

Approved 2-20-86
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Representative Lloyd D. Polson at
Chairperson

9:00 a.m./~~p.m.~~ on February 13, 1986 in room 423-S of the Capitol.

All members were present except: Representative Freeman who was excused.

Committee staff present:

Raney Gilliland, Legislative Research Department
Norman Furse, Revisor of Statutes Office
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee:

Representative Lloyd Polson
Howard Tice, Executive Director of Kansas Association of Wheat Growers
Bill Fuller, Assistant Director, Kansas Farm Bureau
Ivan Wyatt, President, Kansas Farmers Union
Steven Anderson, Alma
Harland Priddle, Secretary, State Board of Agriculture

Hearing on H.B. 2804 - Kansas Family Farm Preservation Act

Raney Gilliland presented an overview of the bill to the Committee.

Representative Polson explained the bill provides the family farmer purchasing land must buy 80 acres but not over 320 acres and must pay a fair market value for the land. The owner must engage in farming the land and may receive up to \$3.00 per acre ad valorem property tax relief for three years. Representative Polson said an amendment is being prepared that requires the purchaser to have ownership of not more than 640 acres, Attachment I. No fiscal note has been prepared but it would probably cost \$1 million to \$1¼ million the first year, double the second year, triple the third year, double the fourth year and the same as the first year the fifth year, and then nothing.

Howard Tice testified in support of H.B. 2804, Attachment II. He said it was imperative that Kansas enact programs designed to bring some stability back into the farm economy.

Bill Fuller testified in support of H.B. 2804 and also recommended this bill be part of a package of legislation to assist farmers. He urged passage of S.B. 347 also, Attachment III.

The prepared testimony of John M. Stitz, Director, Catholic Rural Life, Arch., Kansas City, Kansas, in support of the bill was distributed to the Committee, Attachment IV.

Ivan Wyatt testified in opposition to H.B. 2804. He stated the results could be less than desired and could have different detrimental effects on the struggling rural towns and communities, Attachment V.

Steven Anderson testified he is a full time family farmer and is opposed to H.B. 2804.

Harland Priddle said this bill is an attempt to provide the farmer with a remedy.

The hearing on H.B. 2804 was closed.

The Committee meeting was adjourned at 10:00 a.m.

STATE OF KANSAS

LLOYD D. POLSON
REPRESENTATIVE, SIXTY-SECOND DISTRICT
MARSHALL, NEMAHA AND POTTAWATOMIE
COUNTIES
BOX 164
VERMILLION, KANSAS 66544-0164



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN: AGRICULTURE AND SMALL BUSINESS
MEMBER: JOINT COMMITTEE ON ADMINISTRATIVE
RULES AND REGULATIONS
EDUCATION
NATIONAL COUNCIL OF STATE
LEGISLATURES COMMITTEE ON
AGRICULTURE AND FOOD POLICY

H.B. 2804 - Hearing, February 13, 1986 - House Agriculture and Small Business

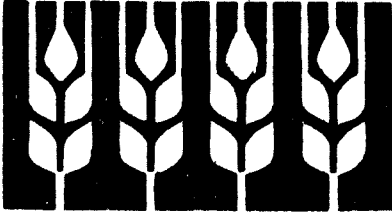
1. Must buy 80 acres - not over 320 acres.
2. Must pay fair market value for land.
3. Owner must engage in farming the land.
4. Will pay actual or up to \$3.00 per acre for three years.
5. Amendment requires purchaser to have ownership of not more than 640 acres, more or less.

Bill's Objectives

1. Keep value in existing loans
2. Assist young farmers to begin farming.
3. Assist in creating a market for those forced to sell or who want to leave farming.
4. Incentive to buy land.

2-13-86 Hs. ASB
Attachment I

KANSAS ASSOCIATION
OF WHEAT GROWERS



KANSAS HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS
Thursday, February 13, 1986
Hearing on HB 2804 - FAMILY FARM PRESERVATION ACT

Mr. Chairman, members of the committee, I am Howard Tice, Executive Director of the Kansas Association of Wheat Growers. I appreciate the opportunity to appear today on behalf of our members, in support of HB 2804.

