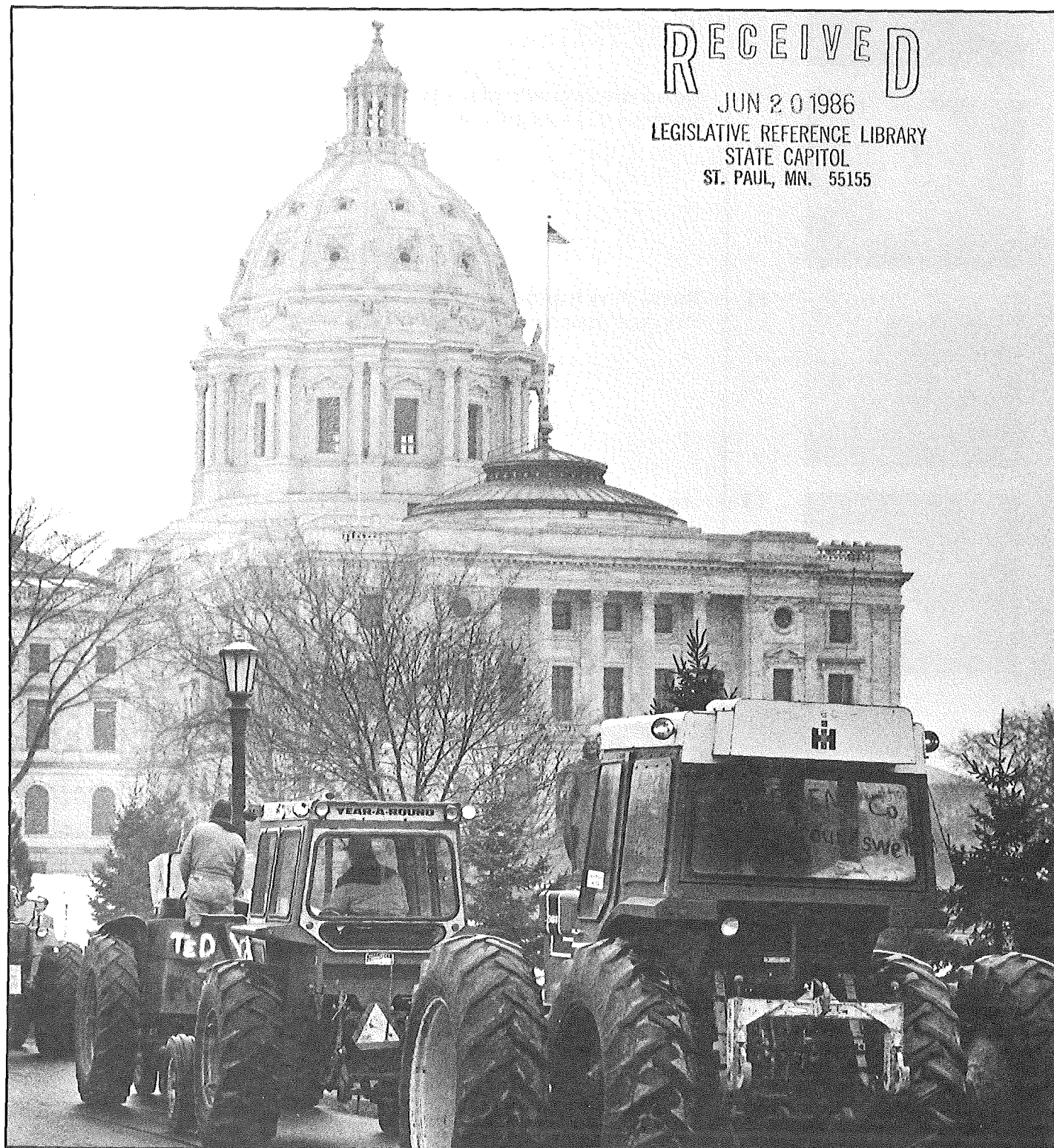


Perspectives

A Publication about the Minnesota State Senate Vol. 12, No. 1



Session '86: focus on the rural economy

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Perspectives

The crisis in Minnesota's rural economy provides the focal point for this issue of Perspectives. State government has a limited ability to address the economic woes assailing Greater Minnesota, however Senators devoted long hours of committee hearings, study and debate to determine the best possible solutions to the situation. Beginning with a day-long agricultural seminar in early February and continuing through to the last days of the regular session, the rural economic crisis was one of the two major areas of concern before the

Legislature. The struggle to resolve the complex problems in Minnesota's farm economy culminated this Legislative Session with a \$16 million farm package designed to provide both short and long term relief. Included in this issue is an article detailing the farm package, an article providing a historical perspective on the rural economy, an article on the current community response in the area of social services and an article outlining a second legislative initiative, the Rural Development Act.

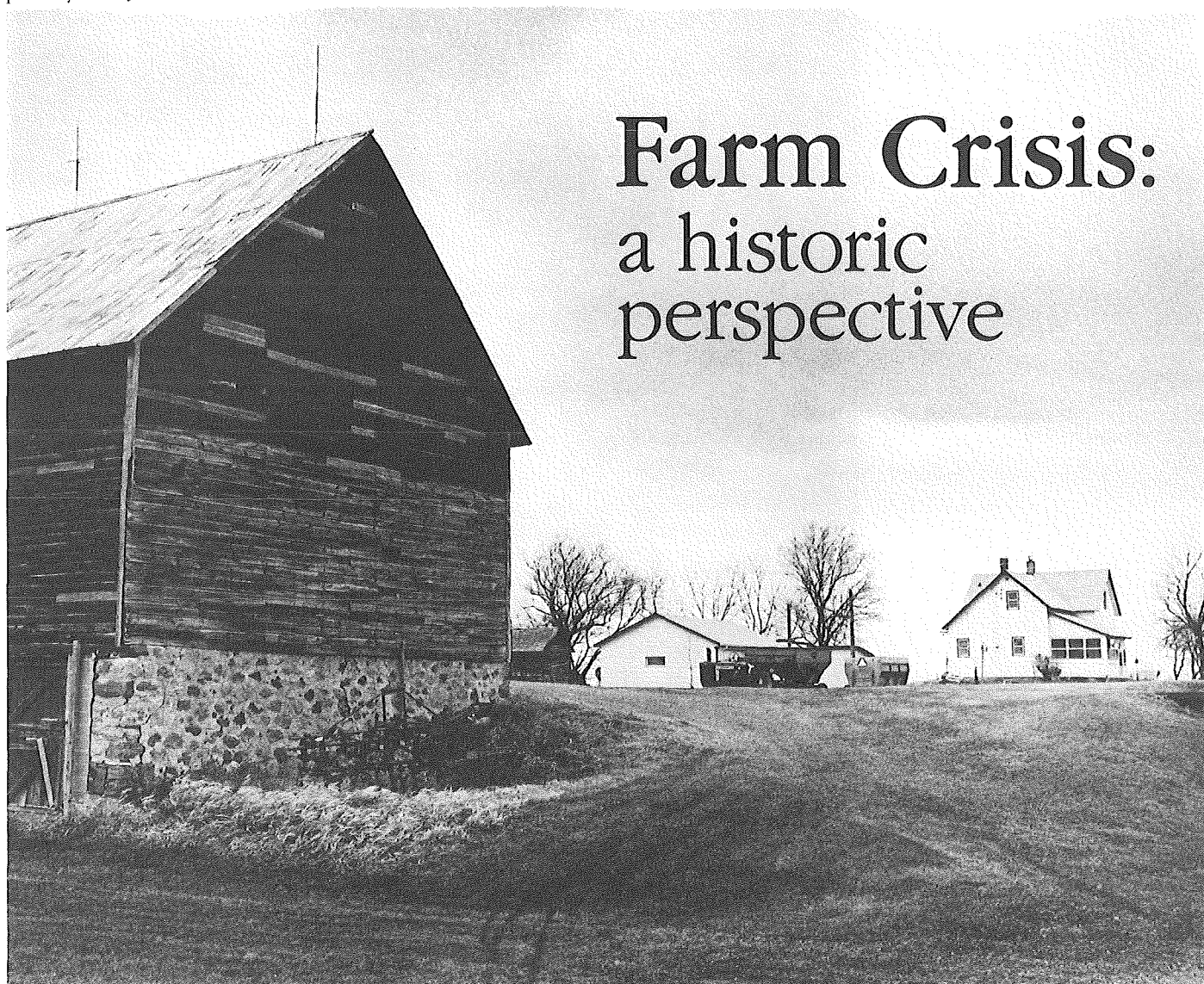
Writers: Karen L. Clark
Steve Senyk
Susan Burbidge
Catherine Hope

Layout and Design: Mark M. Nelson
Steve Senyk

On the cover:

A tractorcade to the capitol in January provided a graphic demonstration of concern over agricultural and rural economic issues. The procession was organized to illustrate the plight of Minnesota's farmers. Photo by Joey McLeister.

photo by David J. Oakes



Farm Crisis: a historic perspective

by Susan Burbidge

Farmers have always been an integral part of the American dream. The family farm, handed down from parents to children generation after generation, immediately conjures up thoughts of people living off the fruits of their labor.

