

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senator Allen at \_\_\_\_\_  
Chairperson

10:00 a.m./~~pm~~ on February 12, 1986 in room 423-S of the Capitol.

All members were present ~~except~~

Committee staff present:

Fred Carmen, Revisor's Office  
Raney Gilliland, Research Department  
Lois Whaley, Committee Secretary

Conferees appearing before the committee:

Joan Finney, State Treasurer  
Harland Priddle, Secretary of Agriculture  
John Stitz, Catholic Rural Life  
Emmett Koch, Farmer, Centralia  
Ivan Wyatt, Kansas Farmers Union  
Bruce Larkin, Farmer, Baileyville  
Fred Bentley, Kansas Rural Center  
Dick Currie, Farmer, Scandia  
Steven Anderson, Farmer, Alma  
Larry Westervelt, Farmer, Pittsburg  
Bill Fuller, Kansas Farm Bureau  
Mary Harper, Farm Wife, Healy  
Kay Boden, Farm Wife, Beloit

Senator Allen called the Committee to order and announced the Committee was meeting for the hearing on SB 546. The Chairman welcomed and called on Ms. Finney to testify.

Ms. Finney gave copies of her testimony to the committee members (Attachment 1) which also included a fiscal note for SB 546. She stated this bill was written after a similar bill in North Dakota.

The Chairman thanked Ms. Finney and called on Harland Priddle to testify.

Mr. Priddle gave copies of his testimony to the Committee. (Attachment 2). He expressed support for the concept of the bill and the support of the State Board of Agriculture in helping implement the program. Mr. Priddle stated that new programs should not be a duplicate of programs already in place.

The Chairman thanked Mr. Priddle and called on John Stitz to testify.

Mr. Stitz expressed support for SB 546 and the need for financial help for farmers and support for the credit Review Board which should help relieve some of the tensions that now exist between borrower and lender. He gave copies of his testimony to the Committee (Attachment 3).

The Chairman thanked Mr. Stitz and called on Emmett Koch to testify.

Mr. Koch expressed thanks to Joan Finney for initiating this legislation and encouraged support for its passage. Mr. Koch expressed the desire for some farmers to be members of the Credit Review Board.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture,  
room 423-S, Statehouse, at 10:00 a.m./~~p.m.~~ on February 12, 1986

In answer to a Committee question, Mr. Koch stated he felt a farmer would be helped by being able to keep a quarter section in case of bankruptcy. He said he had some cattle operation which would work nicely on a 160 acre place.

The Chairman thanked Mr. Koch and called on Ivan Wyatt to testify.

Mr. Wyatt handed copies of his testimony to the Committee (attachment 4). Mr. Wyatt expressed support for SB 546. He said the bill is not a total answer but that it is helpful and expressed hope that it would help preserve our rural communities.

The Chairman thanked Mr. Wyatt and called on Howard Tice to testify.

Mr. Tice expressed support for SB 546 and other bills that would help some farmers be able to save their homes. He gave copies of his testimony to the Committee (attachment 5).

The Chairman thanked Mr. Tice and called on Bruce Larkin to testify.

Mr. Larkin commended Joan Finney for this bill and the Legislature for addressing agricultural problems. He stated this bill would give farmers hope to keep trying. He said that all farmers want is a chance to start over. He encouraged the Committee to make a combined package with other bills that have been introduced to give farmers some help.

The Chairman thanked Mr. Larkin and called on Fred Bentley to testify.

Mr. Bentley gave copies of his testimony to the Committee (attachment 6). Mr. Bentley encouraged passage of SB 546 with other legislation that has been introduced. Mr. Bentley encouraged the Committee to come up with a combined bill using SB 546 and other legislation that has been introduced thus making a bill that will help the most farmers possible. He thanked Ms. Finney and the Committee for working on legislation to help farmers.

The Chairman thanked Mr. Bentley and called on Dick Currie to testify.

Mr. Currie stated he was testifying to show support for SB 546. He stated he had lost his farming operation and legislation that would have allowed him to keep a quarter section would have allowed him to stay in business. He stated being able to keep the quarter section with your home on would relieve a lot of the stress that is present when you have to move off your land. He questioned what is happening to sixty year old farmers who are having to move off their land because of bankruptcy. He stressed legislation as proposed in SB 546 would be very helpful to farmers of that age. Mr. Currie stated legislation like this would have allowed him to stay on his quarter section with his home and to have continued in the dairy business.

