MINUTES OF THE MEETING
AGRICULTURE, LIVESTOCK & IRRIGATION
MONTANA STATE SENATE

March 2, 1979

The twenty-first meeting of the Agriculture, Livestock and Irrigation Committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Galt at 1:00 p.m.

ROLL CALL: All members were present. Senator Hager present at 1:30:

The witnesses that were present are attached.

CONSIDERATION OF HOUSE BILL 590: Representative Manuel, district 11, had introduced this bill at the request of the Department of Agriculture. This bill deals with the wharehousing of beans, bees and nurserymen.

Mr. Roy Bjornson, Department of Agriculture, said the bill would increase fees for licensing. This request came from the Department of Administration. They wanted the department to look at all fees and adjust them so that the fees would be more appropriate in relation to the revenue that they receive and the revenue they expend.

OPPONENT -- Mr. Don Foster, operator of a bee apiary in Central Montana opposed the bill. He said he was not opposed to adjusting fees to a reasonable basis. Two years ago the fees were raised from $25 to $75 and now they want to raise them to $200. The beekeepers were not opposed to the increase two years ago but felt the proposed raise was not equitable.

Representative Manuel in closing said this raise is needed to offset the money coming out of the general fund for the administration of the program.

During questionning by the committee Gordon McOmber said the purpose of the bill is to protect the bee industry. The department sends people out to inspect bees that come into the state. At the present the licensing and registration brings in only about $5000. The proposed fee would still not bring in the necessary money for the administration of the program.

CONSIDERATION OF HOUSE BILL 251: This bill had been heard at the previous meeting, but the committee wanted some input from the Health Department. Mr. Vern Sloulin from the Health Department said that when it comes to the labelling of meat he felt this was the Livestock Sanitary Boards job. The federal la states that the Department of Health shall not get involved. Federal law preempts state law. They try to respond to complaint He felt the Health Department was enforcing the law to a certain degree.

Senator Kolstad moved that on page 1, line 24 after the word "who" insert "knowingly". Motion carried. Senator Aklestad voting No. Senator Hager absent.

CONSIDERATION OF HOUSE BILL 489: Representative Bengston from district #59, had introduced this bill at the request of some of her constituents. The development of subdivisions are causing many irrigation districts problems. This bill allows them some flexibility in charging rates. At the present time the rates are not high enough to cover the cost of delivery and maintenance. This changes the rates from a minimum of $5 to a maximum of $25. If they are not allowed to raise them the irrigation district may cease to exist. If a tract of land within a district is not able to get water they would pay only $5.

Ken Finley, Lockwood Irrigation District, said when the law was enacted there were not many subdivision developments. The maximum fee under this bill would be $25 a year.

R. A. Ellis, from Helena Valley Irrigation District, said they supported the bill.

There were no opponents.

During discussion Representative Bengston said the reason for the $5 minimum on land that couldn't receive water was that they are still in the district and irrigation is still available.

DISPOSITION OF HOUSE BILL 489: Senator Boylan moved that House Bill 489 BE CONCURRED IN. Motion carried. Senator Hager absent. Senator Boylan will carry the bill.

CONSIDERATION OF HOUSE BILL 278: Les Graham from the Department of Livestock, said the bill had been introduced at the request of the department. It excludes from the change of ownership inspection a family ranching entity. If the livestock remains on the premises no inspection would be needed.

DISPOSITION OF HOUSE BILL 278: Senator Nelson moved that House Bill 278 BE CONCURRED IN. Motion carried. Senator Nelson will carry the bill.

Senator Hager was present at this time.

CONSIDERATION OF HOUSE BILL 101: Representative Vincent, district #78 had introduced this bill. He submitted to the committee several articles on aliens buying agricultural land. Attachment #1. He stated that we do not know a great deal about foreign land ownership in the state. There are about 200,000 acres owned by non-resident aliens. He stated that there was a difference between alien and non-resident alien. An alien might not be a U.S. citizen but lives in the U.S. A non-resident alien is a person living outstide of the U.S. He felt if the rate of foreign land ownership increased at a rapid pace the economical and political control of Montana could be in jeopardy. It could create problems for the ranchers and farmers who want to buy land buy the foreigners would be willing to pay a higher price. This could drive the local rancher out of competition. There are currently 8 states that have a similar law and 2 other states are considering it at this time. A non-resident alien could own 5 acres or less and any non-resident alien could lease land up to 10 years. This bill would not effect the alien now owning land. Representative Vincent said many people feel there could be a constitutional problem in the bill, because people may not be able to dispose of their land the way they would like. There has never been a court case on this law.

Representative Jay Fabrega, supported the bill. He felt the buying of this land by the aliens could have a definite affect on the economy.

Terry Murphy, representing the NFO, said they were concerned about foreign ownership . However, on a state level they have not been able to take a position as far as the specifics in House Bill 101. He read part of the NFO's policy that was adopted at their convention. It stated in part that they would support legislation that try to curtail conglomerates and large corporations.

OPPONENTS:

Bill Britzius, Montana Association of Realtors, presented testimony which is attached, exhibit #2. They also felt the owner of property should be able to sell to whomever they wanted. They supported the free enterprise system entirely.

