

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senator Allen at
Chairperson

10:00 a.m. ~~XXXX~~ on March 26, 1985 in room 313-S of the Capitol.

All members were present ~~except~~

Committee staff present: Raney Gilliland, Research Department
Arden Ensley, Revisor of Statutes Department

Conferees appearing before the committee: Jim Maag, Kansas Bankers Association
Bill R. Fuller, Kansas Farm Bureau
Howard Tice, Kansas Association of Wheat Growers
John Vogel, former Representative, farmer
Harley Duncan, Department of Administration

Senator Allen called the Senate Agriculture Committee to order at
10:05 a.m.

Senator Allen called on Harley Duncan to make a few comments about
SB 347 and SB 349. (see attachment A).

The chairman called on Jim Maag, a proponent, to testify.

Jim Maag stated the concept set forth in SB 347 and SB 349 could
become an important link in helping Kansas farmers. Mr. Maag stated the
Kansas Bankers Association stands ready and willing to work with the
committee, the legislature and the Governor to provide a workable state
farm credit relief plan. (see attachment B).

Senator Allen welcomed and introduced John Vogel, a former Representative
and a former Chairman of the House Agricultural Committee to testify as a
proponent.

Former Representative Vogel commended the legislature for introducing
legislation as contained in SB 347 and SB 349, bills that show the
legislature is sensitive to the needs of the Kansas farmer. Mr. Vogel
stated the program proposed in this legislation would be a morale builder
especially for the younger farmers in our state. Mr. Vogel encouraged the
committee to enact a compromise bill to provide assistance to the farmers
of Kansas.

Senator Gannon expressed appreciation to former Representative Vogel
for his presence and his guidance past and present.

Senator Allen called on Bill Fuller, a proponent, to testify.

Bill Fuller expressed the support of the farmers and ranchers of the
Kansas Farm Bureau for the intent of SB 347 and SB 349. (see attachment C).

The chairman called on Howard Tice to testify.

Howard Tice expressed appreciation for both Governor Carlin and Senator
Talkington for their efforts on SB 347 and SB 349 and for their recognition
of the fact that the state can do something to help improve the economic
health of the states number one industry. (see attachment D).

Senator Allen declared the hearings on SB 347 and SB 349 completed
and the committee adjourned at 11:00 a.m.

GUEST LIST

COMMITTEE: SENATE AGRICULTURE

DATE: March 26, 1985

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Marvin C. Umholtz	Topeka	KCU
Elva Horuh	Newton Ks	Farm Bureau
Arthur M. Horuh	Newton, Ks.	Farm Bureau
Ruth E. Guthrie	Walton, Ks.	Farm Bureau
Robert A. Guthrie	" "	" "
Art A. Schmidt	" "	Farm. Bureau
Ruth Schmidt	" "	Farm Bureau
Donna Harper	Sedgwick, Ks	Farm Bureau
Ted Stein	Sedgwick, Ks	" "
R.A. Schmidt	Newton	K.F.B.
Joe Lieber	Topeka	Ks. Co-op Council
Robert Dodge	Albany Ks	Kans Agers Union
John Blythe	Manhattan	Ks. Farm Bureau
Chas. Hickey	Topeka	Ks Oil Market Assn
Zyll Ocolock	"	PMIB
Carol Hedges	Topeka	Governors Office.
H. Duncan	Topeka	Dept of R
JOHN PARKS	TOPEKA	DEPT. OF REV.
Nancy Kantola	Topeka	Ks Co-op Council
Bill Fuller	Manhattan	KFB
Howard W. Tice	Hutchinson	KAWG
M. Hanna	Topeka	Co-op Union
Jim Wood	Purmer	-
Darrell Stone	KB Apple	IOBA
Jim May	T "	"

Statements by Harley Duncan
Department of Administration
March 26, 1985
on

SB 347
and
SB 349

1. Agricultural Production Loans are not defined in the bill. FDIC reports contain on non-real estate secured loans. The bill should specify the types of loans covered.
2. FDIC reports contain only loans outstanding at the end of a calendar year instead of loans "made" during a calendar year. This affects our ability to estimate the impact and may affect our ability to audit the accuracy of returns. The Committee should consider changing this language although this may affect the value of loans that could be written down by certain institutions.
3. The benchmark for "best agricultural loan customers with equivalent collateral" will be difficult to determine and will vary with time. Even more difficult to determine will be the rate at which the loan would have been made in the absence of the legislation which is important because it is the difference between the interest that would have been earned and that actually earned which determines the amount of credit that can be taken.

The department would suggest that the maximum write-down be considered to be 3.0 percentage points and would question whether there might be some determinable federal loan rate that could substitute for the "best rate" of the individual institution.
4. There is a question of whether qualifying loans need to be adjusted if the "best rate" is adjusted. Also, the bill does not speak to how variable rate loans are to be treated.
5. Provisions with respect to the taking of the credit need to be clarified. Is the credit refundable? Does the one-fifth entitlement carry forward if not utilized fully or if there is a loss? Can it be taken beyond the fifth year?

attachment A
3/26/85



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

March 26, 1985

TO: Senate Committee on Agriculture
FROM: James S. Maag, Director of Research
Kansas Bankers Association
RE: SB 347 & SB 349

Mr. Chairman and members of the committee:

Thank you for the opportunity to appear on the provisions of SB 347 and SB 349. The members of this committee are well aware, as a result of your travels throughout Kansas and your work on the national farm program in Washington, that Kansas agriculture is currently facing a very serious crisis. Kansas bankers commend you for your diligent work on this vital matter.

The Kansas bankers have also been working to find possible solutions. Earlier in this session you provided a mechanism (HB 2405) whereby active and retired Kansas bankers could assist the Farmers Home Administration in processing operating loans granted by that agency. In addition, the KBA has travelled throughout Kansas with the FmHA and representatives of Sen. Dole's office to make sure that bankers understand the debt adjustment program (DAP) of the FmHA and will be able to process applications for that program as rapidly as possible.

We are all aware that the state's resources to solve this enormous problem are limited. However, the concept set forth in SB 347 and SB 349 could become very important links in an "aid chain" to save many Kansas farmers. Again, we believe the Governor and Senate leadership are to be commended for showing a willingness to commit significant state resources in these critical times. We have worked with both the Governor's office and Senate leadership on the details of these plans and would like to comment as to what we see as possible strengths and weaknesses in the implementation of either of the plans.

