

MINUTES OF THE MEETING
AGRICULTURE COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

April 15, 1985

The meeting of the Agriculture Committee was called to order by Chairman Schultz on April 15, 1985 at 6:15 p.m. in Room 413 of the State Capitol.

ROLL CALL: All members were present with the exception of Rep. Poff.

CONSIDERATION OF HOUSE JOINT RESOLUTION NO. 57: Rep. Gay Holliday, District #31, sponsor of HJR 57, told the Committee members that the Cooperative Agricultural Revitalization Effort, otherwise known as the CARE Forum, had studied the extent of the agricultural problems but did not have time to complete its work and therefore she introduced HJR 57 requesting an interim committee to study a long-term solution to the problems of agriculture. She submitted an article entitled "Saudi king wants Iowa farmland", Exhibit #1, and said she was concerned that something such as this could happen. She also read part of an article that appeared in The Billings Gazette stating that Montanans were in agreement that the agricultural industry needs financial assistance. However, the article also said that 44% of the people indicated they had total incomes of \$35,000 and over. This figure is in conflict with statistics that are being published elsewhere. She said that Montanans realize the importance of agriculture to Montana's economy. She said that an interim committee would be a definite step that the Legislature could take pertaining to agriculture in Montana.

PROPOSERS: Ralph Peck, Deputy Director of the Department of Agriculture, appeared in support of HJR 57. He submitted the Agricultural Finance Summary which is attached to these minutes as Exhibit #2. He stated that this summary was compiled in October of 1984 regarding the condition of the farmers and ranchers in Montana which was also prior to the closing of three PCA's around the state. He also said that farmers and ranchers are experiencing difficulty in obtaining operating money for their spring planting.

Rep. Holliday said that she had received a call from Terry Murphy, President of the Montana Farmers' Union, stating that they wished to be shown on the record in support of HJR 57.

OPPOSERS: There were no opponents to HJR 57.

In closing, Rep. Holliday, remarked that most farmers and ranchers believe they have been supplying a cheap food supply for many years; however, the buying public does not feel this way. They feel the food supply is high priced. She said

that the focus should be on educating the public and making them aware of the true facts.

DISCUSSION OF HOUSE JOINT RESOLUTION NO. 57: Rep. Cody asked Rep. Holliday, concerning the article in The Billings Gazette, if the article stated whether or not that \$35,000 plus was gross or net income. Rep. Holliday replied that it did not say either gross or net. Rep. Cody then asked if it said whether it was non-farm income, two incomes, etc. Rep. Holliday said it did not qualify the type of income at all.

Rep. Devlin remarked that evidently then, one of the biggest problems of the farmers and ranchers is that the press doesn't qualify what they print, to which Rep. Holliday agreed.

Rep. Rapp-Svrcek asked what the relation was between the Resolution and the King of Saudi. Rep. Holliday said that it did relate to the Resolution in that an interim committee could address the possibility of something like this happening and be in a position to deal with it.

Rep. Ellerd commented that everyone knows what the problems are with agriculture and that is low prices and high costs and wondered if we needed a study for that. Rep. Holliday replied that we all do know what the problems are but possibly there is something that can be done to alleviate some of those problems.

Rep. Switzer asked if the Resolution could address such topics as the bill that was on the floor of the House on this date pertaining to shipping grain. Rep. Holliday remarked that it probably could and maybe through a study such as this more of us would know more about that subject also. She said there were a lot of people on the floor that were not well versed on the subject when the bill came up for debate.

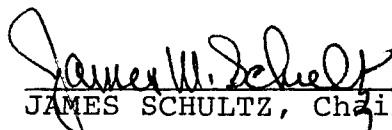
Chairman Schultz said that the public needs to be addressed and make them aware of the situation. People think ranchers and farmers are rich just because they own cattle or sheep. He said that these farmers and ranchers have provided the finest and cheapest food in the world, at a loss. It is costing the wheat grower \$6-7 per bushel to produce wheat, bread costs \$1.30 per loaf and the farmer is getting 5¢ out of that \$1.30. This interim study needs to address more than the financial plight of the farmer.

EXECUTIVE SESSION:

Rep. Fritz moved that HJR 57 DO PASS, seconded by Rep. Rapp-Svrcek. The motion CARRIED UNANIMOUSLY.

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There being no further business, the motion was made and seconded to adjourn at 6:30 p.m.



JAMES SCHULTZ, Chairman

DAILY ROLL CALL

AGRICULTURE

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date April 15

NAME	PRESENT	ABSENT	EXCUSED
REPRESENTATIVE SCHULTZ	/		
REPRESENTATIVE HOLLIDAY	/		
REPRESENTATIVE SPAETH	/		
REPRESENTATIVE HOWE	/		
REPRESENTATIVE JENKINS	/		
REPRESENTATIVE SWITZER	/		
REPRESENTATIVE BACHINI	/		
REPRESENTATIVE POFF		/	
REPRESENTATIVE CODY	/		
REPRESENTATIVE KOEHNKE	/		
REPRESENTATIVE DEVLIN	/		
REPRESENTATIVE ELLISON	/		
REPRESENTATIVE FRITZ	/		
REPRESENTATIVE PATTERSON	/		
REPRESENTATIVE KELLER	/		
REPRESENTATIVE RAPP-SVRCEK	/		
REPRESENTATIVE ELLERD	/		
REPRESENTATIVE COMPTON	/		

STANDING COMMITTEE REPORT

April 15

19 35

MR. Speaker

We, your committee on Agriculture

having had under consideration House Joint Resolution Bill No. 57

First reading copy (White)
color

REQUESTING AN INTERIM STUDY OF THE PROBLEMS FACING THE
AGRICULTURE SECTOR OF THE MONTANA ECONOMY

Respectfully report as follows: That House Joint Resolution Bill No. 57

DO PASS

Saudi king wants Iowa farmland

by MARCIA KRINGS

The king of Saudi Arabia would invest \$1 billion in Iowa farmland under an innovative plan developed by an Iowa businessman.

