

MINUTES OF THE MEETING  
NATURAL RESOURCES SUBCOMMITTEE  
MONTANA STATE  
HOUSE OF REPRESENTATIVES

March 11, 1985

The meeting of the Natural Resources Subcommittee was called to order by Chairman Manuel on March 11, 1985 at 4:15 p.m. in Room 132 of the State Capitol.

ROLL CALL: All members were present with the exception of Senators Lane and Boylan who were excused.

HOUSE BILL NO. 672: Hearing commenced on House Bill No. 672. Representative John Harp recommended to Chairman Manuel that this bill be killed. Chairman Manuel said he would recommend to the full Appropriations Committee this bill be tabled.

ACTION ON HOUSE BILL NO. 672: Representative Spaeth made a motion to recommend House Bill 672 BE TABLED. Representative Nathe seconded. A Voice vote was taken and the motion carried unanimously.

HOUSE BILL NO. 876: Hearing commenced on House Bill No. 876. Chairman Manuel read a letter from Representative Abrams, sponsor of House Bill 876, requesting this bill be tabled at the present time, but should revenue start flowing in to the General Fund the bill be revived and recommended do pass. See Exhibit "WWWWW".

ACTION ON HOUSE BILL NO. 876: Representative Swift made a motion House Bill 876 BE TABLED for the reason stated in Representative Abrams letter. Representative Spaeth seconded. A Voice vote was taken and the motion carried unanimously.

HOUSE BILL NO. 671: Hearing commenced on House Bill No. 671. Representative Ted Schye, District #18, sponsor of the bill, stated that the purpose of this bill is to set up an advocacy program for people in agriculture. This bill would help the people in agriculture get some ideas on how to get financing, where to get financing, and where to get costs that are right. Representative Schye said these people need to know how to figure cash flow. This bill would appropriate money to the Department of Agriculture to set up a program to give these people information on how to handle the problems they are having.

At this time, Chairman Manuel asked if there were any proponents for this bill.

JoAnn Forsness, (78:A:193) representing the WIFE organization, gave testimony. See Exhibit "XXXXX".

Representative Dorothy Cody, District 20, said if House Bill 671 passes it will offer hope to the people in Agriculture.

Nell Kubesch, farmer and rancher, testified in behalf of House Bill 671. See Exhibit "YYYYY".

Ms. Kubesch said she would propose to amend the bill as follows:

Lines 14-17: The Department of Agriculture shall establish, coordinate and provide training for a volunteer network of Agricultural Financial Counselors who will provide counseling services to financially troubled farmers and ranchers in the state.

Insert between lines 17-18: Monies can be used by the Department of Agriculture to provide training or can be issued to non-profit organizations to provide training according to the rules developed by the Department. In addition to the Coordinator and the training principals, monies appropriated will also be allocated for the implementation of a hotline referral system.

Susan Cottingham, representing the Montana Chapter of the American Civil Liberties Union, testified in support of House Bill 671

Merlin Meyers, farmer and rancher, testified in support of House Bill 671. See Exhibit "ZZZZZ".

Ralph Peck, (78:A;464) Montana Department of Agriculture, gave testimony on behalf of Keith Kelly, Director, Department of Agriculture. See Exhibit "AAAAAA".

Chairman Manuel called for any opponents to House Bill 671. There being none, Chairman Manuel called for questions from the Subcommittee.

Representative Swift asked about possibly using the County Extension Service to provide assistance. Discussion was held on this. Mr. Peck said many of the agents working for the Extension Service did not have the background

skills needed for financial counseling and many of the farmers did not want someone in their local community knowing their financial difficulties.

Discussion was held on a bookkeeping system.

Representative Spaeth, (78:B:015), asked how the amount of \$300,000 was arrived at for this appropriation. Discussion was held. See Exhibit "BBBBBB", submitted March 13, 1985.

Representative Nathe asked if they couldn't work with the Department of Commerce in the Business Assistance Program?

Representative Schye said they would not be adverse to trying this.

Discussion was held.

HOUSE BILL NO. 886: Hearing commenced on House Bill No. 886. Representative Gay Holliday, District #31, cosponsor of the bill said the purpose of this bill is to appropriate funds to implement certain recommendations of the Governor's Groundwater Advisory Council. See Exhibit "CCCCC".

Chairman Manuel called for any proponents of House Bill 886.

Rich Brasch, (78:B:230) representing the Department of Natural Resources and Conservation, identified how these funds would be used.

Marvin Miller, Montana Bureau of Mines and Geology, testified in support of House Bill 886.

Joe Moreland, acting District Chief of the U.S. Geological Survey, testified in support of House Bill 886.


Chairman Manuel called for opponents of House Bill 886. There being none, Chairman Manuel asked if the Subcommittee had any questions.

Discussion was held.

There being no further discussion on House Bill 886 the hearing was closed.

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The meeting adjourned at 5:50 p.m.