The Chairman thanked Mr. Currie and called on Steven Anderson to testify.

Mr. Anderson stated he was representing himself, his family and the American Agricultural Movement which represents all farmers. He stated he represented farmers who want their farmer neighbors not their neighbors' land. He expressed the need of this bill to help save family farms. Mr. Anderson expressed hope that this bill would help relieve some of the stress in the agricultural community, would help small towns survive, would help reduce number of bankruptcies, would help renew a hope for the future in rural Kansas, that this bill is the least Kansas can do for Kansas' farmers. He commended Joan Finney for her help; he encouraged

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture,  
room 423-S, Statehouse, at 10:00 a.m./~~p.m.~~ on February 12, 19 86

passage of the bill by the Senate Agriculture Committee and to make it effective immediately.

The Chairman thanked Mr. Anderson and called on Larry Westervelt to testify.

Mr. Westervelt expressed disappointment for help from the federal level but he felt hope and potential in Joan Finney's bill and encouraged passage of SB 546 by the Committee.

The Chairman thanked Mr. Westervelt and called on Bill Fuller to testify.

Mr. Fuller gave copies of his testimony to the Committee (attachment 7) and expressed support for this legislation and encouraged the Committee take action which will help agriculture which is the number one industry of Kansas.

The Chairman thanked Mr. Fuller and called on Mary Harper to testify.

Ms. Harper handed copies of her testimony to the Committee (attachment 8) and urged support by the Committee for SB 546, a bill that would help agriculture, the most important industry in Kansas.

The Chairman thanked Ms. Harper and called on Kay Boden to testify.

Ms. Boden stated her family was in the process of losing their farm and had this legislation been in effect, they would have been able to keep their quarter section with their home on it. Ms. Boden encouraged passage of this legislation in hopes that it will help others be able to keep their homes on a quarter section thus avoiding the stress of moving from the family homestead.

The Chairman thanked Ms. Boden and all those who attended the hearing. The Chairman stated the legislature is working on a number of bills to do what the state with its limited budget can do to help small businesses and farmers. He then declared the hearing closed on SB 546.

The meeting was adjourned at 11:05 a.m.

Attachments: #1 Ms. Finney's testimony to SB 546  
#2 Harland Priddle's testimony to SB 546  
#3 John Stitz's testimony to SB 546  
#4 Ivan Wyatt's testimony to SB 546  
#5 Howard Tice's testimony to SB 546  
#6 Fred Bentley's testimony to SB 546  
#7 Bill Fuller's testimony to SB 546  
#8 Mary Harper's testimony to SB 546

GUEST LIST

COMMITTEE: SENATE AGRICULTURE

DATE: February 12, 1986

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Steve Suther	Rt 1, Onaga, Ks	Grass & Grain paper
Wallace Olson	Rt 1 Olsburg Ks	Ranch--
Don Rezac	R1 Onaga Ks	State Rep
Irving Bolduc	RR#1 Effingham Ks	Kansas Rural Center
Kenneth Wallingford Jr.	RR# Effingham, Ks	Kansas Rural Center
Jeff Lott	301 70th, Topeka	Atty General
Fred Bentley	Box 133 Whitray	Kan Rural Center
Mary Harper	Healy	AAM
Bruce Zinke	RR Barleyville	Farmer
BERNARD DUNN J.P. MEDIATOR	3600 SW BURLINGAME Rd STE 1A TOPEKA, KS 66611	DISPUTE ALTERNATIVE RESOLUTION CENTER, LTD.
David Strathman	Artell Hanson	Broker Farmer
Joe Strathman	Artell Ks	Farmer
Garnett Kahl	Centerville Ks	Farmer
Jerry Strathman	Barleyville Ks	Farmer
Randy Hansen	Beleville Ks	Farmer
Dick Currie	Scandia Kans	Ex Farmer
Linda Klusnie	Scandia Ks	Ks Farm Support Network
Wendell W. Moller	Munden Ks	Pastor Zion Evangelical Church
Glen Malanuk	Munden Ks	
Henry Strnad	Munden	Ks. Farmers Union
Garry Westwell	RR 4 Columbus Ks	Farmer
Kay Boden	R#1 Beloit	Farmer's wife & LFN
Norma L Boden	R#1 Beloit	Farmer
Clarence Herrman	Scandia	retired Farmer
Virginia Herrman		