Behind the plan is Warren McCray, Cedar Rapids health spa owner and officer of the Eden Foundation, which he says is a world peace organization.

McCray has been contacting farmers in southeast Iowa to learn if they are willing to sell their land to the king of Saudi Arabia. The king wants to buy the land if the U.S. government will grant the right for 5,000 Arabs to receive immigration rights to the United States, according to McCray. Some would be Palestinian refugees.

In return, McCray said, the king of Saudi Arabia will release \$1 billion to acquire 60,000 acres or more of land near Iowa City and Cedar Rapids, Iowa.

McCray said there are several reasons for the plan.

"The lands would become a symbolic Palestine in America," he said. "It would show the world America is concerned with people dispossessed of their homeland. It would show that the United States recognizes the right of existence for a Palestine as well as for an Israel."

Also tied into the plan is a learning experience for the Arabs.

"The idea here is a farmer could get \$1 million cash for his farm, if he agreed to take two Palestinian families on the farm and teach them what he knows about farming. Then they could go back to the Middle East with some knowledge they could put to use in their own country."

McCray said farmers have been responsive to the plan.

"The farmers have been beautiful," he said. "When we started signing agreements for land in January, we had 60,000 acres. Now we have another 300,000 acres available."

As for the farmers, an issue of

LandOwner Newsletter quotes some of them as labeling McCray as a self-appointed prophet. But some fear that 5,000 Palestinian refugees will show up on Iowa City's doorstep.

Mrs. Max Nebergall, wife of a farmer who helped McCray line up some of the land, said, "We don't know if it will ever happen. But desperate farmers have come to us offering land, hoping it will happen. We've been shocked that many people in towns around here are bitter and afraid about refugee people coming. Where did their ancestors come from?"

The hitch in the entire plan is the passports for the Arabs.

"We're still working on that," McCray said. "The king won't buy the land until he has the passports."

McCray doesn't visualize all the Arabs living on the farmland.

"Many would be well-to-do people and they would live in apartments and houses in town," he said. "Many would be friends of Saudi Arabia's royal family. The king knows his family would be killed if the Soviets invaded Saudi oil fields," McCray said.

McCray has been questioned at length by the Iowa Attorney General's staff about the plan.

The LandOwner Newsletter also reports that McCray is angry with the Attorney General's office for breaking a promised confidence.

When called in for questioning, he revealed the name of Maurice Test, an associate who is the key contact man with the king of Saudi Arabia.

McCray claims state officials promised to keep Test's name confidential.

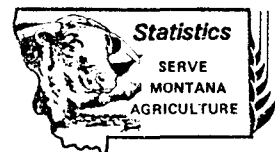
Test developed his connections with the royal family years ago on a major Middle East construction project, according to McCray.

Offers on the land are priced to yield a 7.6 percent return on rental value. The farms would be rented back to their current owners.



(406) 444-3144

Agricultural Finance Summary



(406) 449-5303

The problem of agricultural credit and the depressed agricultural economy is a major issue of deep concern to farmers and ranchers, agricultural leaders and lending institutions in the state of Montana. The 1984 drouth and other natural disasters have created additional financial stress.

This publication provides a summary of two surveys that were conducted to help identify the extent and severity of agricultural credit problems in Montana.

SURVEY PROCEDURE

We mailed questionnaires asking about farm credit to about 1,500 farmers, all 175 commercial banks, the Farm and Home Administration (FmHA), Production Credit Associations (PCAs), and Federal Land Banks (FLBs). Non-respondents were contacted by telephone.

RESULTS OF FARM OPERATOR SURVEY

Results of the farm operators survey show that 18 percent of Montana farmers are delinquent on real estate loan payments. A breakdown shows that about half of those have been able to stay current on interest payments only. The delinquency rate is somewhat higher among farms of less than a thousand acres, averaging 25 to 29 percent.

ONLY 7 OUT OF 10 CURRENT ON OPERATING LOANS

For non-real estate or loans used to purchase operating equipment and supplies 31 percent of the state's farmers are delinquent in their payments. However, 61 percent of those are current on interest payments only. All sizes of operations seem to be having trouble keeping current on operating loans, but those under 1,000 acres in size are running above average on delinquency, while those between 1,000 and 2,000 acres are below average.

LOAN DELINQUENCY RATE BY SIZE OF FARM

SIZE OF FARM	REAL ESTATE LOANS DELINQUENT	NON-REAL ESTATE LOANS DELINQUENT
-Acres-	-----Percent-----	
499 or Less	25.0	31.8
500-999	28.6	37.5
1,000-1,999	14.3	24.5
2,000-2,999	18.8	34.1
3,000-4,999	13.6	32.1
5,000-9,999	8.6	31.8
10,000 +	12.7	28.3
STATE TOTAL	17.6	30.6

Interest rates averaged 10.4 percent for real estate and 13.9 percent for non-real estate loans. Six percent of the survey respondents had been denied credit between January and September 1984. About 4 out of 10 were able to obtain credit elsewhere.

(Continued on inside page.)