

Approved Feb. 13, 1991
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE

The meeting was called to order by Representative Lee Hamm at
Chairperson

9:07 a.m./~~p.m.~~ on February 7, 1991 in room 423-S of the Capitol.

All members were present except: Representative David Heinemann

Committee staff present: Raney Gilliland, Legislative Research
Lynne Holt, Legislative Research
Jill Wolters, Revisor of Statutes Office
Pat Brunton, Committee Secretary

Conferees appearing before the committee: Alan Alderson, Representative for Western
Retail and Hardware Association
Roger McCollister, Kansas Legal Services
Reverend Frank Dorsey, Prairie Village
Father John Stitz, Director, Catholic
Rural Life Archdiocese of Kansas City
Tom Giessel, Larned
Don Honig, President, Pottawatomie Farmers
Union, Onaga
Gail Thille, Cawker City
Walter E. Schoen, Farmer and Ag. Financial
Consultant, Cawker City
Del Jacobsen, Hays
Raymond Regier, Moundridge
Charles Stones, Director of Research,
Kansas Bankers Association

Chairman Hamm introduced Alan Alderson, Representative for Western Retail and Hardware Association who appeared before the committee to request the introduction of three bills.

The first bill Mr. Alderson requested for introduction related to agricultural seed; concerning registration of seed dealers; amending K.S.A. 1990 Supp. 2-1415 and 2-1421a, and repealing the existing sections. (Attachment 1.)

The second bill requested for introduction is an act concerning contracts to maintain stocks of farm equipment; relating to security interests therein; amending K.S.A. 1990 Supp. 16-1002, and repealing the existing section. (Attachment 2).

The third bill request concerns certain contracts to maintain stocks of outdoor power equipment and regulating the business relations between independent retailers and outdoor power equipment suppliers. (Attachment 3).

A motion was made by Representative Crumbaker to introduce the three bills requested by Mr. Alderson. Representative Reinhardt seconded the motion. The motion carried.

The chairman announced that hearings on HB 2077 - an act concerning the farm assistance, counseling and training referral program; relating to the expiration thereof; amending K.S.A. 1990 Supp. 74-545 and repealing the existing section. will continue today.

Roger McCollister, Kansas Legal Services, Inc. testified in favor of HB 2077, extending the sunset for the FACTS program from September 30, 1991 to September 30, 1996. Mr. McCollister's reasons for extending the program are continuing need, demand for services, and effective service. (Attachment 4).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE,
room 423-S, Statehouse, at 9:07 a.m./~~p.m.~~ on February 7, 1991

Questions and answers followed his testimony.

Reverend Frank Dorsey, Prairie Village, testified in support of HB 2077 and stated the FACTS program should be retained because it carries with it a key element that blunts the devastation of rural community and lays the foundation for the re-establishment of the new rural community. (Attachment 5).

Father John Stitz, Director, Catholic Rural Life, testified in support of HB 2077 and encouraged committee members to vote for and work for full funding of the FACTS program. (Attachment 6).

Tom Giessel who serves as vice-president of the Kansas Farmers Union and president of the Pawnee County Farmers Union, testified in support of HB 2077. He stated he believes the FACTS program has saved lives, families, farms and the taxpayers money. He further stated it has been rated one of the best farm programs ever (state or federal). (Attachment 7).

Don Honig, President, Pottawatomie Farmers Union, Onaga, testified in support of HB 2077. He stated there is no doubt that hundreds of farm families weathered the economic turbulence of the 1980's in large part because of the assistance provided by the Kansas FACTS program. (Attachment 8).

Gail Thille, Cawker City, testified in support of HB 2077 asking the committee to retain the FACTS program.

Walter E. Schoen, Farmer and Ag. Financial Consultant, Cawker City, testified in support of HB 2077. He gave several reasons why the FACTS program should be continued. (Attachment 9).

Del Jacobsen, Hays, testified in support of HB 2077 informing the committee that the need for the FACTS program is still there.

Raymond Regier, Moundridge, testified in support of HB 2077 stating the availability of FACTS will continue to help farm families remain in their rural communities and to have a better life while being there. (Attachment 10).

Charles Stones, Director of Research, Kansas Bankers Association, testified in support of HB 2077 stating the KBA has been and continues to be a strong supporter of the FACTS program. (Attachment 11).

The meeting adjourned at 10:05 a.m. The next meeting of the House Agriculture Committee will be Tuesday, February 12, 1991, in room 423-S of the Statehouse.

Written testimony was received from Victoria Studer, Executive Director, The Kansas Rural Center, Inc., Whiting, and was distributed to the committee members. Ms. Studer urged the committee to pass HB 2077 and reaffirm the FACTS program. (Attachment 12).

GUEST LIST

COMMITTEE: HOUSE AGRICULTURE

DATE: Feb. 7, 1991

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Top Lieber	Topoka	Ks. Co-op Council
M Gail Thill	Lawrence City	FARMER -
Walter E. Schoen	Lawrence City	Farmer - Fin Consultant
Gary Watts	Emporia	Farmer
Vernon Deines	Ramona	Farmer
Raymond Regier	Moundridge	IRHC - Farmer
Gladys Regier	Moundridge	Farmer
Larry Mat	Abilene	Farmer
Chuck Stones	Topoka	KBA
Gail Heins	Abilene	K.F.U.
Dale Foxlee	Hannett	Farmer - U. Methodist ^{Church}
Frank J. Orsey	Prairie Village	IRHC + U. Methodist
Carol Jordan	Topoka	KSBA
Emil P. Mushrush	McPherson	Ks. Farmers Union
Becky Watts	Emporia	Ks. Farmers Union
Bob Runnels	Lawrence City	St. Catholic Conf.
Linda Hessman	Dodge City	Cath. Diocese of Dodge City
Alan Anderson	Topoka	WESTERN RETAIL IMPLEMENT & HARDWARE ASSN
Mary Neubauer	Topoka	ASSOC. PRESS
Tracy Kumbadt	Topoka	Cap. Journal

HOUSE BILL NO. _____

By Committee on Agriculture

AN ACT relating to agricultural seed; concerning registration of seed dealers; amending K.S.A. 1990 Supp. 2-1415 and 2-1421a, and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1990 Supp. 2-1415 is hereby amended to read as follows: 2-1415. As used in this act:

(a) "Agricultural seed" means the seed of grass, legume, forage, cereal and fiber crops, or mixtures thereof, but shall not include horticultural seeds.

(b) "Person" means any individual, member of a partnership, corporation, agents, brokers, company, association or society.

(c) "Conditioned" means cleaned, or cleaned and blended, to meet the requirements of agricultural seed for the purpose of being planted or seeded.

(d) "Kind" means one or more related species or subspecies which singly or collectively is known by one common name, and includes, among others, wheat, oat, vetch, sweet clover and alfalfa.

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. to procedures and standards for seed certification comparable to those adhered to generally by seed certifying agencies under clause (1) of this subsection.

(cc) "Blend" means two or more varieties of the same kind each in excess of 5% of the whole.

(dd) "Mixture" means a combination of seed consisting of more than one kind each in excess of 5% of the whole.

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(ee) "Brand" means a term or mark that is proprietary in nature whether or not it is a registered or copyrighted term or mark.

(ff) "Commercial means" shall include all forms of advertising for which a person must pay another for the dissemination or distribution of the advertisement.

(gg) "Seed dealer" shall include any person who offers or exposes for sale or sells agricultural seed in Kansas for seeding or planting purposes but shall not include either a farmer dealer, retail business selling only grass seed or any individual who qualifies for the exemption provided for in subsection (c) of K.S.A. 2-1421, and amendments thereto.

(hh) "Farmer dealer" means an individual: (1) Whose primary occupation is farming; (2) who, as an agent for a seed dealer, sells seed which has been tested and labeled as required by this act by a seed dealer; and (3) who sells seed only on such farmer dealer's farm.

Sec. 2. K.S.A. 1990 Supp. 2-1421a is hereby amended to read as follows: ~~2-1421a. Seed dealer, farmer dealer and retail business registration, fees; seed dealers registration fee fund; disposition of moneys received, rules and regulation authority.~~ (a) On and after September 1, 1990, each: (1) Seed dealer who sells agricultural seed for seeding or planting purposes shall register with the secretary and shall file with the secretary a list of farmer dealers who sell seed for such seed dealer. Registration shall be required for each place of business at which agricultural seed is sold, offered or exposed for sale for planting or seeding purposes by a seed dealer; and

(2) retail business who sells ~~[prepackaged, prelabeled]~~ grass seed only and not any other agricultural seed, as defined by K.S.A. 2-1415, and amendments thereto, either in prepackaged, prelabeled form or by breaking

bulk prepackaged, prelabeled grass seed into smaller quantities, shall register with the secretary.

