a. An interest in agricultural land held by a networking farmers limited liability company shall be attributable as an interest in agricultural land held by a member having an interest in the networking farmers limited liability company. The member shall be deemed to hold an interest in agricultural land held by the networking farmers limited liability company in proportion to the interest that the member holds in the networking farmers limited liability company.

b. Except to the extent provided in this paragraph, a member holding agricultural land by attribution shall be subject to landholding restrictions imposed pursuant to the Code, including sections 9H.4, 9H.5, 9I.3, and 501.103. However, notwithstanding section 9H.4, a cooperative association may hold an interest in any number of farmers entities, if the total number of acres held by the farmers entities and attributable to the cooperative association is six hundred forty acres or less.

c. The member's proportionate interest shall be calculated by multiplying the number of acres of agricultural land held by the networking farmers limited liability company by the percentage interest in the networking farmers limited liability company held by the member.

3. In the event of a transfer of an interest in the networking farmers limited liability company by operation of law, the networking farmers limited liability company may disregard the transfer for purposes of determining compliance with subsection 1 for a period of two years after the transfer.

98 Acts, ch 1110, §105, 301

10.6 Multiple interests restricted.

1. A person who holds an interest in a networking farmers limited liability company holding an interest in agricultural land pursuant to section 10.5 shall not hold an interest in another farmers entity, if any of the following applies:

a. The person holds a twenty-five percent or greater interest in a networking farmers limited liability company having six or fewer members.

b. The person holds a fifteen percent or greater interest in a networking farmers limited liability company having seven or more members.

2. A person who holds a majority interest in an authorized entity shall not hold a majority interest in a networking farmers limited liability company.

3. A qualified commodity share landlord who owns an interest in a networking farmers limited liability company holding agricultural land under section 10.5 must rent an additional one hundred fifty acres of agricultural land on a commodity share basis for each farmers entity holding agricultural land under this chapter in which the commodity share landlord acquires an interest.

98 Acts, ch 1110, §106, 301

10.7 Landholdings restricted.

1. Notwithstanding section 9H.4, a farmers cooperative association may hold agricultural land in this state if it meets all of the following conditions:

a. The farmers cooperative association does not hold an interest in agricultural land of more than six hundred forty acres.

b. The farmers cooperative association does not produce, including by planting or harvesting, forage or grain on agricultural land in which the farmers cooperative association holds an interest. However, the farmers cooperative association may enter into an agreement under a lease or production contract with a person to produce the forage or grain, if the farmers cooperative association does not receive forage or grain in payment under the agreement. The lease or contract may specify the type of forage or grain that must be produced and provide that the farmers cooperative association has a right to purchase the forage or grain on the same terms and conditions as the highest bona fide offer received by the person for the forage or grain, within a period agreed to by the parties to the lease or production contract.

2. *a.* Except as provided in this section, an interest in agricultural land held by a farmers cooperative association shall be attributable as an interest in agricultural land held by a member having an interest in the farmers cooperative association. The member shall be deemed to hold an interest in agricultural land held by the farmers cooperative association in proportion to the interest that the member holds in the farmers cooperative association.

b. Except to the extent provided in this paragraph, a member holding agricultural land by attribution shall be subject to landholding restrictions imposed pursuant to the Code, including sections 9H.4, 9H.5, 9I.3, and 501.103. However, notwithstanding section 9H.4, all of the following shall apply:

(1) A cooperative association may hold an interest in any number of farmers entities, if the total number of acres held by the farmers entities and attributable to the cooperative association is six hundred forty acres or less.

(2) An interest in agricultural land held by a farmers cooperative association shall not be attributable to a member who is an entity organized under state law, if the entity holds a five percent or less interest in the farmers cooperative association.

c. The member's proportionate interest shall be calculated by multiplying the number of acres of agricultural land held by the farmers cooperative association by the percentage interest in the farmers cooperative association held by the member.

3. In the event of a transfer of an interest in a farmers cooperative association by operation of law, the association may disregard the transfer for purposes of determining compliance with subsection 1 for a period of two years after the transfer.

98 Acts, ch 1110, §107, 301

10.8 Multiple interests restricted.

1. A person who holds an interest in a farmers cooperative association holding an interest in agricultural land pursuant to section 10.7 shall not hold an interest in another farmers entity if any of the following applies:

a. The person holds a twenty-five percent or greater interest in a farmers cooperative association having six or fewer members.

b. The person holds a fifteen percent or greater interest in a farmers cooperative association having seven or more members.

