

M I N U T E S

SPECIAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

August 18 and 19, 1975

Committee Members Present

Senator Leslie Droge, Chairman
Representative John H. Vogel, Vice Chairman
Senator Don Christy
Senator R. J. Williams
Senator Chuck Wilson
Representative R. E. Arbuthnot
Representative Clifford Campbell
Representative Rex Crowell
Representative Ambrose Dempsey
Representative Lee Hamm
Representative Jack Rodrock
Representative George Works

Staff Present

Donald L. Jacka, Jr., Legislative Research Department
Walter L. Smiley, Legislative Research Department
Alan Alderson, Revisor of Statutes Office

August 18, 1975

Morning Session

Chairman Droge called the Committee to order at 10:00 a.m. and explained the Agenda for the two days of Committee meetings. He noted that the first day, August 18 would be spent in staff presentation on Proposal No. 1 - Corporate Farming. It was then explained that the morning of August 19 would be utilized for the discussion of Proposal No. 2 -- Alien Ownership of Property Interests. Senator Droge continued that in the afternoon of August 19 the Committee would hear testimony on Proposal No. 63 -- Soil Amendments.

Following his introductory remarks the Chairman called on a member of the staff to begin presentation on Proposal No. 1. The staff member then led the Committee in a basic discussion of the background aspects inherent in a study of corporate farming -- a copy

of which is on file in the Legislative Research Department. The staff first discussed the changing agricultural situation and organizational structures of agricultural businesses and the symbolisms and ideologies involved in discussions of the family farm - corporate farm continuum. The staff then presented a discussion of the advantages and disadvantages of incorporation. Included in this was also a discussion of the advantages and disadvantages of large and non-farm corporations moving into agricultural production. A brief discussion of the economics of size and scale was then presented by the staff. Following this staff presentation Chairman Droge recessed the Committee for lunch, to reconvene at 1:30 p.m.

Afternoon Session

Upon reconvening of the Committee, the Chairman again called on the staff for further presentation of information on corporate farming. The information presented by the staff at this session of the meeting is also on file in the Legislative Research Department. Basically, the staff's presentation of the afternoon was concerned with the legislative history and background of corporate farming; corporate farming legislation as it presently exists in various states, and a brief discussion of the present corporation activities in agriculture of Kansas. Following this presentation by the staff and various related questions by the Committee, the Chairman adjourned the Committee until 9:30 a.m. on the following day.

August 19, 1975

Conferees and Guests Present

Mr. Bob King, Kansas Department of Economic Development
Mr. John Orendorff, Ingalls Feedyard
Mr. Harold Tobler, Pomona
Mr. Leland Maravek, M & M Processing Company
Mr. Andy McCormick, Agriculture Management Consultants, Inc.
Mr. Virg Husman, KLA
Mr. John Blythe, KFB
Mr. Perry Miller
Mr. Howard Oman, Manhattan

Morning Session

Chairman Droge called the Committee to order and asked each member to vocalize his feelings on what should be done on Proposal No. 1 -- Corporate Farming.

Representative Arbuthnot was first to express his feelings and indicated that he felt that there had been sufficient hearings on corporate farming and that the Committee needed to move on the bill. He indicated that initially there was need to define the "family-type" farm corporation. In relation to this definition he noted that the percentage of income from agriculture could be the determining factor. He expressed the feeling that the restricted crop list, which is presently a part of the corporate farming law, should be removed as a restriction.

Senator Christy was next to express his opinions on this proposal. He agreed that the family type farm should be defined but did not believe that the definition of family should be restricted to "blood lines" -- he felt that a limit on the number of shareholders is sufficient as a prerequisite of family farm. He noted that corporate farming legislation should discourage "holding company-type" operations. In relation to the number of shareholders which a corporation should have, Senator Christy felt that maybe a family should be counted as one shareholder, similar to the procedure used in Wisconsin.

Representative Rodrock then made a comment concerning corporate farming restrictions. He indicated that he felt that Kansas needed to exercise the least amount of control over corporate farming to preserve the family farm. He felt that the fewer restrictions in this area, the better.