REMARKS PREPARED FOR DELIVERY BY  
JOAN FINNEY, KANSAS STATE TREASURER  
BEFORE KANSAS SENATE AGRICULTURE COMMITTEE

FOR RELEASE  
WEDNESDAY, FEBRUARY 12, 1986  
10:00 A.M.

HOME QUARTER BILL - SB 546

This year, the Federal Land Bank alone will serve foreclosure notices to 850 Kansas farmers. Many Kansas farmers have already lost their land and their home, some after missing only one or two payments. While it is a devastating experience to lose your business, it is a tragedy to lose your home. From the standpoint of jobs alone, the cities and the state can absorb only so much. Displaced farmers are not recorded on the unemployment rolls because they receive no unemployment compensation. I believe that SB 546 can help to sustain some of our farmers through this critical period.

SB 546 involves a four-phase process as follows:

PHASE I

A farmer, fearing foreclosure or having received notice of foreclosure, calls the FACTS hotline at Kansas State University. There, the farmer can receive assistance in preparing a cash-flow projection. Once the cash-flow report is compiled, the FACTS staff will attempt to negotiate a restructuring of the farmer's loans to keep the farmer farming the entire farm. Phase I is administered by the Kansas State Department of Agriculture. If these negotiations fail, we move to Phase II.

PHASE II

If Phase I negotiation for the entire acreage has failed, the farmer may petition the Credit Review Board for review of his case. During the next 60 days, the board brings to the negotiation table the legitimacy and prestige of the Legislature and the Governor. The goal of the board is to restructure as many acres as possible, but especially concentrating on the home quarter.

*attachment 1  
2/12/86 Sen. Ag.*

Please bear in mind that forty percent of our farmers rent a portion of the land they farm. The basic definition of home quarter is the 160 acres upon which the house and buildings are situated. If this negotiation fails, Phase III begins.

#### PHASE III

This phase is implemented only if Phases I and II are unsuccessful. By using the interest on the unclaimed property fund amounting to \$500,000 per year and which now flows into the general fund, Phase III provides for an interest buy-down on the home quarter. The state, through the Credit Review Board, would not be loaning principal, but rather loaning state money to pay the interest payments or a portion thereof. Without exception, every farmer I know has advised me that their greatest expense is interest payments. The state loans for buy-down of interest would apply only to the first \$50,000 in principal. Once again, the state is not paying on principal, only interest. The interest buy-down could occur for a five-year period, at which time the farmers and the agricultural industry, historically, would be in a more sound position. The interest buy-down should help the farmer's cash-flow operation and aid the lender in restructuring the loan. The pay back to the state is addressed in Phase IV.

#### PHASE IV

The interest paid by the state is amortized over the term of the loan; as the farmer repays the lender, the lender reimburses the state for the amount the state has paid in behalf of the farmer. No interest will be charged on the money the state has advanced. If the participating farmer is not successful in turning his operation around and ends up in foreclosure or bankruptcy, an agreement with the lender for the state to receive a pro-rata share of the foreclosure proceeds would be used.

FISCAL NOTE

The majority of cases should be resolved at Phases I and II by the Board of Agriculture or the Credit Review Board.

Maximum cost above what is currently budgeted for the FACTS hotline service is estimated at \$479,000 per year. The interest buy-down could serve at least 450 farmers. The breakdown is as follows:

Successful negotiations for 300 home quarters at \$160.00 per negotiation (\$8.00 per hour X 20 hours)	\$ 48,000.00
Negotiations which are unsuccessful for 150 farmers	24,000.00
5% interest paid (on the average) for 150 farmers	375,000.00
Credit Review Board administration	<u>32,000.00</u>
TOTAL ANNUAL COST	<u>\$479,000.00</u>

(A meager amount indeed when compared to the Governor's proposal of \$15 million last year.)

