

Section 18 is effective the day following final enactment.

Section 17 is effective the day following the date of compliance by the governing body of the city of Cloquet with Minnesota Statutes, section 645.021, subdivision 3.

Presented to the governor April 17, 1992

Signed by the governor April 29, 1992, 8:40 a.m.

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### CHAPTER 602—H.F.No. 2734

*An act relating to agriculture; providing for establishment of an agricultural improvement loan program for grade B dairy producers; appropriating money and authorizing the issuance of state bonds to fund the program; changing provisions concerning adulterated dairy products; exempting persons who sell nuts from certain licensing requirements; adding a member to a board; changing family farm security loan payment provisions; establishing an over-order premium milk price; requiring rules and a report; appropriating money for agricultural information centers; amending Minnesota Statutes 1990, sections 28A.15, subdivisions 7 and 8; 32.21; 41.56, subdivision 3; 41.57, by adding subdivisions; 41B.02, by adding a subdivision; 116J.9673, subdivisions 2 and 7; proposing coding for new law in Minnesota Statutes, chapters 32A; and 41B; repealing 1992 S.F. No. 2728, if enacted.*

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

Section 1. Minnesota Statutes 1990, section 28A.15, subdivision 7, is amended to read:

Subd. 7. Persons whose principal business is not food handling but who sell only ice manufactured and prepackaged by another or such nonperishable items as bottled or canned soft drinks ~~and~~, prepackaged confections or nuts at retail, or persons who for their own convenience or the convenience of their employees have available for rehydration and consumption on the premises such nonperishable items as dehydrated coffee, soup, hot chocolate or other dehydrated food or beverage.

Sec. 2. Minnesota Statutes 1990, section 28A.15, subdivision 8, is amended to read:

Subd. 8. A licensed pharmacy selling only food additives, food supplements, canned or prepackaged infant formulae, ice manufactured and packaged by another, or such nonperishable food items as bottled or canned soft drinks and prepackaged confections or nuts at retail.

Sec. 3. Minnesota Statutes 1990, section 32.21, is amended to read:

#### **32.21 ADULTERATED MILK AND CREAM DAIRY PRODUCTS.**

New language is indicated by underline, deletions by ~~strikeout~~.

Subdivision 1. **PURCHASE AND SALE PROHIBITION.** A person may not sell or knowingly buy adulterated ~~milk or cream~~ dairy products.

Subd. 2. **MANUFACTURE OF FOOD FOR HUMAN CONSUMPTION FROM ADULTERATED MILK OR CREAM PROHIBITED.** An article of food for human consumption may not be manufactured from adulterated milk or cream, except as provided in section 32.22 or the federal Food, Drug, and Cosmetic Act, United States Code, title 21, section 301 et seq., and related federal regulations.

Prior to processing milk, all bulk milk pickup tankers must be tested for the presence of beta lactum drug residues and for other residues as determined necessary by the commissioner. Test methods must be those approved by the Association of Analytical Chemists (AOAC) or under the AOAC C2 program. Bulk milk tankers testing positive must be reported to the commissioner or the commissioner's agent within 24 hours. This report must include how and where the milk was disposed of, the volume, the responsible producer, and the possible cause of the violative residue. All milk sample residue results must be recorded and retained for examination by the commissioner or the commissioner's agent for six months by the receiving plant. Milk received from a producer in other than a bulk milk pickup tanker is also subject to this section.

Subd. 3. **ADULTERATED MILK OR CREAM.** For purposes of this section and section 32.22, ~~milk or cream~~ is adulterated if it:

- (1) ~~milk~~ is drawn in a filthy or unsanitary place;
- (2) ~~milk~~ is drawn from unhealthy or diseased cows;
- (3) ~~milk~~ is drawn from cows that are fed garbage or an unwholesome animal or vegetable substance;
- (4) ~~milk~~ is drawn from cows within 15 days before calving, or five days after calving;
- (5) ~~milk or cream~~ contains water in excess of that normally found in milk;
- (6) ~~contains a substance that is not a normal constituent of the milk or cream, as determined by laboratory procedures established by rule or except as allowed in this chapter;~~
- (6) ~~milk~~ contains water in excess of that normally present in milk; or
- (7) ~~milk or cream~~ contains antibiotics drug residues or other bacterial inhibitory chemical or biological substances in amounts above the actionable tolerances or safe levels established by rule or under section 32.415.