Representative Hamm was then asked to comment. He stated that the Committee should ask itself a few questions in relation to corporate farming legislation. Basically, he wondered whether this legislation is good or bad for the family farm. He then stated the Committee should ask itself the question of whether or not it feels there should be fewer farmers or more farmers in the future. He stated that the answer to this question is inherent in any corporate farming legislation which may come out of the Committee.

Senator Williams then expressed his opinion on Proposal No. 1. He stated that he felt there should be more time given to the study and that the legislation drafted should allow for the different agricultural situations in various parts of the state.

Representative Crowell then commented on Proposal No. 1. He stated that he would like to see some sort of limitation placed on the family farm corporation -- that it should not be allowed any advantages over the family farm. He also noted that the definition for family farm corporation which is adopted by the Committee

should be restrictive enough to keep large corporations from engaging in agriculture.

In agreement with Representative Crowell was Representative Campbell who believed that there needed to be some limiting factor -- assessed valuation; net average income; on acreage limitation. Representative Campbell added that if acreage is used to restrict corporations in agriculture, grasslands should be excluded.

Representative Vogel then expressed his feelings in relation to the introduction of legislation on corporate farming. Representative Vogel suggested that there was need for two types of corporations to be designated in the bill as corporations authorized to involve themselves in agricultural production -- family farm corporations and authorized farm corporations. He then indicated the need to limit the size of the farm corporation but not on an acreage basis. He felt that maybe it should be limited on a dollar asset basis. He then stated that there should be a limit on the number of corporations which a person could own stock in. In relation to this though, he felt that allowance should be made for inheritance from two different corporations. He emphasized that the present law needs to be made enforceable if nothing else is accomplished.

Representative Dempsey expressed himself by saying that he sees no need for radical change. He explained that all the Committee should concern itself with is the preservation of the family identity. He stated that there is a true difference between eastern Kansas and western Kansas and that because of this difference there would be a problem in placing limit values -- he felt that the limitation should be placed on acreage.

Representative Works noted that the main concern in this subject area is the passing of land on to family members. He noted that it was his feeling that size was not a major factor. He continued that shareholders should not be required to be residents of the state. He noted that the Committee should review some of the exemptions in the Missouri or Wisconsin laws with the interest of incorporating them into a Kansas corporate farming law.

Representative Arbuthnot then cautioned members of the Committee on the directions of their comments. He noted that the Committee should decide what they are trying to legislate. He noted that he felt that the Committee should not attempt to legislate in the area of ownership of land but that their concern was with the use which is made of that land. He reiterated his previous comment that all the committee needs to do is to clearly define the family farm and then institute whatever limits are necessary.

Senator Wilson was then asked to communicate his opinions in relation to corporate farming. Senator Wilson agreed with Representative Arbuthnot that the Committee should not attempt to limit land ownership, and that they should concern themselves with the perpetuation of the family farm. In relation to this he noted the need for concise definitions of "family farm corporation" and "family farm". He stated that he felt that the Committee should not attempt to limit acreage and that if the list of restricted crops were to be perpetuated then that list should be redrawn.

Upon the conclusion of the discussion by the Committee on Proposal No. 1, Chairman Droge introduced Mr. Bob King, of KDED, who had asked to be heard on Proposal No. 2 -- Alien Ownership of Property Interests. Mr. King's presentation concerned the amount of alien investment in Kansas. He presented an up-to-date listing of alien interests in Kansas -- this list is appended as Attachment I. Following his brief explanation of this list, Mr. King directed specific comments to S.B. 500 from which the study of Proposal No. 2 originated. Basically, Mr. King was greatly concerned about the 500 acre limit on ownership of land by alien corporation. He felt that a limit of 540 acres would be more reasonable. He then cautioned the Committee, for the sake of the Kansas economy, not to be too restrictive on foreign (alien) investments.