  
Representative Rex Manuel  
Chairman

DAILY ROLL CALL

## NATURAL RESOURCES SUBCOMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3-11-85

[illegible]



*The Big Sky Country*

MONTANA STATE HOUSE OF REPRESENTATIVES

March 8, 1985

The Honorable Rex Manuel  
Appropriations - Finance and Claims  
Joint Sub-Committee  
Chairman, Natural Resources

Dear Representative Manuel:

H.B. 876 is a very important piece of legislation with regards to weed control on state lands. However, due to the extreme shortage of funds in the appropriation process, and realizing that this bill has no alternative other than being killed or tabled, I would request at this time that you table HB 876.

Please be advised, that should revenue start flowing into the General Fund, from some unknown source, that we shall attempt to revive HB 876.

At that time I would sincerely appreciate your consideration and support on a Do Pass motion.

Sincerely yours,

*Hubert Abrams*

Rep. Hubert Abrams  
District # XXXX 24

HA/ba

The Honorable Rex Manuel  
Appropriations - Finance and Claims  
Joint Sub-Committee  
Chairman, Natural Resources

WEED CONTROL ON STATE LANDS

WHEREAS noxious weeds are an ever increasing problem throughout the State of Montana; and

WHEREAS noxious weeds are decreasing the production capability and the value of the land owned by the State of Montana; and

WHEREAS noxious weeds are detrimental to the economy of Montana agriculture; and

WHEREAS the Montana Weed Law provides legislation to provide some funds to control the spread of noxious weeds on privately owned lands; and


WHEREAS the Montana Weed Law states in Section 16-1706 "*It shall be unlawful to permit any noxious weed, as named in this act, or designated by the Board of County Commissioners of the respective county, to go to seed on any lands within the area of any district. This section shall apply to all persons, co-partnerships, corporations or companies owning, occupying or controlling lands, easements or right-of-ways, as well as all county, state and federal ditches, spoil banks, borrow pits and right-of-ways for canal and laterals within the district.*"

THEREFORE BE IT RESOLVED that the Montana Association of Conservation Districts recommends that legislation be introduced and passed to appropriate funds equal to 10% of the income received from timber sales, agricultural and grazing leases on lands owned by the State of Montana and that such funds be appropriated for use each year for controlling noxious weeds as designated in the Montana Weed Law or by the County Commissioners in their respective counties; and

BE IT FURTHER RESOLVED that funds be appropriated for use within each county in direct proportion to the acreage of state owned land therein contained.

Sincerely yours,

*Hubert Abrams*

Rep. Hubert Abrams  
District  24



# WIFE Women Involved In Farm Economics

Testimony in support of HB 671-Jecchye

Montana FmHA active program borrowers have decreased from 3,295 Dec. 31, 1984 to 2,981 Jan. 31, 1985 yet those borrowers behind scheduled payments even after the president's 25% set aside has been in effect for three months has increased from 2,839 to 4,982 Jan 31, 1985. Less than 30% of those applying for debt set aside have qualified in Montana.

Montana is facing crisis of epidemic proportions. One reason for this crisis is the continuing underpayment of agriculture. The second cause is the fact that credit is changing and it is changing virtually overnight. Changing from a land based equity to a cash flow catching good producers in the middle. Rural America is suffering. Everyone should realize that when rural America suffers eventually everyone suffers. Already we are seeing boarded up store fronts and failing lending institutions. Many rural agricultural support businesses are existing only through SBA low interest loans. People calling the Crisis line instituted by WIFE in January have said that in the transition from one lender to another they have been left with nothing to live on, nothing to feed their families and no heat for their homes. Bank loan officers with whom they have done business for years are now reluctant to talk to them. Some FmHA personnel tells them they are busy not to come back to the office and bother them. They say as many as 1,000 of the 1500 borrowers from the three liquidated production credit associations will not find funding elsewhere. They ask "who will hire someone over 40 who has done nothing but farm or Ranch all their lives". We must remember that these are people, families, not just statistics.

Lou Ann Kling one of the initiators of the advocacy program which has been so successful in Minnesota spoke at a workshop for advocates sponsored by Northern Plains Resource Council recently. Lou Ann spoke of that program being used as a pattern by at least nine other states.





# WIFE Women Involved In Farm Economics

A program of Farmers and Ranchers helping Farmers and Ranchers after being trained at sessions conducted by the state. We feel this program must utilize Farmers and ranchers who are actively involved so they are able to relate to the problems. The Minnesota advocacy program was started in March of 1984 to give some financial aid to dedicated farmers and ranchers already helping others and breaking themselves in the attempt. Minnesota has 15 funded advocates receiving \$5.00 per hour for 20 hours work a week along with some expenses. In the first 14 weeks the minnesota program was in effect the advocates were able to help 1450 farmers and ranchers gain financing and increase the funding into the state by 81 million dollars through FmHA alone. Of four parcels of land held for bid through the office of an attorney in my area only one parcel received a bid, about 800 acres of farm land out of 1500 deeded acres. The bid was 42 dollars per acre. The farmers and ranchers are locked into a no win situation, you cannot stay in and you cannot get out. you cannot even just walk away and leave the place because you could be liable to huge charges from the IRS which will follow you forever. Please consider the funding for the advocacy program not as an expenditure but an investment in Montanas future. If you can help keep these productive farmers and ranchers on the land through this crisis by funding this program they will once again become tax paying americans increasing the revenues of this state.

