

MINUTES OF THE MEETING
AGRICULTURE COMMITTEE
SECOND SPECIAL 49th LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

March 26, 1986


The joint meeting of the Senate and House Agriculture committees together with the House Appropriations committee was called to order by Senator Boylan, as presiding chairman, in the old Supreme Court Chambers, Room 325, of the State Capitol on the above date at 1:00 p.m.

ROLL CALL: All members of the House Agriculture committee were present.

CONSIDERATION OF HOUSE BILLS NO. 10 AND 11, AND SENATE BILL NO. 7: The House Agriculture committee was invited to this meeting by the House Appropriations committee, and the Senate Agriculture committee. The House Appropriations committee was hearing HB 10 & 11, and the Senate Agriculture committee was hearing SB 7.

Therefore, the minutes of the Senate Agriculture committee and the House Appropriations committee are attached. See exhibits 1 and 2.

The hearing was adjourned at 3:30 p.m.



James Schultz, Chairman

Note: House Agriculture Committee attended this hearing in the Supreme Court Chambers, which was called jointly by the House Appropriations and DAILY ROLL CALL Senate Agriculture Committeees. AGRICULTURE COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date

March 26, 1986

NAME	PRESENT	ABSENT	EXCUSED
SCHULTZ, JAMES, CHAIRMAN	✓		
HOLLIDAY, GAY, VICE CHAIRMAN	✓		
BACHINI, BOB	✓		
CODY, DOROTHY	✓		
COMPTON, DUANE	✓		
DEVLIN, GERRY	✓		
ELLERD, ROBERT	✓		
ELLISON, ORVAL	✓		
STANG. BARRY	✓		
HOWE, RAMONA	✓		
JENKINS, LOREN	✓		
KELLER, VERNON	✓		
KOEHNKE, FRANCIS	✓		
PATTERSON, JOHN	✓		
POFF, BING	✓		
RAPP_SVRCEK, PAUL	✓		
SPAETH, GARY	✓		
SWITZER, DEAN	✓		

49th LEGISLATURE, SECOND SPECIAL SESSION

MINUTES OF THE SENATE JOINT
AGRICULTURE COMMITTEES AND THE
HOUSE APPROPRIATIONS COMMITTEE

March 26, 1986

The Senate Joint Agriculture Committees and the House Appropriations Committee was called to order on the above date in room 325 of the State Capitol at 1:00 p.m. by Chairman Boylan.

ROLL CALL: Senator Boylan asked committee secretaries to note the roll for the individual committees. Attached are copies of House Agriculture and Appropriations roll call. Senate Agriculture members were all present.

Senator Boylan introduced the Chairman of the House Agriculture Committee, Representative Jim Schultz and Representative Francis Bardanouve, Chairman of the House Appropriations Committee.

CONSIDERATION OF SENATE BILL 7: Senator Ted Neuman, SD 21, Great Falls, chief sponsor, explained the bill. The bill pertains to the agricultural production loan linked deposit program. It provides for the placement of \$50,000,000 of public investment funds to financial institutions at a rate 1% below the current six month CD rate. Senator Neuman's full testimony is attached as exhibit #1 and #1a.

PROPOSERS: Mike Grove, Governor's Council of Economic Development, said he had listened to testimony the past three months and has looked into what other states have done. He said the Council supports the linked deposit program. Presently there appears to be a lot of people without financing in place. Most of the banks had money to lend. The money in place is not the critical factor. It is with the qualifying of the borrowers. Banks can take that money and reloan it when their money is short. The program, used properly, could be of some assistance to farmers.

Keith Kelly, Montana Department of Agriculture supports the bill. He said that it is not just last year's drought, but goes all the way back to 1930. This program may offer financial institutions some assistance for the few additional borrowers scattered around the state. Something needs to be done and addressed immediately because many producers have not been able to get financing lined up and crops are ready to go in. He said there should be an immediate effective date.

Terry Murphy, President Montana Farmers Union, said they support the bill. It is not the solution to agricultural problems, but it is help that is desperately needed.

Ron Pyfer, Montana Credit Union League, said the league represents 111 of the 114 credit unions in Montana. While they have very limited loan authority they do have some credit unions throughout the state that make agricultural loans. They appreciate being able to participate in the program.

Pat Underwood, Executive Vice President of the Montana Farm Bureau, said they would like to go on record in support of the bill. They have worked in the last month on the national level on long-term legislation on debt restructure. One of the things they have been asked to do on the individual state level is to support programs that can be effective to some people. The problem is wide spread across the nation.

Mons Tiegen, Executive Vice President of the Montana Stock-growers Association and Montana Cowbells, on record in support on the standpoint that something has to be done. The only reservation they may have is that it may not go far enough. This will be helpful to their people who have had to sell their cow herds. Now they will have some money to restock.

Bill Nelk, Northern Plains Res. Con. on record in support.

Robert VanDerVere, concerned citizen and lobbyist, thinks this is a good program. He feels the big corporations will come in and buy the land, tying it up so nobody can hunt or fish on it.

Esther Ruud, Executive Secretary for the Montana Cattlemans Association International, supports the bill.

Chet Kinsey, Montana Low Income Coalition, said agriculture puts 61 million dollars in Hill County in a year. A lot of that is labor and they are interested in keeping people in work. Testimony attached as Exhibit #2.

Jim Murry, Executive Secretary, Montana AFL-CIO, wished to go on record in support.

Representative John Cobb, HD 42, talked about the ripple effect on the 50 million dollars. For every dollar invested it has a ripple effect that shoots over and over in the communities. For agriculture it is \$2.23. The first 50 million goes to a person who is getting an operating loan. When he spends it there is a 50 million dollar ripple effect to the community. It is better to take the money from out of state and put it into this state. If you take money already invested

in the state and push it around, there is less of a ripple effect.

Bill Campbell, Montana Education Association said many of their members support the bill. They feel it will help the schools as well.

Al Verschoot, MPA, rancher at Ronan, supports the bill.

Del Rodrigues, MPA, in support. Testimony attached as Exhibit #3.

John Allhands, Commissioner from Madison County, in support. He brought along a thick book containing the delinquent tax list from Madison County. He said many are delinquent because they cannot get financing at local banks. The PCA is not involved fully. The FmHA is procrastinating on their loans. In Madison & Beaverhead Counties they had a 100 year flood in 1984. In 1985 they had the drought. As far as he could find out from the FmHA they hadn't processed one flood loan in Madison or Beaverhead County. He felt the bill is very essential.

OPPONENTS: None

Senator Neuman in closing thanked the people and organizations that came to testify. He said he thought the bill was very important and you can see by the turnout the people in Montana feel it is very important also.

Committee Questions: Senator Williams was concerned about line 24, page 2 - eligible lending institutions. He wondered why nobody from the FmHA or PCA had testified. Senator Neuman answered that the PCA's capital structure does not allow them to use this program. Other institutions such as savings and loans and credit unions would be accessible to this as well as banks or other traditional lenders.

Representative Bardanouve asked Senator Neuman if he had any signals from bank authorities that they will cooperate or use this bill. He hadn't heard any bankers testify in favor of the bill. Senator Neuman said he had communications from some bankers that they could use the funds. Currently in Montana the banks have sufficient capital to loan. When interest rates fall, people with CDs in the banks cash them in and move into other areas. For small rural banks he felt this was a concern.

Representative Koehnke inquired about a natural disaster being a priority. Senator Neuman said they haven't prioritized that in the bill. They would leave that to the lenders. The lenders would look at individual cases and take those good operators who for some reason other than management, are in financial trouble and can't secure financing. It is not a bail-out bill for operators who have for long periods of time been unable to get the capital. It is for those operators close to cash-flowing but, for some unforeseen reason been brought into situations where they need capital.

Senator Neuman answered Rep. Swift that he had not discussed the 30% ratio with any bank or lender. The intent of the 30% floor was so the loans wouldn't flow to top raters who don't need these loans. They didn't think there was a need for a cap because the lenders who use the funds make these decisions as to how high the debt to asset ratio is. Since the state is not at risk, why should we put a ceiling on it.

Representative Kohnke called on John Cadby to answer Representative Bardanouve's question on behalf of the bankers. Mr. Cadby, Montana Bankers' Association said he had with him their counsel, George Bennett, and two bankers, Philip Johnson First Bank, Helena, and John Patterson with the Bank of Montana. The Association has not taken a formal position on the bill. They are at a neutral position because they can't predict without surveying all 170 banks how much of this money will be used, if any. He felt it may be a successful experiment, or it may not.

Representative Peck asked if, according to the bill, they are getting money at 2 points less than they are lending it out. Mr. Cadby responded that banks typically try to operate on a spread of 3 to 5 points, and you're asking them to operate on 2 points. This obviously would not make it as attractive as a normal loan. Under the Farmers Home Loan Administration's interest rate buy-down program, the FmHA takes up to a 2 point cut. The lender and the bank also takes up to a 2 point cut, or a total of 4 points. The borrower gets that money at 4 points below normal, or market rate. The lender, in giving up his 2 points in yield, does get from FmHA up to a 90% guarantee of that loan. So the federal agency, in essence, is assuming a portion of the risk, sharing it with the lender. That program is in place right now. FmHA is putting out guaranteed funds as rapidly as they can and also utilizing the interest rate buy-down program. Banks are actively seeking those funds right now.

Representative Peck asked Mr. Cadby if from his statement this is not a highly attractive piece of legislation from the banker's standpoint. Were there any features to the bill that would make it more attractive. Mr. Cadby said that in his conversations with a few bankers, they may have a few customers where the lower rate of interest might be utilized but it would have to be a performing farm unit. They would need to improve the cash flow by raising the amount of the loan from \$50,000 to a higher limit. \$50,000 doesn't amount to much money in a typical Montana farming unit. The higher the amount, the more attractive to the lender or borrower.

Representative Bardanouve asked if Mr. Cadby felt the bankers really supported the bill. Mr. Cadby answered that when it could be predicted with more certainty, they could come in with a more certain attitude. In today's climate it is impossible to predict what will happen to the ag community over the next few years. As a lender they hate to come in and say one way or another.

Representative Ellerd asked if there were any restrictions as to how the money could be used. Sen. Neuman referred the committee to section 2, page 4. "The operation must certify on its loan application that the reduced rate loan will be used exclusively for its necessary production expenses, etc.," was put in to indicate the money is to be used to get the crop in the ground this spring or for yearlings to put out on the grass for the summer. They didn't want to absolutely prohibit any capital investment in case a tractor blew up or other major expense was incurred. It is their intention to use it for production.

Representative Jenkins asked in regard to the FmHa guaranteed loans, would anyone who could not qualify for them qualify for this program. Phil Johnson, 1st Bank, Helena, said if a person can't meet the requirements under a FmHa guarantee program, the bank would probably not entertain the loan request under this program. If we are talking about a trouble borrower and they have a loan that is already in jeopardy, and whether we're going to utilize this program to get him through one more year, there's going to have to be some guarantee for the additional \$50,000 that is loaned, whereby the bank is going to get that back plus the interest that accrues.

Rep. Ellison asked how large a segment of ag people this addressed. Mr. Johnson answered 50 million. Mr. Johnson also asked

about page 6, lines 19 through 21, penalties, where a person knowingly makes a false statement concerning a loan operation and you are identifying this as a misdemeanor, he thought it should be "fraud". He wasn't sure one year would be enough time for the program to work.

In answer to Rep. Cody's question, Sen. Neuman responded that 5 or 6 other states have programs similar to this and there is currently over 6 hundred million dollars put out on the programs.

Rep. Bachini asked if \$50,000 is adequate for a stockgrower. Senator Neuman answered it won't restock an entire ranch but if they could use this plus some from other lenders they may. Mons Teigen answered that \$50,000 is minimal. Most of the livestock operations spend more. This bill is a test which may or may not work.

Hearing closed on Senate Bill 7.

CONSIDERATION OF HOUSE BILL 10: Representative Jim Schultz, HD 30, Lewistown, chief sponsor of HB 10 said his bill is the appropriation follow-up to Senate Bill 7. The bill says they will have \$250,000 for the interest buy down. The effective date is immediately and termination date is March 15. Loan making terminates on August 15, 1986.

PROPOSERS: Keith Kelly, Department of Agriculture said their department supports the bill.

OPPOSERS: None

COMMITTEE QUESTIONS: Senator Aklestad asked since general fund money is involved, at what point was it going to be allocated? Rep. Schultz said this will be done as the loans come in. We could have a mass of \$50 million available and nobody use it. If the loan program did not work, they didn't want to have to expend any of the appropriation made for the program,

Hearing closed on House Bill 10.

CONSIDERATION OF HOUSE BILL 11: Rep. Gay Holliday, HD 31, Roundup, chief sponsor of HB 11, said it is a bill out of the Agriculture Interim Committee and is an act establishing an agricultural assistance and counseling program to aid financially distressed farmers. Full testimony attached as exhibit #4.

PROPOSERS: Keith Kelly, Department of Agriculture, presented a survey made in February 1986. He referred the

committee to the tables and charts given to the committee. The pie chart, page 1, is the Debt/Asset Ratio in Montana. It is broken down by age groups. Page 2, Target Group Needs shows the percent of needs. Thirty-three percent of Montana agriculture is going in the wrong direction because of declining land prices, the drought of last year and low commodity prices. Eleven percent cannot face the problems they are faced with now. Forty-six percent with good equity positions may not be able to ride this out in a few years. Montana may have the worst record of servicing debt, both in real estate and non real estate. It is probably due to two factors. First, the severe drought of last year and drought in eastern Montana. Second the foreclosures. Page 3 pertains to the structure of the program. The hot line has a toll free telephone number where people can call in with their problems. Also provided will be financial consultants, CPA's, farm credit managers, and professional people whose business is providing advice and consultation to anyone who wants it. In addition, a financial consultant could provide financial analysis, enterprise analysis, cash flow analysis, debt service, debt reconstruction analysis, and anything else to make the place more cash flowable during these debt times.

The Peer Counselor group would be the first point of contact with the producer in regard to a particular problem. They should be able to sort out what type of support or service is needed, such as whether the individual needs mental health services, job training or access to one of the financial consultants. They would help identify or maybe even do the 1st inventory of the assets and liabilities. They would help organize them, then go to a financial consultant. Maybe some night a telephone call would come in from a very distressed person. They would be the first point of contact to refer the person to the mental health group if that is what's necessary. The other resource provided in this group would be some training. We could contract in this case with the university system, both through the Extension Service and the College of Agriculture, to do some assistance of training of the counselors. We may have some further training if necessary for the program to get up and on its way. The proposals are for a very minimal amount of legal assistance. We would contract with the University of Montana Law School to put together some resource information that is available to all lawyers across the state of Montana and pertinent to agricultural law. We would additionally contract with Montana Legal Services for a minimal amount of legal services to the financial consultant, or whoever it is they are working with. Another example is mental health. That would be one other category where the Peer Counselor Group could identify

some of the local community service support programs available.

Mr. Kelly has had conversations with SCORE people about what they can do, as well as with the VISTA program. Mr. Kelly called attention to the technical amendments and the 4 substance changes. The substance changes on page 2 of the amendments require financial statements and performance cash-flow statements. The administration did not propose mediation. He thought voluntary mediation may be okay. It would be up to the committee. He did not think they had the financial resources to be able to do mandatory mediation. One part of the bill has the Department of Agriculture screening all the requests for mediation. He did not think the Department wanted to be in the bureaucratic position of making these decisions. The cost to do this would be horrendous and take most of the mediation money to make sure the Department had gone through a complete analysis. The other two substantive changes to the bill have to do with sovereign immunity and a severability clause. The chart and amendments are attached as exhibit #5.

