IN NEBRASKA

A recent Nebraska Supreme Court decision may result in significant increases in the valuation of agricultural land for property tax purposes.

The state constitution has long called for “uniformity” in the valuation of all property. In practice, however, agricultural land traditionally has been valued at a smaller percentage of its true market value than other real estate (residential, commercial, and industrial property).

In the early 1980s, the owner of a commercial property challenged the valuation assigned to the property, contending that commercial property was substantially over-valued relative to agricultural property. The Nebraska Supreme Court agreed with this contention.

Agricultural groups, fearing that agricultural land values would be raised to the same percentage of market value as other rural property, subsequently led a petition effort to change the method of valuing agricultural land. In 1984, Nebraska voters approved a constitutional amendment which allowed agricultural land to be valued on the basis of something other than its market value. Subsequently, the Nebraska Legislature determined that the land’s earning capacity should determine its valuation.

The Supreme Court’s action could lead to changes in the state’s infrastructure for delivery of public services. Potentially, a larger percentage of local property tax revenue will come from owners of agricultural land as a result of this most recent decision. Agricultural landowners may then advocate shifting financial support for some public services from local property taxes to state sales and income taxes. But owners of other types of property likely would oppose such a shift.

IN TEXAS

Budget pressures have forced the Texas Legislature to take a new look at the Texas economy. They saw an economy less dependent on the oil and gas industry than it had been in earlier years. However, this industry, through taxes, had funded a significant portion of the state revenues. The economy was expanding and diversifying. In turn, the Legislature presented to the voters several constitutional amendments to aid development.

To facilitate implementation of these and other agricultural business and development proposals, the Legislature created the Texas Department of Commerce. This department consolidates activities of several varied state agencies responsible for industrial attraction, tourism, and other economic development. Constitutional amendments that would most directly affect agriculture and economic development are:

- To provide assistance to encourage economic development in the state. Locally guaranteed bond proceeds would be used to make loans or grants to develop agricultural innovation, promotion of agricultural enterprises, and development of transportation and commerce.
- To provide state financing of the development and production of Texas products. An agricultural fund would be established to promote the production, processing, and marketing of agricultural products produced in Texas by small agricultural businesses.
- To provide $400 million of Texas Water Development Bonds for water supply, water quality, and flood control purposes. Half of these funds would be designated for the conservation and development of water resources, $150 million would be designated for water quality enhancement, and the remainder would be used for flood control.

Another amendment important to the Texas grain industry would provide for the surety of a grain warehouse fund for the protection of farmers and depositors of grain in public warehouse facilities. The state would guarantee the industry’s self-insurance fund until it reaches $5 million.

Contributed by Roy Frederick Nebraska Department of Agriculture
A referendum to the Texas Constitution, if approved, would permit pari-mutuel wagering in Texas on a county-by-county local option basis. If approved, a county would have to pass a separate proposition on pari-mutuel wagering before such wagering could be conducted in the county. The Texas horse racing industry has actively supported this referendum.

Contributed by James W. Richardson
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IN SOUTH DAKOTA

In South Dakota, a state with 35,000 farms and ranches, the number of farm bankruptcy filings increased greatly in the 1980’s, from 129 in 1982 to 564 in 1986. Over three-fifths are reorganization bankruptcy filings—mostly Chapter 11 filings before December 1986 and Chapter 12 filings since then. South Dakota has no voluntary or mandatory farm mediation laws, and reorganization bankruptcy remains an important negotiating outlet for numerous debtors and creditors.

Data based on Chapter 11 filings from 1980-85 indicate that farmers of all ages and experience levels are filing bankruptcy petitions. The typical (median) filer had operated a farm/ranch for 18 years. One-fourth had operated their farm or ranch for over 30 years while 34 percent were in family or ranching for 10 years or less. Only 5 percent had been involved in a prior bankruptcy, but 42 percent were involved in one or more pending lawsuits at time of filing.

Average total assets per debtor were valued at $617,000 and average total debts were $720,700 with 92 percent of this debt held by secured creditors. Over two-thirds of the farm businesses were insolvent (negative net worth) at the time of filing. Only 7 percent of filers had total debts exceeding $1.5 million and would not qualify for Chapter 12.

An average of 15 creditors (six secured and nine unsecured) were listed per farm bankruptcy filer. While secured creditors held 92 percent of total debt, an estimated 58 percent of this debt was impaired where the amount of debt exceeded the value of security interest (collateral). Commercial banks, FmHA and Farm Credit System held 75 percent of secured debt. Most (91 percent) debtors owed unsecured creditors. The average total amount of unsecured debt was $60,000, split among 9.8 creditors. Local and regional agribusinesses, financial institutions and retail businesses were the major creditors.

Chapter 12 bankruptcy provisions are an additional risk to agricultural lenders. A 1987 survey of bank senior loan officers in South Dakota indicates a majority plan to alter their farm lending practices by restricting credit access, increasing use of FmHA loan guarantees, or increasing interest rate spreads to farm borrowers.