Tom Harrision, Shell Oil Co., submitted a proposed amendment, attachment #3. The intent of the bill is to not include Shell Oil Co. within the bill. Shell Oil is a major producer in Montana and they want to make sure they can still operate in Montana. He asked the committee to take action on the amendment before taking any type of action on the bill.

Mons Tegien, Montana Stockgrowers and Woolgrowers, and also the Montana Cattlemen's Association, said they felt the bill was much to restrictive at this point in time. He said that House Bill 429 a related bill was much more equitable. House Bill 101 does away with the right of an individual to dispose of his land the way he sees fit and is an erosion of the rights of our citizens. He felt we should find out how bad the problem is and then do something about it if there is indeed a problem.

Don Allan, Montana Petroleum Assoc., felt the problem had been blown out of proportion. He also asked the committee to adopt the proposed amendment submitted by Shell Oil Co.

Zack Stevens, Montana Farm Bureau and also speaking for the Agriculture Preservation Association, opposed the bill. They do favor the reporting system. At a convention of theirs last summer 90% of the people were not in favor of a bill like this.

The people do not want to be told what to do with their property. He felt the foreign ownership in Montana was almost nill.

Pat Stewart, Montana Coal Council, asked the committee to adopt the proposed amendment.

Tom Honzel, Montana Railraod Association, felt this bill could cause a constitutional question. He felt the term "resident" was defined vaguely. A supreme court ruling said that one right the citizens have is to dispose of his property.

Senator Hager, district #30, said the passage of this bill would be limiting who you could sell your property to. He cited a case in Colorado then in a short time the land was sold back to a U.S. resident.

Alice Fryslie, Montana Cattlemen's Association, felt we should remember that our forefathers were non-resident aliens when they came to this country.

Representative Vincent in closing asked the committee to seriously consider the consequences of large alien land ownerships in the state. In response to the constitutional question he said that in the other states where this is a law there has been no litigation.

During disucssion Sen. Graham felt there could be a retaliation by the foreign countries if a bill like this was passed. Senator Kolstad felt this bill was discriminating against the farming industry.

DISPOSITION OF HOUSE BILL 577: Senator Nelson had worked with the people that had been opposed to this bill and submitted an amendment, see committee report. Senator Nelson moved the proposed amendments . Motion carried.

Senator Nelson moved that House Bill 577 BE CONCURRED IN AS AMENDED. Motion carried.

Senator Nelson will carry the bill on the floor.

Jack E. Galt

SENATOR JACK E. GALT, Chairman

Date 3-2

ROLL CALL

AGRICULTURE COMMITTEE

46th LEGISLATIVE SESSION - 1979

- -

NAME	PRESENT	ABSENT	EXCUSED
SEN. KOLSTAD	✓		
SEN. AKLESTAD	✓		
SEN. BOYLAN	✓		
SEN. CONOVER	✓		
SEN. GRAHAM	✓		
SEN. HAGER	✓ 1:30		
SEN. NELSON	✓		
SEN. GALT, Chairman	✓		

Each Day Attach to Minutes.

SENATE

DATE 3-2

COMMITTEE ON AGRICULTURE

H.B. 489, 101 VISITORS' REGISTER 278, 590

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Les Graham	Mont Dept of Livestock	278	✓	
[illegible] Jr.	SELF	278	✓	
[illegible] Finley	Lockwood Irrig. Dist.	489	✓	
Bill Asher	AGRICULTURAL PRESERVATION	HB 101		✓
[illegible] Murphy	NFO Farmers Union	HB 101	✓	
Jim Molloy	Myself	HB101	✓	
Bill Britzius	& MYSELF MONTANA ASSN. OF REALTORS	HB101		✓
Roy Bjornson	Mt Dept. of Agri			
Jack Stevens	Farm Bureau	101		✓
Mons Teigen	Mont Stockgrowers & Woolgrowers	101		X
[illegible]	Mont. Cattlewomen Assn	101		X
STEPHEN C. SOPPA	SELF	101		✓
Jim Mockler	Mont. Coal Council	101		✓
James T. Harrison Jr	Shell Oil	101		✓
Tom Hopgood	Mont Realtors Ass'n	101		✓

(Please leave prepared statement with Secretary)

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Buying Up Land—

Foreign Investors Find Plush Haven In U. S. Agriculture

NEW YORK, N.Y.–Farming, which in recent years has become big business, is also lately becoming a plush haven for foreign investors, according to Saturday Review.

In a report in the October 15 issue, writer Christopher H. Stern describes the "invasion of America's heartland" by foreign interests ranging from German industrialists to Italian clergymen to Argentinian bankers.

Purchasing Land

All have one thing in common: they, like many others around the world, are busily purchasing prime farm acreage throughout the country.

Stern notes that the true extent of the foreign ownership is difficult to pin down, because public records are kept at county levels, and are, therefore, difficult to catalog, and because the devices used by the foreign investors are usually aimed at hiding their identity.

