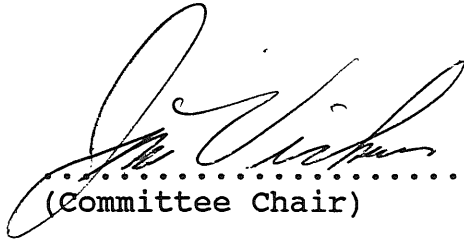


1 Senator Vickerman from the Committee on Agriculture,
2 Veterans and Gaming, to which was referred

3 S.F. No. 550: A bill for an act relating to agriculture;
4 extending and codifying the expiration date of the farmer-lender
5 mediation program; proposing coding for new law in Minnesota
6 Statutes, chapter 583; repealing Laws 1986, chapter 398, article
7 1, section 18, as amended.

8 Reports the same back with the recommendation that the bill
9 do pass. Report adopted.

10
11
12
13
14
15
16


.....
(Committee Chair)

February 7, 2005.....
(Date of Committee recommendation)

The Farmer-Lender Mediation Act (Act), codified as Minnesota Statutes §583.20 to §583.32, instituted mediation of delinquent agricultural debts.

FARMER LENDER MEDIATION PROGRAM

Executive Summary of Program Results in Federal Year 2004

- 1,270 mediation cases were opened based on the receipt of a notice of mediation served on a farm debtor.
- 375 cases (30%) completed mediation.
- Estimated 11,430 program participants (an average of 9 participants per case) received the services of 15 mediators, 5 financial analysts, and 5 program staff.
- 69% of mediated cases reached some kind of settlement by the end of mediation while only 31% of mediated cases did not reach a settlement agreement by the end of mediation.
- 895 debtors waived mediation. Results of these cases may be that the debtor worked out a resolution without mediation. The following may have occurred; paid the debt current, bankruptcy or abandonment of the collateral.
- Geographically, Minnesota Agricultural Statistics Districts in descending order of creditor notices of mediation were: central, northwest, southeast, west central, south central, southwest, east central, north central and northeast.
- Creditors, who served notice of mediation, in descending order were: Implement Dealers and Manufacturers, Banks, Farm Credit Services, United States Department of Agriculture, other (Judgments, small business accounts), Farm Service Agency, and Contracts for Deed.
- The total amount of debt that was addressed in mediation case sessions was \$229,806,861. The approximate breakdown was as follows: banks \$130M, Farm Credit Services \$30M, contracts \$30M, main street suppliers and small business's \$21M, Farm Service Agency \$11M and implement companies \$7M.
- The commodity enterprise of the debtors, in descending order was: crop, dairy, hogs, cattle and other.
- The ownership of the farming entity was: 73% sole proprietors, 21% partnerships and 6% corporations.
- The average farm debtor in mediation was a 49-year-old sole proprietor with an average net worth of approximately \$304,067, average agricultural debt of approximately \$707,090, median non-farm income of \$28,800 and median family living expenses of \$31,101 per year.
- The total number of cases was 1270. The average cost per case was \$274.00.

Minnesota Farmer-Lender Mediation Must Continue

Current Status. The Farmer-Lender Mediation program is scheduled to sunset July 1, 2005. Minn. Stat. §§ 580.20 to 580.32. The legislature last extended the program in 2001.

Action Requested of the Legislature. The Minnesota Family Farm Law Project asks that the Minnesota legislature extend the program four years and preserve the structure of the existing statute.

What is Farmer-Lender Mediation? Farmer-Lender Mediation is a mandatory process where farmers and lenders must first mediate disputes over debts secured by agricultural property before lenders initiate enforcement actions. For more information see Farmers' Guide to Minnesota Lending Law at www.flaginc.org/pubs/mnlend.

How is the Program Funded? The University of Minnesota Extension Service operates the program out of its base funding with a significant matching grant from the United States Department of Agriculture as a certified state mediation program. So long as the federal matching grant continues, a line item appropriation for the program is not required for Farmer-Lender Mediation to continue.

Why does Minnesota Need the Farmer-Lender Mediation Program?

1. Historically low commodity prices, widespread crop disease including the potential for soybean rust in Minnesota, and increased production costs all have contributed to an ongoing agricultural crisis in Minnesota.
2. Congress has repeatedly allowed Chapter 12, the family farm bankruptcy law, to sunset leaving farmers with limited financial options.
3. The Mediation Program encourages settlement of farm financial difficulties instead of the unnecessary liquidation of distressed farm debtors. A settlement is better for farmers, lenders, and the rural communities that may lose employment opportunities, tax base, and lower living standards in the community.

Why is the Farmer-Lender Mediation Program the Best Option?

1. Mediation encourages settlement and discussion instead of expensive litigation. The Minnesota legislature time after time adopts this policy through ADR, arbitration, and other mediation legislation.
2. Mediation facilitates communication by introducing a third-party neutral into the process; the neutral is trained in assessing each party's situation.
3. The statute has a ninety-day cooling-off period that allows farmers and lenders a chance to evaluate options and work things out without the pressure of an immediate need to act.
4. The Mediation Program puts the farmer in contact with the Extension Service, Minnesota Farm Advocates, legal services, and other trained professionals who can assist the farmer in understanding the details of the situation and all of the options that are available.

1 Senator Vickerman from the Committee on Agriculture,
2 Veterans and Gaming, to which was referred

3 S.F. No. 296: A bill for an act relating to agriculture;
4 providing milk producer payments to beginning milk producers;
5 establishing a dairy modernization grant program; proposing
6 coding for new law in Minnesota Statutes, chapter 41A.

7 Reports the same back with the recommendation that the bill
8 be amended as follows:

9 Delete everything after the enacting clause and insert:

10 "Section 1. [41A.10] [MILK PRODUCTION DEVELOPMENT
11 PROGRAM.]

12 Subdivision 1. [DEFINITIONS.] (a) The definitions in this
13 subdivision apply to this section.

14 (b) "Beginning milk producer" means:

15 (1) a natural person who is an adult and who:

16 (i) has not directly or indirectly owned or whose spouse
17 has not directly or indirectly owned more than 20 lactating
18 dairy cattle in the five years prior to June 30, 2005, or has
19 rebuilt milk production capacity and suffered an uninsured loss
20 in excess of \$100,000 that was due to a fire or other disaster;

21 (ii) has acquired at least five dairy cows after June 30,
22 2005;

23 (iii) is actively operating the farm where the dairy cows
24 reside; and

25 (iv) has a total net worth, including assets and
26 liabilities of the person's spouse and dependents, of less than
27 \$400,000; or

28 (2) a family farm corporation, family farm partnership,
29 family farm limited liability company, or family farm trust, as
30 the terms are defined in section 500.24, subdivision 2, that has:

31 (i) not directly or indirectly owned more than 20 lactating
32 dairy cattle in the five years prior to June 30, 2005, or has
33 rebuilt milk production capacity and suffered an uninsured loss
34 in excess of \$100,000 that was due to a fire or other disaster;

35 (ii) acquired at least five dairy cows after June 30, 2005;

36 (iii) at least one of the related shareholders or members
37 is actively operating the farm where the dairy cows reside;

38 (iv) a total net worth, including assets and liabilities of

1 all of the shareholders or members, of less than \$400,000; and
2 (v) not changed its structure with continued control by the
3 same individuals in order to become eligible to receive payments
4 under this section.

5 (c) "Commissioner" means the commissioner of agriculture.

6 Subd. 2. [MILK PRODUCER PAYMENTS.] (a) The commissioner
7 shall make cash payments to a beginning milk producer located in
8 this state. The amount of the payment for each beginning milk
9 producer's annual production is \$1 per 100 pounds of milk for
10 the first 1,000,000 pounds produced each year on the dairy farm
11 for the first five years from the start of milk production.

12 (b) The total payments to an individual, married couple, or
13 entity under paragraph (a) in any fiscal year may not exceed
14 \$10,000. The total payments for two or more beginning milk
15 producers operating on a single premise under paragraph (a) in
16 any fiscal year may not exceed \$20,000.

17 (c) By the last day of October, January, April, and July,
18 each dairy producer shall file a claim for payment for milk
19 production during the preceding three calendar months. A
20 producer filing a claim under this subdivision shall include a
21 statement of the producer's total milk production in this state
22 during the quarter covered by the claim. The volume of milk
23 production on the claim and the beginning dairy producer's
24 eligibility must be certified by a farm management program
25 instructor approved by the commissioner.

26 (d) Payments must be made by November 15, February 15, May
27 15, and August 15. If the total amount for which all beginning
28 milk producers are eligible in a quarter exceeds the amount
29 available for payments, the commissioner shall make payments on
30 a pro rata basis.

31 Subd. 3. [FARM MANAGEMENT PROGRAM.] As a condition of
32 receiving payments under subdivision 2, a beginning milk
33 producer must agree to participate in a farm management program
34 approved by the commissioner."

35 Amend the title as follows:

36 Page 1, line 3, delete everything after the semicolon

1 Page 1, line 4, delete everything before "proposing"

2 And when so amended the bill do pass and be re-referred to
3 the Committee on Finance. Amendments adopted. Report adopted.

4
5 
6 (Committee Chair)

7
8 February 7, 2005.....
9 (Date of Committee recommendation)

1 Senator moves to amend S.F. No. 296 as follows:

2 Delete everything after the enacting clause and insert:

3 "Section 1. [41A.10] [MILK PRODUCTION DEVELOPMENT
4 PROGRAM.]

5 Subdivision 1. [DEFINITIONS.] (a) The definitions in this
6 subdivision apply to this section.

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11 dairy cattle in the five years prior to June 30, 2005, or has
12 rebuilt milk production capacity and suffered an uninsured loss
13 in excess of \$100,000 that was due to a ^{"fire or other"} natural disaster;

14 (ii) has acquired at least five dairy cows after June 30,
15 2005;

16 (iii) is actively operating the farm where the dairy cows
17 reside; and

18 (iv) has a total net worth, including assets and
19 liabilities of the person's spouse and dependents, of less than
20 \$400,000; or

21 (2) a family farm corporation, family farm partnership,
22 family farm limited liability company, or family farm trust, as
23 the terms are defined in section 500.24, subdivision 2, that has:

24 (i) not directly or indirectly owned more than 20 lactating
25 dairy cattle in the five years prior to June 30, 2005, or has
26 rebuilt milk production capacity and suffered an uninsured loss
27 in excess of \$100,000 that was due to a ^{"fire or other"} natural disaster;

28 (ii) acquired at least five dairy cows after June 30, 2005;

29 (iii) at least one of the related shareholders or members
30 is actively operating the farm where the dairy cows reside;

31 (iv) a total net worth, including assets and liabilities of
32 all of the shareholders or members, of less than \$400,000; and

33 (v) not changed its structure with continued control by the
34 same individuals in order to become eligible to receive payments
35 under this section.