Subd. 4. **PENALTIES.** (a) A person, other than a milk producer, who violates this section is guilty of a misdemeanor or subject to a civil penalty up to \$1,000.

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(b) A milk producer may not change milk plants within 30 days, without permission of the commissioner, after receiving notification from the commissioner under paragraph (c) or (d) that the milk producer has violated this section.

(c) A milk producer who violates this section shall be subject to a civil penalty of \$100. The commissioner must notify the person violating this section by certified mail stating:

(1) the milk producer violating this section is on probation for one year after the date of violation; and

(2) the \$100 civil penalty is suspended unless the milk producer violates this section during the probation period, including changing milk plants within 30 days after the violation.

(d) A milk producer who violates this section a second time within a 12-month period is subject to a \$200 civil penalty. The commissioner must notify the milk producer violating this section stating:

(1) the milk producer is still on probation;

(2) the \$200 civil penalty is suspended, unless the milk producer violates this section during the probation period, including changing milk plants within 30 days after the violation; and

(3) the consequences of a third violation.

(e) A milk producer who violates this section three or more times within a 12-month period is subject to a fine of \$300.

(f) Penalties collected under this section shall be deposited in the milk inspection service account created in section 32.394, subdivision 9, subdivision 3, clause (1), (2), (3), (4), or (5), is subject to clauses (1) to (3) of this paragraph.

(1) Upon notification of the first violation in a 12-month period, the producer must meet with the dairy plant field service representative to initiate corrective action within 30 days.

(2) Upon the second violation within a 12-month period, the producer is subject to a civil penalty of \$300. The commissioner shall notify the producer by certified mail stating the penalty is payable in 30 days, the consequences of failure to pay the penalty, and the consequences of future violations.

(3) Upon the third violation within a 12-month period, the producer is subject to an additional civil penalty of \$300 and possible revocation of the producer's permit or certification. The commissioner shall notify the producer by certified mail that all civil penalties owed must be paid within 30 days and that the commissioner is initiating administrative procedures to revoke the producer's permit or certification to sell milk for at least 30 days.

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(d) The producer's shipment of milk must be immediately suspended if the producer is identified as an individual source of milk containing residues in violation of subdivision 3, clause (6) or (7). Shipment may resume only after subsequent milk has been sampled by the commissioner or the commissioner's agent and found to contain no residues above established tolerances or safe levels. A milk producer who violates subdivision 3, clause (6) or (7), is subject to clauses (1) to (3) of this paragraph.

(1) For the first violation in a 12-month period, a producer shall not receive payment for any milk contaminated or the equivalent of at least the value of two days' milk production on that farm. Milk purchased for use from the producer during the two-day penalty period will be assessed a civil penalty equal to the minimum value of that milk and is payable to the commissioner by the dairy plant or marketing organization who purchases the milk. The producer remains eligible only for manufacturing grade until the producer completes the "Milk and Dairy Beef Residue Prevention Protocol" with a licensed veterinarian, displays the signed certificate in the milkhouse, and sends verification to the commissioner. To maintain a permit or certification to market milk, this program must be completed within 30 days.

(2) For the second violation in a 12-month period, a producer shall not receive payment for any milk contaminated or the equivalent of at least the value of four days' milk production on that farm. Milk purchased for use from the producer during the four-day penalty period will be assessed a civil penalty equal to the minimum value of that milk and is payable to the commissioner by the dairy plant or marketing organization who purchases the milk. The producer remains eligible only for manufacturing grade until the producer reviews the "Milk and Dairy Beef Residue Prevention Protocol" with a licensed veterinarian, displays the updated certificate in the milkhouse, and sends verification to the commissioner. To maintain a permit or certification to market milk, this program must be reviewed within 30 days.

