	Approved February 24, 1987
MINUTES OF THE Senate COMMITTEE The meeting was called to order by Senator M	ON Agriculture
10:07 a.m. Axx on February 19 All members were present except: Senator All Senator Ara	
	, Legislative Research Department evisor of Statutes Department

Conferees appearing before the committee: Sam Reda, State Grain Inspection Department Sam Brownback, Secretary of State Board of

Agriculture
Bill Fuller, Kansas Farm Bureau
Howard Tice, Kansas Association of Wheat Growers
Ivan Wyatt, Kansas Farmers Union
Roger McCollister, Kansas Legal Services
Frank Williams, rural Topeka

 $\label{thm:condition} \mbox{ Vice-Chairman Senator Montgomery called the Committee to order and called on Sam Reda to present a legislative request.}$

Mr. Reda presented written copies to the Committee explaining needed legislation by the State Grain Inspection Department ($\underline{\text{attachment 1}}$).

Senator Doyen made a motion the Committee receive the request for the needed legislation for the Grain Inspection Department as presented in the written handout. Senator Thiessen seconded the motion. Motion carried.

The Vice-Chairman called attention to SB 152 for continued hearings. He called attention to written testimony (attachment 2) for SB 152 by Joe and Dorothy Straub who could not be present to testify. Mr. and Mrs. Straub requested the continuation of the FACTS Program with legal assistance. The Vice-Chairman then called on Sam Brownback to testify.

Mr. Brownback gave copies of his testimony to the Committee (attachment 3) Mr. Brownback expressed the need for the continuation of the FACTS Program and sufficient funding for the service to continue. Mr. Brownback requested changes in the bill in section c starting on line 57 by adding the words 'by contract', after the word 'staff,' and striking 'legal assistance' and adding 'legal advice and referrals', and striking 'and other' and adding 'personal and family' and adding 'other related services' at the end of section c.

During Committee discussion Mr. Brownback stated the FACTS Program would be worthwhile to continue with the proposed amount of budget but that more funding is desired in order to provide all the services that have been started and with legal assistance. The feeling was expressed that the Agriculture Committee should endorse passage of SB 152 with full funding including legal assistance and then to encourage Ways and Means to appropriate the full funding.

The Vice-Chairman thanked Mr. Brownback and called on Bill Fuller to testify.

Mr. Fuller gave copies of his testimony to the Committee ($\underline{\text{attachment 4}}$). Mr. Fuller expressed support for the amendment suggested by Mr. Brownback and for SB 152.

CONTINUATION SHEET

MINUTES OF THE _	Senate C	COMMITTEE ON	Agriculture	······································
room 423-S, Stateho	ouse, at <u>10:07</u>	a.m./ \% \% on	February 19,	

The Vice-Chairman thanked Mr. Fuller and called on Howard Tice to testify.

Mr. Tice handed copies of his testimony to the Committee members (attachment 5). Mr. Tice expressed support for the continuing of the FACTS Program fully funded and fully staffed. Mr. Tice stated that the Committee should pass a bill to continue the FACTS Program with full funding and to request that Ways and Means approve full funding.

The Vice-Chairman thanked Mr. Tice and called on Roger McCollister to testify.

Mr. McCollister gave copies to the Committee of information concerning how Kansas Legal Services has been a working part of the FACTS Program (attachment 6). He expressed the desire of the Kansas Legal Services to continue to be a part of the program. He stated that if a hot line is continued as a part of the FACTS Program that there needs to be a place to refer the legal problems because by statute the Extension Service is not allowed to give legal advice. Mr. McCollister expressed the hope that a FACTS bill would be passed and with legal services as part of it.

The Vice-Chairman thanked Mr. McCollister and called on Ivan Wyatt to testify.

Mr. Wyatt provided copies of his testimony to the Committee (attachment 7). Mr. Wyatt expressed the need for the FACTS Program to continue with full funding and requested the Committee work for its passage with full funding.

The Vice-Chairman thanked Mr. Wyatt and called on Frank Williams to testify.

Mr. Williams expressed support for the full funding of the FACTS Program and encouraged the Committee to support full funding of the program.

Senator Montgomery adjourned the Committee at 11:02 a.m.

COMMITTEE: SENATE AGRICULTURE DATE: February 19, 1987

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Tom lamb		box's Office
Mark Behersten	Espora	Ser. Burke.
ZEW SCHWEIDER	TOPEXA	KS . ZIFAL CENTER
Ed Romieh	Gall KS	Ks. Decel Cate
BILL R. FWLER	Manhattan	Konsad Jarm Bureau
Chris Wilson	Hutchinson	KS Grain Food Assn.
Jop Lieber	Topolac	As Co-of Cource
door fit		Ko dasal Saevars
Dale Faosare RAZ	Harvell, Kr 66032	Renal Telle California
Wilbur Leonard	TopeKa	Comm Ks. Farm Org.
armena Ford	Fall River Ks	Observer
togen McCollister	Topeka, Ks	Kansas hegal Services
FRANK Williams.	RR#13 copili	SEIL.
STAN WARD	MANHATTAN	FACTS
JOHN Stitz	K.C.KS	CATHOLIC RUFAL LIFE
Ivan Wyatt	MPherson	Rotarmen Union

WAREHOUSE

1. THE "WAREHOUSE DIVISION" NEEDS ADDITIONAL REVENUE TO TRY TO ACCOMPLISH
THE RECOMMENDED EXAMINATIONS BY STATUTE (3 IN 2 YEARS) AND DUE TO ADDITIONAL
EXAMINATION PROCEDURES PROPOSED AND IMPLEMENTED BY THE "STATE OF KANSAS"
AND U.S.D.A. WITH WHOM WE HAVE A "COOPERATIVE AGREEMENT" AND RECEIVE
REVENUE FROM THEM.

ALSO, THE ECONOMY HAS CAUSED ADDITIONAL FINANCIAL PROBLEMS WITH WAREHOUSEMAN AND OUR EXAMINATIONS HAVE INCLUDED MANY HOURS OF SURVIELLANCE AT A FACILITY BY OUR EXAMINER.

POSSIBLE WAYS OF ADDITIONAL REVENUE:

- (a) FUNCTIONAL UNITS WOULD HAVE AN ADDITIONAL CHARGE (SEE EXAMPLE #1)
- (b) LICENSE FEE INCREASE (SEE EXAMPLE #2)
- (c) IF AN INDEMNITY FUND WOULD BE IMPLEMENTED AND A PERCENTAGE OF THAT FUND COULD BE USED FOR EXAMINATION PURPOSES.
- 2. DUE TO U.S.D.A. AND IMPLEMENTATION OF A FINAL RULE REGARDING FINANCIAL APPROVAL EFFECTIVE 4-1-87 ON ALL WAREHOUSES WITH U.G.S.A., WE FEEL THE "STATE OF KANSAS" SHOULD IMPLEMENT THIS RULE BECAUSE OF OUR (535) LICENSED FACILITIES, ONLY 39 OR 7.3% OF THE WAREHOUSEMEN DO NOT HAVE U.G.S.A. WITH THE U.S.D.A., SO 92.7% WOULD COME UNDER THIS RULE FOR THE FEDERAL AGENCY ANYWAY. (SEE EXAMPLE #3)

RULE CHANGES

- (a) MINIMUM NET WORTH REQUIREMENTS FROM \$25,000 TO \$50,000.
- (b) INCREASE THE MAXIMUM NET WORTH REQUIREMENT BY INCREASING THE BUSHEL RATE USED TO DETERMINE THE REQUIREMENT FROM .20¢ PER BU. TO .25¢ PER BU. OF APPROVED CAPACITY FOR WAREHOUSEMEN.

attachment 1 Senate agriculture 2-19-87

- 3. ANY OPEN STORAGE, WAREHOUSE RECEIPTS AND GRAIN BANK GRAIN WHICH WAS PAID FOR BY THE WAREHOUSEMEN BY CHECK AND SAID CHECK FAILS TO CLEAR THE BANK WITHIN A (10) DAY PERIOD, THEN THAT BUSHEL AMOUNT WILL BE PUT BACK IN THE WAREHOUSEMEN'S DAILY POSITION RECORD AS A GRAIN OBLIGATION. WE FEEL THE SALE WAS NOT CONSUMATED BY THE INSUFFICIENT CHECK NOT CLEARING THE BANK.
- 4. WE WOULD LIKE TO SEE LEGISLATION CHANGING THE EXAMINATIONS PERFORMED FROM 3 TIMES IN EACH TWENTY FOUR MONTH PERIOD AND AT LEAST ONCE IN EACH TWELVE MONTH PERIOD, TO
 - (1) COMPLETE EXAMINATION OF THE LICENSEE BY THE DEPARTMENT EACH YEAR.

 WE HOPE WE CAN MAKE THE (3) EXAMS IN A 2 YEAR PERIOD AND BARRING ANY

 SERIOUS PROBLEMS: POSSIBLY (2) PER YEAR, BUT WE FEEL BEING PRESSED

 TO DO THE (3) IN (2) YEARS, MAY HAVE US VEER FROM MAKING ADDITIONAL

 EXAMS ON SOME FINANCIALLY TROUBLED OR PROBLEM WAREHOUSES DURING THE

 (2) YEAR PERIOD. WE HAVE AT VARIOUS TIMES PERFORMED 4 to 5 EXAMS

 DURING A 12 MONTH PERIOD ON SUCH HOUSES AS MENTIONED ABOVE. WHAT

 MAY COMPOUND THE PROBLEM IS BONDING CO.'S RELUCTANCE TO FURNISH

 BONDS. ON BANKRUPTCIES, THE EXAMINER WILL STAY ON SURVIELLANCES AT

 THE TROUBLED FACILITIES DURING THIS TIME. THIS HAS CAUSED US LOST

 MAN HOURS OF APPROXIMATELY 3 MONTHS OR 470 HOURS FOR EXAM PURPOSES

 DURING A 1 YEAR PERIOD. I BRING THIS UP BECAUSE IT IS SOMETHING

 THAT WE CANNOT CONTROL.
- 5. LETTER OF CREDIT OR CERTIFICATE OF DEPOSIT IN LIEU OF THE REQUIRED BOND. WE FEEL THIS CAN BE UTILIZED DUE TO THE CONTINUOUS BONDS AS OPPOSED TO TERM BONDS, NOW IN PLACE. THE NON-CUMULATIVE FEATURE WILL ACCOMPLISH THIS.