That these fruits are becoming increasingly difficult—and in some cases, impossible—to reap is not unfamiliar news. The plight of the American farmer, which has caused a rising level of concern first in the Midwest and, more recently, in the nation, cannot be solved by examining its sources; but it can, perhaps, be prevented from happening again.

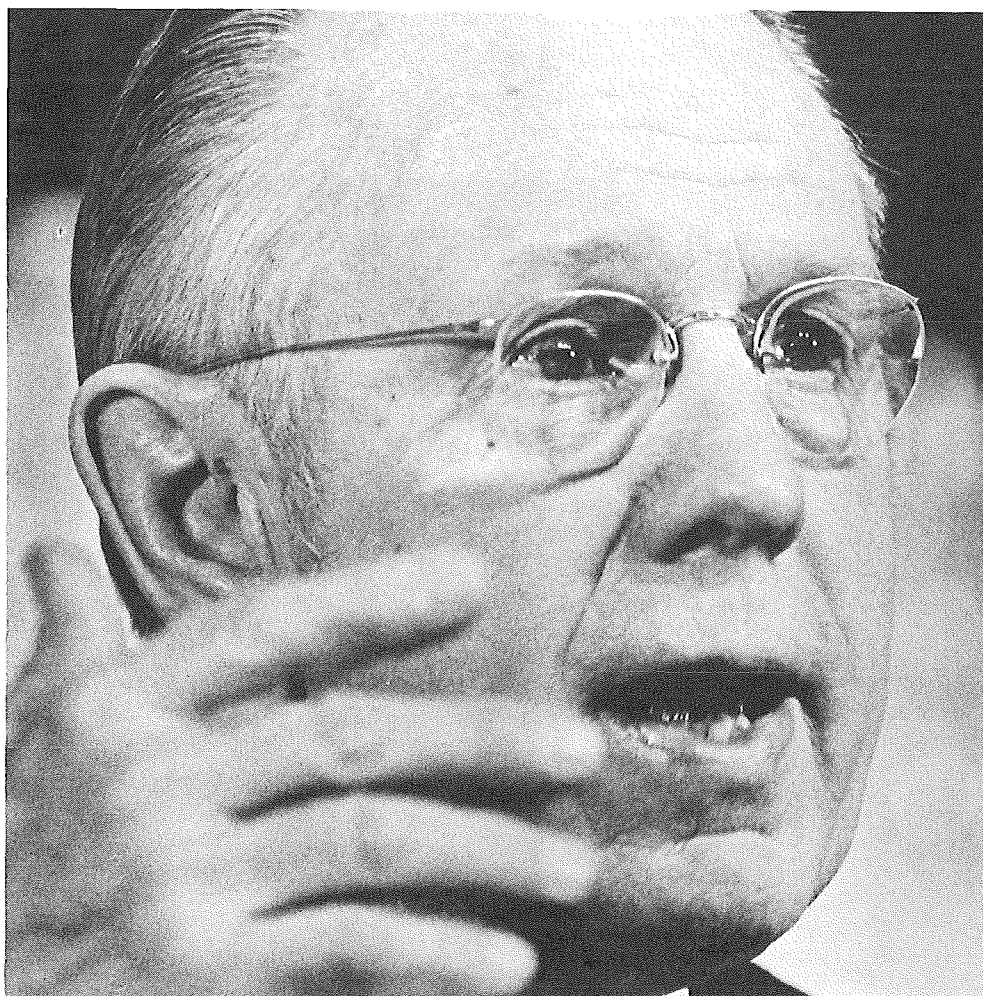
The history of today's agricultural crisis, and

the conclusions it fosters, were the subject of a recent speech given by nationally renowned agricultural expert Philip Raup. According to Raup, who spoke at an agricultural seminar in St. Paul, farmers are partially to blame, but also at fault are the bankers and creditors who encouraged them to borrow and expand. Both groups are the victims of past and current federally-imposed economic and monetary policy. Solutions are not easily found, Raup said, but he did offer a few suggestions, mostly at the federal level. Senators—some of whom are themselves farmers—had their own ideas.

Farmers are today still feeling the repercussions of economic policy during the Vietnam war, Raup said. Everyone was earning a living wage during the war, but

taxes were not increased, which led to inflation, he said. People had money but few products were available since production was focused on war goods. This "dammed up demand" was released into rural real estate, one of the few investments available at the time. Also contributing to rising agricultural real estate investment was the federal government's policy of allowing the federal reserve to control inflation through interest rates, which encouraged investment in businesses that use a lot of long-term capital, such as agriculture, Raup explained.

Sen. Keith Langseth agreed that these governmental economic policies encouraged farmers to expand and contributed to the subsequent overcapitalization in agriculture. The investment



Philip M. Raup, Professor Emeritus, Department of Agriculture and Applied Economics, University of Minnesota, spoke at a seminar for legislators on Minnesota's Rural Economic Crisis.

credits situation was so good, and farmers were able to depreciate capital so quickly, he said, that they over-invested in equipment and were suddenly faced with large crops and no market.

The heavy extension of credit during those years is the biggest part of the problem, Sen. Don Moe said. Farmers who borrowed to buy expensive land in years past are the ones in serious trouble today, while those who acted more cautiously are in better shape, he continued. When interest rates rose, farmers couldn't make enough to pay the cost of interest while paying off their debts. Federal monetary policy definitely was one major reason farmers over-extended themselves, agreed Sen. Dennis Frederickson. High interest rates and high inflation led people to look for tax shelters, and since agricultural land prices were high, it seemed like a logical investment. Then, when inflation was cut, prices fell and farm land was no longer a good investment, Frederickson said.

Raup pointed out that agriculture was also becoming less labor intensive and more dependent on machinery. Since 1945, the total percentage of farmers' cost

expenditures dedicated to machinery has more than doubled, Raup said, and this situation further encouraged investment. At the time, however, this seemed like a good idea, said Sen. Lyle Mehrkens. Bankers and the government, through investment tax credits, suggested to farmers that this was the way to go, he said. With the dollar strong and commodity prices rising, farmers believed they could pay back their loans with cheaper money. The farm credit system wanted to give loans, he said, and as long as the collateral was there, everything was okay.

But Mehrkens also pointed out that while the agricultural community was negligent in expanding too rapidly, other businesses followed suit and are not suffering as farmers are. So while farmers were in the ideal position to increase crops, suddenly inflation was cut, interest rates rose, and the world market increased crop production. Farmers found themselves in the uncomfortable situation of having large amounts of debt, land that was devalued, and crops that no one wanted to buy. Falling land prices, more than declining commodity prices, have contributed to today's situation, Mehrkens said. Commodity

prices tend to rise and fall, and have been at lower levels in the last six years than they are now, Mehrkens said. But when land became devalued, he said, debt-to-asset ratios that used to seem reasonable suddenly became outrageous. As interest rates rose, he said, farmers began defaulting on loans, driving interest rates even higher.

Farmers were victims not only of economic policy, but of their own misconceptions, Raup said. One major contributor to the crises was that agriculture, through the passage of time, lost all of the farmers who remembered the last depression. Farm prices rose fairly consistently from 1935 to 1981, so the current generation of people farming has never experienced falling prices and did not expect them, he said. Society had trained farmers to expect only appreciation and rising asset values resulting in capital gains, he said.

Combined with the beliefs that the world export market had an unlimited capacity for expansion and the possibility that we could simultaneously seal off our own economy, these misconceptions led farmers to decisions that helped create the crises.

