

F I N A L R E P O R T

FARM FINANCIAL CRISIS STUDY COMMITTEE

January, 1986

The Farm Financial Crisis Study Committee was mandated by Senate File 577, enacted in the 1985 session. The purview of the Study Committee was identified in that law as:

Specific purposes of the study committee are to review new data and develop better understandings about the causes and trends in farm financial stress; to monitor the private and public actions and programs at work to resolve the crisis; to examine the probable "ripple" or general economic effects of farm financial stress and the effects of farm financial stress and the effects on rural nonfarm businesses; to analyze the ownership patterns of farms and control of input businesses; farm related factories, grain elevators and plants; to anticipate the effect on the Iowa economy and local communities if no action is taken; and to evaluate current or proposed remedies and alternatives such as modification of the Uniform Commercial Code, a limited foreclosure moratorium, permission for lenders to hold land, special education for adults through programs such as ASSIST, the Rural Concerns Hotline, the displaced farmers program, tax exempt state bonds to provide low interest credit, loan guarantees, state or federal appropriations for interest rate "buy-downs", an agricultural adjustment corporation, and an agricultural investment bank.

The Committee consisted of twenty-one members, as follows:

Mr. John Chrystal, Co-chairperson
Mr. Paul Dunlap, Co-chairperson
Senator Leonard Boswell
Senator Bill E. Priebe (appointed after the resignation of
Senator Bill Hutchins)
Senator C. Joseph Coleman
Senator Jack Hester
Senator John Jensen
Representative Dale Cochran
Representative Bob Skow
Representative Rod Halvorson
Representative William Harbor
Representative Kenneth De Groot
Bishop Maurice Dingman
Mr. Dean H. Dodd

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Mr. Dean Kleckner
Mr. Tom Stanberry
Mr. Pete Croghan
Mr. Richard Holstad
Mr. David Ostendorf
Mr. Mike Sparks
Dr. Bob Jolly

Initially the Committee was granted three meeting dates. Upon petition to the Legislative Council, the Committee was authorized two additional meeting date, of which one was used.

FIRST MEETING

The first meeting of the Study Committee was held on Monday, October 14, 1985. After Committee discussion of the possible approaches the Committee could take, the Committee determined to concentrate on five priorities:

1. To pursue the "land holding tank" concept, and to find a means of reducing the costs of financing farms and rural businesses.

2. To consider promoting both long and short-term agricultural research and development to assist both farmers and rural businesses, including the areas of alternative uses for corn and soybeans and world trade development.

3. To examine the impact of the tax structure on agriculture, to determine the effect that changes in state tax laws might have on the agricultural sector, and to determine if and where changes could be made that would be beneficial to that sector.

4. To give consideration to the hardship of the family farm and look at items such as the Rural Concerns hotline and food banks.

5. To examine the issue of foreign and corporate ownership of agricultural land and to consider setting some sort of limit on the amount that may be purchased.

SECOND MEETING

The second meeting of the Study Committee was held on Monday, November 4, 1985. Presentations were made by Mr. Don Roby and Mr. Larry Statler of Kirkwood Community College, and Dr. Bob Jolly of Iowa State University, also a Committee member. Mr. Roby and Mr. Statler informed the Committee of the Rural Diversification Center at Kirkwood, and detailed some of the workshops and courses available to farm families through the Center. Dr. Joley presented a report to the Committee, entitled "Issues In State-

Level Intervention to Ease Farm Financial Stress. The report focused on the existing conditions in the agricultural economy, the magnitude of intervention costs, and the economic incentives to private intervention. Based upon Dr. Jolly's report, the Committee questioned whether the State was financially capable of dealing with a problem as large as the write-down of interest. Venture capital, scientific and social research, and the tax structure were suggested as areas for further exploration. The Committee approved a motion that the Committee make a strong statement urging every eligible farmer to put grain under the federal loan program. A motion was also approved authorizing Chair person Chrystal to make a statement for the Committee noting the concerns of the Committee and the results of the Iowa State study. The Committee voted to request additional meeting days.