# NORTHERN PLAINS RESOURCE COUNCIL

Exhibit "yyyyyy"

Field Office  
Box 858  
Helena, MT 59624  
(406) 443-4965

Main Office  
419 Stapleton Building  
Billings, MT 59101  
(406) 248-1154

Field Office  
Box 886  
Glendive, MT 59330  
(406) 365-2525

## TESTIMONY ON HB 671

GOOD AFTERNOON. MY NAME IS NELL KUBESH. I FARM AND RANCH WITH MY HUSBAND, JOHN, IN DAWSON COUNTY. I TRAVELED HERE TODAY TO GIVE TESTIMONY IN SUPPORT OF HB 671. MY REMARKS ARE SPOKEN ON BEHALF OF THE NORTHERN PLAINS RESOURCE COUNCIL.

NPRC ENDORSES THE CONCEPT ON AN ADVOCACY PROGRAM. IT IS CRITICAL THAT THE DEPARTMENT OF AGRICULTURE COORDINATES AND PROVIDES TRAINING TO A STATE WIDE NETWORK OF FINANCIAL COUNSELORS WHO ARE AVAILABLE TO ASSIST TROUBLED AGRICULTURAL BORROWERS. IT IS EQUALLY CRITICAL THAT THE DEPARTMENT OF AGRICULTURE DEVELOP THAT NETWORK NOW.

PRESENTLY, THE MIDWEST IS SEEING FARM FORECLOSURES OCCUR AT A RATE GREATER THAN THEY OCCURED DURING THE GREAT DEPRESSION. FARM DEBT THROUGHOUT THE UNITED STATES IS MUSHROOMING. MONTANA IS NOT EXEMPT FROM THIS CRISIS. IN FACT, ACCORDING TO THE MONTANA AGRICULTURE FINANCE SUMMARY PREPARED BY THE MONTANA CROP AND LIVESTOCK REPORTING SERVICE LAST FALL, 34% OF FARM BORROWERS SHOW A 40% RATIO OF DEBTS TO ASSETS. 45% OF THE 1,500 OPERATORS SURVEYED DID NOT EXPECT TO REMAIN IN BUSINESS OVER THE NEXT 5 YEARS.

I WON'T DWELL ON THE REASONS LEADING TO THIS SITUATION. THE POINT OF UTILIZING THE STATISTICS WAS TO VIVIDLY SHOW THAT MONTANA'S AGRICULTURAL PEOPLE ARE IN SERIOUS TROUBLE. MONTANA'S FARMERS AND RANCHERS NEED DIRECT FINANCIAL ASSISTANCE--IN TERMS OF SECURING LONG TERM LOANS OR BUYING DOWN INTEREST RATES. THEY ALSO NEED DIRECT ACCESS TO FINANCIAL COUNSELING SERVICES. FARMERS AND RANCHERS NEED TO LEARN THE INS AND OUTS OF FINANCIAL STATEMENTS; ABOUT THE LENDING POLICIES OF VARIOUS FINANCIAL INSTITUTIONS AND RELATED BORROWER'S RIGHTS. THEY NEED TO LEARN HOW CREATIVE FINANCING OR BANKRUPTCY OPTIONS CAN SERVE AS ALTERNATIVES TO FORECLOSURES.

SEVERAL MIDWESTERN STATES HAVE ALREADY IMPLEMENTED ADVOCACY PROGRAMS. RECENTLY, NPRC SPONCORED A WORKSHOP IN GLENDIVE TO LEARN ABOUT BORROWER'S RIGHTS AND OPTIONS, SUCH AS DEBT RESTRUCTURING, THAT ARE AVAILABLE TO AGRICULTURAL BORROWERS. WE INVITED LOU ANNE KLING, A FARMER FROM GRANITE FALLS, MINNESOTA, WHO WAS INSTRUMENTAL IN DEVELOPING MINNESOTA'S ADVOCACY PROGRAM. THE MINNESOTA PROGRAM CONSISTS OF A GRASSROOT NETWORK OF PRIMARILY AGRICULTURAL PEOPLE TRAINED IN ANALYZING FINANCIAL RECORDS AND DEVELOPING OPTION SHEETS, POLICIES OF VARIOUS LENDING INSTITUTIONS, AND NEGOTIATION STRATEGIES. KLING REMARKED THAT IN THE FIRST 14 WEEKS, THE PROGRAM ASSISTED 1,450 FARMERS. PRESENTLY, OVER 300 CALLS ARE RECIEVED A MONTH ON A FARM CRISIS HOTLINE. FARMERS WHO WOULD HAVE LOST THEIR FARMS ARE STILL INVOLVED IN AGRICULTURE BECAUSE OF THE ASSISTANCE THEY RECIEVED THROUGH THE ADVOCACY PROGRAM.

