

MINUTES OF THE MEETING  
AGRICULTURE, LIVESTOCK & IRRIGATION  
50TH LEGISLATIVE SESSION  
HOUSE OF REPRESENTATIVES

March 25, 1987

The meeting of the Agriculture, Livestock & Irrigation Committee was called to order by Chairman, Representative Duane W. Compton on March 25, 1987, at 12:30 p.m. in Room 317 of the State Capitol.

ROLL CALL

All members were present except Representative Koehnke who was excused.

HOUSE BILL 889

Rep. Cal Winslow, House District #89, introduced HB 889. He explained that this was an attempt to address the economic problems of the state. The bill would take about \$1 million out the coal trust for the purpose of investment in incubators in the smaller communities and rural areas. He discussed the need for support services in smaller communities to foster industry including innovative seed funds. He pointed out that matching funds would require commitment up front. Money used for marketing enhancement would produce diversity of products. He stated that it was critical to have an independent agricultural marketer including technical assistance through the state Department of Agriculture. He said this would have a positive impact on the state.

PROPOSERS

Jay Downen, representing Montana Rural Electric/Telephone Cooperatives, spoke in support of HB 889. He said the cooperative crossed the spectrum of rural Montana including Farmers Union, Farm Bureau and all the agricultural organizations. He stated his enthusiasm for the bill. He said the Cooperative was involved in rural area development projects including television and education services. He said that the Cooperative would be among the first to participate under Section 6 (3) in the bill whereby devises of money might be received. He discussed the bill as a mechanism to have contributions flow into worthy business marketing development. He said the bill would help the longterm recovery of the economy.

Terry Murphy, President of the Montana Farmers Union, spoke in favor of HB 889. He stated that this was the kind of

recognition and support that Montana agriculture needed to become financially strong. He said that market growth and price improvement are the longterm needs for agriculture. See testimony, exhibit 1. He said this testimony is endorsed by the Montana Dairyman's Association, WIFE, Kay Norenberg, Montana Farm Bureau, Lorna Frank, Montana Grain Growers, Bob Stephens, Montana CattleFeeders and Montana Cattleman's Association, Jo Brunner, Montana Stockgrowers, and CattleWomen Public Lands Council.

Kelly Holmes, Montana College Coalition, spoke in support of HB 889. She said the university units are affected or are involved in development of the bill. She explained that Northern Montana College has a mid-technology plan implemented and specializes in rural settings. She said that the combination of public and private resources, resources from the university systems, and state government can produce business development in the state.

Rick Halmes, commodity futures trader in Great Falls and also in the grain and livestock business in the Belt area, spoke in support of the bill. He discussed his concerns about the present agricultural climate. He said that marketing and merchandising needed to continue in order to give the agricultural economy a better chance.

#### OPPONENTS

Harriet Meloy, vice chairman of Montanans for Coal Tax Trust Fund, spoke in opposition to HB 889. She said the first priority of the coal tax trust fund is preservation of the fund. She agreed that the money was needed for agriculture. She commented that some of that money could be channeled into wheat. She said that at this time the trust fund should not be violated. See testimony, EXHIBIT #2.

Joseph Moore, representing Montana's People's Action, spoke in opposition to HB 889. He said the appointment by the Governor of the 7 members of the Montana Agricultural Development Committee would not ensure broadfaced participation. He said the family farmers and ranchers would not be adequately represented. See testimony, EXHIBIT #3.

#### QUESTIONS FROM THE COMMITTEE

Rep. Rapp-Svrcek asked about the appropriations for marketing enhancement activities on pages 8 and 9 of the bill. Rep. Winslow replied that future uses were not known in areas such as value added grains. He said this should be under the control of an agricultural marketing committee.

Rep. Corne' asked Rep. Winslow why he chose to invade the permanent trust rather than divert funds from another source. Rep. Winslow answered that he felt committed to the need and the trust was there for investment in the future. He pointed out that the legislature took out \$38 million of the trust for science and technology. He said that money was not going to go back into the trust. He said agriculture would take only \$1 million of the trust. Rep. Corne' asked if there was a provision for return on investment. Rep. Winslow explained the revolving fund account.