CONCLUSION

Farming is our heritage and our economic base. These are our people. We must do what we can to help them.



Testimony on Senate Bill 546

Provided by

Harland E. Priddle  
Secretary of Agriculture

To  
Senate Committee on  
Agriculture

February 12, 1986

*attachment 2  
2/12/86 Sen. Ag.*

Although the impact of the agricultural depression upon the national economy has just recently drawn national attention, the large sector of rural America that is dependent on agriculture has been acutely aware of the economic and social consequences of the agricultural crisis for the past five years. Kansans are acutely aware of the issues and effects of the rural depression and are infinitely aware of the future, immediate, economic and social dislocations that will take place in rural Kansas and the agricultural economy.

Senate Bill 546 is an effort to ease the impact of a depressed economy. This bill is an attempt to salvage the vestiges of many farm families which will be forced to liquidation in the coming year. The Department of Agricultural Economics of Kansas State University has projected that during calendar year 1986 an additional 5,000 of the state's 72,000 farmers may be forced into liquidation. The concept of Senate Bill 546 would ease such liquidation by allowing the retention of the farm family's home-quarter so that the farm family would not necessarily be forced out of production agriculture. The concept of this bill would allow the State of Kansas a tool to assist financially distressed farmers and keep them in production agriculture.

If such a program would be considered desirable by the Legislature its impact on, or coordination with other programs already in existence in Kansas should be analyzed. This program would call for negotiations to be implemented between the farmer who is in danger of immediate foreclosure and the lender who holds the mortgage. Such negotiators are presently in place and performing such negotiation tasks as part of the services provided by the Farmer's Assistance, Counseling and Training Program.

In your consideration of the establishment of a farm credit review board and the creation of the home-quarter purchase fund, I recommend your analysis of its adaptation to and interpretation with the FACTS program and the avoidance of duplicative negotiations between financially distressed farmers and lenders.

Thank you Mr. Chairman, I stand for questions.

To: Senator Jim Allen, Chairman, Agriculture Committee  
From: John M. Stitz, Dir. Catholic Rural Life, Arch. K.C.Ks.  
Re: SB 546

My name is John Stitz. I am the director of Catholic Rural Life in the Archdiocese of Kansas City, Kansas. Catholic Rural Life is an agency which promotes the interests of rural people and family farmers. In recent years we have been seriously concerned with the stress on family life generated by the farm crisis.

We support this bill for the following reasons:

1. An increased number of farmers report that negotiations with lending institutions has broken down for various reasons. They are placed in a "wait and see" situation. The waiting time factor only adds to the stress of someone about to lose his life's work. I see this board as a means to keep both sides aware of potential and possibilities.

2. The Credit Board will help both sides. The lack of communications does not help either party the farmer or the lender. The last thing communities need is more antagonism or people sparring or blaming each other, individuals or institutions.

3. Finally, I like the part of the bill that gives some leverage to the Board to help some farmers. At least, the farm family might save their home and some land. I don't quite understand the financial dimensions, but it seems that this may need to be expanded. According to the Federal Reserve Bank, K.C., in its December report, more of the farm families will be in financial crisis before 1986 is out.

attachment 3  
2/12/86 Sen. Ag.

STATEMENT

BY

IVAN W. WYATT, PRESIDENT, KANSAS FARMERS UNION

ON

SENATE BILL 546 (FARM CREDIT REVIEW BOARD-HOME QUARTER INTEREST FUND)

BEFORE

THE SENATE COMMITTEE ON AGRICULTURE

FEBRUARY 12, 1986

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

WE RISE IN SUPPORT OF SENATE BILL 546 BECAUSE IN MANY CASES WE HAVE SEEN THE NEED FOR THIRD-PARTY REVIEW IN CREDIT RELATED CONFRONTATIONS AND SOLUTIONS.

IN SOME CASES WE HAVE SEEN THE NEED FOR A REVIEW BOARD WHERE BORROWERS HAVE BEEN DENIED, OR FOUND DIFFICULTY IN OBTAINING PROPER FOREBEARANCE CONSIDERATION IN CREDIT NEGOTIATIONS.

THIS BILL WOULD PROVIDE THAT THIRD-PARTY INTERVENTION AND EVALUATION IN SUCH A SITUATION.