Example #1

- (d) Functional Units The location capacity shall be etermined by the director of the "Kansas state grain inspection department" and shall be the capacity of a fully functional unit operated as a public warehouse.
- (e) A functional facility shall be one which could operate independently if it was separated from other facilities in a merger. Any out-lying unit which is not a fully functional facility shall have its capacity included as part of the combined capacity of the nearest fully functional operating location.
- (f) The annual license fee shall be the sum total of each functional unit and shall be assessed at your licensing period.

MAJOR GRAIN STATES CONTACTED ON LICENSE FEE REQUIREMENTS:

	MINIMUM	MAXIMUM
Kansas Alabama Arkansas Colorado Indiana Iowa Nebraska Missouri North Dakota Illinois Oklahoma Ohio South Dakota South Carolina Texas Washington State	\$ 250.00 One Fee One Fee One Fee 50.00 35.00 30.00 50.00 100.00 One Fee One Fee One Fee One Fee One Fee One Fee One Fee One Fee	\$ 3,050.00 50.00 150.00 250.00 265.00 1,650.00 490.00 250.00 100.00 250.00 30.00 50.00 150.00 200.00

	MINIMUM \$ 75.00	MAXIMUM	
Average	\$ 75.00	\$ 269.00	
Kansas	250.00	3,050.00	



gricultural Stabilization and Conservation Service

Post C e Box 419205 Kansas City, Missouri 64141-0205

October 31, 1986

In reply refer to: KCCO/FJH

NOV 1986

RECEIVED

WAREHOUSE

DIVISION

Mr. Sam J. Reda Chief, Warehouse Division Grain Inspection Department P. O. Box 1918 Topeka, Kansas 66601

Dear Mr. Reda:

We are enclosing a copy of the Federal Register dated September 15, 1986 which relates to the final rule regarding changes in the Commodity Credit Corporation Standards for Approval of Warehouses for Grain, Rice, Dry Edible Beans, and Seed. Implementation of the provisions of this final rule will be effective April 1, 1987.

Said final rule changes the minimum net worth requirement from \$25,000.00 to \$50,000.00 and increases the maximum net worth requirement by increasing the bushel/hundredweight rate used to determine the requirement from 20 cents per bushel* (bu.) to 25 cents per bu. of approved capacity for grain warehousemen; from 40 cents per hundredweight (cwt.) to 50 cents per cwt. for rough rice; from 70 cents per cwt. to 85 cents per cwt. for milled rice; from 50 cents per cwt. to 60 cents per cwt. for dry edible beans; and from 6 cents per pound (lb.) to 7 cents per lb. for seed.

In view of our cooperative agreement concerning the review of financial statements, we request that you implement these changes effective $\frac{\text{April l}}{\text{1987}}$ and refer all financial statements of warehousemen who fail to meet the revised net worth requirements to our office for further action.

If you have any questions concerning this matter you should contact our office for clarification.

Sincerely,

Frank J. Heili

Asst. to the Director

Kansas City Commodity Office

Enclosures



respect for a commodity loan as otherwise provided by this part.

3.7 CFR 1421.7(a) is sericed to read as follows:

- -

§ 1421.7 Approved steelings.

(a) Approved farm storage shall consist of a storage structure located on or off the farm (excluding public warehouses) which is determined by a representative of the county committee to afford safe storage of the commodity. As may be determined and announced by the Executive Vice President, CCC, approved farm storage may also include on-ground storage, temporary storage structures, or other storage arrangements.

Signed at Washington, DC, on September 4, 1986.

Milton J. Hertz.

Acting Executive Vice President, Commodity Credit Corporation.

[FR Doc. 85-20706 Filed 9-12-86: 8:45 am]

7 CFR Part 1421

Standards for Approval of Warehouses for Grain, Rica, Dry Edible Beens, and Seed

AGENCY: Commodity Credit Corporation. USDA.

across Final rule.

SUMMARY: The purpose of this rule is to amend the regulations at 7 CFR 1421.5551 et seq. relating to the Commodity Credit Corporation (CCC) Standards for Approval of Warehouses for Grain, Rice, Dry Edible Beans, and Seed. The final rule will: (1) Increase the minimum net worth requirements applicable to contracting warehousemen. (2) increase the maximum net worth requirement by adjusting the per bushel/hundredweight rate used to determine the requirement. (3) provide for the payment of application and inspection fees by warehousemen seeking initial approval to enter into a storage agreement with CCC and. (4) provide for the proration of the first year's contract fees if the initial contract approval date dues not coincide with the annual renewal date.

EFFECTIVE DATE: April 1, 1987.

FOR FURTHER INFORMATION CONTACT: Steven Closson, Chief, Storage Contract Branch, Warehouse Division, USDA, Room 5768-South Building, P.O. Box 2415, Washington, DC 20013, (202) 447-11.

SUPPLEMENTARY BEFORMATION This final rule has been reviewed under USDA procedures required by Executive Order 12291 and Departmental Regulations 1512-1 and has been classified as "not major" since implementation of the provisions of this rule will not result in: (1) An annual effect on the economy of \$100 million or more: (2) a major increase in costs or prices for consumers, individual industries. Federal. State or local governments, or geographical regions; or (3) significant adverse effects on competition, employment, investment, productivity, innovation, the environment or the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

This program/activity is not subject to the provisions of Executive Order 12372 which requires intergovernmental consultation with State and local officials. See the Notice related to 7 CFR Part 3015, Subpart V. published at 48 FR

28115 (June 24, 1983).

It has been determined that the Regulatory Flexibility Act is not applicable to this rule since CCC is not required by 5 U.S.C. 553 or any other provision of law to publish a notice of proposed rulemaking with respect to the subject matter of this proposed rule.

It has been determined by an environmental evaluation that this action will have no significant adverse impact on the quality of the human environment. Therefore, neither an environmental assessment nor an Environmental Impact Statement is needed.

The CCC Charter Act (15 U.S.C. 714 et seq.) authorizes CCC to conduct various activities to stabilize, support, and protect farm income and prices. CCC is authorized to carry out such activities as making price support available with respect to various agricultural commodities, removing and disposing of surplus agricultural commodities, exporting or siding in the exportation of agricultural commodities, and procuring agricultural commodities for sale both in the domestic market and abroad.

Section 4(h) of the CCC Charter Act provides that CCC shall not acquire real property in order to provide storage facilities for agricultural commodities, unless CCC determines that private facilities for the storage of such commodities are inadequate. Further, Section 5 of the CCC Charter Act provides that, in carrying out the Corporation's purchasing and selling operations, and in the warehousing.

servering serving as harding of a sericultural commodities. ECC is a directed to use, to the maximum extent practicable, the usual and customary channels, facilities, and arrangements of trade and commerce.

Accordingly, GCC has set forth Standards for Approval of Warehouses for Grain. Rice, Dry Edible Beans, and Seed which must be met by warehousemen before CCC will enter into storage agreements with such warehousemen for the storage of grain and other commodities which are owned by CCC or which are serving as collateral for CCC price support loans.

Changes in the grain warehousing industry, financial institution requirements, and Federal contracting requirements during the past few years necessitate updating the Standards for Approval of Warehouses for Grain, Rice, Dry Edible Beans, and Seed.

Accordingly, a Notice of Proposed rulemaking was published by the Department in the Federal Register on March 24, 1988, 51 FR 9971, requesting comments with respect to a number of proposals regarding changes in the Standards for Approval of Warshouses for Grain, Rice, Dry Edible Beans, and Seed. The comment period was for 30 days and ended on April 23, 1988.

Amendments to the regulations were proposed which would: (1) Increase the minimum net worth requirement applicable to contracting warehousemen, (2) increase the maximum net worth requirement by increasing the per bushel/ hundredweight rate used to determine the requirement. (3) provide for the payment of application and inspection fees by warehousemen seeking initial approval to enter into a storage agreement with CCC and. (4) provide for the proration of the first year's contract fee if the initial contract approval date does not coincide with the annual renewal date. CCC also requested comments regarding a proposed change in the annual renewal date for the Uniform Grain Storage Agreement (UCSA) and the Uniform Rice Storage Agreement (URSA) from July 1 to April 1 in 1987.

Two warehousemen, one national grain and feed association, and one State grain and feed association responded to the proposed changes. The State grain and feed association supported all of the proposed changes and felt the proposed change in contract renewal dates would be most beneficial to producers and warehousemen in its State

Two respondents expressed concern over the proposed increases in the net

worth medical case. They stated that ---CCC's proposal to increase the minimum net worth and the forerula used to calculate the maximum not worth sends a strong and discouraging signal to . -warehousemen that are considering investments to expend their storage facilities. They indicated that the proposal would inhibit, rather than encourage construction or renovation of additional commercial storage space. Further, they stated that this proposal would have a negative impact on country elevators that were considering expanding and enlarging their storage facilities.

After careful consideration of these comments, it has been determined that the change in net worth requirements abould have little or no effect on the number of warehousemen that are planning to construct or renovate additional storage space.

Warehousemen who would have problems meeting the proposed increases in net worth requirements would also have problems obtaining the necessary funds to expand their storage capacities.

Increasing the net worth requirements will help reduce the number of warehouse bankraptcies and liquidations and will reduce the amount of losses to CCC, producers, and other depositors when warehouse bankruptcies and liquidations do occur. Therefore, the provisions of the proposed rule will be adopted without change in the final rule.

Two of the respondents commented on, but did not object to, the provisions in the proposed rule to change the annual contract renewal date from July 1 to April 1. They suggested that CCC consider two contract renewal dates. The first contract renewal date would be on April 1 for warehousemen in areas where producers harvest their grain in May and June and the second renewal date on July 1 or October 1 for warehousemen storing feed grains and soybeans. After reviewing all the comments received on this issue, it has been determined to change the annual contract renewal date from July 1 to April 1, effective April 1, 1987, Such a change will enable producers who harvest their grain in May and June to know the storage and handling rates to which their grain will be subject. However, CCC will continue to review the suggestion concerning two renewal dates and will make such a change in the future if it is necessary.

