

4/3/97 Unfinished Business
Calendar
4/29/97 Referred to Agric. Com.

MAR 19 1997
Place On Calendar

HOUSE FILE 706
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HF 301)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

- 1 An Act providing for interests by persons owning or leasing
- 2 agricultural land, and providing penalties.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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1 Section 1. Section 9H.1, subsection 3, unnumbered
2 paragraph 1, Code 1997, is amended to read as follows:

3 "Authorized farm corporation" means a corporation other
4 than a family farm corporation or network agricultural
5 production corporation founded for the purpose of farming and
6 the ownership of agricultural land in which:

7 Sec. 2. Section 9H.1, subsection 3, paragraph b, Code
8 1997, is amended to read as follows:

9 b. The stockholders are ~~all~~ limited to natural persons,
10 family farm entities, network entities, or persons acting in a
11 fiduciary capacity for the benefit of natural persons or
12 nonprofit corporations.

13 Sec. 3. Section 9H.1, subsection 3A, unnumbered paragraph
14 1, Code 1997, is amended to read as follows:

15 "Authorized limited liability company" means a limited
16 liability company other than a family farm limited liability
17 company or network agricultural production limited liability
18 company founded for the purpose of farming and the ownership
19 of agricultural land in which all of the following apply:

20 Sec. 4. Section 9H.1, subsection 3A, paragraph b, Code
21 1997, is amended to read as follows:

22 b. The members are ~~all~~ limited to natural persons, family
23 farm entities, network entities, or persons acting in a
24 fiduciary capacity for the benefit of natural persons or
25 nonprofit corporations.

26 Sec. 5. Section 9H.1, subsection 4, unnumbered paragraph
27 1, Code 1997, is amended to read as follows:

28 "Authorized trust" means a trust other than a family trust
29 or network agricultural production trust in which:

30 Sec. 6. Section 9H.1, subsection 4, paragraph b, Code
31 1997, is amended to read as follows:

32 b. The beneficiaries are ~~all~~ limited to natural persons,
33 who are not acting as a trustee or in a similar capacity for a
34 trust ~~as defined in subsection 22 of this section,~~ or family
35 farm entities, network entities, persons acting in a fiduciary

1 capacity, or nonprofit corporations; and

2 Sec. 7. Section 9H.1, Code 1997, is amended by adding the
3 following new subsections:

4 NEW SUBSECTION. 2A. "Authorized entity" means an
5 authorized farm corporation; authorized trust; authorized
6 limited liability company; or limited partnership, other than
7 a family farm limited partnership, which owns or leases
8 agricultural land.

9 NEW SUBSECTION. 8B. "Family farm entity" means a family
10 farm corporation, family farm limited liability company,
11 family farm limited partnership, or family trust.

12 NEW SUBSECTION. 16A. "Network agricultural production
13 corporation" means a corporation which meets all of the
14 following conditions:

15 a. The corporation is founded for the purpose of farming
16 and the ownership of agricultural land.

17 b. The stockholders are all natural persons or persons
18 acting in a fiduciary capacity for the benefit of natural
19 persons.

20 c. Sixty percent of the voting stock is held by and sixty
21 percent of the stockholders are persons who each received
22 sixty percent of their income over the last consecutive three-
23 year period from farming.

24 NEW SUBSECTION. 16B. "Network agricultural production
25 limited liability company" means a limited liability company
26 which meets all of the following conditions:

27 a. The limited liability company is founded for the
28 purpose of farming and the ownership of agricultural land.

29 b. The members are all natural persons or persons acting
30 in a fiduciary capacity for the benefit of natural persons.

31 c. Sixty percent of the membership interest is held by and
32 sixty percent of the members are persons who each received
33 sixty percent of their income over the last consecutive three-
34 year period from farming.

35 NEW SUBSECTION. 16C. "Network agricultural production

1 limited partnership" means a limited partnership which meets
2 all of the following conditions:

3 a. The limited partnership is formed for the purpose of
4 farming and the ownership of agricultural land.

5 b. The general partner and all the limited partners are
6 all natural persons or persons acting in a fiduciary capacity
7 for the benefit of natural persons.

8 c. Sixty percent of the partnership interest is held by
9 and sixty percent of the limited partners are persons who each
10 received sixty percent of their income over the last
11 consecutive three-year period from farming.

12 NEW SUBSECTION. 16D. "Network agricultural production
13 trust" means a trust which meets all of the following
14 conditions:

15 a. The trust is formed for the purpose of farming and the
16 ownership of agricultural land.

17 b. The beneficiaries are all natural persons, who are not
18 acting as a trustee or in a similar capacity for a trust or
19 persons acting in a fiduciary capacity for the benefit of
20 natural persons.

21 c. Sixty percent of the interest in the trust is held by
22 and sixty percent of the beneficiaries are persons who each
23 received sixty percent of their income over the last
24 consecutive three-year period from farming.

25 NEW SUBSECTION. 16E. "Network entity" means a network
26 agricultural production corporation, network agricultural
27 production limited liability company, network agricultural
28 production limited partnership, or network agricultural
29 production trust.