And there was no reason farmers wouldn't



Sen. Keith Langseth

have held these beliefs, Raup said. For a long time, farming was profitable enough that appreciation and rising asset values could bail out even poorly managed farms. Also, the publicity given to world hunger in the late 1960's helped plant the idea that world market expansion was consistent and inevitable. It came as a real shock to learn that the U.S. is deeply integrated into the world economy, he said.

American agriculture is coming to terms with the global market, agreed Moe, and just can't currently produce cheaply enough to compete in it. Federal government embargoes also cut down export potential, said Frederickson, and commodity prices dropped.

We now have a generation living off their capital gains, as the government, bankers, and creditors taught them to do, Raup said. But Raup agreed with Mehrkens' allegation that the rest of the economy is equally guilty.

Families, schools, and businesses just live closer to the survival line than in the past, Raup said, pointing to the rise of credit

consumerism as an example. Consequently, people adapt to adversity by undermaintaining their capital. Senators also concurred with Raup in criticizing Ronald Reagan's policy of building up defense while not increasing taxes, similar to Lyndon B. Johnson's actions during the Vietnam war. The federal government must make up its mind, agreed both Mehrkens and Langseth. If Reagan is going to increase defense spending, then he "should have the guts to tax us," Langseth said. But Reagan knows that he would lose popular support if he taxed people to pay for defense, Langseth said. "People should listen to (Raup)," said Moe, and consider raising taxes at the federal level.

But Frederickson pointed out that during the Vietnam war, government not only invested heavily in war products, it also increased social spending—something the Reagan administration is not doing. By trying to cure everyone's ills (during the Vietnam war), the government made things worse, he said.

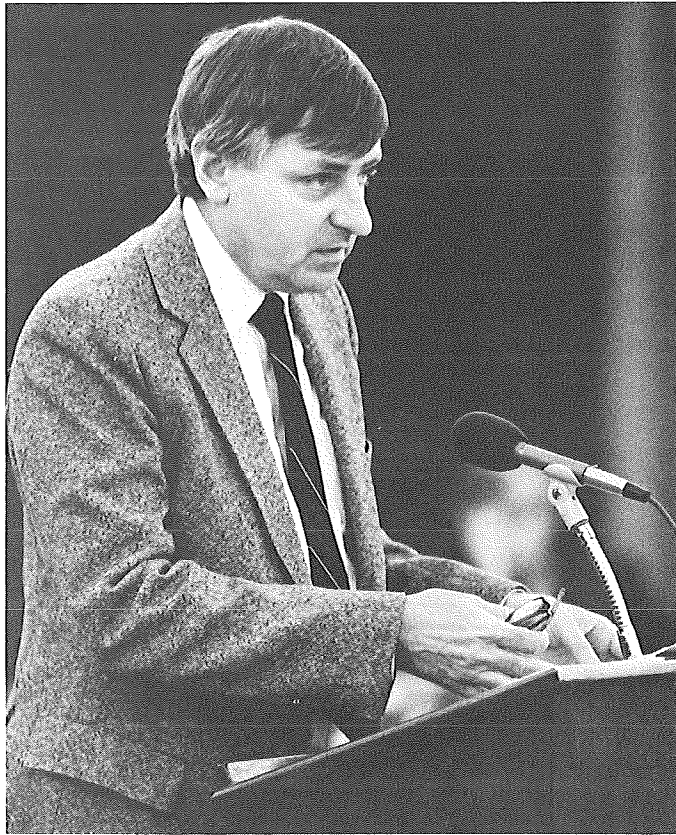
Solutions to a problem like the agricultural crisis cannot be reached over night, Raup said, especially since he believes most of the work must be done on the federal level.



Sen. Dennis Frederickson

The first priority should be control of inflation without targeting businesses with low capital turnover. Nothing is as bad as a loss of faith in the monetary unit of a country, Raup said, because it makes it profitable for people to cheat.

Also, high interest rates have, in effect, "bribed" other countries to invest in the United States, Raup said. This investment could stop at any time, causing serious problems in our economy. A collapse in the currently inflated price of urban real estate could trigger a withdrawal of foreign investment, said both Raup and Langseth. Even if foreign investors simply slowed down their rate of investment, it could have serious repercussions, Langseth said. Langseth said that a compromise between raising revenue and cutting down on defense-spending levels could create a balance. It's dangerous to finance the budget deficit with foreign investment, he said. If the money stopped pouring in, the whole country would be in trouble. "The day of reckoning is coming, and we're doing nothing about it," he said. Frederickson and Langseth cited not inflation, but the deficit, as the major problem. The only lasting solution, Frederickson said, is to balance the federal budget. Once interest rates go down



Sen. Lyle Mehrkens

and land prices stabilize, farmers—and the rest of the economy—will be in much better shape, he said.

Raup basically just clarified the situation, rather than saying anything that hadn't been said before, Langseth said. The effects of the large deficit and continued defense build-up on agriculture and the whole country have been pointed out in the past, he said. "I don't think any of them (Raup and other speakers) really came up with solutions that are going to allow farmers to survive," Langseth said. The whole situation is a general disaster, he said, unless someone figures out a way to get money to the farmers who need it.

If the federal government is going to continue to increase defense spending, then the public must accept higher taxes to control inflation or interest rates will continue to be high, Raup said. New taxes won't help, disagreed Frederickson, because they would hurt the nation's economic recovery. Perhaps the federal government could find other ways to increase revenue, such as closing tax loopholes or tax reform. Frederickson added that he personally believes that the government should slow down the defense build-up. The most

lasting solutions would have to be enacted by the federal government, but that doesn't mean that the state is helpless, Moe said. If the state government is really serious about helping farmers remain on their land, the state should consider raising taxes or approving bonding, he said. Programs which provide mediation don't really do much, he said; a solution that is cheap and meaningful does not exist.

Moe said that a state-sponsored loan program could be a start, although the state would have to be selective in choosing farmers that have a good possibility of survival. Then programs that help not only the farmer, but the entire rural community, could be developed.

Policies that impact prices are disastrous, Mehrkens said. But the state can help by re-scheduling payments for property taxes or attempting to lower taxes to a real, rather than inflated, level. An interest buy-down bill that would require either the state or the banks to pay a portion of the farmers' interest could help in some borderline cases, he said.

Management help for farmers who will be in trouble in the near future—a number

photos by Joey McLeister



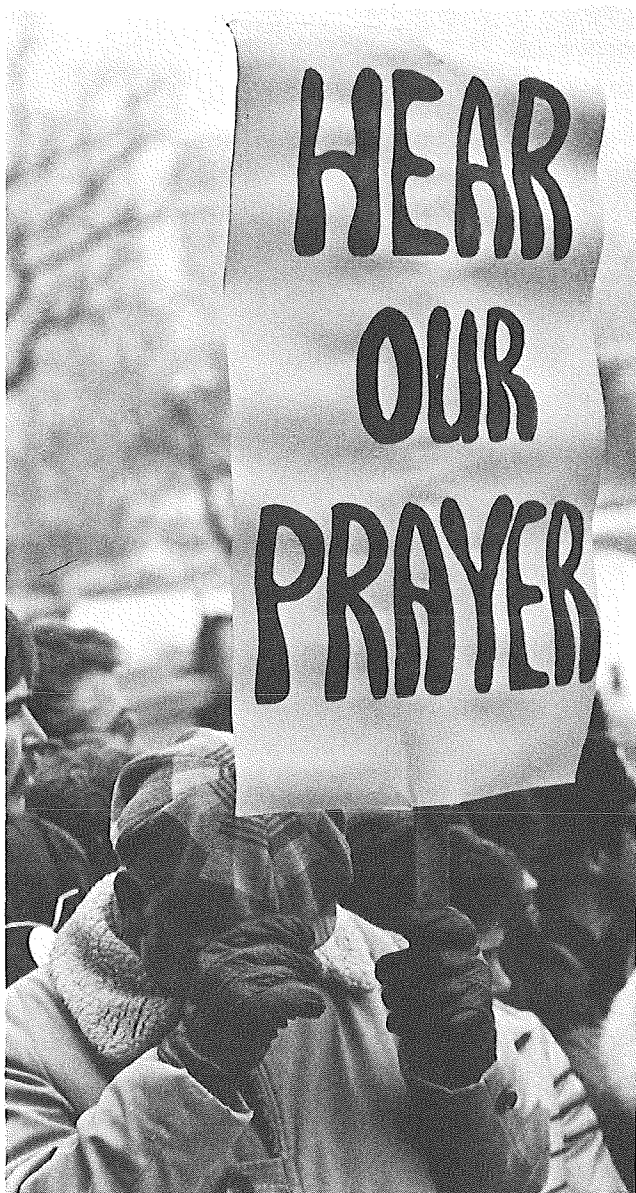
Sen. Don Moe

Mehrkens estimated at 40 percent—is also a possibility. Legal assistance and special agricultural training for lawyers is another contribution the state could make.