Rep. Corne' asked why only communities of less than 15,000 would be invested in. Rep. Winslow said he wanted to make sure that the larger communities did not use it up. He said the 15,000 could be changed.

Rep. Giacometto asked Mr. Moore about helping rural people. Mr. Moore replied that family farmers and ranchers would be more representative for the council members.

Rep. Cody asked how the bill would relate to Wolf Point's flour mill. Rep. Winslow replied that the word "incubator" means something that will protect, develop and nurture business growth. He said it would encourage business success by giving them clerical and marketing help.

Rep. Holliday asked if the legislation was patterned after another state. Rep. Winslow said that it was most closely patterned after Texas. Rep. Holliday asked if the farm economy was still referred to as deflated cash or whether they had a viable and sound program in the state. Rep. Winslow explained that this was an investment in the future. He said that the use of the coal tax funds was already committed to uses in high tech, business and science. He said an investment of \$1 million out of \$300 million was needed for agriculture.

#### CLOSING

Rep. Winslow said the bill is based on programs from other states who are seeing success. He pointed out that emphasis has been placed on marketing. He said with a little bit of encouragement, help, and direction, \$1 million out of \$300 million in the trust fund could bring forth some hope in the rural areas. He said that business is not going to come into Montana until people in the state are successful. Business follows profit.

#### HOUSE BILL 10

Rep. Cobb, House District 42, introduced HB 10 as an act to authorize the Montana Agricultural Loan authority to make direct loans to qualified agricultural operators. He said the bill establishes requirements for loans and appropriates \$15 million from the coal severance tax trust fund to make the loans, amends two sections, and provides an effective date.

Rep. Cobb explained the bill allows people in agriculture to get loans up to \$100,000. He said loans can be made for equipment, improvements, and land used for agriculture which will go back on the tax rolls. He said the reason for the bill is the tremendous need for small loans up to \$100,000 for an agriculture producer. He pointed out that agriculture needs to be able to borrow money at lower rates.

Rep. Cobb discussed the uses of the coal trust money and the reason he chose to use it in this bill. He pointed out that the coal trust money is invested out-of-state, in Canada to produce electricity which is sent to Montana to pay for. It is going to Detroit to make cars that come in to Montana for us to pay for. South Africa to produce gold for us to buy and other states for high tech for Montana to purchase. He mentioned in-state investments to big organizations. He said the bill was intended to help small producers.

#### PROPOSERS

Jo Brunner, representing the Montana Cattle Feeders and the Montana Cattlemen's Association, testified in support of the bill. This would be a benefit to the agricultural communities in Montana.

Kay Norenberg, representing WIFE and Montana Grain Growers, testified in support of HB 10.

#### OPPOSERS

John Cadby, Montana Bankers Association, representing all but 6 of the 168 banks in Montana, spoke in opposition to HB 10. He pointed out that several banks have lost money through state lending programs. See testimony, EXHIBIT #2. He presented a copy of an article by Lee Cade, Montana Farmer Stockman, concerning government entering in the business area. See EXHIBIT #3.

Mons Teigen, representing Montana Stockgrowers and Montana CattleWomen, spoke in opposition to the bill. He said their organization had its own agricultural credit committee. He discussed the records of the old farm loan lands that the state acquired. He said that folks had heart break and trauma trying to pay off the state. The state eventually

took over the land and the land is now a part of the common school land. He urged the committee to not repeat that process.

Harriet Meloy, vice chairman of Montanans for the Coal Tax Trust Fund, spoke against the bill. She said the coal tax trust should be kept inviolate. She pointed out the various bills requesting money from the fund and that it would be gone. She said the League of Women Voters also oppose the violation of the trust.

#### QUESTIONS OR DISCUSSION FROM THE COMMITTEE

Rep. Rapp-Svrcek asked about receiving assistance from the University System or sources determined necessary by an authority. Rep. Cobb explained that the assistance was more of a referral. He said that businesses fail because they don't have managerial experience or a good product. Rep. Rapp-Svrcek said he was concerned with the authority having too much power to require specific agricultural practices before they lend money. Rep. Cobb said this was not the intent.

Rep. Rapp Svrcek asked for the reason for not loaning to non-profit groups. Rep. Cobb replied that there was no reason to produce a product that could not be sold. This money should not be used in research or studies. He said that a product should be sold in order to produce additional wealth.