Marty Connall, Billings, does agriculture consulting and financial workouts. He came at the request of Keith Kelly. The figures they worked out are: category a; farmers and ranchers. Ten percent are okay and will survive regardless; category b; 40 percent are in trouble and they are workable; category c; 25% are broke and don't know it; category d; 25 percent are broke and know it. He said one of the big problems we face today in agriculture in the state of Montana is that for too long we thought of farming as a way of life. It is a business, and those that run it like a business will survive. Those that don't, won't. He cautioned the committees on the mediation of any type of moratorium. He was concerned with the effect it could have on the banking institutions. He thought even involuntary mediation would scare the banks. The banks have come through tough times here on bad faith law suits. The money is pouring out of Montana to the stock market and to other banks where they can get a better return on their money. If we scare the bankers and they don't make any loans to agriculture, he felt we would be a lot worse off. He thought we should do as Nebraska did and have a center for agricultural affairs. This is a private group endowed through state funds, federal funds and other institutions that act as a clearing house for a lot of the problems. The equity levels in a ranch or farm to survive today must be between 70 and 80 percent and a lot of them aren't there. They must reduce debt. The state debt laws should be reviewed. He said the best money to be spent in Montana should be in education. The education system could

go out through the state of Montana and educate the farmers, ranchers, accountants, lawyers and bankers as to what the problem is and how it can be solved. He did not think we needed advisors and consultants with ideas. We need people with solutions.

Barbara Archer, coordinator of the Montana Farm Counseling and Advocacy Coalition was a rancher for nearly 20 years. They support the goals, but feel some amendments are necessary. The amendments are in regard to Peer Counseling. (amendments attached as Exhibit #6a). They also support Rep. Rapp-Svrcek's amendments on the borrower's right to mediation. The Montana Farm Counseling and Advocacy Coalition is a group of volunteer farmer advocates who are linked in to a farm crisis hotline. They respond to farmers in financial stress. The yellow sheet describes the Coalitions work (attached as Exhibit #6b). Presently nine advocates are working with over 120 active cases. The hotline system has received over 100 calls a week during the last month.

Dale and Mary Ann Fossen, farmers from Joplin, Montana were in favor of the amendments, including Peer Counseling. He is a third generation farmer, was in education in the Havre school system, and has had extensive advocate training. Mrs. Fossen is on the Mental Health Board and is involved in the "Bread Basket Blues", which talks about farm stress and helps farmers and communities. Mrs. Fossen explained that their analysis is based on their experience as Montana farm advocates since June 1985. She referred to the time-lock syndrome. The first stage of the four stage syndrome is temporary impotence. Wherever they turn they cannot get help for what they need. They are in a semi-frozen state. They are incapable and unable to function normally and cannot voluntarily engage their personal or impersonal management skills. Stage two is where farmer/rancher farm advocate intervention is very critical. Stage three is the realization stage. He realizes he is not alone and there are options available. Stage four is motivation. A voluntary restoration of management skills that had been previously put on hold in stage one and two. Mr. Fossum said they have clients of all ages and all situations.

Mary Kee, Roundup, has been ranching for 30 years and is a member of MPA. They are in favor of the amendments to the right to mediation. Ranchers and farmers are being called into court by the Federal Land Bank because the PCA has refused to negotiate. They are facing total and complete liquidation.

They feel if their lenders had been willing to cooperate they would not be losing their farms or ranches. She said they need mediation and help now. Exhibit #7.

Joan Voise, Ryegate, Montana, member of MPA in support of the bill with the amendments. Full testimony is attached as exhibit #8.

Susie Tilton Chiovaro, Great Falls, bankrupt rancher, Farmer Advocate. Full testimony attached as exhibit #9.

Joe Duffy, Great Falls attorney said 4 years ago he didn't have any farm clients. Now he has more than he can handle. He supports the bill and endorses the advocacy level in the amendments. He felt the greatest emphasis should be placed on the Peer Counselor. He suggested that the 7 blocks the farmers are invited to check on the 1942 and 1926 forms the FmHA are sending out are matters he would probably conduct an entire afternoon seminar on, yet the farmer is given a 30 day notice to have the forms sent back in. An advocate could help with this problem through the hot line. He felt lawyers, CPA's, etc. could call in on the hot line as a resource area.

Ray Patte, Ryegate, in favor of HB 11 with addition of either mandatory mediation or right of mediation. Full testimony attached as exhibit #10.

Curtis Haskens, Polson, Montana, Montana Advocate and member of MPA, cited a case where he had a call from the hope line with a 54 year old widow in distress. She had lost her husband and a son in the last 15 months and the lender wanted to foreclose on her. He set up a meeting with the lender and as of Monday, she has a loan to operate. He asked the people in the audience who have had a bankruptcy, sheriff's sale or foreclosure in the last year to raise their hand. Several raised their hands. He asked the people in the committees if they knew someone who had a bankruptcy or sheriff's sale last year. Several hands went up.

Jack Heyneman, Chairman of the Northern Plains Resource Council, and a rancher living in Fishtail, Montana, said he was very strongly in favor of the Rapp-Svrcek amendment with regard to mediation. He passed out a handout explaining the amendment, attached as exhibit #11. He said the amendment gave the lender and the borrower a chance to sit down with a third party and talk. If a working arrangement can be worked out, everyone wins. The lender, the borrower and the community win.

Mike Grove, White Sulphur Springs, Governor's Council on

Economic Development, AG Credit Subcommittee, said his committee on the linked deposit bill spent a lot of time listening to testimony on the counseling program. They feel the counseling program has a lot of merit. On the financial and legal side it should have highly qualified intelligent people. It includes Extension Service, CPA's, attorneys and the volunteer groups. Regarding mediation, they supported it on a voluntary basis.

Jo Bruner, Power Farmers Elevator Company was in support.

Lavina Lubinus, WIFE, in support. Full testimony attached as exhibit #12.

Steve Waldron, Executive Director, Montana Council of Regional Mental Health. In support. Full testimony attached as exhibit #13.

In view of the shortage of time, Senator Boylan asked if there were any opponents who wished to testify. Mr. L. C. Terrett came forward.

OPPONENTS: Mr. L. C. Terrett, Billings consultant and ex-banker was concerned about the portion on mediation. He said you are leading banks in to positions where they are going to frown on making any ag loans. The legislature should think about what is happening in the farm credit system also. Brief testimony is attached as exhibit #14.

Representative Bardanouve asked Mr. Terrett what a Montana banker would rather have, mediation or the long-time moratorium for a year on all foreclosures. Mr. Terrett answered that they would favor neither one. Rep. Bardanouve thought maybe they should take one or they wouldn't have anything.

There being no further opponents, Senator Boylan directed questions back to proponents.

PROPONENTS: Wink Nyhart, Twin Bridges. Testimony is attached as exhibit #15.

Bill Milton, sheep and cattleman from the Roundup, Montana area, representing farmers and ranchers in that area. He said he supports the right to arbitrate. He said if you don't allow the right to mediate, why are you going to provide counselors. Why should we ask farmers and ranchers to get their house in order and then not give them

the opportunity to sit down and have a fair hearing with their lender. He said mediation and counseling go hand in hand. He told the committees they have before them today some options to find some direct relief and assistance to the operators in the state of Montana. Every foreclosure that comes down reduces everybody's equity.

Neil O. Petersen, Sheridan, Montana, MPA, in support of the right to mediate and the advocacy program.

Esther Ruud, Montana Cattlemens Association International, Malta, Montana. She said a month ago the headlines in their Phillips County newspaper reported 40 FMHA residents in Phillips county received foreclosure notices. She said 20 of the notices were category 1 action notices and 20 were notices to get loans current. She said she has been working for 9 years to get a better price for agriculture and she is still trying.

Al. Verschoot, Ronan, Montana, MPA, said he has been pushing mandatory mediation for 6 months. Many people in their later years are going to loose their place because they are being called bad managers. Many have been farming for 30 years and in those 30 years have probably had 10 good years. He thought they were the best managers in the world. He didn't think any bank or business could operate or stay on the place as long as the farmers and ranchers have with the adverse conditions and opposition they've gotten from their government, bankers and elsewhere.

Nancy Collins, co chairman of the Women's Lobbyist Fund wanted to go on record for her group in support.

John Ortwine, Montana Catholic Conference in favor. Full testimony attached as exhibit #16.

Jim Murry, executive secretary Montana AFL-CIO in support. Full testimony attached as Exhibit# 17.

Terry Murphy, President of Montana Farmers Union, in support. Testimony attached as Exhibit # 18.

Pat Underwood, Montana Farm Bureau and Montana Stockgrowers Association, in support of the bill as it is, at this time, without amendments.

John Allhands, Madison County County Commissioner, referred to the delinquent taxes previously mentioned in testimony on Senate Bill 7. Over 40% is agricultural delinquency. There is over \$580,000 on real estate in 1985 and personal property is \$37,000. It effects county government tremendously.

Seventy-two percent goes to schools, coming close to \$480,000 that the schools are short. They have received no tax dollar back from the bankruptcies in Madison County. The banks are selling personal property, cattle and machinery, collecting the money, but not paying the taxes. He thought mediation would give the county time to take out the taxes the banks are putting in their pockets.

COMMITTEE QUESTIONS: Rep. Koehnke asked Mr. Cadby to comment regarding the objections to mediation. John Cadby said the bank is in a no win situation because if they refuse to mediate they can subject themselves to a law suit. If they mediate and don't accept the conclusion, they are also subjecting themselves to litigation. He thought they had about 100 cases pending statewide. He said they can support the spirit and intent of the bill. The bankers are sympathetic to the situation of the ag customers. You have to keep in mind that they are loaning your savings so they have to be prudent investors when they do that. He wanted the bill kept in a voluntary, unbiased spirit. If the bill is altered in some way as to become an advocacy program for the ag customer, or the other way, then he felt the whole program would be jeopardized.

Senator Aklestad asked Mr. Kelly if he felt that under the existing bill, his department would be liable if bad advice is put out. Keith Kelly said they have offered an amendment to exempt the liability on the department people working on the program. They thought they should have professionally trained people to minimize the liability of the Peer Counseling group.

Senator Aklestad asked if Mr. Kelly was concerned about liability and therefore wanted immunity in the bill. Mr. Kelly said that was correct.

Rep. Bardonoue said Mr. Kelly was a little premature on sovereign immunity. Until the legislature passes a constitutional amendment and until the voters approve it in November and the 1987 legislature puts in some limitation on liability, he didn't think the amendment was worth the paper it was written on. Kelly said they had attempted to structure a program to minimize the liability.

Rep. Ellinson asked Mr. Kelly if it would be wise to not put anything into the bill to increase our chances of getting liability coverage. Kelly answered that they had offered mainly technical amendments to minimize liability.

Rep. Rapp-Svrcek asked Senator Towe to address the problems alluded to by Mr. Kelly and Mr. Cadby regarding the liability.

Senator Towe said that as an attorney he represents bankers, farmers and ranchers and has been on both sides. Because he knows a bit more about the banking industry he has been very successful as an attorney in mediating. He said bankers are very receptive. Mediation is the single most important thing the legislature can do for the farm crisis at this time. He was not talking about mandatory mediation or moratoriums. The voluntary part in the bill was not bad he said but he would like to see a requirement that if one of the parties wants mediation they can request it. Once it is requested and the procedure is outlined, the parties would have from 30 to 60 days or less to find if it would work. He felt with suggested solutions, possibly 80 percent would settle out. He said that after the 30 days if either side wanted out they should be able to get out. He felt that this little bit would have an enormous impact on the farm economy in the state. In regard to "bad faith", it is true that if anyone in this state bargains with another person in bad faith, they may be held liable. The bad faith we are talking about is where they are really not intending to bargain, but are out to get that person for some other reason. If their actions are such that they tell them one thing and then do another, they might have a problem. He said if we work out the language it will give the bank the opportunity to go through and demonstrate their good faith.

Senator Boylan said it has been brought out today that the bankers have been blamed for a lot of this. He said there are other institutions that have farmers and ranchers as their Board of Directors. None of them are appearing here today. They are to blame as well.

Senator Towe said he was not fearful of most of the bankers. It was some of the out-of-state insurance companies, foreign lenders and people who don't understand what is going on. Those are the people we need to get into that bargaining table. We need more teeth than this bill has in it right now.

There being no further questions, the joint hearing was closed.

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Additional exhibits attached are #19, letters and written testimony for HB 11 and #20, proposed amendments for HB 11.

ADJOURN: There being no further business, the hearing was adjourned at approximately 3:40 p.m.

SENATOR PAUL BOYLAN, Chairman

Explanation of Right to Mediation Amendments in HB 11

The right to mediation applies to agricultural property greater than \$5,000.

The right may be exercised by a farmer facing or in foreclosure.

The amendments suspend execution of debt during the mediation period.

The amendments bring the borrower and creditor together with a mediator to attempt to work out an agreement that will prevent further foreclosure action and stabilize the rural economy.

The mediation period extends 75 days from service of notice to the end of mediation.

The mediator does not have any binding authority to impose an agreement on either the farmer or the creditor.

AMEND SECTION 1:

Purpose. It is the declared purpose of [this act] to establish an emergency program to directly assist individual farmers who are financially distressed by providing them assistance and counseling to manage farm credit problems, to avoid forced liquidation or farm foreclosure, to cope with the financial stress resulting from adverse conditions of agriculture in this state, and to maximize the effectiveness of this program by utilizing peer counselors and cooperating with the private sector.

AMEND SECTION 2 (definitions) TO ADD:

(8) "Peer Counselor" means a person who is or has been involved in production agriculture and who has been trained through the Department and others in financial counseling and mediation/negotiation techniques and who works to aid financially distressed farmers through this program.

AMEND SECTION 4(a) TO ADD AS NEW SECTION (i), RENUMBER SUBSEQUENT SUBSECTIONS:

(i) a network of trained peer counselors who can directly assist financially distressed farmers;

AMEND SECTIONS 4(b):

(b) contract for services with qualified personnel, including peer counselors, farm management specialists, accountants, attorneys, and mental health professionals, to provide the assistance required under [section 3];

AMEND SECTION 4(d)

(d) provide training for peer counselors to assist farmers needing help with farm financial management problems;

ADD SECTION 4(g):

(g) provide peer counselor access to computer and computer programs.

ADVANCE CCC RECOURSE LOAN
AUTHORIZATION

Prepared by Tom Gomez
Staff Researcher
Legislative Council

Under the Food Security Act of 1985, the U.S. Congress has authorized the Secretary of Agriculture to make advance CCC recourse loans available to certain agricultural producers if the Secretary finds that such action is necessary to ensure that adequate operating credit is available to producers.

As stated in recent amendments to the Food Security Act of 1985, P.L. 99-260, it is intended that:

- (1) Advance recourse loans would be made available to producers of certain commodities, including wheat and feed grains;
- (2) Advance recourse loans would be made to producers of a commodity at the applicable nonrecourse loan rate for the commodity in an amount equal to one-half of the farm program yield multiplied by the farm program acreage intended to be planted to the commodity for harvest in the crop year; and
- (3) Advance recourse loans would be subject to a maximum payment of \$ 50,000 for any one producer.