Following Mr. King's presentation the Committee returned its attention to Proposal No. 1 and received testimony from various farm organizations. The first of these presentations was given by Mr. Virg Husman, representing the Kansas Livestock Association. Mr. Husman first pointed out two areas of the present law which he felt caused problems. First he noted that the acreage limitation contained within the present legislation would always be a problem. It would be a problem, according to Mr. Husman, because of the vast crop and geographical differences in Kansas. Secondly, Mr. Husman stated that the residency requirement of shareholders is a problem area because many children who own stock in an agricultural corporation move out of the state. Mr. Husman stated that the KLA would rather have no regulation of the family farm corporation and suggested that the law be written to limit the amount of non-farm assets. He stated that in this way the legislation would prohibit big non-agricultural corporations from involving themselves in agricultural production. Mr. Husman closed his remarks by noting that the KLA is opposed to any regulation of publicly held feedlots.

Next to appear before the Committee on this proposal was Mr. John Blythe of the Kansas Farm Bureau. Mr. Blythe noted that his organization had a policy statement concerning corporate farming regulations which contained three things. First he noted that the size limitation should be changed. Secondly, he stated that the corporate structure of feedlots should not be impaired. Thirdly, Mr. Blythe stated that the Farm Bureau was against conglomerate ownership and operation of farm land. In addition to that policy statement, he added that the Farm Bureau membership also sponsored a statement in opposition to any form of "tax-loss farming" -- corporations should not be able to undertake farm losses in order to offset non-farm gains.

At the conclusion of the testimony presented on Proposal Nos. 1 and 2, the Chairman recessed the Committee for lunch -- to reconvene at 1:30 p.m.

Afternoon Session

Upon reconvening the Committee, the Chairman noted that the Committee would receive testimony from various conferees in relation to Proposal No. 63 -- Soil Amendments. The first conferee introduced by Chairman Droge was Mr. John Orendorff from Ingalls Feedyard in Ingalls, Kansas. Basically, Mr. Orendorff spoke in favor of the bill but had reservations concerning the terminology manipulated manure. Mr. Orendorff then explained the procedure used by most feedlots in relation to the selling of feedlot manure to farmers as a substitute for fertilizer. Mr. Orendorff stated that in the true nature of the terminology -- manipulated manure -- that all manure sold is manipulated. He warned the Committee of the financial loss which could result from the inclusion of this term in the legislation related to soil amendments.

Following Mr. Orendorff's presentation, Mr. Harold Tobler, a Pomona farmer and soil amendments user, was introduced. Mr. Tobler explained the benefits of soil amendments use and the various types of soil amendments available -- "fish fertilizer", ground granit, etc.

At the conclusion of Mr. Tobler's discussion, the Chairman introduced Mr. Howard Oman -- a farmer and soil amendments dealer from Manhattan. Mr. Oman thanked the Committee for allowing his appearance; gave a discussion in support of the use of soil amendments; and then introduced Mr. Andy McCormick of Agricultural Management Consultants, Inc., Pocahontas, Iowa. Basically, Mr. McCormick pronounced support for House Bill 2560, but he also suggested many amendments to the bill. A copy of the recapitulation of his position on Proposal No. 63 is appended as Attachment II.

Following the testimony received, Chairman Droge thanked the conferees for their valuable input and reminded the Committee that there was action needed on the minutes from the previous meeting. A motion was offered and seconded that the minutes for the July 21 and 22 meeting be approved as written. The motion carried.

The Committee was then asked by the Chairman to give the staff direction on Proposal No. 1. The staff was then directed to draft corporate farming legislation to include the following specific provisions:

1. incorporate a restriction, similar to Iowa law, which would require that no more than 1/3 of the corporations gross income be from a source other than farming;
2. Restrict a person from owning stock in two corporations except where a person receives shares as the result of marriage;
3. combine the Minnesota Corporate farming law definitions of "authorized" farm corporation and "family" farm corporation;
4. control the growth rate as in Minnesota and Missouri;
5. make the leasing of farmland an exception to the legislation if the corporation has no interest in the farming operation; and
6. require a family farmer to be a U.S. Citizen.

Following its discussion and direction on Proposal No. 1, the Committee directed its attention to Proposal No. 63. Since H.B. 2560 -- which concerns soil amendments -- is in the Senate Standing Committee, the Committee opted to make recommended amendments to be presented to the Senate Committee. Included within these recommended amendments resulting from study on Proposal No. 63 were:

1. § 3 add "ground lime" and "slaked lime" to the list of exceptions;
2. page 1 delete the words "unmanipulated" from lines 10 and 11;
3. change the terminology "vegetable manure" to compost;
4. define the term "manure" and insure that it is 90% to 95% pure;
5. page 4, line 4, change "\$25" to the same language as used in relation to fertilizer; and
6. page 5, line 20, change the word "any" to the word "the".