Stern cites this example:

"In one deal for a 2,500-acre Kansas farm, an unnamed West German investor contacted a Canadian realty firm, which contacted a Wyoming broker, who contacted a Chicago bank, which employed a statewide Kansas broker, who in turn found a local broker."

And he quotes the head of an investment firm who says of the tangle of intermediaries:

"Ten years ago, a guy sitting in Frankfurt would've had trouble making a buy in total secrecy. Now it's a snap of the fingers."

Large Purchases

A few acquisitions have received publicity: Prince Lichenstein's 10,000-acre farm in Texas's Red River area; the Busoni's 12,000-acre Norris Farm in Illinois; the Metternich's 2,135 acres in Iowa; and the Japanese Kikamo farm in Wisconsin.

Viewed against the 340-million acres of American farmland, these purchases are not limited to farmland. Overseas investors own 2-million acres of forest land here, hundreds of thousands of acres of coal and ranch lands, and a sizable amount of urban land.

Stern writes that big dollars are involved. Just one company, Amrex Corporation, based in San Francisco reports that:

1. In 1977 it will sell $260 million worth of farmland to an assortment of Italian, Swiss, Belgian, West German and French investors;

2. It receives 100 inquiries a day from interested foreigners;

3. At this time one of the world's biggest banks and one of the biggest investment houses are standing by with $50 billion of foreign capital to invest in farmland.

Inflation Hedge

Because the land purchases offer a hedge against inflation, foreign investors are lured to these purchases in ever-growing numbers. Once purchased, the foreigners typically retain an independent management service, who employ area farmers to operate the farms.

Evidence of the continued growth of overseas investment is evidenced by sentiment in states like Arizona for easing laws that prohibit foreign ownership of land, and by real estate companies now preparing to enter the market.

Petrochemical Dollars

Most recently, according to Stern, the first feelers from Middle Eastern holders of petrochemical dollars has been detected.

"In a few decades of harvesting, if no limit is assigned, foreign investment in U. S. farmland could eclipse American ownership. Then American agriculture, the nation's single greatest source of power, would pass from the hands of American citizens," said Stern.

Senate Ag Report Reveals

U.S. Farmland Value Incentive For Increased Foreign Ownership

By LARRY WATERFIELD

WASHINGTON, D.C. — A new government study released here Jan. 17 reports that 825,000 acres of U.S. farmland were bought by foreign investors during a recent 18-month period, with almost half of the purchases concentrated in seven Sun Belt states stretching from Texas to South Carolina.

The study was included in a report on foreign investment in the United States' agricultural land compiled by the Senate Agriculture Committee under the direction of its chairman, Sen. Herman Talmadge, D.-Ga. Talmadge said the land purchases by foreigners turned up in the latest study were "a significant amount by any standard."

The study, conducted for Talmadge's committee by an agency of the U.S. Department of Agriculture (USDA) and the U.S. Extension Service, surveyed farmland transfers in every county in the nation during a period from Jan. 1, 1977 through June 30, 1978. The 826,000 acres identified as purchased by foreigners amounted to only .08 percent of total U.S. agricultural land, but accounted for 2.25 percent of all farmland sales during the period.

THE PERCENTAGE of farmland sales to foreign investment and interest was highest in Vermont, where 20 percent of all land transfers were to foreigners. Second highest was in Georgia, where sales to foreigners accounted for 13 percent of the total.

The five states with the most acreage purchased by foreigners were Oregon, [illegible],000; Texas, 93,000; Georgia, 57,000; Louisiana, 54,000; and Arkansas, 43,000. A single purchase in Oregon involved more than 125,000 acres. While farmland purchases by foreigners were identified in every state except eight, the study disclosed heaviest activity in the South and Southeast, with significant concentration in several other

Seven Sun Belt states — Texas, Louisiana, Arkansas, Florida, Mississippi, Georgia and South Carolina — accounted for 42 percent of the acreage purchased, and 20 states accounted for almost 90 percent of the total.

The study found that foreign purchases, on the average, involved larger tracts of farmland than domestic purchases. But it found no significant relationship between the price of farmland and concentration of foreign acquisitions in individual states.

On an annual basis, the agriculture department study indicated that currently American farmland is passing under foreign ownership at a rate in excess of 500,000 acres per year. The department estimated that 25 million acres of agricultural land changes hands each year.

THE USDA STUDY was based on separate surveys by the Agricultural Stabilization and Conservation Service and the agricultural extension services in each state. The result of the two surveys were consolidated by department analysts into a single study for inclusion in the report of the Senate Agriculture Committee.

The 292-page report, which Talmadge called "unique and historic," is the result of a year-long inquiry stemming largely from complaints by farmers in many parts of the nation of unusual activity by foreign investors in U.S. farmland.

"This is the first time information has been obtained from every county in the nation concerning foreign investment in American agricultural land," Talmadge wrote in an introduction to the report.

In addition to the USDA study, the report contained an array of background information on farmland ownership by foreigners, including constitutional, international treaty, tax and other questions involved in federal and state regulation of purchases and ownership of agricultural land by aliens. It also contains discussions by several academic agricultural economists of diverse viewpoints on economic, social, and philosophic implications of farmland ownership by foreigners.