Rep. Ellison asked John Cadby about the bad decisions by lending institutions. John Cadby explained that banks can diversify their loan portfolio thereby making their investments more secure, which FHA or farm credit services could not. He pointed out the reason the savings and loan industry was in trouble nationwide was that they focused all their money on the residential market. He said the ag industry outlook is also rather bleak.

Rep. Ellison asked if the bill should have a sunset on it or whether the government would help them over the crucial time so they would be in good enough shape for the banks to accept them. John Cadby replied that the banks do not think this is the answer. He said that conceptually this is still setting up a direct lending program. He pointed out that everybody wanted 7 percent money and they would not be able to supply all 23,000 farmers.

Rep. Rapp-Svrcek asked for clarification of the 7 percent money since the inflation rate was 5 percent. Rep Cobb pointed out that the low interest loans for housing was

working. He said that loans by the Montana Board of Housing is guaranteed by the FHA or VA so there is no loss to the state.

#### CLOSING

Rep. Cobb closed. He pointed out that it didn't seem to be a problem to loan \$6 million to the aluminum company. He said the banks have a lot of self interest and are unwilling to make capital available. He said the bill was trying to help small businesses.

#### EXECUTIVE SESSION

##### SENATE BILL 142

Rep. Holliday moved to adopt Senate Bill 142. Rep. Cody seconded the motion. Rep. Jenkins moved to adopt the Weeding amendments EXHIBIT #4. Rep. Cody seconded the motion. This amendment exempted the Department of State Lands out of SB 142. The motion was adopted unanimously. Rep. Jenkins mentioned that state land leases are sometimes tied into mortgage rights and they should not be tied to this.

Rep. Patterson moved the amendments he proposed, EXHIBIT #5. Rep. Cody seconded the motion. The motion was unanimously adopted with Rep. Koehnke absent.

Rep. Ellison moved the amendments that tightened up some of the language, EXHIBIT #6. Tom Gomez explained at the request of Rep. Ellison the terms used: 1. Provides for a plain definition of agriculture property so that ag land means real property used for production of livestock, poultry, field crops, fruit, animal, or vegetable matter for food or fiber. 2. Definition of holder of foreclosed agricultural land which eliminates ambiguous language that any substantially similar foreign entity that is now eliminated, so the holder or forecloser of agricultural land now means a national or state chartered bank, a mutual or stock insurance company, a mortgage company or farm credit system lender or a state or federal agency that has acquired the right to dispose of agricultural land, etc. 3. Concern of the bank - that it was unclear as to how this act would apply to land or foreclosure of a property. The effective date until now has an applicability provision that says the act applies to agricultural land acquired by foreclosure or by judgment after the effective date of the act. This act is effective upon passage and approval.

Rep. Rapp-Svrcek seconded this motion. Rep. Cody questioned the trust indenture. Tom Gomez explained that it did not

add anything to the bill. He said for simplicity the term was eliminated, EXHIBIT #3. The motion was adopted unanimously.

Rep. Ellison made a substitute motion SB 142 BE NOT CONCURRED IN AS AMENDED. He said that even with that amendment, the banks are more liable to lawsuits. He pointed out the banks can turn somebody down because they do not think they have a reasonable chance to succeed and that leaves them automatically open to a lawsuit.

Rep. Giacometto seconded the motion. He said he was a staunch supporter of land owner rights. He said the way the bill is written leaves it open for misuse. He said this would hurt agriculture in the long run.

Rep. Keller made a substitute motion to Table SB 142. Rep. Hanson seconded the motion. A roll/call vote was taken. The motion failed with an 8-8 vote.

Rep. Rapp-Svrcek made a substitute motion that SB 142 BE CONCURRED IN AS AMENDED. Rep. Corne seconded. The motion failed with an 8-8 voice vote with Reps. Bachini, Cody, Corne', DeMars, Hanson Holliday, Poff, Rapp-Svrcek voting No; and Reps. Ellison, Campbell, Giacometto, Keller, Patterson, Hayne, Jenkins and Compton voting yes. Motion was tied. Rep. Ellison advised that a bill cannot come out of a committee without a positive vote so this left SB 142 in limbo.

