

Approved February 28, 1986
Date

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senator Allen at
Chairperson

10:16 a.m. ~~pm~~ on February 25, 19 86 in room 423-S of the Capitol.

All members were present ~~except~~

Committee staff present:

Fred Carman - Revisor of Statutes' Office
Raney Gilliland - Legislative Research Department

Conferees appearing before the committee:

Jeff Southard, Attorney General's Office
Ivan Wyatt, Kansas Farmers Union
Bill Fuller, Kansas Farm Bureau
Jim Maag, Kansas Bankers Association

Senator Allen called the Committee to order and called the Committees' attention to meeting minutes.

Senator Gannon made a motion the minutes of the February 18 and 19 meetings be approved. Senator Warren seconded the motion. Motion carried.

The Chairman then asked the staff to review SB 543.

Mr. Gilliland stated SB 543 provides for amendments to the Corporate Farming Bill which was passed in 1981. This legislation was requested by the Attorney General's Office and is in reference to first refusal to buy or lease back land by corporations that are not now allowed to own agricultural lands. There are at present two bills in the House of Representatives that have reference to first lease or buy-back of land that has been taken back by due process of law in the solving of debts. Line 40 of SB 543 speaks to agricultural land acquired by a corporation in collection of debts; it states a corporation can hold that land for up to ten years. A bill has passed the Commercial and Financial Institutions Committee and the Senate this session that would extend the time a bank could hold land taken back for the collection of debts for up to 14 years.

The Chairman thanked staff and called on Jeff Southard to testify.

Mr. Southard said the bill was addressed to the problem of a farmer who loses his land and then is told he cannot lease back or buy back that land. This bill is suggested as a remedy for that problem. There are some bills in the House with about the same wording; the Attorney General's office just wanted to bring attention to this legislation so that the problem is addressed. Mr. Southard suggested a sunset provision should be included so if the plan does not work it will sunset and repeal would not be needed.

This legislation would allow corporations to own land that they are not now allowed to own. That is land that has been taken in for collection of debts if it first were offered for lease or to buy back to the farmer that had been farming the land. Mr. Southard urged the Committee to address this issue in any one of the bills that speak to this issue.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture,
room 423-S, Statehouse, at 10:16 a.m./~~p.m.~~ on February 25, 19 86

Mr. Southard during discussion stated that the states of Iowa and North Dakota were studying similar legislation but had not enacted any as yet. He also said that in a case of a Sheriff sale for land being foreclosed anyone or a corporation could buy the land if first buy back or lease had been offered to the original owner. Mr. Southard stated that the Legislature could not regulate FmHa, or any federal agency, with this or any legislation but this legislation could be written to require the Federal Land Bank, which is not a federal agency, to be included in this type legislation.

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

Mr. Wyatt provided copy of his testimony and urged support for the intent of SB 543 whether if finally be passed in this bill or other bills before the Legislature. (Attachment 1).

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

Mr. Fuller gave copies of his testimony to the Committee members. Mr. Fuller expressed support for the concept of offering the first lease or buy-back offer to the farmer who is caught with losing his farm through foreclosure. He encouraged caution in changing the Corporate Farming Law and stated that if the changes do not include the first option to lease or buy-back to the farmer then he would not express support. Mr. Fuller also expressed nonsupport for a corporation being able to own land for year after year. (Attachment 2).

The Chairman thanked Mr. Fuller and acknowledged Jim Maag to speak.

Mr. Maag stated he understood HB 2691 and HB 2996 to state what a lender can do when property is received for payment of a loan. He stated he understood SB 543 to be referring to land acquired by a corporation from a creditor in a foreclosure for payment of debt. This bill would require a corporation, in that instance, to offer first lease or buy-back to the farmer who lost the land.

Mr. Maag said he knew of no similar legislation in any other state.

The Chairman declared the hearing closed for SB 543 and adjourned the Committee at 10:58 a.m.

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Statement
of
Ivan W. Wyatt, President Kansas Farmer Union
before
The Senate Committee on Agriculture
on
Senate Bill 543
(Exemptions to Corporate Farm Law)
Feb. 25, 1986

Mr. Chairman, Members of the Committee:

I am Ivan Wyatt, Pres. Kansas Farmer Union.
There has been several bills of merit before
this Committee this session.

Senate Bill 543 is not one of them.

Senate Bill 543 appears to be an attempt
by some lending agencies to simply wash
their hands of the agricultural community
problem, and cleanse their skirts of a
problem some of them helped to create.

In this committee, late in January
(Topeka Capital 1-24-86) Mr. Larry Davis of the
Farmers Home Administration was reported to
have stopped just short of proposing
the legislature lift the ban on corporate
ownership of agricultural land in Kansas.