36 (c) "Commissioner" means the commissioner of agriculture.

1 Subd. 2. [MILK PRODUCER PAYMENTS.] (a) The commissioner
2 shall make cash payments to a beginning milk producer located in
3 this state. The amount of the payment for each beginning milk
4 producer's annual production is \$1 per 100 pounds of milk for
5 the first 1,000,000 pounds produced each year on the dairy farm
6 for the first five years from the start of milk production.

7 (b) The total payments to an individual, married couple, or
8 entity under paragraph (a) in any fiscal year may not exceed
9 \$10,000. The total payments for two or more beginning milk
10 producers operating on a single premise under paragraph (a) in
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14 production during the preceding three calendar months. A
15 producer filing a claim under this subdivision shall include a
16 statement of the producer's total milk production in this state
17 during the quarter covered by the claim. The volume of milk
18 production on the claim and the beginning dairy producer's
19 eligibility must be certified by a farm management program
20 instructor approved by the commissioner.

21 (d) Payments must be made by November 15, February 15, May
22 15, and August 15. If the total amount for which all beginning
23 milk producers are eligible in a quarter exceeds the amount
24 available for payments, the commissioner shall make payments on
25 a pro rata basis.

26 Subd. 3. [FARM MANAGEMENT PROGRAM.] As a condition of
27 receiving payments under subdivision 2, a beginning milk
28 producer must agree to participate in a farm management program
29 approved by the commissioner."

30 Amend the title as follows:

31 Page 1, line 3, delete everything after the semicolon

32 Page 1, line 4, delete everything before "proposing"

1 Senator moves to amend S.F. No. 296 as follows:

2 Delete everything after the enacting clause and insert:

3 "Section 1. [41A.10] [MILK PRODUCTION DEVELOPMENT
4 PROGRAM.]

5 Subdivision 1. [DEFINITIONS.] (a) The definitions in this
6 subdivision apply to this section.

7 (b) "Beginning milk producer" means:

8 (1) a natural person who is an adult and who:

9 (i) has not directly or indirectly owned or whose spouse
10 has not directly or indirectly owned more than 20 lactating
11 dairy cattle in the five years prior to June 30, 2005, or has
12 rebuilt milk production capacity and suffered an uninsured loss
13 in excess of \$100,000 that was due to a natural disaster;

14 (ii) has acquired at least five dairy cows after June 30,
15 2005;

16 (iii) is actively operating the farm where the dairy cows
17 reside; and

18 (iv) has a total net worth, including assets and
19 liabilities of the person's spouse and dependents, of less than
20 \$400,000; or

21 (2) a family farm corporation, family farm partnership,
22 family farm limited liability company, or family farm trust, as
23 the terms are defined in section 500.24, subdivision 2, that has:

24 (i) not directly or indirectly owned more than 20 lactating
25 dairy cattle in the five years prior to June 30, 2005, or has
26 rebuilt milk production capacity and suffered an uninsured loss
27 in excess of \$100,000 that was due to a natural disaster;

28 (ii) acquired at least five dairy cows after June 30, 2005;

29 (iii) at least one of the related shareholders or members
30 is actively operating the farm where the dairy cows reside;

31 (iv) a total net worth, including assets and liabilities of
32 all of the shareholders or members, of less than \$400,000; and

33 (v) not changed its structure with continued control by the
34 same individuals in order to become eligible to receive payments
35 under this section.

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1 Subd. 2. [MILK PRODUCER PAYMENTS.] (a) The commissioner
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3 this state. The amount of the payment for each beginning milk
4 producer's annual production is \$1 per 100 pounds of milk for
5 the first 1,000,000 pounds produced each year on the dairy farm
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7 (b) The total payments to an individual, married couple, or
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9 \$10,000. The total payments for two or more beginning milk
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18 production on the claim and the beginning dairy producer's
19 eligibility must be certified by a farm management program
20 instructor approved by the commissioner.

21 (d) Payments must be made by November 15, February 15, May
22 15, and August 15. If the total amount for which all beginning
23 milk producers are eligible in a quarter exceeds the amount
24 available for payments, the commissioner shall make payments on
25 a pro rata basis.

26 Subd. 3. [FARM MANAGEMENT PROGRAM.] As a condition of
27 receiving payments under subdivision 2, a beginning milk
28 producer must agree to participate in a farm management program
29 approved by the commissioner."

30 Amend the title as follows:

31 Page 1, line 3, delete everything after the semicolon

32 Page 1, line 4, delete everything before "proposing"

Senators Lourey; Dille; Koering; Johnson, D.E. and Murphy introduced--
S.F. No. 296: Referred to the Committee on Agriculture, Veterans and Gaming.

1 A bill for an act

2 relating to agriculture; providing milk producer
3 payments to beginning milk producers; establishing a
4 dairy modernization grant program; proposing coding
5 for new law in Minnesota Statutes, chapter 41A.

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

7 Section 1. [41A.10] [MILK PRODUCTION DEVELOPMENT PROGRAM.]

8 Subdivision 1. [DEFINITIONS.] (a) The definitions in this
9 subdivision apply to this section.

10 (b) "Beginning milk producer" means a natural person who
11 has:

12 (1) not owned more than 20 lactating dairy cattle in the
13 five years prior to June 30, 2005, or has rebuilt milk
14 production capacity after June 30, 2005, that was destroyed by a
15 barn fire; and

16 (2) purchased dairy cows after June 30, 2005.

17 (c) "Commissioner" means the commissioner of agriculture.

18 Subd. 2. [MILK PRODUCER PAYMENTS.] (a) The commissioner
19 shall make cash payments to a beginning milk producer located in
20 this state. The amount of the payment for each beginning milk
21 producer's annual production is \$1 per 100 pounds of milk for
22 the first 1,000,000 pounds produced each year on the dairy farm
23 for the first five years from the start of milk production.

24 (b) The total payments to a dairy producer under paragraph
25 (a) in any fiscal year may not exceed \$10,000.

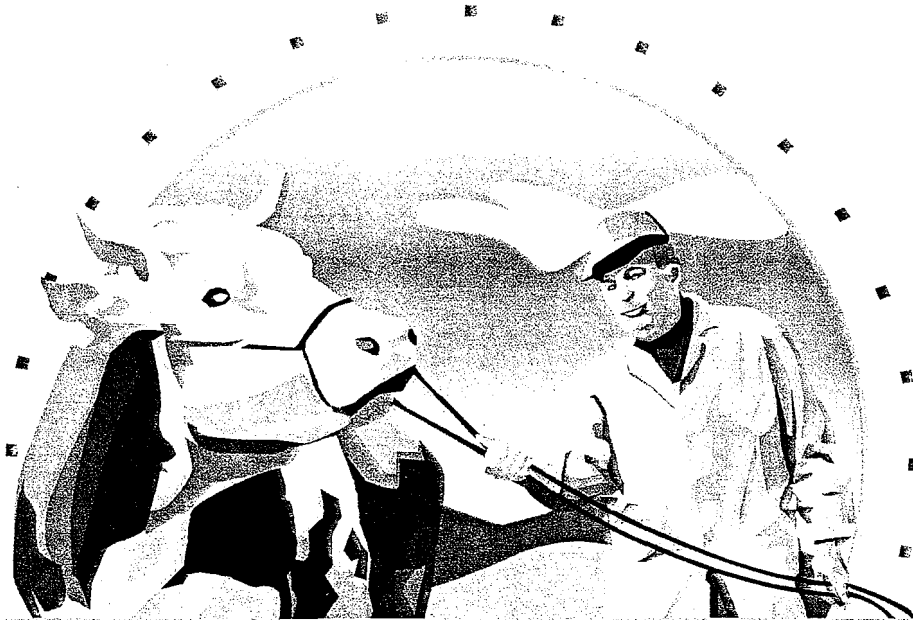
1 (c) By the last day of October, January, April, and July,
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3 production during the preceding three calendar months. A
4 producer filing a claim under this subdivision shall include a
5 statement of the producer's total milk production in this state
6 during the quarter covered by the claim. The volume of milk
7 production on the claim must be certified by a farm management
8 program instructor approved by the commissioner.

9 (d) Payments must be made by November 15, February 15, May
10 15, and August 15.

11 Subd. 3. [FARM MANAGEMENT PROGRAM.] As a condition of
12 receiving payments under subdivision 2, a beginning milk
13 producer must agree to participate in a farm management program
14 approved by the commissioner.

05 - 0180

2005



Beginning Dairy Producer Payment

MINNESOTA DEPARTMENT OF
AGRICULTURE
FROM THE FARM TO YOUR FAMILY

Introduction

Minnesota Laws, 2004, chapter _254, section 47, directed as follows:

By January 15, 2005, the commissioner [of agriculture] shall report to the senate and house policy and finance committees with jurisdiction over agriculture on a value-added agriculture program to pay beginning dairy farmers based on the amount of milk production. The report shall include suggested language to create the program.

Goal

The goal of this initiative is to ease entry of producers into dairy production, and, in the long term, increase milk production in Minnesota.

Entry Into the Dairy Business

Most dairy producers enter the dairy industry through the purchase or inheritance of the farm from another family member. A minority purchase facilities from non-relations. Regardless of how they enter dairy production, beginning producers just like any business will struggle to show positive cash flow during the start-up phase of their operation.

In the case of beginning dairy producers, a typical entrant may need to address:

1. expenses related to bringing a facility up to code;
2. insufficient capital to purchase animals in order to fill the barn or replace underperforming animals;
3. poorer performance than expected (lower than expected production resulting in reduced cash flow); and
4. market price fluctuations.

Feedback from Industry

In conducting this study, the Minnesota Department of Agriculture solicited input from producers and industry representatives including Minnesota Dairy Initiative Teams, Minnesota State Colleges and Universities (MnSCU) Farm Business instructors, University of Minnesota Extension Educators and producer focus groups.

Comments were solicited based upon the original language of SF 1941 (2004), authored by Senator Dille, which provided for a \$1/hundredweight (cwt) subsidy for the first 10,000 hundredweight produced annually by a beginning producer. A beginning producer was defined as one who had not owned more than 20 lactating dairy cows five years prior to June 30, 2005, or who would be forced to rebuild milk production resulting from a barn fire after June 30, 2005.