In any state assistance program, we believe it is important at that the funds be available where there is the greatest need. From that standpoint, SB 347 is a more viable vehicle since the great percentage of agricultural production loans is to be found in the smaller rural banks. SB 349 ties a bank's ability to make agricultural production loans at a reduced rate to the amount of state inactive monies on deposit in that bank. Unfortunately, nearly \$66 million of the \$430 million in inactive accounts are

Office of Executive Vice President • 707 Merchants National Building
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444

3/26/85 attachment B

deposited in banks which have less than \$100,000 each in agricultural production loans. In addition, as the charts show, an agricultural bank (one which has more than 25% of its total loan portfolio in agricultural loans) would be able to make a smaller amounts of reduced rate loans under the provisions of SB 349 than under the provisions of SB 347. This is due to the fact that 15% of ag production loan portfolio would exceed, in most instances, the amount of idle funds on deposit in smaller banks. As the attached printout shows, SB 347 would allow the 334 banks which have 30% or more of their total loans in ag production loans to make \$108 million worth of loans in excess of that allowed by SB 349. It should be noted that the six largest ag lending banks would actually be able to make over \$36 million more in reduced rate loans under SB 349 than under SB 347. This is due to the fact that their capital in relationship to total state capital is significantly higher than most banks and, therefore, they have a larger amount of idle funds.

The \$75,000 cap placed on loan applications under that provisions of SB 349 would provide very limited relief for most farmers according to agricultural bankers that we have talked with. They point out that this would only result in a reduction of about \$2,000 in interest over a one-year period and that is not going to make the difference, in most instances, to save a floundering farm operation. However, if such a loan could be used in conjunction with a FmHA reduced rate operating loan, then the \$75,000 limitation might be more viable. Most bankers that we have talked with do not see the 105% cash flow limitation under SB 349 as a problem since most of their agricultural customers are having difficulty meeting 100% cash flow requirements.

SB 347, on the other hand, gives the bank a great deal more flexibility as to the amount which can be loaned to any one customer and does not restrict to whom these loans could be made. Obviously, any loan would have to meet the criteria of "ag production" loan as set forth in FDIC guidelines. In our discussions with bankers concerning SB 347, they have indicated that their approach to determining which customers would get the reduced rate loans would probably be to take the names of customers on their problem ag loan list and offer the reduced rate loans on a pro rata basis.

Under the provisions of SB 349, the bank would be able to recover its interest income loss much more rapidly since it would simply be paying a reduced rate for the idle funds on deposit in the bank, whereas SB 347 allows the bank to claim a state privilege tax credit for interest income lost over a 5-year or more period and would not allow the bank to take more than 20% of its tax credit in any one year. Thus, it is conceivable that a bank would not be able to recover its interest income loss for several years depending on what its privilege tax liabilities might be in any given year.

As of December 31, 1983 statistics show that Kansas banks made \$2,407,000,000 in agricultural production loans and 15% of that figure would be \$361,125,000. Theoretically, SB 349 would allow for \$430 worth of reduced rate agricultural production loans, but as noted earlier nearly \$66,000,000 of those inactive monies are in banks which made less than \$100,000 worth of agricultural production loans in 1983.

From an administrative standpoint, SB 347 appears to be somewhat superior to SB 349 because it would simply require the Department of Revenue to make sure that a participating bank had made a proper tax credit application on its privilege tax return. SB 349 would probably require additional personal for the Pooled Money Investment Board to monitor the reduced interest rate provisions for any participating bank. As the committee is well aware, the cost to the state under the provisions of SB 347 would be spread over a multi-year period whereas as the revenue losses contemplated in SB 349 would basically all come in one fiscal year.

Under the provisions of SB 347, if all Kansas banks which had agricultural production loans as of December 31, 1983, participated in the program to the maximum extent, it would result in a revenue loss of \$10.8 million over a minimum of five years. Conversely, under the provisions of SB 349 if all banks which made in excess of \$100,000 of agricultural production loans in 1983 participated in the program as outlined in that bill, it would result in a revenue loss to the state during fiscal year 1986 of approximately \$11.1 million.

Mr. Chairman and members of the committee, the Kansas Bankers Association stands ready and willing to work with this committee, the legislature, and the Governor to provide a workable state farm credit relief plan. If the implementation of either of the plans contemplated here resulted in only one farm family in each community being able to survive, then we would have assisted in keeping several hundred family farming operations going in the state of Kansas. We believe that would be a commendable action.

We appreciate the opportunity to testify on this vitally important issue.

A COMPARATIVE ANALYSIS OF SB 347 & SB 349

LISTING OF BANKS WITH 30% AND HIGHER AG LOANS TO TOTAL LOANS

CITY AND BANK	TOTAL LOANS (\$000)	% AGRI PRODUCTN LOANS	\$ AMOUNT OF AG PROD LOANS	15% OF AG PROD LOANS	\$ AMT OF ST INACTIVE FUNDS	\$ DIFFERENCE
Abilene, Citizens	15,394	50.3	7,743,182	1,161,477	872,000	289,477
Agra, Farmers Ntl.	9,181	58.7	5,389,247	808,387	423,000	385,387
Alden St.	2,288	64.3	1,471,184	220,678	161,000	59,678
Alexander St.	4,042	69.7	2,817,274	422,591	239,000	183,591
Aliceville, Farmers St.	1,832	99.9	1,830,168	274,525	85,000	189,525
Alma, 1st Ntl.	8,087	37.9	3,064,973	459,746	300,000	159,746
Almena, 1st St.	3,098	60.4	1,871,192	280,679	100,000	180,679
Alta Vista St.	4,259	55.0	2,342,450	351,368	100,000	251,368
Altamont, Labette Co.	6,407	44.0	2,819,080	422,862	244,000	178,862
Americus St.	2,451	44.4	1,088,244	163,237	166,000	-2,763
Anthony, 1st Ntl.	21,114	73.7	15,561,018	2,334,153	724,000	1,610,153
Anthony, Citz. Ntl.	24,976	82.1	20,505,296	3,075,794	1,222,000	1,853,794
Arkansas City, Home Ntl.	44,945	34.3	15,416,135	2,312,420	2,537,000	-224,580
Arlington, Citz. St.	3,169	47.6	1,508,444	226,267	133,000	93,267
Ashland, Citz. St.	7,198	63.8	4,592,324	688,849	366,000	322,849
Ashland, Stockgrowers	13,982	80.1	11,199,582	1,679,937	831,000	848,937
Atlanta, Citz. St.	3,873	89.6	3,470,208	520,531	198,000	322,531
Attica, 1st Ntl.	5,695	35.8	2,038,810	305,822	306,000	-179
Atwood, Farmers	16,843	63.6	10,712,148	1,606,822	0	1,606,822
Auburn, Sec. St.	4,938	41.3	2,039,394	305,909	360,000	-54,091
Axtell St.	6,250	55.5	3,468,750	520,313	244,000	276,313
Baileyville St.	3,877	61.9	2,399,863	359,979	191,000	168,979
Barnard St.	4,126	54.5	2,248,670	337,301	169,000	168,301
Barnes, St. Exchange.	2,557	34.2	874,494	131,174	72,000	59,174
Bazine St.	15,575	62.4	9,718,800	1,457,820	573,000	884,820
Beattie, Marshall Co.	2,660	58.5	1,556,100	233,415	92,000	141,415
Beaver, Farmers St.	2,031	48.2	978,942	146,841	378,000	-231,159
Belleville, 1st Ntl.	9,217	58.1	5,355,077	803,262	593,000	210,262
Beloit, 1st Ntl.	14,148	61.5	8,701,020	1,305,153	739,000	566,153
Beloit, Guaranty	20,632	68.7	14,174,184	2,126,128	633,000	1,493,128
Bendena St.	4,097	44.5	1,823,165	273,475	164,000	109,475
Bennington St.	21,392	31.7	6,781,264	1,017,190	837,000	180,190
Bentley St.	1,547	43.2	668,304	100,246	124,000	-23,754
Bern, St. Bank of	8,174	57.2	4,675,528	701,329	353,000	348,329
Beverly St.	2,475	40.7	1,007,325	151,099	118,000	33,099
Bird City, Security	6,619	84.5	5,593,055	838,958	475,000	363,958
Bison St.	2,441	39.8	971,518	145,728	163,000	-17,272
Blue Mound, Farmers St.	4,762	47.1	2,242,902	336,435	180,000	156,435
Blue Rapids St.	7,296	57.1	4,166,016	624,902	389,000	235,902
Bogue, Farmers St.	5,667	72.5	4,108,575	616,286	271,000	345,286
Bremen St.	1,772	73.1	1,295,332	194,300	121,000	73,300