Relating to Proposal No. 63 it was the decision of the Committee, and the staff was directed to, draft separate legislation regulating the sale and distribution of agricultural liming materials.

At the conclusion of the direction given by the Committee, Chairman Droge reminded the Committee members of the next meeting on September 15 at 10:00 a.m., and adjourned them until that time.

Prepared by Don Jacka

Submitted by Committee on:

8/19/75
Date

AMERICAN FIRMKANSAS PLANTFOREIGN AFFILIATION

AIR	Airco Industrial Gases Box 501, Lawrence, Ks.	35% owned by British Oxygen of Britain
	Airco Welding Products 1100 S. Packard Kansas City, Ks.	
AMERICAN PETROFINA	American Petrofina Box 751, El Dorado, Ks.	72% owned by Petrofina of S. A. of Belgium
B.A.S.F. WYANDOTTE CORP.	B.A.S.F. Wyandotte Corp. Box 441, Norton, Ks.	B.A.S.F. Aktiengesellschaft of Germany
CERTAIN-TEED PROD.	Certain-Teed Products Corp. 500 W. First McPherson, Ks.	39% St. Gobain-Pont-à-Mousson-France 12% Turner & Newall-Britain
	Certain-Teed Products Corp. 3000 Chrysler Road Kansas City, Ks.	
	Gustin-Bacon Group Box 366, Lawrence, Ks.	
CHICAGO BATTERY CORP.	CBC, Inc. 3001 Fairfax Trafficway Kansas City, Ks.	Chloride Group LTD-Britain
CUTTER LABORATORIES, INC.	Cutter-Haver-Lockhart Labs 12707 W. 63rd Shawnee, Ks..	Bayer A.G.-Germany
FALCONER CO.	Falconer Co. 14600 W. 99 Lenexa, Ks.	51% Mc Corquodale & Co., Ltd. of Britain
HOME PETROLEUM CORP.	Security Underground Storage Box 181, McPherson, Ks.	Home Oil Co., Ltd. of Canada
HOWMET CORP.	Southern Extrusions, Inc. 1501 N. Grand Hutchinson, Ks.	62% Pechiney Ugine Kuhlmann of France
HUSKY OIL	Frontier Oil & Refining Co. 1720 Wichita Plaza Wichita, Ks.	Husky Oil Ltd. of Canada

KOPP INC.

Koppel, Inc.
1700 E. Iron
Salina, Ks.

Mitsubishi Int of
Japan

NORTH AMERICAN PHILIP CO.

Thompson-Hayward Chemical Co.
5200 Speaker Road
Kansas City, Ks.

60% Philip's Gloeilampen
fabricken of Netherlands

THOMPSON-HAYWARD CHEMICAL CO.

*Daitom, Inc.
5200 Speaker Rd.
Kansas City, Ks.

Joint venture with
Daiichi Seiyaku Co. of
Japan

*Not yet in production

PARMELEE PRODUCTS

Parmelee Products Div.
634 King
Ottawa, Ks.

Parmelee (CB) Ltd.
Britain

PLESSEY INC.

Plessey, Inc. (Welco Div.)
1515 N. Highway 81
Wellington, Ks.

Plessey Co., Ltd. of
Britain

STANDARD OIL (Ohio)

Sohigro Service Co.
Plants at:
Box 201, Erie, Ks.
7th & Oak, Garnett, Ks.
408 E. Magnolia, Girard, Ks.
Highway 54 E., Iola, Ks.
Route #3, Parsons, Ks.

25% British Petroleum
of Britain

THOMSON NEWSPAPERS LTD.

Leavenworth Times
422 Seneca
Leavenworth, Ks.

Thomson Newspapers Ltd.
of Canada

UNITED INSTRUMENTS, INC.

United Instruments, Inc.
2415 S. Glendale
Wichita, Ks.