Based upon 1985 CCC program information for program acreage, and assuming certain applicable loan rates and program yields for commodities under the CCC program, the following is an estimate of the amount of advance CCC recourse loan money which Montana agricultural producers would qualify for if the U.S. Secretary of Agriculture makes advance recourse payments as authorized by Congress:

Advance CCC Recourse Loans Authorized (Estimate)

<u>Commodity</u>	<u>Eligible yield</u> (Bushels)	<u>Loan rate</u> (Per bushel)	<u>Loans authorized</u>
Wheat	67,267,060	\$ 2.40	\$ 161,440,944.00
Barley	33,152,957	\$ 1.46	\$ 48,403,317.22
Oats	2,066,064	\$ 0.99	\$ 2,045,403.36
Corn	754,820	\$ 1.92	\$ 1,449,254.40
		TOTAL:	\$ 213,338,918.98

AMENDMENTS TO HOUSE BILL 11

- 1) Title, line 10.
Following: line 9
Strike: "VOLUNTARY"
- 2) Page 2, line 18.
Following: "section"
Strike: "7"
Insert: "11"
- 3) Page 5, lines 9 and 10.
Following: "Section 6."
Strike: "Voluntary"
Insert: "Right to"
Following: "procedure"
Strike: remainder of line 9 through "requests" on
line 10
- 4) Page 5, line 16.
Following: (2)
Strike: "In filing a mediation request, the farmer
shall"
Insert: "A properly completed mediation request form
must"
- 5) Page 5, line 18.
Following: "address"
Insert: "the farmer and"
- 6) Page 6, line 5.
Following: "request"
Strike: "and may direct"
Insert: " . The department shall serve a notice of
mediation on the farmer and each creditor named in the
request for mediation. After serving such notice, the
department shall appoint"
- 7) Page 6, lines 9 through 21.
Strike: subsections 5 and 6 in their entirety
Insert: "Section 7. Effect of mediation notice - stay
of action. (1) Upon service of a notice of mediation,
neither the farmer nor the creditor may take any further
legal action in court concerning the farmer's indebtedness
to that creditor until the mediator has signed a release
order as provided for in [section 8]. Such release order is
final and is not subject to an appeal."

(2) Proof of service of a notice of mediation is effective in any court in this state to obtain a continuance or delay, except that such delay may not cause any person to lose any legal rights, and all applicable statutes of limitations must toll.

Section 8. Mediation - good faith requirement - release order. (1) The department shall commence mediation within 14 days following service of a notice of mediation.

(2) If the farmer and creditor have acted in good faith to mediate, the mediator shall sign a release order after 45 calendar days have elapsed following commencement of mediation. However, the mediator, in his discretion, may declare that either party has failed to act in good faith during mediation and may extend the 45 day period accordingly, provided that the mediator notifies the farmer and creditor that days have been lost because either party has failed to act in good faith as provided in [section 9].

(3) Once the 45 day period provided for in [subsection 2] has ended, no mediation may continue beyond 10 days if either the farmer or creditor serves notice that further mediation would not be effective.

Section 9. Obligation of good faith. (1) A farmer and creditor who are parties to mediation under [section 6], must act in good faith with respect to mediation. A farmer or creditor does not act in good faith if he:

(a) fails on a regular or continuing basis to attend and participate in mediation sessions without good cause;

(b) does not provide full information regarding his financial obligations to other parties;

(c) fails to designate a representative to participate in the mediation with adequate authority to fully settle, compromise, or otherwise mediate the matter; or

(d) demonstrates other similar behavior which evidences lack of good faith to mediate.

(2) A failure to reduce, restructure, refinance, or forgive debt does not, in itself, evidence lack of good faith by the creditor.

Section 10. Notice of right to mediation required - exceptions. (1) Except as provided in subsection (2), no secured creditor may initiate a foreclosure action on agricultural property subject to a mortgage or trust indenture unless he has provided the farmer notice of his right to mediation as provided for in [section 6].

(2) This section does not apply to agricultural property with a fair market value of less than \$5,000.

Renumber: subsequent sections

- 8) Page 8, lines 7 through 10.
Strike: section 9 in its entirety
Renumber: subsequent sections

BILL SUMMARY

(Senate Bill 7 / House Bill 10)

Prepared by Dave Cogley
Staff Attorney
Legislative Council

Senate Bill 7 authorizes the Board of Investments to place up to \$ 50 million dollars in 6-month certificates of deposit with lending institutions wishing to participate in a linked deposit loan program, at an interest rate 1% below the current market rate for such certificates.

Under a linked deposit loan program, participating lending institutions would be required to make agricultural production loans not exceeding \$50,000 per borrower at an interest rate not exceeding 2 percentage points greater than the rate payable on the certificates of deposit, resulting in loans at around 8-1/2%.

The lending institutions would make loans using "usual lending standards" and would retain all risk of loss or default on loans issued.

Procedures and requirements for investing funds with financial institutions are contained in Senate Bill 7. To avoid low interest rate loans under the linked deposit program being issued to the lender's best customers, a producer is required to have at least a 30% debt to asset ratio in order to qualify for a loan.

The linked deposit program provided for by Senate Bill 7 is temporary, with the authority to place linked deposits

terminating August 31, 1986. The bill would terminate some 6 months later, unless extended by the 1987 Legislature.

House Bill 10 provides for an appropriation to fund the program established by Senate Bill 7. The appropriation is made from the general fund in the amount \$ 250,000 to replace the potential earnings lost because of the required 1% discount in the purchase of certificates of deposit under the program.

49th LEGISLATURE - SPECIAL SESSION 11
MINUTES OF THE MEETING
JOINT APPROPRIATIONS, HOUSE AND SENATE AGRICULTURE COMMITTEES

March 26, 1986
1:00 p.m.

The joint meeting of the Appropriations, House and Senate Agriculture Committees was held on March 26, 1986 at 1:00 p.m. in the old Supreme Court Chambers in the State Capitol. Senator Boylan, Chairman of the Senate Agriculture Committee, presided.

ROLL CALL: All Appropriations Committee members were present.

SENATE BILL 7 and HOUSE BILLS 10 and 11 were heard.

SENATE BILL 7: "AN ACT CREATING AN AGRICULTURAL PRODUCTION LOAN LINKED DEPOSIT PROGRAM..."

The sponsor, Senator Ted Neuman, explained the bill. The bill pertains to the agricultural production loan linked deposit program. It provides for the placement of \$50 million of public investment funds in financial institutions at a rate 1% below the current six-month CD rate (EXHIBIT A).

Proponents:

The following proponents rose in support of the bill:

Mike Grove, Governor's Council on Economic Development
Keith Kelly, Montana Department of Agriculture
Terry Murphy, Montana Farmers Union
Ron Pyfer, Montana Credit Union League
Pat Underwood, Montana Farm Bureau
Mons Tiegen, Montana Stockgrowers and Montana Cowbellers
Bill Milton, Northern Plains Resource Council
Robert VanDerVere
Esther Ruud, Montana Cattlemans Association
Chet Kinsey, Montana Low Income Coalition (EXHIBIT B)
Jim Murray, Montana State AFL-CIO
Representative John Cobb
Bill Campbell, Montana Education Association
Al Verschoot, Montana Peoples Action (MPA)
Del Rodriguez, MPA (EXHIBIT C)
John Allhands, Madison County Commissioner.

For a more detailed summary of the testimony, refer to the minutes of the Senate Agriculture Committee.

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Opponents: None

Senator Neuman closed.

Committee Discussion:

In response to Senator Williams, Senator Neuman said the PCA's capital structure probably would not allow them to use this program.

Representative Bardanouve asked Senator Neuman if he had had any signals from the banking industry whether they would cooperate or use this bill. Senator Neuman said he had communications from some bankers that they could use the funds. Currently in Montana the banks have sufficient capital to loan. When interest rates fall, however, he felt this might become a concern for the small rural banks.

In response to Representative Koehnke, Senator Neuman said there hadn't been any priorities set in the bill regarding who should get the loans, other than that the loans should be made to those operators who were close to cash flow. In response to Representative Swift, Senator Neuman said the intent of the 30% floor was so the loans wouldn't go to top raters who didn't need the loans. They didn't think there was a need for a cap because the lenders could make the decisions as to how high the debt to asset ratio could go. There was no reason for a ceiling because the State was not at risk.

Representative Koehnke called on Mr. John Cadby, Montana Bankers Association, to answer Representative Bardanouve's question. Mr. Cadby said the Association hadn't taken a formal position on the bill and were neutral because they couldn't predict without surveying all 170 banks in the State how much of this money would be used, if any. He submitted that this was an experiment and it may or may not work. In response to Representative Peck, Mr. Cadby said that banks typically tried to operate on a spread of three to five points and the bill was asking them to operate on two points, which obviously would not make it as attractive as a normal loan. Under the Farmers Home Loan Administration Interest Rate Buy-Down Program, the FmHA took up to a two point cut. The lender also took up to a two point cut, for a total of four points.

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The borrower then got the money at four points below normal, but the lender in giving up the two points in yield got from the FmHA up to a 90% guarantee of that loan. Therefore, the federal agency was in essence assuming a portion of the risk. He said that banks were at present very actively seeking these funds.

Representative Peck wanted to know if there were any features of the bill that could be made more attractive to the bankers. Mr. Cadby said that raising the amount of the loan ceiling from \$50,000 would make the program more attractive to both lenders and borrowers.

Senator Conover wanted to know if Mr. Cadby had attended any of the meetings which had been held in preparation of SENATE BILL 7 and Mr. Cadby said he had been at a meeting in Great Falls a few weeks earlier of the Interim Committee on Agricultural Problems, and at that time they had presented some alternatives which included regulatory changes now being implemented by the federal regulators which would make it possible for bankers to be more liberal in their agricultural loans.

Representative Bardanouve asked Mr. Cadby if he felt the bankers supported or opposed the bill. Mr. Cadby answered that when the future could be predicted with more certainty they could come in with a more certain attitude; however, at the present time it was impossible to predict what would happen in the agricultural community over the next few years. As lenders they hated to come in and say whether or not the program would work.

In response to Representative Ellerd, Senator Neuman said provisions were in the bill to indicate that the money lent was primarily to be used to get crops in the ground or buy yearlings to put on summer pasture. However, this was not to exclude absolutely capital expenses when they considered essential. Senator Neuman spoke up regarding Mr. Cadby's statements about the FmHA Interest Rate Buy-Down Program. He said that over half of the \$25 million appropriation for Montana was already gone and the demand was more than double the amount of funds now available for those loans. Even though the banks like the program, the amount of funds available would not meet

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today's needs.

In response to Representative Jenkins, Phil Johnson, President of First Bank in Helena, said that if a person couldn't meet the requirements under a FmHA Guarantee program, the bank would probably not entertain a loan request under this program. If the bank was going to lend to a troubled borrower to get him through one more year, he submitted there would have to be some guarantee on the additional money loaned where the bank would be guaranteed to get that money back, plus interest, and hopefully also have some headway made towards relief on the balance of the debt as well. In response to Representative Ellison, Mr. Johnson said that cutting the interest rate from 12% to 9 or 10% on a \$50,000 loan might not be enough relief.

(Tape 5:B:000)

Mr. Johnson brought up that he felt that under the penalty section of the bill it should be a fraud rather than a misdemeanor if a person knowingly made a false statement on a loan application. In addition he felt that one year would not be enough time for the program to work.

In answer to Representative Cody, Senator Neuman said that already five or six other states had programs similar to this one and over \$600 million was put out on the programs. Senator Neuman said that the bill planning committee had thought \$50,000 should be enough to get the crop in the ground or the yearlings on the pasture. He submitted that the loans were not intended to be a total operating package. He supposed lenders would be making loans for less than a year's time under this bill. Programs such as the one in this bill would be perfect for the situation in which the operator just needed enough money to get through harvest. Mons Tiegen stated that he felt \$50,000 was a minimal amount and that most livestock operations spent more than this.

The hearing on SENATE BILL 7 was closed.

HOUSE BILL 10: "AN ACT APPROPRIATING MONEY TO REPLACE THE POTENTIAL EARNINGS LOST TO INVESTMENT FUNDS USED TO PURCHASE DISCOUNTED CERTIFICATES OF DEPOSIT UNDER THE AGRICULTURAL PRODUCTION LOAN LINKED DEPOSIT PROGRAM..."

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The sponsor, Representative Schultz, explained that HOUSE BILL 10 was the appropriation for SENATE BILL 7. \$250,000 will be provided for the interest buy-down and the effective date will be immediate; March 15, 1987 will be the termination date.

Proponents:

Keith Kelly, Department of Agriculture, rose in support of the bill.

Opponents: None

Committee Discussion:

Senator Aklestad asked Representative Schultz if the \$50 million would be allocated as needed or in lump sums. Representative Schultz said it would be allocated as loans came in. If there weren't loans made there wouldn't be the draw-down on the General Fund.

Representative Schultz closed. The hearing on HOUSE BILL 10 was closed.

HOUSE BILL 11: "ESTABLISHING AN AGRICULTURAL ASSISTANCE AND COUNSELING PROGRAM TO AID FINANCIALLY DISTRESSED FARMERS; PROVIDING FOR FINANCIAL COUNSELING, FARM MANAGEMENT TRAINING, LEGAL SERVICES, VOLUNTARY DEBT MEDIATION, MENTAL HEALTH ASSISTANCE, SUPPORT COUNSELING, AND REFERRAL SERVICES; AUTHORIZING THE DEPARTMENT OF AGRICULTURE TO ADMINISTER THE PROGRAM..."

The sponsor, Representative Gaye Holliday, presented the bill to the Committees. This bill was a product of the Interim Agriculture Committee. See EXHIBIT D.

Proponents:

Keith Kelly, Director of the Department of Agriculture, spoke up in support of the bill; see EXHIBIT E. He stated that Montana agriculture probably had a far worse record of servicing debts than other states, for two reasons: (1) drought in the recent past, and (2) foreclosures and the trouble the farm credit system has run into in Montana. He reviewed how the agricultural assistance/counseling program would be set up and what it would offer. The Agriculture Department would coordinate the program, put a hotline and coordinator in place, and contract out with existing State, private, and/or federal agencies for

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the remainder of the services. He added that the SCORE Program and the VISTA Program might be able to offer some assistance to better coordinate the utilization of some federal resources. He offered some amendments, which the Agriculture Department proposed, which included: (1) the Department of Agriculture would require financial statements and proforma cash flow statements (profit/loss) including any non-farm activities, in reference to the mediation category of the bill. He submitted that the Department had some problems with mandatory mediation as far as the financial resources which would be needed in order for them to be able to do an adequate job. He felt that the cost would be "fairly horrendous" and it would take most of the mediation money just to make sure the Department had gone through a complete analysis. In addition, he said his Department didn't want to be the one to determine who could or could not mediate because this would be putting them in an adversarial role. (2) The Department also proposed to add clauses to the bill to cover sovereign immunity for the Department, and severability.