I would first, like to commend Chairman Polson for offering this bill, and the committee for agreeing to introduce it. This is a year when legislators in all states which are heavily involved in agriculture are challenged to find new and innovative ways to help the sagging farm economy. This type of effort is also a recognition that small businesses on the main streets of our rural communities are going out of business right along with bankrupt farmers. The trend doesn't stop there. Agri-businesses of all types and sizes are feeling the pinch. Even the aircraft industry, the third major industry in Kansas, has faced severe cutbacks caused by the economic crisis in agriculture.

It has been said before, and it will undoubtedly be said again, that a healthy ag-economy is the basis of a sound general economy. It is therefore, not only fair, but imperative that Kansas enact programs designed to bring some stability back into the farm economy.

Falling land prices are at the center of the credit crunch, due to the decrease in collateral value of the land. Agriculture has become such a cash-intensive industry, that extensive use of credit is a vital necessity to obtain working capital. However, the credit crunch will continue to worsen as long as interest rates remain high, and as long as land values continue to fall.

HB 2804 not only has the potential to keep some farmers on the land, but it may also serve as a vehicle to arrest falling land prices by facilitating some land sales. As I said yesterday in support of Treasurer, Joan Finney's Home Quarter Bill, HB 2804 is not a panacea. It will not help every ailing or failing farmer. It should be able to help some, however.

In past years, we have lost some programs due to high price tags, and some because they wouldn't help enough people.

This year, we have several programs being proposed. Each one has some good points, and is capable of helping a limited number of people who desperately need help. The price tags are relatively low. Put together, these programs may be able to keep our agriculture base from slipping away by buying some time for farmers to work their way out of the hole they are now in.

Hs. ASB

*2-13-86 Attachment II
Attachment II*



PUBLIC POLICY STATEMENT

HOUSE AGRICULTURE AND LIVESTOCK COMMITTEE
Representative Lloyd Polson, Chairman
February 13, 1986

RE: H.B. 2804 - Stabilize land values with property
tax refunds to family farmers purchasing land.

Presented by:
Bill R. Fuller, Asst. Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