Tokyo Koku Keiki K.K.
of Japan

ATTACHMENT II

AGRICULTURAL MANAGEMENT CONSULTANTS, INC.
SOIL MANAGEMENT SYSTEMS

September 3, 1975

Senator Chuck Wilson, D. V. M.
P.O. Box 142
LaCrosse, Kansas 76548

Dear Senator:

I seem to have lost the name and address of the secretary of your Legislative Committee, so I'm taking the liberty of sending this letter to your home. Will you please see that it gets to the chairman or whom ever it should get to.

I am sorry I wasn't able to respond to your request for my reaction and suggestions on House Bill No. 2560 any sooner. However, I hope that Late is better than Never.

May I first state that I was unable to find the specific location of the Humate Mine in North Dakota, although I'm sure that there is a Mine there. There is a Humate Mine in the Whitefish, Montana area, and two or three Mines located near Albuquerque, New Mexico.

Now to the matter of House Bill No. 2560. - - -
My general concensus is that this act is very much Needed. However, there are several areas which should be strengthened, likewise, several areas leave too many "Avenues of Escape" for the chemical compounds. The Act as it is now, offers no Protection, or Rights to those honest people who provide access to non-chemical elements. I can find nothing in this Act which states that a product must be registered if it complies with the provisions of this Act. As it now reads, it would be possible for the Secretary, at his discretion, to simply not accept registration of any product and nothing could be done about it.

Any Act or Law must protect the Consumer, and or the Public at large. It must not Legislate for or against any particular Concept of what is, or, is not, the best method of Soil Management or Crop Production.

My Suggestions to Improve the Bill are as follows:

Beginning on page 1, Sec. 3., As I stated before your Committee, I don't believe there should be Exceptions for Any Commercial* Products. As I read this section through line No. 9, I believe you have expressed the complete thought. If a product doesn't produce a "physical, chemical or other characteristic of the soil" there is no use for the product.

(*) Un-manipulated Animal or Vegetable Manures are by-products and can hardly be considered as Commercial.

Agricultural Lime, Chemical Fertilizers, Pesticides, and Herbicides should definitely be included under this Act. Let me illustrate by using Lime as an example. - - The product Label should show all Nutritive Elements; i.e. Calcium %, Magnesium %, Sulfur % and etc. Plus the "Inert Elements" (Silica %) and etc..

AGRICULTURAL MANAGEMENT CONSULTANTS, INC.
SOIL MANAGEMENT SYSTEMS

The Lime label should also contain a guarantee of the fineness of grind and the percent of Efficiency.

This Same Act should apply to Commercial Fertilizers, Pesticides and Herbicides. All of these products should have labels which show the Name (Common Name and Chemical Symbol) and percent of each "Active Ingredient" and the Name and percent of each of the "Inert Ingredient". and in all other ways comply to the regulations of this Act.

Changeing this Act can easily be brought about by changeing the wording in Sec. 4, page 3, Line 23 as follows; - - Add "name and", following "the" and insert the word "each" in front of "Inert". Then after Line 25 (d) add the following; - - " a statement of any possible side effect." (example; - - Elements in this product may be harmful or fatal to Micro-Biologic Life within the Soil System.

I suggest the following changes in Sec. 5. - - On page 4, Line 8, after the word "all" delite the remainder of the paragraph and continue with "claims used in any Advertising Medium, for the beneficial use of the product. The Secretary may ask for proof of any and all claims, or for any claims which are other than that for which the product is registered."

Sec. 5, should have an additional paragraph (b) which states that - - " The Secretary Shall Register all products which comply to the previously stated regulations. Products May Not be refused registration unless the Secretary has proof that diliterious reactions occur when the product is properly applied as prescribed for the beneficial use of the product, or that the product will not produce any change either physical, chemical of other character--istic of the soil."

I am in accord with most of the remainder of the sections of this act, however, both a \$25.00 registration fee and 25¢ per ton inspection fee seems rather high as compared to other feed and fertilizer registrations in other states.

If I can be of any further help please feel free to call upon me at any time.

Sincerely,

Andy Mc Cormick

Andy Mc Cormick,
Exec. Vice-President

Agricultural Management Consultants, Inc.