Another comment supported the proposal requiring payment of application and inspection fees by

wardstander seeking initial approval "
to easist into a storage agreement with
CCC and the proposal to prorate the
first year's contract fees.

Accordingly, it has been determined that the provisions of the proposed rule should be adopted without change as a final rule.

List of Subjects in 7 CFR Part 1421

Graina, Loan programs—agriculture.

Oilseeds, Peanuts, Price support
programs, Soybeans, Surety bonds;
Tobacco, and Warehouses.

Final Rule

PART 1421-(AMENDED)

Accordingly, the regulations at 7 CFR Part 1421 are amended as follows:

1. The authority citation for 7 CFR Part 1421, continues to read as follows:

Authority: Secs. 4 and 5 of the Commodity Credit Corporation Charter Act. as amended. 82 Stat. 1070. as amended. 1072 (15 U.S.C. 714b and 714c); secs. 101. 101A. 108C. 107D. 201. 301. 601. 403 and 405 of the Agricultural Act of 1949, as amended. 63 Stat. 1051. as amended. 99 Stat. 1419. as amended. 1395. as amended. 1383. as amended. 63 Stat., 1052, as amended. 1053. as amended. 1054. as amended (7 U.S.C. 1441. 1441-1. 1444e. 1445b-3. 1446. 1447. 1421, 1423, and 1425).

2. In section 1421.5552, paragraph (a)(3) is revised to read as follows:

§ 1421.5552 @ssic standards.

(a) · · ·

(3) Have a net worth which is the greater of \$50,000 or an amount which is computed by multiplying the maximum storage capacity of the warehouse (the total quantity of the commodity which the warehouseman desires to store and which the warehouse can accommodate when stored in the customary manner) under the approved contract with CCC times twenty-five (25) cents per bushel in the case of grain, fifty (50) cents per hundredweight in the case of rough rice. eighty-five (85) cents per hundredweight in the case of milled rice, and sixty (60) cents per hundredweight in the case of dry edible beans. In the case of seed, the net worth of the warehouseman shall be at least equal to an amount which is computed by multiplying the estimated number of pounds of seed to be stored times seven (7) cents per pound. If this calculated net worth requirement exceeds \$50.000, the warehouseman may sutisfy any deficiency in net worth between the \$50,000 minimum requirement and such calculated net

worth requirements by Remeding bonds. irravocable letters of credit, or other acceptable substitute security meeting the requirements of § 1421.5553.

3. Section 1421.5555, paragraph (b) is revised as follows:

§ 1421.5655 Exceptions.

- (b) A warehouseman who has a net worth of at least \$50,000 but who fails or whose warehouse fails to meet one or more of the other standards of this subpart may be approved if:
- (1) CCC determines that the warehouse services are needed and the warehouse storage and handling conditions provide satisfactory protection for the commodity, and
- (2) The warehouseman furnishes such additional bond coverage (or cash or acceptable negotiable securities or legal liability insurance policy) as may be prescribed by CCC.
- 6. The heading to section § 1421.5558 is revised and § 1421.5558 is amended by revising paragraph (a)(2), adding a new paragraph (a)(3) and by revising paragraph (b) to read as follows:

§11421.5550 Contract and application and trespection fees.

- (a) · · ·
- (2) All grain and rice warehousemen who do not have an existing agreement with CCC for the storage and handling of CCC-owned commodities or commodities pledged to CCC as loan collateral but who desire such an agreement must pay an application and inspection fee for each warehouse for which CCC approval is sought prior to CCC conducting the original warehouse examination. The annual contract fee must be paid by the warehouseman to CCC prior to the time that the agreement is entered into.
- (3) The contract fee will be prorated based upon the total number of months for which the contract is to be effective.
- (b) The amount of the contract and application and inspection fees shall be determined and announced annually by the Executive Vice President, CCC.

Signed at Washington, DC on September 8, 1986.

Milton J. Hertz.

Acting Executive Vice President, Commodity Cardit Corporation.

[FR Doc. 88-20709 Filed 9-12-86: 8:45 am]

Senate Agriculture Committee Topeka, Kansas

Dear Senator:

Because of a previous commettment, we can not attend your Committee meeting about SB 152 of retaining the Facts program and deleting the legal assistance. We feel the Facts program and the legal assistance is very important to keep in the budget. The Legal and personnel has gained the respect of many of the creditors such as the bankers, F. L. B., Jm. H. a. and S. B.a. They have learned so much about the farm problems that they know how to work with the farmer and his lender.

The hope you can find a way to continue the Facts program and the legal assistance.

Senate agréculture 2-19-87 Joe & Dorocky Straub Belove, Kansas

PRESENTATION TO THE KANSAS SENATE AGRICULTURE COMMITTEE

BY

SAM BROWNBACK
KANSAS SECRETARY OF AGRICULTURE

February 18, 1987

attachment 3 Senate ogriculture 2-19-87 Mr. Chairman and members of the Committee, I am here today in support of the extension of the FACTS program as proposed in Senate Bill 152, however, I do have some suggested amendments to Senate Bill 152.

Although some of the trends are heading in the right direction towards the farm economy turning around and moving toward some more prosperous times there remains a large number of financially stressed farmers who continue to need and use the FACTS service.

The program has been widely received and is enthusiastically supported by almost everyone I visit with. In the first eighteen months of its existence, the FACTS hotline received over 13,000 incoming phone calls requesting assistance. With a staff of only five people the FACTS division has done a Herculian job in answering and assisting many people in their times of need. The idea of an intensive one-stop shop putting that distressed farmer and his family in touch with the resources that presently exist to assist them is a model service for this and other state governments. It has answered a need, unfortunately the need is still present.

The Farm Credit System in the state of Kansas has 2,189 nonperforming loans at the present time. The Farmers Home Administration has 1,464 loans that are presently delinquent in the state of Kansas alone. Many economists think that an additional \$40 billion or more of total farm debt still has to be wrung out before agriculture is on solid ground again, that is expected to take several years. In short, although the trends are going the right directions the numbers are still bad. We still have record foreclosures and bankruptcys and tremendous pain in the countryside. Indeed the FACTS

service is probably needed more now than when it was originally created.

A troubling portion of Senate Bill 152 is the deletion of providing legal assistance to those families experiencing financial stress. A key component of the FACTS program has been the providing of legal assistance and counseling to those who cannot afford it. That portion is deleted in Senate Bill 152 and I ask for you to amend that proposed bill and reinsert The legal proceeding facing financially distressed farmers are it. extremely complicated which not many attorneys in the state of Kansas are interested in getting involved with unless it is on a creditor's side. You have to deal with the foreclosure laws; bankruptcy laws; state laws such as Senate Bill 696, the Family Farm Rehabilitation Act; regulations of federal entities such as the Farmers Home Administration and quasi-governmental entities such as the Farm Credit System. Add to that sorting out ASCS problems and numerous others and you find a very, very complicated area of the law which does not provide much financial reward. There is a shortage of legal assistance to the financially stressed farmer. Being an individual who has worked in this area I feel I can testify from experience on this particular point. Not that there isn't a lot of sympathy there but in a free market system services go where the money is. If the farmer doesn't have the money it's hard to get the service. The providing of legal advice to distressed farm families is crucial for them to know what their rights are.

I do believe that the legal advice and assistance that the Legal Services was providing can be tailored a little better to provide more advice and less in court representation in order to provide assistance to more people. Furthermore, I would like to see a co-pay situation where the

client pays for a portion of their legal services if they are being represented in court by legal services. This would extend the state dollars further, to more people and I believe provide a source of some pride to that distressed farm family that, in many cases, wants to pay for a portion of their legal representation. They are proud people and want to be able to pay their own way if they are given half a chance to do so.

I have a proposed bill in front of you concerning the FACTS program that we would ask you take the language from it and substitute into Senate Bill 152. The Board of Agriculture's proposed bill also allows the Secretary to negotiate contracts without requiring competitive bids to be submitted. The FACTS program needs this freedom because it is required to continually act quickly and particular services that are offered by a certain group may not be as professionally provided by another. The FACTS organization needs this ability to act quickly and with people that it feels can do the job.

In FACTS, the state is getting a critical service provided by a lean, mean staff that does a tremendous job. The FACTS staff is completely dedicated to very difficult problem, they do a great job, however their work is not finished and until it is the program need to be continued.

Mr. Chairman, I would be happy to respond to any questions.

PROPOSED	BILL	NO.	

AN ACT concerning the State Board of Agriculture; relating to the farm assistance, counseling and training referral program; amending K.S.A. 74-545 and repealing the existing section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF KANSAS:

- K.S.A. 74-545 is hereby amended to read as follows: Section 1. The secretary of the state board of agriculture with the cooperation of the director of extension of Kansas state university shall coordinate a farm assistance, counseling and training referral program. For the purposes of providing such assistance and program, the secretary shall utilize the services of the director and division of extension of Kansas state university, other state agencies, county extension personnel, municipal and community services organizations and personnel and private business and professional agencies or services available for such purpose. The secretary shall compile a directory of programs and services which may be utilized in providing the assistance contemplated by this act. required by the secretary for the purposes of implementating this act shall be employed by the secretary with the approval of the director of extension and shall serve in the offices of the division of extension at Kansas state Personnel employed by the secretary for the purpose of university. implementing this act shall be employed as special project employees and shall be in the unclassified service under the Kansas civil service act. The personnel employed by the secretary for this purpose and county extension personnel shall be utilized in: (1) Receiving requests for persons requesting eligibility of assistance: (2) determining the assistance; and (3) determining if such assistance can best be provided by staff or by referral to an apropriate public or private agency or party for direct assistance. Personnel receiving requests for assistance will provide where possible such assistance or refer the person requesting such assistance to an agency or person qualified to provide such assistance.
- (b) Persons shall be eligible to receive assistance pursuant to this act if they: (1) Are primarily engaged in the business of farming, ranching, agribusiness or other agriculture-related activities; and (2) will be unable to continue in such business or activity or be seriously handicapped in such continued operation without the assistance provided pursuant to this act.
- (c) The assistance to be made available to elegible persons by staff, by contract, or by referral to appropriate persons or agencies shall include farm management, legal assistance legal advice and referrals, financial planning, employment services, business planning, mediation, and other personal and family support counseling and other related services.

