
Farmer-Lender Mediation Act

Necessary Living Expenses Recommendation Report

11/30/2022

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Introduction: Farmer-Lender Mediation Act

The Farmer-Lender Mediation Act (MINN. STAT. 583.24) was signed into law in 1986 to help address the financial crisis that Minnesota farmers were facing. The Farmer-Lender Mediation Act gives farmers the opportunity to renegotiate, restructure, or resolve farm debt through mediation. Mandatory mediation means that creditors cannot proceed collecting debt against a property until the offer of mediation has been extended and, if the farmer so chooses, completed. Mediation is executed by a trained neutral facilitator to assist in the negotiations of parties in a dispute. The Farmer-Lender Mediation program is administered by the University of Minnesota Extension.

The goals of the mediation process are to achieve open communication between parties in order to resolve differences, define the rights of the debtor and creditor, and to produce agreements that are acceptable to all parties. Farming is a volatile business and is often dependent on global market forces outside of a farmer's control. Mediation can provide a way for farms to stay in business during difficult economic times by working together with lenders to renegotiate, restructure, or resolve farm debts.

Necessary Living Expenses

In 2017, subdivision 1(b) of the Farmer-Lender Mediation Act was amended to:

Subd. 1(b). The amount that the creditor is required to release for necessary living expenses under this section is limited to \$3,600 per month less the debtor's off-farm income. In 2022 and every five years thereafter, the commissioner of agriculture, in consultation with the director, must report to the legislative committees with jurisdiction over agriculture policy what the monetary limit under this paragraph would be if adjusted using the United States All-Items Consumer Price Index.

Recommendation

In consultation with Farmer-Lender Mediation Director Mary Nell Preisler, the Minnesota Farm Advocates, and banking interests, it is our recommendation that the necessary living expenses under this section be increased from \$3,600 to \$5,000 per month less the debtor's off-farm income. Living expenses have increased due to inflation and this figure has not been updated since the agency's recommended change in 2017.