ACCORDING TO KLING, THE SUCCESS OF THE PROGRAM IS DUE TO THE FACT THAT FARMERS ARE PROVIDING COUNSELING TO FARMERS.

IN KLING'S EXPERIENCE, TROUBLED BORROWERS DO NOT WANT TO DISCUSS THEIR FINANCIAL MATTERS WITH LENDERS WHO HAVE HELPED THEM IN THE PAST. RATHER THEY WANT TO DISCUSS THEIR PROBLEMS WITH ANOTHER FARMER OR SOMEONE WHO IS DIRECTLY INVOLVED IN AGRICULTURE. BECAUSE OF THIS, NPRC URGES THE DEPARTMENT OF AGRICULTURE TO MAXIMIZE THE USE OF PEOPLE WITH AGRICULTURAL BACKGROUNDS IN THEIR ADVOCACY PROGRAM.

A GRASSROOT NETWORK OF TRAINED FINANCIAL COUNSELORS WOULD BE INDISPENSABLE TO THE HEALTH OF MONTANA'S AGRICULTURAL, AND URBAN ECONOMY. AFTER ALL, A FARM CRISIS DOESN'T JUST IMPACT FARMS. INVARIABLY, AGRICULTURAL VENDERS OF FEED, CHEMICALS, ETC., AND AGRICULTURAL BANKS AND OTHER BUSINESSES ARE ALSO IMPACTED. A FARM CRISIS SIMPLY STARTS ON THE FARM--ITS IMPACTS ARE FELT THROUGHOUT THE ECONOMY.

WE ALL REALIZE HOW TIGHT THE BUDGET IS THIS SESSION AND HOW IMPORTANT IS IT TO TRIM UNNECESSARY COSTS. I HOPE I'VE MADE IT CLEAR HOW IMPORTANT THE IMPLEMENTATION OF AN ADVOCACY PROGRAM IS, NOT ONLY TO THE MONTANA'S AGRICULTURAL SECTOR, BUT TO THE ENTIRE ECONOMY. I TRUST YOU WILL GIVE SERIOUS CONSIDERATION TO THIS MATTER.

continued from previous page

available, and how to fill out forms and make sure the paperwork is properly processed.

**T**he real beauty of the program is that it goes far beyond FmHA technicalities: It is a program where farmer helps farmer. When they place a call to either the hot line or an advocate, farmers encounter a friendly and supportive person offering help—not someone who criticizes and questions their farm-management practices.

Meanwhile, LouAnne Kling's work continues. The morning we called, she already had taken four calls—including one from a person whose farm was being sold that morning, and another from a farmer who had just received a notice of foreclosure in the mail. Word of her work continues to spread. She has conducted advocate training in North Dakota and has been invited to Texas to discuss the program.

And her vision of the advocates' role continues to grow. "We serve an important role," she notes. "We teach bookkeeping, legal rights, and the idea of organizing for justice."

This summer Kling and her husband hope to take a vacation from their farm in Granite Falls, where they have a farrow-to-finish hog operation and 360 acres of corn and soybeans. They hope to visit all the farm families she has worked with in the state—people whom Kling considers one big family network, all with a special, shared experience.

"I have seen more farmers than I can count sit here at my kitchen table and ask me, 'Why does FmHA want to be this way, what benefit is it to anyone?'" she says.

Farm advocates can't answer that question, but they can help farmers deal with the problems FmHA presents them with and to learn from that experience. And with an even larger vision for the program, Kling hopes that the farmers come to understand that farm commodity prices—not FmHA—are the real problem. "Fair prices for farm products," she declares, "is simply justice and nothing more." ■

For more information contact: Roger Culhane, Home Preservation Hot Line, 117 University Ave., Ford Bldg., St. Paul, MN 55155; 612/297-4111.



## Credit Counseling Programs Move Across the Map

**S**tate-funded programs to help farmers is an idea whose time has come. In addition to Minnesota, programs are under way or being considered in several states where the farm crisis has reached alarming proportions—including Iowa, Kansas, Texas and North Dakota.

In Iowa, the Midwest office of Rural America and the Iowa Farm Unity Coalition have submitted a proposal to the state for a Farm Credit Advocacy Program (FarmCAP) there. The proposal grows out of the Coalition's experience operating a farm-crisis hot line, which has averaged five to eight calls a day for more than two years.

FarmCAP is aimed at providing information, referral and counseling assistance to Iowa farmers applying for Farmers Home Administration (FmHA) credit or facing loan-repayment

problems, foreclosure or bankruptcy. It would encourage farmers and lenders to sit down together to resolve their problems rather than turn to the courts, thereby reducing the emotional and financial costs of court settlements.

As in Minnesota, the state would establish a central hot line to take calls and make referrals. The program would train 16 advocates throughout the state, pay them small salaries and cover their expenses.

The unique aspect of the Iowa program is the establishment of "Farm Crisis Negotiating Teams" comprised of farmer-advocates, attorneys, lenders and professional counselors.

