

Approved April 1, 1986
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

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

9:00 a.m./~~p.m.~~ on March 25, 1986 in room 423-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Ivan Wyatt, Kansas Farmers Union
Bill Fuller, Kansas Farm Bureau
Bob Bricker, Paola
Irvin Qualizzer, Bucyrus
Dick Moore, Stillwell
Freda Dobbins, Goff
Norman Kettler, LaCygne
Jake Geiger, Robinson
Bruce Larkin, Baileyville
Emmett Koch, Centralia
Ray Edwards, Deere and Company
Harold Stones, Kansas Bankers Association

Continuation of hearing on S.B. 696—Authorizing the stay of certain
foreclosure judgments relating to
agriculture properties. (Farm Rehabilita-
tion Act)

Ivan Wyatt testified in support of S.B. 696 because it will allow farmers who would otherwise lose their land through foreclosure the opportunity to continue their operation by paying interest on the market value of the property, Attachment I.

Bill Fuller stated the Kansas Farm Bureau supports this bill as it will assist in keeping a number of farmers on the farm, Attachment II.

Bob Bricker stated he operates a livestock market and is an auctioneer. He has auctioned farms the past 18 months for farmers going out of business and knows first hand the low prices the farmer has been getting for farm machinery and land. He supports S.B. 696 as it may help some farmers keep their farms.

Irvin Qualizzer stated he has been in financial difficulty for five years. He said it would be impossible to pay the deferred portion of S.B. 696.

Dick Moore said the country owes farmers something and S.B. 696 is a step in the right direction towards helping the farmer.

Freda Dobbins testified in opposition to S.B. 696. She said it would not be fair to help others if it will hurt the ones who are still just barely making it.

Norman Kettler said the Federal Land Bank had foreclosed on him. He had tried to work with them for two years and they finally sold his farm at the courthouse. He wanted to buy one tract, and he tried to rent, but they told him to move.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,
room 423-S, Statehouse, at 9:00 a.m.~~p.m.~~ on March 25, 1986.

Jake Geiger supports S.B. 696. Further deterioration of rural financial crisis will occur if the financial community does not support some type of legislation such as S.B. 696.

Bruce Larkin testified the rural community cannot stand further depopulation. Some type of legislation, such as S.B. 696, will have to be passed, either on the state or federal level, in order to stop eliminating farmers.

Emmett Koch said he is right now in foreclosure. If the borrower is going to be liable for the deficiency at the end of the three year period, the lease back and buy back bills should be passed also.

Ray Edwards stated his company is interested in the impact this legislation will have on the repossession procedure of farm equipment. He suggested a change in the interest rate formula on page 4, line 149. He proposed the 2% should be increased by some reasonable amount.

Harold Stones distributed an article dated March 25, 1986 from the Wichita Eagle-Beacon newspaper. He stated the position of the Kansas Bankers Association was not to oppose S.B. 696, however, they do not favor the bill. He has several proposed amendments he will present at the hearing Thursday, March 27, 1986. The article is Attachment III.

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

The next meeting will be at 9:00 a.m. Wednesday, March 26, 1986, in Room 423-S.

GUEST REGISTER

DATE March 25, 1986

HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

NAME	ORGANIZATION	ADDRESS
Jim Mear	KBIA	Topeka
Emmett Cook	Farmer	Centerville
Barbara Etzel	Speakers Office	Topeka
MIKE BEAM	Ks LUSTK. ASSN	TOPEKA
John Rumpf	Farmer	Cornville
RAY EDWARDS	Deere & Company	Des Moines, Iowa
Joe Conley	Farm Credit Center Manhattan	Delio, Ks
Stan Little	Farm Credit Center Manhattan	Delio Ks
Howard M. Tice	KAWG	Archawson
Mary Harper		Leadly
Harold Stone	KBIA	Topeka
Ed Reznick	Kansas Rural Center	Whitney
Bruce Farber	Farmer	Baileysville
Tommy Kettler	Farmer	La Cygne
Gene Kettler	Farmer	La Cygne
Martin Rasmussen	Farmer	Cornville
Boyd Bedn	Farmer	Cornville
Ed Schroeder	Farm Credit Services	Wichita
Kari Schmidt	Farm Credit Council	Wichita
K. Schmitt	Farm Credit Center Salina	Tipton
James Norris	FARM CREDIT CENTER SALINA	NORWAY
Ron Wilson	Farm Credit Council	Wichita
Butch Harris	Farm Credit Center Manhattan	Soldier
Steve Suther	Grass & Grain Manhattan	Omega