Marty Connal, an Agricultural consultant from Billings, rose in support of the bill. He stressed that farming was a business, and those who ran it like a business would survive. He cautioned the committees on the subject of mediation or any type of moratoriums because of the effect it might have on the banking institutions. At present, money was leaving Montana and if the bankers were scared out of making any loans to agriculture, the State would be even worse off. Montana needed to have a clearing-house for agricultural problems, similar to what Nebraska is doing, he said; in addition, the State debt laws needed to be reviewed. He felt the best way money could be spent in Montana was through the education system educating the farmers, ranchers, accountants, lawyers, and bankers as to what the problem was and how it could be solved.

Barbara Archer, Coordinator of the Montana Farm Council and Advocacy Coalition, rose in support of the goals of the bill, but proposed several amendments; see EXHIBIT F. She also rose in support of Representative Rapp-Svrcek's amendment regarding the borrower's right to mediation. She explained that the Montana Farm Counseling and Advocacy Coalition was a group of voluntary farmer advocates who were linked into a

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farm crisis hotline and responded to farmers in financial distress; see EXHIBIT G. At present, nine advocates were working with more than 120 active cases.

Dale and Mary Ann Fossen then spoke up, also representing the Montana Farm Counseling Advocacy Coalition. They were in support of the amendments including peer counseling. They felt that one of the solutions to the agricultural problems facing the country was people helping other people. Mrs. Fossen then presented an analysis of the process which farmers go through which she called the "Time Lock Syndrome." The four stages were: (1) temporary impotence, (2) Identification, communication and relief; (3) realization, and (4) motivation. Stage two is where advocate intervention is so important. Mr. Fossen said they had clients of all ages and all situations. He explained how the advocates helped the people who came to them. He stressed that he didn't make recommendations, he made choices.

Mary Kee, Montana People's Action (MPA) then rose in support of the bill with the amendment to provide for the right to mediation; see EXHIBIT H. She gave a history of the problems her family had encountered with the PCA and the Federal Land Bank. She felt that if their lenders had been willing to cooperate that their operation could have been kept productive and viable.

Joan Voise, MPA member from Ryegate, spoke up in support of the bill with the amendment; see EXHIBIT I.

Susie Tilton Chiovaro, a Farmer Advocate and bankrupt rancher, spoke briefly; see EXHIBIT J.

Joe Duffy, a Great Falls attorney, rose in support of the bill, particularly the Advocacy Program. He praised the work the Farm Advocates had been performing. He got where he is regarding understanding the FmHA, the PCA, the administrative notices and procedural notices because the Farm Advocates had done their homework. He suggested that often a farmer wouldn't call a lawyer or a CPA but would call an Advocate. He stated that the lawyers who wanted to know more in this area didn't have the resources to call upon to ask for assistance, and passage of this bill would help that.

(Tape 6:A:212)

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Ray Patte, a former Ryegate County Commissioner, then rose in support of the bill as amended with the right to mediation; see EXHIBIT K.

Curtis Haskens, a Montana Advocate and member of MPA, rose in support of the bill. He presented a case which showed how the advocates had helped solve the problems of one Montana farmer. He submitted that there was a need in the State for this program, evidenced by the fact that almost everyone present had raised their hand when asked if they knew someone who had had a bankruptcy, sheriff's sale, or foreclosure within the past year.

Jack Heyneman, Chairman of the Northern Plains Resource Council, rose in support of the Rapp-Svrcek amendment regarding mediation; see EXHIBIT L.

Mike Grove, Governor's Council on Economic Development - Agriculture Credit Subcommittee, said their committee on the linked deposit bill felt the Counseling Program had much merit. He emphasized the importance of having highly qualified persons on the financial and legal side. They supported mediation, on a voluntary basis as presented in the bill.

Jo Bruner, Power Farmers Elevator Company, spoke, stating that bankruptcy and foreclosures benefitted neither the producer nor the lender or agribusiness. They were in support of the Advocacy Program and the mediation process as defined in the bill.

Lavina Lubinus, Women Involved in Farm Economics, rose in support of the bill; see EXHIBIT M.

Senator Boylan ruled that due to the lack of time, Legislators would not be allowed to testify on the bill, in order that those traveling from out-of-town might have a chance to talk.

Steve Waldron, Montana Council of Regional Mental Health Boards, Inc., spoke up in support of the bill; see EXHIBIT N.

In view of the shortage of time, Senator Boylan asked if there were any opponents to HOUSE BILL 11 who wished to speak.

Opponents:

L. C. Terrett, a Billings consultant and ex-banker, said

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he was opposed to the mediation portion of the bill. He felt this would be putting banks into a position where they would frown on making any agricultural loans. He asked that the Legislature consider what was happening in the farm credit system. He felt that action would be taken very shortly to implement the farm credit bill and its issue on long-term loans. However, it would probably take some time to find out the regulations because the President said he would make the farm credit system utilize its reserves before he would come to the rescue of the farm credit system. An extensive search of what is happening in the farm credit system program should be undertaken, he suggested.

Representative Bardanouve asked Mr. Terrett what a banker would rather have: mediation or a moratorium for a year on all foreclosures, and he replied that they would favor neither one. Representative Bardanouve said maybe they had better take something or they would have nothing.

There being no further opponents, Senator Boylan directed the testimony back to proponents.

Proponents:

Wink Nyhart, Twin Bridges ranch wife, spoke. Her family was facing foreclosure by an insurance company on their property, which had been in the family for 120 years. She pointed out that many people had more equity in their property than what was borrowed against it and these seemed to be the farms that were being picked on more because the lenders could see that if there was enough equity to sit on the farm after foreclosure, they stood to lose less by waiting until land prices started to rise again. She said the representative from the insurance company they were dealing with, Travelers, had responded to their proposal to negotiate and take only part of their ranch and leave the rest with, "Why the Hell should we when we can have the whole thing"? See EXHIBIT P.

Bill Milton, a Roundup area rancher, spoke up on behalf of the farmers and ranchers from that area for the right to mediate, stressing that this did not mean that the arbitration was binding. He asked, "If the right to mediate isn't provided why bother providing counseling efforts"? He pointed out that every foreclosure that

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occurred reduced everyone's equity.

Neil O. Peterson, MPA, rose in support of the right to mediate and in support of the Advocacy Program.

Esther Ruud, Montana Cattlemen's Association, spoke. She said she had been working for nine years to get a better price for agriculture and was still trying. She submitted that many of the foreclosures were not the fault of those farmers facing them.

Al Verschoot, MPA President, rose in support of mandatory mediation. He took issue with the statement that some of those losing their farms were "bad managers." He submitted that farmers were the best managers in the world and that no bank or business could operate for as long as the farmers had with the adverse conditions and governmental and banker opposition they had had. He added that he knew that HOUSE BILL 11 wasn't going to provide all the answers. Agriculture needed to get some prices and they have got to work to get them.

Tape 6:B:042)

Nancy Collins, Co-Chair of the Womens' Lobbyist Fund, rose in support of the bill as amended to provide for peer counseling and the right to mediation.

John Ortwine, Montana Catholic Conference, rose in support of the bill as amended on peer counseling and the right to mediation; see EXHIBIT Q.

Jim Murry, Montana AFL-CIO, rose in support of the bill; see EXHIBIT R.

Terry Murphy, President of the Montana Farmers Union, rose in support of the bill. In the U.S. the asset value of agricultural real estate by official figures has fallen \$180 billion in four years and the equity of farmers has fallen \$216 billion. Not one farmer had anything to do with the policy decisions that had to do with that. The Farmers Union was in favor of the right to mediate, so long as it stopped short of binding arbitration; see EXHIBIT S.

Pat Underwood, Montana Farm Bureau, and also on behalf

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of Mons Tiegen, Montana Stockgrowers (see EXHIBIT T), was in support of the bill without amendments.

John Allhands, Madison County Commissioner, stated that over 40% of the delinquent taxes in his county were on agricultural land. This affected county government tremendously; the schools are short about \$480,000. He added that no taxes were received back in their bankruptcy cases. The banks were selling personal property, cattle, and machinery and collecting the money but not paying the taxes. He felt mediation would help buy the County more time to pick up these taxes that the banks were in essence putting in their own pockets.

Senator Boylan then opened the hearing to questions from the Committees, even though there were more proponents who wished to testify, due to the lack of time. Representative Bardanouve said that those who still wished to testify on the bill could do so at the Appropriations Committee meeting in Room 104, upon adjournment of the House.

Committee Discussion:

Representative Koehnke wanted to know if Mr. Terrett (who was no longer present) was opposed to voluntary or mandatory mediation. Mr. Cadby replied that Mr. Terrett's feelings were probably based on the fact that the bank was in a no-win situation. If they refused mediation they could be accused of bad faith and be faced with a worse lawsuit than they might have already faced, and if they agreed to mediation and didn't accept the conclusions, they might also be subjecting themselves to bad faith litigations. He was in support of the spirit and intent of the bill but he stressed that the banks needed to be prudent investors. If the bill was altered so that it became an advocacy program for the agricultural customer, he felt the entire program would be jeopardized.

Senator Aklestad asked Mr. Kelly if he felt his Department would be liable if bad advice was put out under this bill. Mr. Kelly said an amendment had been offered by his Department to exempt liability for the Department staff and those working on the program. Representative Bardanouve submitted that until

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the Legislature passed a constitutional amendment, the voters approved it, and the 1987 Legislature put some limitation on liability, the proposed amendment wasn't worth the paper it was written on. Mr. Kelly said they had attempted to structure a program to minimize liability.

In response to Representative Rapp-Svrcek, Senator Tom Towe spoke up in support of mediation as the single most important thing the Legislature could do for the farmers at this time. As an attorney he said he had been on both sides of the issue, and he submitted that bankers were very receptive to mediation. He stressed that he was not talking about mandatory mediation or moratoriums but rather the time-honored and tested procedure of the law asking people to sit down and talk about their problems. He submitted that the voluntary mediation provided for in the bill might work 60-70% of the time; however, he would like to see a requirement that if one of the parties wanted mediation they could request it, and once it was formally requested, then the parties would be granted a period of time, possibly up to 60 days, to try mediation. He added that it also had to be provided for that this wasn't a mandatory thing and after the time was up, if it didn't work out, then the initial process could be gotten on with. Regarding bad faith, he said this was most often a bugaboo that had to be discounted. He submitted that mediation would give the banks a chance to demonstrate their good faith. He added that he was not fearful of most bankers in this regard, and his main distrust was of some of the out-of-state insurance companies, foreign lenders, and people who didn't understand what was going on. These people were the ones that it was most important to get to the bargaining table. He submitted that the bill needed a little more teeth in order to achieve this.

The hearing was then closed on HOUSE BILL 11.

Representative Holliday closed, thanking all of those who had come to testify.

Representative Bardanoue announced that the House Appropriations Committee would meet upon adjournment

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of the House in Room 104 and stressed that especially those persons interested in amendments to HOUSE BILL 11 should attend the meeting.

Additional testimony on HOUSE BILL 11 had been submitted in written form only; see EXHIBITS U, V, W, and X.

The meeting was adjourned at 3:40 p.m.

Representative Francis Bardanouve - Chairman
Appropriations Committee

DR

COMMITTEE ON _____

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
L J Turner	Red Lodge	11	X	
John L. Voin	Missoula, Ill. State of	"	X	
Richard M. Meyer	Missoula Chapter Montana People's Action	11	X	
John Osterman	mt cath cong. Helena	11	X	
TONI KEUZY	NIPRC	11	X	
Terry Munster	Montana Recreation Missoula	11	X	
Ed Summers	Mont. Peoples action Randy Valley	11	Y	
Miki Martin	" "	11	X	
Lenore Smith	" "	11	X	
Marcia P. Ingram	Gold Creek	11	X	
Robert J. Stearns	missoula MPA	11	X	
Wallace Blom	Twin Bridge	HB 11	X	
Daniel C. Kee	Roundup	HB 11	X	
David C. Peterson	Sheridan, MT MPA	HB 11 AMENDS	X	
Lawrence Cain	Ryegate Mt MPA	HB 11	X	
Harry Nelson	Roberts	HB 11	X	
Helene Morris	Randy Valley M.P.A. Twin Bridges	HB 11	X	
Walter Moore	Randy Valley M.P.A. Twin Bridges	11	X	
Wallace Broaderson	Ryegate	11	X	
W. R. Bath	Ryegate (Montana P.A.)	HB 11	X	
Susan J. Bath	Ryegate (Montana P.A.)	HB 11	X	
Harry Martin	Twin Bridge MPA	"	X	
David Bruner	Ryegate MPA	"	X	
Martin R. Connell	Billings, MT			
L. J. Terrett	Billings, MT			
Bill R. Ried	CONRAD	"		

COMMITTEE ON

SB 7 HB 10 & HB 11

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppd
Joel Conley	Alder MPA	11	X	
James R. Pevna	Board of Investments	10		
Mark Teigen	Mont. Stock Exch. MPA	SB 7	X	
Alle Conley	Alder MPA	11	X	
Margaret Johnson	Abstrakee	"	X	
Bill				
John Allward	Mad Co	11	X	
Niel O. Peters	Shenandoah Mt. MPA	11	X	
Loeal Mosher	Mt. Cow Belts	11	X	
Phillip Johnson	First Bk Helena			
Jo B. Sumner	Power From Elva	11	X	
John K. Krumpholtz	Helena	11	X	
Bob Pyser	Mont. Credit Unions League	SB 7	X	
Nancy Burnham	Helena		X	
Tom Murphy	Mt. Farmers Union	SB 7 HB 11	X	
Leslie Phares	MT INDEPENDENT BANKERS	HB 11	X	
Phil Campbell	Mont. Ed. Assoc	SB 7	X	
LARRY AKEL	SEC OF STATE	"		
KEITH KELLY	DEPT. OF AGRICULTURE	7 & 11	X	
Tene Waldron	Mental Health Centers	11	X	
Jeff Knutson	MPA	11	X	
James Wilson	Farmers	11	X	
Adel Rodriguez	Mpa		X	
Andrew Walzer	MPA	11	X	
Jim Sigels	Mt. Col C	SB 7	X	
Ted J. Doney	MT Dairyman's Assn.	AM	X	

(Please leave prepared statement with Secretary)

DATE

COMMITTEE ON

HB 11

VISITORS' REGISTER

SB 7, Kd

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Robert Van der Meer	Self	SB 7	X	
Ted J. Doney	MT. Dairymen's Assn.	HB 11 SB 7	X	
Rep. David Moore	HD-65	HB-11	✓	
Jack Keenan	MT. P.R.C.	HB 11		
Barbara Becker	Mt. Farm Counseling & Adv. ^{Coalition}	HB 11	✓	
Dale Fran	"	HB 11		
Mary Ann Fran	"	HB 11		
Curtis Hobbs	"	HB 11		
Suzie Chiovano	"	HB 11		
Gene Dapp	"	HB 11		
George Cushing	"	HB 11		
Bill Midan	Self - Roundup Group	HB 11		
John L. Vain	Musselshell Chapter of Montana People's Action	HB 11	✓	
Richard Matney	" "	HB 11	✓	
Nancy Collins	Women's Lobbyist Fund	HB 11	✓	
Bernard Harkness	Rancher	HB 11	✓	
Nabi Brammer	MACO	SB 7	✓	
Marcia Pulgeron	my family	HB 11	X	
Donell Godfrey	Self	HB 11	✓	
Dorothy Todd	Todd Ranch	HB 11	✓	
Maryka	Lee Angus Ranch	HB 11	✓	
Richard L. Todd	Todd Ranch	HB 11	✓	
Eather Reed	Montana Cattlemen's Assn. Int'l	HB 11 SB 7	✓	
Ch. La. Lumber	Shedden prop.	HB 11	✓	
John H. Perry	Mont. State AFL-CIO	HB 11	✓	
Ruby Zindke	Resident	HB 11	✓	

(Please leave prepared statement with Secretary)

VISITORS' REGISTER

COMMITTEE

BILL NO. HB 11

DATE _____

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Al Verschoof	Nonan	✓	
Mary Kee	Randup	✓	
Joan Vaize	Ryeate	✓	
Bernad Hartness	Delp	✓	
W. R. PATTE	RYEGATE	✓	
Lavina Lubinus	WIFFE	#B 11 ✓	
Lavina Lubinus	WIFFE	SB 7 ✓	
Wendy Ryhart	Twin Bridges	✓	
Carl Hoffman	Bozeman	✓	
John Welsh	Bozeman	✓	
Valentin Zedler	Redpoint	✓	
Margaret Thomsen	Absarokee	✓	
Paul Holmgren	Absarokee	✓	
David Holmgren	Absarokee	✓	
Jerry Ryhart	Twin Bridges	✓	
Edna Giaccone	MSA	✓	
Jim Reichmann	Missoula	✓	
John Murphy	MT Farmers Union	✓	
Cathy Campbell	Mt Association of Churches	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Ex. #1
Ex. A
SB7

Members of the committees I offer for your consideration SENATE BILL 7. Senate Bill 7 is a bill to provide the use of \$50,000,000 short term investment pool funds to financial institutions at a rate 1% below the current six month CD rate. These funds would be invested in Montana financial institutions who agree to pass on these funds to agricultural borrowers at no more than 2% above the cost of these state funds.