The focus groups were asked to give their opinions on the proposed legislation and to suggest alternatives to achieve the same goal. Following are the discussion questions and responses:

- 1. Is \$1/cwt a proper level of financial support for beginning producers?**
\$1.00/cwt seems like a fair amount, but a guaranteed minimum price (\$12 or something reasonable) for at least a year or two would be another option.
- 2. What are your thoughts on a cap of \$10,000 per producer?**
The \$10,000 cap is acceptable; a larger incentive may be seen as unfair to existing producers.
- 3. Is the ownership of 20 lactating cows the right threshold for involvement in the program?**
Reaction to this question varied from dropping the restriction completely to increasing the threshold to 50 head. New enterprises and the conversion of existing dairies from traditional to organic operations were factors in deciding the ideal number of cows for the program.
- 4. Should involvement in the program be tied to milk quality or some other herd performance measure?**
While some of the participants favored incentives, premiums are already paid for low Somatic Cell Count (SCC), volume, protein and fat and the rewards are evident for reproductive performance, cow comfort improvements, etc. The greatest challenge of adding incentives into the qualification of participation is that it makes the program more difficult to administer.
- 5. Should there be minimum standards to receive this incentive payment?**
i.e. (<400,000 SCC, etc.)
See above explanation about the program being incentive based.
- 6. Is there value in requiring participants to be Farm Business Management (FBM) students and/or have a Minnesota Dairy Initiative (MDI) team involved?**
Most of the responses favored some participation with FBM or MDI dairy profit team. A definite factor to raising the level of success of a beginning producer is a good relationship with a mentor or team of professionals to gain perspective and offer support.
- 7. Can we develop a standard that will ensure participants remain in business following the three-to-five year program period?**
There are too many variables that can determine if someone stays in the industry to develop a consistent standard.
- 8. How many farms would participate in such a program?**
The group felt 100 farms per year would be a reasonable number for planning purposes. There are already approximately 60-90 new dairy operations started each year according the MDA Dairy, Food and Meat Inspection division. The majority of these operations are the result of transferring ownership, repopulating barns or starting from new construction.

Financial Analysis

Jim Kelm, MNSCU Farm Business Management instructor, completed a number of financial projections of a beginning producer at various herd sizes (20, 40, 60, 80 cows). The assumptions were based on a beginning producer renting a barn and 140 acres for \$16,500 per year, getting an annual production average of 19,459 pounds of milk per cow, getting an average milk price of \$13.75/cwt, and paying \$1,800 to purchase each cow and \$700 to purchase each heifer.

The financial analysis compared farms with the grant and those without (See below table). Each scenario compared farms receiving the extra \$1 per hundredweight with those farms not receiving the grant, capped at \$10,000/farm. Each scenario also assumed the farm was the sole source of family income and that \$30,000 per year (pre tax) was needed to cover family living expenses. Principal and interest payments increased progressively with each in-

crease in the number of cows. The cash surplus or deficit was what remained after all operating expenses, income tax and social security payments, and family living withdrawals were factored in. Since there was not sufficient income to cover operating expenses, taxes, and family living, any replacement of assets would need to be paid out of savings, additional borrowing, or other financial resources. This is reflected in the net worth change.

Every producer shows a positive cash flow excluding principal and interest payments but an operation will not show sufficient cash flow to cover operating expenses, family living, and debt payments until they reach the 65-70 cow level. Since they are only slightly above average in milk production and price, additional farm or off-farm income would be needed to sustain the businesses with less than 65 cows.

	Amount of Grant	Net Cash Farm Income	Depreciation	Net Farm Income	Difference	Family Living	Principal + Interest Payment	Cash Surplus/ Deficit	Difference	Net Worth Change
20 Cows		33,076	7,000	26,076		30,000	17,732	-13,243		-9,213
20 Cows										
W/Grant	3,892	36,968	7,000	29,968	3,892	30,000	17,732	-10,693	2,550	-6,663
40 Cows		41,997	13,000	28,997		30,000	28,135	-10,375		-6,741
40 Cows										
W/Grant	7,784	49,781	13,000	36,781	7,784	30,000	28,135	-5,274	5,101	-1,641
60 Cows		48,596	22,000	26,596		30,000	36,552	-6,817		-7,756
60 Cows										
W/Grant	10,000	58,596	22,000	36,596	10,000	30,000	36,552	-265	6,552	-1,204
80 Cows		58,390	30,000	28,390		30,000	46,253	-2,294		-6,022
80 Cows										
W/Grant	10,000	68,390	30,000	38,390	10,000	30,000	46,253	4,258	6,552	530

Fiscal note

The fiscal note completed regarding this program assumed that there would be a fiscal requirement in FY 2006 of \$1 million, FY 2007 of \$2 million, FY 2008 of \$3 million and \$3 million every year after that, assuming that 100 farms each year for three years take advantage of this program. In addition there would also be a \$58,000 per year operating expense to run the program (see appendix).

Other states

Other states have programs that assist beginning dairy producers. A list and short description of these programs is in the appendix.

Conclusion

Any additional funds available to a beginning dairy farmer will ease the very tight cash flow situation all new businesses face, but as the financial projections show, a program designed to assist producers achieve a positive cash flow would need to reach producers in the 65-70 cow herd size. According to the study described above, herds smaller than 60 cows cannot be the sole source for a dairying family without off-farm income or other contributions. Therefore, a program should be directed toward getting operations up to 65 or more cows in order to have the greatest impact in establishing a self-sustainable dairy business and providing a solid basis for an expanding dairy industry.

Suggested Options

Legislative Language

Option 1

Proceed with the beginning dairy producer payment while encouraging producers to increase their herd size to 70 cows or greater in order to become self sufficient in accord with SF 1941 (2004). This option would assist in reducing the market price fluctuations, and would provide additional revenue during the startup phase of the dairy operation when cash flow is the tightest.

Legislative Language

A bill for an act relating to agriculture; providing milk producer payments to beginning milk producers; establishing a dairy modernization grant program; proposing coding for new law in Minnesota Statutes, chapters 41A; 116J.
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1

[41A.10] [MILK PRODUCTION DEVELOPMENT PROGRAM.]

Subdivision 1. [DEFINITIONS.]

- A. For the purposes of this section, the terms defined in this subdivision have the meanings given them.
- B. “Beginning milk producer” means a natural person who has:
 - 1) not owned more than 20 lactating dairy cattle in the five years prior to June 30, 2005, or has rebuilt milk production capacity after June 30, 2005, that was destroyed by a barn fire; and
 - 2) purchased dairy cows after June 30, 2005.
 - 3) “Commissioner” means the commissioner of agriculture.

Subdivision 2. [MILK PRODUCER PAYMENTS.]

- A. The commissioner shall make cash payments to a beginning milk producer located in the state. The amount of the payment for each beginning milk producer’s annual production is \$1 per

hundred pounds of milk for the first one million pounds produced each year on the dairy farm for the first five years from the start of milk production.

- B. The total payments to a dairy producer under paragraph in any fiscal year may not exceed \$10,000.
- C. By the last day of October, January, April, and July, each dairy producer shall file a claim for payment for milk production during the preceding three calendar months. A producer that files a claim under this subdivision shall include a statement of the producer’s total milk production in Minnesota during the quarter covered by the claim. The volume of milk production on the claim must be certified by a farm management program instructor approved by the commissioner.
- D. Payments shall be made November 15, February 15, May 15, and August 15.

Subdivision 3. [FARM MANAGEMENT PROGRAM.]

- A. As a condition of receiving the payments under subdivision 2, a beginning milk producer must agree to participate in a farm management program approved by the commissioner.

Option 2.

Provide financial assistance to beginning producers help finance the purchase of breeding stock, meet feedlot and other environmental regulations, purchase dairy-related equipment, and make dairy facilities improvements, also known as the Dairy Upgrade Loan program. This program would provide additional capital allowing producers to replace animals that are performing poorly, as well as capital to upgrade facilities that are in need of modernization and environmental updates.

Legislative Language

A bill for an act relating to agriculture; providing for a dairy upgrade loan program; establishing an account; transferring balances; appropriating money; amending Minnesota Statutes 2002, sections 41B.036; 41B.046, subdivision 5; 41B.049, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 41B; repealing Minnesota Statutes 2002, section 41B.046, subdivision 3. BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1

Minnesota Statutes 2002, section 41B.036, is amended to read: 41B.036 [GENERAL POWERS OF THE AUTHORITY.] For the purpose of exercising the specific powers granted in section 41B.04 and effectuating the other purposes of sections 41B.01 to 41B.23 the authority has the general powers granted in this section.

- A. It may sue and be sued.
- B. It may have a seal and alter the seal.
- C. It may make, and from time to time, amend and repeal rules consistent with sections 41B.01 to 41B.23.
- D. It may acquire, hold, and dispose of real or personal property for its corporate purposes.
- E. It may enter into agreements, contracts, or other transactions with any federal or state agency, any person and any domestic or foreign partnership, corporation, association, or organization, including contracts or agreements for administration and implementation of all or part of sections 41B.01 to 41B.23.
- F. It may acquire real property, or an interest therein, in its own name, by purchase or foreclosure, where such acquisition is necessary or appropriate.
- G. It may provide general technical services related to rural finance.
- H. It may provide general consultative assistance services related to rural finance.
- I. It may promote research and development in matters related to rural finance.
- J. It may enter into agreements with lenders, borrowers, or the issuers of securities for the purpose of regulating the development and management of farms financed in whole or in part by the proceeds of qualified agricultural loans.
- K. It may enter into agreements with other appropriate federal, state, or local governmental units to foster rural finance. It may give advance reservations of loan financing as part of the agreements, with the understanding that the authority will only approve the loans pursuant to normal procedures, and may adopt special procedures designed to meet problems inherent in such programs.
- I. It may undertake and carry out studies and analyses of rural financing needs within the state and ways of meeting such needs including: data with respect to geographical distribution; farm size; the distribution of farm credit needs according to debt ratios and similar factors; the amount and quality of available financing and its distribution according to factors affecting rural financing needs and the meeting

thereof; and may make the results of such studies and analyses available to the public and may engage in research and disseminate information on rural finance.

- M. It may survey and investigate the rural financing needs throughout the state and make recommendations to the governor and the legislature as to legislation and other measures necessary or advisable to alleviate any existing shortage in the state.
- N. It may establish cooperative relationships with such county and multicounty authorities as may be established and may develop priorities for the utilization of authority resources and assistance within a region in cooperation with county and multicounty authorities.
- O. It may contract with, use, or employ any federal, state, regional, or local public or private agency or organization, legal counsel, financial advisors, investment bankers or others, upon terms it deems necessary or desirable, to assist in the exercise of any of the powers granted in sections 41B.01 to 41B.23 and to carry out the objectives of sections 41B.01 to 41B.23 and may pay for the services from authority funds.
- P. It may establish cooperative relationships with counties to develop priorities for the use of authority resources and assistance within counties and to consider county plans and programs in the process of setting the priorities.
- Q. It may delegate any of its powers to its officers or staff.