2. A person who holds a majority interest in an authorized entity shall not hold a majority interest in a farmers cooperative association.

98 Acts, ch 1110, §108, 301

10.9 Procedure for acquisition reverse referendum dissent.

A farmers cooperative association shall not acquire an interest in agricultural land or in a farmers entity, unless all of the following apply:

1. The board of directors of the farmers cooperative association adopts a resolution authorizing the acquisition. Except as provided in this section, the resolution shall become effective thirty-one days from the date that the resolution was adopted. The farmers cooperative association is not required to comply with the procedures of this section for as long as the resolution remains in effect. The resolution shall contain all of the following:

a. A declaration stating that the farmers cooperative association reserves the right to acquire agricultural land or an interest in a farmers entity under this chapter.

b. A description of a planned acquisition, if any, including the location of agricultural land planned to be acquired, the identity of any farmers entity in which the farmers cooperative association plans to acquire an interest, and the nature of any farming operation which is planned to occur on land acquired by the farmers cooperative association or conducted by the farmers entity.

c. The date that the resolution was adopted and the date that it will take effect.

2. Within five days following the date that the resolution authorizing the farmers cooperative association to acquire an interest in agricultural land or acquire an interest in a farmers entity is adopted, the farmers

cooperative association must provide notice of the resolution as provided in this section. The notice shall be in the following form: NOTICE MEMBERS OF THE (INSERT NAME OF THE FARMERS COOPERATIVE ASSOCIATION)

THE (INSERT NAME OF THE FARMERS COOPERATIVE ASSOCIATION) IS PLANNING ON ACQUIRING AN INTEREST IN AGRICULTURAL LAND WHICH MAY BE USED FOR FARMING OR ACQUIRING AN INTEREST IN A BUSINESS THAT OWNS AGRICULTURAL LAND THAT MAY BE USED FOR FARMING. UNDER IOWA CODE CHAPTER 10, THE (INSERT NAME OF THE FARMERS COOPERATIVE ASSOCIATION) IS A FARMERS COOPERATIVE ASSOCIATION. WITHIN A LIMITED TIME PERIOD: (1) VOTING MEMBERS MAY PETITION A FARMERS COOPERATIVE ASSOCIATION TO REQUIRE A MEMBERSHIP VOTE TO APPROVE THE ACQUISITION; AND (2) ALL HOLDERS OF MEMBERS' EQUITY MAY DEMAND PAYMENT OF THE FAIR VALUE OF THEIR INTERESTS.

a. The notice must be published in a newspaper having a general circulation in the county where the farmers cooperative association is located as provided in section 618.3. The notice shall be printed as provided in section 618.17.

b. The notice shall be delivered to all holders of members' equity in the farmers cooperative association, including members and shareholders, by mailing the notice to the holder's last known address as shown on the books of the farmers cooperative association. The notice shall be accompanied by a copy of the resolution adopted by the board pursuant to this section, and a copy of this section.

3. Within thirty days following the date that the resolution authorizing the farmers cooperative association to acquire an interest in agricultural land or acquire an interest in a farmers entity is adopted, at least twenty percent of the voting members of the farmers cooperative association may file a petition with the board of directors demanding a referendum under this subsection.

a. If a valid petition is filed, the board of directors shall call a special referendum of voting members at a regular or special meeting, as provided in section 499.27. The filing of the petition suspends the effectiveness of the resolution until a referendum is conducted as provided in this subsection.

b. The resolution shall not become effective as otherwise provided in this section, until the resolution is approved by a majority vote of the voting members of the farmers cooperative association casting ballots at the meeting to conduct the referendum.

4. *a.* Within thirty days following the date that the resolution authorizing the farmers cooperative association to acquire an interest in agricultural land or acquire an interest in a farmers entity is adopted, a holder of members' equity, including a member or shareholder, may dissent to an acquisition as expressed in the resolution adopted by the board of directors under this section.

b. The holder of members' equity shall dissent by filing a demand with the board of directors. The farmers cooperative association shall pay the holder the fair value of that holder's interest as if the holder were a member dissenting to a merger or consolidation, as provided in section 499.66, upon surrender of the holder's evidence of equity in the farmers cooperative association, including a certificate of membership or shares.

c. The farmers cooperative association is not required to pay the holder of members' equity the fair value of that holder's interest as provided in this subsection, if the resolution provided for in this section does not become effective.