(b) Application for registration shall be made on a form provided by the secretary. Each registration shall expire on August 31 following the date of issuance unless such registration is renewed annually. The registration fee for a seed dealer shall be \$50 for each place of business. Each seed dealer shall pay a fee of \$10 for each farmer dealer who sells agricultural seed for the seed dealer. Each seed dealer shall pay a fee of \$20 for each retail business who sells ~~[prepackaged, prelabeled]~~ grass seed only and not any other agricultural seed, as defined by K.S.A. 2-1415, and amendments thereto, either in prepackaged form or by breaking bulk prepackaged, prelabeled grass seed into smaller quantities, for the seed dealer.

(c) As used in this section, "agricultural seed" shall include grain when sold as such, or when sold according to grain standards and the seller knows, or has reason to know, that the grain is to be used for seeding or planting purposes.

(d) The state board of agriculture shall remit all moneys received under this section to the state treasurer at least monthly. Upon receipt of any such remittance, the state treasurer shall deposit the entire amount thereof in the seed dealers registration fee fund which is hereby created. All expenditures from such fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of the state board of agriculture or a person or persons designated by the secretary.

(e) All moneys credited to the seed dealer registration fee fund shall be expended for any purpose consistent with the Kansas seed law.

(f) The state board of agriculture may adopt rules and regulations necessary to administer the provisions of this act.

(g) This section shall be part of and supplemental to the Kansas seed law, K.S.A. 2-1415 et seq., and amendments thereto.

Sec. 3. K.S.A. 1990 Supp. 2-1415 and 2-1421a are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

HOUSE BILL NO. _____

By Committee on Agriculture

AN ACT concerning contracts to maintain stocks of farm equipment; relating to security interests therein; amending K.S.A. 1990 Supp. 16-1002, and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1990 Supp. 16-1002 is hereby amended to read as follows: 16-1002. (a) Whenever any person, firm or corporation engaged in the business of selling and retailing farm implements, machinery, attachments or repair parts therefor enters into a written or parole contract, sales agreement or security agreement evidenced by a franchise agreement whereby such retailer agrees to maintain a stock of parts or complete or whole implements, machines or attachments with any wholesaler, manufacturer or distributor of such implements, machinery, attachments or repair parts, and either such wholesaler, manufacturer or distributor or the retailer desires to cancel or discontinue the contract, such wholesaler, manufacturer or distributor shall pay to such retailer or credit to such retailer's account, if the retailer has outstanding any sums owing the wholesaler, manufacturer or distributor, unless the retailer should desire to keep such merchandise, a sum equal to 100% of the net cost of all new, unused,, undamaged, complete farm implements, machinery and attachments and 85% of the current net prices on new, unused, undamaged repair parts, including superseded parts, which implements, machinery,

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attachments and parts had previously been purchased from such wholesaler, manufacturer, distributor or transferee of such wholesaler, manufacturer or distributor if the transferee acquired substantially all of the assets of such wholesaler, manufacturer or distributor, and held by such retailer on the date of the cancellation or discontinuance of such contract. The wholesaler, manufacturer or distributor shall also pay such retailer a sum equal to 5% of the current net price of all parts returned for the handling, packing and loading of such parts for return to the wholesaler, manufacturer or distributor, except that 5% shall not be paid or credited to the retailer if the wholesaler, manufacturer or distributor elects to perform the handling, packing, loading and transportation of the parts itself. Upon the payment or allowance of credit to the retailer's account of the sum required by this section, the title to such farm implements, machinery, attachments and repair parts therefor shall pass to the manufacturer, wholesaler or distributor making such payment, and such manufacturer, wholesaler or distributor shall be entitled to the possession of such farm implements, machinery, attachments or repair parts. The retailer shall have a continuing security interest in the inventory until such payment by the supplier is received. All payments or allowances of credit due retailers shall be paid or credited within 60 days after the return of implements, machinery, attachments or repair parts. After 60 days, all payments or allowances shall include interest at the rate prescribed by K.S.A. 16-204, and amendments thereto.

(b) The provisions of this section relating to a retailer's right to cancel or discontinue a contract and receive payment for implements, machines, attachments and parts returned shall apply to all contracts now in effect which have no expiration date and are a continuing contract, and all other contracts entered into or renewed after July 1, 1976. The provisions for a retailer to receive payment for implements, machines, attachments and parts returned shall apply only to implements, machines, attachments and parts purchased after the effective date of this act. Any contract in force and effect on July 1, 1976, which by its own terms will terminate on a date subsequent thereto shall be governed by the law as it existed prior to this act.

(c) The provisions of this section shall not be construed to affect in any way any security interest which the wholesaler, manufacturer or distributor may have in the inventory of the retailer, except that any repurchase hereunder shall not be subject to the provisions of the bulk sales law or to the claims of any secured or unsecured creditors of the wholesaler, manufacturer or distributor or any assignee of the wholesaler, manufacturer or distributor until such time the retailer has received payment in full subject to any offset the retailer may owe to the wholesaler, manufacturer or distributor.

Sec. 2. K.S.A. 1990 Supp. 16-1002 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the Kansas register.

HOUSE BILL NO. _____

By Committee on Agriculture

AN ACT concerning certain contracts to maintain stocks of outdoor power equipment and regulating the business relations between independent retailers and outdoor power equipment suppliers.

Be it enacted by the Legislature of the State of Kansas:

Section 1. The purpose of this act is to prevent arbitrary or abusive conduct and to preserve and enhance the reasonable expectations for success in the business of distributing outdoor power equipment. The retail distribution of outdoor power equipment, as defined in this act, utilizing independent retail businesses operating under agreements with suppliers, vitally affects the general economy of the state, public interest, and public welfare, and it is necessary to regulate the business relations between the independent retailers and the outdoor power equipment suppliers.

Sec. 2. As used in this act:

(a) "Outdoor power equipment" means and includes machinery, equipment, attachments or repair parts therefor, used for industrial, construction, maintenance, utility, lawn, garden, golf course, landscaping or grounds maintenance.

(b) "Retailer" means any person, partnership, firm, corporation, association, or other form of business enterprise engaged in the business of:

(1) Selling or leasing outdoor power equipment to the ultimate consumer thereof; and

(2) repairing or servicing outdoor power equipment.

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(c) "Contract" means either a written or parol agreement or arrangement for a definite or indefinite period between a retailer and a supplier which provides for the rights and obligations of the parties with respect to the purchase or sale of outdoor power equipment, and which agreement, regardless of the retailer's territorial scope, contemplates the establishment or maintenance by the retailer of a location within the state of Kansas at which outdoor power equipment and services for the same are displayed, and offered or demonstrated for sale.

(d) "Net cost" means the amount of money actually paid by a retailer to the supplier.

(e) "Current net price" means the price listed in a supplier's price list or catalogue in effect on the date of termination of a contract, less any applicable trade and cash discounts.

(f) "Supplier" means any person, partnership, corporation, association, or any and all other forms of business enterprise engaged in the business of manufacturing, assembly or wholesale distribution of outdoor power equipment. The term "supplier" and the provisions of this act shall be interpreted liberally, with regard to the equities of the retailer, and in a manner not limited to traditional doctrines of corporate successor liability, and the obligations of a supplier hereunder shall consequently apply to any actual successor in interest to a supplier, including but not limited to a purchaser of substantial assets or substantial stock, any receiver, trustee or assignee, or any surviving corporation resulting from a merger, liquidation or reorganization of the original or any intermediate successor supplier.

(g) "Lease arrangement" means an arrangement whereby a retailer agrees to purchase outdoor power equipment from any supplier of outdoor power equipment, to lease such equipment to the ultimate user thereof, to register the warranty to such ultimate user and to finance the purchase of such outdoor power equipment from such supplier from the retailer's proceeds of leases or by floor plan arrangements with the supplier or affiliates or designees of supplier.