- R. It may enter into agreements with qualified agricultural lenders or others insuring or guaranteeing to the state the payment of all or a portion of qualified agricultural loans.
- S. It may enter into agreements with eligible agricultural lenders providing for advance reservations of purchases of participation interests in restructuring loans, if the agreements provide that the authority may only purchase participation interests in restructuring loans under the normal procedure. The authority may provide in an agreement for special procedures or requirements designed to meet specific conditions or requirements.
- T. It may allow farmers who are natural persons to combine programs of the federal Agriculture Credit Act of 1987 with programs of the Rural Finance Authority.
- U. It, after providing notice to the State Board of Investment, may transfer funds from the security account created under section 41B.19, subdivision 5, in such amounts and for such time as funds may be available, to a special revenue account for qualified agricultural loans or for participation in qualified agricultural loans created through agreements under paragraph (k).
- V. From within available funds generated by program fees, it may provide partial or full tuition assistance for farm management programs required under section 41B.03, subdivision 3, clause (7).

Section 2

[41B.041] [DAIRY UPGRADE LOAN PROGRAM.]

Subdivision 1. [ESTABLISHMENT.]

The authority shall establish and implement a dairy upgrade loan program to help finance the purchase of breeding stock, meet feedlot and other environmental regulations, purchase dairy-related equipment, and make dairy facilities improvements.

Subdivision 2. [ELIGIBILITY.]

Notwithstanding section 41B.03, to be eligible for this program, a borrower must:

- A. be a resident of Minnesota or general partnership or a family farm corporation, authorized farm corporation, family farm partnership, or authorized

- B. farm partnership as defined in section 500.24, subdivision 2; be the principal operator of a dairy farm;
- C. have a total net worth, including assets and liabilities of the borrower's spouse and dependents, no greater than the amount stipulated in section 41B.03, subdivision 3;
- D. demonstrate an ability to repay the loan; and
- E. hold an appropriate feedlot registration or be using the loan under this program to meet registration requirements.

Subdivision 3. [LOANS.]

- A. The authority may participate in a dairy upgrade loan with an eligible lender to a farmer who is eligible under subdivision 2. Participation is limited to 45 percent of the principal amount of the loan or \$50,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may differ from the interest rates and repayment terms of the lender's retained portion of the loan. The authority may review the interest annually and make adjustments as necessary. Participation

Section 3

Minnesota Statutes 2002, section 41B.046, subdivision 5, is amended to read: Subdivision 5. [LOANS.]

- A. The authority may participate in a stock loan with an eligible lender to a farmer who is eligible under subdivision 4. Participation is limited to 45 percent of the principal amount of the loan or \$24,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may differ from the interest rates and repayment terms of the lender's retained portion of the loan, but the authority's interest rate must not exceed 50 percent of the lender's interest rate.
- B. No more than 95 percent of the purchase price of the stock may be financed under this program.

interest on loans made under this section before July 1, 2006, must not exceed four percent.

- B. Standards for loan amortization must be set by the rural finance authority and must not exceed ten years.
- C. Security for the dairy upgrade loans must be a personal note executed by the borrower and whatever other security is required by the eligible lender or the authority.
- D. Refinancing of existing debt is not an eligible purpose.
- E. The authority may impose a reasonable, non-refundable application fee for a dairy upgrade loan. The authority may review the fee annually and make adjustments as necessary. The initial application fee is \$50. Application fees received by the authority must be deposited in the revolving loan account established in section 41B.06.
- F. Dairy upgrade loans under this program must be made using money in the revolving loan account established in section 41B.06.

- C. Security for stock loans must be the stock purchased, a personal note executed by the borrower, and whatever other security is required by the eligible lender or the authority.
- D. The authority may impose a reasonable nonrefundable application fee for each application for a stock loan. The authority may review the fee annually and make adjustments as necessary. The application fee is initially \$50. Application fees received by the authority must be deposited in the value-added agricultural product revolving fund.
- E. Stock loans under this program will be made using money in the ~~value-added agricultural product revolving fund~~ loan account established under ~~subdivision 3~~ in section 41B.06.

F. The authority may not grant stock loans in a cumulative amount exceeding \$2,000,000 for the financing of stock purchases in any one cooperative.

G. Repayments of financial assistance under this section, including principal and interest, must be deposited into the revolving loan account established in section 41B.06.

Section 4

Minnesota Statutes 2002, section 41B.049, subdivision 2, is amended to read:

Subdivision 2. [REVOLVING FUND DEPOSIT OF REPAYMENTS.]

~~There is established in the state treasury a revolving fund, which is eligible to receive appropriations and the transfer of funds from other services. All repayments~~

~~of financial assistance granted under subdivision 1, including principal and interest, must be deposited into this fund. Interest earned on money in the fund accrues to the fund, and money in the fund is appropriated to the commissioner of agriculture for purposes of the manure-digester loan program, including costs incurred by the authority to establish and administer the program the revolving loan account established in section 41B.06.~~

Section 5

[41B.06] [RURAL FINANCE AUTHORITY REVOLVING LOAN ACCOUNT.]

There is established in the rural finance administration fund a rural finance authority revolving loan account that is eligible to receive appropriations and the transfer of loan funds from other programs. All repayments of financial assistance granted from this account,

including principal and interest, must be deposited into this account. Interest earned on money in the account accrues to the account, and the money in the account is appropriated to the commissioner of agriculture for purposes of the rural finance authority dairy upgrade, methane digester, and value-added agricultural product loan programs, including costs incurred by the authority to establish and administer the programs.

Section 6

[TRANSFER OF FUNDS;
DEPOSIT OF REPAYMENTS.]

The remaining balances in the revolving accounts in Minnesota Statutes, sections 41B.046 and 41B.049, that are dedicated to rural finance authority loan programs under those sections, are transferred to the revolving loan account established in Minnesota

Statutes, section 41B.06, on the effective date of this section. All future receipts from value-added agricultural product loans and methane digester loans originated under Minnesota Statutes, sections 41B.046 and 41B.049, must be deposited in the revolving loan account established in Minnesota Statutes, section 41B.06.

Section 7

[REPEALER.]

Minnesota Statutes 2002, section 41B.046, subdivision 3, is repealed.

Section 8

[EFFECTIVE DATE.]

This act is effective the day following final enactment.

Option 3

Provide Renters Credit to beginning producers who rent dairy barns. The refund should be in reference to the property taxes payable exclusive towards the facilities.

Legislative Language

A bill for an act relating to taxes, agriculture; providing milk producer refund property tax payments to milk producers who rent facilities. BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA: Renters Credit for agricultural facilities. [MILK PRODUCTION DEVELOPMENT PROGRAM.]

Subdivision 1. [DEFINITIONS.]

- A. For the purposes of this section, the terms defined in this subdivision have the meanings given them.
- B. “milk producer” means a natural person who has:
 - 1) owns lactating dairy cattle in Minnesota, harvests milk and rents these facilities from another entity.
- C. “Commissioner” means the commissioner of revenue.

Subdivision 2. [RENT CREDIT PAYMENTS.]

- A. The commissioner shall make cash payments to a milk producer located in the state who are renting milking facilities. The amount of the payment to each milk producer would receive a refund for the amount of property taxes or rent exceeding the percentage of household income. This would be similar to the rent credit devised for rental/homeowners credit under Minnesota Statutes 2004, Chapter 290A.04.

Subdivision 3. [FARM MANAGEMENT PROGRAM.]

As a condition of receiving the payments under subdivision 2, a beginning milk producer must agree to participate in a farm management program approved by the commissioner.

Appendix 1

Programs available in Minnesota

Loan programs

Basic Farm Loan (Rural Finance Authority - RFA)

This loan program enables beginning farmers to purchase farm real estate. The RFA participation is limited to 45 percent of the loan up to \$125,000 and the farmer must not have a total net worth exceeding \$269,000.

Seller-Assisted Loan (RFA)

Similar to the Basic Farm Loan except the program allows sellers of a farm to fund a portion of the financing essential to the completion of the sale.

Agricultural Improvement Loan (RFA)

Financing for improvements to farms which could include grain handling, facilities, machinery storage, erosion control, wells and manure systems. The same net worth and participation levels apply.

Restructure II Loan (RFA)

RFA works with local lenders to help farmers who are having cash flow challenges reorganize their debt. Only agricultural debt is eligible under this program. The RFA participates on 45 percent of the loan up to \$150,000 and the borrower cannot have a net worth greater than \$439,000, indexed for inflation.

Livestock Expansion Loan (RFA)

Financing for livestock production, including purchase, construction or installation of improvements of land, buildings, and other permanent structures. RFA participates on a loan up to 45 percent of the loan up to \$250,000 and the borrower can not have a net worth not exceeding \$439,000 indexed for inflation.

Agricultural Development Bond (RFA)

Creates federal tax exemption for banks and a federal and state tax exemption on interest income in exchange for offering below market interest rates to the buyer. Loans may be used to purchase agricultural land, agricultural improvements, breeding livestock and machinery.

Methane Digester Loan (RFA)

This program helps finance the purchase of a necessary equipment and the construction of a system that will use manure to produce electricity.

Agricultural Best Management Practices (Ag BMP) (MDA)

Provides loans for such improvements as manure storage basins, manure stacking areas, clean water diversions and filter strips. This program has a \$50,000 for 10 years at 3 percent interest and is most often administered locally by Soil and Water Conservation District offices.

Cost-Share Programs

Clean Water Partnership Grant Program (MPCA)

Provides funds to local governments to address non-point source pollution problems. Recipients must have completed a watershed diagnostic investigation and provide 50 percent non-state match in order to receive funding.

Section 319 of Clean Water Act (MPCA)

The program awards federal grants to local government units and others to implement the state non-point source management plan, including feedlot pollution abatement and manure management pilot projects. A 50 percent non-federal match is required.

Local Water Planning Challenge Grants (BWSR)

This program awards grants to local government units to accelerate implementation of comprehensive local water plans. A 50 percent non-state match is required. Some local governments use these grants for high-priority feedlot pollution abatement.

Regular State Cost-Share Program (BWSR)

This grant funding to private landowners through SWCD's for a wide variety of erosion control and water quality improvement practices including feedlot pollution abatement. Cost-share is only for solutions to existing pollution problems.

Feedlot Water Quality

Management Cost-Share (BWSR)

This grant funding is available to feedlot owners through SWCD's for feedlot pollution abatement. Cost-share is only for solutions to existing pollution problems.

Environmental Quality Incentive Program (EQIP) (NRCS)

Cost-share funding is available on a competitive basis for solutions to existing pollution problems.

Grant Programs**Dairy Business Planning Grants (MDA)**

This will cover half the cost of a business plan for a dairy producer up to \$5,000 with a one-to-one match of grant funds.