IN OTHER CASES WHERE WE HAVE A LOCAL LENDER AND A LOCAL BORROWER TRYING TO REACH A FAIR AND JUST AGREEABLE SOLUTION, A THIRD PARTY TO HEAR, CONSIDER AND EVALUATE THE SITUATION COULD BE VERY HELPFUL IN REACHING A FRIENDLY SOLUTION TO THE PROBLEM.

IN TODAY'S CRISIS SITUATION WE SEE NOT ONLY THE BORROWER UNDER SEVERE STRESS, BUT WE ARE ALSO SEEING THE LENDER, ESPECIALLY IN THE CASE OF THE LOCAL COMMUNITY LENDERS WHO ARE ALSO SUFFERING SEVERE STRESS.

WE HAVE SEEN THE RESULTS OF SUCH STRESS WITH THE FARMER IN HILLS, IOWA, AND THE LENDING AGENT IN A SOUTH DAKOTA CREDIT AGENCY.

A CREDIT REVIEW BOARD, AS SET FORTH IN THIS BILL, COULD HAVE GIVEN BOTH OF THESE PARTIES A FORUM TO DISCUSS THE PROBLEM AND TO SEEK ASSISTANCE IN REACHING AN UNDERSTANDING AND THE ULTIMATE SOLUTION TO THE PROBLEM THAT IN MANY CASES ONLY A THIRD UNBIASED PARTY CAN PROVIDE.

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attachment 4  
2/12/86 Sen. Ag.

MOST OFTEN SUCH TRAGEDIES AS I JUST MENTIONED HAPPEN BECAUSE THERE IS NO ACCEPTABLE ESCAPE FROM THE PROBLEM.

SECTION 5 OF THIS BILL CAN BE THAT ESCAPE HATCH.

A PERSON MAY LOSE PART OF THEIR LAND IN THESE TIMES AND NOT FEEL THEMSELVES TRAPPED OR SEE THEMSELVES AS A FAILURE, BUT WHEN THEY LOSE THEIR HOME, THEIR BASE OF OPERATION FOR ALL THE WORLD TO SEE, ALL THESE THINGS COME CRASHING DOWN. IN MANY OF THESE SITUATIONS IN THE CASE OF LOCAL LENDER, THEY MAY FEEL A SENSE OF RESPONSIBILITY FOR THAT BORROWERS SITUATION BECAUSE HE COULD NO LONGER HELP THEM MORE.

I LIKE TO THINK THIS STATE IS STILL A STATE OF CARING PEOPLE, ESPECIALLY IN A TIME OF ADVERSITY; HOWEVER, THIS BILL IS MORE THAN JUST A HUMANE BILL BUT A RESPONSIBLE BILL. IT IS NOT JUST A BAILOUT.

IT PROVIDES ASSISTANCE WHERE MOST NEEDED AND HAS A REASONABLE CHANCE FOR A SUCCESSFUL RESULT.

IN MANY CASES, PRINCIPAL PAYMENTS ON LOANS AND BILLS CAN BE MET, BUT IT IS THE INTEREST PAYMENTS THAT PUSHES MOST OVER THE EDGE TO FINANCIAL COLLAPSE.

THE FIVE-YEAR BREATHER ON INTEREST PAYMENTS SHOULD GIVE THE TROUBLED BORROWER TIME TO REORGANIZE AND RESTRUCTURE HIS OPERATION OR MAKE A DECISION TO RELOCATE OR CHANGE OCCUPATION WITHOUT THE STRESS AND PRESSURE OF A PENDING FORECLOSURE.

THIS BILL ISN'T A SOLUTION TO THE PROBLEM FACING THE RURAL KANSAS COMMUNITY TODAY, BUT IT DOES GIVE PEOPLE AN OPPORTUNITY TO ADAPT TO THE SHORT-TERM PROBLEM. HOWEVER, AT SOME POINT IN TIME WE HAVE TO DEAL HEAD-ON WITH THE REAL PROBLEM OF LOW FARM INCOME.

IN THE MEANTIME WE HAVE TO DO WHAT WE CAN TO PRESERVE OUR RURAL TOWNS AND COMMUNITIES.