In order to be eligible for these loans the agriculture businessman must have a debt to asset ratio greater than 30%. He must also make more than 70% of his income from a Montana farming operation. No loan to any individual could exceed \$50,000. These loans would be short term production loans and could also be used to purchase livestock for other than breeding purposes. Senate Bill 7 contains several provisions that would insure these loans are not used in a manner other than is contemplated by this bill.

This bill is similar to legislation in many other agricultural states that is providing 600 plus millions of dollars to help farmers survive the financial crisis of their lives brought on by low commodity prices and high interest.

A recent study at M.S.U. stated that for each 1% drop in interest rates about 2.3% additional Montana farms would cash flow. Montana has about 16,000 professional farmers. That would indicate about 1400 farmers would be helped by a 4% write-down of interest. These figures must be adjusted down somewhat because as the interest rate declines fewer farmers are helped by each point.

I think you can reasonably assume then, based on the study, that approximately 1000 farmers would be helped by this program.

What types of individuals will benefit from this program? Will farmers who have been marginal for a number of years be helped? The answer is probably not, but it will help the farmer who is marginal because of drought or other factors that are not attributable to poor management.

I believe the lenders, especially in the heavily agricultural areas, want to keep as many farmers on the land as they possibly can. So, I believe they will use this money to help those good managers who can structure their operations so that this interest savings is in concert with other savings or innovations and will make the difference in obtaining an operating loan for this spring or fall.

The most critical need for this program, I think, is in the livestock industry where many operators have been forced to sell their cow herds because of the drought and now are not able to buy yearlings to use their grass this summer. I hope the lenders who look at this program will give special attention to that particular sector of the agricultural industry.

I will be glad to answer any questions.

TED NEUMAN

TN/jim
3/26/86

NAME: CHESTER KINSEY DATE: Mar 25 1986

ADDRESS: 6860 APPLEGATE DR HELENA

PHONE: 458-5620

REPRESENTING WHOM? Montana Low Income Coalition

APPEARING ON WHICH PROPOSAL: SB 7 ~~HB 10~~ ~~HB 11~~ ~~HB 12~~ HB 10

DO YOU: SUPPORT? YES AMEND? _____ OPPOSE? _____

COMMENTS: We are in support because farmers
are also experiencing problems

We are interested in the job
that agriculture generates

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

EX. C
SB 7

NAME: Del Rodriguez DATE: 3/20/84

ADDRESS: 722 Cedar St. Helena Mont 59601

PHONE: 442-1740

REPRESENTING WHOM? Farmers Montana people action

APPEARING ON WHICH PROPOSAL: Farmers Mediation

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: Farming is just about the only industry
we have left in the State of Mont. and if the
farmers are foreclosed on we wont have no industry
left. besides we need our steaks + potatoes.
The farmers provide the cheapest food in the
world.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

copy + revision to
Rep. Bill
Exh. #4
Ex. D
HB 11

Agriculture producers have always believed that hard work would solve any problem. That is no longer true, because of the variables we know experience in agriculture. —

Whether it be the policy of the Federal Government, prices received for the commodity, drop in land values, limited credit or drought.

All of these, contribute to the financial crisis we are now in, and financial problems ^{often} lead to legal problems, extreme stress and often mental health problems.

Farmers are often poorly informed about bankruptcy or foreclosure proceedings, deeds in lieu of foreclosure, appeal rights on loan decisions and other legal issues. They may also need information on tax issues surrounding liquidation of assets.

Many states (18) have counselling and assistance programs in place now, and several states are utilizing the volunteer programs as we have done in HB 11 which included the peer counselling.

The mediation concept has allowed some farmers and lenders to work out differences short of bankruptcy or foreclosure actions.

Tax assistance programs also have helped some farmers avoid costly mistakes in liquidating assets.

Most people in agriculture are not

familiar with the options that might
be available, therefore, the need for
the services provided for in this act.

BILL SUMMARY

(House Bill 11)

Prepared by Tom Gomez
Staff Researcher
Legislative Council

House Bill 11 provides for an agricultural assistance and counseling program to aid financially distressed farmers and ranchers in Montana.

As introduced, House Bill 11 contains the following main provisions:

-- provides a statement of purpose, declaring that an emergency program is established to directly assist individual farmers who are financially distressed by making available certain types of assistance and counseling;

-- authorizes the creation of a program to provide financial counseling, farm management training, legal services, voluntary debt mediation, mental health assistance, support counseling, and referral services;

-- grants the Department of Agriculture responsibility for administration of the program;

-- requires the Department of Agriculture to utilize the available services of the Cooperative Extension Service, state agencies, legal service corporations, community service organizations, private businesses, mental health corporations, volunteer groups, and other persons in order to provide the services required under the bill;

-- mandates that the Department of Agriculture contract for services with qualified personnel;

-- allows the Department of Agriculture to adopt rules necessary for the administration of the program;

-- permits the Department of Agriculture to receive gifts and grants to support the program;

-- provides for voluntary mediation, whereby a farmer who is in danger of foreclosure or a secured creditor may request mediation of the farmer's indebtedness;

-- clarifies the duties and role of mediators in conducting voluntary mediation, requiring the mediator to be an impartial person who is knowledgeable in financial and agricultural matters;

- requires that the Department of Agriculture must dismiss a mediation request if there is an unsuccessful mediation attempt or if either the creditor or the farmer does not agree to participate in mediation;
- establishes the confidentiality of records and information obtained as part of a request for mediation;
- excludes mediation meetings from the provisions of the state open meeting law;
- appropriates money \$350,000 from the general fund for operation of the program; and
- provides for an immediate effective date and a termination date of July 1, 1987.

Ex E.
HB. 11

March 26, 1986

House Bill 11

An Act Establishing An Agricultural Assistance and Counseling Program
To Aid Financially Distressed Farmers.

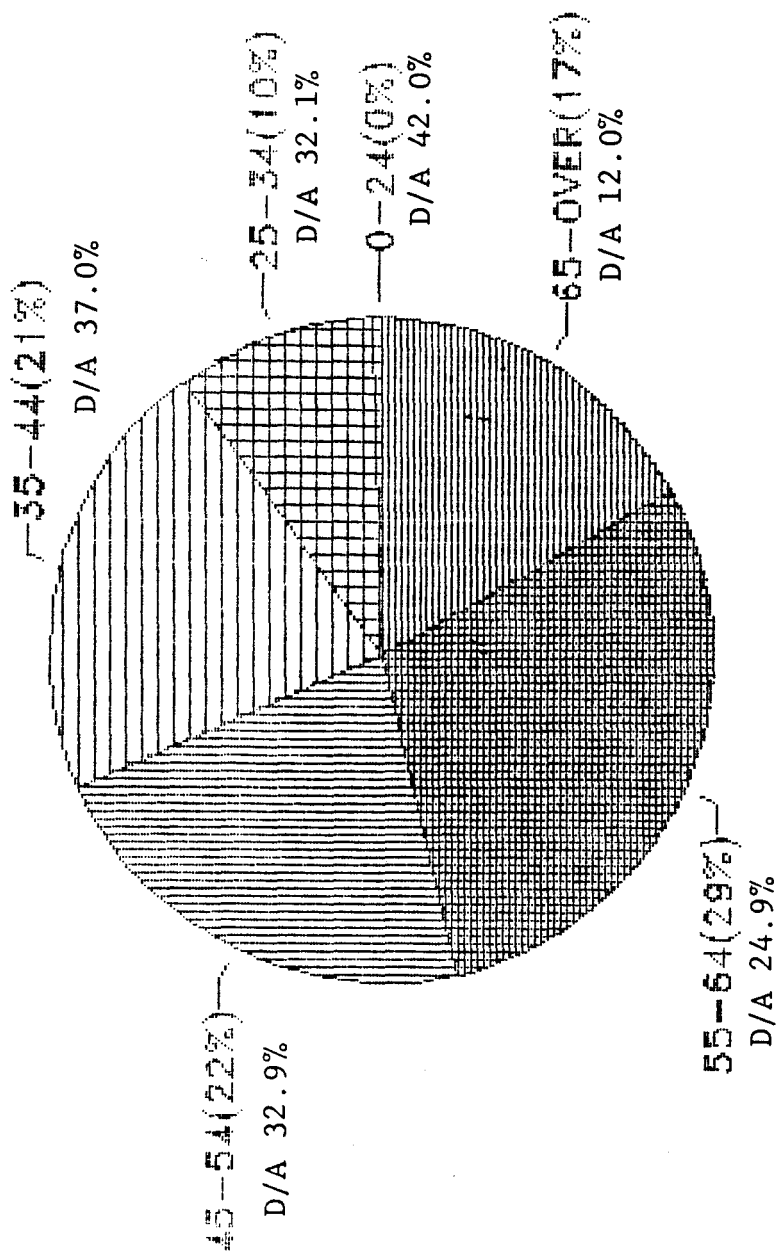
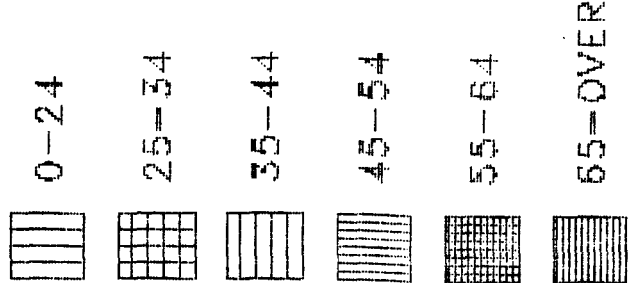
House Agriculture Committee
Senate Agriculture Committee
Appropriations Committee

Presented by

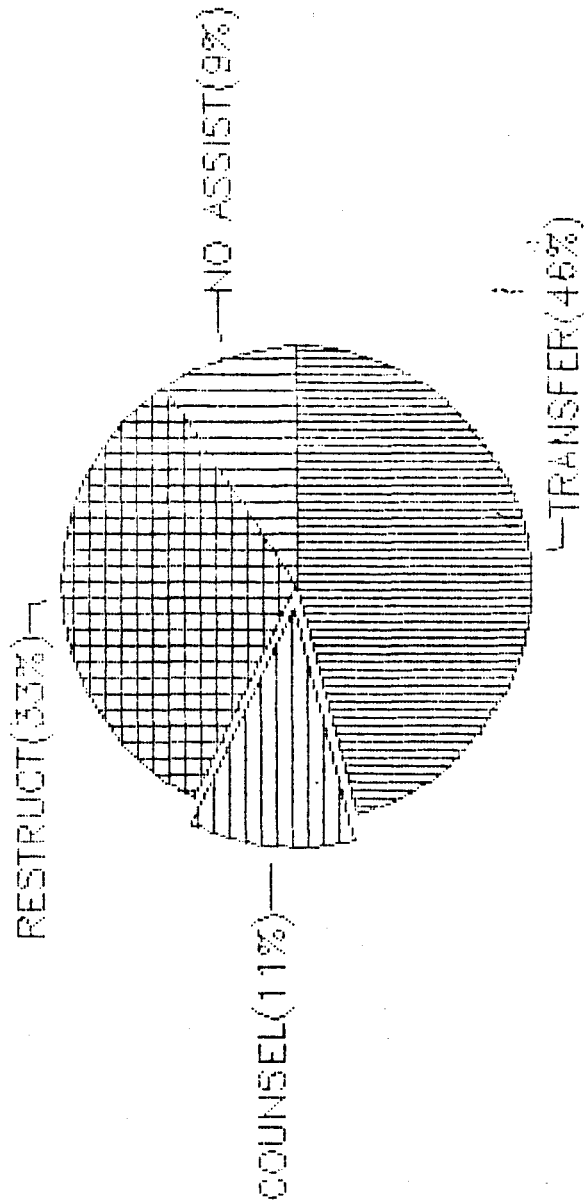
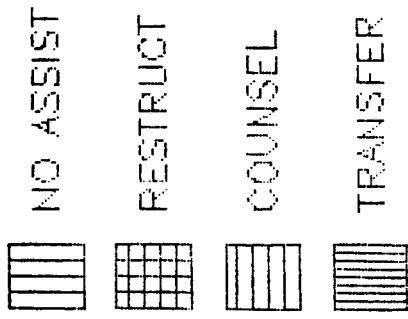
Keith Kelly
Director
Montana Department of Agriculture