GUEST REGISTER

DATE _____

HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

NAME

ORGANIZATION

ADDRESS

Bob Bricker

~~Host~~ Auction Operator

Rt 4, Paola, Ks

Dick Moore

Farmer

Stewart, KAN

Larry Keenan

Farmer

Bucyrus, Ks

Statement
of
Ivan W. Wyatt, Pres. Kansas Farmers Union
before
The House Committee on Agriculture
on
SB-696
(Family Farm Rehabilitation Act)
3-25-86

I am Ivan Wyatt, Pres. Kansas Farmers Union
We rise in support of SB-696, because
it will allow farmers who would otherwise
lose their land thru foreclosure the opportunity
to continue their operation by paying interest
on the market value of the property.

This gives the operator the opportunity
thru reduced interest costs, and no principal
payments the possibility to cash flow his
operation, with stable, or improved farm income
at the end of the three year period it may
be possible for the operator to then negotiate
a repayment plan with the lender that
would be overall more beneficial to
the lender, and permit the farm family to
hold on to ~~the~~ land, than if the lender had
went thru the loss of interest, income and
cost of an immediate foreclosure procedure.

This piece of legislation coupled with
HB-2996 (Lease back option) gives that struggling

Attachment
3/25/86 HC 450

farmer a fighting chance, because it gives him the opportunity to hang on to at least his base operations thru the parcel option (line 139) and his machinery.

Some lending agencies say this bill will cause credit to dry up for agriculturists, because it takes the decision making process out of the hands of the lender. However they over-look the fact that it is the lender who must pull the trigger to put this legislation into effect, by initiating the foreclosure action. At that time the die is already cast as to the loss of value of the loan.

If the loan is foreclosed on the loss is finite and unrecoverable, but thru SB-696 there is an opportunity for partial recovery of loan loss, and most certainly an alternative for both the lender and borrower.

To those farmers not yet in serious financial trouble this legislation ~~could~~ should help slow the decline in asset values that if allowed to continue will almost certainly devour almost all farmers, like a cancer eating its way up through the structure of agriculture.

The bottom line to this problem of farm foreclosure and bankruptcies is a better farm bill that provides a price and not just a promise.

A few hyper-vested farmers, such as attorney-farmers, - banker-farmers, doctor-farmers who benefit from tax write offs and loopholes may wish to see a further decline in land values.

However, we of the Kansas Farmers Union urge your support of SB-696, not only for those farmers in foreclosure or facing foreclosure but for all farmers that the continued devaluation of agricultural assets will have a disastrous effect on sooner or later.



PUBLIC POLICY STATEMENT

HOUSE AGRICULTURE AND SMALL BUSINESS COMMITTEE
Representative Lloyd Polson, Chairman
March 24, 1986

RE: S.B. 696 - Creating the Family Farm Rehabilitation Act

Presented by:
Bill R. Fuller, Assistant 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 farm and ranch members of our organization. We appreciate this opportunity to express our enthusiastic **SUPPORT** of S.B. 696 ... creating the Family Farm Rehabilitation Act.

It is truly refreshing to appear as a proponent of this bill which we believe will assist in keeping a number of farmers on the farm. The proposal allows a legitimate, but insolvent farmer, up to three years to retain his land and equipment, keep farming and gives him an opportunity to make a profit as he again becomes established as the farm economy improves. The bill addresses the very critical problem of "paper insolvency" ... the result of declining land and equipment values ... which farmers have no control, yet is often fatal to their financial stability.

We believe S.B. 696 will carry out some of the needs expressed by the voting delegates at the last Annual Meeting of Kansas Farm Bureau when they adopted this policy statement:

3-25-86 Hs. A.S.B.
Attachment II

"...Farmers and ranchers need a variety of credit facilities to finance operating and ownership expenses. In these difficult times neither farmers nor lenders will succeed by themselves if the other fails. We need credit programs that are mutually beneficial for farmers and lenders, programs that will assist farmers and ranchers to maintain viable operations, and programs that will give lenders sufficient latitude to work with producers who have credit or debt difficulties..."

We believe the safeguards in S.B. 696 limiting the proposal to ... insolvent farmers and farmers who receive more than 80 percent of their gross income from farming ... will direct the assistance to the legitimate farmers. We recommend you consider reducing the "80 percent" requirement to perhaps 70 percent. We believe this will allow assistance to some farmers forced to acquire off farm employment.

