

**1999 DRAFTING REQUEST**

**Bill**

Received: **01/15/99**

Received By: **kahlepj**

Wanted: **Soon**

Identical to LRB:

For: **Assembly Republican Caucus 7-0892**

By/Representing: **Nicloe Anderson**

This file may be shown to any legislator: **NO**

Drafter: **kahlepj**

May Contact:

Alt. Drafters:

Subject: **Econ. Development - misc.**

Extra Copies:

**Topic:**

WHEDA loan guarantee for hog producers

**Instructions:**

See Attached

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	kahlepj 01/18/99	jgeller 01/18/99		_____			
/1			ismith 01/18/99	_____	lrb_docadmin 01/19/99	lrb_docadmin 01/19/99	

FE Sent For:

*Not Needed*  
↪

<END>

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/?	kahlepj	1/18/99 JLg	IS 1/18/99	IS/HP 1/18/99			

FE Sent For:

<END>

Memorandum  
January 14, 1999  
Page Two

The basis of the emergency program is a modification to the CROP guarantee program. WHEDA provides 90 percent guarantees on loans made by Wisconsin lenders. The program has been available since 1985. The standard CROP Program would continue to be available to the general agricultural community while the emergency criteria are in effect.

Sec. 234.90 (3j) authorizes WHEDA to develop emergency eligibility criteria under CROP as follows:

(3j) EMERGENCY ELIGIBILITY CRITERIA. The authority may guarantee a loan to a farmer using eligibility criteria determined by the authority that differ from the criteria under subs. (2) to (3g) if all of the following apply:

(a) The governor has determined that an emergency situation exists and that the criteria under subs. (2) to (3g) prevent the authority from making an adequate response to the emergency situation.

(b) The authority has submitted to the joint committee on finance for review under s. 13.10 the emergency eligibility criteria that it proposes to use, and the joint committee on finance has approved the use of the criteria for the emergency situation.

The emergency criteria we propose would include the following:

- ✓ • Targeted to hog producers (CROP is available to all farmers).
- ✓ • The maximum loan limit would be \$50,000 including other CROP loans (CROP is \$20,000).
- ✓ • The loan term would require repayment within three years (CROP is one year).
- ✓ • The borrower must apply for the guarantee before July 31, 1999 (CROP is ongoing).
- ✓ • The emergency program guarantees would be no more than \$5,000,000 and available on a first-come, first-served basis (CROP is \$30,000,000).

#### **ACTION NEEDED**

1. Governor issues an Executive Order declaring a hog market emergency situation and authorizing WHEDA to modify the CROP Program in response.
2. WHEDA submits a s.13.10 request to the co-chairs of the Joint Committee on Finance for approval of the emergency eligibility criteria. WHEDA's request will describe the nature of the emergency and ask that the Committee take up the issue at the earliest opportunity.
3. Joint Committee on Finance reviews and approves the emergency eligibility criteria.
4. WHEDA implements the emergency eligibility criteria immediately.



WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Tommy G. Thompson Governor

Edwin J. Zagzebski Chairman

Fritz Ruf Executive Director

201 West Washington Avenue Suite 700 PO Box 1728 Madison, WI 53701-1728 tel 608/266-7884 fax 608/267-1099

101 West Pleasant Street Suite 100 Milwaukee, WI 53212-3962 tel 414/227-4039 fax 414/227-4704

www.wheda.state.wi.us wheda@mail.state.wi.us

WHEDA supports equal housing opportunities for all persons



Post-It brand fax transmittal memo 7871 # of pages > 4 To: Nicole Anderson From: Linda Harrison Co: Assem. Rep. Curtis Dept. Rep. At Off Phone: (608) 266-5831 Fax: (608) 264-6999 Fax: (608) 282-3603

Memorandum

To: Interested Legislators From: Fritz Ruf, Executive Director Re: Hog Market Crisis Date: January 14, 1999

ISSUE

Modifying the CROP Program in response to the hog market crisis.