#### ADJOURNMENT

There being no further business before the committee the meeting was adjourned at 2:20 p.m.

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Rep. Duane W. Compton,  
Chairman





ROLL CALL VOTE

AGRICULTURE, LIVESTOCK & IRRIGATION

COMMITTEE

DATE Mar. 25, 1987 BILL NO. SB 142 NUMBER 1

NAME	AYE	NAY	ABSTAIN
Rep. Duane Compton, Chairman	✓		
Rep. Loren Jenkins, Vice Chairman	✓		
Rep. Bob Bachini		✓	
Rep. Bud Campbell	✓		
Rep. Dorothy Cody		✓	
Rep. Richard Come'		✓	
Rep. Gene DeMars		✓	
Rep. Orval Ellison	✓		
Rep. Leo Giacometto	✓		
Rep. Marian Hanson		✓	
Rep. Gay Holliday		✓	
Rep. Vernon Keller	✓		
Rep. Francis Koehnke			
Rep. John Patterson	✓	✓	
Rep. Bing Poff		✓	
Rep. Paul Rapp-Svrcek		✓	
Rep. Harriet Hayne	✓		

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Jo Lakti  
Secretary

Duane Compton  
Chairman

MOTION: To Table = Keller moved, Hanson seconded  
Motion fails.

## STATEMENT OF INTENT

A statement of intent is required for this bill because it directs the Montana Agriculture Development Council created by the bill to adopt administrative rules to implement and administer the various agricultural investment and market enhancement programs established by the bill.

The breadth and complexity of these program necessitates that the council have broad latitude in developing criteria, requirements, and procedures for carrying out this mandate. The legislature contemplates, however, that the council would, among other things:

- (1) establish procedures for the conduct of council business;
- (2) provide for agricultural investments that will:
  - (a) stimulate applied agricultural research and product development;
  - (b) transfer new technology and provide technical assistance to business and industry; and
  - (c) furnish "seed" funds which provide leverage for the investment of private capital in new agricultural enterprises;
- (3) provide for the protection of the confidentiality of trade secrets and business and financial information relating to applicants for investments;
- (4) establish eligibility and selection criteria for agricultural investments;
- (5) establish matching funding requirements for various types of investments; and
- (6) provide for the enhancement and development of both foreign and domestic markets for current and new agricultural products.



AMENDMENT TO HB 889

Requested by Rep. Rapp-Svrcek

1. Page 9, line 9.

Following: line 8

Insert: "NEW SECTION. Section 15. Repayment to coal tax trust fund required. The Montana agriculture development council shall repay \$1 million to the coal severance tax trust fund, without computation of interest, within 20 years after the effective date of this act."

Renumber: subsequent sections

AMENDMENT TO HB 889

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1. Page 9, line 9.

Following: line 8

Insert: "NEW SECTION. Section 15. Repayment to coal tax trust fund required. The Montana agriculture development council shall repay \$1 million to the coal severance tax trust fund, without computation of interest, within 20 years after the effective date of this act."

Renumber: subsequent sections

EXHIBIT # 1  
DATE Mar. 25, 1987  
HB 889 Rep Cal  
Winslow

Mr. Chairman & members of the Committee:

My name is Terry Murphy. I am President of the Montana Farmers Union.

We are appearing today in favor of HB 889. Representative Winslow has here a bill that is a real winner in my opinion. This is the kind of recognition and support that Montana Agriculture really needs to become financially strong again. Market growth and price improvement are the long-term needs of our agriculture. Those things are far more important than tax relief, credit, legal help, or most anything else. Certainly those other things have an immediate importance, but HB 889 looks to the future. HB 889 gets right down to where the rubber meets the road, as some would say. As part of this Legislature's dealings with the whole business climate, you need to deal long-term with the agricultural climate because it is the foundation of so many of the other businesses we rely on in the state.

I believe this is the first time I have officially appeared before a committee to endorse a direct appropriation from the Coal Tax Trust Fund. We believe the situation and the times justify it. I was a member of the Legislature when the trust was created and have been a real guardian of it. But it was created for a purpose, which was to have some money when future needs were overwhelming. This bill is a very legitimate use of the fraction of 1% of the Trust that it asks for.