Sec. 3. (a) Whenever any retailer enters into a contract with a supplier and such supplier or retailer terminates, cancels, fails to renew, or in fact substantially discontinues such contract, such supplier shall pay to such retailer, or credit to such retailer's account, if and only to the extent that the retailer has outstanding any sums owing the supplier, unless the retailer should desire to keep all or part of such merchandise, a sum equal to 90% of the net cost of all new, unused, undamaged and complete outdoor power equipment, including transportation charges which have been paid by such retailer, and 90% of the current net prices of new, unused and undamaged repair parts which had previously been purchased from such supplier preceding the date of notification of the termination, and held by such retailer on the date of the cancellation of such contract. Such supplier shall repurchase the retailer's inventory of outdoor power equipment in any lease agreement on the date of cancellation for the amount of then outstanding balance due for such inventory between supplier and retailer, unless the retailer should desire to keep any part or all of such inventory. Such supplier shall also repurchase at fair market value or assume future lease responsibilities for any data processing or telecommunication equipment and software which such supplier required

retailer to obtain to satisfy the minimum equipment and software required and approved by the supplier to communicate with the supplier. Upon the payment of such sum, the title and right of possession of such outdoor power equipment and repair parts and other equipment shall then pass to the supplier making such payment, and such supplier shall then be entitled to the possession of such outdoor power equipment and repair parts. The retailer shall have a continuing security interest in the inventory until such payment by the supplier is received. All payments required to be made under the provisions of this section must be made within 90 days after the return of the outdoor power equipment, repair parts, or other equipment. After 90 days, all payments or allowances shall include interest calculated from the date of return at the rate prescribed in K.S.A. 16-204, and amendments thereto.

(b) The provisions of this section shall not be construed to affect in any way any security interest which the supplier may have in the inventory of the retailer, except that any repurchase hereunder shall not be subject to the provisions of the bulk sales law or to the claims of any secured or unsecured creditors of the supplier or any assignee or the supplier until such time the retailer has received payment in full subject to any offset the retailer may owe to the supplier.

Sec. 4. Except with respect to the provision regarding repurchase of a retailer's inventory of outdoor power equipment in a lease arrangement, the provisions of section 3 shall not require the repurchase from a retailer of:

- (a) Any repair part which is in a broken or damaged package;
- (b) any single repair part which is priced as a set of two or more items;

(c) any repair part which, because of its condition, is not resalable as a new part;

(d) any inventory for which the retailer is unable to furnish evidence, satisfactory to the supplier, of title, free and clear of all claims, liens and encumbrances;

(e) any inventory which the retailer desires to keep, and for which the retailer has a contractual right to do so;

(f) any machines, equipment, and attachments which are not in new, unused, undamaged, or complete condition;

(g) any repair parts which are not in new, unused, or undamaged condition;

(h) any machines, equipment or attachments which were purchased 24 months or more prior to notice of termination of the contract;

(i) any inventory which was ordered by the retailer on or after the date of notification of termination of the contract;

(j) any inventory which was acquired by the retailer from any source other than the supplier or transferee of such supplier;

(k) any part that has been removed from an engine or short block or piece of equipment or any part purchased separately that has been mounted or installed by the retailer on an engine or on equipment.

Sec. 5. In the event that any supplier, after such supplier or the retailer terminates, cancels, fails to renew, or in fact substantially discontinues such contract, fails or refuses to make payment to such retailer as required by the provisions of section 3 of this act, such supplier shall be liable in a civil action to the retailer for the actual costs of the action, including attorney, paralegal and expert witness fees;

for interest as provided in section 3 of this act; for 100% of the net cost of such machinery, plus transportation charges which have been paid by the retailer; for 100% of the current net price of of the repair parts; for the balance outstanding between the retailer and supplier on inventory in a lease arrangement; and for the fair market value of such other equipment and systems. The retailer also may be granted appropriate declaratory or injunctive relief. In any such action, it shall be the burden of the supplier to establish that the terms of section 4 may apply to except any particular item of outdoor power equipment from the terms of section 3.

Sec. 6. No supplier, directly or through any officer, agent or employee, may terminate, cancel, fail to renew, or substantially change the competitive circumstances of a retailer without good cause. Good cause means failure by a retailer to substantially comply with essential and reasonable requirements imposed upon the retailer by the contract if such requirements are not different from those requirements imposed on similarly situated dealers either by their terms or in the manner of their enforcement. In addition, good cause shall exist whenever:

(a) The retailer has transferred a controlling interest in the retailer business without the supplier's consent;

(b) the retailer has filed a voluntary petition in bankruptcy or has had an involuntary petition in bankruptcy filed against it which has not been discharged within 30 days after the date of filing, or there has been a closeout or sale of a substantial part of the retailer's assets related to the retailer's business or there has been a commencement or dissolution or liquidation of the retailer's business;

(c) there has been a change, without the prior written approval of the supplier, in the location of retailer's principal place of business if such approval is required under the retailer's agreement with the supplier;

(d) the retailer has defaulted under any reasonable and essential term of a chattel mortgage or other security agreement between the retailer and supplier, or there has been a revocation or discontinuance of any guarantee of the retailer's present or future obligations to the supplier;

(e) the retailer has failed to operate in the normal course of business for seven consecutive days or has otherwise abandoned his business, except for reasonable and customary closures of business;

(f) the retailer has pleaded guilty to or has been convicted of a felony affecting the relationship between the retailer and supplier;

(g) the retailer has engaged in conduct which is injurious or detrimental to the retailer's customers or the public welfare;

(h) following receipt of written notices of the supplier's requirements and of written notices of the supplier's determination of the retailer's initial and persisting failures to meet the supplier's requirements, the retailer has consistently failed to meet the supplier's requirements for reasonable market penetration based on the supplier's experience in other identified and comparable market areas.

Sec. 7. Except as otherwise provided in this section, a supplier shall provide a retailer at least 90 days' prior notice of termination, cancellation, or nonrenewal of the contract. The notice shall state all reasons constituting good cause for termination, cancellation or nonrenewal and shall provide that the dealer has 60 days in which to cure any claimed deficiency. If the deficiency is rectified within 60 days, the notice

shall be void. The notice and right to cure provisions under this section shall not apply if the reason for termination, cancellation or nonrenewal is for any reason set forth in subsections (a) through (h) of section 6.

Sec. 8. If any supplier violates any provisions of sections 6 or 7 of this act, a retailer may bring an action in any court of competent jurisdiction for damages sustained by the retailer as a consequence of the supplier's violation. The court may also award court costs and reasonable attorneys' fees to the prevailing party. The remedies set forth in this section shall not be deemed exclusive and shall be in addition to any other remedies permitted by law including proceedings under the Kansas consumer protection act.

Sec. 9. The provisions of this act shall apply to all continuing and non-renewable contracts, and all other contracts entered into, renewed, amended, assigned or transferred by a supplier to a transferee on or after July 1, 1991, and shall apply only to outdoor power equipment and repair parts purchased after the effective date of this act. Any contract in force and effect on July 1, 1991, which by its own terms will terminate on a date certain subsequent thereto shall be governed by the law as it existed prior to this act unless renewed, amended, assigned or transferred as described above.

Sec. 10. The provisions of this act shall be supplemental to any agreement between the retailer and the supplier. The retailer may elect to pursue either the contract remedy, the remedy provided herein, or any other remedies permitted by law including proceedings under the Kansas consumer protection act, and an election by the retailer to pursue his contract or

other remedies shall not bar his right to any remedy provided herein as to the outdoor power equipment and repair parts not affected by the contract or other remedies.

Sec. 11. Any term of a dealership agreement or other agreement, such as a security agreement, guaranty or financing agreement, which restricts the procedural or substantive rights of a retailer or would relieve any supplier from compliance or liability imposed by this article, either expressed or implied, and which is inconsistent with the terms of this act including, but not limited to, any waiver of damages, release, assignment, novation, or estoppel, foreign choice of law or a foreign forum selection clause, shall be void and unenforceable and shall not waive any rights which are provided to any retailer by this act.

Sec. 12. If any section of this act, or any part of any section thereof, or the application of such provision to any person or circumstance shall be declared invalid or unconstitutional, such declaration of invalidity shall not affect the remaining portions thereof and the application of such provision to other persons or circumstances.

Sec. 13. This act may be cited as the Kansas outdoor power equipment dealership act.

Sec. 14. This act shall take effect and be in force from and after its publication in the statute book.

TESTIMONY OF ROGER L. MCCOLLISTER

HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS
LEE HAMM, CHAIRPERSON
Wednesday, February 6, 1991

HOUSE BILL 2077

Mr. Chairman, members of the Committee, I very much appreciate the opportunity to appear before you today. I am here to speak in favor of House Bill 2077, extending the Sunset for the Farmers Assistance Counseling and Training Service (FACTS) from September 30, 1991 to September 30, 1996.

The Sunset of the FACTS Program should be extended because:

1. There is a continuing need for the program as evidenced by some very troubling recent trends in the agricultural and rural economy in Kansas.
2. The demand for services for the FACTS Program as a whole is higher than it has been in any year since 1987. For the Legal Services portion of FACTS, demand is higher than it has been since 1986.
3. The Program is effective in keeping farmers in operation and in meeting their important legal, financial, occupational, and emotional needs.