A similar bill, which would have authorized the attorney general to contract with Legal Services attorneys to help farmers unable to afford private lawyers, was defeated recently in Kansas. Although the bill passed the House, the Senate's refusal to deal with it put the issue off for another year because the Kansas legislature meets for only three months each year.

The Kansas bill was aimed specifically at farmers having difficulties with FmHA and the Farm Credit System, thus avoiding potential opposition from private commercial bankers. But opposition from commodity organizations and the Farm Bureau derailed the bill in the Senate, and now its future is uncertain.

In Texas, meanwhile, the Department of Agriculture (TDA) is moving ahead with its own program. Initially, the department will train its district office personnel to advise farmers of their rights according to FmHA rules and regulations. The second phase of the TDA program will be to train farmers as advocates.

The Texas legislature meets only every other year. Because this is an off-year, all funding for the program has to come out of the TDA budget. At this point, it is unclear whether funds will be available to pay advocates a stipend or

reimburse them for expenses.

And in North Dakota, the State Industrial Commission—comprised of the governor, the attorney general and the commissioner of agriculture—recently authorized the Bank of North Dakota, the only state bank in the country, to fund a farm-credit advocacy program with its bank profits.

Called the "Farm Credit Counseling Program," it is administered by the state commissioner of agriculture and employs a full-time coordinator. A toll-free hot line is used to take calls and make referrals to the 45 state-trained counselors or to human-services personnel. The counselors are farmers, agribusiness employees and vocational-technical educators who are paid \$5 an hour and reimbursed 15 cents a mile when traveling.

The counselors are trained to provide a variety of services to farmers who borrow from the Farm Credit System, FmHA or commercial lenders. They can help with loan applications, guide farmers through the appeals process if they are denied credit, and direct them to alternative credit sources. Through it all, they encourage lenders and borrowers to negotiate terms that are agreeable to both.

The North Dakota program was conceived as a short-term response to the need for farm-operating capital this spring. It is funded only through June 1, when the State Industrial Commission will meet again to evaluate the program and decide whether to continue it.

All of these programs reflect the growing awareness at the state level that the serious problems farmers are facing threaten not only the farmers themselves, but the health of the entire state economy. Most importantly, they underscore the impact that organized people can have on state officials and demonstrate that grassroots organizing can spur government-funded activities. ■

—Marilyn Fedelchak



photo/Mary Judd

Ann Kanlen, Minnesota assistant commissioner of agriculture, and Dan Levitas of Rural America's Midwest office at the first training session for farmer advocates.

# Farm Crisis

by Marilyn Fedelechak

**B**ack in the fall of 1982, when farmer LouAnne Kling received a call for help from her neighbor, neither of them had any idea what they were starting. The Farmers Home Administration (FmHA) was pressuring her neighbor to liquidate his farm, and he wanted someone to go with him to the FmHA office and help him examine his records—he couldn't understand what they were saying or why they were pushing him so hard.

At the local FmHA office, the two encountered "attitudes that amazed us both"—mainly uncooperative officials who were unwilling to answer their questions—Kling recalls. So they began their own research into FmHA rules and regulations and tried to put together a projected cash flow. Before long, both of them knew a lot about FmHA rules, forms and procedures.

Kling's neighbor was so grateful for her help that he told others about it. Before long, she was receiving calls on a regular basis and began traveling all over the state to share her knowledge.

In the summer of 1983, a group of people organized a series of informational meetings throughout Minnesota at which Kling talked about her work with farmers in helping them understand FmHA. The meetings were not well attended, but word of them spread. And as the number of calls continued to increase, so did Kling's experience and costs.

"Our use of the basic FmHA regulations never ceases to amaze the staff," says Kling. "Our knowledge seems to open up doors for everyone."

With a growing awareness of the importance of this farmer-to-farmer service, Kling and others realized that some way had to be found to fund it. They needed to train more farmers as advocates and at least be able to meet their phone and travel costs.

So Kling got out a map and circled all the places in Minnesota she had gone to help farmers. "It wasn't until I did that," she says, "that I realized how much I was running around the state."

Then she packed up her map and went off to visit Ann Kanten, the state assistant commissioner of agriculture. Together the two women sat down and went over the map, the phone bills and other related expenses, and discussed the growing need for the program. Next, they approached state Agriculture Commissioner Jim Nichols. He understood that the entire state loses when farmers are illegally, or mistakenly, denied funds, and the idea they proposed—for training farmer-advocates to work with farmers and FmHA—seemed like a good one.

Nichols responded by earmarking money out of the Department of Agriculture budget to establish the program. He also backed a request for a \$50,000 line item in next year's department budget to fund the program, which recently passed

## One Farmer's Work Leads to State-Funded Counseling Program

the legislature and was signed by the governor. The line-item funds will be available starting this July.

Thanks to the support of the state Department of Agriculture, the program has flourished since its start in March. So far, two training sessions conducted under contract with the Legal Services program have been held, and 35 advocates have been trained. The Department of Agriculture funds cover the costs of training and materials, as well as travel and phone expenses.

