

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON AGRICULTURE, LIVESTOCK AND IRRIGATION

Call to Order: By Chairman Bob Bachini, on February 1st 1989, at 2:25 p.m.

ROLL CALL

Members Present: All members were present

Members Excused: none

Members Absent: none

Staff Present: Doug Sternberg, Legislative Council and Maureen Cleary, Committee Secretary

Announcements/Discussion: Chairman Bachini told those present the Committee would allow the opponents present to testify, and be subject to questions from the Committee. The hearing on House Bill 358 would then be continued at a later date, due to a delay caused by extreme weather conditions.

HEARING ON HOUSE BILL 358

Presentation and Opening Statement by Sponsor:

REP. ELLIOTT: deferred an opening statement at the request of Chairman Bachini.

List of Testifying Proponents and What Group They Represent:

none present due to extreme weather conditions

List of Testifying Opponents and What Group They Represent:

Mr. Warren Ross/ family rancher, Blaine County (See Exhibit #1)

Mr. Tim Gill/ MT. Livestock Credit (See Exhibit #3)

Mr. Larry Moore/ Stockmans Bank, Cascade (See Exhibit #4)

Testimony:

All testimony presented referred to as Exhibits numbered 1, 3 and 4.

Questions from Committee Members:

REP. ELLISON: Do you see management mediation increasing your liability? MR. GILL: We do all that we can as lenders to work out the situation with the borrowers. If we do deny voluntary mediation, we may be considered as not acting in good faith. The word "mandatory" could put increased emphasis on mediation and may cause some increased animosity.

REP. KASTEN: Is your intent to make the borrower more responsive to the lender? MR. GILL: I do not see the bill as putting criteria on the creditor. In other words, he could use it or not. But the borrower is also going to know that it is available. Before any creditors actually take any action against him. So it is probably to his advantage to delay. If it is an adverse creditor, then there probably would be a different route to be taken to recover. REP. KASTEN: Does the bill address the concern that a borrower can come forward on his own merit? MR. GILL: No, I do not believe that it does. But I do feel that in voluntary mediation the lender can then take that prerogative, or that step forward. Neither side is bound at the end. If you are headed for litigation anyway it may not be prudent.

REP. KASTEN: Are you aware of other programs that require mediation, either federal or state? MR. ROSS: A number of states do have voluntary mediation. The Farm Credit Act of 1987 does affect the requirement to mediate. REP. KASTEN: Who bares the costs of this? MR. ROSS: The lender would, from the standpoint of time. In bankruptcy law, it recognizes that you do not have the use of the money. I am unsure of the current Montana law regarding this. The depositor and stockholders of the lending institutions are then carrying the costs incurred.

REP GUTHRIE: Do you feel the passage of this bill would accommodate the borrower or the lender? MR. ROSS: I feel that it would benefit both. But, it must be on a voluntary basis. I would like to call the Committees attention to certain sections of the bill that state "in bad faith," the term was incomplete at best. Who is to say what these terms mean?

Closing by Sponsor:

REP. ELLIOTT: deferred closing at the request of Chairman Bachini until a new date was set to present the remainder of testimony for this bill.

HEARING ON HOUSE BILL 276

Presentation and Opening Statement by Sponsor:

REP. PATTERSON: The passage of this bill would protect livestock.

List of Testifying Proponents and What Group They Represent:

Mr. Les Graham/ Dept. of Livestock, Helena (See Exhibit #5)

Mr. Jerry Jack/ MT. Stockgrowers Association, Helena (See Exhibit #2)

Ms. Kay Norenberg/ WIFE, Women Involved in Farm Economics,
"support this bill in its entirety."

Ms. Lorna Frank/ Calf Feeders Today and MT. Farm Board, Helena
"support this bill."

Rep. Swysgood/ District 73, "supports this bill and it's
amendments."

List of Testifying Opponents and What Group They Represent:

none

Testimony:

All testimony is listed above, in brief, and noted as exhibits.

Questions from the Committee:

REP. KASTEN: What would happen if the sheriff in some of these counties did not want to be bothered with permits? MR. GRAHAM: In some counties, that does occur. In such cases, we designate local inspectors to be appointed in the area. Lewis and Clark county was a good example. The sheriffs do not do inspections. REP. KASTEN: I have concerns that some ranchers, when in the midst of traveling, depend on the sheriff in that area. How would you propose to address that problem? MR. GRAHAM: In those rural counties in particular, the Dept. would not allow a sheriff to conduct inspections because they may not be interested. Usually, most counties will then hire a deputy with livestock background to conduct the necessary duties.