SENATE BILL 546  
PG. 3  
FEBRUARY 12, 1986

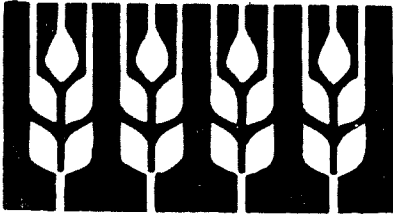
IF WE DON'T, THE RECENT K-STATE PREDICTION OF A 20% DEPOPULATION OF THE STATE'S RURAL COMMUNITIES WITHIN THE NEXT FIVE YEARS WILL BECOME A REALITY.

THE MORE WE ALLOW THIS DEPOPULATION TO CONTINUE THE MORE DIFFICULT IT BECOMES FOR THOSE REMAINING TO MAINTAIN A STRONG VIABLE COMMUNITY OF FARMERS AND RURAL BUSINESSES.

THEREFORE, WE OF THE KANSAS FARMERS UNION URGE THE SUPPORT OF THIS BILL AND ALL OTHER PROPOSALS THAT WORK TOWARDS THAT END.

THANK YOU.

KANSAS ASSOCIATION  
OF WHEAT GROWERS



KANSAS SENATE COMMITTEE ON AGRICULTURE

Wednesday, February 12, 1986

Hearing on Senate Bill 546 - establishing the Farm Credit Review Board and the Home Quarter Purchase Fund.

Mr. Chairman, and members of the committee, I am Howard Tice, Executive Director of the Kansas Association of Wheat Growers. I appreciate the opportunity to appear today in support of Senate Bill 546.

The KAWG would like to commend State Treasurer Joan Finney, and this committee for considering this approach to easing at least a part of the farm economic crisis that faces our state. Like several of my colleagues, representing other farm organizations, have said on similar issues, this is not a cure-all. It is not the magic wand that will solve all the troubles that face our state's rural economies.

However, we cannot afford to allow the limited scope of some programs to prevent them from being implemented to help those people who can derive some benefit from them. We had some programs suggested last year that were considered too expensive, and were not acted on for that reason. The concept being proposed here is certainly not overly expensive, and it may indeed be able to help keep some farmers on the farm, and contributing to the economy of their community.

We do need to look at the possibility of duplication of effort, and the possible increased fiscal cost of that duplication. The bill, as proposed, calls for mediation and negotiation on behalf of farmers who have been foreclosed on. The F.A.C.T.S. program is currently providing such a service through it's own staff, and through Kansas Legal Services. Perhaps an amendment is in order to direct the Farm Credit Review Board to utilize the F.A.C.T.S. program to handle the mediation and negotiation. This could address the concern about duplication of effort and cost. It may require one or two additional staff people for the F.A.C.T.S. program in order to prevent overloading the current staff, but since most of the farmers involved will probably already be in contact with the F.A.C.T.S. program, they would be ideal liason to the Credit Review Board.

With that concern stated, I would conclude my remarks and stand for questions.

attachment 5  
2/12/86 Sen. Ag.

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# THE KANSAS RURAL CENTER, INC.

304 Pratt Street

WHITING, KANSAS 66552

Phone: (913) 873-3431

February 12, 1986

TESTIMONY ON SB 546

I appreciate this opportunity to express the support of the Kansas Rural Center for SB 546. In the past two years the Rural Center has received over 500 telephone calls from financially distressed farmers. We've also had the opportunity to visit less formally with hundreds of other farmers with similar problems. The break down of the negotiation process between lenders and farmers has been cited too frequently as a major stumbling block in resolving farm credit matters in a way that is beneficial to farmers and creditors alike.

As you know, farmers normally have more than one lender. We've seen many cases where one lender refused to negotiate or cooperate and forced the farmer into an unnecessary liquidation. Such tactics have also produced alot of unnecessary bankruptcies. When this happens everyone loses.

Under the provisions of this bill, the farm credit review board, with the prestige of the state behind it, will be authorized to intervene on behalf of farmers when requested to do so. We believe this will open up the negotiation process between lenders and farmers and encourage more negotiated settlements of farm credit matters. This could prevent many unnecessary farm liquidations and bankruptcies. Everyone would benefit.