The Minnesota attorney general's office also has become involved. The office has established a "Home Preservation Hot Line," staffed by mortgage-foreclosure specialist Roger Culhane.

With a toll-free telephone number and

the capacity for three-way phone conversations, Culhane takes calls and makes referrals to Legal Services, the Minnesota attorney-referral program or to farmer-advocates, depending on the farmer's needs and resources.

Advocates handle all entry-level work with FmHA. If, for example, a farmer is turned down by a local bank and wants to apply for an FmHA loan, an advocate will help the farmer prepare the application and can accompany the farmer to the FmHA office for an interview. If a lawsuit or other legal work with FmHA is required, Legal Services attorneys handle the work if the farmer meets income guidelines, or they refer the farmer to a lawyer who uses a sliding scale to determine fees.

The hot line has received more than 400 calls since it was established last June, and the advocates have taken many more. The calls come in from all over Minnesota, reflecting that bad times are everywhere in the state. "The farm situation is very bleak," says Culhane, "and banks are leary of depressed commodity prices and falling land values."

Legal Services Attorney Jim Moseley directs the training program for advocates. Using the FmHA regulation book, the Center for Rural Affairs' FmHA Farm Loan Handbook and other materials, the group has compiled a resource handbook for advocates. In the training sessions, advocates learn about FmHA rules and regulations, what programs are

*continued on next page*



Farmer LouAnne Kling with her family.

Minneapolis Review 2/11/85

# Minnesota farm advocate shares experiences

By GINNY ARCHDALE  
Ranger-Review Staff Writer

In 1982, LouAnne Kling ran for a seat in the Minnesota House of Representatives. Involved with her husband in a farrow-to-finish hog operation in the southwestern corner of the state, she hit hard on farm issues, vowing to help the farmer deal with his economic woes. She garnered 43 percent of the vote but lost the election.

Not long after her defeat, her neighbor called to say, "You promised to help the farmer. What can you do for me?" Farmers Home is selling me out."

In Glendive Saturday addressing members of Northern Plains Resource Council's Family Farm Task Force, Kling explained, "We don't borrow from Farmers Home so I wasn't familiar with the papers, but something didn't look right." So she began researching the agency, worked with the farmer to get his records together, organized the FmHA section

and got the agency to give him another try.

The farmer told others and before long Kling was traveling all over Minnesota, helping farmers restructure their debt. She offered her aid on a volunteer basis for two years, then with the help of another former neighbor who had become an assistant commissioner of agriculture, started a state-funded program with about 15 part-time counselors and 30-35 volunteer advocates.

In the first 14 weeks of the program, she said, 1,450 farmers were helped. About 300 calls a month are received on a farm-crisis hotline and Kling claims the advocacy program has managed to increase the state's FmHA funding by more than 80 percent.

Kling now carries a caseload of 100 farmers, working with four to six of them a day.

"Farmers have got to start laying it out in the open, start talking about supervision and control," Kling said. "Farmers have to start talking to

help each other. I want my neighbor there as my neighbor, not Cargill."

Kling went on, "The farmer has been told he's a failure. You do that long enough and he loses self-confidence. We have to build hope up again. He's not a failure. It's not his fault."

She said she begins her work by having a farmer bring his completely updated financial statements to her house. Those bills are then divided into principle and interest. Equity is explored. A cash-flow chart is worked out. Then she helps him determine what he has left to pay debt with and they work up option sheets to take to the lending agency.

"I can't believe what banks have been doing," Kling said, noting she's had them discount between \$10,000 and \$185,000 on individual loans.

The farmers are required to file their own paperwork and get their own supervision and control. "Farmers have to start talking to

statements," she said. "Nothing impresses a lender more than a farmer who understands his books and records."

Farmers Home Administration is one of the better options for debt restructuring, Kling said, because of the federal rules and regulations it must follow. Although FmHA will often say it does not have money to loan (as Dawson County's supervisor has said) Kling argues that every farmer who wants to apply for a loan should complete the paperwork so his name goes on the list (which is prioritized by date of application) and to prove the county's need.

She recalled speaking with U.S. Agriculture Secretary John Block about additional FmHA funding and having him cite low application statistics as justification for low funding levels.

Production Credit Associations, Kling said, have been very difficult to work with throughout the country. The most success with them, she

said, has come through legal actions which allow the farmer and his lawyer to ask for necessary information.

Regardless of the success in debt restructuring, however, Kling said it is only a short-term solution.

"You can't borrow yourself out of debt," she said. "Price is the problem. We can do all the debt restructuring, financial counseling, organizing we want but unless we start getting paid for production, it's all worthless. We've got to start telling our story."

"I'm sick and tired of people in three-piece suits telling me what to do on my farm," she added.

Kling noted 17,000 people gathered at the Minnesota capitol Jan. 21 to protest the current farm situation. Thirty-four small-town Minnesota schools closed that day and loaded their buses with people for the rally.



LouAnne Kling

Good afternoon. My name is Merlin Meyers. I farm near Grassrange. I am here today to support the concept of an advocacy program.

