

N.D.A.G. Letter to Meier (Jan. 30, 1987)

January 30, 1987

Honorable Ben Meier
Secretary of State
State Capitol
Bismarck, ND 58505

Dear Mr. Meier:

Thank you for your letter of January 14, 1987, concerning a North Dakota farm corporation, Shide Farms, Inc.

A corporation which neither owns nor leases any farmland or ranchland in North Dakota, but which only owns farm equipment and undertakes custom farming operations, is not a legitimate farm corporation under the provisions of N.D.C.C. Ch. 10-06.

A corporation organized pursuant to N.D.C.C. § 10-06-07 must own or lease farmland or ranchland and be engaged in the business of farming or ranching. This is evident from the language of N.D.C.C. § 10-06-07, and one of the requirements for corporations organized under N.D.C.C. § 10-06-07 states as follows:

10-06-07. CORPORATION ALLOWED TO ENGAGE IN THE
BUSINESS OF FARMING OR RANCHING.

* * *

6. The officers and directors of the corporation must be shareholders who are actively engaged in operating the farm or ranch and at least one of its shareholders must be an individual residing on or operating the farm or ranch.

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Shide Farms, Inc. neither owns nor leases any farmland or ranchland. Additionally, its custom farming operations is not engaging in the business of farming or ranching as defined in N.D.C.C. § 10-06-01.1. The language of N.D.C.C. Ch. 10-06 necessarily requires land and operations on land, owned or leased by the corporation. Therefore, Shide Farms, Inc. may not be incorporated as a farm corporation pursuant to N.D.C.C. Ch. 10-06.

I suggest that you write to this corporation suggesting that they dissolve the farm corporation and incorporate as a business corporation pursuant to N.D.C.C. Ch. 10-19.1. It is not possible to convert the farm corporation to a business corporation. See letter of

May 6, 1986, to Honorable Ben Meier, Secretary of State, concerning the inability to amend the articles of incorporation of a farm corporation to convert it to a business corporation.

Sincerely,

Nicholas J. Spaeth

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