Brewster Ntl.	1,906	49.9	951,094	142,664	275,000	-132,336
Bronson, Bank of	8,375	43.5	3,643,125	546,469	232,000	314,469
Bucklin Farmers St.	16,498	56.4	9,304,872	1,395,731	621,000	774,731
Bucklin St.	4,080	66.0	2,692,800	403,920	222,000	181,920
Burdett St.	8,145	50.2	4,088,790	613,319	386,000	227,319
Burns St.	2,729	46.6	1,271,714	190,757	187,000	3,757
Burr Oak St.	2,314	65.3	1,511,042	226,656	152,000	74,656
Bushton St.	4,704	44.7	2,102,688	315,403	241,000	74,403
Caldwell, St. Exchange	8,698	71.3	6,201,674	930,251	531,000	399,251
Canton, Farmers St.	7,329	48.8	3,576,552	536,483	277,000	259,483
Canton, St. Bank of	5,854	47.8	2,798,212	419,732	353,000	66,732
Cawker City, Frm. & Mer.	2,063	33.2	684,916	102,737	158,000	-55,263
Cedar Vale St.	7,966	34.9	2,780,134	417,020	239,000	178,020
Centerville St.	1,341	39.4	528,354	79,253	157,000	-77,747
Centralia, 1st Ntl.	9,396	50.0	4,698,000	704,700	374,000	330,700
Chapman St.	8,464	47.2	3,995,008	599,251	305,000	294,251
Cheney, Citz. St.	13,169	61.8	8,138,442	1,220,766	550,000	670,766
Chetopa St.	10,124	38.1	3,857,244	578,587	245,000	333,587
Cimarron, 1st Ntl.	10,971	62.3	6,834,933	1,025,240	600,000	425,240
Circleville, Farmers St.	5,905	55.2	3,259,560	488,934	313,000	175,934
Clay Center, Peoples Ntl.	20,174	39.0	7,867,860	1,180,179	1,463,000	-282,821
Clay Center, Union St.	19,455	54.2	10,544,610	1,581,692	1,342,000	239,692
Clearwater, Home St.	8,460	34.4	2,910,240	436,536	380,000	56,536
Clifton, 1st Ntl.	2,015	40.1	808,015	121,202	83,000	38,202
Clyde, Elk St.	8,643	65.5	5,661,165	849,175	133,000	716,175
Clyde, Exchange Bank of	6,236	44.0	2,743,840	411,576	271,000	140,576
Colby, Thomas Co.	22,450	53.8	12,078,100	1,811,715	984,000	827,715
Coldwater Ntl.	3,139	61.3	1,924,207	288,631	291,000	-2,369
Coldwater, Peoples St.	8,618	52.1	4,489,978	673,497	320,000	353,497
Colony St.	1,972	35.4	698,088	104,713	188,000	-83,287
Colwich St.	19,587	33.8	6,620,406	993,061	1,359,000	-365,939
Concordia, 1st Bank	35,650	52.3	18,644,950	2,796,743	0	2,796,743
Conway Springs St.	6,487	63.9	4,145,193	621,779	216,000	405,779
Conway Springs, 1st Ntl.	7,910	38.3	3,029,530	454,430	298,000	156,430
Corning, Farmers St.	1,101	78.2	860,982	129,147	89,000	40,147
Council Grove, Farm & Dr.	15,825	62.1	9,827,325	1,474,099	1,555,000	-80,901
Courtland, Swedish Am.	6,947	61.7	4,286,299	642,945	273,000	369,945
Cunningham 1st Ntl.	4,051	55.7	2,256,407	338,461	274,000	64,461
Delphos St.	5,079	57.1	2,900,109	435,016	210,000	225,016
Denton, Bank of	2,525	44.6	1,126,150	168,923	197,000	-28,078
Dodge City, 1st Ntl.	49,791	44.8	22,306,368	3,345,955	1,877,000	1,468,955
Downs Ntl.	7,229	55.8	4,033,782	605,067	316,000	289,067
Durham St.	1,862	66.8	1,243,816	186,572	140,000	46,572
Dwight, Farmers St.	3,211	70.8	2,273,388	341,008	221,000	120,008
Edna, 1st St.	7,266	50.8	3,691,128	553,669	170,000	383,669
Effingham, Frm. & Merch.	6,563	60.0	3,937,800	590,670	350,000	240,670

