

HOUSE RESEARCH

Bill Summary

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Authors: Harder and Others

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Analyst: Sam Rankin, 651-296-5047

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Overview

House File 3534 establishes minimum standards of readability and content for contracts between agricultural producers and contractors. The bill also requires a 3-day review period after the proposed contract is presented to the producer before the contract can be effective.

- 1 **Legible type.** Legible type is defined to mean at least 10-point font.
- 2 **Required language; disclosure of risk.** A contract must contain or be accompanied by a clear, plain-language statement of the risks the producer faces by entering into the contract.
- 3 **Producer's right to review.** New language requires giving a producer the right to review a proposed contract for three business days before signing it. Requires clear disclosure in every contract of how to cancel.
- 4 **Cover sheet requirements.** A cover sheet with an index to the contents of the contract and specific warnings of obligations and risks is required.
- 5 **Contract format.** The contract itself must be legible, clearly laid out, and understandable. The contract may include terms customarily used by producers and terms required by law, rule, or regulation.
- 6 **Review by commissioner.** A contractor may ask the commissioner of agriculture to review and certify that language of a proposed contract complies with these requirements. Several factors are proposed by which to evaluate the readability of the contract. A court may change the terms of a contract if lack of readability or clarity confused the producer and resulted in financial harm.
- 7 **Limits of remedies.** Establishes limits on the extent to which producers and contractors can use the format of a contract to claim damages against each other.
Makes good faith a defense.
Prohibits awarding attorney fees or investigation costs against someone who makes a good faith effort to comply with the bill.

Limits attorney fees and investigation costs in a class action under the bill to \$10,000.

Violation of this section is not a defense to breach of contract by a producer. Gives a producer actual damages only if a violation prevented the producer from understanding contract rights, obligations, or remedies.

Provides a six-year limitation period for a claim of a violation of this section.

8 **Applicability.** Specifies kinds of agricultural contracts not covered by the bill.

9 **Waiver void.** Makes void any provision of an agricultural contract that attempts to waive the protections of the bill.