CONTINUING NEED

At this time of year, those of us concerned with the Kansas farm and rural economy hear a lot of predictions and projections. Some analysts are very optimistic this year. I think it is important to point out, however, that this optimism is tempered, even among the most optimistic, with some precautions. I cite, for example, the most recent projection of Bill Helming, published in the February issue of Successful Farming. Mr. Helming says he is optimistic for the "overall farm economy", but he points out that his optimism is directed toward those farms and ranches that are "reasonably well capitalized" and "have manageable amounts of debt".

There are many commercial Kansas farms and ranches that are not well capitalized and do not have manageable amounts of debt. In analyzing the continuing need for the FACTS Program, we should be careful about accepting at face value projections that are based on averages that throw together the top and bottom. The FACTS Program was designed for, and is serving, a certain group of farmers and ranchers. That group includes people who are primarily engaged in the business of farming or ranching who will be unable to continue in business or will be seriously handicapped without the assistance provided by FACTS. The Program is designed to help keep this group of farmers in business, or, when necessary, to help them make the difficult transition to another line of work. The need for this kind of assistance has not disappeared and indeed has increased in the past year.

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ATTACHMENT 4

There are some key trends and data applicable to the group served by FACTS. First, the percentage of farms with debt to asset ratios over .40, the level generally recognized as producing high risk, has actually increased in the last year from 17 to 21% (Kansas Agricultural Statistics, October 31, 1990).

Second, according to the Kansas Farm Management Association, a net farm income of \$25,000 is needed to pay taxes and to cover average family living costs. Fifty-eight percent (58%) of the farms examined by the Kansas Farm Management Association in 1989 "failed to generate sufficient net farming income to cover long-term family living needs". This is the highest percentage of Kansas Farm Management Association farms to fail to meet their basic living needs since 1986 (KSU, Cooperative Extension Service, 1989:11).

Kansas net farm income is declining and is increasingly concentrated among the few while a substantial number face continuing economic distress. The 1989 average net farm income of \$26,596 among Kansas Farm Management Association members is down 45% from the average of \$48,682 during 1988. The 1989 average net farm income of \$26,596, when examined further, includes an average net income of \$81,976 for the 25% of farms with the highest incomes and an average loss of \$16,069 for the 25% of farms with the lowest incomes. This is also the biggest average loss experienced by that group since 1986 (KSU Cooperative Extension Service, 1989:6).

A central cause of the trend toward higher debt to asset ratios and lower net income is the trend toward lower levels of government payments that began in 1988. I have provided the Committee with a USDA Data Sheet labeled "Gross and Net Farm Income 1971-89". As you can see, total net farm income in 1989 was lower than in any year since 1984. The peak year for total net farm income in Kansas was 1987. That was also the peak year for government payments to Kansas farmers. Government payments have declined by 39% since 1987 and total net farm income has declined by 30% during the same period.

This relationship between government payments and net income is important for the future because a decline of government payments during the next few years is one trend nearly all analysts, even the most optimistic, agree will continue ("The Outlook for Farm Commodity Program Spending, Fiscal Years 1990-95" Congressional Budget Office, April 1990)

The Economic Research Service of USDA has predicted "at least a 5% drop in farmers' net cash income" for 1991 (The Denver Post, December 2, 1990). In short, we are entering a period of great uncertainty. Now, when incomes are declining along with government payments and debt to asset ratios are increasing along with production costs, is not the time to take away the best source of assistance that many of our farmers and ranchers have.

DEMAND FOR SERVICES

One indication that serious problems remain for many farmers is the increased demand for services that we have experienced during the past year. Demand for the Legal Services portion of the program was higher during FY 1990 than in any year since 1986. Demand has been even higher during the first half of FY 1991. Demand at the FACTS office in Manhattan has also increased during the past year. FACTS served more clients during the first nine months of 1990 than were served in all of 1989.

It is interesting to note that other states have decided that FACTS-type assistance programs are still needed. When the Farmers Home Administration first made federal money available in FY 1988, four state agricultural loan programs received matching funds. That number has grown to 17 states this year. An 18th state, Mississippi, has had to tentatively withdraw because of a lack of state matching funds. There are now efforts under way in Mississippi to get this program recertified. Three of the current 17 states, Arkansas, New Mexico and Arizona, were first certified during the past two years. Demand for assistance in Kansas and elsewhere is continuing.

EFFECTIVE SERVICE

The Kansas Legal Services' Farm Advocacy Program has assisted over 500 Kansas farm families to remain in farming from July, 1985 through October, 1990.

When legal assistance helps farmers retain their farms, the economies of local communities and the state benefit in a number of ways. According to the Kansas State Farm Management Association, farms the size that KLS typically serves spend an average of \$120,000 per year in operating expenses. The farmers that have been assisted in retaining their farms by KLS will spend about \$60.7 million on operating expenses during the next year.

Research at Kansas State University has shown that retention of medium-sized farms, like those most often served by the KLS Farm Advocacy Program, enhances the viability of rural communities. Growth of large farms, often created by consolidation of failed medium-sized farms, contributes to declines in local population and retail trade.

There is no other place that farmers and ranchers with limited means can obtain the comprehensive set of services available from FACTS. Legal and financial problems have a powerful emotional impact on farm families. If these different components were separated into different agencies or farmers and ranchers were left to find them in the marketplace, many needs would go unmet.

CONCLUSION

I believe that much of the pain of the early 1980s could have been avoided and many of the farms lost could have been saved if FACTS would have been there. Let's not view FACTS as a "crisis program". Does there have to be blood on the tracks again before we act?

Many farmers continue to face hard times. The FACTS Program is being well utilized. The Program is effective in keeping farmers in operation and in meeting their important legal, financial, occupational and emotional needs.

KANSAS

GROSS AND NET FARM INCOME, 1971-89

Year	Realized Gross Farm Income					Farm Pro- duction Expenses	Realized Net Farm Income	Net Change in Farm Inven- tories	Total Net Farm Income
	Cash Receipts from farm Marketings	Govern- ment pay- ments	Non- Money Income	Other Farm Income	Total <u>1/</u>				
	Million Dollars								
1971.....	2,233.1	217.7	92.9	29.0	2,572.8	2,035.1	537.6	99.4	637.0
1972.....	2,994.4	246.4	102.0	29.3	3,372.1	2,421.2	950.9	5.0	955.9
1973.....	4,165.5	150.4	117.9	36.0	4,469.8	3,110.2	1,359.7	162.2	1,521.9
1974.....	3,964.1	22.5	149.1	37.1	4,172.8	2,823.9	1,349.0	-326.0	1,023.0
1975.....	3,370.9	38.4	165.5	45.4	3,620.2	3,005.8	614.4	142.1	756.5
1976.....	3,637.1	50.8	185.0	48.0	3,920.9	3,407.8	513.2	-27.3	485.8
1977.....	3,853.4	236.7	218.5	49.1	4,357.7	3,704.0	653.6	-188.8	464.8
1978.....	4,212.1	300.9	241.9	39.8	4,794.7	4,797.7	- 3.0	447.6	444.6
1979.....	6,316.7	125.8	290.1	37.3	6,769.9	6,000.7	769.4	49.4	818.8
1980.....	5,734.7	93.3	350.2	33.9	6,212.1	5,964.4	247.6	-382.0	-134.4
1981.....	5,605.8	231.8	382.1	37.0	6,256.7	5,947.7	308.9	-64.7	244.2
1982.....	5,856.0	280.3	401.0	308.3	6,845.6	5,972.6	872.9	-57.7	815.2
1983.....	5,408.0	606.9	365.0	302.8	6,682.7	6,111.5	571.1	-44.0	527.1
1984.....	6,050.2	573.9	191.5	250.4	7,066.0	6,323.0	742.9	-41.0	701.9
1985.....	5,881.7	482.2	172.8	369.9	6,906.6	5,727.7	1,178.9	29.4	1,208.3
1986.....	5,317.5	870.8	151.1	355.8	6,695.2	5,580.2	1,115.0	170.3	1,285.3
1987.....	6,062.8	966.3	157.8	405.2	7,592.1	5,701.5	1,890.5	-335.2	1,555.3
1988.....	6,319.7	848.0	160.1	392.4	7,720.2	6,154.8	1,565.4	-150.5	1,414.9
1989.....	6,324.3	588.4	155.1	611.7	7,679.5	6,533.1	1,146.5	-60.5	1,086.0

1/ Total may not add due to rounding. Source: Economic Research Service, USDA.