Also included is a compendium of existing federal and state laws relating to alien property rights and restrictions in the United States, and legal restrictions that other nations place on foreign ownership of their agricultural lands.

TALMADGE SAID many observers believed the trend toward foreign ownership of U.S. agricultural land will increase "as more foreigners become aware of the financial benefits of investment in American farmland."

Because of the rapid increase in prices, Talmadge said, farmland in the United States has become more valuable as an investment asset than as a productive asset.

Since 1970, Talmadge said, farmland values have doubled, and in some cases, tripled. The past seven years, capital gain associated with increased farmland values amounted to $325 billion, while income of farmland owners — including rents paid to non-operator landlords — amounted to $202 billion.

Talmadge said his senate committee would continue to monitor developments in farmland acquisition by foreigners. He noted that additional data would be forthcoming during the latter part of this year under legislation he sponsored in 1978 requiring foreigners to report their holdings to the Secretary of Agriculture.

The Georgia senator said that many questions remained unanswered concerning foreign ownership of American farmland, among them the effects on farmland prices and the liability of rural communities, in the future of the family farm system.

Foreigners are buying farmland–but, how much?

The fat's in the fire on this question, and farm interests, lawmakers and officials demand answers

Almost all experts on farmland in this country agree that far more foreigners are buying American farmland than there have been for a long time. More disturbing than that, they also agree that no one knows for sure how much land foreigners are buying and where it is located.

Estimates are wild, ranging from under 1% of foreign ownership of farmland uncovered by the General Accounting Office (GAO), in a recent study of 25 counties, to over 40% estimated on the West Coast.

Depending on whose estimates you believe, reactions to the facts are even wilder. Over half the state legislatures have made some effort to monitor foreign ownership or bar it entirely. Four bills have been introduced in Congress since March to require foreigners to register purchases with the Secretary of Agriculture, and the GAO has recommended that foreign land buyers be required to register, just as resident aliens are required to do each year.

All this excitement about foreign ownership of farmland is ironic in some respects. USDA has had a plan on the books for a feasibility study of ways to obtain nationwide land ownership data for some time. But the study hasn't gotten off the ground because Congress had not by mid-June appropriated the necessary funds for it.

Actually, no new legislation is really needed at this point to at least close the information gap on foreign investment in U.S. farmland.

"All of the authority and machinery for finding out what we want to know is in place right now," says George R. Kruer, chief, International Investment Division, U.S. Department of Commerce (USDC). In fact, his office has two proposed survey forms in the works now that will go out this year and next.

The authority to find out what foreigners own, where and how much was authorized in the International Investment Survey Act of 1976. This gives the President authority including *mandatory* reporting requirements backed up by civil and criminal penalties for failure to respond.

If this is so, you may wonder why so many powerful people are alarmed. There are several reasons:

1. USDC surveys don't go far enough for some who are concerned. USDC will require no reporting by buyers of less than 200 acres, as of now.
2. It is very difficult to track land deals. "Our knowledge of foreign ownership is skimpy and unsatisfactory," admits Milton A. Berger, director of USDC's Office of Foreign Investment. The reasons are many—secrecy in real estate deals, use of intermediaries and nominal owners.

Commerce officials concede that even when surveys go out, they may not get reports from all foreign buyers, unless the mandatory requirements and penalties are publicized.

3. Foreign interest in farmland is extremely selective. Where it is concentrated it is alarming.

For example, the Nebraska secretary of state reports *no* foreign land ownership in his state. But it's far different elsewhere.

> **"In California, foreign interests have purchased property at prices up to 50% above market price . . . A foreign investment fund of $100 million could buy 41% of all California land selling in one year."**

The GAO study which found less than 1% foreign ownership, turned up a concentration in one Georgia county that jarred Sen. Herman Talmadge (D., Ga.), who originally requested the investigation. "When 6% of the agricultural land of a single county in my state goes under foreign ownership, I say we have a problem," he declared.

Congressman John Krebs (D., Calif.) is even more agitated. "Some real estate people now estimate 40% or more of their sales are being made to foreigners," he recently told a House subcommittee.

"In California, foreign interests have purchased property several hundred dollars per acre above market value, sometimes up to 50% above the market price," he added.

Columnist Jack Anderson has fanned the flames of concern on the foreign issue citing examples that sound eerie if not illegal.

"International investment capital is presently being funneled into the purchase of U.S. farmlands at a flow unequalled since the turn of the century," he declares.

"In Hillsdale, Mich.," for example, "650 acres of small family farms were purchased by a Netherlands Antilles agent representing other unknown foreign investors. The agent then lobbied the local county council to rezone the land for residential development so 350 high-priced suburban housing units could be built.

"In Albuquerque, N.M., a Panamanian corporation bought 3,000 acres, then handed over the deed of sale to Geneva bankers who, in turn, leased the farm to a Swiss firm."

Lawmakers on the federal and state levels are pressing for action.