I was chosen by the Department of Agriculture to participate in the Advocacy program pilot program. It would be hard to express the feelings one has, forced with financial disaster and not knowing where to turn. Do we need an advocacy program? The answer is that yes, do we need a doctor when we're sick? One that is sympathetic to our plight is as a light at the end of the tunnel. One who knows what our rights and options are, ~~and~~ can help us ~~to~~ take steps towards working out a solution ~~that~~ <sup>that</sup> is beneficial to all.

I can tell you from experience that there is no one out there now ~~that~~ <sup>who</sup> is capable of meeting this need. Lenders only see it from their side.

Most lawyers have no experience as there have not been many cases in the last 50 years. They are quick to suggest a Chapter 11 to fight a foreclosure. There are no winners down the road except maybe the lawyers who are quick to state they charge \$50 to \$80 an hour with \$7,500 to \$15,000 needed up front.

I do not feel that most farmers forced with serious financial problems deserve what they are reaping today. There has been an economic revolution going on for over



a decade. Also, farmers, lenders and elected officials have made errors in judgement, but the farmers are asked to shoulder most of the penalty. Montana as a whole will be a loser. A young machinery salesman told me last week he cannot afford to lose the 20% of his customers they tell him will go under. I say that if things go as they have been, closer to 80% will be gone in 5 years.

If we read between the lines we begin to realize that ~~that~~ the starving in Ethiopia are the victims of a government that has failed to make it possible for them to be self supporting, also a way to remove those they feel they don't need.

The next question that comes to mind, ~~are~~ <sup>for</sup> our governmental bodies following the same road? to the benefit of a few? I would hope that as a nation under God, this is not so.

Recently my wife and I attended an advocacy workshop in Glendive sponsored by the Northern Plains Resource Council. An advocate from Minnesota explained how farmers-counsel troubled borrowers by helping them understand financial statements and discussing various options. I think a program like the one Minnesota has would be great. I hope you will appropriate the money for such a program.

Thank you for the chance to speak here today.



TED SCHWINDEN  
GOVERNOR

STATE OF MONTANA  
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR  
AGRICULTURE/LIVESTOCK BLDG.  
CAPITOL STATION  
HELENA, MONTANA 59620-0201

3-11-85  
Exhibit "AAAAAA"  
TELEPHONE:  
AREA CODE 406  
444-3144

KEITH KELLY  
DIRECTOR

TESTIMONY OF MONTANA DEPARTMENT OF AGRICULTURE  
DIRECTOR KEITH KELLY FOR THE HOUSE APPROPRIATIONS NATURAL  
RESOURCES SUBCOMMITTEE ON HOUSE BILL 671  
MONDAY, MARCH 11, 1985  
HELENA, MONTANA

Chairman Manuel, members of the Committee, as a result of the current adverse economic conditions affecting agriculture, hundreds of Montana's family farmers and ranchers are facing the prospect of losing their places to foreclosure and voluntary liquidations. The economic and sociological implications of such large scale loss of these family farms impacts not only the lives of the farm families involved, but other profitable operations, including main street Montana.

No doubt, poor managers might be expected to fail in agriculture as in any other business venture. However, a large number of those currently on the verge of going under are, in fact, good managers who are merely victims of timing and the adverse agricultural conditions. These operators may survive if the right management and financial decisions are implemented in time.

The proposed advocacy program would provide third party financial and production expertise to assess possible options. In this way, assessment of available options can result in the proper management decisions necessary to head an operation in the right direction and provide for continuance of one of our state's most valuable resources -- the family farm.

Similar programs have been initiated in North Dakota, Minnesota, and several other states and are well received by the agricultural community and the financial institutions. For example, the North Dakota program was initiated in March of 1984 and by August 1984, 310 contacts were completed. Approximately 30 percent of those contacts responding to a recent survey indicated that the advocacy program was responsible for helping them obtain financing or avoid bankruptcy.

The Department of Agriculture recently implemented a pilot program with the financial assistance of several financial institutions and volunteer counselors to assess need and results. The need for such a program is unquestionable. The results of the pilot activities are not yet fully determinable as the level of involvement has been minimal given the very limited amount of funds and the amount of time that has expired since the initial contacts were made.

Therefore, the Department of Agriculture supports House Bill 671 as the program will be directed at those family farmers and ranchers who do, in fact, have a reasonable chance of surviving while at the same time will provide referral information and other assistance to those who are in a desperate situation. The program will work in cooperation with and compliment Ag Extension Service education programs. The state of Montana will benefit from the economic and social stability associated with maintaining the existence of our family farms.

Considering the budgetary uncertainties, the department also supports any budget proposal reduction for the biennium realizing that corresponding program reduction would be implied.



TED SCHWINDEN  
GOVERNOR

STATE OF MONTANA  
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TELEPHONE:  
AREA CODE 406  
444-3144

KEITH KELLY  
DIRECTOR

March 13, 1985

MEMORANDUM

TO: Representative Rex Manuel

FR: W. Ralph Peck  
Deputy Director *W. Ralph Peck*

RE: HB 671 Farm Advocacy

As per your request, the attached outlines the annual costs used in developing the \$300,000 appropriation figure.