AGRICULTURAL ECONOMY FACT SHEET

Kansas Legal Services, Inc.
Wayne A. White, Research Specialist

A number of commercial farms in Kansas remain in severe financial difficulty and in need of assistance.

Kansas net farm income is declining and increasingly concentrated among the few while a substantial minority face continuing economic distress. The 1989 average net farm income of \$26,596 among Kansas Farm Management Association members is down 45 percent from the average of \$48,682 during 1988. The 1989 average net farm income of \$26,596, when examined further, includes an average net income of \$81,976 for the 25 percent of farms with the highest incomes and an average of -\$16,069 for the 25 percent of farms with the lowest income. (K.S.U. Cooperative Extension Services, 1989:6)

According to the Kansas Farm Management Association a net farm income of \$25,000 is needed to pay taxes and cover average family living costs. **Fifty-eight percent (58%) of the farms examined by the Kansas Farm Management Association in 1989 "failed to generate sufficient net farming income to cover long term family living needs."** (K.S.U. Cooperative Extension Service, 1989:11)

Total net farm income in Kansas declined 23 percent during 1989. Total net farm income in Kansas during 1989 was \$1,086.0 million. This is a 23 percent decline from the \$1,414.9 million of net farm income during 1988. (Economic Research Service, U.S.D.A. January 1991)

Government payments to Kansas farmers declined 31 percent from 1988 to 1989. Total government payments to Kansas farmers were \$588.4 million in 1989 and \$848.0 million in 1988. (Economic Research Service, U.S.D.A. January 1991)

The percentage of farms with debt-to-asset ratios over .40 increased to 21 percent in 1989, up from 17 percent in 1988. The average debt-to-asset ratio among Kansas farms in 1989 was .19, up from .18 in 1988. (Kansas Agricultural Statistics, October 31, 1990)

Kansas Agricultural Statistics conducted a Farm Costs and Returns Survey (FCRS) during February and March 1990. This survey found fewer Kansas farms in a favorable financial position and more in a vulnerable financial position. **The percentage of farms in a favorable financial position decreased from 57 percent to 52 percent in the most recent survey.** Perhaps most important, the percent of farms classified as vulnerable (high debt and low income) more than doubled from 5 percent in 1988 to 11 percent in 1989. (Kansas Agricultural Statistics, October 31, 1990)

In conclusion, agricultural credit conditions, net farm income, government payments, and lower crop prices have combined to place many commercial farms in Kansas in serious financial difficulty. The sweeping changes contained in the 1990 Farm Bill make farm income for 1990 and beyond even more uncertain.

January 23, 1991

KANSAS LEGAL SERVICES FARM ADVOCACY PROGRAM
(FACTS)

PROGRAM DESCRIPTION AND CASE LOAD

Since July 1985, Kansas Legal Services, Inc. (KLS), through a grant from the Kansas State Board of Agriculture, has been providing legal assistance to Kansas farmers and ranchers through referrals from the Kansas Farmers Assistance, Counseling, and Training Service (FACTS). There are currently ten KLS farm specialist attorneys who provide legal services to FACTS clients in every county of the state.

The KLS Farm Advocacy Project attorneys provide both advice and legal representation to eligible applicants. From July 1985 through December 1990, 1,373 cases were advised and/or opened. During this period, legal services were provided to approximately 1,184 families (a number of clients were advised or represented more than one time). The families served include approximately 3,197 people.

Demand for FACTS legal services was greatest in the first year of the program (FY 1986), probably due to the fact that legal services were not available or affordable to many farmers and ranchers prior to the creation of the program. Legal services were completed in 350 cases during FY 1986. Service levels declined to 175 during FY 1987 and remained at about that level through FY 1988 (167 cases) and FY 1989 (160 cases). Demand increased again during FY 1990 to 205 cases. Demand has been even higher during the first half of FY 1991, at current rates 272 cases will be closed or advised this year.

LEGAL PROBLEMS

The primary reason that prompts farm and ranch clients to seek legal assistance through the FACTS program is a problem between the client and a lending institution. During the first four years of the program seventy-eight percent (78%) of all clients sought assistance because of a difficulty with a lending institution. Foreclosure defense was the specific lending institution problem faced by thirty-three percent (33%) of all clients surveyed. This percentage increased to thirty-five percent (35%) among clients surveyed in 1990. Miscellaneous problems involving grain elevators, landlords, neighbors, and lawsuit defense make up the remainder of the FACTS legal caseload.

CLIENT EVALUATIONS

The following data are compiled from 714 returned surveys from a total of 1,053 surveys mailed to Kansas Legal Services farm and ranch clients from 1986 through 1990. That is a return rate of sixty-eight percent (68%).

	<u>Cumulative Results</u>	<u>1990 Results</u>
1. Original problem received satisfactory action by KLS attorney staff.	81%	86%
2. Valuable additional legal advice or representation was provided.	78%	85%
3. Satisfied with overall service rendered by KLS farm staff.	84%	87%
4. Would recommend KLS farm services to other farmers.	89%	93%
5. Program should continue.	91%	93%

NOTE: Ninety-eight percent (98%) of clients surveyed in 1990 believe that the "farm crisis" is not over.

ECONOMIC IMPACT

According to the farmers surveyed, the KLS Farm Advocacy Program assisted approximately 506 Kansas farm families to remain in farming from July 1985 through October 1990. A large majority of those farmers have indicated (71 percent in 1990) that they will remain in farming for more than three years.

When legal assistance helps farmers retain their farms, the economies of local communities and the state benefit in a number of ways. According to the Kansas State Farm Management Association, farms the size that KLS typically serves spend an average of \$120,000 per year in operating expenses. The 506 farmers known to have been assisted in retaining their farms by the KLS Farm Advocacy Program will spend about \$60.7 million on operating expenses during the next year.

Research at Kansas State University has shown that retention of medium sized farms, like those most often served by the KLS Farm Advocacy Program, enhances the viability of rural communities. Growth of large farms, often created by consolidation of failed medium sized farms, is associated with declines in local population and retail trade (Flora and Flora, 1988).

REFERENCE

Flora, Cornelia Butler and Jan Flora. "Public Policy, Farm Size, and Community Well-Being in Farming-Dependant Counties of the Plains" in Louis E. Swanson (ed.) Agriculture and Community Change in the U.S., Boulder, Colorado: Westview Press, 1988, pp. 76-129.

September 12, 1990

KANSAS LEGAL SERVICES, INC.
FACTS CASE STATISTICS FY 1985-FY 1990

1985-86 Fiscal Year

Advised 280 cases
Opened 159 cases
Closed 74 cases
Total cases handled 439 cases
Total hours 4,965.00

1986-87 Fiscal Year

Advised 74 cases
Opened 101 cases
Closed 123 cases
Total cases handled 260 cases
Total hours 4,123.75

1987-88 Fiscal Year

Advised 57 cases
Opened 153 cases
Closed 110 cases
Total cases handled 273 cases
Total hours 3,043.75

1988-89 Fiscal Year

Advised 91 cases
Opened 143 cases
Closed 69 cases
Total cases handled 340 cases
Total hours 4,418.50

1989-90 Fiscal Year

Advised 46 cases
Opened 184 cases
Closed 159 cases
Total cases handled 410
Total hours 5,532.00

January 30, 1991

FACTS Clients by Month

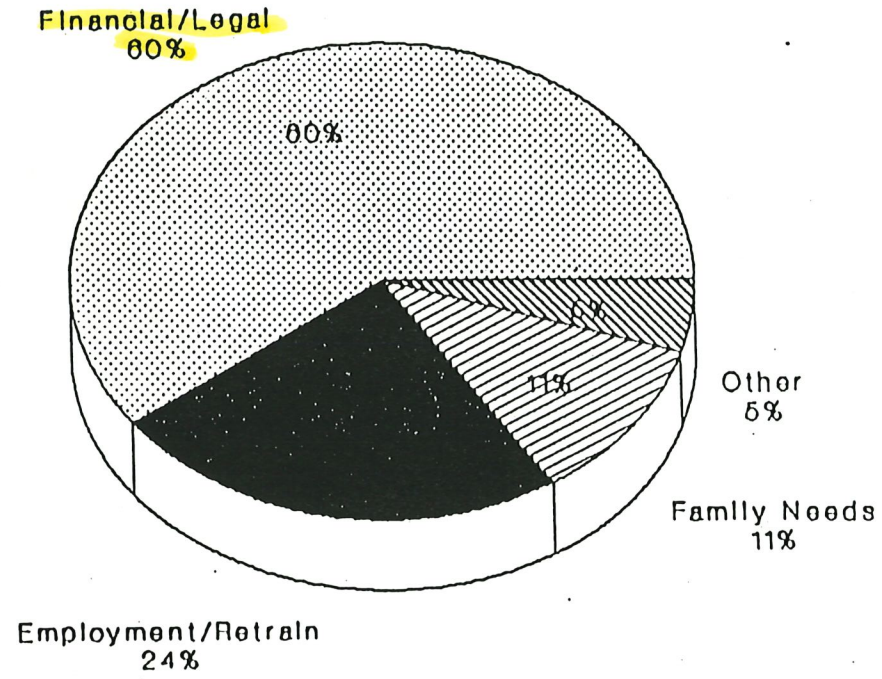
	1989 Monthly Totals	1990 Monthly Totals
January	78	122
February	56	125
March	91	118
April	70	91
May	94	66
June	44	66
July	58	88
August	51	61
September	36	41
October	35	86*
November	58	86*
December	37	86*
TOTALS	687	1,036**

* Projected Monthly Total

** This is a projected increase of 51% from 1989 to 1990.

Source: Facts Program Report, November 1, 1990.
Compiled by Kansas Legal Services, Inc.