Section 1 of the bill is key. The council to direct the program is a crucial part of the concept. This would use the machinery of State Government to serve the program's needs instead of allowing the tendency which sometimes happens, of a program becoming lost in the bureaucracy. Let's measure the investment in terms of potential return: If Montana wheat, in any given year, gained 1 cent per bushel in average return, you're talking about more than 1 million dollars of income added to the Montana economy. In beef cattle if we were increasing markets in the Orient, as this bill envisions, an average demand increase translating

2.  
to \$1 per head better average returns would mean over \$1 million of income to the Montana economy. I believe we can actually do far better than that over the next few years. If so, your authorization of the \$1 million this bill asks for will be one of the best investment decisions of all time.

We sincerely urge passage and approval of HB 889. Thank you.

*Terry Murphy*

March 25 1985

#2  
EXHIBIT #2  
DATE Feb 6, 1987  
HB 889 - Rep. Cal  
Hinslow

WITNESS STATEMENT

NAME Warren C. Maloy BILL NO. HB 889

ADDRESS 1317-9th DATE 3/25/87

WHOM DO YOU REPRESENT? Montanans for the Coal Tax Trust Fund

SUPPORT \_\_\_\_\_ OPPOSE  AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: The first priority of Montanans for the Coal Tax Trust Fund is preservation of the Coal Tax Trust Fund.

The trust fund is needed to earn income for the state.

We believe the time has not arrived yet for spending the fund.

Montanans for the Coal Tax Trust Fund opposes HB 889.

## STATEMENT OF INTENT

H Bill No. 10

House Bill No. 10 requires a statement of intent because section 2(4), section 5(2), and section 9 require the Montana agricultural loan authority (MALA) to adopt rules implementing the direct agricultural loan program provided for in the act.

It is intent of the legislature that MALA adopt rules for the orderly handling and processing of loan applications under the authority granted in this act to make direct loans for agricultural operations. MALA may establish and charge fees and interest sufficient to cover loan program administrative costs, funding of a loan loss reserve, and annual payment of the amount required by section 11(3).

It is intended that MALA will have wide latitude in establishing eligibility and selection criteria for making loans, subject to the requirements of the act. MALA shall at all times apply prudent lending practices to ensure financially viable loans and may establish debt-to-asset limitations or equity limitations to ensure availability of loans to persons who may otherwise be unable to obtain financing.



EXHIBIT #2  
DATE May 25, 1987  
HB 10 Rep. John  
Cobb

HB-10 TESTIMONY

By John T. Cadby  
Executive Vice President  
Montana Bankers Association

Good afternoon Mr. Chairman and members of the Committee. I am John Cadby, Executive Vice President, Montana Bankers Association. We represent all but 6 of the 168 banks in Montana. We had 169 banks, but lost Fromberg last week due to poor management aggravated by bad ag loans, according to the Federal Comptroller of the Currency.<sup>1</sup>

The situation today is reminiscent of the 1920's. Commodity prices and land values were falling, and thousands of farmers who had gone into debt during good times faced bankruptcy. In Minnesota, the legislature responded with a \$70 million bonding program. Over the next 40 years the state spent millions more to cover defaults and to further subsidize failing loans. Eventually, it foreclosed on thousands of farmers. Minnesota's obligations weren't paid off until the mid 1960's, at a total cost of more than \$500 million. Today Minnesota has a beginning farmers program which, due to defaults on the loans, has created a state liability of \$60 million.<sup>2</sup>

Last year the Spokane Farm Credit District lost \$294 million and had non performing loans of \$804 million. Just the year before they only had \$248 million in non-performing loans. According to Kenneth Krueger, President, "Montana is the most financially ailing of the states (Washington, Oregon, Idaho, Montana and Alaska)."<sup>3</sup> Nationally, the Farm Credit System is broke and billions of taxpayers monies will be appropriated by Congress to bail it out.

Even the Farmers Home Administration can't wait to get out of the direct lending business. "The federal lender of last resort is switching from direct loans to a guaranteed program," said Joe Boyd, Montana's Director of the FmHA.<sup>4</sup>

\$15 million will provide 150 loans of \$100,000 each. What about the other 23,000 farms in Montana? Who is going to pick which farmer gets a loan? and, at what interest rate?