THIRD MEETING

The third meeting was held on Monday, November 25, 1985. The Committee heard from Mr. Mike Thompson of the Iowa Farmer-Creditor Mediation Service, and Dr. Roger Ginder, Dr. Daniel Otto, and Dr. Bob Jolly of Iowa State University.

Mr. Thompson informed the Committee as to the activities of the mediator service. Dr. Ginder spoke on the impact of the farm crisis on rural agri-businesses. Dr. Otto focused on the effect on retail sales in rural areas. Dr. Jolly reported on the long-range research priorities of the College of Agriculture and on suggestions on statewide initiatives. After Committee discussion, it was determined that each member could submit a request for a bill draft to the Legislative Service Bureau who would put it together to the extent possible to be offered at the next meeting.

FOURTH MEETING

The fourth meeting was held on Thursday, December 12, 1985. The Committee began by participating in a discussion of Senate File 577 led by Mr. Tom Stanberry. The Committee then considered five proposed resolutions and five proposed bill drafts.

COMMITTEE RECOMMENDATIONS

The Study Committee recommended the following resolutions, bills, and general recommendations:

1. A Resolution that the Study Committee recommends that if there is further interest in the concepts of a bonding program such as that contained in Senate File 577(71 G.A.), a state land bank, or state loan guaranty or buy-down, the Legislative Council should appoint a small group of technical and economic experts to make a report by February 1, 1986.

2. A Concurrent Resolution that the Congress of the United States and the President of the United States are urged to adopt an effective long-term supply management program, such as contained in the Harkin and Bedell Amendments to the 1985 Farm Bill, which will allow farmers to receive an adequate profit for their product.

3. A Concurrent Resolution requesting federal action to assign or employ federal grain inspectors at foreign ports of destination for the grading of grain shipped from the United States.

4. A Resolution that the Senate Committee on Small Business and Economic Development and the House Committee on Economic Development are urged to adopt a provision which would create a commission of economic experts appointed by the Governor subject to Senate confirmation, not subject to dismissal by the Governor, which would be given a directive to create a strategy of economic development for the state. A report shall be made to the Legislature and to the Governor by March, 1987.

5. A Bill for an Act relating to and making an appropriation to the state board of regents for a farmer-creditor mediation service.

6. A recommendation that an office of farmer advocate be placed within the Attorney General's Office to work with the Legal Services Corporation.

7. A recommendation that the Study Committee favors adequate funding at Iowa State University of the meat export technology and policy center, the food crops processing research center, the agricultural experiment station (for the agricultural diversification-new crops program, for research into restoring profitability to Iowa agricultural technology programs, for the replacement and update of equipment, and for building repair and remodeling of off-campus facilities), and the center for agricultural and rural development (for research into agricultural, trade, and rural economic development policy), and also favors funding for the Rural Concerns Hotline.

8. A recommendation that if a panel of experts is appointed by the legislative Council as recommended in 1, it should consider proposals which would create a program within the farm authority to purchase loans made for the acquisition of Agricultural land form the proceeds of bonds and notes and proposals which would utilize moneys invested by the Iowa Public Employees Retirement System, which would provide an adequate return to the system.

Attached are copies of the bill and resolutions approved under recommendations 2,3, and 5.

SENATE/HOUSE FILE _____
BY FARM FINANCIAL CRISIS
STUDY COMMITTEE

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to and making an appropriation to the state board
2 of regents for a farmer-creditor mediation service, and
3 providing an effective date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. There is appropriated from the general fund of
2 the state to the state board of regents for the fiscal period
3 beginning on the effective date of this Act and ending June
4 30, 1987, the following amount for use for the following
5 designated purpose.