MONTANA DEBT/ASSET RATIO BY AGE

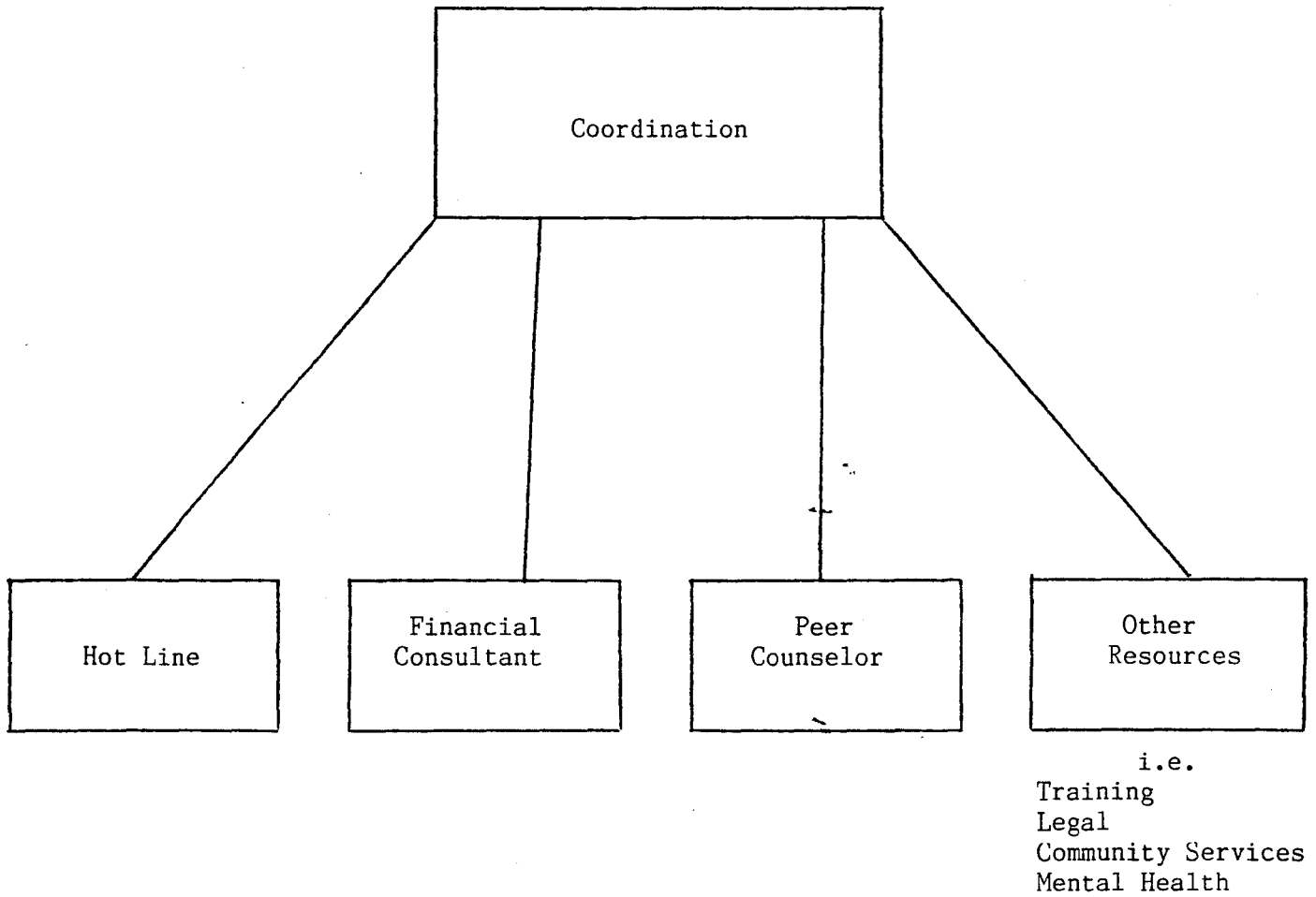
1985



TARGET GROUP NEEDS



Agricultural Assistance/Counseling Program



Amendments to HB11
Proposed by the Montana Department of Agriculture

Amend page 1, section 1, line 21

following: "avoid"
insert: or mitigate

Amend page 3, section 2, subsection (7)(c), line 1

Subsection (7)(c) reads as follows:

(c) a person with a statutory lien or a perfected security interest in agriculture property; or

Amend page 3, section 2, subsection (8), line 6

following: "without"
insert: a perfected security interest

Amend page 3, section 3, subsection (2), line 14

following: "financial"
strike: ~~counseling~~
insert: consulting

Amend page 3, section 3, subsection (2), line 15

following: "management"
strike: ~~training~~
insert: consulting

Amend page 3, section 3, subsection (2), line 16

following: "legal"
insert: information

Amend page 4, section 4, line 1

following: "service"
insert: college of agriculture

Amend page 4, section 4, line 3

following: "state"
insert: or federal

Amend page 4, section 4, line 4

following: "corporation"
insert: or the University of Montana Law School,

Amend page 4, section 4, line 15

following: "coordinator"
insert: and necessary staff

Amend page 5, section 6, line 11

strike: ~~imminent~~

Amend page 5, section 6, line 11 and 12

strike: ~~or-who-has-received-a-notice-of-foreclosure~~

Amend page 5, section 6, line 16

following: "filing"
insert: or responding to

Amend page 5, section 6, line 23

insert: new subsection (d) to read as follows:

- (d) financial statement(s) and proforma cashflow statement (profit/loss) including any non-farm activities.

Reorder subsequent subsections

Amend page 5, section 6, line 25

insert: new subsection (3) and it reads as follows:

- (3) In filing or responding to a mediation request, the secured creditor(s) shall provide:
- (a) The information pertaining to the basis of the credit determination;
 - (b) Financial statement(s) and proforma cashflow statement on the respective borrower;
 - (c) Statement regarding status of the borrowers loan performance;
 - (d) Indicate name and title of authorized representative of the creditor authorized to enter into a binding mediation agreement; and
 - (e) any additional information the department may require.

Reorder subsequent subsections

Amend page 5, section 6, line 25

following: "farmer"
strike: ~~requesting~~
insert: or secured creditor in

Amend page 6, section 6, lines 4 and 5

following: "department"
strike: ~~or-its-agent-shall-evaluate-each-request-and-may~~
insert: shall

Amend page 6, section 6, line 8

following: "agrees"

strike: -

insert: or if the mediator determines that an unsecured creditor is a necessary party to the mediation.

Amend page 8, section 12, line 24

insert: new section 12 as follows:

Section 12. Sovereign Immunity. The state of Montana acting by and through the Department of Agriculture, it's employees, contracted services and personnel shall be immune from liability in the performance of the duties and responsibilities of this act. The State shall not be liable for any action brought against it as a result of any errors, omissions, or negligence that occurs as a result of providing services pursuant to this act.

Renumber subsequent sections

Amend page 9, line 6

insert: new section as follows:

Section ____ Severability. If a part of this act is invalid all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more applications, the part remains in effect in all valid applications that are severable from the invalid application.

~~Kevin Kelly~~

Ex. F
HB 11

AMEND SECTION 1:

Purpose. It is the declared purpose of [this act] to establish an emergency program to directly assist individual farmers who are financially distressed by providing them assistance and counseling to manage farm credit problems, to avoid forced liquidation or farm foreclosure, to cope with the financial stress resulting from adverse conditions of agriculture in this state, and to maximize the effectiveness of this program by utilizing peer counselors and cooperating with the private sector.

AMEND SECTION 2 (definitions) TO ADD:

(8) "Peer Counselor" means a person who is or has been involved in production agriculture and who has been trained through the Department and others in financial counseling and mediation/negotiation techniques and who works to aid financially distressed farmers through this program.

AMEND SECTION 4(a) TO ADD AS NEW SECTION (i), RENUMBER SUBSEQUENT SUBSECTIONS:

(i) a network of trained peer counselors who can directly assist financially distressed farmers;

AMEND SECTIONS 4(b):

(b) contract for services with qualified personnel, including peer counselors, farm management specialists, accountants, attorneys, and mental health professionals, to provide the assistance required under [section 3];

AMEND SECTION 4(d)

(d) provide training for peer counselors to assist farmers needing help with farm financial management problems;

ADD SECTION 4(g):

(g) provide peer counselor access to computer and computer programs.

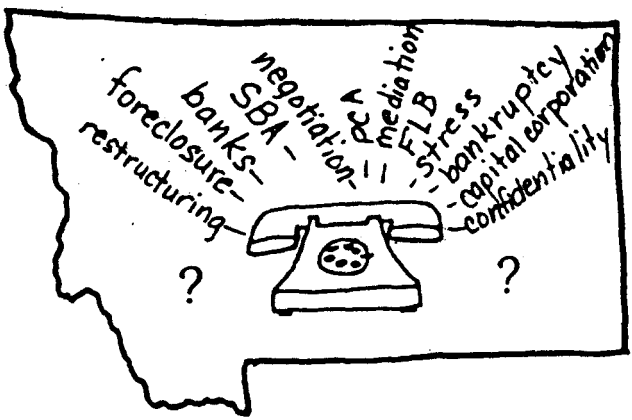
Ex G
HB 11

THE MONTANA FARM COUNSELING AND ADVOCACY COALITION

"In any real understanding there aren't any good guys and bad guys. There are only human beings in a leaking boat. When we look to the right or left we do not see . . . (farmers or bankers or small business people or borrowers or lenders) . . . All we see are some people bailing and some people rowing because there are children in this lousy boat and we are in deep trouble." The Rev. Leonard Kayser, from Violence in Rural America, Catholic Rural Life. November, 1985

FARM CRISIS
HOPELINE ☀

653-2492



"Farmers Helping Farmers"

The idea of farmers helping farmers in Montana originated within farm and ranch communities. Assessment of needs was done by farmers and ranchers themselves. The Montana Farm Counseling and Advocacy program was designed and activated by farmers and ranchers.

"Farmers can be very effective self-and lay advocates. . . farmers as advocates are often more effective, especially when they have support, than an attorney or paralegal would have on the "front lines" (with the lender). Farmers speak the language of farm operations and credit, know the operations, may use more effective informal means of negotiation, and do not pose the same kind of adversarial threat at the administrative level that legal workers do." Jim Massey, Atty. Minnesota Legal Services

The MFCAC is committed to the idea that PEOPLE ARE NOT EXPENDABLE, therefore:

*All people affected by the farm crisis can be helped in some way.

*MFCAC encourages self-development, self-help, and self-advocacy within the community, thereby avoiding creating new dependencies of the sort which led to the current farm crisis.

*MFCAC encourages calls from people BEFORE the situation is desperate. There may be opportunities through reservicing and restructuring to avoid the heartache others have experienced.

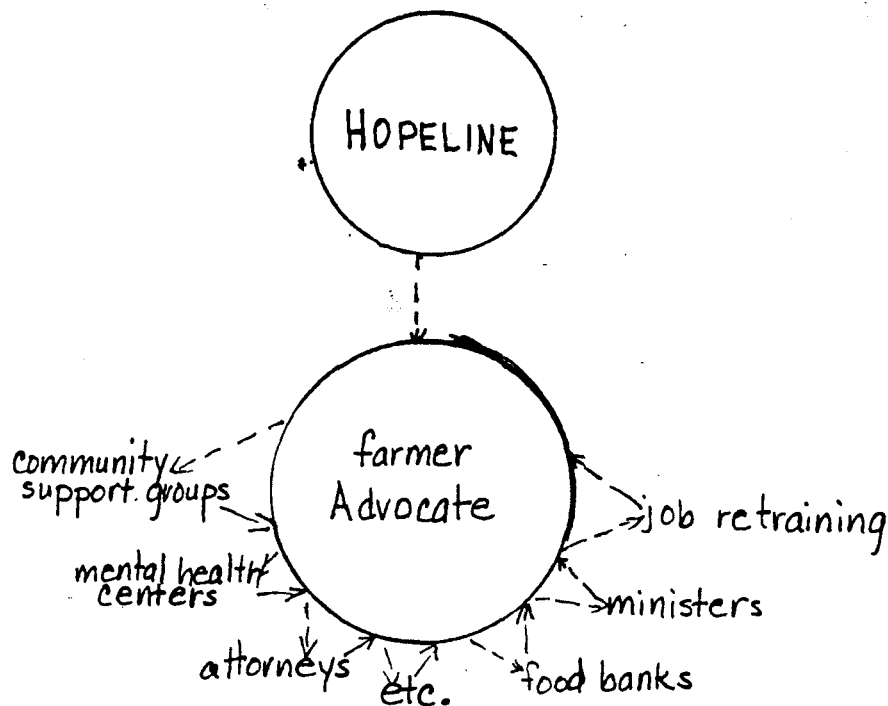
*MFCAC is committed to helping so-called "worst cases" as well as those who have a good chance of making it on the land. People in the worst situations need the most support. Their literal, physical survival is at stake. These persons have the most potential for violence because, "I have nothing to lose." They are also most vulnerable to improper advice and they carry the most tax liability.

*MFCAC sees itself as a mediator and negotiator between borrowers and lenders, thus, preventing polarization and splitting of communities and enhancing the life of communities.

The MFCAC OFFERS THESE SERVICES:

- 1) Direct service and counseling by trained advocates who are farmers and ranchers, many of whom have themselves experienced foreclosure or bankruptcy. They will a) listen, b) offer support, c) explain rights/options, d) refer to advocates or other support systems, 2) follow up by advocates with a) information dissemination, b) assistance in developing cash flow projections, c) mediation and negotiation, d) explain rights/options, e) geographical referral of calls, 3) referral to a) legal help, b) professional emotional or mental health counseling, c) where necessary, professional financial advice.

The HOPELINE is a central number answered by a trained person who calms and assures the caller if need be, assesses needs, and refers to a trained advocate. At the present time the number is not toll-free. An 800 number and additional staff are needed. HOPELINE staff must be familiar with the unique characteristics and problems of farm families.



Among the advocates, who are all production agriculturalists, is the kind of assistance that farm people need and respond to, people who have, 1) absolutely no vested interest with lenders, including FmHA, banks, PCA, FLB, insurance, etc., 2) familiarity with the major pertinent farm cases, e.g., Coleman, Nicholson, Curry, Allison, etc., and the particular issues involved in the cases, such as overcharge of interest, non-recording of payment of principle, relative position of unequal parties, etc., 3) willingness to meet with officials of banks, lending supervisors, etc. on behalf of any borrower, 4) willingness to set up a cadre of attorneys who have no conflict of interest with lenders, 5) familiarity with farm manuals, the 36 items of the Farmer's Guide checklist, the Center for Rural Affairs' loan manual, etc., and with policies, rules, regulations of PCA, FLB, FmHA and its A.N.'s and P.N.'s, 6) working knowledge of farm plans, principle and interest both accrued and paid, loan balance, loan history analysis, deferrment and reamortization, and refinancing, and much more. They are also trained to give emotional support.

(This sheet to be used by those testifying on a bill.)

7
Ex H
HB 11

NAME: Mary Lee DATE: 3-26-86

ADDRESS: 16345 New, 12th, Roundup, MT

PHONE: 323-2557

REPRESENTING WHOM? Grand Mary Lee (Lee Angus Ranch)

APPEARING ON WHICH PROPOSAL: HB 11 w amendments

DO YOU: SUPPORT? X AMEND? X OPPOSE? _____

COMMENT: The need is critical.

We need assistance and the
right to mediate

In 5 days our ranch through summary
judgment will be awarded to HB unless
we have a stay and opportunity
to negotiate.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

#8
Ex. H
HB 1

My name is Joan Voise of Ryegate Montana. I am a member of Montana People's Action and I'm here to testify in support of HB 11 with amendments. My husband Laurence and I farm ~~the~~ *land ranch.*

Our lender has sent notice to us that they are accelerating our mortgage payment. They have already foreclosed on our machinery as of last August, and refused to negotiate any solutions except liquidation. We believe that ~~with~~ with some adjustments in our loan, that our place could be made productive and viable.

Throughout our dealings with our lender, we feel that we have been dealt with in bad faith. When the bank sent out an appraiser, he appraised our place at half the previous value. We learned on January 23rd, 1986, that a paragraph had been added by the bank to our security agreement which stated that the bank "may retake possession of collateral without a hearing, which debtor hereby specifically waives."

We had never approved of this paragraph being added to the language of our contract and only learned of it ~~when~~ we requested copies of all of our contracts. We tried to have this language removed and our banker refused, even though we had never seen the language and it was not printed in our contract when we signed it.

We believe that if we had the Right To Mediation that this situation would never have arisen. Furthermore, we know that many other people in agriculture have had similar experiences.