Contributed by Larry Janssen
Brian Schmiesing
South Dakota State University

IN KANSAS

Kansas Governor Mike Hayden convened a special session of the Kansas Legislature in August 1987 to consider a $1.7 billion state highway improvement and maintenance proposal. The special session was adjourned after six days without submitting a highway improvement bill to the Governor. However, all major interests were conscious of a need to deal with highway improvements. Upcoming sessions of the Legislature will further consider road maintenance issues.

The need to improve locally funded rural roads is recognized in Kansas and throughout the nation. Many farm-to-market roads and bridges are old and in a state of disrepair. Funding needs for the revitalization of farm-to-market systems are great and sources of those funds frequently are not apparent to local government officials.

Maintenance and improvement of designated state intercity highway systems, such as recently considered by Kansas legislators, are also very important to agriculture and to local communities, especially in the Great Plains. Good highways improve access for small community residents to personal, social and recreational services of larger adjacent communities, which, in turn, leads to more balanced choices of location and economic development throughout Kansas and the Great Plains.

In addition to personal mobility, good roads are important to the acquisition of farm supplies and production services and to marketing and distribution of agricultural products. In the 1980’s, Kansas has become the largest producer of beef in the nation. In 1985, 97 percent of the beef shipped from Kansas slaughtering plants was distributed by truck to destinations throughout the nation. Nearly 40 percent was trucked directly to destinations in New England, Mid-Atlantic, and South Atlantic states. Less than 7 percent of the production was consumed in Kansas in 1985.

Use of trucks for shorter, in-state movement of grains has increased the use of the Kansas highways in reaching grain markets. This has resulted from (1) discontinuance of rail service at some local elevators, (2) more trucking to terminal and sub-terminal points both by farmers and local elevator managers in search of a better price, and (3) increased opportunities for two-way truck hauls under current regulation.

Increased efficiencies of production and pricing in the trucking industry during the deregulated era of the 1980’s have resulted in slower increases in truck rates than may otherwise have been expected. Also, the benefits of rail transport improvement and increased exercise of competitive pricing since deregulation in 1980 (Staggers Act) has benefited Great Plains farmers through reduced product price dif-

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Differentials between Great Plains origins and traditional markets. For Kansas wheat shipments to Gulf of Mexico destinations, rail transport rate reductions have been as much as 30 cents per bushel.

Transportation improvement remains an important goal for Kansas agriculture and its rural communities.

Contributed by L. Orlo Sorenson
Kansas State University

IN NORTH DAKOTA

North Dakota's Legislature recently passed the most significant wetlands bill in the state's history. The legislation, known as the "no net wetlands loss bill," imposes an increased cash cost upon persons who drain wetland.

The law requires that any person who proposes to drain a wetland that is part of a watershed of more than 80 acres must obtain a permit from the state engineer.

Persons proposing to drain a wetland must pay 10 percent of the cost of providing replacement wetland equivalent to that proposed to be removed. The other 90 percent will be paid by either federal, state, or private interests unless the individual chooses to pay more. Requiring a payment from a person who drains a wetland forces the landowner to directly bear a greater share of the cost associated with replacing the wetland.

Approximately 50 percent of the replacement wetlands must be located within the county where drainage took place or in contiguous counties. The other 50 percent may be located in the state as long as the replacement wetland is in the same biotic area. Procedures for replacing wetland are not detailed in the statute, but it is likely that, once a suitable area is identified, the current owner of the wetland to be restored or preserved will need to be compensated. In addition, some replacement wetland will entail a cost to develop or enhance the wetland habitat.

A wetlands bank tally will be kept. Land taken out of wetlands will be marked as a debit. Land added to wetlands will be marked as a credit. Any time net debits reach 2,500 acres, permits to drain will not be granted. If the wetlands bank is debited to its 2,500 acre limit and no entity is willing to acquire replacement areas, the potential drainer is not without recourse. The landowner could pay the full replacement cost. In such a situation, the landowner would drain a wetland only if its increase in value exceeds the cost of drainage plus the cost of replacement wetlands.

Paying part or all of the cost for replacement wetland directly imposes a cash cost upon persons wanting to drain wetland. These costs will vary as the demand for and the availability of potential replacement wetland changes. Consequently, market forces will be a vital part of future decisions to drain wetlands by North Dakota farm landowners.

The increased cost to farmers wishing to drain wetlands may become the most significant restraint on draining wetlands. The new system emphasizes economic considerations (in contrast to administrative decisions) to influence the amount of wetlands drained.

Contributed by David Saxowsky
North Dakota State University

National Broiler Council
Voice of America's Broiler Industry

Chicken grows in popularity with America's food buyers each year. And the U.S. Broiler Industry continues to provide nutritious chicken in new and convenient forms. The National Broiler Council represents the U.S. Broiler Industry with active, ongoing programs in public affairs, consumer education and membership services from headquarters in Washington, D.C.