(3) For the third violation in a 12-month period, a producer shall not receive payment for any milk contaminated or the equivalent of at least the value of four days' milk production on that farm. Milk purchased for use from the producer during the four-day penalty period will be assessed a civil penalty equal to the minimum value of that milk and is payable to the commissioner by the dairy plant or marketing organization who purchases the milk. The producer remains eligible only for manufacturing grade until the producer reviews the "Milk and Dairy Beef Residue Prevention Protocol" with a licensed veterinarian, displays the updated certificate in the milkhouse, and sends verification to the commissioner. To maintain a permit or certification to market milk, this program must be reviewed within 30 days. The commissioner shall also notify the producer by certified mail that the commissioner is initiating administrative procedures to revoke the producer's permit or certification to sell milk for a minimum of 30 days.

(e) A milk producer that has been certified as completing the "Milk and

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Dairy Beef Residue Prevention Protocol" within 12 months of the first violation of subdivision 3, clause (7), need only review the cause of the violation with a field service representative within three days to maintain shipping status if all other requirements of this section are met.

(f) Civil penalties collected under this section must be deposited in the milk inspection services account established in this chapter.

#### Sec. 4. [32A.071] CLASS I MILK PRICE.

Subdivision 1. PURPOSE. It is the intent of the legislature that establishing an over-order premium milk price will benefit the incomes of all Minnesota dairy farmers and improve the economies in rural communities.

Subd. 2. MINIMUM CLASS I MILK PRICE. The minimum price for class I milk as defined by the upper midwest federal milk marketing order, Code of Federal Regulations, title 7, part 1068, for milk purchased in Minnesota for class I use shall be not less than \$13.20 per hundredweight. Any amount by which this price exceeds the class I price specified in the applicable milk marketing order shall be paid by processors of class I milk directly to their suppliers of grade A milk or to the agents of the suppliers. Suppliers or agents shall pass the entire over-order premium payment on to the dairy producers.

Subd. 3. RULES. The commissioner of agriculture shall adopt emergency and permanent rules to implement subdivision 2 in a manner that minimizes disruption to existing trade practices and commercial transactions, including pooling of over-order premium payments among grade A milk producers.

Subd. 4. REPORT. Not later than March 1 of 1993 and each year thereafter, the commissioner of agriculture shall report to the chairs of the senate agriculture and rural development committee and the house of representatives agriculture committee on the impacts and benefits to dairy farmers of the minimum class I milk price established under subdivision 2. The report must also include a summary of processor and distributor information the commissioner has analyzed to determine compliance with sections 32A.01 to 32A.09.

Sec. 5. Minnesota Statutes 1990, section 41.56, subdivision 3, is amended to read:

Subd. 3. **DEFAULT, FILING CLAIM.** Within 90 days of a default on a guaranteed family farm security loan, the lender shall send notice to the participant stating that the commissioner must be notified if the default continues for 180 days, and the consequences of that default. The lender and the participant may agree to take any steps reasonable to assure the fulfillment of the loan obligation.

If a participant cannot meet scheduled loan payments because of unique or temporary circumstances and the participant proves sufficiently to the commissioner that the necessary cash flow can be generated in the future, the commis-

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sioner may use money in the special account in section 41.61, subdivision 1, to meet the participant's loan obligation for up to two consecutive years. This money must be paid back within eight years with interest at an annual percentage rate four percent below the prevailing Federal Land Bank rate.

A contract for deed participant may enter into an agreement with the commissioner whereby the outstanding principal balance of the loan is reduced by a minimum of ten percent, the loan is reamortized for the years remaining, and the commissioner agrees that the state shall pay the lender 100 percent of the sum due and payable if a default occurs during the remaining term of the reamortized loan.

After 180 days from the initial default, if the participant has not made arrangements to meet the obligation, the lender shall file a claim with the commissioner, identifying the loan and the nature of the default, and assigning to the state all of the lender's security and interest in the loan in exchange for payment according to the terms of the family farm security loan guarantee. In the case of a seller-sponsored loan, the seller may elect to pay the commissioner all sums owed the commissioner by the participant and retain title to the property in lieu of payment by the commissioner under the terms of the loan guarantee. If the commissioner determines that the terms of the family farm security loan guarantee have been met, the commissioner shall authorize payment of state funds to the lender, and shall notify the defaulting party. The state of Minnesota shall then succeed to the interest of the mortgagee or the vendor of the contract for deed. Taxes shall be levied and paid on the land as though the owner were a natural person and not a political subdivision of the state. The commissioner may, on behalf of the state, commence foreclosure or termination proceedings in the manner provided by law.