BACKGROUND

American hog farmers are in the midst of a market crisis. According to the National Pork Producers Council:

"What we really have confronting us is a case of hog supplies exceeding U.S. packing plant slaughter capacity. That has created the massive bottleneck at the nation's packing plants and driven live hog prices down to disastrous levels."

Hog farmers across the nation and in Wisconsin are suffering huge losses that may drive many from the industry. Industry experts believe that emergency measures taken now can help pork producers survive:

"The recent low hog prices have generated the largest losses in history during December. The red ink that started in November 1997 is expected to end in mid-summer 1999. The liquidation that is occurring will result in higher hog prices particularly in 2000. However, many of the surviving producers will need to restructure the accumulated short-term debt over a longer period of time and their cost of production will increase. Loan guarantees or interest buy-downs will be helpful (and possibly necessary) for survival of many independent pork producers."

John D. Lawrence, Associate Professor Iowa State University Testimony to the Democratic Hearing on the Crisis in the American Livestock Sector January 5, 1999

AN EMERGENCY LOAN GUARANTEE PROGRAM

In December, Governor Thompson directed WHEDA to examine ways in which our financing programs could be used to help Wisconsin pork producers. Our review resulted in a proposed emergency loan guarantee program that would require no additional state money and no statutory changes.

Chairman:  
Agriculture Committee

Member:  
Consumer Affairs  
Government Operations  
Natural Resources



**Al Ott**

State Representative • 3rd Assembly District

January 14, 1999

TO: PAM  
From: Nicole Anderson  
7-0892

Sen. Brian Burke, Co-Chair  
Joint Finance Committee  
316 South, State Capitol  
Rep. John Gard, Co-Chair  
Joint Finance Committee  
315 North, State Capitol  
Madison, WI 53708

**Chairman Burke, Chairman Gard and Joint Finance Committee Members:**

As you all are aware, the hog industry in Wisconsin is currently in a crisis situation due to numerous factors which have negatively affected the industry. The Assembly Agriculture Committee held a public hearing on December 17, 1998 in an attempt to gather information and public input which could help alleviate the critical situation facing pork producers.

Several legislators have worked to find a way for the state to assist its pork producers in addition to the proposed federal assistance. After several meetings with legislators, agriculture experts and Wisconsin Housing and Economic Authority (WHEDA) staff, an initiative to modify the CROP program to assist independent pork producers was developed. Attached is the WHEDA memorandum outlining this initiative.


Today Governor Thompson has issued an Executive Order declaring a hog market emergency situation and authorizing WHEDA to modify the CROP Program in response. The next step is for WHEDA to submit a s.13.10 request to the co-chairs of the Joint Committee on Finance for approval of the emergency eligibility criteria.

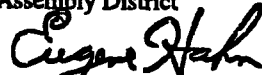
**This brings us to the point of this letter. All members of the Assembly Agriculture Committee are respectfully requesting the Joint Finance Committee meet as soon as possible to review and, hopefully, approve the emergency criteria so that the guaranteed loan assistance could be made available to pork producers by the end of this month.**


We urge you to consider and respond to this request as soon as possible in light of its importance to agriculture in Wisconsin. If you have any further questions, please feel free to contact Rep. Alvin Ott or Jim Langdon at WHEDA (telephone: 266-3529).

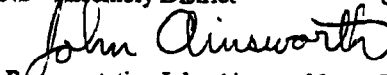
Sen. Brian Burke  
Rep. John Gard  
Page Two  
January 14, 1999

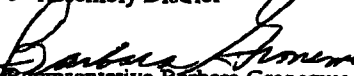
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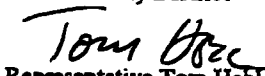
  