30 Sec. 8. Section 9H.4, unnumbered paragraphs 1 and 2, Code
31 1997, are amended to read as follows:

32 A corporation, limited liability company, or trust, other
33 than a corporation, limited liability company, or trust which
34 is classified as a family farm corporation entity, authorized
35 farm-corporation entity, family-farm-limited-liability

1 ~~company, authorized limited liability company, family trust,~~
2 ~~authorized trust~~ network entity, revocable trust, or
3 testamentary trust, shall not, either directly or indirectly,
4 acquire or otherwise obtain or lease any agricultural land in
5 this state. However, the restrictions provided in this
6 section shall not apply to the following:

7 A corporation, limited liability company, or trust, ~~other~~
8 ~~than a family farm corporation, authorized farm corporation,~~
9 ~~family farm limited liability company, authorized limited~~
10 ~~liability company, family trust, authorized trust, revocable~~
11 ~~trust, or testamentary trust, violating as provided in this~~
12 section, which violates this section shall be assessed a civil
13 penalty of not more than twenty-five thousand dollars and
14 shall divest itself of any land held in violation of this
15 section within one year after judgment. The courts of this
16 state may prevent and restrain violations of this section
17 through the issuance of an injunction. The attorney general
18 or a county attorney shall institute suits on behalf of the
19 state to prevent and restrain violations of this section.

20 Sec. 9. Section 9H.5, subsection 1, unnumbered paragraph
21 1, Code 1997, is amended to read as follows:

22 An authorized ~~farm corporation, authorized limited~~
23 ~~liability company, or authorized trust~~ entity shall not, on or
24 after July 1, 1987, and a limited partnership other than a
25 family farm limited partnership shall not, on or after July 1,
26 1988, and a network entity shall not, either directly or
27 indirectly, acquire or otherwise obtain or lease agricultural
28 land, if the total agricultural land either directly or
29 indirectly owned or leased by the authorized ~~farm corporation,~~
30 ~~authorized limited liability company,~~ entity, network entity,
31 or limited partnership ~~or authorized trust~~ would then exceed
32 one thousand five hundred acres.

33 Sec. 10. Section 9H.5, subsection 2, Code 1997, is amended
34 by striking the subsection and inserting in lieu thereof the
35 following:

1 2. a. A person who holds an interest in an authorized
2 entity or a network entity shall not hold an interest in
3 another authorized entity or network entity, if all authorized
4 or network entities in which the person would hold an interest
5 own or lease a combined total of more than one thousand five
6 hundred acres of agricultural land. A person who is a family
7 farm entity or network entity shall not hold an interest in
8 more than three authorized entities.

9 b. As used in this section, an interest in an authorized
10 or network entity means holding an interest as any of the
11 following:

12 (1) A stockholder of an authorized farm corporation or
13 network agricultural production corporation.

14 (2) A beneficiary of an authorized trust or network
15 agricultural production trust.

16 (3) A limited partner in a limited partnership, including
17 a network agricultural production limited partnership, which
18 owns or leases agricultural land, other than a family farm
19 limited partnership.

20 (4) A member of an authorized limited liability company or
21 a network agricultural production limited liability company.

22 c. This subsection shall not apply to a person holding an
23 interest in an authorized entity to the extent that one of the
24 following also applies:

25 (1) The combined number of acres of agricultural land
26 owned or leased by multiple authorized entities exceeds the
27 limit provided in this section only because a person holds
28 less than a fifteen percent interest in each of the multiple
29 authorized entities.

30 (2) An interest in an authorized entity was held on or
31 before July 1, 1988.

32 Sec. 11. Section 9H.5, subsection 3, paragraph a, Code
33 1997, is amended by striking the paragraph and inserting in
34 lieu thereof the following:

35 a. The following shall apply to persons violating this

1 section:

2 (1) If an authorized entity acquires land in violation of
3 subsection 1, the authorized entity shall divest itself of any
4 land held in violation of subsection 1 within one year after a
5 judgment is entered ordering the authorized entity to comply
6 with subsection 1. The court shall order the dissolution of
7 an authorized entity which violates the order requiring
8 compliance. The clerk of court shall immediately send a
9 certified copy of the dissolution order to the secretary of
10 state.

11 (2) If a person acquires an interest in an authorized
12 entity in violation of subsection 2, the person shall transfer
13 the person's interest in any authorized entity as is required
14 to comply with subsection 2 within one year after a judgment
15 is entered ordering the person to comply. A person who
16 violates an order requiring compliance is subject to a civil
17 penalty of not more than one thousand dollars.

18 Sec. 12. Section 9H.5A, subsection 4, Code 1997, is
19 amended to read as follows:

20 4. A reporting entity shall be excused from filing a
21 report with the secretary of state during any year in which
22 the reporting entity's corporation, limited partnership,
23 trust, or limited liability company owns, leases, and holds
24 less than twenty acres of agricultural land in this state and
25 the gross revenue produced from all farming on the land equals
26 less than ten thousand dollars. If a reporting entity is
27 excused from filing a report with the secretary of state as
28 provided in this subsection in the immediately prior reporting
29 year, the secretary of state shall not deliver a form to the
30 reporting entity for the current reporting year.

31 Sec. 13. Section 487.802, Code 1997, is amended by adding
32 the following new unnumbered paragraph:

33 NEW UNNUMBERED PARAGRAPH. Upon application by the attorney
34 general, the district court of Polk county shall decree
35 dissolution of a limited partnership if the limited

1 partnership is in violation of a court order providing for
2 compliance with section 9H.5.

3 Sec. 14. Section 490.1430, subsection 1, unnumbered
4 paragraph 1, Code 1997, is amended to read as follows:

5 A proceeding by the attorney general, if it is established
6 that either any of the following apply:

7 Sec. 15. Section 490.1430, subsection 1, Code 1997, is
8 amended by adding the following new paragraph:

9 NEW PARAGRAPH. c. The corporation is in violation of a
10 court order providing for compliance with section 9H.5.

11 Sec. 16. Section 490A.1302, Code 1997, is amended by
12 adding the following new unnumbered paragraph:

13 NEW UNNUMBERED PARAGRAPH. Upon application by the attorney
14 general, the district court of Polk county shall decree
15 dissolution of a limited liability company if the limited
16 liability company is in violation of a court order providing
17 for compliance with section 9H.5.