REP. ELLISON: On the temporary brands, does the Dept. follow up to locate any duplicate brands? MR. GRAHAM: We do attempt not to duplicate brands.

REP. KELLER: I would like some clarification on how the Dept. follows up on brands. MR. GRAHAM: The Dept. has a "Truck Stop Book" that contains that information.

REP. KASTEN: Would a rancher be required to carry a certificate

HOUSE COMMITTEE ON AGRICULTURE, LIVESTOCK AND IRRIGATION

February 1st 1989

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of treatment with them? MR. GRAHAM: Most veterinarians will issue a certificate. There are many ways to verify treatment.

Closing by Sponsor:

REP. PATTERSON: closed to the Committee noting that he requests an effective date of 3/31/89.

DISPOSITION OF HOUSE BILL 276

Motion: Rep. Koehnke: made the motion "do pass"

Discussion: none

Amendments and Votes: Rep. Ellison: made the motion "do pass on amendments" Rep. Patterson: noted that the amendments were approved by the Dept. of Livestock. (See Standing Committee Report)

Recommendation and Vote: THEREFORE THE COMMITTEE RECOMMENDS A "DO PASS AS AMENDED" FOR THIS BILL.

ADJOURNMENT

Adjournment At: 4:25 p.m.



REP. BOB BACHINI, Chairman

BB/mc
2701.min

DAILY ROLL CALL
AGRICULTURE COMMITTEE

50th LEGISLATIVE SESSION -- 1989

Date Feb 01 1989

NAME	PRESENT	ABSENT	EXCUSED
Rep. Bob Bachini, Chairman	✓		
Rep. Francis Koehnke, Vice Ch.	✓		
Rep. Gene DeMars	✓		
Rep. Jerry Driscoll	✓		
Rep. Jim Elliot	✓		
Rep. Linda Nelson	✓		
Rep. Bob Ream	✓		
Rep. Don Steppler	✓		
Rep. Vernon Westlake	✓		
Rep. Duane Compton	✓		
Rep. Orval Ellison	✓		
Rep. Bert Guthrie	✓		
Rep. Marian Hanson	✓		
Rep. Harriet Hayne	✓		
Rep. Betty Lou Kasten	✓		
Rep. Vernon Keller	✓		
Rep. John Patterson	✓		

Original
report
missing.

STANDING COMMITTEE REPORT

February 2, 1989

Page 1 of 2

Mr. Speaker: We, the committee on Agriculture, Livestock, and Irrigation report that HOUSE BILL 276 (first reading copy -- white) do pass as amended.

Signed: _____
Bob Bachini, Chairman

And, that such amendments read:

1. Title, line 13.

Following: "LIVESTOCK;"

Insert: "DELETING GROSS VEHICLE WEIGHT OFFICERS AS INSPECTORS OF CERTAIN PERMITS;"

2. Title, line 17.

Strike: "AND"

3. Title, line 18.

Following: "81-4-610"

Insert: "AND 81-8-801 THROUGH 81-8-805"

Following: "MCA"

Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

4. Page 13, line 2 and line 3.

Strike: "gross vehicle weight enforcement officer"

5. Page 15, line 16.

Strike: "December 31"

Insert: "November 30"

6. Page 21, line 17 and line 18.

Strike: "gross vehicle weight enforcement officer"

7. Page 30, line 14.

Following: "81-4-610"

Insert: "and 81-8-801 through 81-8-805"

February 2, 1989
Page 2 of 2

8. Page 30.

Following: line 18

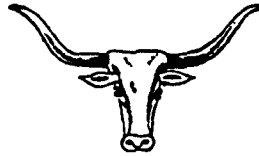
Insert: "NEW SECTION. Section 23. Effective date. [This act] is effective on passage and approval."

MONTANA STOCKGROWERS ASSOCIATION, INC.