Frederickson agreed that an interest buy-down program might be a partial solution, as well as additional management training. The state could also look at some way to lower real estate taxes.

But most Senators agreed that anything that the state does probably won't significantly relieve the problem—at least not in the near future. "I think agriculture is going to be a very tough business, probably for the next two or three years," Frederickson said. Raup didn't really hold out much hope, Moe said. Langseth agreed that everyone seems to be saying that the problem is going to get much worse before it gets better.

But things are not completely hopeless, according to Frederickson. At least the farmers who do survive will be in a better position and working in a more stable environment. When the federal government moves toward balancing their budget, things will level off and there will be some help for farmers with large debts, he said. After that, farmers should be all right.



Farm protesters at the capitol express the social and emotional costs of the rural economic crisis.

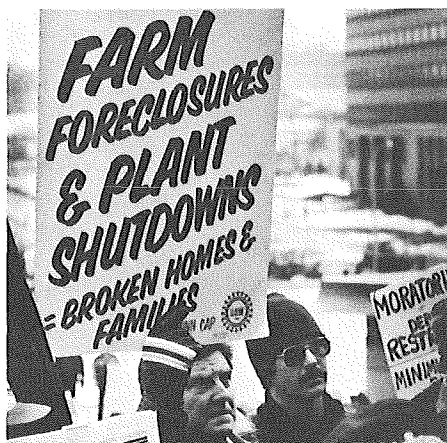


photo by David J. Oakes



Rural uncertainty takes heavy toll

by Karen L. Clark

The crisis in rural Minnesota goes far beyond the dollars and cents, profit and loss figures usually associated with a region's economic health. Today's rural crisis strikes at the very foundation of the American dream. The human costs in emotional pain, stress, and uncertainty are exacting a heavy toll on the farms and on main street U.S.A. The almost mythological relationship of the farmer to the land, and of idealized life in small towns, is being threatened by a societal crisis on a national scale.

In Minnesota, the rural situation has prompted a mobilization of efforts by all levels of government, educational

institutions and religious organizations to respond to the individual needs of people caught up in forces largely beyond their control.

A portion of the Agricultural Seminar held February 6 was devoted to a discussion of the local community efforts providing relief for distressed farmers and business owners. The moderator of the discussion, Sen. Darril Wegscheid, and another participant in the seminar, Sen. Duane Benson, both offered comments later on the current response to the rural crisis and on the predicament of the individuals involved.

Both senators acknowledged that the financial aspects of the problems being

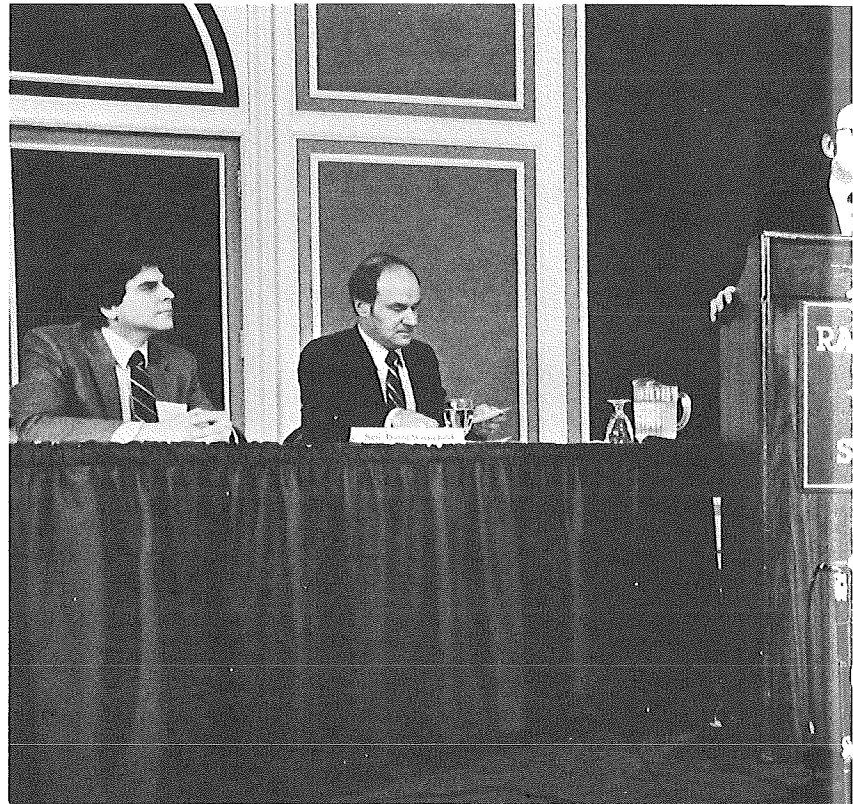
experienced by Minnesota's farmers and farm communities are the basis for the crisis. "We focus on the economic side of the problem, and that's appropriate, but for me the hardest part is seeing the human cost," Benson said.

"The prices and costs are so out of balance—there are so few assets left—that the financial problems are the heat under the pot that creates the pressure," said Wegscheid. "Secondly," he continued, "there are the people who are caught in that pressure cooker, who are trying to figure out what to do in a complex situation."

Dwayne Breukleman, president of the Chokio state bank, was the first speaker on



Sen. Duane Benson



Agricultural Seminar panelists outline for state lawmakers the current efforts being Dwayne Breukleman explains how local banks are responding to the crisis. Other p Darril Wegscheid (moderator), Victor A. Richardson, Robert Galbraith and Jeanne

the current response panel, and he emphasized the sense of despair and depression felt by farmers. "A typical farmer," he said, "firmly believes that farming is more than a business—that it is a way of life and that he is a steward of the land." Many are ready to give up, he said, and there is a great deal of stress placed on the whole family.

A second speaker, Mark Ludowese, Director of the Rural Life Conference for the New Ulm Diocese, continued the theme of the human costs. "We have had two primary concerns," he said. "First is the dignity of the human being . . . it is one thing to talk about the economics and the numbers of people losing farms and losing jobs, it is another to witness and experience the pain those people feel." The second concern, Ludowese emphasized, was the stewardship of the land, water and air, "the resources of this county that are given to us to preserve for future generations." The current crisis, though, has shattered several myths in the rural community, he said, particularly the myth that if a person is willing to work hard he will succeed. Today, in the rural community, he added, it seems that the harder you work the further behind you get. "People feel defeated," Ludowese said, "there is a longing for government to be of assistance but the federal farm bill was the last straw. Many say they are going to give up and get out from under the pressure."

Jeanne Markell, a Carver County Extension Agent, agreed that there is a lot of depression and pressure being felt by the rural community. "A lot of families are very proud," she said. "They place great value on privacy and independence and coming to us for emotional support is very difficult," she added.

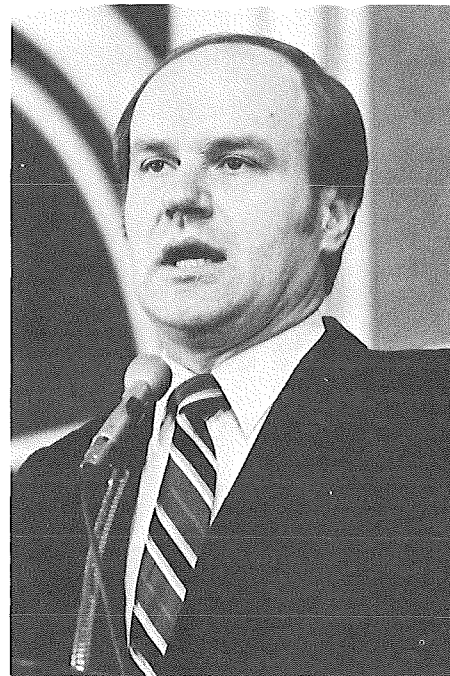
The last speaker on the panel, Victor Richardson, a farm management instructor at the Owatonna Senior High School, also cited stress and pessimism as ongoing symptoms of the agricultural situation. He added that low self-esteem is particularly evident in those cases where a farmer loses the farm that has been in the family for generations. However, Richardson emphasized that while it is important to realize the severity of the problems facing the farmers, it is equally important to "view these problems, not as a formula for failure, but as a call to action."