18 EXPLANATION

19 This bill amends Code chapter 9H, which prohibits corporate
20 entities from owning or leasing agricultural land in the
21 state. The chapter provides for a number of exceptions. The
22 bill classifies entities that can currently hold land as
23 family farm entities or authorized entities, which may include
24 corporations, limited partnerships, limited liability
25 companies, and trusts which meet certain qualifications.
26 Generally, for an authorized entity, all persons holding an
27 interest in the authorized entity must be natural persons.
28 Current law provides that an authorized entity cannot hold
29 more than 1,500 acres of agricultural land. Current law also
30 provides that a person cannot hold an interest in more than
31 one authorized entity. It provides that an authorized entity
32 which violates the chapter is subject to a civil penalty of
33 not more than \$25,000. A person who holds multiple interests
34 is subject to a civil penalty of not more than \$1,000.
35 Current law also requires divestiture.

1 The bill establishes a new type of corporate entity that
2 can own or lease agricultural land called a network production
3 entity, including a network agricultural production
4 corporation, a network agricultural production limited
5 liability company, a network production limited partnership,
6 or a network agricultural production trust. In order to
7 qualify as a network entity, a corporation, limited liability
8 company, limited partnership, or trust must be founded for the
9 purpose of farming and the ownership of agricultural land; all
10 the persons who own an interest in the entity must be
11 individuals; and 60 percent of the interest in the entity must
12 be held by persons and 60 percent of the shareholders must be
13 persons who derive 60 percent of their income from farming.

14 The bill provides that a network entity cannot hold not
15 more than 1,500 acres of agricultural land. The bill amends
16 Code chapter 9H to provide that any number of network entities
17 or family farm entities may hold an interest in one authorized
18 entity. The bill provides that a person who holds an interest
19 in an authorized entity or network entity is prohibited from
20 holding an interest in another authorized or network entity if
21 all authorized or network entities in which the person holds
22 an interest own or lease a combined total of more than 1,500
23 acres. The bill provides that a network entity or a family
24 farm entity may hold an interest in not more than three
25 authorized entities. The bill creates an exception to this
26 prohibition on multiple ownership if the combined number of
27 acres of agricultural land owned or leased by multiple
28 authorized entities exceeds the 1,500 acre limit only because
29 a person holds less than a 15 percent interest in each of the
30 multiple authorized entities.

31 The bill provides that if an authorized entity acquires
32 land in violation of the bill, the authorized entity must
33 divest itself of land held in violation of the bill within one
34 year after a judgment is entered ordering compliance. The
35 court must order the dissolution of an authorized entity which

1 violates the order. The bill provides that if a person
2 acquires an interest in an authorized entity in violation of
3 the bill, the person must transfer the person's interest in
4 the authorized entity one year after a judgment is entered
5 ordering compliance. A person failing to comply is subject to
6 a civil penalty of not more than \$1,000.

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HOUSE FILE 706

H-1317

1 Amend House File 706 as follows:

2 1. By striking page 1, line 1, through page 4,
3 line 32, and inserting the following:

4 "Section 1. Section 9H.1, Code 1997, is amended by
5 adding the following new subsection:

6 NEW SUBSECTION. 2A. "Authorized entity" means an
7 authorized farm corporation, authorized trust,
8 authorized limited liability company, or limited
9 partnership other than a family farm limited
10 partnership."

11 2. Page 5, line 2, by striking the words "or a
12 network entity".

13 3. Page 5, line 3, by striking the words "or
14 network entity".

15 4. Page 5, line 4, by striking the words "or
16 network".

17 5. Page 5, by striking lines 6 through 8 and
18 inserting the following: "hundred acres of
19 agricultural land."

20 6. Page 5, line 10, by striking the words "or
21 network".

22 7. Page 5, by striking lines 12 through 21 and
23 inserting the following:

24 "(1) A stockholder of an authorized farm
25 corporation.

26 (2) A beneficiary of an authorized trust.

27 (3) A limited partner in a limited partnership
28 other than a family farm limited partnership.

29 (4) A member of an authorized limited liability
30 company."

31 8. By renumbering as necessary.

By GREINER of Washington

H-1317 FILED MARCH 24, 1997

HOUSE FILE 706

H-1288

1 Amend House File 706 as follows:
2 1. By striking page 5, line 32, through page 7,
3 line 17, and inserting the following:
4 "Sec. _____. Section 9H.5, subsection 3, paragraph
5 a, Code 1997, is amended to read as follows:
6 3. a. An authorized ~~farm-corporation,-authorized~~
7 ~~trust,-authorized-limited-liability-company,-or~~
8 ~~limited-partnership entity~~ or a network entity
9 violating this section shall be assessed a civil
10 penalty of not more than twenty-five thousand dollars
11 and shall divest itself of any land held in violation
12 of this section within one year after judgment. A
13 civil penalty of not more than one thousand dollars
14 may be imposed on a person who ~~becomes-a-stockholder~~
15 ~~of holds an interest in an authorized farm~~
16 ~~corporation,-beneficiary-of-an-authorized-trust,-~~
17 ~~member-of-an-authorized-limited-liability-company,-or~~
18 ~~limited-partner-in-a-limited-partnership-in-violation~~
19 ~~of-this-section entity~~ or a network entity. The
20 person shall divest the interest held by the person in
21 the ~~corporation,-trust,-limited-liability-company,-or~~
22 ~~limited-partnership~~ authorized entity or network
23 entity required to comply with this section. The
24 court may determine the method of divesting an
25 interest held by a person found to be in violation of
26 this chapter. A financial gain realized by a person
27 who disposes of an interest held in violation of this
28 chapter shall be forfeited to the state's general
29 fund. All court costs and fees shall be paid by the
30 person holding the interest in violation of this
31 chapter."