The secretary shall provide legal assistance through a contract for legal services with any private or corporate law firms

- (d) The secretary is hereby authorized to negotiate and enter into contracts for the performance of the powers, duties and functions of the program established by K.S.A. 74-544 et. seq. and amendments thereto. All such contracts shall be exempt from the competitive bid requirements of K.S.A. 75-3739 and amendments thereto.
 - (d) (e) The provisions of this act shall expire on June 30, ± 987 ± 1990 .



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON AGRICULTURE

RE: S.B. 152 - FACTS Program - Sunset Date Extended and Legal Assistance Contract Deleted

February 18, 1987 Topeka, Kansas

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

Mr. Chairman and Members of the Committee:

My name is Bill Fuller. I am the Assistant Director of Public Affairs for Kansas Farm Bureau. I am speaking on behalf of the farmers and ranchers who are members of the 105 County Farm Bureaus. We appreciate this opportunity to express our support of S.B. 152 which primarily extends the "sunset" for the FACTS program.

In 1985, when FACTS was created by this Legislature, KFB did not have policy on the overall FACTS proposal ... therefore, we were not authorized to support or oppose the bill. However, our statement to the House Ways and Means Committee on April 2, 1985 included these statements: "We too recognize that the problems in the farm economy have reached crisis proportions in many areas ... We desire that farmers and ranchers have full access to all farm management, employment and job retraining services and stress management programs needed while attempting to survive during these very trying times ... We recognize that a beneficial 'toll-free farm crisis hotline' could be developed to refer to farm families needing assistance to the proper agency or resources."

Senate agriculture 2-19-87 Today, our farmers and ranchers have policy supporting the program: "Especially during this critical time in agriculture, we recognize the need for farm families and rural communities to have access to meaningful management, counseling, support programs and economic development initiatives."

We believe the bold policy decisions of joint administrations by the State Board of Agriculture and the Extension Service at Kansas State University has maximized the availability of the state's resources for Kansas farmers and ranchers. We commend Stan Ward and his staff in providing assistance to many stressed farm families across Kansas ... 12,000 "hot-line" calls from all 105 counties. We believe the "sunset" provision of FACTS should be extended as many farm families continue to struggle through these difficult economic times.

As we stated earlier, KFB did <u>not</u> have policy on the overall FACTS program in 1985. However, we did have policy on <u>one</u> component of the proposal. We continue to stand in our policy statement of 1985 ... "Limit legal assistance responsibilities to education, legal counseling and advice, rather than providing legal representation." Under this policy, we believe a larger number of farm families can be assisted with the limited resources that are likely to be available under the current stressed financial conditions of the State of Kansas.

Thank you for this opportunity to express our support of S.B. 152. I will attempt to respond to any questions you may have.

KANSAS ASSOCIATION OF WHEAT GROWERS



TESTIMONY

SENATE BILL 152

Senate Committee on Agriculture - Senator Jim Allen, Chairman Submitted by Howard W. Tice, Executive Director

On behalf of the members of the Kansas Association of Wheat Growers, I appreciate this opportunity to appear and offer our position on Senate Bill 152.

Our Association has taken great pride in being the first Kansas farm organization to take a policy position in support of the FACTS program. Along with our friends in the industry, we recognized the need for the services FACTS provides, and we agree with them now, that the conditions which spawned the need for FACTS still exist, so we will continue to support the program in its entirety.

As this committee heard in the first day of testimony, there are very real and compelling reasons to continue the legal services which are a vital part of the FACTS program. Farmers who are severely depressed financially most often cannot afford the cost of private counsel. In most rural areas, that problem is compounded by the small number of law offices available. It is true that farmers can contract for services from larger communities, but that runs up the cost, and complicates communication.

Some opponents of state sponsored legal services for farmers will ask why we single out farmers to help in this way, but they overlook laws that mandate free legal counsel for accused criminals when they can't afford to hire their own lawyers. That came about to insure that our legal system doesn't discriminate against the poor. Legal service through FACTS does the same thing, in that it insures that people who don't have access to legal services in the private sector, either because of cost, or availability, are not the victims of similar discrimination.

We appreciate the bipartisan manner in which the Senate Agriculture Committee operates, and we commend the committee for this spirit of cooperation. In that same light, I understand that there are reasons for some of the maneuvers that take place in these hallowed halls. With that in mind, I would like to support a suggestion that has been made by other proponents of continuation of the FACTS program.

We have three bills that continue FACTS, each treating the legal services aspect in a different manner. Senate Bill 143, this committee's bill, simply extends the program through July 1, 1990 in its present form. Senate Bill 152 extends the program, but deletes the requirement to contract for legal services. House Bill 2278 amends section (c) to include additional services, includes contracted services but deletes specific reference to a contract with any private or corporate law firm.

We would therefore, support passage of Senate Bill 152, as the appropriate vehicle, with amendments to section (c) similar to those in HB 2278. This would effect a compromise position between the Governor, and the two legislative agriculture committees, and would continue a very worthwhile program in a workable form.

As to the Governor's budget recommendations, I have two comments.

The FACTS program received some federal funds that will not be available for this fiscal year. That means that in order to continue to operate at the present level, they need a budget in excess of \$600,000. Instead, their current budget from state funds would be cut to approximately \$240,000, from approximately \$420,000. This means, that while an across the board cut of 3.8% was requested, the FACTS program would be cut more than 50% from current figures, and by approximately two thirds of their needs.

The Board of Agriculture budget is now before the House Appropriations Committee. Passage of SB 152 with the proposed amendments could support full funding by that committee.

attackment 5

FACTS SHEET ON ANSAS LEGAL SERVICES' FAR DVOCACY PROGRAM

- 1. Since July, 1985, Kansas Legal Services, Inc. (KLS), under a grant from the Kansas State Board of Agriculture has been providing legal assistance to Kansas farmers through referrals from the Farmers Assistance, Counseling, and Training Services (FACTS).
- 2. There are currently eight KLS farm specialist attorneys providing service in every county of the state. The Farm Advocacy Project attorneys provide both advice and legal representation to eligible applicants.
- 3. From the time the program began through December, 1986, approximately 589 cases were advised or opened. During this period, legal service was provided to about 480 families (a number of clients were advised or represented more than one time).
- 4. The following data is derived from a survey of KLS farm clients:

Legal Problems

- 1) Difficulties with lending institutions--80%
- Miscellaneous--Problems with grain elevators, landlords, lawsuit defense in general--20%
- 3) Foreclosure defense as subject of initial inquiry--38% of all cases.

Client Evaluations

- Original problem received satisfactory action by KLS farm staff--78%
- 2) Valuable additional legal advice or representation provided--72%
- 3) Satisfied with overall service rendered by KLS farm staff--78%
- 4) Would recommend KLS farm services to other farmers--84%
- 5) Program should continue--90%
- 6) Average level of affirmative response to above five items--80%

Direct Legal Services to Farmers Has Economic Benefits

- According to the farmers themselves, the KLS Farm Advocacy Program has assisted Kansas farmers to remain in farming at least a combined 430 years. This is a conservative estimate because it assumes only four years of farming for those who have indicated that they will now remain in farming for more than three years. It is probable that many of these families will stay in farming for much longer than three years.
- If legal assistance helps farmers to retain their farms, the economies of the local communities and the state benefit in a number of ways.
- The farmers assisted in retaining their farms by the KLS Farm Advocacy Program will spend about \$51.6 million on operating expenses in the next four years.
- When multiplied by the agricultural production circulation factor of 2.2, established by the Kansas Department of Economic Development, that translates into \$113.5 million over the next four years.
- The cost of the program was \$300,000 from July 1, 1985, through December, 1986.
- FY 1986 total funds--\$220,000 (\$110,000 + \$50,000 reprogrammed from Board of Agriculture + \$60,000 supplemental)
- FY 1987 total funds--\$160,000

Senate agriculture 2-19-87

l

Farm Advocacy Program

By County

July 1985 - December 1986

Advised and Represented

Cheyenne	Raw	ins.	Decatur	Norton	Phillips	Smith	Jewell	Republic	Washington	Marshall	Nemoha	Brown		July
2		11	3	10	12	5	8	8	10	10	27	10	å	کی
Sherman					•			Cloud	1				chison (
onerman	Tho	nos ,	Sheridan	Graham	Rooks	Osborne	Mitchell	1	Clay R	iley Pottawa	otomie Jack	son	11 \	1
4		5	7	4	5	9	3	15	11	4 14	1 .	.9 Jeff	3 dreverth	
	İ		1	ľ				Ottawa	- -	1 \	\sho	wnee	٠ <u>٠</u>	3 المحر
Wallace	Logan	(Gove	Trego	Ellis	Russell	lincoln 4	1	Dickinson		4	6	~	ا لاـ
1		6	3	2	12	4		Saline	่ ₁₇ โ		11	Osage	solguo	uosuyof
•							Ellsworth	13			Vabaunsee		Franklin	Miami
Greeley	Wichita	Scott	lane	Ness	Rush	Barton	d 0			9	Lyon	7	2	2
0	2	1	2	7	13	2	Rice	McPherson	Marion	Chase	10		~	~
					Pawnee	-	1	12	8	2		Coffey	Anderson	Linn
Hamilton	Kearny	Finney		Hodgeman	1	Stofford						4	2	1
1.	2	4		15	h -	2	Reno	Harve	5 Butler		Greenwood	Woodson	Allen	Bourbon
			Gray	Ford	Edwords 8	T	5	Sedgw			13	1	3	4
itanton			5	· .	Ed	Prott	┥ .	Joeug.		7		·		
nanton	Grant	Haskell	7 3	12	Kiowa		Kingman	————	4	1		Wilson	Neosho	Crawford
2	4	0			3	2	4		_ .	Elk		3	9	5
Norton	<u> </u>	<u> </u>	Meade	Clark	_	Barber	┥.	Sumner	Cowl	ley	3			4 1
	Stevens	Seward]	Comanche		Harper		1			Monigomer	y Labette	Cherokee
1	0	0	6	3	4	3.	4		2	4 Cho	autauqua O	1	2	3
											<u> </u>			·