NATURE OF INITIAL CALL (Five Year Averages)



Total 85-89

Reason for first call to FACTS

TYPICAL FACTS CLIENT

Personal Data

Male Caller: 69.5% Average Age: 47

Female Callers: 30.5% Average Age: 46

Average Years in Farming: 23.5

Age Distribution

1 - 25 Yrs Old	04.0%	46 - 55 Yrs Old	24.7%
26 - 35 Yrs Old	20.9%	56 - 65 Yrs Old	20.2%
36 - 45 Yrs Old	22.9%	66+ Yrs Old	07.3%

Farm Size

Farms Operating with Owned Acreage Only: 42.0%
Average Owner Acreage: 714

Farms Operating with Rented Acreage Only: 11.0%
Average Rented Acreage: 919

Farms Operating with Both Owned & Rented Acreage: 47.0%
Average Owned Acreage: 550
Average Rented Acreage: 802
Total Farmed 1,352 acres

Debt Load¹

Partially Secured Debt \$286,195
Unsecured Debt 29,298

Total Debt \$315,493

¹ Debt load can be calculated only for those clients who have begun preparation for mediation. These figures are not representative of all FACTS clients.

FACTS CASE LOAD

FACTS Contacts: 1 July 1985 to 30 September 1990

Hotline: Farm Clients	6,283
Ag Business Clients	732
Indirect Farm Clients	<u>229+</u>
Subtotal	7,244
FmHA contacts	1,403
Elevator Bankruptcy contacts	150
FDIC contacts	3,400
Educational/Outreach contacts (approximate)	25,000
Subtotal	29,953
TOTAL	37,197

AVERAGE CONTACTS PER MONTH: 590

Current Legal Assistance Case Load:

Advised only:	31	Current Active Cases:	148
Cases Closed:	61		

Current Mediation Case Load:

Mediation Coordination:

Current Active Cases:	26	Cases Closed:	107
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Mediation Preparation

Current Active Cases:	64	Cases Closed:	61
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TO THE HOUSE COMMITTEE ON AGRICULTURE
IN SUPPORT OF FUNDING FOR FACTS
REV. FRANK L. DORSEY
5400 W. 75TH STREET
PRAIRIE VILLAGE, KANSAS 66208

I am speaking as the former chairperson of the Interfaith Rural Life Committee of the State of Kansas and as a religious leader now serving a suburban congregation in Johnson County.

The FACTS PROGRAM FOR THE STATE OF KANSAS is a program that should be continued. To cut its funding is to turn one's back on the continuing plight of our farmers and rural communities in the State of Kansas. It is even more important that a decision be made to continue this program in light of the Congressional Budget Office Projections for 1990-1995 which predict another "500,000 farms will leave the sector." Kansas will most certainly share in that loss.

In an age when community and the building of community is essential to the welfare of this state it is important to support the FACTS program that has been supportive to persons during the devastation of rural community. That devastation is likely to continue unless there is a commitment to proactively create those programs that are about building community.

FACTS SHOULD BE RETAINED BECAUSE IT CARRIES WITH IT A KEY ELEMENT THAT BLUNTS THE DEVASTATION OF RURAL COMMUNITY AND LAYS THE FOUNDATION FOR THE RE-ESTABLISHMENT OF THE NEW RURAL COMMUNITY.

If there was no other reason than to enhance the quality of life in Kansas Rural Communities, then every cent spent on Facts would be justified. When FACTS helps a family retain their farm or ranch or other agri-business interests...community interests are also served.

If you had to invent a program to build rural community it would cost many more times the amount than what it costs to run FACTS. The reason is that you already have people in the community, committed to the community and its enhancement. Many of them are rooted in the community. In many cases they simply need the counselling and technical assistance that FACTS offers to allow them to remain as productive members of the local community.

To allow capital flight from our rural communities without an adequate program of counselling and technical assistance to keep people in these communities is antithetical to the stated goals of economic development for the State of Kansas.

Every suicide by a rural Kansan because of the stress of the

Hs. Ag.
2/7/91
ATTACHMENT 5

destruction or rural community diminishes the whole state community. How much is a life worth? That is an important question when you consider that the rural communities have a suicide rate three times that of the rest of the State. FACTS should be retained as long as there is the devastation of rural community and with it the lives of its people. It is clear that the devastation is not yet over.

We all know that most farm and rural people are caught in forces totally beyond their control. It is the responsibility of a compassionate State to care for its people caught in that kind of crunch.

FACTS has helped countless persons make the transition to new jobs and new lives.

That need is still there.

That mission has not yet been completed.

FACTS should be retained to carry out that mission so that our people can continue to be productive citizens.

The situations that many people have found themselves in is incredibly complex. It takes technical assistance and specialized counselling to help farmers, ranchers, and agri-businesses to develop alternatives that insure a future viability. FACTS has done that.

The economic impact of such a program has had a very positive effect on this State. One projection is that \$57 million dollars has been returned to the farm economy, agriculture related businesses and rural communities through operating expenditures that stayed in the communities because of FACTS.

But one cannot talk about FACTS without also talking about justice. Community and Justice are linked together. You cannot have true community without justice. Chaos and injustice are linked together as well. Injustice will breed chaos and ultimately the destruction of community.

FACTS HAS BEEN ABOUT JUSTICE IN ITS LEGAL SERVICES FARM ADVOCACY PROGRAM. It is projected that 270 cases will be dealt with in 1991 compared to 205 cases in 1990. It does not make sense to cut funding from a program whose need is now increasing and will likely increase in 1992.

It is clear, from the religious communities perspective, that what is being decided here is whether this State Legislature is going to choose Community and Justice or finally Chaos and Injustice.

THE FACTS PROGRAM SHOULD BE FULLY FUNDED SO THAT IT CAN CONTINUE ITS POSITIVE EFFECT IN BUILDING RURAL COMMUNITY IN THE 1990'S AND SERVING JUSTICE.

Representative Lee Hamm, Chair, House Agriculture Committee
February 7, 1991

Statement, presented by John Stitz, Dir, Catholic Rural Life
Archdiocese of Kansas City, Kansas

Concerning: Funding of the F.A.C.T.S. program

I speak on behalf of the Catholic Rural Life Office and Archbishop Ignatius Strecker, Archdiocese of Kansas City, Kansas. We encourage members of the committee to vote for and work for full funding of the F.A.C.T.S. Program. We present the following reasons to support our plea.

1. The F.A.C.T.S. program under the very able leadership of Dr. Stan Ward, has served Kansas with a sensitivity to the real problems facing family farmers and rural people.

2. The problems facing farmers are still with us. Just note the prices that farmers receive for their production. On average they receive about sixty percent of parity, or what is just, equitable, and morally right in our economy.

3. We realize that property tax relief and implementing alternative taxes is a major issue for Kansans. We realize that the state is faced with raising taxes to pay for human needs in our state. Farm income is a major factor in solving the economic problems of the state. To reduce the number of farmers, and family farms, an apparent goal of federal farm policies, decreases income received upon which taxes are paid. When F.A.C.T.S. helps a rural family to survive either through counseling or mediation, F.A.C.T.S. contributes to strengthening farm income and the tax base in Kansas. Why eliminate something that works, or at least positively helps?

4. The Gulf war, which is a war over oil, as Senator Bob Dole told the Senate on October 16, 1990, and we believe him, is going to hit farmers the hardest in our economy. Production costs are going to increase. Therefore, we believe in the necessity of maintaining the F.A.C.T.S. program, now more than ever before.