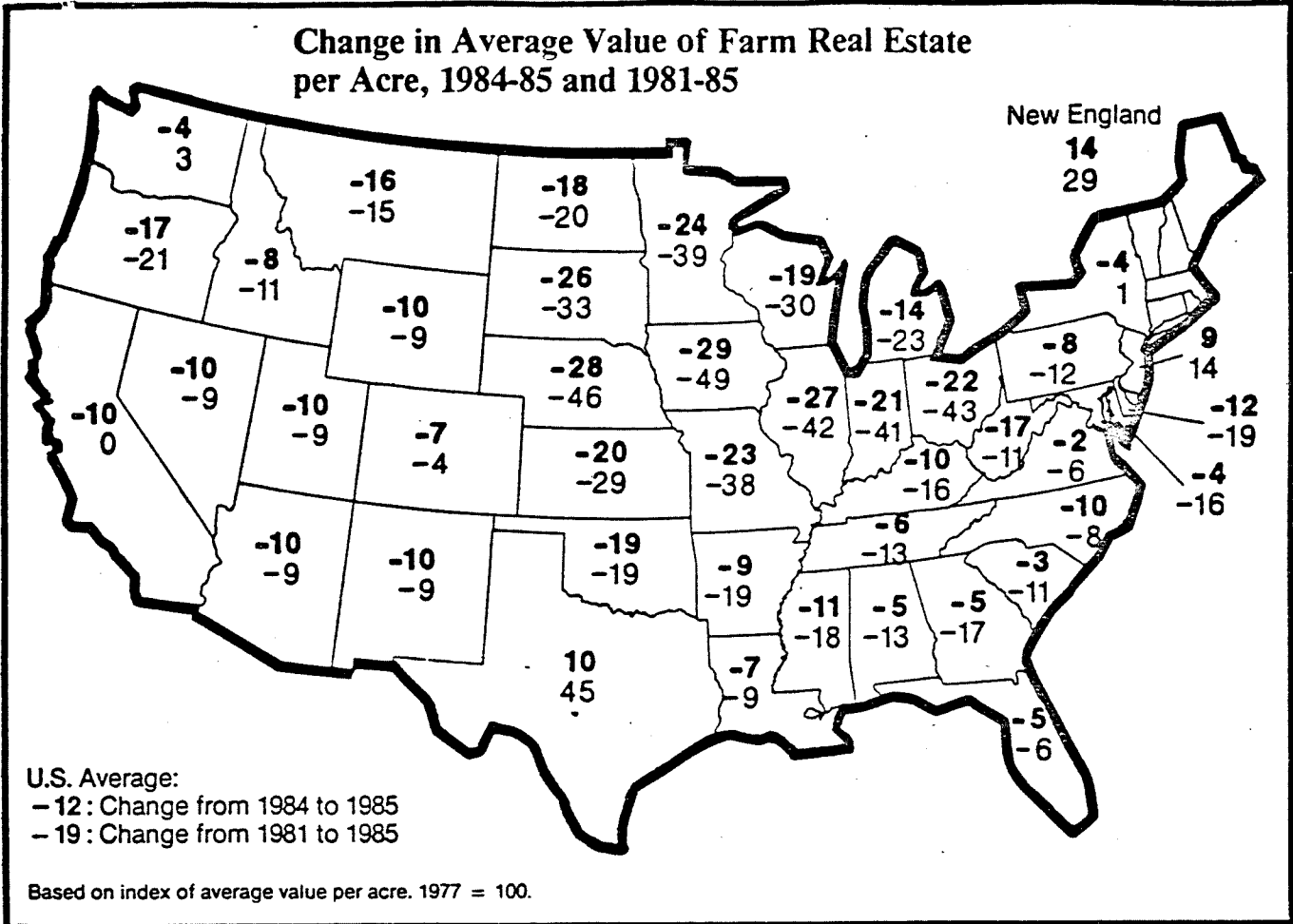
I am Bill Fuller, Assistant Director of the Public Affairs Division of Kansas Farm Bureau. I am speaking on behalf of the farmers and ranchers who are members of the KFB. We appreciate this opportunity to express our views on H.B. 2804 . . . a proposal to provide property tax refunds to family farmers purchasing agricultural land as a means to slow the decline of land values.

"Improving net farm income is Farm Bureau's most important goal. We will support programs of an innovative nature that will increase net farm income." The provision in H.B. 2804 providing for a property tax refund can increase net income to farmers purchasing land, since taxes are a significant expense.

KFB policy states . . . **"Special programs should be designed at federal and state levels to specifically deal with credit and financial problems of young farmers and ranchers who are trying to get established."** H.B. 2804 could be helpful to some farmers who need to expand their operation to an efficient size.

2-13-86 Hs. ASB
Attachment III

However, the biggest need is to stabilize land values.



The continued erosion of land values is devastating to all farmers . . . in fact, it has already been fatal to many. The next time a farmer sits down with his lender . . . home-town banker or Federal Land Bank Association . . . he may find the asset devaluation, "paper loss", that has occurred has placed him in insolvency. To illustrate the problems, I call your attention to the AP story appearing in the Council Grove newspaper, February 6, 1986:

Farmland Values

Kansas City (AP)--A survey by the Federal Reserve Bank of Kansas City shows the value of Kansas farmland has fallen nearly 20 percent in each of the last two years. That is a back-to-back decline unmatched even by the worst years of the great depression.

According to the survey -- which was released Tuesday -- the value of agricultural land fell 19 percent in 1985 and 20 percent in 1984. A typical ranch now is worth half of its value in 1981.

Fed researcher Kim Norris said the drop in land values has had repercussions in the banking industry. Paper losses since 1981 are approaching 13 billion dollars in Kansas, which has about 24,000,000 acres of farmland, 17,000,000 acres of ranch land and 3,500,000 acres of irrigated land.

High interest rates, depressed crop prices, the easing of inflation and a glut of farmland values have declined 44 percent since peaking in 1981.