By DREES of Carroll

H-1288 FILED MARCH 24, 1997

HOUSE FILE 706

H-1289

1 Amend House File 706 as follows:
2 1. Page 6, line 16, by striking the words "an
3 order requiring compliance" and inserting the
4 following: "subsection 2".

By KREIMAN of Davis

H-1289 FILED MARCH 24, 1997

HOUSE FILE 706

H-1290

1 Amend House File 706 as follows:
2 1. Page 6, line 17, by inserting after the word
3 "dollars" the following: "for each day that the
4 violation continues".

By KREIMAN of Davis

H-1290 FILED MARCH 24, 1997

HOUSE FILE 706

H-1359

1 Amend House File 706 as follows:

2 1. Page 6, by inserting after line 30 the
3 following:

4 "Sec. ____ . Section 9H.14, Code 1997, is amended to
5 read as follows:

6 9H.14 DUTIES OF SECRETARY OF STATE.

7 1. The secretary of state shall notify the
8 attorney general when the secretary of state has
9 reason to believe a violation of this chapter has
10 occurred.

11 2. It is the intent of this section that
12 information shall be made available to members of the
13 general assembly and appropriate committees of the
14 general assembly in order to determine the extent of
15 farming being carried out in this state by
16 corporations and other business entities and the
17 effect of such farming practices upon the economy of
18 this state. The reports of corporations, limited
19 liability companies, limited partnerships, trusts,
20 contractors, and processors required in this chapter
21 shall be confidential reports except as follows:

22 a. Information provided to the attorney general
23 for review and appropriate action when necessary.

24 b. Information reported by an authorized entity
25 pursuant to section 9H.5A relating to the approximate
26 number of livestock owned, contracted for, or kept by
27 the authorized entity, and the approximate number of
28 offspring produced from the livestock.

29 The secretary of state shall assist any committee
30 of the general assembly existing or established for
31 the purposes of studying the effects of this chapter
32 and the practices this chapter seeks to study and
33 regulate."

By KREIMAN of Davis

H-1359 FILED MARCH 25, 1997

HOUSE FILE 706

H-1358

1 Amend House File 706 as follows:

2 1. Page 3, by inserting after line 29 the
3 following:

4 "Sec. _____. Section 9H.2, unnumbered paragraph 1,
5 Code 1997, is amended to read as follows:

6 In order to preserve free and private enterprise,
7 prevent monopoly, and protect consumers, it is
8 unlawful for any processor of beef or pork or limited
9 partnership in which a processor holds partnership
10 shares as a general partner or partnership shares as a
11 limited partner, or limited liability company in which
12 a processor is a member, to directly or indirectly
13 own, control or operate a feedlot in Iowa in which
14 hogs or cattle are fed for slaughter. In addition, a
15 processor shall not directly or indirectly control the
16 manufacturing, processing, or preparation for sale of
17 pork products derived from swine if the processor
18 contracted for the care and feeding of the swine in
19 this state. However, this section does not apply to a
20 cooperative association organized under chapter 497,
21 498, or 499, if the cooperative association contracts
22 for the care and feeding of swine with a member of the
23 cooperative association who is actively engaged in
24 farming. This section does not apply to an
25 association organized as a cooperative in which
26 another cooperative association organized under
27 chapter 497, 498, or 499 is a member, if the
28 association contracts with a member which is a
29 cooperative association organized under chapter 497,
30 498, or 499, which contracts for the care and feeding
31 of swine with a member of the cooperative who is
32 actively engaged in farming. This section shall not
33 preclude a processor, limited partnership, or limited
34 liability company from contracting for the purchase of
35 hogs or cattle, provided that where the contract sets
36 a date for delivery which is more than twenty days
37 after the making of the contract it shall:"

38 2. Title page, line 1, by striking the words "by
39 persons owning or leasing" and inserting the
40 following: "in".

41 3. Title page, line 2, by inserting after the
42 word "land" the following: "and livestock".

By KREIMAN of Davis

H-1358 FILED MARCH 25, 1997

HOUSE FILE 706

H-1361

1 Amend House File 706 as follows:
2 1. Page 1, by inserting before line 1 the
3 following:
4 "Section 1. Section 9H.1, subsection 1, unnumbered
5 paragraph 1, Code 1997, is amended to read as follows:
6 "Actively engaged in farming" means that a natural
7 ~~person who is a shareholder and an officer, director~~
8 ~~or employee of the corporation or who is a member or~~
9 ~~manager of the limited liability company either~~
10 conducts any of the following activities as part of a
11 farm operation:"
12 2. Page 5, lines 6 and 7, by striking the words
13 "who is a family farm entity or network entity" and
14 inserting the following: ", other than a natural
15 person actively engaged in farming,".
16 3. Page 5, by striking line 8, and inserting the
17 following: "more than one authorized entity. A
18 natural person actively engaged in farming shall not
19 hold an interest in more than three authorized
20 entities."

By KOENIGS of Mitchell

H-1361 FILED MARCH 25, 1997

HOUSE FILE 706

H-1362

1 Amend House File 706 as follows:
2 1. Page 2, by inserting after line 1 the
3 following:
4 "Sec. ____ . Section 9H.1, subsection 12, Code 1997,
5 is amended to read as follows:
6 12. "Feedlot" means a lot, yard, building, corral
7 or other area in which hogs or cattle fed for
8 slaughter are confined. The term includes areas which
9 are used for the raising of crops or other vegetation
10 and upon which hogs or cattle fed for slaughter are
11 allowed to graze or feed."