In closing, the issue really is, do we want to preserve the family farm and the rural communities of Kansas? I thank you for your time and consideration.

Hs. Ag.

2/7/91

ATTACHMENT 6

STATEMENT TO THE HOUSE AGRICULTURAL COMMITTEE

ON THE FACTS PROGRAM

FEBRUARY 7, 1991

GOOD MORNING,

MY NAME IS TOM GIESSEL. I FARM IN PAWNEE COUNTY ALONG WITH MY BROTHER AND OUR FAMILIES. WE HAVE A DIVERSIFIED OPERATION RAISING WHEAT, MILO, ALFALFA AND COW-CALF HERD. I SERVE AS VICE-PRESIDENT OF THE KANSAS FARMERS UNION AND PRESIDENT OF THE PAWNEE COUNTY FARMERS UNION.

I AM HERE TODAY TO EXPRESS MY SUPPORT FOR THE F.A.C.T.S. PROGRAM. THIS PROGRAM CAME INTO BEING DURING THE HIGHLY PUBLICIZED FARM CRISIS OF THE EIGHTIES. THAT CRISIS HAS SINCE PASSED, BUT ONLY FOR THOSE WHO HAVE LEFT RURAL AMERICA. WHAT HAS HAPPENED IN THE WAKE IS YET ANOTHER FARM CRISIS. AGRICULTURAL POLICY IN OUR COUNTRY ALONG WITH ITS FARM PROGRAMS COULD BE COMPARED TO THE FRIDAY THE 13TH MOVIE AND ITS SEQUELS. IT ONLY GETS WORSE WITH EACH SUCCEEDING PROGRAM.

THE BOTTOM LINE REMAINS THAT NOBODY IS SAFE AS LONG AS THE MORALITY OF FARM POLICY CONTINUES TO DETERIORATE. EFFICIENCY IS DETERMINED BY POLICYMAKERS IN WASHINGTON D.C., NOT BY THE ABILITIES OF THE PRODUCER.

CHANGES ABOUND IN THE COUNTRYSIDE, BUT THERE HAS BEEN ONE STARTLING CHANGE I HAVE NOTICED IN RECENT MONTHS. FARMERS MY AGE, WHO ARE NOT OR HAVE NOT BEEN IN FINANCIAL DIFFICULTY, ARE QUIETLY CONSIDERING CALLING IT QUILTS. THEY CAN SEE THE HANDWRITING ON THE WALL. THEY WANT TO GET OUT WHILE THEY STILL HAVE A LITTLE LEFT. THE SACRIFICES ARE TOO GREAT, THE REWARDS TOO LITTLE. I BELIEVE THE STATISTICS WILL BEAR THIS OUT. THERE HAVE BEEN MORE CALLS TO F.A.C.T.S. NOT LESS. NOW IS NOT THE TIME TO CUT THE PHONE LINE. I UNDERSTAND CALLS WERE UP 38% IN 1990 OVER 1989 AND THEY ARE ANTICIPATED TO BE UP MORE THAN THIS IN 1991 OVER 1990.

OVER

Hs. Ag.
2/7/91
ATTACHMENT 7

AND THE F.A.C.T.S. PROGRAM HAS BEEN UNIQUELY SUCCESSFUL IN MAKING HELP AVAILABLE TO FARMERS FROM EXISTING STATE AND FEDERAL AGENCIES THAT IN THE PAST WERE UNKNOWN OR POORLY USED.

IN CONCLUSION, LET ME SAY THIS. AS KANSANS WE SHOULD BE PROUD OF OUR FACTS PROGRAM. IT HAS ACCOMPLISHED MORE THAN ANYBODY COULD HAVE DREAMED. IT PULLED TOGETHER AGENCIES TO ASSIST RURAL RESIDENTS IN TIMES OF NEED AND IN MANY CASES, CRISIS. I BELIEVE IT HAS SAVED LIVES, FAMILIES, FARMS AND THE TAXPAYERS MONEY. IT HAS TO BE RATED ONE OF THE BEST FARM PROGRAMS EVER (STATE OR FEDERAL). WHILE MOST LEGISLATION HAS BEEN SLANTED IN FAVOR OF OTHERS, THIS PROGRAM HAS HELPED THOSE IT WAS DESIGNED TO HELP. IT HAS TAKEN ALL OF THE NEGATIVES AND ATTEMPTED TO TURN THEM INTO POSITIVES (AND HAS BEEN HIGHLY SUCCESSFUL). NO OTHER PROGRAM CAN REMOTELY COMPARE. IT WOULD BE A MANIFESTATION OF GROSS IGNORANCE OR CALLOUS DISREGARD TO DO ANYTHING BUT MORE THAN WE ALREADY HAVE DONE. THE FACTS PROGRAM IS A SOURCE OF PRIDE TO ME AND MANY OTHER KANSANS. IT RECOGNIZES THE VALUES INHERENT TO RURAL AMERICA -- THE FACT THAT WE WILL DO WHATEVER IS NECESSARY TO PROTECT AND PROMOTE OUR PEOPLE, RESOURCES AND FUTURE.

IN SHORT, WE SHOULD CONTINUE THIS PROGRAM BECAUSE OF ITS PROVEN SUCCESSFULNESS IN ITS APPOINTED GOALS, NOT PENALIZE OR DESTROY IT DUE TO CHEAP AND SELFISH, PETTY POLITICS.

TOM GIESSEL

Don Honig, President, Pottawatomie Farmers Union

KANSAS TESTIMONY

Good morning, my name is Don Honig. My wife, Kathy, and I operate a cattle, hog, and grain farm near Onaga in partnership with my father. I'm a member of the Kansas Farmers Union, and am testifying on behalf of myself and the Farmers Union.

No one in this room probably needs to be reminded of the historical volatility of the agricultural marketplace. Year by year, our commodity markets fluctuate significantly as a result of weather conditions, government policy, foreign trade demand, and other factors.

But the volatility experienced in the mid 1980's was far more serious than anything experienced in the previous four decades. As farm real estate values and farm incomes plummeted in the mid-1980's, thousands of farmers across our state were threatened with the loss, not only of their farms, but of their families and their emotional well-being.

It was then that Kansas stepped forward with an innovative program to assist farmers in need. Since then, the Kansas FACTS program has demonstrated its worth many times over. In many instances, personnel from the FACTS program were able to step in to help mediate a solution between a farmer and his or her creditors. In other instances staff from the FACTS program provided basic counseling that enabled families to stay together during times of overwhelming economic and emotional stress. And in other instances, personnel from the FACTS program provided the type of nuts and bolts assistance to assist a farmer in developing a positive cash flow plan.

No, the FACTS program did not save every farmer in need. No program could--or should--realistically accomplish that goal. But there is no doubt that hundreds of farm families weathered the economic turbulence of the 1980's--in large part--because of the assistance provided by the Kansas FACTS program. Even many of those who exited farming in the last decade can thank the FACTS program for helping to smooth the difficult transition to another career.

As we look forward into the 1990's, there could be no worse time to propose elimination of this vital program.

The volatility of recent past promises only to intensify in the years ahead. Last fall, Congress enacted, and the President signed--a new farm bill and budget reconciliation package which will dramatically decrease the support provided to agriculture through federal farm policy.

Last year, the Congressional Budget Office directed that the policies included in the 1990 Farm Bill and Budget Reconciliation Package could result in the loss of up to 500,000 farms by 1995. That prediction was made before the situation in the Mideast caused the prices for all petroleum-based inputs to skyrocket.

OVER

Hs. Ag.
2-7-91
ATTACHMENT B

Recent events seem to validate the Congressional Budget Office's prediction.

Responding to the new federal policy, wheat prices dropped by nearly \$1.00 per bushel in eastern Kansas in the last six months. (Include some personal notations regarding the impact of this type of price drop).

The pay price received by dairy farmers has likewise declined by more than \$3 per hundredweight in the last four months alone, resulting in a loss of about \$4,000 per month for the average dairy farmer.

These types of loss in cash flow and income clearly signal that another round of financial disaster awaits farm families throughout Kansas and the rest of rural America. This catastrophe will weigh particularly heavy upon those farmers who are just entering business--usually with a significant debt load, and upon those who may have weathered the last round of collapsing prices by restructuring their debts. In any event, if the state of Kansas stands idle in the face of this collapse, those farmers who survive the 1990's may be our older, established farmers with low debt loads, and absentee investors who can rely upon financing and markets outside of our local communities.

We can't let this happen. The major product being exported from too many rural communities already is youth. Too few young people are staying on our farms, and in our small communities. FACTS can continue to serve as a vital resource in helping farmers survive, and in pointing the way for producers to engage in the production and marketing of new products which will make them less vulnerable to the volatility of our traditional markets.