—Roe C. Black

in U.S. Real Estate

MILES CITY STAR
Miles City, Montana
(D—4,486, S—5,438)

How to stop foreign buying of farmlands puzzles Congress

By Medill News Service

WASHINGTON — Foreign investors are buying American farmlands and Congress is scrambling to figure out what to do about it.

Purchases of U.S. farmland by foreign interests "are of national concern and raise serious questions of national policy," says Senate Agriculture Committee chairman Herman E. Talmadge (D, Ga.).

The Agriculture Department estimates that farmland valued at about $120 million was sold to foreign investors last year, less than 1 percent of the annual value of farmland sales in the nation.

According to a recent General Accounting Office report, only 25 states have any regulations on these purchases. Among those laws "there are so many different provisions, exceptions and stipulations that even classifying the laws into general categories is difficult," the report says.

Five bills creating new regulations for the purchase of farms by foreigners were introduced in the House recently.

One of the bills, introduced by Rep. John B. Breckinridge (D, Ky.), would go further than the rest by placing a total prohibition on foreign ownership of American agricultural lands.

The four other bills, including one by Rep. Charles E. Grassley (R, Iowa), would require registration of land purchases by foreigners with the Agriculture Department.

The Senate Agriculture Committee, meanwhile, is studying the limits placed on regulating such foreign purchases by the Constitution, says William M. Bates, press secretary for the committee.

All five bills and the Senate committee's study are aimed at finding out how much farmland already is owned by aliens, say Congressional sources.

The restrictions are necessary because foreign ownership of farmlands may be driving up the prices of the land, says Michael Mishoe, a legislative assistant to Grassley.

"A lot of these people are not interested in making money on the land," Mishoe says. "To them, it is just a real estate investment.

"It could happen that some guy who owns a farm couldn't make it work and be forced to sell it. He might end up a sharecropper for some foreign investor."

A General Accounting office report recently reviewed the amount of American farmland that is already owned by foreign interests. The preliminary report, which surveyed foreign land ownership is only 25 counties in five states, showed 44,700 acres, or .3 of one percent of the farmland in those counties, under foreign ownership.

One Georgia county had 6.3 percent of its farmland in foreign hands.

The GAO admitted that the data in the report was "very fragmentary and inclusive" because "very little aggregate data exists about the ownership of U.S. real estate."

"There is no national system for obtaining such information," the GAO says.

While the report chiefly covered five states (California, Georgia, Kansas, Missouri and Oklahoma), it also contained some information on foreign ownership of farmland in other states.

Iowa which the report says has "the most advanced reporting procedure for obtaining data on foreign ownership of farmland," had 28 aliens owning 7,000 farm acres in 1977. Corporations in which aliens own 5 percent or more of the stock owned another 2,100 acres.

This is about .03 percent of the state's 34 million acres of farmland.

The GAO report says that half of the states in the U.S. have laws regulating foreign ownership of farmland.

Nine states, including Mississippi, have laws that "generally prohibit, or restrict in a major way" alien possession of land.

Mississippi law states that nonresident aliens may not purchase or own land unless they foreclose on a lien they hold on the land. Foreigners who are residents of the state are treated like other citizens, the report says.

However, citizens of Syria and Lebanon may inherit Mississippi farmland even if they are not residents.

Five states, including Iowa and Wisconsin, limit the acreage that aliens can hold.

In Iowa foreigners may hold property in a town or a city and can hold up to 640 acres outside of a town. They may also inherit land if U.S. citizens can do the same in the alien's country.

The Wisconsin law is similar, except that it places no restrictions on inheritance of property by foreigners.

A bill is now in the Iowa legislature that would prohibit foreign ownership of farmland, but its future is "uncertain" according to the GAO report.

Laws in six states, including Illinois, restrict the length of time aliens can hold land.

The Illinois law says aliens can only hold land for six years.

In Virginia any citizen of a country that is not an enemy of the U.S. may hold land on the same basis as Virginia Citizens.

Aliens in Oregon must say they wish to become state residents before they may buy land.

In Montana an alien can inherit land if U.S. citizens in the alien's country can also do so.

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 95th CONGRESS, SECOND SESSION

Vol. 124 WASHINGTON, WEDNESDAY, JUNE 28, 1978 No. 100

FEDERAL POLICY TO DEAL WITH FOREIGN INVESTMENT IN U.S. FARMLAND

HON. MAX BAUCUS

OF MONTANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 28, 1978

• Mr. BAUCUS. Mr. Speaker and fellow colleagues, foreign investment in American farm and ranchland is a matter for serious concern. Farmland is this Nation's most valuable natural resource. We in Congress need to make sure that foreign investments do not threaten the ability of our family farm system to supply essential food and fiber supplies.

The Federal Government has a responsibility to monitor foreign investments to insure that they do not lead to national problems. Foreign acquisition of U.S. real estate brings up important economic, social, and political questions.

Farmland purchases by foreign investors may limit opportunities for American farmers to buy land. Agricultural land is a limited resource, with only 3 percent of the total coming onto the market every year. Foreign buyers, assisted by tax breaks and attracted by relatively high rates of return on secure investments, are willing to pay prices above market rates.