P.O. BOX 1679 — 420 NO. CALIFORNIA ST. — PHONE (406) 442-3420 — HELENA, MONTANA 59611

OFFICERS:

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M.E. EDDLEMAN	WORDEN	ROLAND MOSHER	AUGUSTA
NANCY ESPY	BOYES	GREG RICE	HARRIS

February 1, 1989

EXHIBIT #1
DATE 2/1/89
HB 358

Mr. Chairman and Members of the Ag Committee,

I appreciate the opportunity to appear before you today. My name is Warren Ross. We operate a family ranch in Blaine County. I serve as the chairman of the Montana stockgrowers Ag Credit Committee. Today, however, I am also testifying in behalf of the Montana CattleWomen and the Montana association of State Grazing Districts. I would like to comment on House Bill 358 based on research we have done.

In 1987 there was an unprecedented \$50 billion reduction in agricultural debt in the United States. This included pay down from improved livestock prices and good crop yields. The 1988 agricultural income is projected to equal that of 1987, again because of favorable livestock prices and disaster and Federal crop insurance programs which helped mitigate the effects of the drought. A significant factor in the 1987 debt reduction and continued improvement in 1988 agricultural financial statements has been the restructuring and debt write-offs by all lending institutions. The progress made these last two years would not indicate that an economic emergency exists.

The present voluntary mediation and counseling program has been working and should be continued. The objection to mandatory and binding mediation is the abuse that has been associated with it in practice.

A January 1987 report by the Department of Agricultural Economics at the North Dakota State University entitled "Economics Impact of North Dakota Laws that Permit Delayed or Partial Repayment of Ag. Debts - July 1, 1986" had these findings:

"Various state laws designed to protect debtors delay lenders from collecting and disposing of collateral securing these loans. The total economic impact of these laws on creditors is estimated to be \$172.2 million statewide--\$23.9 million due to collection delays before acquisition, \$62.2 million due to delays after acquisition, and \$60.4 million due to concessions associated with negotiated settlements whereby lenders attempt to avoid legal proceedings. Also included in this amount is \$25.7 million that creditors cannot collect due to the lack of deficiency judgments.

"These laws also have an economic impact on both nondelinquent and delinquent borrowers. The resulting economic impact to nondelinquent

farm borrowers is in the form of higher interest rates (143 basis points) and lower capital availability. To maintain profit margins and living standards as interest rates rise, nondelinquent borrowers must assume riskier investments and methods of production--increasing the likelihood of their default and placing the remainder of the creditor's portfolio at risk. Repayment delays were not found to change the long-run financial viability of delinquent borrowers."

Mandatory mediation is often used as a delaying tactic. As was pointed out, this seriously affects nondelinquent borrowers. John S. Jackson, general council of the Minnesota Bankers Association, is quoted in a Great Falls Tribune article last year as saying, "It usually takes about 20 months between the time a farmer stops making payments on loans and the time the property is offered for sale by the creditor. During that period a farmer can accumulate considerably money from production and/or government payments with no rent, taxes or mortgage expenses. This helps explain why almost 30 percent of the dispossessed farms sold by the F.C.S. in Minnesota went to farmers using the right of first refusal.

To summarize, unnecessary delay in repayment of debt or possession of collateral is a direct expense to a creditor. Lending institutions are only required to have a 6 to 8 percent capital base for their loans. The money they lend is yours--the depositor. Their crop--their main source of income--is interest. If they have a loss, interest rates go up.

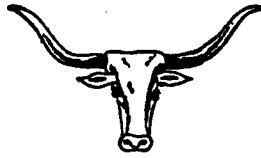
Agriculture is a capital intensive business. If ill-advised legislation makes agricultural lending a losing proposition, we will either be denied necessary funding or else we will be charged unaffordable rates.

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NANCY ESPY BOYES GREG RICE HARRISON

EXHIBIT #2
DATE 2/1/89
February 1, 1989 HB 276

Mr. Chairman and Members of the Committee, I am Jerry Jack and represent the Montana Stockgrowers Association. Today my testimony also represents the concerns of the Montana CattleWomen and Montana Association of State Grazing Districts. We rise in support of House Bill 276 which is a request from the Department of Livestock to generally correct some situations which now exist throughout Montana.

This bill will be good for the livestock industry since it will finally address the use of seasonal brands in our State. Montana is becoming a summer-fall grazing state for out of state owners. In essence, cattle are brought into the state for a short term grazing period and then are often hauled back to either their home ranches or on to feedlots. This bill will allow the Department of Livestock to designate a specific period of time when a brand can be used. This is a useful law which several adjacent states already have on their books.