Elk City, 1st Ntl.	1,991	36.7	730,697	109,605	99,000	10,605
Elkhart, 1st Ntl.	7,369	32.5	2,394,925	359,239	394,000	-34,761
Ellsworth, Citizens	22,945	38.0	8,719,100	1,307,865	962,000	345,865
Elmdale, Peoples	2,091	37.3	779,943	116,991	96,000	20,991
Emporia, Citizens Ntl.	58,746	34.4	20,208,624	3,031,294	2,010,000	1,021,294
Esbon St.	1,956	71.5	1,398,540	209,781	0	209,781
Eskridge St.	7,596	68.7	5,218,452	782,768	256,000	526,768
Eureka, Home Bank	16,603	32.8	5,445,784	816,868	538,000	278,868
Everest, Union St.	4,590	58.4	2,680,560	402,084	170,000	232,084
Fairview, Farmers St.	5,600	69.8	3,908,800	586,320	191,000	395,320
Fall River St.	2,226	34.3	763,518	114,528	87,000	27,528
Falun St.	2,028	49.5	1,003,860	150,579	96,000	54,579
Formoso Bank of	2,709	56.3	1,525,167	228,775	82,000	146,775
Fowler St.	8,667	77.3	6,699,591	1,004,939	476,000	528,939
Frankfort, 1st. Ntl.	6,274	59.4	3,726,756	559,013	484,000	75,013
Fredonia, St. B.	14,744	38.1	5,617,464	842,620	1,403,000	-560,380
Freeport St.	2,312	41.5	959,480	143,922	110,000	33,922
Garden City, 4th Ntl.	3,407	41.9	1,427,533	214,130	232,000	-17,870
Garden City, Fidelity	47,682	45.3	21,599,946	3,239,992	2,225,000	1,014,992
Garnett St.	14,931	39.6	5,912,676	886,901	1,368,000	-481,099
Gaylord, 1st Ntl.	5,507	48.0	2,643,360	396,504	133,000	263,504
Geneseo, Citz. St.	2,094	42.4	887,856	133,178	78,000	55,178
Girard, 1st Ntl.	13,183	32.8	4,324,024	648,604	775,000	-126,396
Glasco, 1st Ntl.	5,045	46.6	2,350,970	352,646	0	352,646
Glen Elder, Traders St.	6,117	76.2	4,661,154	699,173	321,000	378,173
Goff, 1st Ntl.	1,673	54.3	908,439	136,266	130,000	6,266
Goodland, 1st Ntl.	31,371	50.7	15,905,097	2,385,765	1,470,000	915,765
Gorham St.	7,016	33.6	2,357,376	353,606	241,000	112,606
Gossel, Wheatland	4,404	43.4	1,911,336	286,700	176,000	110,700
Grainfield, Citz. St.	4,764	51.1	2,434,404	365,161	177,000	188,161
Greeley, Bank of	6,811	59.0	4,018,490	602,774	274,000	328,774
Greenleaf, Citz. Ntl.	8,654	76.5	6,620,310	993,047	389,000	604,047
Greensburg St.	4,435	39.1	1,734,085	260,113	450,000	-189,887
Gridley, Citz. ST.	10,409	58.6	6,099,674	914,951	395,000	519,951
Grinnell, Peoples St.	2,942	64.3	1,891,706	283,756	100,000	183,756
Haddam, Citz. St.	298	78.9	235,122	35,268	99,000	-63,732
Halstead Bank	10,978	45.6	5,005,968	750,895	592,000	158,895
Hamilton, 1st Ntl.	2,770	40.5	1,121,850	168,278	0	168,278
Hanover, Comm. St.	8,558	63.2	5,408,656	811,298	487,000	324,298
Hanston St.	10,077	71.8	7,235,286	1,085,293	477,000	608,293
Hardtner, Frms. St.	8,613	75.2	6,476,976	971,546	402,000	569,546
Harper, 1st Ntl.	15,416	48.7	7,507,592	1,126,139	740,000	386,139
Hartford St.	5,446	42.2	2,298,212	344,732	199,000	145,732
Harveyville, 1st Ntl.	2,117	47.6	1,007,692	151,154	104,000	47,154
Haven St.	7,114	45.7	3,251,098	487,665	369,000	118,665
Haviland St.	4,708	46.9	2,208,052	331,208	127,000	204,208

Hazleton, Farmers St.	2,918	65.3	1,905,454	285,818	100,000	185,818
Healy, 1st St.	10,926	77.6	8,478,576	1,271,786	543,000	728,786
Hepler St.	3,079	59.5	1,832,005	274,801	171,000	103,801
Herndon, St. Bank of	3,578	67.5	2,415,150	362,273	118,000	244,273
Hesston St.	13,370	30.4	4,064,480	609,672	710,000	-100,328
Hiawatha, Citizens St.	32,113	76.6	24,598,558	3,689,784	1,360,000	2,329,784
Hiawatha, Morrill & J.	10,398	47.2	4,907,856	736,178	1,360,000	-623,822
Highland, Farmers St.	3,947	55.3	2,182,691	327,404	0	327,404
Hill City, Consolidated	16,292	40.9	6,663,428	999,514	617,000	382,514
Hillsboro St. Bank	1,291	44.2	570,622	85,593	97,000	-11,407
Hillsboro, 1st Ntl	17,398	44.9	7,811,702	1,171,755	950,000	221,755
Holton, Denison St.	17,517	57.6	10,089,792	1,513,469	809,000	704,469
Holton, Ks. St.	12,891	32.8	4,228,248	634,237	647,000	-12,763
Hope, 1st Ntl.	12,668	76.1	9,640,348	1,446,052	261,000	1,185,052
Howard St.	4,742	32.6	1,545,892	231,884	225,000	6,884
Howard, 1st Ntl.	3,831	40.6	1,555,386	233,308	225,000	8,308
Hoxie State	31,904	83.5	26,639,840	3,995,976	782,000	3,213,976
Hoxie, 1st Ntl.	24,255	63.8	15,474,690	2,321,204	930,000	1,391,204
Hudson St.	3,833	60.8	2,330,464	349,570	203,000	146,570
Hugoton, Citizens St.	28,098	61.5	17,280,270	2,592,041	1,245,000	1,347,041
Humboldt Ntl.	16,761	30.7	5,145,627	771,844	527,000	244,844
Hunter, Farmers St.	2,102	68.6	1,441,972	216,296	76,000	140,296
Inman, Bank of	7,313	35.3	2,581,489	387,223	304,000	83,223
Isabel St.	1,493	44.7	667,371	100,106	139,000	-38,894
Iuka St.	1,960	37.0	725,200	108,780	100,000	8,780
Jamestown St.	4,180	61.2	2,558,160	383,724	286,000	97,724
Jennings Bank	4,257	63.6	2,707,452	406,118	155,000	251,118
Jetmore, Farmers St.	3,513	66.0	2,318,580	347,787	400,000	-52,213
Jewell, Citiz. St.	6,014	60.0	3,608,400	541,260	222,000	319,260
Kensington, 1st Ntl.	2,245	49.1	1,102,295	165,344	225,000	-59,656
Kincaid, Bank of	6,833	53.7	3,669,321	550,398	218,000	332,398
Kingman, 1st Ntl.	10,110	51.5	5,206,650	780,998	528,000	252,998
Kingman, St. B.	15,518	40.4	6,269,272	940,391	1,108,000	-167,609
Kiowa, 1st St.	21,268	72.6	15,440,568	2,316,085	844,000	1,472,085
Kiowa, Bank of	13,038	53.6	6,988,368	1,048,255	371,000	677,255
LaCrosse, Farm. & Mer.	21,635	43.4	9,389,590	1,408,439	647,000	761,439
LaCrosse, Home St.	10,603	43.5	4,612,305	691,846	299,000	392,846
Lakin, Kearny Co.	15,135	58.3	8,823,705	1,323,556	1,688,000	-364,444
Lancaster, St. Bank of	3,408	45.2	1,540,416	231,062	100,000	131,062
Larned, 1st Ntl.	31,041	55.0	17,072,550	2,560,883	1,193,000	1,367,883
Larned, 1st St.	27,440	55.6	15,256,640	2,288,496	1,161,000	1,127,496
LeRoy, 1st Ntl.	4,527	66.6	3,014,982	452,247	0	452,247
Lebanon, 1st Ntl.	3,340	43.5	1,452,900	217,935	257,000	-39,065
Lebo St.	4,940	55.0	2,717,000	407,550	483,000	-75,450
Lenora, Exchange	7,985	69.7	5,565,545	834,832	379,000	455,832
Leon, St. Bank of	1,812	37.7	683,124	102,469	114,000	-11,531