The family farm ~~is~~ the backbone of my community and the nation. If the farmer is unfairly forced out the economic repercussions will ripple down Main Street., as is presently happening in Montana communities right now. Lenders are going to be a lot better off keeping productive farmers on the land, then they will be if they become owners of these farms and have to take even greater losses on resale.

Steve Tolson (D. S. 1970)

I am a fifth generation Montanan. My family moved to Virginia City in 1863. I am proud of my heritage, and of my ties to the good Montana land.

I am also a bankrupt rancher. That is not a fact I state proudly, but rather with pain and sorrow for those who are facing similar circumstances. That is also why I am a farmer advocate.

I know only too well the pain I felt when I held my children through their nightmares of people taking things away--the only comfort I could offer was that their father and I loved them very much.

I know only too well the sleepless nights which go hand in hand with the hours contemplating financial paperwork which doesn't improve with continued reading. I know only too well the impotent fury which I felt and directed at my lender--ultimately to translate into a recognition that there were powers beyond his control--or mine. I did not create the weather; I did not create the plague of grasshoppers; and I did not create a system which revolves around a price for production which does not take into account the cost of production.

What, then, can I offer to others in similar straight--what do I tell the seventy year old woman whose husband is ninety when the property they have framed for sixty years is to be taken away? What do I tell the man who calls because he ran out of heating fuel for his house two hours ago, it's below zero, and he has nowhere to turn?

What do I tell the young person who bought his family's homestead and wants to make a go of agriculture? All of these people have contracted debts, as I did, with the intention of paying them. All of them felt there was a reason to try. Do I then tell them that Gee, what a shame. The state of Montana is only interested in statistics, and you are part of the whatever percent we write off?

Or do I tell them that this State really does care about its agricultural people and recognizes the need for lenders and borrowers to work together to achieve an equitable solution--one which is in the best interests of them, and of the taxpaying population as a whole?

Please help me and the other advocates to take home a message

Ray Patte #18

Ex. K
HB

Mr. Chairman, member of the Committee,
I am Ray Patte from Big Lake, Montana.
I am a former County Commissioner of Golden
Valley County and a past director on the Mental
Health Board in Billings,

I am in favor of HB-11 with the addition
of either mandatory mediation or right of mediation.
There are three things which affect the farm plight
or economic situation today, low prices, high interest
and unrelieved weather conditions. We can do something
about low prices by minimum pricing or other states
have done and we must reduce interests so as to
obtain a cash flow.

Tax situation - with a loss in state and local
taxes by the loss of taxes to not only the State
but also to the local tax structure.

There is about 26,000 farmers and Ranchers in
Montana losing about 10% a year of because
of foreclosure and self liquidation. The last two years
we have lost nearly 5,000 farmers and ranchers,
if this keeps up in two or three more years
there will be less than half of the farmers and
ranchers left in Montana.

Ten to fifteen years ago we listened to
banks and lenders for the high equity and value
placed on lands and property. Because of the loss
of equity due to decreased valuation has placed
the farmers and Ranchers in the position we are
in today. We listened to them now they should
listen to us.

If we are going to build Montana, let us begin
at the foundation, the grass roots, keep our farmers
and Ranchers on the land.

Submitted By,
W. R. Patte

Ex L
HB 11

#10
Jack Keyman
Rapp amends?
.. not sure
John

Explanation of Right to Mediation Amendments in HB 11

The right to mediation applies to agricultural property greater than \$5,000.

The right may be exercised by a farmer facing or in foreclosure.

The amendments suspend execution of debt during the mediation period.

The amendments bring the borrower and creditor together with a mediator to attempt to work out an agreement that will prevent further foreclosure action and stabilize the rural economy.

The mediation period extends 75 days from service of notice to the end of mediation.

The mediator does not have any binding authority to impose an agreement on either the farmer or the creditor.

Ex. M
HB 11



WIFE Women Involved In Farm Economics

HB 11
Support
March 26, 1986

Chairmen and Members of the committees. For the record my name is Lavina Lubinus and I am here today representing Women Involved in Farm Economics.

WIFE formed the original Advocacy program, the Crisis Line, in Jan. of 1985 when it became clear that someone had to help the rural people in trouble.

JoAnn Forsness ^{a WIFE member} is the voice at the other end of the Hot Line. In it's first 3 months JoAnn received 100 calls a month. During the summer the calls went down to 35 calls per month. In January of this year, from the 5-8 she received 38 calls.

JoAnn took training where it was available and brought in speakers to train and educate others. All with funding from donations.

There is a world of hurt still out there. Not only on farms and ranchers but in small rural communities that depend on the agriculture economy.

The advocates in the field have had "hands on experience" with this hurt.

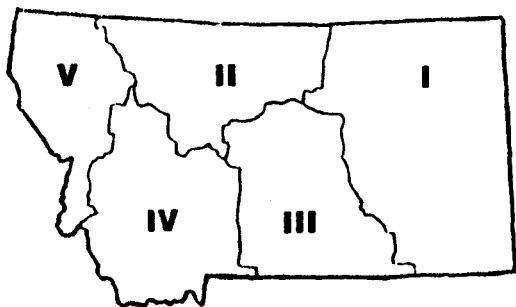
There is a great deal of reluctance by those in trouble to speak to or turn to professional help such as mental health until they have talked to someone who has "been" there.

That is where the advocates now in the field come in. Those with problems need to know that the people they talk to can relate to their problems with understanding of the situation from personal experience.

The advocates that are now working with the Hot-Line have all earned a degree in the "School of ^{hard} Knocks" and have attended seminars to refine that training.

We hope that with the passage of HB11 that these advocates will be asked to work as they have been because of their first hand experience, Knowledge of the problems and their talent.

Thank Yo



EX. 14
HB 11

Montana Council of Regional Mental Health Boards, Inc.

3/26/86

For the record my name is Steve Waldron, Executive Director of the Montana Council of Regional Mental Health Boards. I represent the Montana Community Mental Health Centers.

The Community Mental Health Centers of Montana support HB 11. We believe there is a justified need for an agriculture crisis line to be manned by peer counselors volunteers when possible. However, it is critical that there be a paid staffer to coordinate the volunteers and insure that they get the necessary screening and training.

Many of the farm families will be experiencing extreme emotional stress. Some may even be suicidal. The phone volunteers must know the appropriate technics for dealing with a person who is in an emotional crisis. The volunteers must be able to know when a referral to a professional is necessary. They will also have to know where the nearest available resource is located and how to contact that resource. Training of these volunteers is critical.

The crisis line volunteers would also be assisting the Mental Health Centers by screening out those persons who are not in serious need of our services. Thus it makes sense to have a separate ag crisis line rather than trying to utilize Mental Health Center hot lines.

We also believe that the financial counseling and advocacy functions should be separated from the crisis line functions. The phone volunteers should be making referrals to appropriate financial advocates but should not attempt to provide extensive financial counseling over the telephone.

Our experience indicates a need to respond to the emotional and financial needs of people in the agricultural community. HB 11 is a laudable effort to address those needs. The Community Mental Health Centers urge your adoption of this legislation.

REGION I

EASTERN MONTANA COMMUNITY
HEALTH CENTER
1819 Main Street
Miles City, Montana 59301
(232 0234)

REGION II

GOLDEN TRIANGLE COMMUNITY
MENTAL HEALTH CENTER
Holiday Village Shopping Center
P. O. Box 3046
Great Falls, Montana 59403
(761 2100)

REGION III

MENTAL HEALTH CENTER
1245 North 29th Street
Billings, Montana 59101
(252 5658)

REGION IV

MENTAL HEALTH
SERVICES, INC.
512 Logan
Helena, Montana 59601
(442 0310)

REGION V

WESTERN MONTANA COMMUNITY
MENTAL HEALTH CENTER
Fort Missoula 112
Missoula, Montana 59801
(728 6870)

(This sheet to be used by those testifying on a bill.)

Ex. 12
HB 11

NAME: L.C. Torrett DATE: 7-25-56

ADDRESS: 1009 No 31st Billings MT.

PHONE: 248 3028

REPRESENTING WHOM? Myself

APPEARING ON WHICH PROPOSAL: HB 11

DO YOU: SUPPORT? _____ AMEND? X OPPOSE? _____

COMMENT: Express mediation portion as well as
a 1 yr moratorium. I would rather see pressure
put on the 1956 farm relating to the Farm Credit
Separation Rules & regs are being written
on the loan buy out program and further
legislation at a national level

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

#14

Ex P
HB11

NAME: Wink Lybrand DATE: _____

ADDRESS: Turn Bridge 117

PHONE: 684-5498

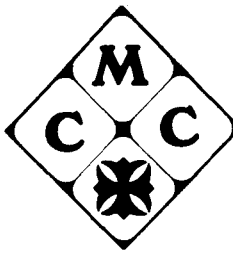
REPRESENTING WHOM? Montana People's Action Group

APPEARING ON WHICH PROPOSAL: HB 11 amendments

DO YOU: SUPPORT? AMEND? _____ OPPOSE? _____

COMMENT: As long as we have a chance to continue our
agriculture, we need the right to mediate.
Please support the bill. Keep Montana alive.
We need agriculture.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



Montana Catholic Conference

EX-9
#HB 11

CHAIRMAN AND MEMBERS OF THE AGRICULTURE COMMITTEES:

I am John Ortwein representing the Montana Catholic Conference.

Most of us know what we mean when we say family farm. The family farm is a production unit in an agricultural system in which most of the farms are similar. There is a certain harmony to the system-- farms owned and operated by working farmers whose children learn responsibility by growing up in an environment where work and play go together, where taking care of the land is not just good economics but doing what's right, and where the loss of a neighbor is an occasion for sorrow more than an opportunity to enlarge the farm.

Why save the family farm? First, there is almost universal agreement among economists who have studied the question of farm efficiency that when a farm is big enough to keep one or two people fully employed, it has reached full efficiency. Second, there is a greater tendency to appreciate the future and to conserve on farms where the owners hope to leave something for their children. Thirdly, family farming brings with it certain democratic and community values-- widespread ownership of economic resources, equality of opportunity, a belief in the dignity of work and the integrity of the individual, and a concern for the good of community.

As we all know, this way of life is being threatened at this time as it has not been in many years. It is for this reason that the Montana Catholic Conference is here today. We support H.B. 11 with the amendments.



Tel. (406) 442-5761

P.O. BOX 1708

530 N. EWING

HELENA, MONTANA 59624





Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

ZIP CODE 59624
406/442-1708

16
Ex R
HB 11

Testimony of Jim Murry before the House Agriculture Committee on House Bill 11, March 26, 1986

Mr. Chairman and members of the Committee, my name is Jim Murry, and I'm appearing here on behalf of the Montana State AFL-CIO in support of House Bill 11.

Members of the Committee, those of us with the labor movement recognize that our friends, Montana family farmers and ranchers, are going through a crisis that can only be compared to that of the Great Depression of the 1930s.

Agriculture is the backbone of our state's economy, and we are concerned about farm foreclosures that are increasing at an alarming rate. Crop prices have not kept pace with inflation and production costs. Cheap farm imported products have stripped many of our former markets.

Figures released by the U.S. Department of Agriculture show that Montana farmers had a net loss of more than \$55 million in 1984. With last year's drought, grasshopper infestation and early snow, 1985's numbers are expected to be equally as devastating.

For the first time in history, federal deficiency and crop-insurance payments to Montanans exceeded the total value of this state's wheat crop. In fact, fully one-third of all indemnities paid in the entire United States went to Montana farmers.

The U.S. Department of Labor predicts that more than half of Montana's 24,000 farms will not survive over the next five years. And those farm failures affect more than farm and ranch families.

According to Montana Department of Labor statistics, 23,200 people were employed by agriculture during December 1984. Just twelve months later, that figure fell to 19,500, for a loss of 3,700 jobs. Members of the Committee, last year almost ten primary jobs in agriculture were lost every day of the year.

Montana's agriculture accounts for roughly one-third of the total industry in our state, providing not only needed jobs for the farmer or rancher, but business for Main Street merchants and work for countless others dependent on the farm economy.

House Bill 11 will help provide financial and personal counseling, farm management training and debt mediation. The need for this bill is obvious during these difficult economic times.

Testimony of Jim Murry
House Bill 11
March 26, 1986

Farmers and ranchers and their families are going through horrible times in their professional and personal lives. They are going through much the same kinds of stress that workers and their families are facing while losing their jobs with no place to go.

The Montana State AFL-CIO welcomes the effort by this legislative body to assist with the personal and family crisis that is facing Montana's farmers and ranchers.

The Montana State AFL-CIO is the largest operator of dislocated workers' programs in this state. Over 15% of the current participants in our program come from the agricultural community.

Mr. Chairman and Members of the Committee, on behalf of the Montana State AFL-CIO, I want to pledge our continued support of Montana's family farmers and ranchers and our support of House Bill 11.

NAME: Terry Murphy DATE: 3-21-96

ADDRESS: Box 2417 Great Falls, MT 59403

PHONE: 459-1426

REPRESENTING WHOM? Montana Farmers Union

APPEARING ON WHICH PROPOSAL: HB 11

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENT: We support P HB 11 in the basic concept as introduced. We support the agreement for counselling of advo. org and also support the "right to mediate" so long as it stops short of an imposed solution. Compulsory negotiating through a neutral mediator - Yes. Binding arbitration - No!

Thank you

Terry Murphy, President Montana Farmers Union

#18
EXI
HE

NAME: Mons Teigen DATE: 3/26/86

ADDRESS: Helena

PHONE: 442-3420

REPRESENTING WHOM? Mont Stockgrowers + Cowbelles

APPEARING ON WHICH PROPOSAL: HB 11

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: We support the bill as is without amendments.
The interim committee has held fairly extensive discussions
on the issue and have reached a more or less tenuous
resolution. We must have something that leaders and borrow
can both accommodate.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

House Bill 11 Amendments

- 1. Title, line 10.
Strike: "VOLUNTARY"

- 2. Page 3, line 17.
Strike: "voluntary"

- 3. Page 5, line 9.
Following: "Section 6."
Strike: remainder of lines 9 through 15 in their entirety.
Insert: "Right to mediation -- notice -- waiver --
conditions of mediation. (1) Except as provided in subsection (3), no secured creditor may initiate foreclosure against agricultural property subject to a mortgage or trust indenture, terminate a contract for deed to agricultural property, or enforce any judgment, lien, or security interest against agricultural property unless a notice of default and intent to proceed against such secured property is served on the debtor and a copy is filed with the department.
(2) The notice must inform the debtor that he has a right to request mediation and that such a request, to be effective, must be filed in writing with the department within 14 days after service of notice.
(3) This section does not apply to agricultural property with a fair market value of less than \$5,000.
(4) A debtor who fails to file a mediation request as provided in [this act] waives the right to mediation. Upon such failure, the department shall file a release order with the creditor allowing the creditor to proceed against the agricultural property."
Renumber: subsequent subsections

- 4. Page 6, line 4.
Following: "request"
Strike: remainder of lines 4 through 21 in their entirety.
Insert: "from a qualified debtor, the department shall, within 14 days, serve notice of mediation on each creditor indicated in the mediation request and shall direct a mediator to meet with the debtor and creditors to arrange for mediation.
Section 7. Stay of action pending mediation. If a creditor is served with notice of mediation, neither the creditor nor the creditor's successors in interest may begin or continue proceedings against agricultural property subject to mortgage, trust indenture, contract for deed, judgment, lien, or other security interest until the department issues a release order to the creditor. Proof of service of notice of mediation is

effective in any court of this state to obtain a continuance or delay, provided that no delay may be granted that:

(1) causes any right to be lost or adversely affected by any statute of limitation;

(2) substantially diminishes or impairs the value of the contract or obligation of the person against whom relief is sought without reasonable allowance to justify the exercise of police power under [this act]; or

(3) causes irreparable harm or undue hardship to any secured creditor or his successors."