Some farmers would be best served by selling off assets, renting instead of buying land, or getting out of farming. In those cases, financial counseling or job training is more effective than more credit.

Section 9, Page 8 allows the state to be sued. We would suggest you support passage of HB-592, a bill to abolish bad faith law suits because we guarantee you attempts to collect the loans will likely result in multi-million dollar suits against the state for acting in bad faith.

Why on earth would the state of Montana want to use coal tax funds desperately needed to balance the state budget to make ag loans which may never be repaid? Montana, like Minnesota, tried this experiment in the 20's and took a bath. The attached article notes it took until 1953 for the Legislature to repay \$4.2 million plus interest lost to the state school fund and repeal the law initially sponsored by the "Peoples Power League." As Joe Reber asks, "Shall we do it again?"

(<sup>1</sup>Billings Gazette, March 20, 1987)

(<sup>2</sup>Minneapolis Star & Tribune, Opinion, Mar, 1986)

(<sup>3</sup>Great Falls Tribune, Feb. 24, 1987)

(<sup>4</sup>Article in Great Falls Tribune, Jan. 25, 1987)

By Joseph Reber

History has a way of repeating itself and so it does in Montana from time to time. Although Initiative No. 95, The Economic Development Initiative, is aimed at business development rather than farms, and does not allow direct loans by the State, a parallel can be drawn between the two.

In 1914 an organization called the Peoples Power League proposed an Initiative to use Common School Funds to provide Farm Mortgages at six per cent to Montana farmers. The reason for the Initiative was "to bring down high interest rates." The Initiative passed by a large majority of the voters but immediately got into legal problems and parts of the Initiative were declared unconstitutional in 1916. However, the 1917 Legislative Session corrected that portion of the Act the Supreme Court objected to and finally the law permitted the State Board of Land Commissioners to invest common school and other permanent state educational funds in first mortgages on "good, improved farm land" in the State of Montana, among other things.

On January 1, 1927, records show that the amount of \$4,574,443.56 was invested in farm mortgages. During the depression period and adverse years from 1929 to 1935 most of these loans became delinquent and the lands covered were either foreclosed or quitclaimed to the state by the owners. On January 1, 1935, the records show that lands covered by loans to the extent of \$4,250,625.95 had reverted to the State of Montana.

The State Board of Land Commissioners over the years did a remarkable job in administering these lands. All of the income from these farm loans was placed in a sinking fund and transfers were made to and applied to the original investment and repaid to the Common School Permanent Fund. There are conflicting figures as to the amount of acreage reverting to the State by foreclosure and quit claim deeds but it is somewhere between 350,000 and 450,000 acres.

In the report to the Legislature by the Commissioner of State Lands and Investments on June 30, 1930, the report said, "It is rather a sad commentary on the State's farm loan business that of all the twenty four or twenty five hundred loans originally made, there are only 127 remaining in their original form and not delinquent one year or more." The Commissioner also called attention to the fact "that the State was compelled to pay taxes to protect it's title to the lands given as security." The total taxes paid amounted to \$546,258.99 from June 30, 1922 thru June 30, 1930. The unpaid principle as of that date was \$4,301,561.94. Delinquent interest was not included in this balance but was estimated to be \$975,000.00. "It must be admitted," the Commissioner's report went on to say, "that these investments do not constitute a satisfactory investment from the Public School Funds of the State."

Under the provisions of the State Constitution, the Public School Fund is guaranteed by the State itself against "loss or diversion" and so the Legislature faced up to this problem in the Session Laws of 1953 enacting legislation requiring the State of Montana to repay to the public school fund the sum of \$4,250,626.95 plus all the interest payments lost to said public school permanent fund by reason of failure of farm mortgage loans.

The 1917 Session Laws (Chapter 124) permitting the lending of common school funds for farm mortgages was repealed by the 1933 Session Laws (Chapter 139) and it took until 1953 for final liquidation of the farm loan account.