The other speakers and the two senators also developed the theme of action in support of the individuals caught up in the complex web of circumstances surrounding the rural economic crisis. One area of activity on the part of several organizations is providing farmers with accurate and timely information. Wegscheid cited the FINPAK computer program as a tool used by agriculture extension, Project Support and other groups to help farmers analyze their

situations. "A major effort is being made to literally go out to the family farm; sit down at the kitchen table with a portable computer and go through the numbers." In this way, Wegscheid indicated, the farmers can get a handle on some good information, make reasonable assumptions about what is going to happen, do some contingency planning and make informed choices about what to do.

Merkell, Ludowese and a fifth speaker Robert Galbraith, president of a small business, also pointed to the use of financial analysis as a tool for beginning a dialog with distressed farmers. Benson pointed out that the stigma of being in financial difficulty made it extremely difficult for an individual who is so fiercely independent to ask for help. Merkell stated, though, that it is easier, psychologically, for a farmer to go the extension agent's office to look at a computer run than it is to go to the social service office down the street. It is then easier to develop a one-to-one level of trust and offer other forms of assistance. By taking that first step in asking for help, she said, it is then possible to bring in other support agencies.

However, Ludowese agreed with other speakers that farming is more than a business. "Deep down inside, farm people are tied to the land in a relationship few of us can really understand," he said.



Sen. Darril Wegscheid

taken to provide relief for distressed farmers and business owners. Above, panelists presenting views on the current response include Mark Ludowese, Sen. Markell.

Ludowese described the efforts in the New Ulm diocese as working with extension services, the state farm advocate program and family social services in the 15 county area of the diocese to form a network of helping professionals to serve as a safety net. This volunteer network of professionals works in teams to sit down with the farmers and look at each situation objectively, he said. The teams help the farmer assess his prospects and assist him in making wise choices about his future in agriculture.

Galbraith emphasized the role of educational institutions, such as Southwest State University in Marshall in providing assistance to farmers. The Science and Technology Resource Center at the University is helping in the formation of small businesses that will, in turn, keep the community alive. He also mentioned Family Farm Resources, Inc., as an important resource in helping dislocated farmers through referrals for legal advice, job training and counseling, educational opportunities, welfare assistance, food shelves and support groups.

Both Benson and Wegscheid expressed concern about the ripple effect of the farm crisis. Benson pointed out that the small retailers, the farm implement dealers and other small businesses are all being affected by the agricultural situation. "The land will probably still be farmed, but not by people

who are tied to the community," he said. Purchases of farming supplies might no longer be made in the local communities, he indicated, thus continuing the economic hardship in the rural areas.

Breukleman, speaking from "a problem bank's" vantage point, stressed that many local banking institutions are completely dependent on the agricultural economy. In turn, a community's economic health is often intimately connected with the soundness of the local bank, he said. He cautioned against pitting the lending institutions against the farmers. The bankers are not the cause of the problem, he said, the bankers are victims too, along with other members of the community.

Wegscheid also commented on the pressures that would result should an estimated 3,000 to 5,000 family farms go under. If there is an average of three to four members to each family, he said, that could displace from 9,000 to 20,000 people; adding pressure on employment services, housing allotments, food stamps and other social services.

The panelists and the two senators, though, continued to express hope for the future of the family farm in Minnesota and for the surrounding agricultural community. However, that hope was equally tempered with a certain amount of realism and the prognosis that things would get worse

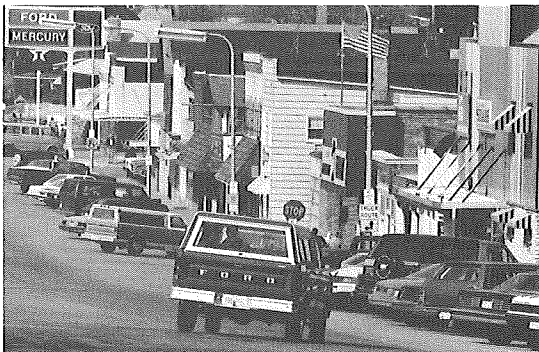
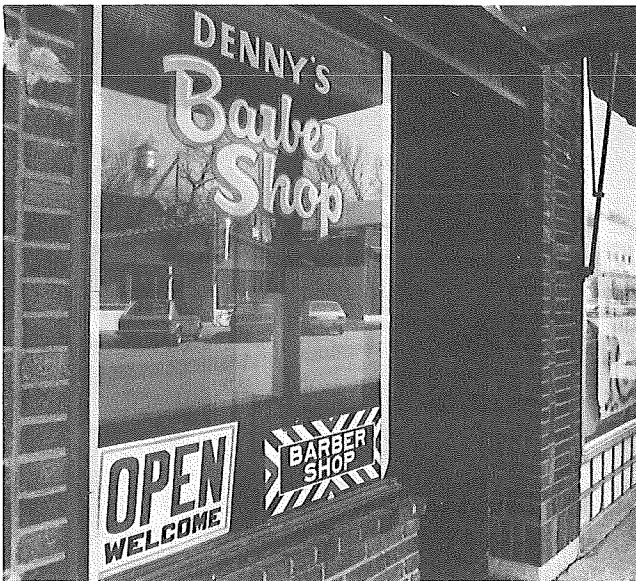
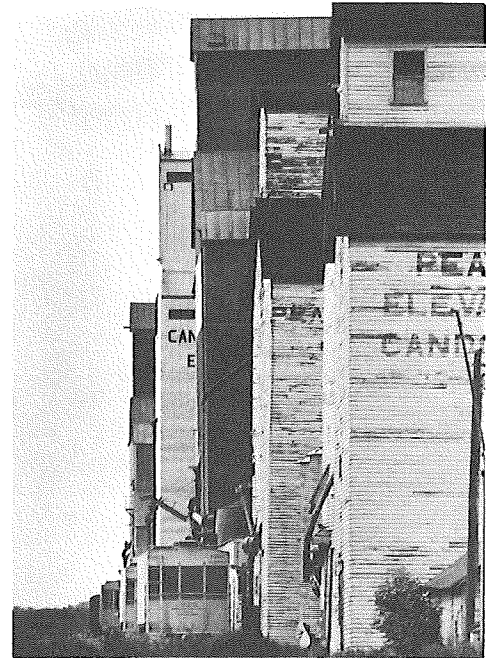
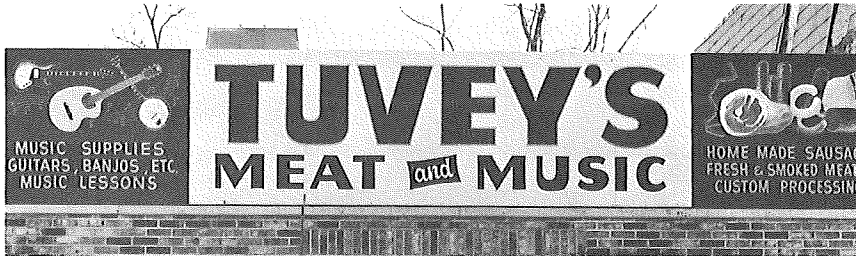
before they got better.

Benson, for instance, cautioned against the legislature "raising false hopes." He said that he is concerned that the legislature will try to give too much to that tier of farmers in a very critical financial situation and who perhaps should get out of farming, at the expense of those farmers in the next tier, who have a chance at surviving. Wegscheid agreed, that though it was hard to say, the vocational agriculture people had determined that perhaps ten percent of Minnesota's farmers should discontinue farming.