Leonardville St.	4,303	57.0	2,452,710	367,907	246,000	121,907
Leoti, 1st St.	19,085	69.1	13,187,735	1,978,160	965,000	1,013,160
Lewis, Home St.	11,840	63.5	7,518,400	1,127,760	641,000	486,760
Lincoln, Farmers Ntl.	7,919	63.2	5,004,808	750,721	238,000	512,721
Lincolnvill, Pilsen St.	2,888	50.3	1,452,664	217,900	221,000	-3,100
Linn St.	5,629	72.3	4,069,767	610,465	263,000	347,465
Little River, Home St.	1,256	52.3	656,888	98,533	243,000	-144,467
Logan, 1st Ntl.	2,489	44.7	1,112,583	166,887	178,000	-11,113
Long Island, Comm. St.	6,303	76.6	4,828,098	724,215	326,000	398,215
Lorraine St.	2,695	43.7	1,177,715	176,657	109,000	67,657
Lucas, Farmers St.	7,634	72.3	5,519,382	827,907	293,000	534,907
Ludell, Farmers St.	1,263	89.2	1,126,596	168,989	0	168,989
Lyndon St.	7,443	38.1	2,835,783	425,367	0	425,367
Lyons St.	16,020	36.0	5,767,200	865,080	663,000	202,080
Macksville St.	6,019	70.4	4,237,376	635,606	249,000	386,606
Macksville, Frm. & Mrch.	9,188	69.5	6,385,660	957,849	402,000	555,849
Madison Bank	5,235	47.5	2,486,625	372,994	150,000	222,994
Madison, 1st Ntl.	4,876	48.3	2,355,108	353,266	505,000	-151,734
Mankato, 1st Ntl.	3,592	43.2	1,551,744	232,762	215,000	17,762
Mankato, St. Exchange	5,125	50.0	2,562,500	384,375	269,000	115,375
Marion Ntl.	5,277	34.8	1,836,396	275,459	256,000	19,459
Marion, Frms. & Drivers	4,810	57.4	2,760,940	414,141	417,000	-2,859
Marquette, Farm. St.	4,685	52.8	2,473,680	371,052	239,000	132,052
Marysville, Blue Valley	2,952	46.0	1,357,920	203,688	82,000	121,688
Marysville, Citz. St.	11,347	45.0	5,106,150	765,923	672,000	93,923
Marysville, Exch. B.	44,658	48.6	21,703,788	3,255,568	1,620,000	1,635,568
Mayfield St.	1,265	42.9	542,685	81,403	98,000	-16,597
McCracken, Citz. St.	10,982	59.5	6,534,290	980,144	361,000	619,144
McCune St.	6,702	51.1	3,424,722	513,708	242,000	271,708
McDonald, Peoples St.	5,668	78.9	4,472,052	670,808	269,000	401,808
McLouth, Bank of	5,255	46.4	2,438,320	365,748	270,000	95,748
McPherson Bank & Trust	50,639	35.2	17,824,928	2,673,739	2,014,000	659,739
Meade, 1st Ntl.	11,398	66.7	7,602,466	1,140,370	0	1,140,370
Medicine Lodge, 1st Ntl.	24,527	46.2	11,331,474	1,699,721	880,000	819,721
Miltonvale, Citz. St.	1,588	71.2	1,130,656	169,598	214,000	-44,402
Minneapolis, United	19,581	47.4	9,281,394	1,392,209	549,000	843,209
Minneola, Peoples St.	3,176	52.6	1,670,576	250,586	133,000	117,586
Morland, Citz. St.	6,232	50.2	3,128,464	469,270	274,000	195,270
Moundridge, Citz. St.	12,456	52.6	6,551,856	982,778	1,359,000	-376,222
Mullinville, 1st St.	11,454	38.4	4,398,336	659,750	244,000	415,750
Munden St.	6,891	61.1	4,210,401	631,560	188,000	443,560
Murdock St.	3,023	66.4	2,007,272	301,091	158,000	143,091
Nekoma St.	1,098	56.3	618,174	92,726	116,000	-23,274
Newton, Ks. St.	30,021	35.8	10,747,518	1,612,128	1,357,000	255,128
Nickerson St.	9,464	35.4	3,350,256	502,538	225,000	277,538
Norcatour, Citz. St.	3,768	74.3	2,799,624	419,944	217,000	202,944

Norton, 1st Security	15,894	37.3	5,928,462	889,269	634,000	255,269
Nortonville, Bank of	5,807	58.7	3,408,709	511,306	163,000	348,306
Norwich, Farmers St.	9,587	42.1	4,036,127	605,419	277,000	328,419
Oakley, Farmers St.	23,760	56.4	13,400,640	2,010,096	657,000	1,353,096
Oberlin, Decatur Co. Ntl.	19,771	52.1	10,300,691	1,545,104	28,000	1,517,104
Oberlin, Farmers Ntl.	12,968	43.9	5,692,952	853,943	818,000	35,943
Offerle, Farmers St.	5,499	62.6	3,442,374	516,356	214,000	302,356
Oipe St.	7,355	55.0	4,045,250	606,788	321,000	285,788
Olsburg, Union St.	4,458	88.6	3,949,788	592,468	278,000	314,468
Osborne, 1st St.	6,918	33.0	2,282,940	342,441	328,000	14,441
Oswego, Am. St.	5,693	32.6	1,855,918	278,388	241,000	37,388
Otis St.	7,127	37.8	2,694,006	404,101	251,000	153,101
Overbrook, 1st Sec.	5,971	41.2	2,460,052	369,008	312,000	57,008
Overbrook, Ks. St.	8,913	52.7	4,697,151	704,573	418,000	286,573
Palco, 1st Ntl.	2,177	69.0	1,502,130	225,320	227,000	-1,661
Palmer, 1Bank of	2,292	70.5	1,615,860	242,379	119,000	123,379
Peabody St.	8,615	49.8	4,290,270	643,541	492,000	151,541
Perry, Bank of	6,050	35.1	2,123,550	318,533	413,000	-94,468
Phillipsburg, 1st Ntl.	40,962	41.0	16,794,420	2,519,163	487,000	2,032,163
Plainville St.	11,709	30.4	3,559,536	533,930	751,000	-217,070
Plevna St.	639	58.4	373,176	55,976	95,000	-39,024
Pomona, Citz. St.	2,588	35.5	918,740	137,811	236,000	-98,189
Portis, 1st St.	854	45.6	389,424	58,414	69,000	-10,586
Potwin St.	4,520	60.5	2,734,600	410,190	231,000	179,190
Pratt, 1st Ntl.	20,394	60.7	12,379,158	1,856,874	0	1,856,874
Pratt, Peoples	32,784	37.1	12,162,864	1,824,430	2,088,000	-263,570
Pretty Prairie St.	4,496	58.4	2,625,664	393,850	266,000	127,850
Protection, Bank of	5,364	73.0	3,915,720	587,358	130,000	457,358
Quinter, 1st Ntl.	13,373	78.4	10,484,432	1,572,665	687,000	885,665
Randall St.	3,778	62.0	2,342,360	351,354	173,000	178,354
Ransom, 1st St.	7,394	78.7	5,819,078	872,862	515,000	357,862
Raymond St.	1,988	35.5	705,740	105,861	122,000	-16,139
Reading St.	1,365	34.5	470,925	70,639	110,000	-39,361
Rexford St.	1,729	54.1	935,389	140,308	81,000	59,308
Richmond, Peoples St.	4,707	37.7	1,774,539	266,181	0	266,181
Riley St.	11,063	39.8	4,403,074	660,461	345,000	315,461
Robinson, Bank of	3,898	69.4	2,705,212	405,782	180,000	225,782
Roxbury St.	2,755	67.0	1,845,850	276,878	214,000	62,878
Russell State	38,847	39.2	15,228,024	2,284,204	1,574,000	710,204
Sabetha, Farmers St.	13,571	45.8	6,215,518	932,328	1,082,000	-149,672
Sabetha, Morrill St.	8,975	32.6	2,925,850	438,878	311,000	127,878
Scandia St.	3,109	53.7	1,669,533	250,430	424,000	-173,570
Scott City, 1st Ntl	25,168	78.8	19,832,384	2,974,858	1,515,000	1,459,858
Scott City, Security St.	31,046	67.6	20,987,096	3,148,064	1,259,000	1,889,064
Sedan St.	18,517	44.8	8,295,616	1,244,342	0	1,244,342
Sedgewick St.	3,568	33.5	1,195,280	179,292	241,000	-61,708