The original idea set forth by the "Peoples Power League" was undoubtedly political, had some merit and was an honest and sincere effort to help the farmer, but history shows it didn't work. It took forty years to clean up the mistake and nobody today can compile the real losses to the people of Montana. The question is, "Shall we do it again." Only the people can decide. □

March 5, 1981

EXHIBIT #3

DATE Mar 25, 1981

HB 889 - Rep Cal  
Wiaslow\*  
**Around**  
\***the  
Big Sky  
Country**

By Lee Cade



THERE IS A continuing push to involve government in more and more aspects of our economy. A good example is now before the Montana legislature — Senate Bill 163 — which would create an agricultural loan authority to provide loans to beginning farmers for land purchases.

Answers aren't as simple as just passing a law and living happily ever after. Sometimes laws backfire, and this one likely will too. There are several reasons why it could be bad medicine for Montana agriculture.

If the law actually does plug in an economic advantage for the participants it will be reflected in the price of land. When the price of wheat goes up, or the price of cattle goes up, the price of land goes with it. Thus, whatever advantage is reflected in demand is sure to be reflected in a higher price.

Perhaps the worst part of such an effort is that it could easily make it more difficult for the non-participants in the program to get into farming. If an economic advantage is reflected in a higher price for land, all new farmers will have to pay that higher price. If that is the case, the bill will be counter-productive. There is plenty of reason to believe that most or all efforts by government to alter the law of supply and demand are counter-productive. If this bill increases the demand (makes it easier to buy), the price is sure to go up for everyone. And then it's back to the drawing board to figure out why — and probably more remedies that won't work.

Saskatchewan has a program to help young people get into farming. It is called the Land-Bank program (Montana Farmer-Stockman, Nov. 6, 1980). The author's impression of it is that it involved a whole lot more of hope than good judgment. Here are a few of the indicators:

When the program started about eight years ago, land was \$50 an acre; now it is \$250. When the program started, \$10 million would do quite a bit. Now the program has \$25 million to work with and it does quite a bit less. The program has locked Saskatchewan into a long-term commitment that will be extremely difficult to back out of it if it is decided that it isn't working.

But when such programs don't work, the tendency is to make amendments which make matters worse.

The program sounded so good in Saskatchewan, and it sounded so good in Montana, that it has to go in the same basket with motherhood and apple pie. Everyone has to love young farmers. But getting complicated and burdensome government involved in helping young farmers isn't being helpful; it's an exercise in self-deception.

Our economy is already complicated enough, and we should be working toward fewer obligations of government, not more. Furthermore, the private sector is tooled up to service that market and if it is difficult for farmers to get into farming, the basic problem should be examined and addressed. What such a new law would do is ignore basic problems, and cover it up with an infected band-aid.

There is another reason for rejecting SB 163. Expectations are always higher than what government can produce. A few years in the future, the expectations will be back with a sad story asking for more and more. Gradually government will have a bigger and bigger responsibility, further complicating the economic scene for farmers and lending institutions.

We have had plenty of lessons in the federal farm program, but it hasn't sunk in very well — acreage allotments, set-aside, price supports, reserves, credit for this and deducts for that.

Sooner or later such endeavors get political. We have seen it on the federal level, and it has to happen with such an effort on the state level. When that happens, economic good sense goes out the window in favor of nonsense. And that is what Senate Bill 163 is — economic nonsense.

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Weeding ✓

EXHIBIT #4

DATE Mar. 25, 1987

SB 142 - Sen. Cecil Weeding

Amendment to SB 142; Third Reading - Blue Copy  
Requested by Senator Weeding

1. Page 2.

Following: line 24

Insert: "(4) This section does not apply to foreclosed agricultural land if such land is owned by the state pursuant to Montana's Enabling Act (Act of February 22, 1889, ch. 180, 25 Stat. 676)."

EXHIBIT #5  
DATE Mar. 25, 1987  
SB 142 - Sen. Cecil  
Steeding

AMENDMENT TO SB 142 Third reading (Blue copy)  
Requested by Rep. Patterson

1. Page 2, line 10.

Following: "owner"

Insert: "if such owner has financial resources and farm management skills and experience to assure a reasonable prospect of success in the proposed farming operation. The offer to sell or lease land to the immediately preceding owner must be"