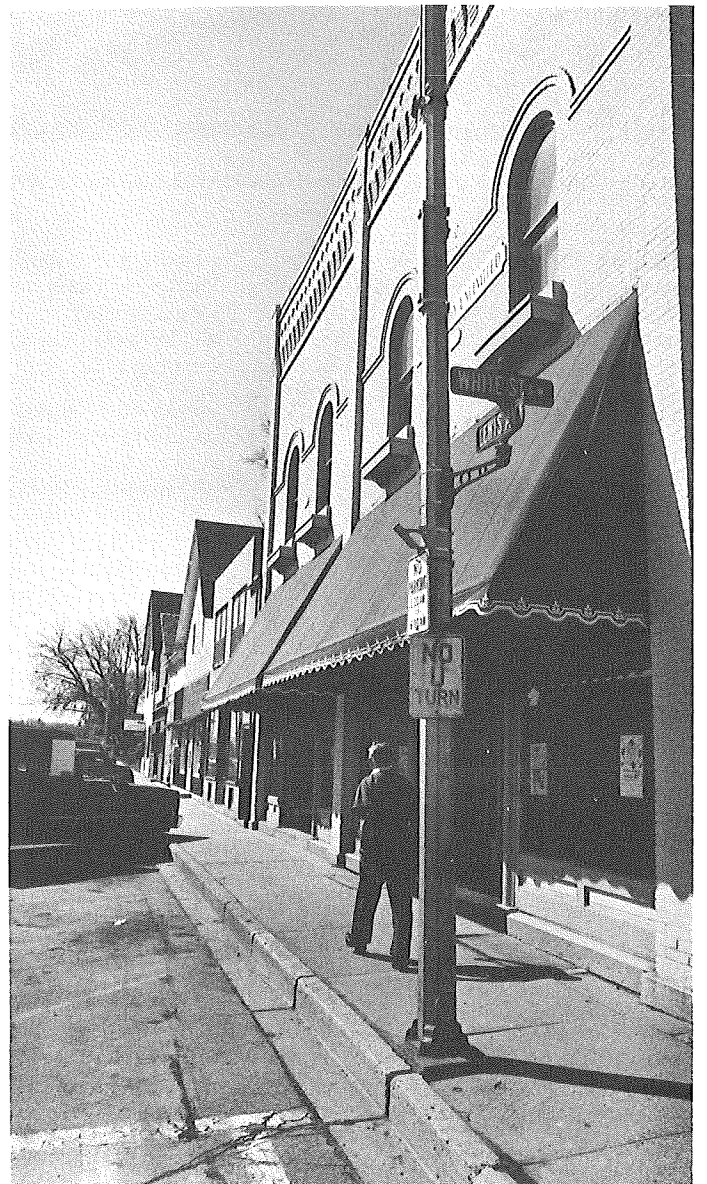
The problem, Wegscheid said, is to get over the emotionalism of the decision and then help people make the transition. Markell commented that from the standpoint of stress management theory, the actual decision making process is perhaps the most difficult. She said that an attempt is made, at that time, to help the individual consider all of the options and determine that they are making the best possible decision.

Both Wegscheid and Benson said that the issue will continue to occupy the attention of the Legislature for some time. Wegscheid added that the Senate would continue to "try to find programs to get something meaningful to the people. I think the words 'systemic' and 'holistic' describe the kinds of perspectives we have on approaching the problems of the rural area."

photos by David J. Oakes



Proposals to help Greater Minnesota included more than providing farm relief. The Rural Development Act offered new efforts to promote rural business growth.



Rural Development Act aims to diversify, rejuvenate economy

by Catherine Hope

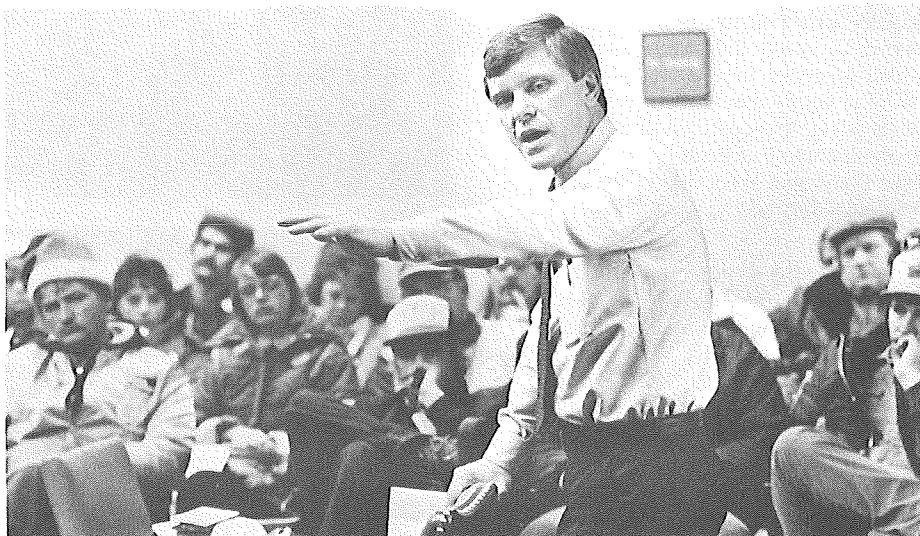
A long-term approach to aiding Minnesota's troubled rural economy gained overwhelming support of the Senate this session. The Rural Development Act, authored by Senate Majority Leader Roger Moe, is designed to diversify rural economies and to strengthen and consolidate the tools available to rural communities for economic development.

The act creates six regional development areas within the state and establishes six revolving funds within the regions to provide loans to businesses in rural areas. The state will provide \$5 million to be administered through the Governor's Rural Development Council. Moe said the state's funds will be matched with private foundation funds.

"Foundations in Minnesota have been quite generous but unfortunately they have been generous basically just to the metropolitan areas," Moe said. He hopes this project will encourage foundations to invest in rural communities.

Moe said he was pleased to hear that Minnesota's largest foundation, the McKnight Foundation, has recently announced plans to contribute \$15 million to rural communities over the next two years. The foundation funds will be used for economic development and human services in rural communities throughout the state. The McKnight Foundation promised an additional \$25 million if the first two years prove successful. The economic development funding will be eligible for matching grants from the state through the regional development provision of the bill.

Another component of the bill establishes an educational grant program to assist displaced workers. The grants will be used for tuition and living expenses for people



Sen. Roger Moe outlines provisions of the Rural Development Act to a visiting farm group.

whose jobs have become obsolete due to economic conditions. Farmers who have been forced off their farms, miners who can't find work and other displaced workers will be able to learn job skills —primarily at two-year post-secondary schools —through the program.

The Rural Development Act also establishes the Greater Minnesota Corporation, which was initiated by Governor Rudy Perpich. The corporation will provide development grants, loans and research services to businesses to help develop new products and services in rural areas. Moe said the corporation's research and development services will incubate product ideas and help translate them into high job potential industries.

"Obviously when you're investing in economic development projects, there is a certain amount of risk. The more you can cut down on that risk by having research

and development run on your project, the greater the possibilities of success and the more likely the lending institutes would be willing to participate," Moe said.

Research and development of new products will help propel rural Minnesota toward economic diversity, which is the long term goal of the Rural Development Act, he said.

When Moe brought the Rural Development Act to the Senate floor, the bill was passed by a vote of 60 to 2 earning the support of both rural and urban senators. Moe attributes the success of his bill to fact that most senators are sympathetic toward the rural communities which are facing an economic crisis. Most realize that rural areas have been victimized by federal deregulation while the metropolitan areas have benefitted from the trend, he said.

"Both rural and urban senators want to do something about helping the rural

photo by Joey McLeister

economy. Urban legislators realize that if problems persist in rural Minnesota then eventually those problems will move to the metropolitan areas," Moe said.

One metropolitan senator who voted against the bill said he believes the bill will siphon off research dollars from metropolitan institutions and erode the existing research base. Senator Fritz Knaak said applied research is most effective at those campuses which specialize in research because they have the equipment, staff, tradition and other resources necessary. Knaak said research at the University of Minnesota has been phenomenal and has been very beneficial to rural areas.