The commissioner may add any unpaid principal and interest payments on special assistance loans to the interest adjustment obligation balance provided for in section 41.57, subdivision 2. The commissioner and participant may agree to any other terms of repayment that are mutually satisfactory.

Sec. 6. Minnesota Statutes 1990, section 41.57, is amended by adding a subdivision to read:

**Subd. 2a. SETTLEMENTS BEFORE DUE DATE.** The commissioner may settle interest adjustment payment accounts of participants before the contractual due date. These settlements may include receiving partial payments for outstanding obligations if the participant and cooperating lender agree to voluntarily withdraw from the program.

Sec. 7. Minnesota Statutes 1990, section 41.57, is amended by adding a subdivision to read:

**Subd. 2b. DISCOUNTING USING PRESENT VALUE.** The commissioner may settle interest adjustment payment accounts by discounting the obligation using a present value calculation. The interest rate used in this calculation

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must be three percent above the current Farm Credit Bank of St. Paul wholesale loan rate to the agricultural credit associations as certified each month by the commissioner.

Sec. 8. Minnesota Statutes 1990, section 41B.02, is amended by adding a subdivision to read:

Subd. 19. AGRICULTURAL IMPROVEMENTS. "Agricultural improvements" means improvements to a farm, including the purchase and construction or installation of improvements to land, buildings, and other permanent structures, including equipment incorporated in or permanently affixed to the land, buildings, or structures, which are useful for and intended to be used for the purpose of farming. "Agricultural improvements" does not include equipment not affixed to real estate or improvements or additions to that equipment.

Sec. 9. [41B.043] AGRICULTURAL IMPROVEMENT LOAN PROGRAM.

Subdivision 1. ESTABLISHMENT. The authority may establish, adopt rules for, and implement an agricultural improvement loan program to finance agricultural improvements. Loans may be made to borrowers who meet the requirements of section 41B.03, subdivision 1, clauses (1) and (2), and who are actively engaged in farming. In the first two years, all loans must be given to grade B dairy farmers for the purpose of enabling them to upgrade to grade A.

Subd. 2. SPECIFICATIONS. No loan may exceed \$20,000 or be made to refinance an existing debt. Each loan must be secured by a mortgage on real property comprising all or part of the farm on which the improvements are made, and such other security as the authority may require.

Subd. 3. APPLICATION AND ORIGATION FEE. The authority may impose a reasonable nonrefundable application fee for each application and an origination fee for each loan issued under the agricultural improvement loan program. The origination fee initially shall be set at 1.5 percent and the application fee at \$50. The authority may review the fees annually and make adjustments as necessary. The fees must be deposited in the state treasury and credited to a special account. Money in the account is appropriated to the commissioner for administrative expenses for the agricultural improvement loan program.

Subd. 4. INTEREST RATE. The interest rate per annum on the agricultural improvement loan must be the rate of interest determined by the authority to be necessary to provide for the timely payment of principal and interest when due on bonds or other obligations of the authority issued under chapter 41B to provide financing for loans made under the agricultural improvement loan program, and to provide for reasonable and necessary costs of issuing, carrying, administering, and securing the bonds or notes and to pay the costs incurred and to be incurred by the authority in the implementation of the agricultural improvement loan program.

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Sec. 10. Minnesota Statutes 1990, section 116J.9673, subdivision 2, is amended to read:

Subd. 2. **BOARD OF DIRECTORS.** The governor shall appoint ~~six~~ seven members to the authority's board of directors. ~~The~~ Six members shall be knowledgeable in international finance, exporting, or international law and one member shall represent a company specializing in agricultural trade.

The commissioner of the department of trade and economic development shall be chair of the board. Membership, terms, compensation and removals are governed by section 15.0575. Board members shall perform their duties in a non-self-serving manner and in compliance with section 10A.07.