Dairy Development and Profitability Enhancement Program (MDA)

Assists producers in eliminating bottlenecks and improving profitability, productivity and efficiency on their operations.

Appendix 2

Ideas from Focus Group Input**Need for Environmental Upgrades**

The feedlot financial assessment report, revised in 2004, estimates that there are 2,158 dairy operations that will require improvements prior to 2010. This will become a greater factor for future operations as 2010 approaches. An operation that is permitted and meets environmental regulations will be more attractive to beginning producers than an operation that is in need of significant environmental upgrades to meet the 7020 feedlot rules. Currently the Board of Water and Soil Resources (BWSR) will cover 75 percent, capped at \$50,000, for 500 Animal Units (AU) and smaller. Environmental Quality Incentive Program (EQIP) funds are under the same constraints, while Agriculture Best Management Practices (Ag BMP) loans have a smaller loan amount and are ineligible for operations with more than 1,000 animal units. It is estimated that to bring all the dairy operations up to code and meet the 7020 feedlot rules, including manure handling and application equipment, the amount needed would be \$77 million.

Interest buy-down

While interest expense can strain an operation, this does not significantly restrict an operation or entry of new producers until the interest rates are double digits. Generally, new dairy operations are a higher credit risk or have a low equity position and lenders may charge additional interest in an effort to protect their investment. Current interest rates are still at 20-30 year lows.

Renters credit

This concept is based on the idea that there are good operations that are very useable for producers to get started in, but there is no incentive to rent these facilities to beginning producers. Under this proposal, renters would receive a refund for the amount that property taxes or rent exceed the percentage of the household income in which the rent was paid. This amount would need to be specified in a table similar to rental/homeowner credit. If the amount of property taxes or rent is equal to or less than the percentage of the household income, the claimant shall not be eligible for a state refund. Financial implications would need to be investigated and a different table would need to be developed in comparison to rental/homeowners credit in Minnesota Statutes 2004, Chapter 290A.04.

Dairy Financing Options:**Minnesota Homeownership Assistance Fund (HAF)**

First time home owners in rural areas are eligible for The Homeownership Assistance Fund. The Homeownership Assistance Fund (HAF) assists low to moderate income first time homebuyers participating in an MHFA program to purchase a home by providing zero interest, deferred loans to help with down payment and closing costs. Loans do not accrue any interest and are paid back when home is sold, refinanced, or when the 1st mortgage is paid in full. Producer representatives suggested

similar program for rural livestock facilities. This model may have significant fiscal costs since livestock facilities or farm building sites are not sold or refinanced as often as residential properties.

Farm Service Agency (FSA)

FSA offers several loan programs for “first-time” farmers. Among them are: Farm ownership Loans, Operating Loans, Beginning Farmer Loans, and Down Payment Farm Ownership Loans.

Farm Ownership Loans can be used for the purchase of farmland, construct or repair buildings and other fixtures, and promote soil and water conservation. Operating Loans may be used to purchase items such as livestock, farm equipment, feed, seed, fuel, farm chemicals, insurance, and other operating expenses. Operating Loans may also be used to pay for minor improvements to buildings, costs associated with land and water development, family subsistence, and to refinance debts under certain conditions.

FSA may make loans directly to a farmer or FSA may also guarantee loans made by commercial lenders. The maximum amount of direct Operating and Farm Ownership loans is \$200,000. The maximum amount of guaranteed loans is \$813,000.

Beginning Farmer and Rancher Loans

FSA targets a portion of direct and guaranteed loan funds to beginning farmers who are unable to meet commercial lending standards. To qualify as a beginning farmer for a direct or guaranteed Operating Loan, the applicant must be an individual or entity who:

- has participated in the business operations of a farm or ranch for less than 10 years, and
- if the applicant is a business entity (e.g. a corporation, partnership,, etc.) all members must be related by blood or marriage and all members must be eligible beginning farmers.

To qualify as a beginning farmer for a direct or guaranteed Farm Ownership Loan, the applicant must be an individual or entity who:

- has participated in the business operations of a farm or ranch for less than 10 years,
- does not own a farm greater than 30 percent of

the average size farm in the county, and if the applicant is a business entity (e.g. a corporation, partnership,, etc.) all members must be related by blood or marriage and all members must be eligible beginning farmers.

Downpayment Farm Ownership Loans for Beginning Farmers

FSA has a special Downpayment Farm Ownership Loan Program to help beginning farmers and ranchers purchase a farm or ranch. This program also provides a way for retiring farmers to transfer their land to a future generation of farmers and ranchers.

Here’s how the program works:

- An applicant must make a cash down payment of at least 10 percent of the farm or ranch’s purchase price.
- FSA may finance up to 40 percent of the purchase price or appraised value, whichever is less. The loan term is 15 years at a fixed interest rate of 4 percent.
- The remaining balance, may be obtained from a commercial lender or a private party. FSA can provide up to a 95 percent guarantee if financing is obtained from an eligible commercial lender.
- The purchase price or appraised value, whichever is lower, may not exceed \$250,000.

Agricultural lenders determine credit risk by evaluating several factors. Among them are repayment capacity and collateral coverage. Loans that exhibit potential weaknesses due to marginal repayment capacity, lack of credit history, high debt to worth ratios, or unproven management capabilities are candidates for RFA participation and FSA guarantee.

Farmers may utilize both FSA and RFA programs by making a credit request through their local lender. For example, a dairy farmer would originate a loan request with their agricultural lender. The lender may submit an application to the RFA for a 45% participation of the eligible amount. The 55% portion carried by the agricultural lender may be submitted for an FSA guarantee.

Protecting land from development

Michigan has passed legislation allowing farmers and other landowners to move land into an Open Space Preservation Program – more commonly known as “P.A. 116” and to the state’s Purchase of Development Rights (PDR) program. These efforts are designed to slow the conversion of farmland to non-farm uses.

PA 116 agreements ensure that enrolled lands remain in agricultural use for a minimum of 10 years while PDR agreements permanently protect the land from non-agricultural development. Michigan holds more than 50,000 farmland agreements, preserving more than 4.3 million acres of farmland or about 40 percent of the Michigan’s total agricultural production land of 10.4 million acres. In fact, Michigan ranks third in the nation in the number of acres protected by these types of agreements. Michigan has also acquired 56 permanent development rights easements protecting more than 13,600 acres at an investment of more than \$25 million.

The financial implication for this program is unknown, but it may make land closer to municipalities more affordable to producers. Financial implications to Minnesota could be assumed to be similar to that of Michigan’s.

Purchase cows and get a grant for additional cows

Another proposal would be for a producer to purchase four cows and get a state grant for the cost of the fifth animal. This proposal would be size-neutral and would assist producers in getting established as well as help those producers who need to repopulate their barns. There are a number of questions that would need to be addressed before implementation; These issues include: Who owns the fifth animal if state tax dollars were utilized to purchase the animal? (an asset number would need to be assigned to the asset); Who would ensure that the animals were actually purchased?; Where would the funds for such a program come from?; How much would be needed? How many producers would take advantage of the program and to what depth?

Tuition reimbursement

MNSCU Farm Business Management (FBM) is considering a proposal to help reduce the cost of tuition for their students. FBM has helped a number of producers understand their cost of production, assisted in expansion planning, developed business plans and served as instructors on a number of topics. While the value of their service is greater than the tuition paid, a tuition reduction would allow additional participation as well as serve those most in need to take advantage of this program.

Appendix 3

Programs available in other states

There are other states with programs to help producers get established in farming. Each program has a different approach but the overall goal is the same – to assist in the establishment of beginning producers. Following are some of the new farmer programs offered in other states. Additionally, to our knowledge no other state offers a subsidy to beginning producers increasing the price they receive for their end product.

Wisconsin

The goal of the Milk Volume Program (MVP) program of Wisconsin is to provide qualifying dairy producers with the type of financing necessary to fill the equity gap and to partner with local communities to increase dairy

production in Wisconsin. Reducing the initial capital outlay assists in the beginning producer’s cash flow. The application process is competitive and not all applications are funded. Applicants need to have a comprehensive business plan and demonstrate that they will have a long term sustainable impact upon Wisconsin’s

milk production. The state's participation is limited to no more than \$500 for each cow added to the operation, capped at \$1 million and is limited to the cost of acquiring cows. The loan terms are a 7 year loan fixed at 2 percent for the life of the loan. Repayment is deferred for the first year followed by interest-only payments in the second year. The loan is then amortized during years three through seven with equal monthly payments of principal and interest.

Wisconsin also has a Dairy 2020 Early Planning Grant program that encourages and stimulates the start up, modernization, and expansion of Wisconsin dairy farms. Minnesota's Dairy Business Planning grant is patterned after this program.

South Dakota

South Dakota has the Value Loan Guaranty Program, designed to enable farmers and ranchers of limited equity to procure livestock loans and thereby use their available feed, facilities, labor, and management skills. The guaranty amount may not exceed \$50,000, or exceed 50 percent of the outstanding principal balance amount. The Livestock Loan Participation Program enables farmers and ranchers of limited equity to procure livestock loans at rates and terms which the applicant can reasonably be expected to meet and thereby use available feed, facilities, labor, and management skills. The South Dakota Department of Agriculture participation amount will not exceed an aggregate outstanding balance of \$100,000. These two loan programs may allow a beginning producer an entry point and/or an opportunity to maintain cattle numbers. Access to capital was mentioned as a constraint to being able to continue dairy operations after higher than expected culling.

Pennsylvania

Pennsylvania has an Agricultural Development and Agricultural Loan Program that includes new farmers. This loan, in collaboration with agricultural and commercial organizations, is to improve the business of agriculture. Services eligible under this loan include planning, mar-

keting, and financing and coordination services. This collaborative program uses federal tax exempt finances to reduce interest rates, and may be used for both direct and contract purchases. The loan lending limit is \$250,000.

North Dakota

North Dakota has a Beginning Farmer Loan Program that helps with first-time purchase of real estate, livestock, or equipment. This low-interest loan is available up to \$150,000 for real estate and up to \$150,000 for livestock or equipment.

Iowa

In Iowa the Linked Investments for Tomorrow (LIFT)--Traditional Livestock loan program increases the availability of low cost loans to traditional livestock producers. The loans are for a maximum of \$100,000, but are currently suspended due to budgetary constraints.

Illinois

In Illinois the Young Farmer Guarantee Program allows farmers to make purchases that will expand or upgrade operations, with loan amounts for up to \$500,000. Illinois also has the Specialized Livestock Guarantee Program that provides family-sized livestock operations the access to capital needed to construct or remodel facilities or to purchase equipment. Loans are available for up to \$ 1 million.

Bill Description

Section 1 provides milk producer payments to beginning milk producers. Eligibility is restricted to natural persons purchasing dairy cows after June 30, 2005.