By MORELAND of Wapello

H-1362 FILED MARCH 25, 1997

HOUSE FILE 706

H-1360

1 Amend House File 706 as follows:

2 1. Page 6, by inserting after line 30 the
3 following:

4 "Sec. ____ . Section 9H.14, Code 1997, is amended to
5 read as follows:

6 9H.14 DUTIES OF SECRETARY OF STATE.

7 1. The secretary of state shall notify the
8 attorney general when the secretary of state has
9 reason to believe a violation of this chapter has
10 occurred.

11 2. It is the intent of this section that
12 information shall be made available to members of the
13 general assembly and appropriate committees of the
14 general assembly in order to determine the extent of
15 farming being carried out in this state by
16 corporations and other business entities and the
17 effect of such farming practices upon the economy of
18 this state. The reports of corporations, limited
19 liability companies, limited partnerships, trusts,
20 contractors, and processors required in this chapter
21 shall be confidential reports except as follows:

22 a. Information provided to the attorney general
23 for review and appropriate action when necessary.

24 b. Information reported by an authorized entity
25 pursuant to section 9H.5A relating to the total acres
26 owned or leased by the authorized entity, and persons
27 holding an interest in the authorized entity.

28 The secretary of state shall assist any committee
29 of the general assembly existing or established for
30 the purposes of studying the effects of this chapter
31 and the practices this chapter seeks to study and
32 regulate."

By KOENIGS of Mitchell

H-1360 FILED MARCH 25, 1997

HOUSE FILE 706

H-1367

1 Amend House File 706 as follows:

2 1. Page 3, by inserting after line 29 the
3 following:

4 "Sec. _____. Section 9H.2, Code 1997, is amended to
5 read as follows:

6 9H.2 PROHIBITED OPERATIONS -- EXCEPTIONS.

7 1. In order to preserve free and private
8 enterprise, prevent monopoly, and protect consumers,
9 it is unlawful for any processor of beef or pork or
10 limited partnership in which a processor holds
11 partnership shares as a general partner or partnership
12 shares as a limited partner, or limited liability
13 company in which a processor is a member, to own,
14 control or operate a feedlot in Iowa in which hogs or
15 cattle are fed for slaughter. In addition, a
16 processor shall not directly or indirectly control the
17 manufacturing, processing, or preparation for sale of
18 pork products derived from swine if the processor
19 contracted for the care and feeding of the swine in
20 this state. However, this section does not apply to a
21 cooperative association organized under chapter 497,
22 498, or 499, if the cooperative association contracts
23 for the care and feeding of swine with a member of the
24 cooperative association who is actively engaged in
25 farming. This section does not apply to an
26 association organized as a cooperative in which
27 another cooperative association organized under
28 chapter 497, 498, or 499 is a member, if the
29 association contracts with a member which is a
30 cooperative association organized under chapter 497,
31 498, or 499, which contracts for the care and feeding
32 of swine with a member of the cooperative who is
33 actively engaged in farming. This section shall not
34 preclude a processor, limited partnership, or limited
35 liability company from contracting for the purchase of
36 hogs or cattle, provided that where the contract sets
37 a date for delivery which is more than twenty days
38 after the making of the contract it shall do either of
39 the following:

40 ~~1-~~ a. Specify a calendar day for delivery of the
41 livestock; ~~or.~~

42 ~~2-~~ b. Specify the month for the delivery, and
43 shall allow the farmer to set the week for the
44 delivery within such month and the processor, limited
45 partnership, or limited liability company to set the
46 date for delivery within such week. This section
47 shall not prevent processors or educational
48 institutions from carrying on legitimate research,
49 educational, or demonstration activities, nor shall it
50 prevent processors from owning and operating

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Page 2

1 facilities to provide normal care and feeding of
2 animals for a period not to exceed ten days
3 immediately prior to slaughter, or for a longer period
4 in an emergency. Any processor or limited partnership
5 which owns, controls, or operates a feedlot on August
6 15, 1975, shall have until July 1, 1985, to dispose of
7 the property.

8 2. Except as provided in this subsection, a
9 processor purchasing or soliciting livestock for
10 slaughter in this state shall not discriminate in
11 prices paid or offered to be paid to sellers of that
12 livestock. This subsection shall not apply to any of
13 the following:

14 a. A person exempted from the license and
15 financial responsibility provisions of chapter 172A
16 pursuant to section 172A.6.

17 b. The sale and purchase of livestock if all of
18 the following requirements are met:

19 (1) The price differential is based on one of the
20 following:

21 (a) The quality of the livestock, if the processor
22 purchases or solicits the livestock based upon a
23 payment method specifying prices paid for criteria
24 relating to carcass merit.

25 (b) Actual and quantifiable costs related to
26 transporting and acquiring the livestock by the
27 processor.

28 (c) An agreement for the delivery of livestock at
29 a specified date or time.

30 (2) After making a differential payment to a
31 seller, the processor publishes information relating
32 to the differential pricing, including the payment
33 method for carcass merit, transportation and
34 acquisition pricing, and an offer to enter into an
35 agreement for the delivery of livestock at a specified
36 date or time according to the same terms and
37 conditions offered to other sellers. A processor
38 shall provide all sellers with the same terms and
39 conditions offered to a seller who receives a
40 differential price.

41 c. The processor shall, at the beginning of each
42 day in which livestock are purchased, post in a
43 conspicuous place at the point of delivery, all prices
44 for livestock to be paid that day.

45 Sec. . Section 9H.3, Code 1997, is amended to
46 read as follows:

47 9H.3 PENALTIES FOR PROHIBITED OPERATION --
48 INJUNCTIVE RELIEF.