We would recommend that if at all possible the Kansas Funds For Kansas Farmers program, initiated by Secretary Finney last summer, should be altered and incorporated into this legislation to expand significantly the amount of money that will be available for interest susidies under this bill. Certainly, it is in the best interests of the state to keep as many farmers on the land as possible and preserve at least the home quarter in the process.

We would also encourage you to use the structure outlined in the legislation to incorporate many of the provisions in other farm relief legislation being offered in this session, such as SB 467 and HB 2804 which would tax incentives for farmers who buy or sell farm land, HB 2636 which would establish a Kansas Reserve Program, and HB 2691 which would allow farmers 30 days to match the terms of any proposed sale of fore-closed formally owned by the farmer.

Merging the best features of these pieces of farm relief legislation into the structure outlined in SB 546 could forge a truely unique and effective farm bill package which could benefit many Kansas farmers.

As a frequent advocate for greater state responses to the problems of agriculture, we applaud this committee for introducing this legislation and holding this hearing. We urge you to adopt SB 546 with the recommendations we have outlined herein.

Thank you for your considerations.

attachment 6  
2/12/86 Sen. Ag.





# PUBLIC POLICY STATEMENT

SENATE AGRICULTURE AND SMALL BUSINESS COMMITTEE  
Senator Jim Allen, Chairman  
February 12, 1986

RE: S.B. 546 - Establishing the Farm Credit Review Board  
and the Home-Quarter Purchase Fund

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 Kansas Farm Bureau. We appreciate this opportunity to express our views on S.B. 546 . . . an act establishing the Farm Credit Review Board and the Home-Quarter Purchase Fund.

**"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 of S.B. 546 providing an interest rate subsidy will increase net farm income since interest has become a significant portion of total farm operating expenses. A 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:

*attachment 7  
2/12/86 Sen. Ag.*

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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 and input costs, and large government payments associated with PIK.)

For Kansas's 75,000 famers, 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)

The most significant feature of S.B. 543 may be the establishment of the Farm Credit Review Board. During this most serious financial crisis since the Great Depression, communications between farm borrowers and lenders often break down. The Board would try to work out some type of arrangement between the farmer and lender to enable the farmer to stay on the

land. There is always hope as long as parties continue to communicate.

One goal of this legislation is to at least save the farm home when in immediate danger of foreclosure is very worthy. The human suffering resulting from a failed farm operation is devastating. The farmer does not just lose a job . . . the entire family has worked as a team, losing their way of life and home. Communities . . . businesses, schools and churches . . . deteriorate. Stress from the events often cause family problems. Yes, saving the farm home can reduce much human suffering.

In closing, we make the same plea as we did last year when supporting legislation to provide reduced interest rates on agricultural loans, "Agriculture - Kansas's Number 1 industry - needs and deserves consideration today when many farmers are struggling for survival." We commend the Senate for your overwhelming support of S.B. 347 last session and trust you will assist agriculture as it continues to struggle this year. Thank you!

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I am Mary Harper of Scott County. I come in support of Senate Bill 546 which will allow a farm family to save their home-quarter.

I believe this to be a very important bill.

I see it as a help not only to the farm family but to the community. The trauma of having a debt you can't pay is multiplied so greatly when the family is uprooted from familiar surroundings and forced to relocate. Under this bill they will be able to continue their farming and they can have subsistence with a garden and livestock and not be a burden to society. We certainly have enough stressful situations in our towns and cities without adding homeless farm families.

They tell us that land values are stabilizing and the economy is improving other places. This bill has all the provisions for repayment and so nobody loses and everybody gains, I believe.

Furthermore, even if the family has to give up later on they may be better able to cope with losing the farm and the value of the buildings will be maintained because of being occupied so everyone benefits.

The great thing about this proposal is that it won't be an added tax burden. I also see that it can take effect as soon as you pass it and publish it in the Kansas Register. I know of some who need help immediately and the fact that you even have this bill has given a ray of hope.

*Attachment 8  
2/12/86 Sen. Ag.*

I know of a widow lady who loaned money to her sons to start a business which they lost. She still lives on her home quarter and if she could stay there the family can no doubt help her to redeem her home.

Kansas' most important industry - agriculture - needs this help.