On the other hand, S.B. 696 appears to be balanced with protection for lenders. The land and property must be adequately protected and the Act shall not apply to:

1. Land not occupied in good faith; and
2. Farms abandoned by the owner.

A farmer can only participate in the program after a lender begins foreclosure proceedings. In addition, the proposal will allow some cash flow to the lender from the interest payments required in the bill ... perhaps quicker than through foreclosure or bankruptcy actions. We recommend S.B. 696 be amended to the form the proposal became a component of H.B. 2691 on the House floor March 12 ... spreading the interest over quarterly payments, rather than in one lump sum up front. This amendment will make it possible for more farmers to participate..

Mr. Chairman and Members of the Committee, the 1986 Session is more than half gone. A flurry of bills have been introduced to address the farm crisis. May we suggest that passage of S.B. 696 ... creating the Family Farm Rehabilitation Act, and the House approval of S.B. 347 ... providing for \$550 million in low interest production loans to farmers, would assist many farmers in staying on the farm. Couple those bills with S.B. 591 ... a proposal to provide education grants to displaced farmers, and we believe you have the cornerstones of a meaningful, possible and acceptable program to assist farmers during these most troubled times.

Thank you for this opportunity to express our **SUPPORT** of **S.B. 696**. I will attempt to respond to any questions the committee may have.

TO: House Committee on Ag & Small Business FROM: Harold Stone

Business/Farm

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● Dow Jones 1782.93 +14.37
● Gold-N.Y. close \$350.00 -5.75
● Wheat-Wichita \$3.10 -.03

Morning Line

● Milo-Andale \$3.45 unch
● Steers-Dodge C. \$57.00 unch
● Hogs-Clearwater \$40.00 unch

Tuesday, March 25, 1986

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Attachment III
3/25/86 Hs ASB

More Bank Trouble on Horizon, Specialists Say

By Tom Webb
Staff Writer

The number of problem loans continued to multiply last year at the 402 farm-related banks in Kansas, indicating a new crop of troubles in 1986 for the state banking system, bank specialists said Monday.

Problem loans grew by about 30 percent last year at the state's agriculture banks, and now comprise 4.7 percent of the average loan portfolio, according to William Keeton, a senior economist at the Federal Reserve Bank of Kansas City.

That is nearly double the figure of two years ago, and "it suggests that ag banks will continue to suffer heavy losses," Keeton told about 100 Kansas bankers at an economic forum sponsored by the Fed-

eral Reserve Bank of Kansas City at the Wichita Royale.

In 1985, Kansas was tied with Nebraska and Oklahoma for the most bank failures in the nation, with 13 each.

At the end of 1985, Keeton said, 21 Kansas banks had more problem or "non-performing" loans than they did primary capital. Another 39 Kansas banks were approaching that level. In the past, most bank failures have come from those categories.

IMPORTANT ↓

However, the picture isn't all bleak, he added. Most farm banks in Kansas have a strong capital base. And banks that don't have a large percentage of farm loans seem to have held their own in 1985, with profits holding steady and loan losses sta-

bilizing after several years of erosion, he said.

The fallout from the drop in oil prices could alter that picture, however.

"We don't know what the fall in energy prices is going to do," Keeton said after the meeting. "Unfortunately, there's very little information about that."

The impact of oil and farm troubles is going to depress the Kansas economy throughout 1986, despite forecasts for a robust U.S. economy, other speakers said at Monday's session.

"The state's two economic anchors, agriculture and energy, continue to drag down economic growth," said Tim Smith, an economist at the Kansas City Fed. Smith termed the state's 1985 economic

performance "sluggish," adding: "There are no signs that a change is in store for the year ahead."

The drop in the value of the U.S. dollar eventually will help boost farm exports, and help the farm sector, but it won't help this year, Smith predicted.

"No improvement is expected in the farm export picture in 1986," he said.

Despite state and local problems, nationally the economic forecast is sunny and hot. Glenn Miller, a vice president and economic adviser for the Kansas City Fed, said the long-running economic recovery has "weathered its midlife crisis ... and is about to move forward with renewed vigor."

The same falling oil prices that are

hurting Kansas are a boon for most of the nation, Miller said. And with lower interest rates, a boom in the stock market and low inflation, the consumer ought to be feeling good about the economy, too, he said.

In fact, the national outlook is so promising that Miller felt necessary to caution that "it's easy to get too comfortable with all these good things happening for 1986." His list of concerns includes whether the Gramm-Rudman amendment will really eliminate the federal budget deficit.

Monday's forum is the first in a series of 10 economic conferences that will be held around the state in the next three weeks. The forums are sponsored by the Federal Reserve Bank of Kansas City.

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