49 1. A processor violating section 9H.2 shall be
50 assessed a civil penalty of not more than twenty-five

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1 thousand dollars. A processor acting in violation of
 2 section 9H.2, subsection 2, commits a fraudulent
 3 practice as provided in chapter 714. The attorney
 4 general or any person injured by a violation of the
 5 subsection may bring an action in district court to
 6 restrain a processor from violating the subsection. A
 7 seller who receives a discriminatory price or who is
 8 offered only a discriminatory price for livestock
 9 based upon a violation of the subsection by a
 10 processor has a civil cause of action against the
 11 processor and, if successful, shall be awarded treble
 12 damages.

13 2. The courts of this state may prevent and
 14 restrain violations of this chapter through the
 15 issuance of an injunction. The attorney general or a
 16 county attorney shall institute suits on behalf of the
 17 state to prevent and restrain violations of this
 18 chapter."

19 2. Title page, line 1, by striking the words "by
 20 persons owning or leasing" and inserting the
 21 following: "in".

22 3. Title page, line 2, by inserting after the
 23 word "land" the following: "and livestock".

By KOENIGS of Mitchell
 WEIGEL of Chickasaw

H-1367 FILED MARCH 25, 1997

HOUSE FILE 706

H-1331

1 Amend House File 706 as follows:

2 1. Page 5, by striking lines 22 through 30 and
 3 inserting the following:

4 "c. This subsection shall not apply to an interest
 5 in an authorized entity to the extent that the
 6 interest was held on or".

By DREES of Carroll

H-1331 FILED MARCH 25, 1997

HOUSE FILE 706

H-1332

1 Amend House File 706 as follows:

2 1. Page 5, lines 6 and 7, by striking the words
 3 "who is a family farm entity or network entity".

By SCHERRMAN of Dubuque
 WEIGEL of Chickasaw

H-1332 FILED MARCH 25, 1997

HOUSE FILE 706

H-1363

1 Amend House File 706 as follows:

2 1. Page 2, by inserting after line 3 the
3 following:

4 "NEW SUBSECTION. 2A. "Animal weight capacity"
5 means the same as defined in section 455B.161."

6 2. Page 2, line 4, by striking the figure "2A"
7 and inserting the following: "2B".

8 3. Page 5, by inserting before line 32 the
9 following:

10 "Sec. ____ . Section 9H.5, Code 1997, is amended by
11 adding the following new subsection:

12 NEW SUBSECTION. 2A. An authorized entity shall
13 not directly or indirectly own, control, or contract
14 for the care and feeding of animals having an animal
15 weight capacity of six hundred twenty-five thousand
16 pounds or more for animals other than bovine or one
17 million six hundred thousand pounds or more for
18 bovine."

19 4. Page 6, by inserting after line 17 the
20 following:

21 "(3) A civil penalty of not more than one thousand
22 dollars may be imposed on an authorized entity which
23 directly or indirectly owns, controls, or contracts
24 for the care and feeding of animals having an animal
25 weight capacity exceeding the amount allowed pursuant
26 to subsection 2A. The authorized entity shall divest
27 the interest held by the authorized entity in the
28 animals to comply with subsection 2A. The court may
29 determine the method of divesting an interest held by
30 an authorized entity found to be in violation of
31 subsection 2A. A financial gain realized by an
32 authorized entity which disposes of an interest held
33 in violation of subsection 2A shall be forfeited to
34 the general fund of the state. All court costs and
35 fees shall be paid by the authorized entity holding
36 the interest in violation of subsection 2A."

37 5. Page 6, by inserting after line 17 the
38 following:

39 "Sec. ____ . Section 9H.5A, subsection 3, paragraph
40 g, Code 1997, is amended to read as follows:

41 g. The approximate number of livestock, including
42 cattle, sheep, swine, ostriches, rheas, emus, or
43 poultry, owned, contracted for, or kept by the
44 corporation, limited liability company, trust, or
45 limited partnership, and the approximate number of
46 offspring produced from the livestock. An authorized
47 entity shall report the largest animal weight capacity
48 for each species of animal directly or indirectly
49 owned, controlled, or contracted for by the authorized
50 entity."

By KOENIGS of Mitchell

H-1363 FILED MARCH 25, 1997

HOUSE FILE 706

H-1428

1 Amend House File 706 as follows:
2 1. Page 5, line 8, by inserting after the word
3 "entities." the following: "The provisions of section
4 657.11 shall not apply to an authorized entity."
5 2. Page 7, by inserting after line 17 the
6 following:
7 "Sec. ____ . Section 657.11, Code 1997, is amended
8 by adding the following new subsection:
9 NEW SUBSECTION. 9. This section does not apply to
10 a person organized as an authorized entity as defined
11 in section 9H.1."

By KOENIGS of Mitchell

H-1428 FILED MARCH 26, 1997

HOUSE FILE 706

H-1429

1 Amend House File 706 as follows:
2 1. Page 2, line 20, by striking the words "Sixty
3 percent" and inserting the following: "One hundred
4 percent".
5 2. Page 2, line 20, by striking the words "and
6 sixty" and inserting the following: "and one
7 hundred".
8 3. Page 2, line 31, by striking the word "Sixty"
9 and inserting the following: "One hundred".
10 4. Page 2, line 32, by striking the word "sixty"
11 and inserting the following: "one hundred".
12 5. Page 3, line 8, by striking the word "Sixty"
13 and inserting the following: "One hundred".
14 6. Page 3, line 9, by striking the word "sixty"
15 and inserting the following: "one hundred".
16 7. Page 3, line 21, by striking the word "Sixty"
17 and inserting the following: "One hundred".
18 8. Page 3, line 22, by striking the word "sixty"
19 and inserting the following: "one hundred".

By WEIGEL of Chickasaw

H-1429 FILED MARCH 26, 1997

HOUSE FILE 706

H-1406

1 Amend House File 706 as follows:
2 1. Title page, by striking lines 1 and 2 and
3 inserting the following: "An Act to reduce the number
4 of independent family farmers in this state."