98 Acts, ch 1110, §109, 301

10.10 Landholdings restricted.

1. Notwithstanding section 9H.4, a farmers cooperative limited liability company may hold agricultural land in this state if it meets all of the following conditions:

- a. The farmers cooperative limited liability company does not hold an interest in agricultural land of more than six hundred forty acres.
- b. The farmers cooperative limited liability company does not produce, including by planting or harvesting, forage or grain on agricultural land in which the farmers cooperative limited liability company holds an interest. However, the farmers cooperative limited liability company may enter into an agreement under a lease or production contract with a person to produce the forage or grain, if the farmers limited liability company does not receive forage or grain in payment under the agreement. The lease or contract may specify the type of forage or grain that must be produced and provide that the farmers cooperative limited liability company has a right to purchase the forage or grain on the same terms and conditions as the highest bona fide offer received by the person for the forage or grain, within a period agreed to by the parties to the lease or production contract.
- c. Less than fifty percent of the interest in the farmers cooperative limited liability company is held by members which are parties to intra-company loan agreements. If more than one type of membership interest is established, including any series as provided in section 490A.305 or any class or group as provided in section 490A.307, less than fifty percent of the interest in each type of membership shall be held by members which are parties to intra-company loan agreements.
- d. The farmers cooperative limited liability company does not own swine or contract for the care and feeding of swine, if a member of the farmers cooperative limited liability company is a regional cooperative association.

2. a. An interest in agricultural land held by a farmers cooperative limited liability company shall be attributable as an interest in agricultural land held by a member cooperative association of the farmers cooperative limited liability company. The member cooperative association shall be deemed to hold an interest in agricultural land held by the farmers cooperative limited liability company in proportion to the interest that the member cooperative association holds in the limited liability company.

b. Except to the extent provided in this paragraph, a member holding agricultural land by attribution shall be subject to landholding restrictions imposed pursuant to the Code, including sections 9H.4, 9H.5, 9I.3, and 501.103. However, notwithstanding section 9H.4, a cooperative association may hold an interest in any number of farmers entities, if the total number of acres held by the farmers entities and attributable to the cooperative association is six hundred forty acres or less.

c. The member cooperative association's proportionate interest shall be calculated by multiplying the number of acres of agricultural land held by the farmers cooperative limited liability company by the percentage interest in the limited liability company held by the cooperative association as a member.

3. In the event of a transfer of an interest in the farmers cooperative limited liability company by operation of law, the farmers cooperative limited liability company may disregard the transfer for purposes of determining compliance with subsection 1 for a period of two years after the transfer.

98 Acts, ch 1110, §110, 301

10.11 Landholding restrictions penalties.

A person violating the landholding restrictions in section 10.3, 10.5, 10.7, or 10.10 shall be assessed a civil penalty of not more than ten thousand dollars and shall divest itself of any land held in violation of the section within one year after judgment is entered ordering the farmers entity to comply with that section, as

provided in section 10.13.

98 Acts, ch 1110, §111, 301

10.12 Multiple interests restricted penalties.

1. A civil penalty of not more than one thousand dollars may be imposed on a person who becomes one of the following:

- a. A stockholder of a networking farmers corporation as prohibited in section 10.4.
- b. A member of a networking farmers limited liability company as prohibited in section 10.6.
- c. A member of a farmers cooperative association as prohibited in section 10.8.

2. The person violating the section shall divest the interest held by the person in a farmers entity or authorized entity as is necessary to comply with this chapter, as provided in section 10.13.

98 Acts, ch 1110, §112, 301

10.13 Divestiture proceedings.

The court may determine the method of divesting an interest held by a person found to be in violation of this chapter. A financial gain realized by a person who disposes of an interest held in violation of this chapter shall be forfeited to the state's general fund. All court costs and fees shall be paid by the person holding the interest in violation of the section.

98 Acts, ch 1110, §113, 301

10.14 Injunctive relief.

The courts of this state may prevent and restrain violations of this chapter through the issuance of an injunction. The attorney general or a county attorney shall institute suits on behalf of the state to prevent and restrain violations of this chapter.

98 Acts, ch 1110, §114, 301