In addition, this bill will allow the Department to extend grazing permits from six months to nine months which is more in keeping with normal grazing seasons in Montana. We appreciate this accommodation by the Department of Livestock as it will allow for greater ease of movement of our herds.

There are other housekeeping measures in this bill which we also support, including the extension of an annual rodeo permit which will certainly help rodeo stock contractors throughout Montana.

In closing, we hope that this committee will give a "do pass" recommendation to this bill. Thank you.

Witness Statement

Feb. 1, 1989

Tim H. Gill
President
Montana Livestock Ag. Credit
Helena, Montana

EXHIBIT #03

DATE 2/01

HB 358

H.B. 358

"Opponent"



We appose this bill, due to its significant imbalance between creditor and borrower rights. A. Sec. 3 requires a lender to offer mediation prior to legal action, but does not address a creditor offering mediation before filing bankruptcy. B. Implies throughout that Creditor (lender) is pursuing actions, and never that the lender may be trying to cure or improve an adverse situation.

*

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We do support the continuation of a Voluntary Mediation Program (re: H.B. 273), & encourage the ability for the department of Ag. to be able to recover some of its expenses. Our brief experience with Voluntary Mediation required us to request and carry the ball, to ensure the borrower's attorney did not throw the plan out. We found that successful mediation took 3 parties approx. 6 mos., but one adversary Atty (against borrower's intent) held up final papers an additional 9 months.

Dept. of Ag. Stats on Voluntary Mediation:

44 requests

- 16 no follow up
- 6 declined by borrower
- 6 declined by lender
- 2 already in bankruptcy

14

9 completed successfully
5 pending.

* FmHA proposes voluntary before any Foreclosures * Fm Credit will participate

HB-358

MANDATORY MEDIATION ON FARM FORECLOSURES

- Q. Net cash farm income hit a record \$58 billion in 1988. The number of farms in Montana has stabilized at more than 23,000 since 1975. Chapter 12 forgives farmers debts. The Conservation Reserve Program has taken thousands of acres out of production for 10 years, to limit production and maintain high prices. The Ag Credit Act of 1987 requires the Farmers Home Administration to provide a write down of debt along with other debt restructuring options. The administrator of the U.S. Ag Department told the U.S. Senate Ag Committee subcommittee on Ag Credit last week, "Our efforts are and will be directed toward keeping our borrowers on the farm to the fullest extent possible." H.B. 273 extends voluntary mediation another 2 years. With all this why do we need HB-358?
- Q. Ev Snortland said in the Sunday Great Falls Tribune, "The voluntary program is a more viable alternative than mandatory mediation." Keith Kelly former director opposed mandatory mediation in 1987. In 1986, then Governor Ted Schwinden said he opposed a moratorium on foreclosures (Independent Record, March 9, 1986). Isn't HB-358 like a moratorium on foreclosures?
- Q. Is a family run farm like a family run business? If so why is a farm allowed to delay foreclosure by mandatory mediation when the same accommodation is not provided the grocery store, grain elevator, gasoline distributor, livestock auction yard, etc? Shouldn't farms be allowed to fail the same as any other business?
- Q. Is a creditor subject to bad faith lawsuit if he fails to compromise or agree to terms suggested by mediator?
- Q. Since Farmers Home Administration and Farm Credit System are doing most of the foreclosures and are required to mediate by Federal law, why do we need a state law?
- Q. What happens to farm equipment during mediation? Will it deteriorate or disappear?
- Q. HB-358 applies to private sales. What happens if one farmer wants to foreclose under his contract for deed because the other farmer is letting the place go to pot and for lack of good farm management can't make a go of the place?
- Q. When a creditor, lender or retailer, cannot recover his losses through the foreclosure and sale of collateral, those losses are spread to all other farm customers of those same business people. Not only is it more costly, but also more difficult for successful farmers to get loans. Is this fair to the successful farmers?