Representative Al Ott  
3<sup>rd</sup> Assembly District


  
Representative Eugene Hahn  
47<sup>th</sup> Assembly District


  
Representative Joan Spillner  
42<sup>nd</sup> Assembly District


  
Representative John Ainsworth  
6<sup>th</sup> Assembly District

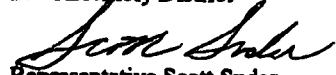
  
Representative Barbara Gronemus  
91<sup>st</sup> Assembly District

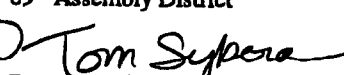
  
Representative Tom Hebl  
46<sup>th</sup> Assembly District


  
Representative John Steinbrink  
65<sup>th</sup> Assembly District

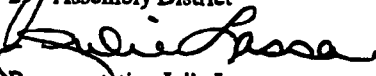
  
Representative Jerry Petrowski  
8<sup>th</sup> Assembly District

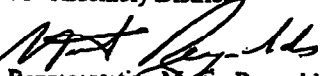
  
Representative Steve Kestell  
27<sup>th</sup> Assembly District

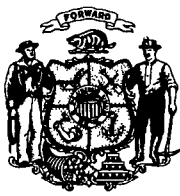
  
Representative Scott Suder  
69<sup>th</sup> Assembly District

  
Representative Tom Sykora  
67<sup>th</sup> Assembly District

  
Representative Joe Plouff  
29<sup>th</sup> Assembly District

  
Representative Julie Lassa  
71<sup>st</sup> Assembly District

  
Representative Martin Reynolds  
87<sup>th</sup> Assembly District



~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

*needed  
9 am Tues*

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*gen cat*  
AN ACT *gen cat*; relating to: guaranteeing loans made to swine farmers. ✓

*Analysis by the Legislative Reference Bureau*

The Wisconsin Housing and Economic Development Authority (WHEDA) administers a number of loan guarantee programs. Under the agricultural production loan guarantee program, WHEDA may guarantee 90% of the principal of a loan made to a farmer to finance the production of an agricultural product. The statutes specify the requirements that both a loan and a farmer must satisfy in order to be eligible for a guarantee under the program. This bill provides for a special loan guarantee category under the agricultural production loan guarantee program for farmers who raise swine. The requirements for a loan guarantee under the special category differ from the requirements for a loan guarantee under the rest of the program in the following ways:

1. Under the special category, the total outstanding principal amount of all loans to the farmer that are guaranteed under the program may not exceed \$50,000, while under the rest of the program, the total outstanding principal amount of all loans to a farmer that are guaranteed under the program may not exceed \$20,000.

2. Under the special category, the term of a loan may not exceed three years, while under the rest of the program, the term of a loan may not extend past March 31 of the calendar year following the calendar year in which the loan is made.

3. To have a loan guaranteed under the special category, a swine farmer must apply for a loan guarantee no later than July 30, 1999, while under the rest of the program, there is no application deadline.

The total outstanding principal amount of all loans that WHEDA may guarantee under the entire agricultural production loan guarantee program is



\$30,000,000<sup>✓</sup> (with a deduction for the total outstanding guaranteed principal under the farm assets reinvestment management loan guarantee program). The bill provides that, of that total outstanding principal amount, \$5,000,000 may be total outstanding principal of loans guaranteed under the special category for farmers who raise swine.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 234.90 (2) (intro.)<sup>✓</sup> of the statutes is amended to read:

2           234.90 (2) ELIGIBLE LOANS. (intro.) Except as provided in sub. ~~subs.~~ (3h)<sup>✓</sup> and  
3           (3j), an agricultural production loan made by a participating lender is eligible for  
4           guarantee of collection from the Wisconsin development reserve fund under s. 234.93  
5           if all of the following apply:

6           History: 1985 a. 9, 29, 153, 332, 334; 1987 a. 7, 27, 178, 421; 1989 a. 1, 10, 31, 336; 1991 a. 4, 39, 221; 1993 a. 1; 1995 a. 5, 150, 404  
7           **SECTION 2.** 234.90 (3) (intro.)<sup>✓</sup> of the statutes is amended to read:

8           234.90 (3) ELIGIBLE FARMERS. (intro.) Except as provided under subs. (3g), (3h)<sup>✓</sup>  
9           and (3j), a farmer is eligible for a guaranteed loan if all of the following apply:

10           History: 1985 a. 9, 29, 153, 332, 334; 1987 a. 7, 27, 178, 421; 1989 a. 1, 10, 31, 336; 1991 a. 4, 39, 221; 1993 a. 1; 1995 a. 5, 150, 404  
11           **SECTION 3.** 234.90 (3h) of the statutes is created to read:

12           234.90 (3h)<sup>✓</sup> GUARANTEE REQUIREMENTS FOR SWINE FARMERS. Except as provided  
13           in sub. (3j),<sup>✓</sup> the authority may use moneys from the Wisconsin development reserve  
14           fund to guarantee an agricultural production loan under this subsection if all of the  
15           following apply:

16           (a) The borrower qualifies as an eligible farmer under sub. (3).<sup>✓</sup>

17           (b) The borrower raises swine.