Sec. 11. Minnesota Statutes 1990, section 116J.9673, subdivision 7, is amended to read:

Subd. 7. **INSURANCE AND GUARANTEES.** The finance authority may provide insurance and guarantees to the following extent:

(1) The finance authority may ~~not~~ provide to any one person insurance or guarantees ~~in excess of \$250,000 for preexport transactions and \$250,000 or for postexport transactions.~~ When insuring, coinsuring, or guaranteeing the postexport portion of transactions, the finance authority shall retain not more than ten percent of the commercial risk, or alternatively, the normal and standard deductible of the insurance policy.

(2) The policy of the finance authority is to provide insurance and guarantees for export credits that would otherwise not be made and that the chair and the board deem to represent a reasonable risk and have a sufficient likelihood of repayment.

(3) The finance authority shall contract with, among others, the Foreign Credit Insurance Association, the United States Export-Import Bank, and private insurers to secure insurance or reinsurance for country and commercial risks for the finance authority's insurance program. The finance authority may purchase insurance policies using money from the finance authority's appropriations.

(4) Losses incurred by the finance authority that relate to its insurance or guarantee activities shall be solely borne by the finance authority to the extent of its capital and reserves.

Sec. 12. **AGRICULTURAL IMPROVEMENT LOAN PROGRAM FUNDING.**

Subdivision 1. APPROPRIATION. \$5,000,000 is appropriated to the Minnesota rural finance authority from the rural finance authority security account to fund the agency's agricultural improvement loan program.

Subd. 2. BONDS. The appropriation made under subdivision 1 may be

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funded by the issuance of general obligation bonds as provided for in Minnesota Statutes, section 41B.19. The \$5,000,000 authorized in this subdivision is part of the \$50,000,000 bond authorization provided for in section 41B.19, subdivision 1. The bonds must be issued and sold in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and the Minnesota Constitution, article XI. Bond maturity should be matched to the terms of the loans made under this program. The legislature determines that the bonds are being issued to develop the state's agricultural resources by extending credit on real estate security.

**Sec. 13. APPROPRIATION.**

\$50,000 is appropriated from the general fund for agricultural information centers to be divided equally between the centers in Wadena and Detroit Lakes.

**Sec. 14. REPEALER.**

1992 S.F. No. 2728, if enacted, is repealed.

**Sec. 15. EFFECTIVE DATE.**

Section 3 is effective July 1, 1992. Sections 5 to 9, 12 and 13 are effective the day following final enactment. Section 4 is effective August 1, 1992, except that the rulemaking authority granted to the commissioner of agriculture is effective the day following final enactment.

Presented to the governor April 17, 1992

Signed by the governor April 29, 1992, 8:41 a.m.

**CHAPTER 603—S.F.No. 2795**

*An act relating to legislative enactments; providing for the correction of miscellaneous oversights, inconsistencies, ambiguities, unintended results, and technical errors of a noncontroversial nature; amending Minnesota Statutes 1990, sections 18B.26, subdivision 3, as amended; 124.155, subdivision 1, as amended; 148B.21, subdivision 7, as added; 169.965, subdivision 8, as added; 256.936, subdivision 2a, as added; 256B.431, subdivision 17, as added; 275.125, subdivision 6k, as added; and 477A.015; Minnesota Statutes 1991 Supplement, sections 16A.711, subdivision 5, as added; 124A.03, subdivision 2b, as added; 256.969, subdivisions 20, as amended, and 21, as amended; 275.065, subdivision 6, as amended; 275.125, subdivision 6j, as amended; and 302A.402, subdivision 3; Laws 1992, chapter 382, section 8; 1992 House File 1701, by adding sections; House File 1849, article 10, section 28; House File 2121, article 1, section 20; article 5, section 37; article 6, section 39; article 8, sections 32 and 33; House File 2147, section 3, subdivision 9; House File 2694, article 4, section 59, subdivision 3; article 5, section 2, subdivision 2; and section 12; article 7, sections 132 and 137; House File 2800, article 1, section 6, subdivision 5; sections 9 and 10; House File 2940, article 1, section 3; article 3, section 10; and article 8, by adding a section.*

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