If all counselor costs are provided on a volunteer basis, annual cost would drop to \$35,000 per year or \$70,000 a biennium for a minimal program.

ck

cc Representative Ted Schye  
Senator Ted Neuman  
Ron Weiss  
Curt Nichols

5-13 85  
Exhibit "BBBBBB"

## Farm Advocacy Program

### \*General Points

- Positive commitment to family farm/ranch and Montana's agriculture
- Provide economic and emotional stability within farm and ranch communities
- Statewide economic benefits and stabilization
- Prevention of farm foreclosures/liquidations
- Responsive to local needs

### \*Projected program Accomplishments and Costs

Volunteer Counselors (working 10,000 hours total)  
Assist 416 farm/ranch operators/year

Costs per operator (Projected)

24 hrs @ \$6.00/hr	\$144
500 miles/operator @ \$.20/day	60
2 days meals/operator @ \$14.50/day	29
2 night lodging/operator @24/night	48
Administrative Costs	<u>84</u>

Total Average Cost per Operator	<u>\$365</u>
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Total Annual Project Program Cost	<u>\$151,840</u>
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If total counselor costs are volunteered, farm advocacy program costs would be reduced to \$35,000 per year, \$70,000 for the biennium.

### \*Breakdown of Projected Administrative Costs

Coordinator (contract)	
Contacted Services (training session & printing)	\$11,140
Communications (hot line & mailing)	5,500
Travel - Training Volunteers	11,200
Coordinator	4,970
Rent	1,000
Supplies	1,000
Other	<u>200</u>

Total Administrative Costs	<u>35,010</u>
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A Brief Explanation of HB 886

HB 886 asks for appropriations that will implement certain recommendations of the Governor's Groundwater Advisory Council. The Council was composed of 16 representatives appointed by the governor from the legislature, state agencies, and the private sector. Its assignment was to review Montana's present ground water management framework and to develop recommendations on legislation or rulemaking that would promote the wise use and development of Montana's groundwater resources.

The Council addressed issues within the areas of ground water management, ground water data and information needs, ground water quality management, and interagency coordination. Its findings and recommendations are stated in their report: Issues in Ground Water Management: An Evaluation of Montana's Ground Water Policies and Programs, The Governor's Groundwater Advisory Council, January 1985.

The Council determined that there are certain areas where limited present funding could avoid extensive future costs. These findings resulted in four specific recommendations for funding from the general fund:

(1) \$1500 to the Department of Natural Resources and Conservation (DNRC) for printing and distributing a brochure to educate the public on ground water use opportunities. The Council feels that public education is the best way to increase public awareness about the importance of ground water as a water supply and of its potential for development. The brochure would be distributed by the DNRC and the Ground Water Information Center.

(2) \$5000 to the Montana Bureau of Mines and Geology to prepare a report on conjunctive surface water and ground water use opportunities in Montana. This report would examine the timing of water demand, the timing of surface and ground water availability, and the cost of securing each type of water supply as ways to potentially reduce water shortages or use resources that are normally wasted or untapped. The report would identify and evaluate opportunities for conjunctive use across the state and would help individuals and local governments decide whether or not a conjunctive use program could meet their needs. It would also identify needed research that granting agencies can use in evaluating ground water study funding proposals.

(3) \$5000 to the DNRC to prepare a report on actual and potential aquifer depletion problems in Montana. This report would identify areas where aquifer depletion is or could become a problem, either because of heavy existing development or heavy anticipated development. It would also guide future resource allocation for data collection to determine whether groundwater mining in certain areas is acceptable or whether withdrawals should not exceed the safe yield of the aquifer.

(4) \$21,000 to the Montana Bureau of Mines and Geology to purchase, install, and maintain recording equipment to monitor a buried Missouri River channel aquifer in northeastern Montana and the Madison aquifer.

Observation wells that could be equipped with monitoring equipment have already been drilled into these aquifers. This appropriation would allow long-term monitoring of the aquifers in preparation for possible interstate or international negotiations concerning ground water allocation in the future. The \$10,000 share needed to finance the monitoring program on the Madison aquifer would enable MBMG participation in a cooperative program with the U.S. Geological Survey.

## VISITORS' REGISTER

COMMITTEE

BILL NO. \_\_\_\_\_

DATE 3-11

SPONSOR \_\_\_\_\_

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
JOANN Forsness	WIFE Wolf-point Mt	✓	
MEHLIN MYERS	GRASS RANGE MT.	✓	
Hell Kuchesh	Glendine, Mt.	✓	
Rep. Dorothy A. Craig	House Dist #20	✓	
Lavina Lubinus	WIFE	✓	
Susan Cottingham	Helena - MT. ACLU	✓	
Joe A. Mauland	Helena, MT	HB 886	
Martin R. Miller	Butte, Montana	HB 886 ✓	
Off Brunner self	Helena	HB 671	
Rich Brasch.	Helena, MT.	HB 886.	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.