Section 2: Chapter 116J provides certain powers and duties to the Department of Employment and Economic Development (DEED). This bill expands the list of eligible economic development activities that may access funds already available. It provides that the Department of Agriculture (MDA) work with DEED to establish a process by which an eligible dairy producer could access development funds to make facilities improvements and purchase dairy related equipment.

Assumptions

Section 1: Based on data the Department of Agriculture has on dairy farms, it is projected that about 70 farms a year would be eligible for this program under normal circumstances. If this proposal does become law, it is projected that another 50 producers will be enticed into dairy production or figure out a way to become eligible. Over time, this number will decline. A dairy herd of 56 cows producing 18,000 lbs. of milk per cow annually (current state average) would max out at the one million pounds of milk. This also assumes that there will be a sufficient supply of quality dairy cows available at an affordable price to meet the eligible producers needs.

Section 2: There is a basic system already in place that can handle the general processing of applications. There are funds available at the local level to provide some loans for the activities delineated. It is assumed that actual loan processing, closing and servicing will remain at the local level or with DEED.

Expenditure and/or Revenue Formula

Section 1: Because not all herds will max out the program, we used a herd average of 50 cows times the 18,000 lbs. per cow per year to arrive at 900,000 lbs. of production, or \$9,000 per farm.

The program begins July 1, 2005. A full time person should be hired about March 1 to have the process worked out, application forms and information materials designed, publicity on the program disseminated, etc. Applications will come in over time as farms become available and eligible milk producers purchase cows and put them into production.

Section 2: It is assumed that up to 20 hours per fiscal year of staff time will be spent working with DEED to establish the specific process involved with making loans to dairy producers and following through to verify that the process is effective, reasonably efficient and providing appropriate financing to eligible producers.

Long-Term Fiscal Considerations

Section 1: In Fiscal Year 2007, over 600 producer payments will be made totally more than of \$1.3 mil. It is projected that the producer payment total could reach \$2.2 mil. in FY 2008 and over \$2.9 mil. in 2009.

Local Government Costs

NONE

References/Sources

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

Fiscal Note Coordinator Signature

Date

Senators Kubly, Murphy, Sams and Vickerman introduced--
S.F. No. 554: Referred to the Committee on Agriculture, Veterans and Gaming.

1 A bill for an act

2 relating to agriculture; excluding noninvasive
3 floating of horses' teeth from the definition of
4 veterinary medicine practice; amending Minnesota
5 Statutes 2004, section 156.12, subdivision 1.

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

7 Section 1. Minnesota Statutes 2004, section 156.12,
8 subdivision 1, is amended to read:

9 Subdivision 1. [PRACTICE.] The practice of veterinary
10 medicine, as used in this chapter, shall mean the diagnosis,
11 treatment, correction, relief, or prevention of animal disease,
12 deformity, defect, injury, or other physical or mental
13 conditions; the performance of obstetrical procedures for
14 animals, including determination of pregnancy and correction of
15 sterility or infertility; and the rendering of advice or
16 recommendations with regard to any of the above. The practice
17 of veterinary medicine shall include but not be limited to the
18 prescription or administration of any drug, medicine, biologic,
19 apparatus, application, anesthetic, or other therapeutic or
20 diagnostic substance or technique. The practice shall not be
21 construed to include the dehorning of cattle and goats ~~or~~; the
22 castration of cattle, swine, goats, and sheep~~;~~ or the docking
23 of sheep. The practice also does not include determining the
24 need for and floating of horses' teeth, so long as sedation or
25 invasive procedures are not needed.

From: Richard Stenberg
Date: 2/4/2005 3:43:09 PM
Subject: proposed equine dental legislation

Dear Senator:

I am writing to express my support for SF 0554, the proposed equine dental legislation. I have been a horse owner, rider, and horse show competitor for many years, I keep horses on my property. As you may know, horses teeth need regular care. Presently, horse owners have a choice as to who provides this care and how it is done. Some veterinarians do this work, either by hand or using power equipment, some vets recommend experienced non-vets to do the work. When my vet stopped doing this work herself she recommended Mr. Johnson. He has done an excellent job for me for many years. Mr. Johnson works by hand and does not resort to tranquilizers. He takes the time to soothe the horse and works quietly and cooperatively with the animal. After routine teeth care by Mr. Johnson the horse can return immediately to pasture. I have also observed routine dental care done by some veterinarians who immediately tranquilize the horse by injection, prop its head up on a support and go to work with loud power tools. After the procedure, these horses must be supervised for two to three hours until the drugs wear off. The whole procedure is more traumatic for the horse and more time consuming and expensive for the horse owner.

As a responsible horse owner, I want the best care for my horses. I strongly resent the efforts by some veterinarians to force owners to use only them and their procedures. Presently, owners have a choice. Those who wish to use vets for routine dental care can do so. Those who do not require a vet can use an experienced non-vet. If routine teeth care now requires a licensed vet, why not routine horse shoeing, worming, breeding, or foaling? All of these activities could pose a risk to horses, but are generally performed safely without a vet. Other than increased profits for certain vets, there seems little reason to interfere with the current freedom of choice available to horse owners. Consequently, I urge you to exempt routine teeth floating from veterinary practice.

Sincerely,

Chantal Sorenson
Richard Stenberg

www.csstmsrds@earthlink.net

Please distribute to all
committee members
Thank-you !!

Victoria Del Calzo
22725 County Road 10
Rogers, MN 55374

Post-it® Fax Note	7671	Date	# of pages ▶
To	Sen. Kubly	From	
Co./Dept.		Co.	
Phone #		Phone #	
Fax #	651-296-6511	Fax #	

February 3, 2005

Senator Gary Kubly
Minnesota Senate
St. Paul, MN 55101

Dear Senator,

Re: SF 0554

I am attaching a list of people's names and addresses who support your bill SF 0554, a bill to exempt floating teeth from veterinary medicine. Please feel free to use this support in any way to advance this measure. It is a reasonable approach to a situation all horse owner's face. Thanks for your willingness to take on this issue.

Sincerely,

Victoria Del Calzo

Victoria Del Calzo
Horse Owner and Barn Nanny for 10 horse owners in the Medina area

Printed Name	Address	Signature
Angela L Day	1213 Rhode Island Ave N. Utolden Valley, MN 55127	Angela L Day
Robin D. Day	1213 Rhode Island Ave N. Golden Valley, MN 55127	Robin D. Day
Robin Jerde	6545 Clementa Ave S.W. Montrose, MN 55743	Robin Jerde
SHERI WENDLING	2832 Hamel Rd Hamel, MN	Sheri Wendling
DAVID FARWAN	4912 Penn Ave W Mpls, MN	David Farwan
Chip Jack	Box 351 Maple Plain, MN	Chip Jack
Lynette Suster	3087 Co. Rd 8 SW Waverly, MN 55390	Lynette Suster
Richard Gardner	P.O. Box 44 Elk River, MN 55330	Richard Gardner
JENNIFER WOODS	9127 Hwy. 25 N.E. #814 Monticello, MN	Jennifer Woods
Megana Lysne	4650 Maple St Maple Plain, MN	Megana Lysne
Kathryn Cross	7412 W. 22nd St St. Louis Park, MN Maple Grove, MN	Kathryn Cross
Bill Thomas	6775 Fogman Rd Independence, MN	William Thomas
Nate Steck	1382 Maplewood Dr. Long Lake, MN	Nate Steck
Patti Luckes	1784 Green Ave SW. Waverly, MN	Patti Luckes
Leanna Cottler	10409 W 34th Cir MUMFORD, MN	Leanna Cottler
Victoria Del Catzo	22725 City Rd 10 Rogers, MN	Victoria Del Catzo
Leanna Dreyer	10010 Soudan Rd Rogers, MN	Leanna Dreyer
Michelle Sells	6205 Paper Mill Rd Maple Plain, MN	Michelle Sells
Daniel Runko	4350 TROMAN LN. N APT 118 Plymouth, MN	Daniel Runko
Sandra Wayne	5275 Co Rd 11 Lonsdale, MN	Sandra Wayne

Dear Senator Kubly:

We are very much in favour of non-veterinarians floating horses teeth if they have the knowledge and expertise.

These individual's usually have a vast experience beyond the veterinarians and they like their profession. Which translates as the horses being gently and well treated during the procedure. Many veterinarians do not enjoy floating teeth, it can be a vigorous physical workout. Personally, I and my horses, do not like the huge metal contraptions many veterinarians apply to the horses, mouth to do the procedure.

For twenty years we have employed James Johnson, Sacred Heart, MN, as our expert on floating our horses teeth. He is excellent and we are very disappointed that at the present he cannot practice because of a legal ruling.

We are considered experts in the field of Paso Fino Show Horses. My husband is a Thoracic Cardio-Vascular Surgeon and I am a Nurse Anesthetist, we have an extensive medical background and are very knowledgeable on which we speak regarding the equine floating of teeth by non-veterinarians.

Thank you for your support in this matter involving our horses and the livelihood of persons who devote themselves to taking expert, and gentle, care of their equine customers.

Dr. Joseph J. and Jacqueline Garamella
Wind Song Farms
Maple Plain, Minnesota

2/7/05

To Whom It May Concern:

Jim Johnson saved the life of my horse. As my horse aged, his patience for having anything done with his mouth diminished. My veterinarian had a great rapport with my horse and could do almost anything with him, but when it came to floating his teeth, there was only trouble. Doubling up on tranquilizers didn't stop his striking out. When it reached the point where choking became an issue, I had to look for alternatives. It was my vet, who had heard of Jim, who suggested I call him. I will never forget their first session. I sat on a hay bale and nervously waited to see how it would go. Jim made a magical connection with my horse and within minutes, he was examining my horse's teeth. I had feared that if Jim could not help him, I would have had to put him down. For four years following their first meeting, Jim helped my horse. I credit him, as well as my vet, with providing a quality of life that enabled my horse to live until age 35.

Jim is highly skilled and sensitive in his work with horses. I now have a new horse and I would consider it a great loss if Jim were not allowed to help provide for his care.



Diane Gordon
Victoria, MN

James R. Johnson

From: "Reflection Farm" <rframbo@hutchtel.net>
To: "James R. Johnson" <crossj@hcinet.net>
Sent: Friday, February 04, 2005 3:19 PM
Subject: Equine Dental from Janice Peterson, DVM

02/04/05

To Whom It May Concern:

I am writing this in strong support of the bill to exempt the floating of equine teeth from veterinary medicine. Until recent years, there was little emphasis on teeth floating in veterinary medicine. Most veterinarians did not care to do this procedure and were more than willing to leave it to the self-taught, unlicensed "equine dentists". Only in the last decade has equine dentistry gained great importance in veterinary medicine.