Renumber: subsequent sections

5. Page 7
Following: line 5
Insert: "(i) reduces either the interest obligation or the principal repayment obligation, or both;"
6. Page 7
Following: line 20
Insert: "Section 9. Mediation period. (1) The initial mediation meeting must be held within 15 days of service of the notice of mediation.
(2) The mediator may hold additional mediation meetings for up to 60 days after the initial meeting."
Renumber: subsequent sections
7. Page 8
Strike: lines 7 through 10 in their entirety
Insert: "Section 11. Release order. (1) Upon completion and adoption of a mediation agreement, the department shall issue a release order in accordance with the terms of the mediation agreement.
(2) If after 60 days have elapsed since the initial mediation meeting no mediation agreement has been adopted, the mediator shall issue a release order unless:
(a) the debtor and creditor agree to an extension of the mediation period; or
(b) the creditor has not participated in the mediation meetings.
(3) Any decision of the department or the mediator under [this act] may be appealed to the mediation panel established in [section 12].

Section 12. Mediation panel. (1) The governor shall appoint a mediation panel consisting of three persons, one who is a farmer, one who is a lending officer of a financial institution, and one who is

neither a farmer nor a lender. The panel is attached to the department for administrative purposes.

(2) The mediation panel shall advise the director of the department in the hiring and training of the mediators, in promulgating administrative rules, and in all other matters involving the operation of the mediation program established in [this act]."

Renumber: subsequent sections

8. Page 8

Following: line 23

Insert: "Section 15. Mediation of ongoing proceeding. A debtor whose agricultural property as of [the effective date of this act] is subject to ongoing legal foreclosure or debt enforcement action may, within 20 days after [the effective date of this act], request mediation as provided in [this act]. Such a request is subject to the same conditions and has the same effect as a request filed under [section 6]."

Renumber: subsequent sections

DISTRIBUTED BY: MONTANA PEOPLES ACTION
BOX 1105 Helena Mt. 59624

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551



Ex V
HB 11

SR 83-15 (FIS)

DIVISION OF BANKING
SUPERVISION AND REGULATION

March 30, 1983

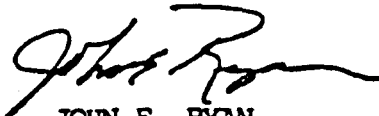
TO THE OFFICER IN CHARGE OF EXAMINATIONS
AT EACH FEDERAL RESERVE BANK

SUBJECT: Home Mortgage, Farm and Small Business Loans

The economic environment over the past several months has resulted in financial pressure on a rising number of bank customers, particularly certain farmers, small businesses and individuals.

These financial pressures are, at times, reflected by delinquent business and residential loans in the portfolios of the nation's financial institutions. Some borrowers who are experiencing financial difficulties face the prospect of foreclosure on their homes and family farms, or the failure of their small businesses. Often these problems are transitory and the borrowers are able to resume payments when general economic conditions improve. Under such circumstances, the financial institutions may find that the most prudent policy is to stretch out payments and exercise forbearance rather than to take more precipitous action such as foreclosure and/or forcing a borrower into bankruptcy.

As a supervisor of State-member banks and bank holding companies, the Federal Reserve does not wish its examinations or its supervisory actions to be pursued in a manner that discourages this type of forbearance. On the contrary, such forbearance is in the public interest and should be encouraged when it is consistent with safety and soundness considerations. It is requested, therefore, that you remind the Federal Reserve examiners in your District of the need to be particularly sensitive to these problems at this time and to refrain from criticizing bank management for exercising forbearance in the circumstances described. Moreover, in accordance with long-standing instructions, examiners should not recommend foreclosure or other precipitous action. Supervisory staff should also take these policies into account when dealing with the supervised institutions' boards of directors and when designing remedial action plans.


JOHN E. RYAN
Director

Twin Bridges Public Schools

CONSOLIDATED SCHOOL DISTRICT NO. 7, MADISON COUNTY

Drawer AC, 216 West 6th Avenue

Twin Bridges, Montana 59754

Phone 684-5656

March 25, 1986

18

Ex W
HB 11

BOARD OF TRUSTEES
DAVID L. SMITH, Chairman
STEVE DAVIS, Vice Chairman
MARY REYNOLDS
SHELLA GILTRAP
DAN OWSLEY

PHIL WABER, Superintendent
SYLVIA DULANEY, District Clerk
DOUGLAS R. DENSON,
Elementary Principal

Dear Committee Members:

I urge you to include a provision for mediation of foreclosure procedures in the Ag bill under consideration. Mediation could help school districts in two ways - financially and on a personal basis for our students.

Financially, a foreclosure results in property taxes not being paid for a minimum period of one year. With a majority of our local school budget based on property taxes, any non-payment has a negative effect on both our operating funds, already limited, and our reserves, also limited.

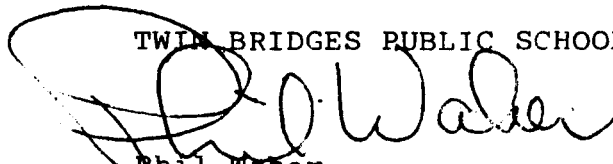
On a personal basis, the credit crisis is having a negative impact on the students in our school district. Family stress is increasing and many families in our area are going through divorce. This situation at home is causing many students to have difficulties in their academic work.

Any help you can provide for our agricultural community will benefit all parties concerned, especially, in my opinion, our youth.

Thank you.

Sincerely,

TWIN BRIDGES PUBLIC SCHOOLS



Phil Waber
Superintendent

P
W
:
W
S

We, the undersigned members of the Twin Bridges Chamber of Commerce do hereby support the proposed Right to Mediation bill which is being presented by The Montana People's Action Group to a joint House/Senate Ag Committee.

James B. Sykes - part owner Campbell's Garage
Jim's Repair Shop

Carl Banks, part owner Twin Tie

David A. Banks, part owner Twin Tie

Betty M. Sykes

Ann Allen owner Allen Import/Export

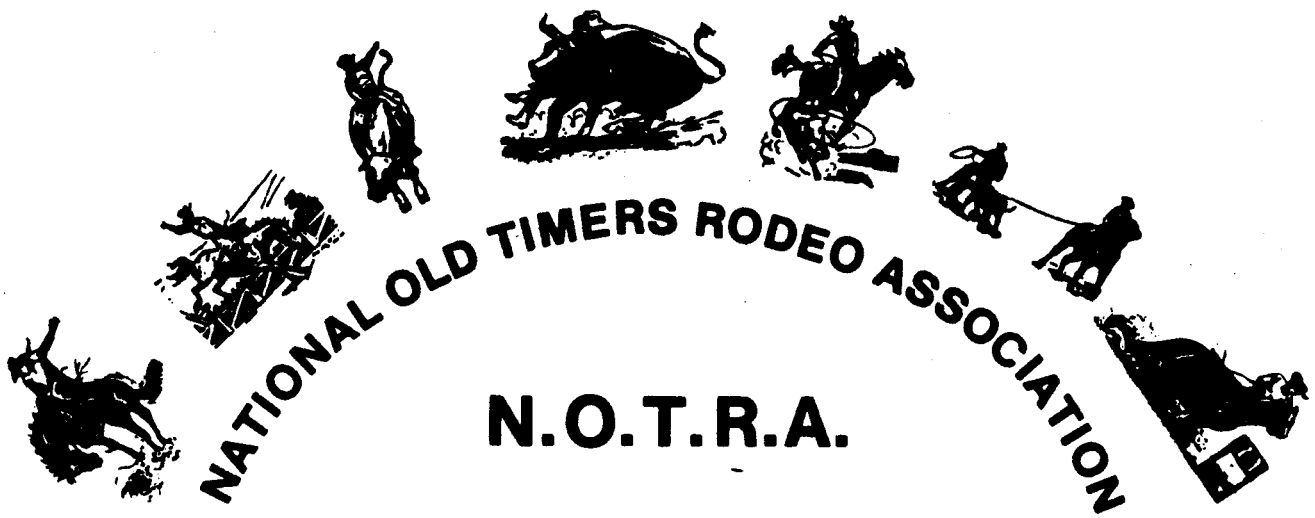
Byron Ballen - Co Owner B+B Enterprises

Craig Ballen - " " " " " & Larry B. Ballen

Martha Nelson Co owner Nelson Auto Parts

Melvin Nelson co owner Nelson Auto Parts

Cathy Grant " 3 Rivers Exxon



To whom it may concern:

I AM WRITING THIS LETTER TO HELP BRING SOME MORE ATTENTION TO THE PROBLEMS CAUSED BY THE STATUS ECONOMIC FAILURE.

MY RANCH IS VERY SMALL COMPARED TO THE ONES I READ ABOUT IN THE PAPER, THAT ARE LOSING THEIRS TO THE BIG INSURANCE COMPANIES. NEVERTHELESS, IT'S ALL I HAVE. I STARTED HAVING JACKPOT TEAM ROPINGS A FEW YEARS BACK TO MAKE A LITTLE EXTRA MONEY TO HELP PAY MONTANA POWER, TAXES, INSURANCE, + ETC. FOR AWHILE THINGS WERE BREAKING OUT EVEN, THEN THE POWER CO RAISED THEIR RATES. CATTLE PRICES FELL + INTEREST RATES MORE THAN DOUBLED. TEAM ROPERS, (WHICH WERE MOSTLY RANCHERS + FARMERS) COULDN'T EVEN AFFORD A COUPLE OF HOURS ON A SUNDAY AFTERNOON TO JACKPOT. THERE IS NO MONEY. AND IF ONE SMALL RANCHER, LIKE MYSELF, IS HAVING A TOUGH TIME, THEN WHAT IN THE WORLD ARE THE BIG RANCHES DOING.

THIS DEPRESSION WE ARE GOING THROUGH SHOULD NOT BE ALLOWED TO HAPPEN. NOT IN AMERICA, WHERE WE HAVE THE FINEST GOVERNMENT IN THE WORLD. OUR GOVT IS TO PROTECT IT'S PEOPLE. OUR CONSTITUTION WAS FOUNDED ON THAT PURPOSE. THERE IS AN ANSWER, I'M SURE OF THAT. I'M JUST NOT SMART ENOUGH TO KNOW IT. I ONLY KNOW HOW TO WORK HARD LIKE MOST RANCHERS + FARMERS DO. SOMEWHERE, SOMEHOW, YOU FOLKS IN OFFICE MUST HELP US TO KEEP OUR LAND. - SINCERELY, *Benny Reynolds*

Mountainview Veterinary Service

Dr. Layne E. Carlson

Route 1

Twin Bridges, Montana 59754

(406) 684-5831

March 25, 1986

TO THE MONTANA STATE LEGISLATURE:

I have been a practicing veterinarian for the past seven years. In 1983 I established my own mixed practice in my native Ruby Valley area. Increasingly, I have felt the effects of a depressed agricultural economy on my business. This negative effect has been in primarily three areas:

1. An increased number of delinquent accounts receivable. We estimate our past due accounts have risen approximately 15 percent in the past year.
2. A decrease in the number of clients with livestock. Some of our better ranch accounts have been forced to sell off their cattle or sheep herds due to lack of financing or foreclosure.
3. Clients foresaking good management practices due to poor economic conditions. Many ranchers in this area have been forced to eliminate or drastically cut back on my services in order to make ends meet. Pregnancy testing cows and herd vaccination programs are two examples.

Many of my colleagues practicing across the state have expressed the same negative effects on their own businesses. I urge the legislature to act in a positive way to help Montana's failing agricultural economy.

Thank you.

Sincerely yours,



Layne E. Carlson, DVM

LEC:mr

Committee Member:

As I cannot be in Helena in person to speak in behalf of the Ag bill, of Mr. Hall's. I hope you all will give it your serious consideration, and help us Ranchers & Farmers get this bill through. I strongly believe we need this mandatory medication & minimum pricing for ag products of grain as well as livestock. Something has to be done for the Agriculture sector, because if they aren't here & making money they don't buy tractors, trucks, cars, other machinery, seed, parts & repairs & etc. which in turn gives other people jobs. And if we aren't buying these things we aren't producing, and in turn people won't eat if we don't produce.

I am 43 yrs old and have a cattle ranch here plus we do livestock trucking also. The ag related business being in the shape it is in today has sure made a difference in our business. There is not the livestock to haul and a lot of the longer haul loads are going to bigger out of state outfits that come in and cut the price to try to buy going a little longer, but that don't work either for very long. Because when you try to operate below the cost of production it eventually catch up with you. I Hope you will support us on these bills.

Sincerely yours
H. W. Hubert

(1.) The following written testimony from Jack J. Lasech of Twin Bridges Montana is to be presented by the Montana Peoples Farm Action Organization at your committee's hearing on Wednesday

March 26.
During the last 6 years our ranching operation has lost or gone behind \$37,000. We are losing a whole lifetime of hard work in a very few years. We are producing more to-day and getting less. I have spent my entire life on this ranch (60 years) and only in the 30's were times as bad as now. If things don't turn around very soon and corporate farmers take over, what do you think will happen to the price of food? If in doubt, go across the waters and

(2.) See how much they pay for food since they have had corporate farming. This is on record, not an assumption

Last year our small family ranch had an income of \$96,000, expenses of \$120,000 -- interest alone runs between \$25,000 and \$30,000 a year, it doesn't take a very intelligent person to see what is happening.

Due to the fact that we are dealing with a perishable product, our hands are tied when it comes to marketing it. And, by then it is too late to cut production. We need parity for our product if we are to stay in business. Our numbers in livestock go down... we import more meat... it keeps the price down. We need import duties on these products and administered to the producers to bring their income

I sincerely hope that this special
issue can find a way to bring
us lower interest for the present time,
and perhaps help get us a parity
price for our product.

Inasmuch as the needs of the
clothing and automobile industries have
been assisted (and their products are not
perishable) we ask only for the same
consideration.

We need help now --- badly.

Joseph J. Savick

2525 Hwy. 41 S

Travis Bridge, MT

59754

Phone 406-684-5423

NAME: Christ Kuryer for Montana Low Income DATE: _____

ADDRESS: 6860 Applegate Collition

PHONE: 458 5620

REPRESENTING WHOM? Montana Low Income Collition

APPEARING ON WHICH PROPOSAL: H. B 11

DO YOU: SUPPORT? yes AMEND? _____ OPPOSE? _____

COMMENTS: We support fairness and this bill should keep some farmers in business. This helps low income people as it creates jobs and keep some farmers out of poverty.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

get the yellow sheet

NAME: Barbara Archer DATE: Mar. 26

ADDRESS: 832 Burlington, Billings, MT. 59102

PHONE: 248-2528

REPRESENTING WHOM? Mt. Farm Counseling & Advocacy Coalition

APPEARING ON WHICH PROPOSAL: HR 11

DO YOU: SUPPORT? _____ AMEND? OPPOSE? _____

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.