18           (c) The loan satisfies the requirements under sub. (2),<sup>✓</sup> except for the  
19           requirements under sub. (2) (b) and (h).<sup>✓</sup>

20           (d) The total outstanding principal amount of all loans to the borrower that are  
21           guaranteed under this section will not exceed \$50,000.

1 (e) The loan term does not extend beyond 3 years after the date on which the  
2 lender disburses the loan unless the authority agrees to an extension of the loan  
3 term.

4 (f) The borrower applies for a guarantee under this subsection no later July 30,  
5 1999.

6 **SECTION 4.** 234.90 (3j) (intro.)<sup>X</sup> of the statutes is amended to read:

7 **234.90 (3j) EMERGENCY ELIGIBILITY CRITERIA.** (intro.) The authority may  
8 guarantee a loan to a farmer using eligibility criteria determined by the authority  
9 that differ from the criteria under subs. (2) to ~~(3g)~~ <sup>(3h)</sup><sup>✓</sup> if all of the following apply:

10 **History:** 1985 a. 9, 29, 153, 332, 334; 1987 a. 7, 27, 178, 421; 1989 a. 1, 10, 31, 336; 1991 a. 4, 39, 221; 1993 a. 1; 1995 a. 5, 150, 404.

10 **SECTION 5.** 234.90 (3j) (a)<sup>X</sup> of the statutes is amended to read:

11 **234.90 (3j) (a)** The governor has determined that an emergency situation exists  
12 and that the criteria under subs. (2) to ~~(3g)~~ <sup>(3h)</sup><sup>✓</sup> prevent the authority from making  
13 an adequate response to the emergency situation.

14 **History:** 1985 a. 9, 29, 153, 332, 334; 1987 a. 7, 27, 178, 421; 1989 a. 1, 10, 31, 336; 1991 a. 4, 39, 221; 1993 a. 1; 1995 a. 5, 150, 404.

14 **SECTION 6.** 234.90 (3m) of the statutes is amended to read:

15 **234.90 (3m) EXTENSION.** A Except as provided in sub. (3h) (e), a participating  
16 lender may extend the term of a loan until no later than June 30 of the calendar year  
17 following the calendar year in which the participating lender granted the loan.

18 **History:** 1985 a. 9, 29, 153, 332, 334; 1987 a. 7, 27, 178, 421; 1989 a. 1, 10, 31, 336; 1991 a. 4, 39, 221; 1993 a. 1; 1995 a. 5, 150, 404.

18 **SECTION 7.** 234.90 (4) (a)<sup>X</sup> of the statutes is amended to read:

19 **234.90 (4) (a)** Except as provided in par. (b), the authority shall guarantee  
20 repayment of 90% of the principal of any agricultural production loan eligible for  
21 guarantee under sub. (2) or (3h)<sup>✓</sup> made to a farmer eligible for a guaranteed loan  
22 under sub. (3), ~~(3h)~~ <sup>(3h)</sup><sup>✓</sup> or (3g).

23 **History:** 1985 a. 9, 29, 153, 332, 334; 1987 a. 7, 27, 178, 421; 1989 a. 1, 10, 31, 336; 1991 a. 4, 39, 221; 1993 a. 1; 1995 a. 5, 150, 404.

23 **SECTION 8.** 234.90 (4) (b) 1.<sup>X</sup> of the statutes is amended to read:

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Please jacket 1814/1  
immediately - they need to  
introduce the bill this  
afternoon - Thanks.

For  
Assm