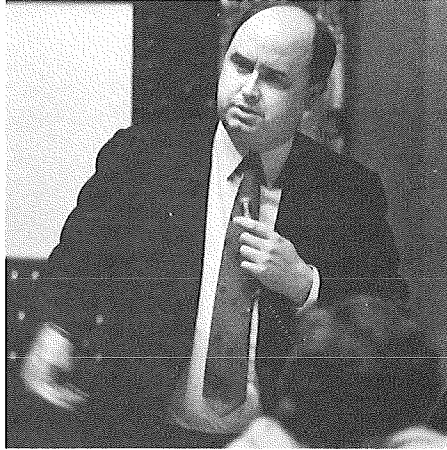
"I think this is a well intended bill but in an unintentional way it is sort of an insult toward the accomplishments of the University of Minnesota," Knaak said. "If we are really concerned about Minnesota's competitive role in the market . . . we should be doing what we can to reinforce and build upon what we have."

Senate Minority Leader Glen Taylor voted in favor of the bill but said he would have preferred that the rural problems be addressed through existing programs. He said the legislature should use existing education aid and economic development grant programs rather than a special bill. Most of the provisions of the bill are already being accomplished through other state programs and he said it is misleading to treat the bill as if it is going to accomplish something new.

"It is promising that you are going to do something new but it is really not opening up any new avenues that were not open before," Taylor said.

Although the measure gained the enthusiastic support of the Senate, members of the other body were less supportive. The House of Representatives' version of the bill would have eliminated the Department of Energy and Economic Development (DEED) and used the Greater Minnesota

photos by Joey McLeister



Sen. Fritz Knaak



Sen. Glen Taylor

Corporation to take over some of DEED's functions. Moe said he believes the corporation should be used as the governor intended rather than as a replacement for a vital state agency. The House of Representatives and the Senate negotiated the issue as part of the Omnibus Budget Bill Conference Committee, after the House adjourned March 17. Negotiations reached an impasse, though, over the issues of welfare benefits and the Department of Energy and Economic Development. As a

result, the Rural Development Act was not included in the final budget package.

However, Moe remains optimistic that some positive benefits have already been generated through open discussion of the long-term needs of rural communities. Moe expressed confidence that portions of the bill will pass in the future. "We will definitely see this bill again next year," he said.

photo by David J. Oakes



Ag package offers farm relief

by Steve Senyk

When asked recently what the Legislature could do to help Minnesota's troubled farmers, Professor Philip Raup quickly replied, "Not much." The response, while simple, accentuated the limits of state power in solving a regional and national crisis. What is needed, Raup explained, is federal action to control inflation while avoiding high interest rates. But Raup's remarks did not end the resolve among state legislators to do what was possible to help rural Minnesota. In the Senate, lawmakers' efforts produced several proposals, which were combined into one bill and passed by the body in early March. Some of the proposals were controversial, and differences between

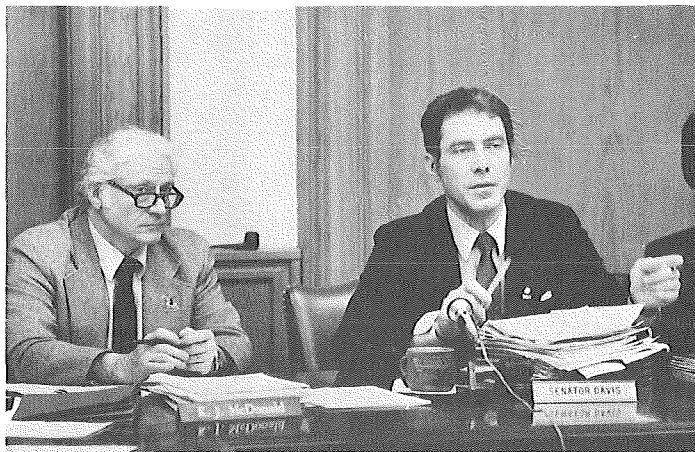
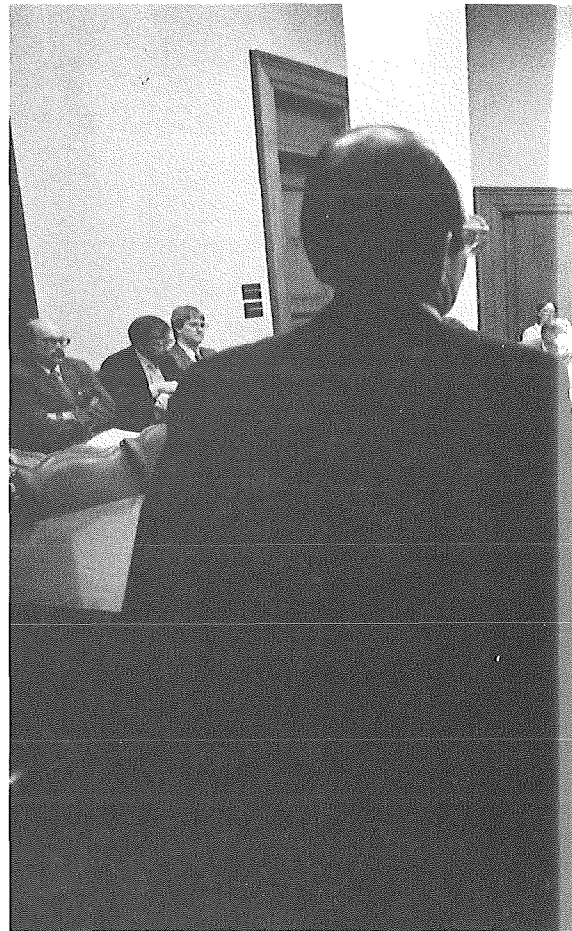
the House and Senate positions had to be resolved before a bill was put into law. The final result is a \$16 million package aimed at helping financially troubled Minnesota farmers.

A key provision of the bill provides nearly \$5 million in state funds to pay the debt service for \$50 million in general obligation bonds, which then would be used to guarantee \$200 million in general revenue bonds. That provision, according to Department of Agriculture officials, could generate up to \$800 million, which would be used to restructure farm debt at a lower interest rate. Loans would be based on current land values rather than the higher values that were in place when the loans were made.

According to the Department of Agriculture, the program could benefit between 4,000 and 6,000 farmers. Said Senator Charles Berg, "I can't see anything but good coming out of this program. We see farmers staying out on the land—many more than would otherwise [stay]. We see less land being dumped on an already glutted market. We see the farmers being able to stay there and not get uprooted, and we don't see the tremendous social costs that would result otherwise."

Another \$5 million is appropriated to continue the interest buy-down program. Under that program, interest rates would be lowered 50 percent—the state paying 75 percent of the interest subsidy and the lenders covering 25 percent. With current

photos by David J. Oakes



loan interest rates between 12 and 14 percent, eligible farmers would be able to secure loans at a 6 or 7 percent interest rate. Sen. LeRoy Stumpf said he is hopeful that more lenders than last year will participate in the program because the state is paying more of the interest subsidy and the maximum loan amount is raised to \$100,000.

The new law creates a mandatory mediation program, which encourages lenders and farmers to work out possible debt repayment plans. Under the provision, mediation is mandated upon a debtor's request when the lender has indicated an intent to enforce a security interest against agricultural property. The proceedings to enforce the debt are then suspended until 90 days after the mediation concludes or an agreement is reached. If the lender is an agency of the United States, the proceedings are suspended for 180 days.

If the mediator determines that the creditor has not participated in "good faith," the debtor can request the court to supervise the mediation. Upon request, the court must

require both parties to mediate, and it can issue orders to insure "good faith" mediation. And, the court could suspend debt enforcement proceedings for an additional 180 days. Testifying before conference committee members, Norman Larson from Groundswell said, "We need mandatory mediation because there are lenders who will not mediate and there are borrowers who will not mediate."

The new law also places a one year moratorium on deficiency judgements and limits the future judgements to the difference of the amount owed on the mortgage and the fair market value of the property. Furthermore, the homestead exemption in rural areas for personal or deficiency judgements is increased from 80 to 160 acres.

Veterinarians who provide emergency services to help a farmer's animals will be given a priority lien on the proceeds of those animals, under the new law. Furthermore, landlords also are given a priority lien in the proceeds of agricultural products that are produced on the

landlord's property. But agricultural input suppliers will not have the same benefit, as had been proposed in the original Senate bill. Under that proposal, lenders and input suppliers who provide credit to help farmers plant their crops or raise livestock would have received a priority lien in the proceeds of the product.

