



Since 1894

To: Senate Committee on Natural Resources
Senator Larry Powell, Chairman

From: Mike Beam, Sr. Vice President

Re: Testimony in **opposition of SB 156**, a bill amending the Arkansas River gaging fund.

Date: February 18, 2015

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 5,000 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, dairy production, grazing land management and diversified farming operations.

The Kansas Livestock Association's (KLA) opposition to SB 156 is limited to our concern for the consequence of the proposed amendments to current law that would jeopardize state funding for the livestock market reports (lines 21-23). The addition of a new allocation from the Arkansas River gaging fund for groundwater gage sites in the Arkansas River basin may have merit and deserve your full consideration. As the bill is drafted, however, the existing source of funding for the livestock market reports could be lost.

In recent years, the Kansas Department of Agriculture has provided \$20,000 in state funds annually to USDA's National Agricultural Statistics Service for a cooperative arrangement that produces two (2) official weekly livestock auction market reports from the sales of cattle at the Farmers and Ranchers Livestock Commission, Co. in Salina, Kansas, and Pratt Livestock, Inc. in Pratt, Kansas. (USDA provides 100% of the financial support for the sales at the Winter Livestock Auction in Dodge City, Kansas.)

Why is state funding for auction market reports important?

Kansas is one of the states whose 650-850 pound feeder cattle cash prices are utilized in determining the cash settlement index for the Chicago Mercantile Exchange Feeder Cattle Index. At one time, about 60 % of the Kansas cattle sales making up this index are derived from the three auction markets mentioned previously. If we lose the Pratt and Salina reports we will effectively drop the total reported volume in Kansas by as much as 40%.

Omitting the sales reports from these two markets will cause a regional shift in the overall index, which may be disruptive to our Kansas producers. (Because of the state's large cattle feeding industry, prices of feeder cattle in Salina and Pratt often yield a premium price compared to other markets in the multi-state region.)

In order for the feeder cattle contract to be a viable risk management tool for our farmers and ranchers, we need large volumes of cattle market sales, reported on a consistent basis, by an objective third party. Additionally, the reports from these sales are considered a regional barometer for monitoring calf, feeder cattle, and butcher cow prices in Kansas and neighboring states.

By funding these two reports, for a total of \$20,000 per year, the state can continue to provide a significant service to the state's beef cattle industry.

I should also mention that KLA supports the continued state funding for the Bluestem Pasture Report, an in-depth report on cash rental rates for Flint Hills grazing leases and custom fence building rates. According to the Kansas Department of Agriculture (KDA), funding for this report has been available from other KDA resources.

If this committee chooses to add the costs of the Arkansas River groundwater gages as an additional expenditure from the fund we'd suggest the maximum amount (\$75,000) in subsection (b) be increased accordingly.

Thank you.