The practice of floating teeth should no more be considered a strictly veterinary procedure than is artificial insemination, which is being taught to farm managers by the University of Minnesota. These procedures do not necessarily require the administration of chemical restraint, which should be done by a veterinarian. Those who have been doing teeth floating have learned to harmonize with the horse well enough to accomplish the task with minimal excitement to the animal, since the use of chemicals is much less available to them.

Horse owners are very particular about how their animals are handled and prefer if procedures can be done with minimal excitement. Since many of them have established a rapport with the individual who they are used to for floating, they may not welcome changing to a new and unfamiliar face. It should be the horse owner's choice who he/she wishes to perform floating.

As a veterinarian, I have always been comfortable suggesting that clients use the same person they are used to for this procedure when it is needed. That choice should belong to the owner.

Janice Peterson DVM
MN #4275
Ph: 320-243-3787

From: Gretchen Scharmer <gkshorse@yahoo.com>
To: <sen.gary.kubly@senate.mn>
Date: 2/7/2005 2:08:18 PM
Subject: Vet Bill SF0554

I would like you to know as a horse owner I SUPPORT your bill to allow a horse owner to choose between their own vet and our experienced paraprofessional to "float" a horse's teeth.

after all, this is America, land of Freedom of choice.

Do you Yahoo!?
Yahoo! Search presents - Jib Jab's 'Second Term'

From: "Rick and Jane Aalderks" <aalderks@hcinet.net>
To: <sen.gary.kubly@senate.mn>
Date: 2/3/2005 6:56:25 PM
Subject: SF 554

Senator Kubly:

We have a neighbor, Jim Johnson, of rural Sacred Heart who has been in the business of equine dentistry for many years. Although he is not a veterinarian, he is a very competent man. We've used his services many times and have always been satisfied with his work.

I do not believe that Jim needs to be a veterinarian to perform this service. His skill comes from years of practical experience and a love of horses. Since we live in a rural community, word travels fast about the skill of a man in his work. We trust him completely and do not wish to take our business to a veterinarian (when it comes to floating teeth). Of course, we use a veterinarian for many other types of health problems relating to horses and livestock, but we don't believe it is necessary to use a vet for equine dentistry.

It has come to our attention that Jim may not practice equine dentistry. The reason is because he is not a licensed veterinarian. We believe that he should be able to continue with his chosen profession as an equine dentist. In this profession, we feel that experience and years of being a horseman are much more important than having a vet's license.

If you have any questions on our position, please e-mail us at aalderks@hotmail.com. We'd be glad to answer any questions you may have or explain our position in more detail.

Thank you for your attention to this matter.

Jane & Rick Aalderks
87575 120th Street
Maynard MN 56260
(320) 367-2892

THE SCOPE OF VETERINARY PRACTICE: A MODEL FOR REGULATING ANIMAL MEDICAL TREATMENTS BY NON-VETERINARIANS

*Prepared by the Coalition on the Scope of Veterinary Practice
November 9, 2004*

BACKGROUND

The veterinary medical profession is charged with delivering optimal animal healthcare, advocating for animal welfare, and protecting public health. Legislators and regulators are facing increasing pressure from non-veterinarians who seek legal authority to perform animal medical procedures that currently constitute the practice of veterinary medicine. Treating animals without veterinary involvement or management could harm animal patients and endanger public health. This coalition's intention is to provide guiding principles to state veterinary medical associations that will assist them as they work with licensing boards and legislators on these issues.

Veterinary education usually includes an undergraduate degree, which is always followed by a four-year professional veterinary medical education program that affords a veterinarian expertise in multiple species. By virtue of their education, veterinarians – like other senior healthcare professionals – receive an unrestricted license that is complete in every respect. This professional license provides the means by which the public holds the veterinarian accountable.

UNDERLYING PRINCIPLES

Coalition participants sought to articulate an optimal system for animal healthcare delivery, while recognizing that statutes and regulations will vary in individual states. An optimal system would protect consumer interests, address public health concerns, and advance the welfare of animals. This system rests on a number of underlying and inviolate principles:

- Veterinarians protect animal health, animal welfare and public health.
- The practice of veterinary medicine includes, but is not limited to, diagnosis, treatment, prescribing, surgery, and disease prevention.
- A license to practice veterinary medicine implies that:
 - Veterinarians are unrestricted in their choice of therapeutic options as long as the animal owner provides informed consent
 - Veterinarians know their individual skill levels and limitations
 - Veterinarians who practice beyond their individual skill levels or limitations will be held accountable for their actions by a licensing or regulatory board
- Statutes have designated the veterinarian as the sole primary care provider in the animal healthcare system.

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- According to the American Board of Veterinary Specialties (and many state practice acts), non-veterinarians must not use any title, words, abbreviations or letters that induce the belief that the person using them is a veterinarian. Such use is prima facie evidence of the intention to represent oneself as engaging in the practice of veterinary medicine.
- There may be a role for non-veterinarians in the treatment of animals; however, there are risks associated with the involvement of non-veterinarians.
- Statutes require veterinary medical procedures to take place in the context of an established veterinary/client/patient relationship.

IMPLICATIONS FOR PUBLIC POLICY

The highest level of animal healthcare is that delivered by the veterinarian. The veterinarian possesses unique qualifications – i.e., comprehensive education, experience, and licensure – to diagnose and treat animal health problems and to recognize and report public health risks.

Furthermore, numerous federal and state government agencies, as well as corporations and businesses involved in the production and distribution of animal health pharmaceuticals and other animal health materials, have long-established channels for communicating with veterinarians about animal health and safety issues and notifying veterinarians of potential public health and food safety problems. Non-veterinarians are neither in a position to receive nor qualified to appropriately act upon such notifications – thus threatening animal health, public health and food safety. For example, in 1997 the Food and Drug Administration issued an alert to remind veterinarians that colloidal silver was not approved for use in the treatment of mastitis in dairy cows. Colloidal silver is sold over-the-counter. Use of it could lead to residues in meat, milk or eggs, which could jeopardize the health of humans.

Risks increase as the involvement of the veterinarian decreases. These risks include:

- Absence of proper diagnosis
- Delay in effective treatment of the animal patient
- Injury or death to the animal patient
- Increased transmission of potentially fatal and debilitating zoonotic diseases from animals to humans (such as rabies, equine encephalitis, West Nile virus, and Lyme disease)
- Threats to food safety by transmission of diseases such as salmonella, *E. coli*, cryptosporidium and listeriosis, and
- Delays in recognizing foreign animal diseases (such as foot-and-mouth disease or BSE) that pose an increased risk of bio-terrorism or economic disaster.

In treating the animal patient, the veterinarian may choose to utilize the services of non-veterinarians as secondary care providers. In this case, state legislatures and regulatory

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boards face the difficult challenge of determining the appropriate level of supervision required to minimize risk when non-veterinarians are involved. This decision must include an assessment of factors such as:

- Risk to the animal patient and client
- Impact on public health and welfare
- Credentials or qualifications of the non-veterinarian
- Animal owner's recourse through liability coverage if harm or death to the animal results, and the
- Non-veterinarian's accountability to a veterinary licensing board with disciplinary authority.

TREATMENT PROVIDED BY NON-VETERINARIANS

A progressively higher level of state regulatory authority and oversight is required the more a non-veterinarian treating animals is removed from immediate supervision by a veterinarian. That is, a greater burden rests with the state for licensure or registration of non-veterinarians directly involved in the treatment of animals. To minimize risks, the veterinarian must 1) Provide immediate or direct supervision of a treatment delivered by a non-veterinarian and 2) Manage the delivery of all required care.

Non-veterinarians require supervision by a veterinarian at one of the following levels:

- Immediate supervision, which means that the attending veterinarian is in the immediate area, within audible and visual range of the animal patient and the person treating the patient. With this highest level of supervision, the veterinarian can best avert harm to the animal and/or the animal owner, intervene if an emergency arises, and respond to injury during care by the non-veterinarian
- Direct supervision, which indicates that the attending veterinarian is readily available on the premises where the patient is being treated, or
- Indirect supervision, which means that the attending veterinarian has given either written or oral instructions for treatment of the patient and is readily available by telephone or other forms of immediate communication.

If an animal owner insists that a non-veterinarian treat his or her animal against veterinary recommendation, the veterinarian should inform the animal owner in writing of the applicable requirements for veterinary supervision, the risks to the animal patient, and the non-veterinarian's lack of accountability to regulatory agencies.

Difficult and complex issues surrounding treatment by non-veterinarians must be considered when writing public policy. Examples of such issues are listed below.

- Adequate protocol should cover items such as the timely provision of records by the non-veterinarian to the veterinarian, limited time lapses from veterinary examination to initial treatment, the number of treatments allowed, and timely follow-up by the veterinarian.

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- Liability insurance is a significant concern in terms of consumer protection for harm or injury or death to the animal patient. However, in most cases, non-veterinarians are unable to obtain liability insurance to afford appropriate consumer protection. In the cases of non-veterinarians licensed in other disciplines, liability insurance does not necessarily extend to treatment of animal patients.
- The practice acts of other licensed professions require careful assessment to determine whether those practice acts either limit the professionals' practice to humans, or animals, or are silent on this issue.
- The legitimacy of "certification" claimed by various non-veterinarian practitioners generates grave concern to veterinarians. In contrast to the rigorous and standardized training completed by every licensed veterinarian, non-veterinarians often advertise that they hold any number of "certifications" or even "board certifications." This leads to confusion among legislators and the general public. The term "certification" in itself is meaningless, as any person or training program can "certify" a practitioner without proof of merit. Furthermore, self-appointed certifying associations have added confusion by developing "board certification" pathways in animal healthcare that are unrecognized by the American Veterinary Medical Association (AVMA). The term "board certification" in veterinary medicine connotes standards and testing that are carefully developed and scrutinized by the American Board of Veterinary Specialties. Self-appointed certifying agencies usually have a financial investment in the training programs leading to certification. Furthermore, graduates of their animal training courses often appear to feel entitled to work on animals without veterinary supervision. The issue of certification should be addressed in public policy so that the public clearly understands the meaning and significance of an AVMA-recognized veterinary specialty organization versus that of a self-appointed certifying body.
- The issue of accountability for the actions of non-veterinarians who provide direct treatment to animals must rest with the veterinary licensing board so that no confusion exists about the authority to discipline any provider of animal healthcare (whether the provider is unlicensed or licensed by a separate board).