These prices reduce the ability of young farmers to purchase farmland and existing family farm operations to expand. Foreign investments will replace the traditional owner-operator relationship which has been an integral part of our family farm system with a system of absentee ownership and tenant farming.

Foreign purchases bring up the possibility that U.S. land might be exploited for foreign benefit. Foreign control of resources eventually could influence U.S. Government policy. Certainly there is the possibility that foreign firms will be unresponsive to employment, community development, and national security needs of the United States.

We clearly need to increase our knowledge of foreign investment. Only when we know for sure the extent of foreign investment can we devise intelligent policies to deal with this investment. A recent GAO study of foreign ownership of U.S. farmland sums up current information with the words, "Reliable data is difficult to obtain." Current and planned efforts to monitor foreign investments in the United States are simply not sufficient.

Iowa's reporting procedure on foreign investment, an economic research report done as part of the Foreign Investment Study Act of 1974, and pending efforts by the Departments of Agriculture and Commerce provide only fragmentary data on foreign investments in U.S. farmland.

I have joined Congressman NOLAN GRASSLEY and others in cosponsoring the Agricultural Foreign Investment Disclosure Act of 1978. Essentially the bill requires that all nonresident aliens or foreign interests who hold, acquire or transfer interests in American farmland file a report with the Secretary of Agriculture within 90 days of purchase, sale, or transfer. Foreign interests would include foreign individuals, governments and corporations, as well as American corporations which are substantially controlled by foreign interests. Also, any foreign investor holding an interest in agricultural land on the day before the date of enactment of the legislation would have 6 months to submit a report to the Secretary of Agriculture. Consequently, we would have data on all foreign land ownership from the date the legislation is enacted and into the future.

Failure of foreign interests to report land ownership would result in stiff penalties of up to 25 percent of the fair market value of the interest held in the property. These penalties would provide strong incentive for both small and large foreign landholders to register.

The recent GAO investigation concluded with the advice that such a national reporting system would be the most feasible and simplest approach in obtaining much needed data on foreign investments in agricultural land.

To the extent possible, efforts to restrict foreign investments should be the prerogative of individual States. States have established various laws regarding foreign investment in farmland. These laws are in response to the particular needs and desires of each State. For instance, in Iowa, aliens, corporations, and limited partnerships are required to register landholdings and make certain annual disclosures. In addition, nonresident aliens may hold a maximum of 640 acres outside of municipal limits. In Oklahoma no alien may hold land unless he is a bona fide resident of the State. Many States have no restrictions at all on foreign investment in real estate.

Several of our current tax policies operate to the benefit of foreign investors. We in Congress should make overhaul of these tax laws a major priority.

Foreign corporations share an advantage with outside domestic investors in that they can write off farm losses against nonfarm income. Some types of farm operations require several years of large investments before returns start coming in; examples are cow-calf livestock operations and groves of fruit and nut trees. Investors can write off losses they incur in developing these enterprises, then sell the operation and treat their profits as capital gains. Thus, they convert ordinary nonfarm income into capital gains on their farming operations. I introduced H.R. 11641 several months ago to limit these tax advantages available to nonfarm interests operating in agriculture. My bill would reduce the amount of farm losses that could be deducted from nonfarm income to $15,000 annually.

A tax treaty the United States recently signed with the Netherlands Antilles grants investors there a special tax treatment when they invest money in this country. Currently the Senate is considering a tax treaty with England that could attract further foreign investment in farmland. That treaty would throw major legal roadblocks into State government authority to tax foreign investors. I would urge my colleagues in the Senate to closely examine article 9(4) of the U.S.-U.K. Tax Treaty before they approve this limitation upon the State's power to tax.

Mr. Speaker and fellow colleagues, foreign investment in U.S. farmland threatens to become an extremely serious problem. We in Congress should act now to establish procedures for monitoring this investment, and to insure that Federal policy does not favor foreign investors at the expense of our established family farmers.•

Opinion & comment

The Montana Standard

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BERT GASKILL
Editor

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Official newspaper of Butte-Silver Bow
Founded in 1876

Foreign buyers and Montana

Yesterday, a Standard editorial commented on a bill that would prohibit foreign ownership of Montana agricultural land. The editorial was written late last week, after the House Agriculture Committee voted against the bill.

We thought the committee vote killed the bill, but it didn't. The full House overruled the committee Saturday, giving preliminary approval to the bill by a wide margin.

Opposition to the bill, as mentioned yesterday, comes in part from farmers and ranchers who want to preserve their right to sell to whomever they wish. The farmers think they're entitled to top dollar if they decide to sell their land, and it's hard to fault them for this. Other opponents of the bill say that Americans are free to invest in many other lands, and some of these might consider retaliation if the bill passes.

The 66-29 vote, though, indicates that the bill has a lot of supporters, too. The supporters say that land purchases in Montana by non resident aliens are driving prices beyond the reach of the average Montana buyer. They also fear the possibility that large property holdings will give foreign buyers unwanted influence in the affairs of nearby communities.

We don't know that foreign land buyers are contributing to such serious problems now, but world economic trends indicate that they certainly could in the future. A lot of the money the U.S. is shipping abroad for oil and other goods these days is finding its way back to this country as foreign investment. Some of it is coming into Montana.