- Q. Most good lawyers and accountants charge at least \$75/hour. Where can we find mediators at \$20/hour who understand the complexities of farm finance, the intricacies of mediation and then write some kind of legal agreement?
- Q. Who pays mediator costs of \$20/hour? State? The farmer who is broke? The lender?
- Q. Some of the 1,000 farmers who received repayment notices from FmHA have lived on their farms for up to 5 years without payment of any debt, principal or interest and yet they still can't make it? What will mediation do except delay the inevitable?
- Q. Under Chapter 12, farmers can write down and restructure debt. Isn't this preferable to mediation which may result in total loss of Farm?
- Q. How do you define "farmer"? Any hobby or part time farmer could qualify with \$20,000 or more value in property?
- Q. Does farmer get operating capital to plant another crop or raise livestock while mediation in process? If so, from whom?
- Q. Will marginal operators today get operating loans if lenders know they must mediate before they can foreclose? This together with "right of first refusal" passed in 1987 makes ag loans unattractive to marginal operators.

Surveys:

In an upper midwest state survey last fall, "bankers estimated 1.1% of their customers quit farming during the past 12 months, half the rate of a year ago and the lowest since this question was first asked 6 years ago" (annual survey).

Bankers estimate 90% of their current farm customers will survive the "long haul." Half of the bankers predicted, 95% would survive, (Economic Indicators, Oct. 26, 1988).

A national survey of government ag lenders by the American Bankers Association last summer showed a dramatic improvement over 1987. Over half reported a decline in the rate of loan delinquencies.

Only 3% of farmers went out of business compared to over 6% the year before. "Of these 35% were attributed to normal attrition, such as death, retirement and divorces, 39% to voluntary liquidations related to the economy and only 20% to legal foreclosures" (only .6% of total).

"Survey results showed in only 3% of the cases involving mandatory loan mediation did it help in averting formal debt collection. A slightly higher incidence of debt settlement (5% was reported in states where loan mediation is voluntary, according to the survey.

Farm protection laws don't help the healthy

By ROBERT A. BENNETT
New York Times News Service

ROCHESTER, Minn. — James Vermilya, a struggling but profitable hog farmer, would like to buy a neighboring bankrupt farm, but his hopes are not high. The obstacle, he said, is not in obtaining the money or credit, but a new Minnesota law that is intended to help bankrupt farmers hold onto their land.

Vermilya's frustrations reflect a perverse outcome: Some bankers and economists say that well-intended federal and state policies aimed at helping financially troubled farmers sometimes come at the expense of well-situated ones who did not go as heavily into debt to expand their holdings.

This farm problem is a sensitive one. On the one hand there is the wrenching plight of farmers losing their land and a way of life that their families may have enjoyed for generations. On the other hand, as in any business, the risk of going broke has always been part of life on the farm.

Still, the widespread feeling that the federal government was at least partly responsible for the plight of many farmers has made it seem only fair that it now give them assistance.

Many farmers, encouraged by the government to step up production, overextended themselves in the late 1970s and early '80s by borrowing heavily to buy land and equipment. But then events blindsided them. One was the Carter administration's embargo against grain sales to the Soviet Union. Another was the soaring interest rates that broke the back of inflation. A great many able farmers were wiped out by this hurricane.

Even so, there is growing concern, voiced not only by successful farmers but also by some economists and government officials, that state and federal governments are going too far in trying to help the financially devastated families keep their farms.

"You can say you're helping the little person, but it can hurt the majority of farmers," said Dr. Harold O. Carter, professor of

California at Davis. "There are a small number of farmers in difficulty, and you can harm the many farmers not in trouble."

Critics point out that not every hard-pressed farmer was a blameless victim of larger events. Some speculated heavily on land and equipment or otherwise mismanaged their affairs. These critics also warn that efforts to help a minority of farmers might impose excessive costs on the majority. For instance, in southeastern Minnesota, where prices have plummeted to about \$650 an acre from nearly \$2,000 in 1982, only a fifth of the farmers are in deep trouble.

Some bankers and farm experts say that the financial system is already punishing successful farmers by making it more difficult for them to get loans. "Lenders say, 'We'll stop lending to agriculture or we'll charge higher interest,'" said J. Bruce Bullock, chairman of the Department of Agricultural Economics at the University of Missouri in Columbia.

New laws intended to help struggling farmers have had the unintended effect of making it more difficult for profitable farmers to borrow money, said William R. Bernau, Iowa's superintendent of banks. Bernau owns four small banks. Two insurance companies that had been big lenders to Iowa farmers have stopped lending in the state because of a law that has imposed a moratorium on farm foreclosures, he said.