Selden, Farmers St.	9,038	64.8	5,856,624	878,494	0	878,494
Seneca, Citizens	20,679	46.3	9,574,377	1,436,157	846,000	590,157
Sharon Springs, Peoples	8,116	47.2	3,830,752	574,613	172,000	402,613
Sharon Valley St.	5,463	54.3	2,966,409	444,961	218,000	226,961
Simpson, Farmers St.	937	53.7	503,169	75,475	29,000	46,475
Smith Center, 1st Ntl.	20,219	57.7	11,666,363	1,749,954	928,000	821,954
Smith Center, Smith Co.	16,880	59.1	9,976,080	1,496,412	886,000	610,412
Spearville, 1st Ntl.	5,191	84.9	4,407,159	661,074	241,000	420,074
Spearville, Ford Co. St.	2,696	41.6	1,121,536	168,230	186,000	-17,770
St. Francis, Cheyenne Co.	16,538	83.4	13,792,692	2,068,904	750,000	1,318,904
St. Francis, Citz. St.	18,648	65.2	12,158,496	1,823,774	707,000	1,116,774
St. John, 1st Ntl.	13,186	68.9	9,085,154	1,362,773	911,000	451,773
Stafford, Farmers Ntl.	7,856	50.9	3,998,704	599,806	0	599,806
Stark St.	4,487	40.3	1,808,261	271,239	143,000	128,239
Sterling, 1st Ntl.	5,993	60.6	3,631,758	544,764	195,000	349,764
Sterling, Farmers St.	13,617	45.3	6,168,501	925,275	449,000	476,275
Stockton Ntl.	15,613	31.8	4,964,934	744,740	801,000	-56,260
Strong City, Chase Co.	3,578	31.9	1,141,382	171,207	101,000	70,207
Stuttgart, Farmers St.	2,284	63.3	1,445,772	216,866	323,000	-106,134
Sublette, Haskell Co	20,377	74.2	15,119,734	2,267,960	600,000	1,667,960
Summerfield, 1st Ntl.	1,237	85.9	1,062,583	159,387	140,000	19,387
Sylvan Grove, Sylvan St.	6,365	56.7	3,608,955	541,343	249,000	292,343
Sylvia St.	2,158	60.8	1,312,064	196,810	100,000	96,810
Syracuse, Valley St.	11,061	67.9	7,510,419	1,126,563	599,000	527,563
Talmadge St.	6,644	40.6	2,697,464	404,620	233,000	171,620
Tampa St.	5,708	63.2	3,607,456	541,118	260,000	281,118
Tescott, Bank of	16,635	52.4	8,716,740	1,307,511	922,000	385,511
Timken St.	4,240	46.7	1,980,080	297,012	300,000	-2,988
Tipton St.	3,150	53.0	1,669,500	250,425	113,000	137,425
Toronto, 1st Ntl.	2,020	38.5	777,700	116,655	167,000	-50,345
Troy St.	4,892	48.2	2,357,944	353,692	155,000	198,692
Troy, 1st Bank	4,225	52.2	2,205,450	330,818	300,000	30,818
Turon St.	6,924	68.8	4,763,712	714,557	282,000	432,557
Udall, Bank of Commerce	1,293	47.3	611,589	91,738	100,000	-8,262
Ulysses, Grant Co. St.	46,854	50.0	23,427,000	3,514,050	1,477,000	2,037,050
Uniontown, Union St.	5,509	53.2	2,930,788	439,618	239,000	200,618
Utica, Citizens St.	3,630	78.7	2,856,810	428,522	165,000	263,522
Vermillion St.	4,014	69.3	2,781,702	417,255	166,000	251,255
Wakeeney, 1st Bnk.	8,846	52.2	4,617,612	692,642	0	692,642
Wakeeney, Trego-Wakny.	21,754	74.4	16,184,976	2,427,746	0	2,427,746
Wakefield, Farm& Merch.	2,696	75.8	2,043,568	306,535	188,000	118,535
Walnut, Farmers St.	3,311	61.0	2,019,710	302,957	203,000	99,957
Walton St.	1,033	55.5	573,315	85,997	72,000	13,997
Wamego, 1st Ntl.	15,982	35.2	5,625,664	843,850	561,000	282,850
Washington, 1st Ntl.	15,603	58.6	9,143,358	1,371,504	965,000	406,504
Waterville, Citz. St.	3,815	58.1	2,216,515	332,477	306,000	26,477