He was reported to have said there was
a need to infuse capital into agriculture.

This is a direct contradiction of the Reagan Administration's purpose of its farm policy to devalue the assets in agriculture through lower commodity prices.

Farmers have suffered under this farm policy for five years that has been called "market oriented" or "market clearing".

This is the same farm policy that also failed miserably under the Hoover Administration — and the results have been the same.

However following that disaster of the 30's we saw the fore runners to the Farmers Home Administration and others come forth to help farmers stay on the land and save their farms.

Now we see some of these agencies and others advocating something like SB-543, so they can cut and run from the problem.

If this Committee and this Legislature was to pass SB-543. It would then be simple for such lending agencies to at first sign of a troubled loan to simply foreclose or force a voluntary transfer of deed, instead of working with the farmer.

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then sell the land to such a corporation as listed in Section E, page 3. One of which the Senate Judiciary Committee, and the Senate has prohibited in SB-308, from owning farm land in Kansas.

There is a small amount of sugar-coating in this bill, that is described as first option to lease or purchase. However there are no qualifications of the agreements. I'm sure however, at the end of 10 years if there was a profit in agriculture at that time there would be a hue and cry to extend the 10 year period.

Some of you may have read recently how several Insurance Companies and Farm Management Corporations are looking at purchasing large tracts of prime agricultural land, - but only the prime land.

I would point out that corporations have no magic formula for profits in agriculture. The only way a corporation could possibly succeed in today's climate would be by "milking" the taxpayer through the use of "tax write offs" and "loop holes" - making it even more

difficult for the bona fide farmer to generate a profit - and would further delay a return of true prosperity to agriculture, pointing out how tax write-offs and tax escapements have virtually bankrupted the independent pork producer.

Again we have to look at the total picture! and what the impact of SB-543 would have not only on the farm community but also the rural community support businesses, schools, and churches.

Therefore I urge this committee to continue in ~~their~~ your efforts to deal with this crisis as a rural community problem and not support SB-543, which would simply set the stage for the mass desertation by those who wish to simply cut and run from this rural depression and its problems - and would have you believe the only way to save agriculture, is to destroy the family farm.

Thank you -



PUBLIC POLICY STATEMENT

SENATE AGRICULTURE COMMITTEE
Senator Jim Allen, Chairman
February 25, 1986

RE: S.B. 543 - Allow Corporations to Purchase Farmland with
Lease-Back/Buy-Back Requirements

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 views on S.B. 543.

S.B. 543 suggests amendments to the Kansas Corporate Farm Law which the Legislature rewrote in 1981. We ask you to be cautious if you consider any changes in this law that was updated as a result of many compromises by all points of view.

Agriculture has serious problems! Some say we should relax the Corporate Farm Law and allow corporate investors to inject new dollars into agriculture. Refinancing plans designed to bailout financially-stressed farm operations have been offered by several promoters. We can understand how individual farmers may grasp at these corporate buy-out, lease-back straws in a last ditch attempt to stay on their farms. What may seem to be an immediate solution ... will, in the long run, cast another blow at preserving the productive family farm structure.

Delegates at the last Annual Meeting of Kansas Farm Bureau adopted this policy statement:

*attachment 2
2/25/86 Sen. Ag.*

Corporate Farm Law

The Legislature rewrote the Kansas Corporate Farm Law in 1981. Attempts may be made to expand the law to permit livestock breeding operations and allow corporate buy-outs of land from farmers who are struggling with excessive debt loads. We oppose any additional exemptions to the current Kansas Corporate Farm Law.

Let's look at some specific features of S.B. 543:

We are uncertain about the intentions and effects of (14) (A), Lines 0085 to 0092 as the language is now written.

1. Does this expand the current scope of corporate ownership?
2. Does this section allow "corporation B" to purchase land acquired by "corporation A?"

The provisions in S.B. 543 requiring the prior owner be given **first** option to lease or buy the land are desirable. We have supported H.B. 2996 and H.B. 2691 earlier this Session in the House Agriculture Committee which require creditors who acquire agricultural land in settlement of debt to offer the debtor or prior owner first opportunity to lease or buy back the land. However, we must point out a serious risk to the farmer in S.B. 543. **We believe the bill must be amended to require the same lease terms or sale price and conditions be offered the debtor or prior owner as will be offered any other potential lessee or buyer.** Otherwise, the farmer must accept terms offered or get out.

In closing, we urge you to be cautious in amending the Kansas Corporate Farm Act. Thank you for this opportunity to express our views. I will attempt to answer any questions you may have.