Many bankers, economists and profitable farmers contend that a federal bankruptcy law enacted last year is having a similar effect on farm credit. The law makes it easier for farmers to declare bankruptcy and makes it harder to seize their properties.

Meanwhile, agricultural lenders are worried about a bill that has passed the House Agricultural Committee. Among other things, it would allow farmers whose lands have been repossessed to match any offer made for their properties.

A similar law was passed last year in Minnesota. Under that so-called "right of first refusal" law, if someone bids to purchase dispossessed property from a creditor, the original owner has the right to match the terms of the bid and buy back the property at the bid price.

The result is that a farmer who borrowed heavily to buy land at \$2,000 an acre in the early 1980's can default on his debts and, assuming he can raise the money, buy the land back at current prices, about \$650 an acre. The loss is absorbed by the creditor, usually the Farm Credit System, which is a private system of co-operative agricultural banks that has the tacit financial backing of the government.

Because of this Minnesota law, some farmers turn their deeds over to their creditors to settle their debts. But the farmers can still stay on the land, work it and collect payments from the federal government that average more than \$15,000 in this region by agreeing not to farm part of the acreage. At the same time, the farmer has no rent, taxes or mortgage and insurance payments.

It usually takes about 20 months between the time a farmer stops making payments on loans and the time the property is offered for sale by the creditor, according to John S. Jackson, general counsel of the Minnesota Bankers Association. And the process can be much longer.

During that period, a farmer can accumulate considerable money, which helps explain why almost 30 percent of the dispossessed farms sold by the Farm Credit System this year in Minnesota went to farmers using the right of first refusal.

Some farmers, such as Vermilya, who stayed afloat, say they sympathize with farmers struggling to hold onto their land. But others say there is an undercurrent of resentment among some who have bid for dispossessed property and lost it to original owners, exercising their right of first refusal.

"That doesn't leave them with a good taste in their mouths," said William Collins, general counsel for the Farm Credit Services of St. Paul, which acts as an umbrella organization for working out credit problems for all units of the Farm Credit System in this region.

"Everybody has sympathy for the farmers in trouble, but the farmer who wants to expand can't right now because of the bankruptcy law," said Douglas R. Wirt, who runs a successful farm with his father, Russell, and two brothers. "They got in that position on their own and with help from their bankers, who said they should expand."

Farm communities and farm families are undergoing a terrible trauma, and at times resentments burst into the open. A funeral near here was interrupted recently when a bankrupt farmer loudly accused a more prosperous farmer of having offered too much to the Federal Land Bank for the foreclosed farmer's property. Although the bankrupt farmer was able to match the higher price, he had hoped to pay far less.

Robert Lamprecht, a dairy farmer in Plainview, is one of those who sought to buy dispossessed property from the Federal Land Bank but lost it because of the right of first refusal. The 41-year-old Lamprecht obviously resents it. He described how he and his wife, Sue, built their 750-acre farm up from nothing and how he painstakingly cares for his livestock and equipment. "Everybody had the same opportunities," he said, "but some didn't take advantage of them."

Vermilya, who operates 443 acres in all, most of it rented, also is negotiating with the Federal Land Bank to buy land that it has seized.

He wants to buy one of two bankrupt farms. One has 320 acres. The second has 200 acres and well-kept facilities for hog raising.

Vermilya hopes that the 26-acre farm he lives on will fetch \$75,000. He thinks that is possible because well-off people in nearby Rochester have been buying farms as country homes. And he hopes to be able to buy one of the other two farms for about \$150,000.

But Vermilya thinks that his bid will be in vain and that because of the right of first refusal he will not get the property.

Ag bankers say farmland values on increase

by JEFF NIES

The farm loan portfolios of the nation's agricultural banks "improved dramatically" through mid-1987, according to an annual American Bankers Association mid-year farm credit survey.

Of the bankers surveyed, 53.6 percent reported a decline in the rate of loan delinquencies of 30 days or more, with 35.7 noting no change over 1986 levels.

The remaining 10.8 percent reported a rise in loan delinquencies.

But that figure was sharply down from a year earlier, when 42.2 percent of the respondents reported 30-day or longer loan delinquencies.

Only four percent of the banks surveyed in 1987 expected farm loan delinquencies to increase between July 1987 and June 1988, while 48.8 percent expected a decrease, and nearly half anticipated no change in the delinquency rate during the year ahead.