6		1985-1986	1986-1987
7		<u>Fiscal Year</u>	<u>Fiscal Year</u>

8 IOWA STATE UNIVERSITY OF
9 SCIENCE AND TECHNOLOGY

10 Cooperative extension service in
11 agriculture and home economics

12 For funding a farmer-creditor

13 mediation service	\$ 40,000	\$ 200,000
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14 As a condition of the appropriation made in this section,
15 the extension service shall coordinate its mediation service
16 with existing and future similar services, shall provide an
17 opportunity for nonbinding arbitration of disputes, and shall
18 provide access to the mediation service in every county.

19 Sec. 2. This Act, being deemed of immediate importance,
20 takes effect from and after its publication in the Guthrie
21 Center Times, a newspaper published in Guthrie Center, Iowa,
22 and in the Mitchell County Press-News, a newspaper published
23 in Osage, Iowa.

24 EXPLANATION

25 This bill provides funding for a mediation service
26 coordinated by Iowa state university through the extension
27 office, which provides nonbinding arbitration services and
28 other mediation services in every county, coordinated with
29 other mediation services.

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1 SENATE CONCURRENT RESOLUTION NO. _____

2 BY FARM FINANCIAL CRISIS STUDY COMMITTEE

3 A Senate Concurrent Resolution requesting federal action to assign
4 or employ federal grain inspectors at foreign ports of destination
5 for the grading of grain shipped from the United States.

6 WHEREAS, the agricultural community in this state
7 currently faces a financial crisis which threatens
8 farming in the state; and

9 WHEREAS, the increased exportation of grain to
10 foreign nations is desperately needed to alleviate
11 some of the crisis; and

12 WHEREAS, grain exports can be increased if foreign
13 purchasers are guaranteed a specific grade of grain
14 and level of foreign materials contained within the
15 shipment; NOW THEREFORE,

16 BE IT RESOLVED BY THE SENATE, THE HOUSE CONCURRING,
17 That the General Assembly hereby petitions the
18 President of the United States, the United States
19 Secretary of Agriculture, and the United States
20 Congress to take immediate steps to insure that the
21 grain purchased by foreign buyers be of a specified
22 grade and contain a specified level of foreign
23 materials by assigning or employing federal grain
24 inspectors at foreign ports of destination to grade
25 and determine the level of foreign materials and by
26 providing that the shipper is legally and monetarily
27 responsible for the substandard grade or higher level
28 of foreign material; and

29 BE IT FURTHER RESOLVED, That copies of this
30 resolution and petition be submitted to the President

1 of the United States, the United States Secretary of
2 Agriculture, and members of Iowa's United States
3 Congressional Delegation.

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1 HOUSE CONCURRENT RESOLUTION NO. _____
2 BY FARM FINANCIAL CRISIS STUDY COMMITTEE
3 A House Concurrent Resolution urging adoption of a long-term
4 supply management program.

5 WHEREAS, the greatest factor inhibiting economic
6 recovery in the agricultural sector is a lack of
7 profitability; and

8 WHEREAS, this lack of profitability has eroded
9 agriculturerelated and nonagricultural sectors of the
10 state's economy; and

11 WHEREAS, the policies of the federal government in
12 regard to agriculture have a critical impact on the
13 profitability of farming; NOW THEREFORE,

14 BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES, THE
15 SENATE CONCURRING, That the Congress of the United
16 States and the President of the United States are
17 urged to adopt an effective long-term supply
18 management program, such as contained in the Harkin
19 and Bedell amendments to the 1985 Farm Bill, which
20 will allow farmers to receive an adequate profit for
21 their product; and

22 BE IT FURTHER RESOLVED, That the Secretary of State
23 is directed to send copies of this resolution to the
24 Speaker and Clerk of the United States House of
25 Representatives, the President and the Secretary of
26 the United States Senate, the Chairperson of the
27 United States Senate and House of Representatives
28 Agriculture Committees, each member of the Iowa
29 Congressional Delegation, and the President of the
30 United States.