KANSAS LEGAL SERVICES Roger L. McCollister, Executive Director (913) 233-2068 February 11, 1987

KANSAS LEGAL SERVICES, INC. FARM ADVOCACY Comments from Farm Clients

- 1. We have never worked with such a caring, knowledgeable, supportive group! Your patience for coaching us through financial and family problems saved both and no one ever made us feel bad. You encouraged us to learn. May God bless you all!
- 2. Had no idea of anyone to go to until we heard of the program.
- 3. The legal and financial advisors were excellent! The lawyer we had locally and who we had gone to for advice and who had handled all the legal matters for our business in town, we found out after papers were filed was also representing the bank. We did not know what we were to do. With the legal and financial advice from KLS, we, in the matter of a couple of weeks, got the proper advice and thus our rights were met. Thank you!!!
- 4. We are very grateful for their tender compassion and understanding. Without them we would have nothing and we don't have the slightest idea where we would be now. May God's richest blessings be upon all of you. Words cannot express our sincere appreciation for your kind help. Only God can reveal that to you all. I can't help but shed tears to think that someone really cares.
- 5. They are invaluable to farmers since we aren't knowledgeable enough in legal procedures and don't have the money to pay for any legal advice.
- 6. The staff were all very polite and willing to help. They offered many suggestions and legal advice that were beneficial. Although we lost our land, we are trying to continue our rented ground. We sincerely appreciated KLS Farm Advocacy support, recommended it to others, and plan to continue to use it.
- 7. This service should be used by anyone in farming who has the slightest doubt about his or her position with lenders or creditors. It is honest, simply presented, and deals with reality.
- 8. I found them to be extra helpful and thorough in explanations. Because of them, I felt confident enough to go on and did get an FHA loan that probably I can live with (on account of lower interest). Your people put it before me in a way I could understand (not wishy washy), I had not talked with the right attorney and couldn't afford to shop. I cannot praise your program enough.
- 9. I think the staff is doing an excellent job with their help and services.
- 10. We feel they are "spread too thin"--but it has helped so much to have someone to talk to and to help us. We have farmed a year

- longer than we would have without help. Just showing our lender we had a lawyer involved made all the difference. Thanks!
- 11. Your staff is very well qualified and I think are doing an excellent job. Without their help, I doubt that I would be able to continue my farming.
- 12. Your staff was very concerned about the situation I was in. I know your services have been advertised but I have talked to people that have never heard of the FACTS program or that the services were not worth checking into. I have tried to inform them of the services and urge them to check into it.
- 13. They really were pretty good and helpful. I'm glad I called. I also recommended the service to my brother. I have three brothers that were in farming. One lost his farm, 160 acres, another lost his new house and 40 acres and is quitting farming, and my dad is losing a farm. I never dreamed things would get this bad. And the bank examiners don't have any mercy!
- 14. We very much appreciate all that your staff has done for us. It saved us a tremendous amount of legal fees and the attorney did an excellent job for us. The problem being the PCA was not willing to deal even when offered more than they will get in bankruptcy.
- 15. Keep up your good work. Any little support sure does help keep the farmers' morale up in this kind of time. Thanks.
- 16. I am most pleased with the help I got. From the first phone call, I was promptly referred to someone who answered the legal questions I had and who went with me to the bankruptcy trustee and got assurances from him to stop proceedings until I could get a new attorney. I may still lose the farm but your staff helped give me a fighting chance to save it. I will be forever grateful.
- 17. I was able to talk to them on short notice. They even went with me to talk to my banker and work things out.
- 18. Staff really knew the law. Staff was really honest, for the farmer. Staff was meticulous in their preparation of contracts. Referred by Farmers hotline which also should be commended.
- 19. I had been to several lawyers. One charged \$200.00 for two visits, the other \$245.00 to do a bankruptcy. They wanted 5-6000 up front. I have been able to avoid bankruptcy so far. Your program is exceptionally valuable to farmers who are pressed for funds. I was at a point where I couldn't afford to stay in farming and I couldn't afford to get out. I would be available to talk to farmers about the program.

- 20. Any farmer rather debt restructure or foreclosure should never be without a good attorney, many farmers cannot afford an attorney and so are frustrated on what to do when problems arise, KLS can find answers and give proper direction in all the cases. We feel that no matter what the price, we could have never gotten an attorney with the ability and poise that we found in Adra Burks. With people like Adra whatever the outcome for both parties each can rest assured that things were done fairly and professionally.
- 21. The county ASCS office took my advance payments over to FmHA and I was unable to pay bills. Also the woman who runs FmHA wouldn't talk to me when I went in to see her. These were not 2 party checks and were no good to her. If your program hadn't helped me, she would have put me out of business illegally and it was also against the law for CSCS to give her the checks.
- 22. Excellent.
- 23. Staff was very helpful when first called them. Helped us immensely, mentally as well as materially. Was very pleased with way they advised us. Felt we had the best representation we could of gotten plus insight into what Congress was trying to do to help us farmers. Would recommend KLS Farm Advocacy Program to help us ailing farmers mentally as well as otherwise.
- 24. Thank you very much for your counsel and I'm only sorry that we are too poor to pay you. We appreciate the Kansas Board of Agriculture for satisfactorily filling in for us on that.
- 25. We have been receiving very good advice and helpful hints. They have been very courteous consideration.
- 26. The service was very friendly, helpful, and extremely informative.
- 27. They were very helpful and they didn't rush us, which was one thing we liked. They answered all our questions and we felt a lot better when we left the office.
- 28. Staff was very intelligent in my case. My lawyer agreed after I told him I called you. Thank you.
- 29. No matter what will be the outcome in our Chapter 11, we will always be grateful. We had no success getting a private attorney to take on our bank and I'm sure none would have done as well as Adra. Without you we would have had no place to turn. We are also grateful for the FACTS program.
- 30. We have gotten excellent help.
- 31. I was referred to Kansas Legal Services by Farm FACTS hotline. I was very satisfactorily advised by Adra Burks of the Topeka office.

- 32. We have received excellent representation from your attorney, Adra Burks. Without Adra's help I'm afraid the bank would have "walked" all over us. We will always be grateful we had a place to turn to in our dispute with the bank. With our limited resources, financial as well as legal knowledge, we were almost completely at our bank's mercy. Thank you so much for providing at least a "life buoy" though the seas are still very rough out here. We also appreciate the courtesy shown us by Adra's secretary, Bobbi, and other staff persons such as Charlie Masner. Adra has my ultimate respect for her thoroughness, caring, and legal knowledge.
- 33. We had Ms. Adra Burks help us. She was very helpful and knew what she was doing. Ms. Burks shook up my banker and they sure stopped trying to run over me. I want Adra to continue working with me. She is hard working and very nice to work with.
- 34. Our attorney was Karen McIlvain who was very knowledgeable and caring. Seldom too "busy" to answer our questions or return a phone call. Her assistance, especially with FmHA, was very gratifying.
- 35. I would like to commend the KLS for the fine help they have given me. They should be congratulated for having people like Karen McIlvain and Eric Rosenblad on their staff. I don't know what we would have done without the assistance given to me and my family. It is too bad more of my neighbors have not taken advantage of this service.
- 36. I would like to commend Karen McIlvain of the Emporia Legal Services office for a job well done in presenting my FmHA appeal hearing to FmHA officials.
- 37. Millie is great.
- 38. We were at the "point of no return." We didn't know how to fight back and we didn't think it was any use to fight. We are far from being "out of the woods" but we have more knowledge--thanks to KLS and Mildred Schroeder--of what we can do.
- 39. The staff at the Salina office was very accommodating to work with. Tama Aga seemed to know what and when to move and was very successful in reaching an agreement. A very big thanks to him and KLS.
- 40. Your services were a godsend to us and we can't tell you how grateful we are. Especially do we want to commend Marilyn Harp (Wichita Legal Aid) who advised us, acted as our representative with our bank and even drove many miles to be present when refinancing terms were agreed upon and papers were signed. What an understanding person she is! Also, the lady who answered our first call to you when we were so distraught was so nice--we thank her too although we don't know her name.

REPORT ON HOTLINE CALLS

. JANUARY 1, 1987

NUMBER	OF	INDI	IVIDUALS	AND/OR	FAMILIES	REQUESTING	ASSISTANCE	FROM
			JANUARY,	_	•			3500

	•	•	•
Male Callers:	69.00%	Average Age	47
Female Callers	31.00%	Average Years Farming	24
18 - 30 Yrs. Old	8.0 %	56 - 70 Yrs. Old	28.11%
71 45 Van Old	रह <i>१७</i> ४	71 Vrs 01d - up	2.44%

FARM DATA

46 - 55 Yrs. Old

Farms Operating with Owned Acreage Only: Average Owned Acreage - 689	26.62%
Farms Operating with Rented Acreage Only: Average Rented Acreage - 816	31.53%
Farms Operating with Both Owned & Rented Acreage: Average Owned Acreage - 615 Average Rented Acreage - 468	41.85%

REQUESTS FOR ASSISTANCE BY AREA OF STATE

North	East:	27.72%		North	West:	17.48%
South	Central:	24.65%	:	South	West:	11.71%
South	East:	18.44%			•	

NATURE OF REQUESTS FOR ASSISTANCE

FINANCIAL/LEGAL PROBLEMS CONSTITUTE 61.43% OF ALL PROBLEMS WE ARE CALLED ABOUT.

TYPE AND DISTRIBUTION OF FINANCIAL/LEGAL PROBLEMS

Farms have been foreclosed on	13.42%
Foreclosure probable	13.63%
Considering deeding back land or vlountary liquidation	11.46%
Tax Liabilities (actual or anticipated)	7.46%
Bankruptcy filed	10.08%
Considering bankruptcy	5.08%
Problems because of a bank failure	4.46%
Credit cut off or refusal to renew notes	5.67%
Other	26.75%

NATURE OF REQUESTS FOR ASSISTANCE

EMPLOYMENT/RETRAINING PROBLEMS CONSTITUTES 26.10% OF ALL PROBLEMS WE ARE CALLED ABOUT.