Senator Gary DeCramer, author of the agricultural input lien provision, said his proposal offered farmers who wanted to borrow money but are denied credit a chance to get the necessary inputs. "Under current law, lenders who loan money to farmers can take a security interest or lien not only on the crop that their loaning the money for, but on future crops to be grown. When they decide they are not going to loan money for future crops, they also prevent that borrower from going to another lender and getting money because the lender who holds a security interest refuses to subordinate," he said.

However, that provision failed to gain House approval. According to Senator Randy Kamrath, "By having a priority lien, it takes



Above: Conference Committee members sign the compromise agreement in the closing hours of the legislative session.
Lower left: Conference Committee Co-Chairman Rep. K.J. McDonald and Sen. Charles Davis preside over negotiations on a major farm relief package.

away all of the negotiations that should take place between the long-term lender, farmer and the supplier. The supplier making a decision on this year's crop without looking at the overlying expenses, and the interest expenses, may actually be doing the farmer a disservice by allowing him to continue operating without any adjustments."

While the input lien portion of the proposal failed to gain the necessary support, the new law does request a study on the issue. Thus, legislators will ascertain information regarding the impact of an agricultural input lien.

The law also provides \$1.35 million to agricultural vocational technical institutes to reduce tuition costs for existing farm business and small business management programs. The money also could be used to increase farm business management programs and workshops. And the University of Minnesota would receive \$1.25 million to continue its agricultural extension service projects. The projects include mediation training, project support programs, farm financial management

programs, and family financial and stress management education.

Another \$650,000 is appropriated for a legal assistance program. Under the program, the supreme court would be able to contract with nonprofit organizations to provide the services. And the family farm advocate program will receive \$300,000.

Farmers will not have to pay taxes on capital gains earned upon foreclosure of a mortgage on real or personal property used in farming, under another provision of the law. Furthermore, farmers deeding back the property in lieu of foreclosure also are exempted from paying taxes on the capital gain.

And an interstate grain compact could be established if five states accept the idea. The compact would study agricultural grain marketing and make recommendations to Congress.

According to Stumpf, the final package is the Senate's approach to addressing the farm

crisis. "We needed to have a comprehensive package to try to address some of the problems that we are being faced with in the rural areas," he said. According to Senator Charles Davis, "There were a lot of good reasons for packaging all of those components into one bill, because we knew full well that all of the component parts were strung from here to tomorrow in the House—some never made it out of the ag committee—and we had good reason to believe that they would react positively to the package and deal with the multiplicity of issues involved."

Davis said he believes the bill would serve as a model for other states. "The working mechanisms in the bill providing the tools for rural people to work out of their dire situation are just as important as the money that's in there—maybe more so," he added.

"Things have come together amazingly well on this bill," Davis concluded, "I think it's as a result of the fact that, in the Senate, we have been working to pull this package together for more than two years."

MINNESOTA STATE SENATE

Senate Members—1986 Session

PHONE	PARTY	SENATOR	ROOM *	DIST.	PHONE	PARTY	SENATOR	ROOM *	DIST.
296-5981	DFL	Adkins, Betty A.	235 Cap.	22	296-0760	DFL	Petty, Eric D.	323 Cap.	62
6455	IR	Anderson, Don A.	103 SOB	12	7809	DFL	Pogemiller, Lawrence J.	G-24 Cap.	58
5975	IR	Belanger, William V., Jr.	107 SOB	41	4167	DFL	Purfeerst, Clarence M.	303 Cap.	25
3903	IR	Benson, Duane D.	109 SOB	32	9251	IR	Ramstad, Jim	123 SOB	45
5094	IR	Berg, Charles A.	115 SOB	11	2889	DFL	Reichgott, Ember D.	G-27 Cap.	46
4261	DFL	Berglin, Linda	323 Cap.	60	4125	IR	Renneke, Earl W.	117 SOB	35
4131	IR	Bernhagen, John	113 SOB	21	4875	DFL	Samuelson, Don	121 Cap.	13
2084	DFL	Bertram, Joe	328 Cap.	16	7157	DFL	Schmitz, Robert J.	235 Cap.	36
4848	IR	Brataas, Nancy	139 SOB	33	4310	IR	Sieloff, Ron	135 SOB	64
4182	DFL	Chmielewski, Florian	325 Cap.	14	4188	DFL	Solon, Sam G.	303 Cap.	7
5003	DFL	Dahl, Gregory L.	G-24 Cap.	50	4191	DFL	Spear, Allan H.	G-27 Cap.	59
2302	DFL	Davis, Charles R.	G-24 Cap.	18	6238	IR	Storm, Donald A.	125 SOB	42
6820	DFL	DeCramer, Gary M.	303 Cap.	27	8660	DFL	Stumpf, LeRoy A.	306 Cap.	1
2859	DFL	Dicklich, Ronald R.	306 Cap.	5	9457	IR	Taylor, Glen	147 SOB	24
8298	DFL	Diessner, A. W. "Bill"	325 Cap.	56	4101	DFL	Vega, Conrad M.	G-29 Cap.	39
8867	DFL	Dieterich, Neil	235 Cap.	63	3809	DFL	Waldorf, Gene	G-24 Cap.	66
2877	DFL	Frank, Don	G-28 Cap.	51	8091	DFL	Wegscheid, Darril	309 Cap.	37
4123	IR	Frederick, Mel	119 SOB	30	4147	DFL	Willet, Gerald L.	121 Cap.	4
8138	IR	Frederickson, Dennis R.	143 SOB	23					
9307	DFL	Freeman, Michael O.	303 Cap.	40					
4314	IR	Gustafson, Jim	132A SOB	8					
4183	DFL	Hughes, Jerome M.	328 Cap.	54					
9305	IR	Isackson, Doran L.	151 SOB	28					
3826	IR	Johnson, Dean E.	105 SOB	15					
8881	DFL	Johnson, Douglas J.	205 Cap.	6					
4248	DFL	Jude, Tad	235 Cap.	48					
1240	IR	Kamrath, Randy P.	133 SOB	20					
1253	IR	Knaak, Fritz	149 SOB	53					
4120	IR	Knutson, Howard A.	121 SOB	38					
4302	DFL	Kroening, Carl W.	G-24 Cap.	57					
1945	IR	Kronebusch, Patricia Louise	153 SOB	34					
4351	IR	Laidig, Gary W.	145 SOB	55					
3205	DFL	Langseth, Keith	G-24 Cap.	9					
8017	DFL	Lantry, Marilyn M.	G-24 Cap.	67					
4136	DFL	Lessard, Bob	328 Cap.	3					
8869	DFL	Luther, William P.	205 Cap.	47					
1279	IR	McQuaid, Phyllis W.	132B SOB	44					
8075	IR	Mehrkens, Lyle G.	127 SOB	26					
4154	DFL	Merriam, Gene	G-24 Cap.	49					
4264	DFL	Moe, Donald M.	309 Cap.	65					
2577	DFL	Moe, Roger D.	208 Cap.	2					
4871	DFL	Nelson, Tom A.	301 Cap.	31					
4334	DFL	Novak, Steven G.	203 Cap.	52					
1282	IR	Olson, Gen	132C SOB	43					
4241	DFL	Pehler, James C.	306 Cap.	17					
4135	DFL	Peterson, Collin C.	205 Cap.	10					
3988	IR	Peterson, Darrel L.	141 SOB	29					
4274	DFL	Peterson, Donna C.	G-29 Cap.	61					
8018	DFL	Peterson, Randolph W.	326 Cap.	19					

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PHONE	COMMITTEE	ROOM *
296-4157	Agriculture & Natural Resources	24 Cap.
4158	Econ. Development & Commerce	303 Cap.
4185	Education	306 Cap.
8866	Elections & Ethics	328 Cap.
8865	Employment	325 Cap.
8864	Energy & Housing	29 Cap.
6436	Finance	121 Cap.
4175	Governmental Operations	309 Cap.
4151	Health & Human Services	323 Cap.
4191	Judiciary	27 Cap.
4150	Local & Urban Government	235 Cap.
1767	Public Util. and State Reg. Indus.	235 Cap.
4196	Rules & Administration	208 Cap.
4839	Taxes & Tax Laws	205 Cap.
4186	Transportation	303 Cap.
1771	Veterans' & General Leg.	328 Cap.

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