

MINUTES OF THE SENATE AGRICULTURE COMMITTEE.

The meeting was called to order by Chairperson Derek Schmidt at 8:30 a.m. on January 31, 2001 in Room 423-S of the Capitol.

All members were present except:

Committee staff present:       Raney Gilliland, Legislative Research Department  
  Jill Wolters, Revisor of Statutes  
  Betty Bomar, Secretary

Conferees appearing before the committee:

  Tim Shallenburger, Treasurer, State of Kansas  
  Dan Bernardo, Professor, Department of Agricultural Economics, Kansas State  
  University  
  Bruce Thornton, Vice President, Frontier Farm Credit, Parsons  
  Roger Vanlandingham, Loan Officer, High Plains Farm Credit, Larned  
  Don Garlow, Vice President, Peoples Exchange Bank

Others attending: See attached list

                  Hal Hudson, Kansas Pest Control, requested introduction of a bill which would adjust licensed technician fees.

Senator Umbarger moved, seconded by Senator Huelskamp, that a bill be introduced as requested. The voice vote was in favor of the motion.

                  Tim Shallenburger, State Treasurer, testified that Agricultural Production Loan Deposit Program (APLDP), created by the 2000 Legislature, was a good program. The new law took effect on July 1 and \$50 million in state funds became available the following Monday, July 3. By the end of the day, more than \$40 million had been claimed by banks and other lending institutions for loans that had been arranged. On Wednesday, July 5, all the funds in the program were exhausted.

                  The statute provided the State Treasurer administer the program and budgeted \$50 million in deposit loans to be given to eligible lending institutions at two percentage points below the market rate. The institutions, in turn, loaned the money out for agricultural production loans at no more than two percentage points above the market rate, providing the lenders with up to a four-point margin. The lending institutions apply all usual lending standards to determine the credit worthiness of borrowers. Under the provisions of the statute, no single agricultural production loan to any one borrower can exceed \$250,000. Loans were made to only eligible agricultural borrowers with a debt-to-asset ratios of 40 percent or greater, amortized for a period of not more than 8 years. The borrower is required to certify that the reduced rate loan is used exclusively for operating expenses involved in farming, and to borrowers whose property is primarily in the State of Kansas. (Attachment 1)

                  In response to questions from the Committee, Mr. Shallenburger testified that if the program is expanded, there would be a need for a few technical amendments and one additional staff member. There have been 450 loans made.

                  Dan Bernardo, Professor and Head of the Department of Agricultural Economics, Kansas State University, testified that the number of farms in Kansas has decreased continuously since 1935; however, they have been decreasing at a decreasing rate, and there has been an increase in the size of farms. 9% of the farms contribute 75% of the total agricultural sales. The net farm income for 1999 averaged \$42,000 annually and \$30,000 is projected as the average annual income for 2000.

                  Professor Bernardo testified that Barry Flinchbaugh, a member of the 21<sup>st</sup> Century Commission, was in

Washington, D. C., testifying before Congress. Professor Bernardo stated that government will continue to play a significant part in agriculture for the foreseeable future. The 21<sup>st</sup> Century Commission recommends the maintenance of cropping flexibility, the establishment of farm savings accounts, the

## CONTINUATION SHEET

continuation of AMTA payments at current levels, counter-cyclical income payments, the expansion of crop and revenue insurance, and an increase in environmental stewardship programs. (Attachment 2)

Bruce Thornton, Frontier Farm Credit, Parsons, testified that the Farm Credit Association used approximately 28% of the total \$50 million of production loan funds available. \$14 million dollars of loans were processed to 92 farmers and ranchers throughout Kansas. More farmers would be helped if additional funds were available.

Mr. Thornton stated **HB 2103**, introduced in the House this session, proposes to increase the State funding from \$50 million to \$100 million. The Farm Credit Association of Kansas encourages the Kansas Senate to adopt the proposed changes in order to enhance the program.

The Agricultural Production Loan Deposit Program provides needed assistance to deserving farm families to help them bridge their financial situation to years of greater production and better prices, thereby making a significant difference to the farmer's chances to succeed long term and helping them stay in business. (Attachment 3)

Roger Vanlandingham, High Plains Farm Credit, Larned, stated the Larned office has \$6,407 million of program loans outstanding representing 36 farmers. The program works and assists farmers who have viable farming operations stay in businesses when they encounter temporary, but difficult, financial situations. Other states offer similar programs, but all have higher ceilings. The Oklahoma program has a ceiling of \$140 million and provides the State Treasurer's office the authority to adjust the amount over time.

Mr. Vanlandingham testified in support of **HB 2103**, stating that by increasing the funds available in Kansas to \$100 million, puts Kansas more in line with other states. The financial eligibility requirements are appropriate, and the debt-to-asset ratio is based on sound information and should not be changed. Mr. Vanlandingham did advocate more frequent repricing of the funds in order to eliminate any incentive for borrowers to attempt to refinance the indebtedness as rates fall, and then reapply when rates rise. The program has been most successful. (Attachment 4)

Don Garlow, Vice President, Peoples Exchange Bank, submitted written testimony that was submitted to the Committee. (Attachment 5)

Senator Downey asked that the Committee introduce a bill on behalf of Regional Economic Area Partnership (REAP) relating to Groundwater Management District #2, which provide flexible assessment rates within the district and would allow 3 persons on the GMD board be held by municipalities.

Senator Downey moved, seconded by Senator Morris, that a bill relating to GMD#2 be introduced and referred back to the Committee for consideration. The motion was approved unanimously by a voice vote.

Senator Huelskamp moved, seconded by Senator Taddiken, that a bill be introduced regarding the competitive livestock marketing act. The voice vote was in favor of the motion.

The meeting adjourned at 9:30 a.m.

The next meeting is scheduled for February 6, 2001.