TYPE AND DISTRIBUTION OF EMPLOYMENT/RETRAINING PROBLEMS

Lost the farm		•	43.22%
Need additional	income to stay	on farm	30.82%
Other			25.96%

FACTS REFERRALS

Kansas Job Service Centers	-	24.28%
Dislocated Worker Programs		21.52%
School Placement Centers	•	6.02%
Vocational Retraining Programs		15.35%
Financial Assistance Programs	•	13.38%
Other (SER Corporation of KS, Area Agencies on Aging, etc.)		19.45%

EDUCATION RECEIVED

No High School		•	1.41%
GED .	•		2.47%
High School			53.29%
AVTS			 3.29%
2 yr. College		• 1	9.29%
4 yr. College			27.29%
Trade School	•	•	2.94%

NATURE OF REQUESTS FOR ASSISTANCE

FAMILY PROBLEMS CONSTITUTE 10.47% OF ALL PROBLEMS WE ARE CALLED ABOUT.

TYPE AND DISTRIBUTION OF FAMILY PROBLEMS

Need Food	9.74%
Need Medical Assistance	13.51%
Need Monetary Assistance	21.47%
Family and/or Marital Problems	18.09%
Emotional Problems	27.44%
Other	9.74%

. FACTS REFERRALS

the contract of the contract o	· 🛕
Public Assistance Programs	62.09%
Community Mental Health Centers	
Commodity Distribution Centers	` .
Food Stamps	
County Health Offices	•

Priv	ate Assistance	Progra	ans	•	37.91%
	Willie Nelson	Money	•		
	Local Service	Clubs			 -
•	Churches and	Church	Associati:	ons	

AGRICULTURAL CHANGE AND RURAL COMMUNITIES: A Proposal for Agricultural and Rural Development in Kansas

Presented to:

Kansas State Board of Agriculture's Commission on the Future of Kansas Agriculture

KANSAS LEGAL SERVICES, INC.
Wayne A. White,
Research Specialist

January 6, 1987

KANSAS LEGAL SERVICES

In the early 1920s, the American Bar Association acknowledged the need for special assistance to the poor by creating a Standing Committee on Legal Aid. State and local bar associations worked over the following decades to promote legal aid societies to provide free legal services to the poor.

During the 1960s and the war on poverty, the resources devoted to neighborhood law offices organized to serve the poor were greatly expanded. The newly formed Office of Economic Opportunity (OEO), with the support of the American Bar Association, created in 1965 the Office of Legal Services as part of its Community Action Program.

Shortly thereafter, legal aid societies were formed in Topeka, Wichita, and Kansas City. From the late 1960s until 1974, the three Kansas legal aid societies operated under the authority of the OEO's Office of Legal Services. Authority for the Legal Services Program was transferred from the Community Services Administration (successor to the Office of Economic Opportunity) to the newly formed Legal Services Corporation during 1975. Through all of these changes in administrative authority and funding, the Kansas Legal Aid societies continue to provide free legal services to the poor in Kansas.

In 1978, the Kansas City, Topeka, and Wichita Legal Aid societies merged to form Kansas Legal Services, Inc. Since that time, eight

additional Legal Services offices have been opened in Kansas. The primary mission of Kansas Legal Services remains the provision of equal access to justice for persons not able to pay for legal services. Kansas Legal Services is a private, non-profit corporation.

KANSAS LEGAL SERVICES, INC. FARM ADVOCACY PROGRAM

Since July, 1985, Kansas Legal Services, Inc. (KLS), under a grant from the Kansas State Board of Agriculture, has been providing legal assistance to Kansas farmers through referrals from the Farmers Assistance, Counseling, and Training Service (FACTS). Persons meeting eligibility requirements and whose problem falls within case priority guidelines are referred by the FACTS staff attorney to the Kansas Legal Services Farm Advocacy Project attorneys. There are currently eight KLS farm specialist attorneys providing service in every county in the state. The Farm Advocacy Project attorneys provide both advice and legal representation to eligible applicants.

Two extensive farm advocacy training programs have been provided to project attorneys. The project director and senior counsel staff provide, on a regular basis, updated information and materials relevant to current aspects of farm negotiation and litigation.

Farmers in economic distress require ongoing legal advice and representation for a full range of legal problems related to credit access. Much of the work centers around negotiation, administrative appeals, loan extension and forebearance, alternatives to bankruptcy, foreclosure defense, and various consumer law issues. Farm advocacy

attorneys do not customarily provide representation in bankruptcy or debt collection matters.

From the time the program began through December, 1986, approximately 589 cases were advised or opened. During this period, legal service was provided to about 480 families (a number of clients were advised or represented more than one time).

Questionnaires were mailed to 362 of the 375 clients served prior to October 1, 1986. The remaining 13 had either moved or were otherwise unavailable for mail contact. The research findings reported below are derived from 143 questionnaires, a return rate of 40 percent. Results will be amended as additional questionnaires are returned from a second mailing.

Legal Problems

The legal problems that bring farmers into contact with the KLS Farm Advocacy Program are most commonly difficulties with lending institutions. Such problems account for 80 percent of all initial The remaining 20 percent involve miscellaneous problems elevators, landlords, lawsuits, involving grain specifically, foreclosures by private banks or unspecified lending all initial contacts. 18 percent of institutions account for Foreclosure by Farm Credit Service institutions and Farmers Home Administration account for 12 percent and 5 percent of initial contacts respectively. Taken together, 35 percent of all initial contacts are in response to foreclosure actions.

Loan accelerations, pressure for payment, perceived illegal lending institution practices, and miscellaneous problems with lending

institutions account for 41 percent of initial contacts. The remaining 5 percent involve bank failure with FDIC takeover.

Problems associated with the Farm Credit System, including foreclosures and all other problems, account for 22 percent of the initial contacts. A comparable figure for the Farmers Home Administration is 14 percent.

Client Evaluations

Seventy-eight percent (78%) of the respondents felt that their original problem was satisfactorily acted upon by the KLS Farm Advocacy staff. Seventeen percent (17%) were not satisfied and five percent (5%) did not respond to this item. In addition, seventy-two percent (72%) of the respondents felt that the KLS Farm Advocacy Program staff provided additional legal advice or representation that was valuable to them. Seventy-eight percent (78%) of the respondents were satisfied with the overall service rendered by the KLS staff, seventeen percent (17%) were not satisfied, and four percent (4%) failed to respond to the item concerning overall satisfaction. asked if they would recommend our services to other farmers, eighty-four percent (84%) responded affirmatively, eight percent (8%) negatively, and five percent (5%) did not respond. The strongest measure of approval was in response to a question asking them to indicate whether they believe that the KLS Farm Advocacy Program should be continued. Ninety percent (90%) indicated that the program should be continued while only two percent (2%) indicated that it should not, five percent (5%) were unsure, and three percent (3%)

failed to respond. In summary, the average level of affirmative response on the five items relating to satisfaction and approval was eighty percent (80%).

Farm Retention

One hundred and four (104) of the 143 respondents (73%) indicated that they were about lose their farms at the time they first contacted the KLS Farm Advocacy Program for service. Of the 104 respondents who said that they were about to lose their farms, 44 of them (42%) believed that the legal services they received assisted them in retaining their farms. An additional 10 (10%) were unsure if the legal assistance they received helped them stay on their farms. Twenty (19%) of the farmers who said that they were about to lose their farms when they first contacted KLS had lost their farms by the time they returned the questionnaire. Of the 20 farmers who had gone out of business, 14 (70%) were satisfied with the legal services they had received. Four of them were not satisfied and two did not respond to the question concerning satisfaction.

Among the 44 respondents who said that the legal services provided by KLS assisted them in retaining their farms, 28 of them (64%) estimated that they will now remain in farming for longer than three years. Nine (20%) expect to remain in farming for one to three years and three (7%) for less than one year. The remainder are either out of farming or did not respond. The farmers who indicated that Legal Services assisted them to remain in farming estimated that they otherwise would have lost their farm in an average of six months from the time they first contacted KLS.

that, according to the findings indicate themselves, the KLS Farm Advocacy Program has assisted Kansas farmers to remain in farming at least a combined 430 years. This figure is based on an assumption that the farm retention rate among all KLS farm respondents the that of the comparable to is clients This is a conservative estimate because it assumes questionnaire. only four years of farming for those who indicated that they will now remain in farming for more than three years. It is probable that many of these families will stay in farming much longer than three years.

Economic and Social Impact

There are a number of possible ways to assess the value and impact of the KLS Farm Advocacy Program. As indicated by the data presented above, the level of satisfaction expressed by clients is high. This is true despite the severe emotional stress accompanying farm foreclosures and related legal problems. The emotional benefits of having assistance during a trying time is immensely important to the families involved.

The receipt of free legal assistance is an economic benefit in itself. Families experiencing financial stress cannot afford the added burden of high legal expenses. If legal assistance helps farmers to retain their farms, the economy of the local community benefits in a number of ways.

The money spent on cash operating expenses by farmers is a central component of the economy in most rural Kansas communities. This money is spent at a wide variety of local and regional merchants, ranging from implement dealers to clothing stores.

The amount of money circulated by farmers is difficult to measure There is, however, sufficient data to make in a precise way. The farmers surveyed by the Kansas Farm meaningful estimates. Management Association have averaged approximately \$120,000 per year in cash operating expenses in recent years (Cooperative Extension Service, 1985). Using this figure, the farmers assisted in retaining their farms by the KLS Farm Advocacy Program will spend about \$51.6 million on operating expenses in the next four years. When multiplied by the agricultural production circulation factor of 2.2, established by the Kansas Department of Economic Development, that translates into \$113.5 million over the next four years. If these farms were consolidated into larger units, much of that operating expense would bypass the local and regional economy and go instead to major input suppliers outside of Kansas (Daniels, 1986).

The economic health of rural Kansas counties has been shown to be intimately tied to the health of the agricultural sector (Flora, et al., 1986). Other social and economic implications of farm retention are discussed below.

RECENT DEVELOPMENTS AND PERSPECTIVES CONCERNING ECONOMIC AND RURAL DEVELOPMENT

Any proposal for rural development policy in Kansas must, if it is to be seriously considered by policy makers, be conceived and articulated in the context of recent debate and action concerning economic development policy. Economic development has received a great deal of attention during Kansas' past two legislative sessions.