Upon its creation, the FACTS program was seen by this legislature as an investment in the future of rural Kansas. As challenges continue to mount upon farmers and ranchers, this legislation would reaffirm its investment and maintain FACTS as a vital resource for Kansas agriculture and rural communities.

Thank you for this opportunity to testify.

TO: House of Representative Agriculture Committee

SUBJECT: FACTS

FROM: Walter E. Schoen (913-781-4879)
Farmer and Ag. Financial Consultant
RR 2 Box 44
Cawker City, Kansas 67430

1. One farmer friend restructured his finances and now owes the IRS \$6,000. which he doesn't have.
2. Thirty-five farm families have restructured their finances with my assistance and are still farming, contributing to their communities and paying taxes.
3. Two agriculture related business men have transferred to other occupations with the FACTS team and myself assisting.
4. Four farmers quit farming. They quit without a deficiency judgement or taxes due. One has died of a heart attack.
5. Of approximately forty men, eight were known suicidal.
6. I have represented six farmers in mediation and one FHA appeal with 100% success rate. Without training from FACTS, I would not have attempted such a serious undertaking.
7. My main job is acting as confidential sounding board while exploring alternatives to the present financial stress.
8. I have received great support from attorneys, accountants, clergy, clinical therapists, real estate agents, extension and FACTS personnel and my family.
9. County agents are handicapped due to necessary involvement with creditors, (bank, FHA, etc.) and other community activities.
10. I now represent AG SERVICES of America, Cedar Falls, Iowa in extending crop input loans to farmers irregardless of their previous financial status. Credit will become the largest stumbling block to farmers and ranchers in the future.

H.S. Ag.
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ATTACHMENT 9

TESTIMONY BEFORE THE HOUSE AGRICULTURE COMMITTEE IN SUPPORT
OF THE CONTINUATION OF FACTS

Raymond Regier
RR 1, Box 78
Moundridge, Kansas 67107
(316) 345-8454

My name is Raymond Regier. I am a retired farmer living in Harvey County. I'm a 1950 graduate of Kansas State University with a degree in Agricultural Administration. I am also the Mennonite (Western District Conference of the General Conference Mennonite Church) representative to the Kansas Interfaith Rural Life Committee, currently serving as chairman of the group.

The Interfaith Rural Life Committee (IRLC) applauded the Legislature when it established the Farmers Assistance Counselling and Training Service (FACTS) several years ago; the IRLC now urges the Kansas Legislature to provide for the continuation of FACTS.

Had FACTS not been established, the IRLC would have felt a strong need to set up some kind of assistance program of its own for distressed farmers. The religious community would have been hard pressed to bring forth the resources necessary to come even close to doing what the FACTS program has in fact done. The situation in rural communities changes, obviously, as it does in all places. But, we are convinced, the need for services which have been so ably provided by FACTS continues.

Let me read to you the IRLC's Statement of Purpose:

"The purpose of the Interfaith Rural Life Committee is to empower the people of Kansas to work toward wholeness of community and personhood that values vital rural communities. Within this purpose, the Committee will work to assure:

- 1) A stewardship of creation that embodies God's intention for air, land, and water;
- 2) A system of justice that will assure sustainability in agriculture and rural communities;
- 3) A continuation of the biblical and American traditions of individual family land ownership and operation."

The concepts of community and of sustainability are very much at the heart of our concerns. The word "sustainability" can appropriately be used in numerous settings. We are concerned that farmers be sustained economically on their own farms; when a farmer feels the forces of a hostile economy we are pleased that there is the possibility of dialing 1-800-321-FARM. So very frequently, with expert assistance, the existence of a farm can be preserved.

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The continued existence of rural communities is contingent upon there being people in those communities, obviously. We worry that with the departure of numerous farm families that the nature of rural communities will be altered, and not for the better, or that the communities will disappear. We think that the availability of FACTS will continue to help farm families remain in their rural communities and to have a better life while being there.

Fortunately, I personally have never needed the services of FACTS. I do, however, have a bit of knowledge about their skills because I have done a bit of work as a volunteer financial counselor - something I absolutely could not have done without them. During my career as a farmer in Harvey County I feel that life and the economy in general, have been good to me. I have always been optimistic; the future has usually appeared hopeful to me. Our farm has been enrolled in the Kansas Farm Management Association since its beginning (in 1933 in Harvey County). Farm Management fieldmen have always been available to assist with accounting and management problems, opportunities, and choices. My fieldman told me last week that he observes that farmers are not reinvesting in their businesses - that their machinery is depreciating and not being replaced.

My son is now taking steps to succeed me as a farmer, like I succeeded my father, and like my father succeeded my grandfather. I intensely wish that a justifiable sense of hope and optimism could remain to sustain my son in his effort to continue our heritage as farmers in our rural community. But this sense of optimism is struggling to maintain itself in this era. I would be at least partially and modestly relieved if I knew that the expertise of the FACTS organization would continue to be available to my son if he should need it.

Especially in the interest of sustaining viable rural communities, I urge that the Farmers Assistance Counselling and Training Service be continued.

The Kansas Bankers Association

1500 Merchants National Bank Bldg.

Topeka, KS 66612

913-232-3444

2-6-91

TO: House Agriculture and Small Business Committee

FROM: Charles Stones, Director of Research, Kansas Bankers Association

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before the Committee in support of HB 2077, the extension of the FACTS program in Kansas. The KBA represents 546 banks in Kansas and the 14,000+ people employed by Kansas banks. The KBA has been and continues to be a strong supporter of the FACTS program. We have had Stan Ward and Earl Wright of the FACTS program on several of our programs to help promote the program among bankers. We agree that Kansas IS agriculture. As we saw in the mid 1980's banking profitability in Kansas closely follows farm profitability. Banks in rural Kansas are in the business of making good farm loans, that is how a bank makes money. If the FACTS program can assist a farmer survive, get back on their feet and become profitable again we are in full support of those efforts.

For these reasons we would ask that you consider HB 2077 favorable for passage.

Hs. Ag.

2-7-91

ATTACHMENT 11

THE KANSAS RURAL CENTER, INC.

304 Pratt Street

WHITING, KANSAS 66552

Phone: (913) 873-3431

February 6, 1991

In Support of HB No. 2077
FACTS Reauthorization

The Rural Center is a non profit corporation that does research, writing and advocacy work sustaining rural communities and farms. The Center was formed in 1979 out of a concern for the demise of family farms, the shrinking of rural towns, and the loss of political power and economic opportunity for people in rural areas. While we have seen better economic times in the 80's, we have not found assurance for the vitality of family farms and rural communities.

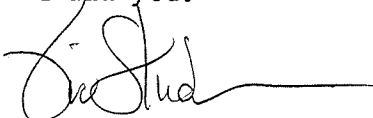
Legislation (HB 2077) is being debated in the House Agriculture Committee to extend the Farmers, Assistance, Counseling, and Training Service (FACTS) beyond it's September 1991 sunset. Continuance of the program, which provides legal aid and mediation referrals, is in need to insure direct assistance to farmers and farm families who often feel they have no place to turn.

According to the FACTS office in Manhattan, requests for assistance have been on the rise in recent months. There were approximately 2057 hotline calls during the last half of 1990. Of those calls, the overwhelming majority approximately 60% sought assistance for financial-legal problems. Further assistance of 24% was sought for employment retraining, 11% for family needs and 5% for additional services such as referrals, farm program information, legislative information requests, and community development requests.

The KSU Cooperative Extension Service reports a substantial minority of Kansas farmers remain under severe economic distress. Fifty-eight percent (58%) of the commercial farmers examined by the Kansas Farm Management Association in 1990 "failed to generate sufficient net farm income (\$25,000) to cover long term family living needs". (This number is up from 37% in 1987.) According to the Kansas Agricultural Statistics, the percentage of farms in a favorable financial position decreased from 57% to 52% in 1989. The percentage of farms classified as vulnerable to high debt and low income increased from 5% in 1988 to 11% in 1989. (No 1990 stats were available at this time.) The state mediation program reports that eighty seven new mediation cases were opened in 1990 and more than twenty five new cases have been already been opened this year. Most of these requests involve the Farmers Home Administration. Organizations providing direct assistance to farmers also report a continuing high level of requests for help.

Although statistics do not begin to tell the whole story of farm distress, they do indicate that a need for FACTS continues. Your support for the program is greatly needed and I urge you to pass HB2077 and reaffirm the FACTS program.

Thank you.



Victoria Studer
Executive Director

HS. AG.
2-7-91
ATTACHMENT 12