The results of the ABA survey represent the composite views of more than 900 ag lenders in mid-

1987. To qualify for the study, a lending institution had to have more than \$2.5 million in total farm loans or more than 50 percent of all its loans supporting farm activities.

The survey found farm lenders were optimistic about a slight improvement in the level of loan loss write-offs.

In mid-1987, 57.2 percent of the ag banks anticipated farm loan losses in 1987, compared with 63.3 percent a year earlier.

Also viewed as a positive sign was banker attitudes about farmland values. Of those surveyed, 36.6 percent reported an increase in farmland values between June 1986 and June 1987, while 31 felt values had decreased.

In addition, the survey also measured the number of farm customers whom bankers felt were loaned up to their practical limit.

The results showed that 27.5 percent had reached that limit by mid-1987, compared with 38.8 percent a year earlier.

Ag bankers reported that three percent of the.

(Continued on Page 6)

Banks showing improved agricultural portfolios

(Continued from Page 1)
farmers they know in their trading areas (customers and non-customers) went out of business from mid-1986 to mid-1987, compared with 6.2 percent in the previous year.

Of those included in the 1987 figures, 35 percent were attributed to normal attrition such as death, retirement and divorces; 30 percent to voluntary liquidations related to the economy; and 20 percent to legal foreclosures.

On a regional basis, the survey showed that farm borrowers were leaving the farming business in the year ending in June 1987 at a rate of two percent in the South, 1.3 percent in the Northeast, 1.2 percent in the Plains, and 1.4 percent in the West.

When asked about their level of ag banking, 34.1 of the lenders indicated their loan volume had decreased since Jan. 1, 1987.

But ABA said its analysis showed the loan drop came at a time when funding available through government farm programs had increased. Additional government funding combined with continued repayment of debt by farmers have reduced loan demand, it said.

Despite a decrease in ag lending, 34 percent of the lenders surveyed said their banks were looking to increase farm loan activity over the next year, while 8.6 percent said they would be less active.

Bankers were also asked about how their farm lending has been affected by the Chapter 12 bankruptcy law.

During 1987, lenders anticipated that 37.9 percent of the farmers who used "legal protection" in response to debt enforcement actions would use Chapter 12, compared with 18.9 percent during

But that response is somewhat understandable, since the bankruptcy law was enacted by Congress in the fall of 1986.

More significantly, 77 percent of the surveyed lenders said the advent of Chapter 12 had reduced their banks' availability of farm credit.

When asked about the effects of Chapter 12 on lending practices, more than half of the bankers surveyed (51 percent) said they had denied credit on 10 percent or more of loan applications because of a bankruptcy filing threat.

In addition, 64 percent said collateral requirements had been increased and 41.8 percent said the bankruptcy provision had pushed up borrowing costs for farmers because of Chapter 12.

Of the survey respondents, 21.8 percent said they live in states where loan foreclosure mediation is mandatory. Among those bankers, they reported that mandatory mediation had affected 4.3 percent of their loans during the year ending June 1987.

Survey results showed in only three percent of the cases involving mandatory loan mediation did it help in averting formal debt collection. ✓

A slightly higher incidence of debt settlement (five percent) was reported in states where loan mediation is voluntary, according to the survey. ✓

DATE 2/1/89HB 276

Summary.

1.) Llamas & Bison

These are being included because we are beginning to get calls about strays or animals running at large.

Also, we have had requests to assist owners with this type of livestock being harassed by dogs or predators. They should be included in definition of livestock.

2.) Seasonal Brands

More and more we are becoming a summer grass state. Cattle are coming into Montana for short term grazing. When brands are issued under current law they stay on the books until the next re-record. This way, when the cattle leave, we cancel the brand. This is the same law as several other states now have.

3.) Sheriff or Deputy

For a number of years now many sheriff's offices are not inspecting livestock. We are making the law consistent with what we now do.

4.) Grazing Permit

Our experience with this has been that we need to use a little longer period of time. Six months does not cover the grazing season in Montana. We feel an extension is in order to accommodate the industry.

5.) Gross Vehicle Weights

The amendment removes G.V.W. officers. This was done at the request of several legislators.

6.) Rodeo Permits

We are recommending that we go to an annual permit, since rodeos are now held year around in Montana. In 1976 when this permit was first established by the legislature we didn't have the indoor arenas.