Wav , 1st Ntl.	5,514	51.3	2,828,682	424,302	264,000	0,302
Weir, Citizens	2,627	32.6	856,402	128,460	147,000	-18,540
Wellington, Sec. St.	11,273	39.9	4,497,927	674,689	751,000	-76,311
Westmoreland, Frms. St.	11,734	79.2	9,293,328	1,393,999	669,000	724,999
Westphalia St.	4,404	41.0	1,805,640	270,846	105,000	165,846
Wetmore, 1st Ntl.	3,341	34.9	1,166,009	174,901	146,000	28,901
White City, 1st Ntl.	7,060	50.1	3,537,060	530,559	192,000	338,559
White Cloud, 1st St.	3,040	54.4	1,653,760	248,064	132,000	116,064
Whitewater, Bank of	6,403	42.6	2,727,678	409,152	252,000	157,152
Whiting St.	3,026	41.4	1,252,764	187,915	289,000	-101,085
Wilmore St.	1,594	75.6	1,205,064	180,760	148,000	32,760
Wilson Co. St.	3,322	54.2	1,800,524	270,079	300,000	-29,921
Winfield, 1st Ntl.	28,921	38.1	11,018,901	1,652,835	1,918,000	-265,165
Winona, Farmers St.	6,233	77.0	4,799,410	719,912	386,000	333,912
Woodbine, Citizens	1,191	44.5	529,995	79,499	84,000	-4,501
Yates Center, St. Exchnng.	22,918	30.6	7,012,908	1,051,936	1,014,000	37,936
Yoder, Farmers St.	8,098	46.5	3,765,570	564,836	231,000	333,836
334 BANKS HAVE AG LOANS TO TOTAL LOANS OF 30% AND GREATER.						108,002,175

1015 2/24/86
from
Sara
2/24/86
3-2-86

On and after the effective date of this act and prior to July 1, 1986, a bank which extends or renews an agricultural production loan at an interest rate three whole percentage points less than the prime interest rate then specified by the bank on such loans with equivalent collateral, and a bank which reduces the rate of interest being charged on any outstanding agricultural production loan by three whole percentage points shall receive a credit against its tax liability pursuant to K.S.A. 79-1106, et seq., for taxable years commencing after December 31, 1986, to the extent hereinafter provided. Such tax credit shall be allowed for such interest rate reductions by a bank upon agricultural production loans having a total principal amount not exceeding 15% of the amount of such loans reflected in the bank's report of condition filed with the federal deposit insurance corporation as of December 31, 1983.

The total credit against tax liability shall be the amount by which the interest income to the bank on and after the effective date of this act and prior to July 1, 1986 has been reduced on such loans because of such reductions in rates of interest.

The tax credit allowed for any taxable year shall not exceed one-fifth of the total tax credit of the bank allowed under this act. Unused tax credit shall be carried forward as a credit to the bank's tax liability in each subsequent taxable year and shall then be taken into account, subject to the limitation that the credit in any one taxable year may not exceed one-fifth of the total tax credit.



Kansas Farm Bureau, Inc.

2321 Anderson Avenue, Manhattan, Kansas 66502 / (913) 537-2261

copy
26-85

STATEMENT

of

KANSAS FARM BUREAU

to

SENATE AGRICULTURE COMMITTEE

Senator Jim Allen, Chairman

RE: S.B. 347--Bank privilege tax credit for a reduction
in interest rates on agricultural production loans

S.B. 349--Kansas Agricultural Production Loan Interest
Rate Reduction Act

March 25-26, 1985

by

Bill R. Fuller, Assistant Director

Public Affairs Division

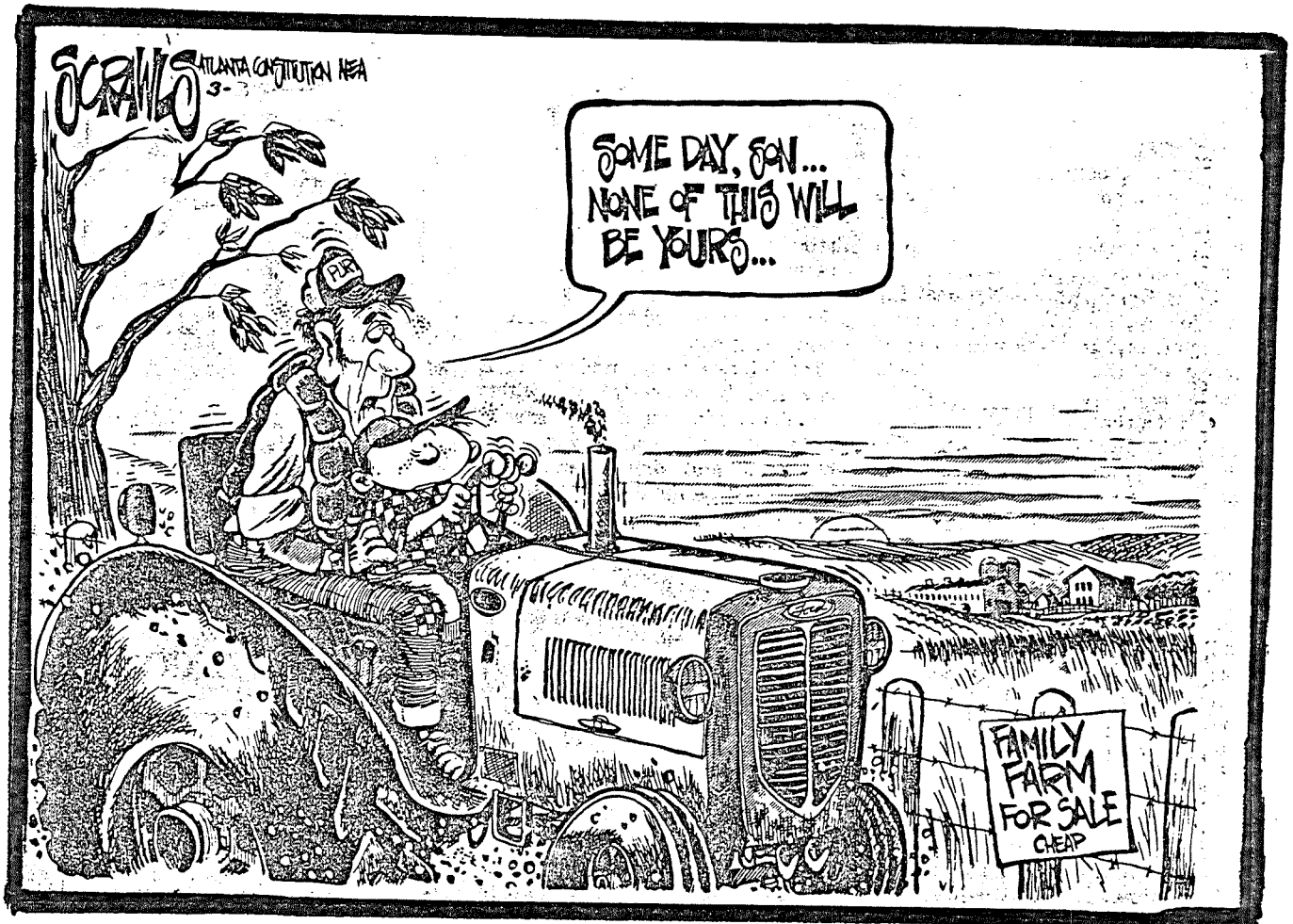
Kansas Farm Bureau

Public sympathy toward farmers continues to grow. A recent U.S.A. Today survey said 71 percent of the public felt that the federal government had an obligation to give financial help to farmers in trouble. Most said farmers represent a way of life that needs financial support.