In 1985, the Legislature appropriated money for the development of a Kansas Economic Development Plan. Also during that session, Speaker of the House Hayden proposed the development of a Public Agenda Commission to guide the future agenda in Kansas toward a greater focus on economic development issues.

Following a recommendation in the Kansas Economic Development Plan, also known as the "Redwood--Krider Report," a Legislative Commission on Kansas Economic Development was created by the 1986 Legislature. This commission was charged with reviewing and implementing recommendations contained in the Redwood--Krider Report. The result was a package of economic development initiatives organized into twelve bills, all of which were passed by the 1986 Legislature and signed by the Governor (Braden, 1986).

The twelve bills address a variety of issues ranging from several business tax and investment incentives to a major restructuring of the Kansas Department of Economic Development into a new Kansas Department Also created were two quasi-public, not-for-profit of Commerce. Technology Kansas the of them, One corporations. Corporation, will replace the existing Office of Advanced Technology. Its charter will be to promote technological research. Kansas, Inc., will pursue economic analysis for all areas of the Kansas economy. Kansas, Inc. will replace the Advisory Commission to the Department of Economic Development and will give oversight to another new creation, Kansas Venture Capital, Inc.

Without exploring all the details of the twelve legislated economic development initiatives of 1986, it is clear that the Kansas

Legislature has established economic development as a priority for the immediate future. A general economic development plan and institutional structure were established by the 1986 Legislature. The specific content and implementation of strategies for economic development will continue to develop for a number of years.

The Legislative Commission on Economic Development has continued its work and recently offered numerous recommendations for state policy. On December 1, 1986, the Legislative Commission's Task Force on Agriculture released its report and recommendations. Their primary recommendations include the following (Report of the Task Force on Agriculture, Dec. 1, 1986):

- Food processing endeavors should be our first priority. These are the enterprises that can multiply those local agricultural dollars to the benefit of the whole state.
- 2. Research emphasis is needed in the areas of:
 - a. Diversification of Agriculture;
 - b. Value Added Research; and
 - c. Technical Assistance and Market Development in Extension.
- 3. Kansas needs to modify market development programs from a general approach to one targeted to changing conditions and individual market opportunities.
- 4. The Task Force recommends that the Legislature establish a Division of Rural Initiatives within the Board of Agriculture. As a part of the Division, there needs to be established a section on Rural Development within the Division. The Farmers Assistance, Counseling, and Training Program (FACTS) would then become a part of the Division of Rural Initiatives.
- Successful rural economic development will require the merger of the resources and talents of public agencies and institutions working closely with

local governments and the private sector. Additional resources may be needed to work with existing small business in rural Kansas.

6. Kansas needs to amend its corporate farming law to allow the confined swine and poultry facilities to purchase agricultural land.

The Task Force on Agriculture elaborated upon and provided more specific recommendations in each of these six areas. They also provided several secondary recommendations.

A major task facing the Commission on the Future of Kansas Agriculture is to define its own distictive role in relation to the Task Force on Agriculture of the Legislative Commission on Economic Development. As a public commission, this group has the difficult task of making new recommendations for agricultural policy that reflect knowledge of the recommendations already made by the Task Force on Agriculture and yet don't duplicate them. One way to approach this task is to carefully scrutinize prior proposals and then elaborate the details of attractive ones. Other strategies might be to emphasize new areas overlooked in previous proposals, or to take an entirely different approach. The discussion that follows is offered to draw attention to a set of issues that are critically important and in danger of being overlooked.

THE FUTURE OF SMALL KANSAS COMMUNITIES

The changes now occurring in the Kansas agricultural sector and in the rural communities that have long had a symbiotic relationship with it can be understood only in the context of trends taking place in the national and global economy. The growth of international

capital markets and changes in the exchange rate system, for example, cannot be ignored when considering the plight of U. S. farmers (Schuh, 1986). These factors combined with global recession, expanded world grain production, embargoes, high real interest rates, and contaminated U. S. grain have resulted in a declining U. S. share of a shrinking world grain market, chronic domestic over supply, and depressed commodity prices. Clearly, the U. S. agricultural sector has been increasingly integrated into the U. S. and world macro-economy (Paarlberg and Webb, 1986).

integration of U. S. farmers into the heightened The international market during the 1970s increased income in the short term, but increased risk in the long term. The readjustment process in the 1980s has resulted in a shift of the risks associated with world market trends toward producers of primary products and away from traders, processors, and consumers (Flora and Flora, 1986). U. S. and Kansas farmers are, by virtue of their increased dependence on exports, more exposed to the risks associated with the price variability of the world agricultural commodity market than they were prior to the 1970s.

One indication of the impact of commodity price variability is the instability of rural income. Since 1965, per capita incomes have fluxuated more widely in non-metropolitan counties in the U. S. than they have in metropolitan counties. This disparity is especially pronounced in counties where local incomes are dependent on agriculture or mining (Henry, Drabenstott, and Gibson, 1986). Rural

communities that are dependent on the production or extraction of commodities that are exported overseas or even to domestic metropolitan markets are subject to risks associated with factors beyond local control. This condition has come to be accepted as a fact of industrial life and will, no doubt, persist into the foreseeable future. Rural communities can, however, take actions that maximize the degree of local control and minimize the effects of distant market forces. One way to minimize the effects of distant market forces is to avoid excessive dependence on exports for income. Such a strategy requires the development of other sources of agricultural income.

Farm Consolidation and Community Decline

Sales by farm implement dealers, blacksmiths and welders, construction companies, building materials companies, and even jewelry stores declined by an average of 50 percent in Kansas' farming dependent counties from 1979 to 1985. Many other establishments have been similarly affected during this period of accelerated farm failure and declining farm incomes. Overall, retail sales in farm dependent counties fell almost 25 percent from 1979 through 1985 (Flora, et al., 1986).

The continued consolidation of farms into ever larger units, an outcome often considered inevitable and economically necessary, will worsen economic problems in most of rural Kansas. Businesses and small rural communities are dependent for their survival on the largest possible retention of farmers and population. Nearly a fourth

of all rural non-farm businesses are experiencing severe financial problems in Kansas (Henry, Drabenstott, and Gibson, 1986). In the twenty-one months prior to November, 1986, 91 employers in the most rural areas of the state shut their doors. The loss of these employers put almost 4,600 people out of work in rural communities (Painter and Steimel, 1986).

According to a U. S. Senate study released in May, 1986, the farm crisis combined with reduced federal and state aid has placed many rural communities under the most serious stress experienced since the Great Depression. Declining land values and declining farm income have put small communities into a financial bind that will lead to higher taxes and reduced services. These developments have the potential to permanently erode the quality of life in rural communities.

In Kansas, the land value decline has already resulted in an erosion of local tax bases and a doubling of property tax delinquencies (K. C. Times, May 24, 1986). It is anticipated that these trends will result in further shifting of the state tax burden to urban areas (Krider and Houston, 1986).

ARE SMALL COMMUNITIES WORTH SAVING?

Some analysts consider the rural consolidation process and the associated phenomena of population decline, tax base erosion, declining social services, the shifting of tax burdens to urban areas, and, ultimately, the death of smaller communities as either acceptable

costs of economic modernization or unavoidable. This view is articulated clearly by Krider and Houston (68, 1986):

Although larger communities—Hays, Garden City, Great Bend, and Pittsburg, among others—have the means to diversify their economies, the very small communities do not. We see no reason for the state to resist this consolidation in rural areas by providing explicit subsidies to the smaller communities whose economic reason for existence is diminishing. Such a policy, if tried, would eventually fail.

Krider and Houston are certainly not alone in this view. This perspective can only be characterized as dominant. This view has been elaborated in the form of projections that we will eventually have three kinds of communities in Kansas: 1) major metropolitan areas; 2) bedroom communities surrounding those metropolitan areas; and 3) twenty to twenty-five agricultural service centers (Painter, 1986).

This view is based on a largely accurate assessment of population trends and the associated structural transformation (labor intensive to capital intensive and diversified to mono-cultural) of agriculture in the Twentieth Century, but the conclusion drawn by many is unwarranted. Despite the accuracy of this assessment of historical trends, there are serious problems associated with accepting the extension of these trends into the future as inevitable or necessarily desirable. First, the ecological hazards associated with "modern" farming practices and scale are becoming increasingly apparent and well documented (Cacek and Langner, 1986; Jackson, 1980). The profitability of large-scale grain operations that are dependent on export markets is questionable (Francis and Harwood, 1985; Schuh, 1986; Breimyer, 1985; and others). Finally, declaring hundreds of

small Kansas communities obsolete and writing them off as inevitable casualties of economically generated demographic shifts is, despite its popularity and apparent logic, unacceptable for very human reasons.

It is clearly the case that Kansas' metropolitan areas, bedroom communities, and agricultural service centers are in a stronger economic position than most smaller communities located away from metropolitan areas. There are, however, over one million Kansas residents who still reside in the country or in the 594 communities where the population is less than 10,000 people. To many of these people, the declining social services, the lack of employment, farm foreclosures, business failures, and the loss of local schools, churches, banks, and post offices are part of everyday life. Social changes prompted by macro- economic forces seemingly beyond local control occur less smoothly in real life than they do in scientific projections.

PROPOSAL FOR RURAL DEVELOPMENT

We as Kansans have a choice. Long-term historical/economic trends are very powerful. We have the ability, however, to affect their impact by making the right decisions and following those decisions with well-conceived strategies for action. Many people in rural Kansas do not like the way things are going. That is why we have a Commission on the Future of Kansas Agriculture.

There are nearly a million Kansans who do not live in metropolitan areas, bedroom communities, or the twenty to twenty-five

communities that are likely to grow into major agricultural service centers. Even if most of those people wanted to migrate to cities and large towns, there would be no housing, jobs, or other social and economic resources available there. It is an unavoidable fact that Kansas will continue to have, into the foreseeable future, a large proportion of its population residing in small communities and the countryside surrounding those communities.

The central question is not whether small communities will survive, but, rather, what will the quality of life be in those communities? What kind of relationship will they have to the rest of the state? Will they increasingly become an economic and social liability or will we take the actions necessary for their economic and social rejuvenation?