But fed economists said they expect land prices to stabilize by the end of 1986. The findings are based on a quarterly survey of Kansas bankers and are based on statewide averages for an acre of good farmland.

What can we expect in the future? J.K. Perry, President of the Farm Credit Banks of Wichita recently said, "We see no factors on the horizon which will appreciably slow this decline (farmland values) in the year ahead on an overall basis." Mark Drabenstott, in a December 1985 article in the publication, Economic Review stated, "Credit problems will remain widespread and highly visible and land values can be expected to continue their decline." If

provisions in H.B. 2804 can slow this decline and provide some stability in land values, we urge your consideration.

We believe the limitations and requirements in the bill are appropriate . . . purchasers limited to "family farmers" . . . actively engaged in farming operations . . . for purchases of not less than 80 acres and not more than 320 acres. However, to provide further assurance that bona fide "family farmers" receive the benefits of the legislation, rather than "land barons" who want to expand their holdings at some taxpayer expense, you may want to amend the bill to include a limitation on the acreage currently owned by the farmer . . . 640 acres, for example.

H.B. 2804 will provide property tax relief to farmers who purchase land and may assist in slowing the decline in farmland values. However, we believe this proposal is not enough and should be a part of a package of legislation to assist farmers during these critical times. For example, we urge the passage of S.B. 347 . . . a measure that will provide approximately \$550 million in lower interest loans to farmers who are borrowers from banks and production credit associations. As you recall, this bill was approved by the Senate on a vote of 39 "yes" and only 1 "no" last session, and is now stalled in the House.

Thank you for this opportunity to express our views. I will be pleased to attempt to answer any questions.

Rep. Lloyd Polson, Chairman, Agriculture and Small Business
From: John M. Stitz, Dir. Catholic Rural Life, Arch. K.C. Ks.
Re: HB 2804

Catholic Rural Life is an agency in the Archdiocese of Kansas City in Kansas primarily interested in the human and spiritual development of rural people. In recent years, we have been seriously concerned about the stress placed on rural people, especially farm families, because of the farm crisis.

We support this bill and see it as a step in the right direction. It is encouraging to see legislators take concrete steps to help farmers, especially young farmers to stay on the land.

I would like to see this bill targeted to either beginning farmers or farmers making a transition from renting to owning some land. It seems to me that now is a time for us to settle people on the land, even though land values are down and few farmers have sufficient capital. It seems to me that any investment in young farm families promotes the good of the communities and the good of the state. We should promote this activity just as we promote the establishment of businesses in the non-agricultural sector.

Thank you.

2-13-86 Ms. ASB
Attachment IV

STATEMENT
BY
IVAN W. WYATT, PRESIDENT, KANSAS FARMERS UNION
ON
H.B. 2804 (FAMILY FARM PRESERVATION ACT)
BEFORE
THE HOUSE COMMITTEE ON AGRICULTURE
FEBRUARY 13, 1986

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I AM IVAN WYATT, PRESIDENT OF THE KANSAS FARMERS UNION.

WE DON'T QUESTION THE INTENT OF THE AUTHOR OF H.B. 2804, BUT WE HAVE TO OPPOSE IT'S PASSAGE FOR REASONS I WILL ADDRESS.

WE AGREE, HOWEVER, NOT ONLY FARMERS BUT ALL SEGMENTS OF THE KANSAS ECONOMY RELATED TO AGRICULTURE ARE SUFFERING AS A RESULT OF THE LONG DECLINE IN FARM COMMODITY PRICES. IN THE PAST FIVE YEARS THE VALUE OF WHEAT AND SOYBEANS HAVE DECLINED IN VALUE 30% AND CORN HAS DECLINED IN VALUE 43%, RESULTING IN LEVELS LOWER THAN THOSE DURING THE DEPTH OF THE DEPRESSION IN THE EARLY 30's.

THIS HAS RESULTED IN A RATE OF DEVALUATION OF AGRICULTURAL LAND VALUES GREATER THAN THAT OF THE GREAT DEPRESSION.