By KOENIGS of Mitchell

H-1406 FILED MARCH 26, 1997

HOUSE FILE 706

H-1432

1 Amend House File 706 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "Section 1. Section 9H.1, subsection 1, unnumbered
5 paragraph 1, Code 1997, is amended to read as follows:

6 "Actively engaged in farming" means that a natural
7 ~~person who is a shareholder and an officer, director~~
8 ~~or employee of the corporation or who is a member or~~
9 ~~manager of the limited liability company either~~
10 conducts any of the following activities as part of a
11 farm operation:"

12 2. Page 2, by inserting after line 3 the
13 following:

14 "NEW SUBSECTION. 2A. "Agricultural producer
15 cooperative" means a cooperative organized under
16 chapter 499 or 501, if all of the following apply:

17 a. The cooperative is formed to carry out the
18 purposes of an agricultural association as provided in
19 section 499.2.

20 b. Seventy-five percent of the cooperative's
21 voting membership is held by natural persons who are
22 either actively engaged in farming or are landlords
23 who receive a share of agricultural products as rent."

24 3. Page 2, line 4, by striking the figure "2A."
25 and inserting the following: "2B."

26 4. Page 2, by striking lines 17 through 19 and
27 inserting the following:

28 "b. The stockholders are limited to natural
29 persons, persons acting in a fiduciary capacity for
30 the benefit of natural persons, or agricultural
31 producer cooperatives."

32 5. Page 2, by striking lines 29 and 30 and
33 inserting the following:

34 "b. The members are limited to natural persons,
35 persons acting in a fiduciary capacity for the benefit
36 of natural persons, or agricultural producer
37 cooperatives."

38 6. Page 3, by striking lines 5 through 7 and
39 inserting the following:

40 "b. The general partner is a natural person and
41 the limited partners are limited to natural persons,
42 persons acting in a fiduciary capacity for the benefit
43 of natural persons, or agricultural producer
44 cooperatives."

45 7. Page 3, by striking lines 17 through 20 and
46 inserting the following:

47 "b. The beneficiaries are limited to natural
48 persons, persons acting in a fiduciary capacity for
49 the benefit of natural persons, or agricultural
50 producer cooperatives, if no beneficiary is acting as

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1 a trustee or in a similar capacity for the trust."
2 8. Page 3, line 28, by striking the word "or".
3 9. Page 3, line 29, by inserting after the word
4 "trust" the following: ", or an agricultural producer
5 cooperative".
6 10. Page 5, by inserting after line 21 the
7 following:
8 "() A member of an agricultural producer
9 cooperative who owns more than three percent of the
10 total outstanding allocated members' equity of the
11 cooperative."

By MUNDIE of Webster

H-1432 FILED MARCH 26, 1997

HOUSE FILE 706

H-1465

1 Amend House File 706 as follows:
2 1. Page 6, by inserting after line 30 the
3 following:
4 "Sec. ____ . Section 9H.14, Code 1997, is amended to
5 read as follows:
6 9H.14 DUTIES OF SECRETARY OF STATE.
7 1. The secretary of state shall notify the
8 attorney general when the secretary of state has
9 reason to believe a violation of this chapter has
10 occurred.
11 2. It is the intent of this section that
12 information shall be made available to members of the
13 general assembly and appropriate committees of the
14 general assembly in order to determine the extent of
15 farming being carried out in this state by
16 corporations and other business entities and the
17 effect of such farming practices upon the economy of
18 this state. The reports of corporations, limited
19 liability companies, limited partnerships, trusts,
20 contractors, and processors required in this chapter
21 shall be confidential reports except as to the
22 attorney general for review and appropriate action
23 when necessary. The secretary of state shall assist
24 any committee of the general assembly existing or
25 established for the purposes of studying the effects
26 of this chapter and the practices this chapter seeks
27 to study and regulate.
28 3. The secretary of state shall establish a system
29 to advise persons who request whether holding an
30 interest in two or more authorized entities or network
31 entities violates section 9H.5. The secretary of
32 state shall not disclose more information than
33 required in order to properly advise a requesting
34 person."

By KOENIGS of Mitchell

H-1465 FILED MARCH 31, 1997

HOUSE FILE 706

H-1529

1 Amend House File 706 as follows:

2 1. Page 1, by inserting after line 12 the
3 following:

4 "Sec. _____. Section 9H.1, subsection 3, Code 1997,
5 is amended by adding the following new paragraph:
6 NEW PARAGRAPH. c. The revenue of the corporation
7 from rent, royalties, dividends, interest, and
8 annuities does not exceed twenty percent of its gross
9 receipts."

10 2. Page 1, by inserting after line 25 the
11 following:

12 "Sec. _____. Section 9H.1, subsection 3A, Code 1997,
13 is amended by adding the following new paragraph:
14 NEW PARAGRAPH. c. The revenue of the limited
15 liability company from rent, royalties, dividends,
16 interest, and annuities does not exceed twenty percent
17 of its gross receipts."

18 3. Page 2, by inserting after line 1, the
19 following:

20 "Sec. _____. Section 9H.1, subsection 4, paragraph
21 c, Code 1997, is amended to read as follows:

22 c. Its income is not exempt from taxation under
23 the laws of either the United States or the state of
24 Iowa; and

25 Sec. _____. Section 9H.1, subsection 4, Code 1997,
26 is amended by adding the following new paragraph:

27 NEW PARAGRAPH. d. The revenue of the trust from
28 rent, royalties, dividends, interest, and annuities
29 does not exceed twenty percent of its gross receipts.