7.) Railroad Shipments

We are asking to repeal the sections dealing with railroad shipments of livestock. We don't have or print the special books any longer. Livestock do not move by rail any longer. If they do, we inspect rail shipments just as we do truck shipments.

8.) Import Brand Inspection

Since it's inception in 1975, we have been unable to work with this law. We don't have the time, people, or support of the livestock industry. We feel comfortable in that we do have a import permit requirement in the Animal Health laws which covers this.

9.) Recovering Costs of Strays

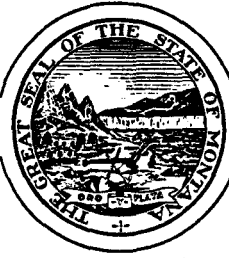
The Department has from time to time been left with a sizeable bill dealing with stray livestock. We feel we should be able to recover our costs, or the costs of stockyards.

10.) County Line Waiver for Veterinarian Services

It has been the practice of the Department to allow emergency livestock travel to receive veterinarian services. We feel that the statute should be changed to allow this and also provide that the veterinarian certify the service.

DEPARTMENT OF LIVESTOCK

EXHIBIT 6
DATE 2/1/89
HB 276



Stan Stephens, Governor
~~TED SCHWINDEN, GOVERNOR~~

CAPITOL STATION

STATE OF MONTANA

(406) 444-2023

HELENA, MONTANA 59620

January 25, 1989

TO: Representative John Patterson
FROM: *Les* Les Graham, Executive Secretary
to the Board of Livestock
RE: H.B. 276

The question has come up about the language in H.B. 276 regarding "Sheriff's Offices".

Attached is a list of the Sheriff's offices that do and do not brand inspect.

You can see that 27 out of the 56 don't inspect at this time, and can't if we don't appoint them.

Attachment

Call Montana Livestock Crimestoppers 800-647-7464

SHERIFF'S OFFICES THAT HANDLE BRAND INSPECTION

Dawson	Golden Valley
McCone	Sheridan
Wibaux	Roosevelt
Richland - P.D.	Daniels
Treasure	Judith Basin
Powell	Teton
Granite	Beaverhead
Deer Lodge	Fallon
Stillwater	Carter
Sweet Grass	Custer
Blaine	Prairie
Rosebud	Toole
Garfield	Liberty
Wheatland	Pondera
Musselshell	

SHERIFF'S OFFICES THAT DON'T HANDLE BRAND INSPECTION

Yellowstone	Valley
Lewis & Clark	Fergus
Butte - Silver Bow	Petroleum
Jefferson	Cascade
Hill	Lake
Meagher	Flathead
Ravalli	Lincoln
Missoula	Madison
Broadwater	Phillips

(18)

These write market consignment permits only. They do not brand inspect.

Big Horn	Park
Carbon	Choteau
Sanders	Glacier
Mineral	Powder River
Gallatin	

(9)

27 m dot p

VISITORS' REGISTER

Agriculture

COMMITTEE

BILL NO. 358

DATE 2-1-89

SPONSOR _____

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

ROLL CALL VOTE

AGRICULTURE, LIVESTOCK & IRRIGATION

COMMITTEE

DATE 2/01/89

BILL NO. 276

NUMBER _____

NAME	AYE	NAY
BOB BACHINI, CHAIRMAN	✓	
FRANCIS KOEHNKE, VICE CHAIRMAN	✓	
GENE DE MARS	✓	
JERRY DRISCOLL	✓	
JIM ELLIOT	✓	
LINDA NELSON	✓	
BOB REAM	✓	
DON STEPPLE	✓	
VERNON WESTLAKE	✓	
DUANE COMPTON	✓	
ORVAL ELLISON	✓	
BERT GUTHRIE	✓	
MARIAN HANSON	✓	
HARRIET HAYNE	✓	
BETTY LOU KASTEN	✓	
VERNON KELLER	✓	
JOHN PATTERSON	✓	

TALLY

(17)

Maureen Cleary
Mary Lou Schmitz
Secretary

BOB BACHINI, Chairman
Chairman

MOTION: Amendments — motioned: Rep. Ellison = (17)
"DO PASS" — motioned: Rep. Koehnke = (17)
discussion: amendments approved by Dept. of livestock
per Rep. Patterson
"DO PASS AS Amended" = (17)