The legislature is right to discuss the matter now, regardless of the outcome of this bill. Land ownership patterns are changing, and if they are changing for the worse -- from Montana's point of view -- the lawmakers certainly should act. And we don't think they should be particularly influenced by what other nations do. Some countries forbid foreign land ownership, others encourage it, some just tolerate it. And sometimes a change of government will lead to the nationalization of foreign holdings in some countries. The point is, other governments determine for themselves whether foreign land ownership is a problem. If they decide it is, they do what they think is necessary to correct the problem. So should Montana.

A couple of representatives indicated before the vote that they believe land is so limited and so basic that the state should preserve its land for its own citizens.

That's a commendable philosophy. If it becomes a little more widespread in this legislature than it appears to be now, Montanans will be well-served.

#2

Bill Britzius
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Farm & Land Institute of The Montana Association of REALTORS

Great Falls, Montana
February 28, 1979

Honorable Senator Jack Galt, Chairman,
HB 101 Committee

In the interest of saving time and effort for your committee, I have reduced my thoughts on the above captioned bill to writing, as well as providing data as indexed, that I have gathered over an extended period of time as a member of the National Association of REALTORS Farm & Land Institute agricultural committee and a member of the NAR-FLI ad hoc committee investigating foreign investment in agricultural land. I would hope this written submission would not preclude any opportunity I might have to speak in opposition to the bill at your Friday, March 2, 1979 hearing.

To begin on a positive note: We emphatically support ownership registration of all lands. We emphatically support equal tax treatment between alien and domestic investors (copy of comparison between tax treatment for alien and american investors enclosed). We also support the inherent rights of property owners to sell to whom and under whatever terms they may choose. We support entirely, the free enterprise system.

We are equally emphatic in our opposition to HB 101 for the following reasons:
One, no accurate figures are available as of this date to establish a basis for concern, although data is being developed daily that indicates very minimal proportions. The furor was touched off originally by a totally undocumented irrational artical by the "Washington Post" many months ago. The highly emotional aspects were played upon and the picture was badly distorted.

Two, the cause of the problem, if in fact it is a problem, is being totally ignored. Our sinking dollar, balance of trade deficit and generally stable government make American Real Estate look good to alien investors. Mr. John Vincent, Rep. from Bozeman and one of the sponsors of HB 101, agreed with this condition during the hearing in the House committee, but stated that he doubted whether we in Montana could do anything about the value of the dollar. I feel that it is the duty of all Montanans to do every thing within their power to stabilize the dollar; Montanans both in and out of government can and must make themselves heard. We in Montana have a particular responsibility to our balance of trade deficit, because we are an agriculturally oriented state and agriculture products have traditionally been the stabilizing factor in our balance of trade for more years than we care to remember. Our federal government has bargained away many of the benefits we may have gained with our agricultural production and it seems to me that we can and must make our influence felt to reverse this situation.

Three, outside interests are constantly being blamed for rapidly increasing land prices. While there may be a few isolated instances in the "sun belt," we cannot be sure that local investors would not have paid the same price. Historically, in Montana particularly and the nation in general, farmers and rancher neighbors have been the bidders and buyers of the bulk of agricultural lands, paying the listed or asking price or below. Alien investors likewise, do not make a practice of paying above asking or listed prices either.

Four, there is a feeling that foreign investors will take the land out of circulation for extended periods, if not forever. There are many instances where these investments were turned over for much the same reasons that American investors might follow. Agricultural land investment is not in the glamour category, as any of you that own agricultural land must realize. From a point of profit taking, there are many more opportunities with shopping centers, commercial building and multiple rental unit investment for both alien and American investors, both tax wise and appreciation wise. There are several known cases of foreign investors becoming disenchanted with their agricultural land purchases within a short time and reselling.

Five, foreign investors are continually classified as "absentee owners" and landlords. I have sold only one combination agricultural unit to a "foreign" pruchaser. The purchaser was a Canadian, purchased a ranch located only eight miles from the home ranch where he was born and raised, continues to own and operate in conjunction to the US ranch with his daughter and six sons. Does this provide a basis for me to state statistically "all agricultural land sold in Montana to aliens is held by owner operators"? The point is that much of our media coverage has been out of context and does not reflect the true picture to the reading or viewing public. The fact of the matter being, many aliens do live on and operate their holdings in the same manner that American owners do.

Six, we do not feel that proper recognition is being given to the private property owners right to sell or otherwise handle the property disposal. Visualize if you will, a first, second or third generation farm family faced with the unalterable decision to sell the family farm. Fair market value, terms and conditions are decided upon in advance of the offering, that best suit the needs of the sellers for all purposes. Bare in mind, also, that because of market fluctuations, crop failures, possible inheritance taxes and many other factors encountered along the way, the land equity held, may be the only remaining cash available to this farm family for retirement and to pass on to heirs. After many years and or generations of producing food and fiber at little or no profit to themselves, the land appreciation finally fulfills the "American Dream" and we are proposing restrictions upon their right to sell to the highest bidder. Not a very rewarding picture for the people that have paid their taxes, subsidized the balance of trade and supplied this State and Nation with cheap food throughout their lifetimes. I would like to make reference here to a part of the Harpers "Land Rush" article enclosed; "Private Property At The End Of It's Tether".