Today, prime time television, newspaper headlines, national magazines, popular songs and new movies all depict the plight of the family farmer and the devastation of rural America.

3/26/85
attachment C

Cartoons drawn to focus attention on the farm crisis are too realistic to be humorous:



Mr. Chairman and Members of the Committee—we are pleased to have this opportunity to express the support of the farmers and ranchers of Kansas Farm Bureau for the intent of S.B. 347 and S.B. 349. Both bills propose to develop state programs to provide farmers with loans at an interest rate 3 percent below the regular rate. We commend the Governor's office and the Senate leadership for developing these innovative proposals. In fact, the bills you are considering have the potential of providing 8 to 10 times more loans at reduced interest rates to Kansas farmers than the current federal FmHA program. In addition, the Kansas Legislative proposals will broaden the availability of reduced interest loans to bank and Savings and Loan Association customers, in addition to the FmHA borrowers under the federal program.

"Improving net farm income is Farm Bureau's most important goal."

This statement is the basis for all of the policy developed and adopted at the most recent American Farm Bureau Federation annual meeting:

FARM BUREAU
POLICIES
For 1985

Resolutions On National Issues Adopted
By Elected Voting Delegates Of The
Member State Farm Bureaus To The
66th Annual Meeting Of The American
Farm Bureau Federation

JANUARY, 1985

National farm policy 530

1. Improving net farm income is Farm Bureau's
2. most important goal.

In fact, we believe Farm Bureau's policy parallels language in S.B. 349, lines 0024 to 0028: "Interest has become a significant portion of total farm operating expenses, reduction in operating expenses translates into additional net income for farmers."

Nationally, agriculture's debt is approximately \$200 billion--85 percent of which is held by less than 1/3 of the farmers. The interest--paid component of farm expenditure in the U.S. has steadily increased:

Interest Paid by Farmers

(United States)

		<u>% of net cash income</u>
1970	\$ 3 billion	16%
1982	21.3 billion	75%
1983	* 20.4 billion	* 46%

(*Slight decline due to reductions in inventories on input costs, and large government payments associated with PIK.)

For Kansas's 75,000 farmers, interest is a major expense--often the largest item:

Major Farm Expenses

(2,071 Kansas Farm Management Association farms)

		<u>% of total Expenses</u>
Interest	\$ 20,963	15.2%
Repairs	11,867	8.6
Gas, fuel, oil	9,592	7.0
Fertilizer	9,216	6.7
Hired Labor	6,031	4.4
Seed, crop insurance	5,655	4.1
Herbicide/Insecticide	3,705	2.7
Utilities	2,464	1.8
* Feed	23,706	17.2

(*Not all farms, only farms with livestock program)

Although an interest "buy-down" is only a short-term remedy, it can mean survival for many of the 25-40 percent of the farmers who are in serious financial trouble.

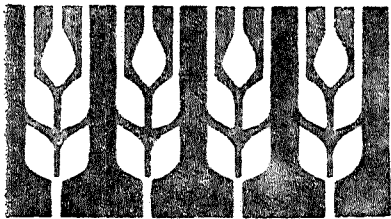
As you study S.B. 347 and S.B. 349 and develop a proposal to submit to the balance of the Legislature, we make the following suggestions:

1. The money must be available in areas of the state where it is most needed by financially stressed farmers.
2. For maximum assistance, reduced rate loans must be available for refinancing existing farm debt, as well as new operating loans.
3. Spread the cost of the program over several years to reduce the annual exposure to the State Treasury.

In the past, agriculture has too often looked to Washington, D.C. for assistance. It is refreshing to have the Kansas Legislature developing a program that will substantially assist Kansas agriculture during this worst financial crisis since the Great Depression. Mr. Chairman, you will recall at a recent meeting of your Joint House-Senate Farm Crisis Committee in Junction City, a prominent County Extension Agent who is trying to work 50 farmers through this crisis made this statement: "Poor farm management

is not the problem! In 90 percent of the cases, factors beyond the farmers control are creating the financial crisis--federal disasters, high interest rates, low commodity prices, asset devaluation and strong dollar." Over the past several years, the budget proposed by the Governor and appropriations by the Legislature have allocated less than 1 percent of the State General Fund to agriculture. Agriculture--Kansas's Number 1 industry--needs and deserves this consideration today when many farmers are struggling for survival. Thank you!

KANSAS ASSOCIATION
OF WHEAT GROWERS



TESTIMONY

Senate Committee on Agriculture
SENATE BILL 347 & SENATE BILL 349

Tuesday, March 26, 1985

My name is Howard Tice, and I am Executive Director of the Kansas Association of Wheat Growers. I appreciate this opportunity to testify today concerning these two bills.

I don't need to remind you of the depth of depression being felt in today's agricultural economy. There are many factors contributing to this reality, and therefore, we need a many faceted solution. Some of the corrective measures must be enacted in Washington, some of them can, and will be enacted by the states. It is a positive recognition of the state's role in helping agriculture get back on its feet, that spawned the two bills we consider today.

Both bills seek to ease the crushing load of high interest rates on farmers. Both bills embody the same 3% interest buy-down. Both bills should have the end result of making it possible for those farmers who are in financial trouble, but who can work their way out of it with some help, to survive. Each bill has some strong points, but in our opinion, the best way for this committee to deal with these bills is to take the strongest points in each, and effect a compromise.

With Senate Bill 349, the state idle funds make up the basis of the program. The problem with that, compared to the tax credit component of Senate Bill 347, is that a large share of the idle funds is held by banks who have no agriculture loans. The cost of Senate Bill 349 would be about 12 million dollars, compared to 10 to 10½ million dollars for Senate Bill 347. The cost of Senate Bill 349 would be paid for in one year, compared to a five year pay out with Senate Bill 347. For these reasons, it would seem that 347 would be the best vehicle.

Both bills contain a capping provision to keep the cost from getting out of hand. In Senate Bill 347, each bank would be limited to tax credits on 15% of the total agriculture loan value for calendar year 1983. Senate Bill 349 would limit the reduced interest loans to no more than \$75,000 per borrower. Both provisions should be in the final product.

The 105% cash flow requirement of Senate Bill 349 is designed to make sure that the money is channeled to those producers who need it the most, and guard against the tendency some banks might have, to approve these loans to their best ag-borrowers. Senate Bill 347 depends on the bankers to make that decision. Our opinion is that the safeguard in 349 would be the best road to take.

Therefore, our suggestion would be to report favorably on Senate Bill 347, after adding sections (b) and (c) of New Section 3 of Senate Bill 349.

In conclusion, we applaud both Governor Carlin, and Senator Talkington for their efforts on these bills, and for their recognition of the fact that the state can do something to help improve the economic health of its number one industry.

3/26/85
attachment D