30 Sec. _____. Section 9H.1, subsection 16, Code 1997,
31 is amended to read as follows:

32 16. "Limited partnership" means a limited
33 partnership as defined in section 487.101,--subsection
34 7,--which-owns-or-leases-agricultural-land-or-is
35 engaged-in-farming in which the revenue of the limited
36 partnership from rent, royalties, dividends, interest,
37 and annuities does not exceed twenty percent of its
38 gross receipts."

39 4. Page 6, by inserting after line 30 the
40 following:

41 "Sec. _____. NEW SECTION. 9H.12 AUTHORIZED
42 ENTITIES ESTABLISHED PRIOR TO THE EFFECTIVE DATE OF
43 THIS ACT.

44 An authorized entity established before the
45 effective date of this Act may continue to own or
46 lease agricultural land as provided prior to the
47 effective date of this Act for as long as the
48 authorized entity continues to own or lease the
49 agricultural land."

50 5. By renumbering as necessary.

By FALLON of Polk

H-1529 FILED APRIL 2, 1997

HOUSE FILE 706

H-1528

1 Amend House File 706 as follows:

2 1. Page 1, by inserting after line 12 the
3 following:

4 "Sec. _____. Section 9H.1, subsection 3, Code 1997,
5 is amended by adding the following new paragraph:
6 NEW PARAGRAPH. c. Seventy-five percent or more of
7 the voting stock is held by farmers."

8 2. Page 1, by inserting after line 25 the
9 following:

10 "Sec. _____. Section 9H.1, subsection 3A, Code 1997,
11 is amended by adding the following new paragraph:
12 NEW PARAGRAPH. c. Seventy-five percent or more of
13 the membership interest is held by farmers."

14 3. Page 2, by inserting after line 1, the
15 following:

16 "Sec. _____. Section 9H.1, subsection 4, paragraph
17 c, Code 1997, is amended to read as follows:

18 c. Its income is not exempt from taxation under
19 the laws of either the United States or the state of
20 Iowa; and

21 Sec. _____. Section 9H.1, subsection 4, Code 1997,
22 is amended by adding the following new paragraph:

23 NEW PARAGRAPH. d. Seventy-five percent or more of
24 the interest in the trust is held by beneficiaries who
25 are farmers.

26 Sec. _____. Section 9H.1, subsection 16, Code 1997,
27 is amended to read as follows:

28 16. "Limited partnership" means a limited
29 partnership as defined in section 487.1017-subsection
30 77-which-owns-or-leases-agricultural-land-or-is
31 engaged-in-farming in which the general partner is a
32 farmer and seventy-five percent of the limited
33 partnership interest is held by farmers."

34 4. Page 2, by inserting after line 11, the
35 following:

36 "NEW SUBSECTION. 10A. "Farmer" means a person who
37 is one of the following:

38 a. A person who regularly participates in physical
39 labor or the day-to-day management of a farming
40 operation and who files a schedule F as part of the
41 person's annual form 1040 filing with the United
42 States internal revenue service.

43 b. A person who met the requirements under
44 paragraph "a" for twenty or more years in the past."

45 5. Page 6, by inserting after line 30 the
46 following:

47 "Sec. _____. NEW SECTION. 9H.12 AUTHORIZED
48 ENTITIES ESTABLISHED PRIOR TO THE EFFECTIVE DATE OF
49 THIS ACT.

50 An authorized entity established before the

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1 effective date of this Act may continue to own or
2 lease agricultural land as provided prior to the
3 effective date of this Act for as long as the
4 authorized entity continues to own or lease the
5 agricultural land."

6 6. By renumbering as necessary.

By FALLON of Polk

H-1528 FILED APRIL 2, 1997

HOUSE FILE 706

H-1527

1 Amend House File 706 as follows:

2 1. Page 2, by inserting after line 11 the
3 following:

4 "NEW SUBSECTION. 10A. "Farmer" means a person who
5 is one of the following:

6 a. A person who regularly participates in physical
7 labor or the day-to-day management of a farming
8 operation and who files a schedule F as part of the
9 person's annual form 1040 filing with the United
10 States internal revenue service.

11 b. A person who qualified under paragraph "a" for
12 twenty or more years in the past."

13 2. Page 5, by inserting before line 9 the
14 following:

15 "If a person who holds an interest in an authorized
16 entity or network entity proposes to transfer an
17 interest in the authorized or network entity to a
18 person other than a farmer holding an interest in the
19 entity, the transferor must first offer to sell or
20 dispose of the interest to each of the farmers holding
21 an interest in the entity on the same terms and at the
22 same price as proposed to the person who is not a
23 farmer holding an interest in the entity. Each farmer
24 holding an interest in the entity shall have ten
25 business days after being given notice of the terms
26 and price of the proposed transfer in which to
27 exercise the right to purchase the interest by
28 submitting a binding offer to the transferor on the
29 same terms as the proposed transfer, with execution of
30 the transfer to occur within thirty days after the
31 offer unless otherwise agreed by the parties. If more
32 than one farmer holding an interest in the entity
33 exercises the right to purchase the interest, the
34 transferor shall transfer the interest according to
35 terms negotiated between the parties. After the
36 expiration of either the period for offer or the
37 period for execution without the submission of an
38 offer or an execution, the transferor may sell or
39 otherwise dispose of the interest to any other person
40 on the terms upon which it was offered to the farmers
41 holding interests in the entity. However, this
42 paragraph shall not apply to a transfer of an interest
43 between persons related to each other as spouse,
44 parent, grandparent, lineal ascendants of grandparents
45 or their spouses and other lineal descendants of the
46 grandparents or their spouses or persons acting in a
47 fiduciary capacity for persons so related."

48 3. By renumbering as necessary.

By WEIGEL of Chickasaw

H-1527 FILED APRIL 2, 1997