VETERINARY EDUCATION IN INTEGRATIVE THERAPIES

An increasing number of non-veterinarians who utilize alternative therapies are petitioning for direct access to animals without veterinary involvement or management. However, a cadre of veterinarians who are well educated in integrative therapies⁽¹⁾ already exists. Their numbers increase annually. This growing trend should receive support by the veterinary profession in order to ensure that when animals require this type of care, a trained veterinary professional provides it in an appropriate manner and delivers the highest quality care available.

Certain veterinarians practicing integrative medicine have already begun the process of seeking specialty recognition through the American Board of Veterinary Specialties (ABVS) for specific modalities. Their efforts are commendable, and the veterinary

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medical profession should encourage such efforts. The standards expected of these integrative specialties are no different from conventional specialties.

Similarly, the number of accredited veterinary training institutions offering integrative therapy education is multiplying, but the need for more programs remains. Veterinary medical associations should deliver continuing education programs which demonstrate that the highest standard of animal healthcare may include integrative therapies.

CONCLUSIONS

- We reject the suggestion that unlicensed persons may practice veterinary medicine without veterinary involvement or management.
- If the provision of services to animals by non-veterinarians is deemed to be in the best interest of the animal and protective of public welfare, then non-veterinarians must work under veterinary supervision.
- Risks to public health and animal welfare increase proportionately to the decreasing involvement of the veterinarian.
- We encourage more veterinarians to pursue education in integrative therapies.
- ABVS-recognized board certification in veterinary integrative therapies should be encouraged.
- Rigorous educational programs in integrative therapies should be offered through veterinary schools and veterinary medical association meetings.

*The Coalition on the Scope of Veterinary Practice prepared this paper, and is comprised of the following associations: *** Tentative list until 1/1/05 ****

- American Holistic Veterinary Medical Association
- Colorado Veterinary Medical Association
- Florida Veterinary Medical Association
- Illinois Veterinary Medical Association
- Missouri Veterinary Medical Association
- Nevada Veterinary Medical Association
- Ohio Veterinary Medical Association
- Oklahoma Veterinary Medical Association
- Texas Veterinary Medical Association
- Washington State Veterinary Medical Association
- Wisconsin Veterinary Medical Association

⁽¹⁾ The term “integrative therapies” as used in this paper refers to complementary forms of healthcare that work alongside conventional approaches to expand therapeutic options, speed recovery, optimize treatment effectiveness, and improve patients’ overall quality of life.



Minnesota Racing Commission State Veterinary Department

TELEPHONE: 952-496-6487

P.O. BOX 630 SHAKOPEE, MN 55379

FAX: 952-496-6468

February 8, 2005

Dr. John King
Minnesota Board of Veterinary Medicine
2829 University Avenue SE
Suite 540
Minneapolis, MN 55414

Dear Dr. King:

I just learned today that an unknowledgeable horse owner provided inaccurate and misleading information at the Senate hearing regarding lay dentists. Please rest assured that the Minnesota Racing Commission (MRC) does not currently license lay individuals as dentists on the backside of Canterbury Park. This has been our policy for years and is unlikely to change any time in the future.

The MRC Veterinarian's Office strives to be in full compliance with state and local laws, as well as racing guidelines and directives from the American Association of Equine Practitioners, American Veterinary Medical Association, Minnesota Veterinary Medical Association, and Minnesota Equine Practitioners. To the best of my knowledge, none of these organizations condone licensing of lay individuals for the purpose of performing equine dentistry. In fact, I believe that two and perhaps three of these organizations have provided strong position statements to the contrary.

As you may remember from prior conversations, each year we have 2 or 3 individuals skilled in equine dentistry work on the backside of Canterbury Park. These individuals are licensed by the MRC as "Veterinary Assistants" and, as such, are required to work under the supervision of a veterinarian licensed by the MRC. Their application is co-signed by an MRC licensed veterinarian who then becomes legally responsible for any mistakes or errors they make. Each licensed MRC veterinarian is allowed to sign for only one lay individual who desires to perform equine dentistry. All dental procedures are reported by the signing veterinarian on their daily record logs. The lay individuals are not allowed to carry or administer drugs nor are they allowed to diagnose or correct dental problems such as retained caps, split molars, broken teeth, impactions, infected roots, over or under bite, cavities, rostral sinus/tooth root abnormalities, misaligned teeth, and a myriad of other dental problems best handled by a veterinarian. In addition, any ulcers or

other abnormalities noted in the mouth are to be reported directly to the MRC licensed veterinarian.

The above guidelines provide the following:

1. We are in compliance with state laws and racing guidelines from the American Association of Equine Practitioners and the American Veterinary Medical Association whereby skilled lay individuals can perform equine dental procedures under the supervision of a veterinarian.
2. We are not "licensing" individuals who do not have a licensing board to provide disciplinary action if need be.
3. The MRC licensed veterinarian, who carries a considerable amount of expensive malpractice insurance, becomes responsible for the actions of the lay individual. I do not know of any insurance company that provides malpractice insurance for a lay individual not working directly with a veterinarian. Accidents happen, even to the most careful individuals, and the lack of insurance would be catastrophic to all involved.
4. Many, if not all companies insuring individual horses, will simply not honor insurance policies on horses injured by non-veterinarian individuals. While of major consideration for medical and surgical policies, it would become a financial nightmare for owners with individual horse mortality policies in the hundred thousand dollar range who must euthanize a horse secondary to a dental related injury or accident.
5. The MRC licensed veterinarian, by accepting responsibility for the lay individual's actions, understands the need for safety on the backside. The two work as a team to provide a safe environment for themselves, horse handlers, observers, and horses. The team approach also ensures that a veterinarian with necessary life saving drugs and equipment is in close proximity should the lay individual experience difficulties. Again, accidents happen even to the most skilled individuals, and should an artery be pierced by a float or the soft palate punctured, the veterinarian is close enough to respond.
6. Dental procedures reported on the daily log become a part of the horse's medical record and are readily available should the horse be claimed, sold, or a dispute arise as to whether or not the procedure was performed. In our litigious society, keeping good medical records is a necessity for everyone.
7. Lay individuals working under supervision are allowed to float teeth but not perform any other procedures. This insures that any dental problems or abnormalities noted are not neglected or glossed over, but addressed immediately by a skilled veterinarian.
8. We ask that abnormalities such as ulcers and erosion in the gums or buccal mucosa be noted and reported immediately to the MRC licensed veterinarian so a thorough examination can be performed. This helps identify those horses developing phenylbutazone toxicity, renal disease, or other health related problems. More importantly, it provides an early identification system for reportable infectious diseases and may help prevent some diseases like vesicular stomatitis (VS) virus from gaining a foothold in Minnesota and the United States. We are especially tuned to this after the recent Foot and Mouth Disease (FMD) problems in Europe and VS problems in Texas and other states. The devastation to the US livestock industry, in general, would be enormous should VS gain an entrance into the United States.

Thank you for taking the time to read through this. After hearing of the meeting, I wanted our policies, as well as specific reasons for them, to be crystal clear to all involved. Should you need further clarification or more information please feel free to contact me. During the off season, I can be found in the backside office on Mondays and Fridays.

Respectfully,

A handwritten signature in cursive script that reads "Lynn Rolland Hovda". The signature is written in black ink and is positioned above the typed name and title.

Lynn Rolland Hovda, DVM, MS, ACVIM
Chief Commission Veterinarian
Minnesota Racing Commission
1100 Shakopee Road
Shakopee, MN 55379

CC: Richard Krueger, Executive Director, Minnesota Racing Commission

Hoeck Veterinary Services
1650 E 2800 S
Wendell ID 83355
John Hoeck D.V.M., M.R.C.V.S., A/C Eq D.

7/Feb /2005

Dear Senators,

I am writing this letter to comment on the legislation you are considering about the veterinary practice act as it pertains to "floating of horses." It seems the legislation is an attempt to allow anyone to practice Veterinary Medicine in the State of Minnesota as long as it involves horses mouths.

I am a licensed Veterinarian who graduated from Minnesota Veterinary school in 1991 and I practice in Minnesota. The main focus of my practice in the state of Minnesota is Equine Dentistry. I have been practicing advanced equine dentistry since 1998 and was the assistant director of the Academy of Equine Dentistry for 2.5 years and was also the first Chairman of the Board of that Institution. At the Academy a lot of "lay equine dentists" are trained and "certified". So as it seems I have been in the unique position of seeing both sides of this issue first hand. On one hand the Veterinary Community is under trained and mis-informed on the practice and theory of horse dentistry, On the other hand, lay dentists are not trained in any of the classical Veterinary Medical needs required by Minnesota to reduce animal suffering and conserve livestock resources to be licensed to practice veterinary medicine. Please remember a Veterinary License in the State of Minnesota is controlled and regulated with those licensed Veterinarians held accountable for their actions.

I think as a Senator you must decide what is the safest way to regulate and control animal health in the state. I do not feel that exempting equine dentistry from the veterinary practice act will make Minnesota's horses and citizens safer or healthier. And I most certainly believe this proposed exemption will make it nearly impossible to regulate this aspect of animal health.

I would strongly caution against exempting the practice act as it pertains to Equine Dentistry unless a separate Equine Dental Practice Act is implemented with all the requirements and regulatory checks and balances as is implemented in the Veterinary Practice Act. The current legislation is far too vague and ambiguous to properly protect the State of Minnesota and its Horses. I am sure there are upstanding and highly respected lay dentists in Minnesota but there will be a lot of people trying to "practice" who may not be so highly respected and there would be no way to regulate or make these people accountable for their actions.

I thank you for your time and consideration. Feel free to contact me if you have any questions.



John Hoeck D.V.M.,

MINNESOTA ASSOCIATION OF EQUINE PRACTITIONERS

2/5/05

The MAEP strongly opposes the amendment of *Senate File 554* to remove dentistry from the Veterinary Practice Act, as this amendment endangers the welfare of horses and would allow untrained individuals to defraud horse owners for a poorly rendered service.

~~_____~~ Brian Dahms #110-01
The M... Jake Noordgraaf DVM 120-90
Deborah C. McKay, DVM 138-64
Donna M. Reed, DVM #05184
David K. Hermann, DVM #084-86
Janell C. Abram, DVM 002-00
Scott S. ... DVM #00495
Susan Jones DVM 09001
Haylene Heiler, DVM #00-03500
Tom Bous DVM 04791
Margaret Boulanger, DVM 143-99
W.C. ... DVM 3164
Dorlene DVM MN# 09696
Ann Phipps, DVM MN# 06493
K. Houder, DVM MN 01785
Sharon ... DVM MN 2689
Nancy Avelscher, DVM MN 09397
D. ... D-113-76
Leticia M. Oxx, DVM MN 07087
... DVM MN 12304
Debra ... DVM WI #5607
Brenda ... DVM MN 1083
John ... DVM MN 06289
... DVM MN 06669
... DVM MN 53089
Blair ... DVM MN 05889