WITH LAND VALUES DECLINING AT SUCH AN ACCELERATED RATE, I DOUBT IF A \$3.00 PER ACRE PER YEAR PROPERTY TAX EXEMPTION WILL INDUCE A TRUE BONA FIDE FARMER TO INVEST IN FARM LAND AT THIS TIME, BECAUSE MOST, UNLESS THEY HAVE OTHER INCOME, ARE MORE CONCERNED IN SAVING WHAT THEY HAVE NOW.

A RECENT K-STATE STUDY INDICATES THE RURAL TOWNS AND COMMUNITIES OF THE STATE WILL SUFFER A 20% DEPOPULATION WITHIN THE NEXT FIVE YEARS IF SOMETHING DOESN'T CHANGE.

IT IS OUR OPINION WE NEED TO TARGET THE STATE'S LIMITED RESOURCES TOWARD THIS REAL PROBLEM.

2-13-86 Hs. ASB
Attachment V

H.B. 2804
PG. 2
FEBRUARY 13, 1986

HOW DO WE HELP PEOPLE STAY ON THE LAND AND HOW DO WE MANAGE TO KEEP OUR RURAL TOWNS STABLE AND VIBRANT? I DON'T BELIEVE WE ACCOMPLISH THIS BY THE ENCOURAGEMENT OF REMOVING PEOPLE FROM THESE COMMUNITIES BY GIVING A TAX EXEMPTION TO THOSE WISHING TO PURCHASE THEIR FARM.

MOST CERTAINLY, ANYONE ABLE TO PURCHASE LAND, EVEN AT TODAY'S DEPRESSED PRICES, ARE NOT IN AS GREAT A NEED OF RELIEF THAN MANY OF THOSE STRIVING TO SAVE THEIR FARM, THEIR HOME OR THEIR BUSINESS.

THERE ARE SEVERAL PROPOSALS IN THE LEGISLATIVE HOPPER THAT MORE DIRECTLY ADDRESS THIS ISSUE; THEREFORE, WE NEED TO TARGET OUR LIMITED RESOURCES IN THESE EFFORTS.

IF H.B. 2804 SHOULD BECOME LAW, THE BENEFITS TO A BONA FIDE, HANDS-ON FARMER COULD BE MINIMAL.

IN CLOSING, I WANT TO RAISE A COUPLE OF TECHNICAL QUESTIONS:

FIRST, A "FAMILY FARM CORPORATION" AS REFERRED TO IN THIS BILL IS DEFINED IN KANSAS LAW ONLY THAT A MAJORITY OF THE STOCKHOLDERS ARE PERSONS RELATED WITHIN THE THIRD DEGREE, AND OF ALL THE STOCKHOLDERS, ONLY ONE HAS TO BE ACTIVELY ENGAGED IN MANAGEMENT OF THE FARM.

SECONDLY, A CONSTITUTIONAL QUESTION, CAN WE ALLOW A TAX EXEMPTION TO THE PURCHASER OF FARMLAND ONLY IF HE OR SHE IS AN INDIVIDUAL OR FAMILY FARM CORPORATION, YET DENY THAT EXEMPTION TO AN AUTHORIZED FARM CORPORATION, A CORPORATION OTHER THAN A FAMILY FARM CORPORATION WE ALLOW TO OWN OR PURCHASE FARM LAND, OR TO DENY THE TAX EXEMPTION TO A LIMITED PARTNERSHIP THAT WE ALLOW TO OWN OR PURCHASE KANSAS FARM LAND, WHICH MANY OF YOU MAY RECALL WAS THE VEHICLE THAT WOULD HAVE ALLOWED SOME VERY QUESTIONABLE FINANCIAL SCHEMES TO FLOOD INTO THE STATE IF THE ATTORNEY GENERAL HAD NOT STEPPED IN AND FILLED THE BREACH?

THEREFORE, EVEN THOUGH H.B. 2804 MAY HAVE BEEN THE PRODUCT OF GOOD INTENTIONS, THE RESULTS COULD BE LESS THAN DESIRED AND COULD HAVE DIFFERENT DETREMENTAL EFFECT ON OUR STRUGGLING RURAL TOWNS AND COMMUNITIES.

THEREFORE, WE HAVE TO OPPOSE H.B. 2804.