There are four possible fates of small Kansas communities:

- 1. They can continue on the course of accelerated social and economic decline prompted by the ongoing farm and oil crisis.
- 2. A few can remain economically viable by attracting outside capital for new economic development and diversification.
- 3. Many can remain economically viable through the retention of existing businesses, farms, and other institutions (e.g., schools, churches, post offices).
- 4. Most could develop into sustainable communities through a combination of economic and social retention and diversification efforts.

The social and economic components of the farm crisis cannot be separated. Farmers, rural businesses, and communities are economically interdependent. The future structure of Kansas

agriculture and patterns of land tenure will, intended or not, have profound consequences for rural communities. Focusing on agriculture, as if it were separate from the communities it supports, is likely to contribute to rural problems rather than their solutions.

Suggested Solutions

What is needed is an explicit commitment to offer retention and development assistance to Kansas farmers, rural businesses, and small communities. Each of the following proposals is directed toward that end.

Establishment of a Division of Rural Initiatives, including a Rural Development Section, within the Kansas Board of Agriculture. Secretary Brownback's proposal has been endorsed by the Task Force on Agriculture of the Legislative Commission on Economic Development. The Commission on the Future of Kansas Agriculture could study, elaborate, and advocate this as a key focus for rural and agricultural development. The Division of Rural Initiatives could extend the financial, legal, training, and counseling services now offered to farmers through FACTS to include rural businesses and communities. Whether or not it is possible to create a Division of Rural Initiatives in 1987, the FACTS Program should be refunded and expanded. program has demonstrated its capability to help retain farmers. The state of Kansas has made an investment in the training and development of financial, legal counseling, and other specialists.

SOLUTION 2: Down-sized economic development plans for small Specify that a portion of any legislative communities. funding for research on food processing, agricultural development market at diversification, and universities be directed toward the development of projects on a scale that can be implemented in small communities (less than 10,000 population). Examples of such projects the feasibility of small-scale meat include: processing plants that specialize in organically grown and/or low-fat meats; small mills that produce flour from organically grown grains; and vegetable processing plants.

SOLUTION 3: Promote sustainable agriculture and organic production techniques. State university research and Extension Service publication on farming methods that conserve soil and water resources and eliminate the need for chemical inputs has been very limited in Kansas. Kansas State University is taking a first step by recently

establishing a study committee on sustainable agriculture. Kansas has at least three established organizations that have persons very knowlegeable in various aspect of sustainable agriculture. They are the Kansas Organic Producers, The Land Institute, and the Kansas Rural Center. A number of colleges and universities around the country have well-established research programs and/or curriculums on sustainable agriculture. They include: The University of Nebraska at Lincoln, The University of California at Santa Cruz, The University of Wisconsin at Platteville, State Ūniversity, Virginia Carolina Institute and State University, University of California at Davis, The University of Maine at Orono, The University of and Pennsylvania State University. Vermont, universities do not have to start from scratch to start serving this critical need for the future.

Kansas imports at least \$770 million in food per year. It is possible to grow a wide variety of edible fruits, vegetables, and grains in Kansas. A study by the Kansas Department of Economic Development shows that the value of Kansas agricultural production multiplies an average of 2.2 times when introduced into local economies. The Kansas economy could benefit from the infusion of approximately \$170 million if only 10 percent of the food that is now imported was grown in Kansas. The Fruit and Vegetable Growers of Kansas are already organized and would prove to be a valuable resource if the state were to encourage food production.

SOLUTION -5: Provide financial, legal, and planning assistance to individuals, organizations, or rural communities interested in forming local packaging—shipping—marketing cooperatives. This function may well be implemented through the Division of Rural Initiatives. It is important because it potentially meets the need for both supplemental farm sales and the need for supplemental farm employment. The Kansas Board of Agriculture's Marketing Division is currently studying the development of farmers' markets throughout Kansas. The many persons who have worked to form these markets have gained valuable experience and knowledge and may prove to be a valuable resource for the future.

CONCLUSION

None of the above proposals calls for an expensive, capital intensive form of economic development. The cost for establishing a Division of Rural Initiatives with a Rural Development Section has

been estimated at \$430,000 by the Legislative Commission's Task Force on Agriculture. The remaining proposals can be initiated for much less.

Food processing, diversification, and market development research explicitly directed toward the development of projects on a scale that can be implemented in small communities should be no more, perhaps less, expensive than research on larger-scale projects. Expanding university research and extension service publication directed toward sustainable/organic agriculture would best be accomplished by redirecting a portion of existing research and extension budgets.

A successful effort to grow more and import less food in Kansas will require a long-term commitment and a change in popular conceptions of what constitutes "farming" in Kansas. Many of the specific actions required to enact this change can occur within the Division of Rural Initiatives. The same is true of the proposal to provide assistance to those interested in forming local packaging—shipping—marketing cooperatives. This proposal is made separately because of the critical need for the creation of direct marketing avenues for farmers wishing to develop alternative crops.

The overriding goal behind all of these proposals is the retention of viable rural communities throughout Kansas. If Kansas' rural communities continue their current social and economic decline, the consequences will transcend the misery of displaced farmers and other rural residents. The consequences will negatively affect all Kansans economically and will radically diminish the political influence of rural counties and legislative districts in determining the overall character of Kansas' future.

References

- Braden, James D., 1986. "Summarizing Economic Development Initiatives." Kansas Government Journal, July.
- Breimyer, H. F., 1985. "Agriculture and the Political Economy." Challenge, U.S.A., Vol. 28, No. 5, pp 15-21.
- Cacek, Terry and Linda L. Langner, 1986. "The Economic Implications of Organic Farming." American Journal for Alternative Agriculture, Vol. 1, No. 1, pp 25-29.
- Cooperative Extension Service, 1985. "The Annual Report." Kansas Farm Management Associations, Department of Agricultural Economics, Kansas State University, Manhattan.
- Daniels, T. L., 1986. "Hobby Farming In America: Rural Development or Threat to Commercial Agriculture?" <u>Journal of Rural Studies</u>, Vol. 2, No. 1, pp 31-40.
- Flora, Jan L., Cornelia B. Flora, Mohammed UL Karim, and Amy Stramel, 1986. "Retail Sales by Establishments from Sales Tax Data, Farming--Dependent Counties of Kansas, 1979-1985." Kansas State University. Unpublished Paper.
- Flora, Jan L. and Cornelia Butler Flora, 1986. "The U. S. Farm Crisis and Third World Debt: Parallels and Interrelationships." Kansas State University. Unpublished Paper.
- Francis, C. A. and R. R. Harwood, 1985. Enough Food. Rodale Press and Regenerative Agriculture Association, Emmaus, PA.
- Henry, Mark, Mark Drabenstott, and Lynn Gibson, 1986. "A Changing Rural America." Economic Review, Vol. 71, No. 7, pp 23-41.
- Jackson, Wes, 1980. New-Roots for Agriculture Friends of the Earth, San Francisco.
- Krider, Charles E. and Douglas A. Houston, 1986. "Economic Prospects for Rural Communities" in H. Edward Flentje, Kansas Policy Choices. University of Kansas Press.
- Paarlberg, P. L. and A. J. Webb, 1986. "Public Policy and the Reemergence of International Economic Influences on U. S. Agriculture." Agricultural Economics Research, Vol. 38, No. 1, pp 45-56.
- Painter, Steve and Dirck Steimel, 1986. "Shrinking Base Topples Farm Towns." Wichita Eagle Beacon, Nov. 16, p. 1A.
- Painter, Steve, 1986. "Towns Struggle for Lifelines." Wichita Eagle Beacon, Nov. 16, p. 1A.
- Schuh, G. E., 1986. "Strategic Issues in Internatinal Agriculture." Economic Impact, No. 53, pp 6-13.
- Task Force on Agriculture, 1986. "Report of the Task Force on Agriculture of the Legislative Commission on Economic Development." December 1, 1986.

attachment 6

STATEMENT

OF

IVAN W. WYATT, PRESIDENT KANSAS FARMERS UNION

PRESENTED TO

THE SENATE COMMITTEE ON AGRICULTURE

ON

FEBRUARY 18, 1987

ON

SB-152

(DELETING THE FUNDING OF THE LEGAL ASSISTANCE CONTRACT IN THE FACTS PROGRAM)

attachment 7 2-19-87

Mr. Chairman, Members of the Committee:

I am Ivan Wyatt, President of the Kansas Farmers Union.

We are opposed to the deletion of the funding of the legal assistance contract within the FACTS Program.

The FACTS Program is one of those programs that has exceeded all expectations in fulfilling the needs it was established for.

It's success is the envy of many other farm states.

A significant contributor to the success of the FACTS Program has been the legal assistance provided by referrals from FACTS to the Farm Advocacy Projects provided by the Kansas Legal Services, Inc.

The legal assistance tied with the counseling and training services has provided a well rounded program that has made the FACTS Program the success it has been in serving hundreds of farm families in these trying times.

The need has been great, and the FACTS Program has worked well to meet those needs. However, those needs and problems continue to exist. Every indication is these needs will continue to exist into the foreseeable future.

The U.S. Department of Agriculture estimates the value of the 1986 crop production in the United States has declined in value another 24% from the already disastrous levels of 1985.

This added decline will be impacting yet another level of Kansas' farmers this spring. These farmers will be added to those already suffering from the financial difficulties of 1985 and 1984.

A recent report from the Federal Reserve Board in the Feb. 11, 1987, issue of the Wall Street Journal states there was a 30% increase in the number of troubled farm banks in Dec. 31, 1986, compared to Dec. 31, 1985.

On Dec. 31, 1986, there was 159 troubled banks. On Dec. 31, 1985, that number was 139, and on June 30, 1985, the number of troubled farm banks was only 60.

The FDIC lists 615 farm banks compared to 485 banks a year ago that require more than normal supervision because of deteriorating loan portfolios.

These figures not only indicate the level of stress the farm community is suffering today, but serve as a barometer of the increase in the level of stress Kansas' farm families will face in coming months.

We all wish there was no longer a need for all the services provided by the FACTS Program, but we have to face reality. There is simply no way these needs can be ignored, especially with this successful program on line and working.

Therefore, we call for the restoration of full funding and extension of the FACTS Program until July 1, 1990.

Thank you,