Resume:

We have a highly emotional issue before us, not totally understood by our agricultural land owners and even less understood by non-agricultural landowners, that has been blown out of proportion without foundation. Mr. Bake Young, immediate past president of the Farm & Land Institute, (Mr. Young's letter to the ad hoc committee enclosed) attended the International Real Estate Congress in Europe last year and told me of the many many times he was reminded of the fact that America is the only really free country left and how they pleaded with him, "don't let it change". One of the attendants from Norway cited how in Norway, a native buyer and seller would agree on price and terms of sale between themselves, then petition the national government for approval, the government would then review the sellers reason for selling, the buyers reason for the purchase and had the right to reject either or both. It all started with insignificant, harmless regulation.

American industry has survived the influx of foreign cars, foreign electronics manufacture and other competition inspite of many inequities. I would like to point out some areas of even greater danger to our American agriculturists. Manipulation of the commodities market by foreign interests; Much less publicized, but they can break American agriculture without owning an acre; Again, the lack of financial strength to compete in the market place because of distressed agricultural prices and the condition of the dollar. Let us make a profit and we will compete both domestically and abroad. One of the benefits of foreign investment sales should be the return of the dollar to the homeland, however this is not necessarily true. Alien investors, operating through letters of credit, effectively finance their investments 100% in many cases, bring no dollars to the U. S. and deplete further, the money supply available to American investor operators. That is not a problem of land sales, but rather a problem of banking activity. The opportunities to discourage alien investors is almost limitless through many other means that would help to establish tax and product price equality, while improving our competitive edge, rather than direct infringement on the property owners right to sell through legislative regulation of land sales.

In conclusion, I would like to call your attention further, to Mr. John Vincent's closing remark to the House committee, the day of the hearing. Mr. Vincent admitted that there was no hard or documented evidence that there was in fact a real problem in Montana, but rather that he was afraid that by the time a problem, if there was a problem, were found to exist, action could not be taken rapidly enough to control or correct the problem or words to that effect. It seems to me, with the awareness and attention being given to gather evidence and monitor alien investments, both nationally and in Montana, our legislative bodies would see fit to continue their vigilance and have the intestinal fortitude, not to pass this very restrictive piece of legislation predicated on fear, with no basis in fact.

Very Truly yours,

Bill Britzius

Bill Britzius

PROPOSED AMENDMENTS TO HOUSE BILL 101

On Page 2

Strike subparagraph (4) and insert in lieu thereof the following:

"(4) This section does not apply to any ownership or leasehold of agricultural land by non-resident aliens or foreign businesses acquired prior to July 1, 1979; to leases granting the right to explore for and produce minerals from the land; to mineral or royalty interests; to easements and tracts of land acquired in connection with the extraction, refining, processing or transportation of minerals; or to any lands located within the boundaries of any incorporated city, town or village."

Mr Chairman and members of the committee. I am Edith Cox.

I submit this testimony as a concerned citizen and a farmer rancher
I am an opponent of H.B. 101.
This bill is discriminatory because it relates only to farm land. Other real estate such as private homes, apartment complexes - hotels, motels and others should be included to be honest in resisting foreign ownership.
Industry, small and large businesses, contracting firms, the professions should be restricted in the same manner.
The farmer and rancher is discriminated against in two ways. He cannot sell to the highest bidder should that bidder be a non-resident alien. And he must compete with the non-resident alien in the leasing of farm land which is fast becoming a premium item. In other words the non resident alien can lease land needed by resident farmers and ranchers. This bill is not well thought out.
Respectfully submitted
Edith Cox

STANDING COMMITTEE REPORT

March 2 19 79

MR. President

We, your committee on Agriculture, Livestock & Irrigation

having had under consideration House Bill No. 577

Respectfully report as follows: That House Bill No. 577,
third reading bill, be amended as follows:

1. Page 4, line 10.
Following: "head"
Insert: "for the first 10 head, and 50 cents per head for each animal more than 10"

And, as so amended,
BE CONCURRED IN
~~DO PASS~~

SENATOR JACK E. GALT, Chairman.

STATE PUB. CO.
Helena, Mont.

STANDING COMMITTEE REPORT

March 2 19 79

MR. President

We, your committee on Agriculture, Livestock & Irrigation

having had under consideration House Bill No. 273

Respectfully report as follows: That House Bill No. 273

BE CONCURRED IN

DO PASS

SENATOR JACK E. GALT, Chairman.

STATE PUB. CO.
Helena, Mont.

STANDING COMMITTEE REPORT

March 8 19 79

MR. President

We, your committee on Agriculture, Livestock & Irrigation

having had under consideration House Bill No. 489

Respectfully report as follows: That House Bill No. 489

BE CONCURRED IN
~~DO PASS~~

GA.

SENATOR JACK E. GALT, Chairman.

STATE PUB. CO.
Helena, Mont.