Ellison

EXHIBIT # 6  
DATE Mar 25, 1987  
~~HSB 142~~ Sen.  
Ceil Weeding

AMENDMENT TO SB 142 Third reading (blue copy)  
Requested by Rep. Ellison

1. Title, line 9.  
Following: "PROVIDING"  
Insert: "AN APPLICABILITY DATE AND"
2. Page 1, lines 14 and 15.  
Following: "means" on line 14  
Strike: remainder of line 14 through "15-7-202" on line 15  
Insert: "real property that is principally used for the production of livestock, poultry, field crops, fruit, or other animal or vegetable matter for food or fiber"
3. Page 1, lines 23 and 24.  
Following: "LENDER," on line 23  
Insert: "or"  
Following: "AGENCY" on line 24  
Strike: remainder of line 24 in its entirety  
Insert: "that"
4. Page 2, line 1.  
Strike: "OR TRUST INDENTURE"
5. Page 4, line 21 through line 6, page 5.  
Strike: section 5 in its entirety  
Insert: "Section 5. Applicability. This act applies to agricultural land acquired by foreclosure or by judgment in satisfaction of debt after the effective date of this act."  
Renumber: subsequent sections

WITNESS STATEMENT

NAME Warren C. Meloy BILL NO. HB 10  
 ADDRESS 1317-9th DATE 3/25/87  
 WHOM DO YOU REPRESENT? Montanans for the Coal Tax Trust Fund  
 SUPPORT \_\_\_\_\_ OPPOSE ✓ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

*The first priority of Montanans  
 for the Coal Tax Trust Fund is  
 preservation of the Trust.  
 we oppose HB 10.*



EXHIBIT #3

DATE Feb 6, 1987

HB 889 - Rep. Cal

Skivlow

WITNESS STATEMENT

NAME Joseph Moore BILL NO. H.B. 889

ADDRESS 537 6TH Ave #3, Helena DATE 3/25/87

WHOM DO YOU REPRESENT? MONTANA PEOPLES ACTION

SUPPORT \_\_\_\_\_ OPPOSE X AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

We oppose H.B. 889.

We believe that the method of having the Governor appoint the seven member Montana agricultural development committee will not insure broad based participation. Most especially we do not have confidence that the family farms and ranches will be adequately represented.

We believe that the concept is a good one. Peoples action is very supportive of economic development programs for our state and region, however we strongly believe that the times call for innovative approaches to development and broad based participation especially where expenditures of public funds are concerned. This bill does not insure that, rather it puts the administration and implementation of these programs squarely in the hands of people we believe on the one hand do not have the power needed for such an undertaking and on the other are largely responsible for the plight of Montana agriculture, especially the plight of the family farms and ranches.

We therefore urge a no vote on this Bill.

Joseph Moore



VISITORS' REGISTER

Ag, Livestock & Dairy. COMMITTEE

BILL NO. HB 889

DATE March 25, 1987

SPONSOR Hinslow

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
<i>H. McCoy</i>	<i>Commissioners for the Cust. Tax Trust</i>		<input checked="" type="checkbox"/>
<i>Larry Murphy</i>	<i>MT Farmers Union</i>	<input checked="" type="checkbox"/>	
<i>Jay Downen</i>		<input checked="" type="checkbox"/>	
<i>Lorna Frank</i>	<i>MT. Farm Bureau</i>	<input checked="" type="checkbox"/>	
<i>V. Brunner</i>	<i>Cattlemen &amp; Cattle me Cattlemen, MT Assn. St Gr.</i>	<input checked="" type="checkbox"/>	
<i>Kim Lukens</i>	<i>me Stockgrowers Dist</i>	<input checked="" type="checkbox"/>	
<i>Mons Tegen</i>	<i>mt. Stockgrowers</i>	<input checked="" type="checkbox"/>	
<i>Stewart D. H.</i>	<i>mt. Chamber of Commerce</i>	<input checked="" type="checkbox"/>	
<i>Kelly Holmes</i>	<i>MT College Coalition</i>	<input checked="" type="checkbox"/>	
<i>Larry Rosenberg</i>	<i>WIFE</i>	<input checked="" type="checkbox"/>	
<i>Ted S. Dorey</i>	<i>Mont. Dairymen's Assn.</i>	<input checked="" type="checkbox"/>	
<i>Josette Moore</i>	<i>Montana Peoples Action</i>		<input checked="" type="checkbox"/>

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.