MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND LIVESTOCK

Held in Room 423-S, at the Statehouse at 9:00 a.m./~~p.m.~~, on March 3, 1981.

All members were present except:

The next meeting of the Committee will be held at 9:00 a.m./~~p.m.~~, on March 4, 1981.

These minutes of the meeting held on March 3, 1981 were considered, corrected and approved.

Wm M Beezley

Chairman

The conferees appearing before the Committee were:

Sam Reda - Kansas Grain Inspection Department
Don Watson - Kansas Grain Inspection Department
Frank McBride - Kansas Grain and Feed Dealers
Joe Hund - Paxico, Ks.
Bill Duitsman - Secretary of Agriculture
Gerald Gurss - Animal Health Department
Dave Bennett - Kansas Livestock Association
Vernon White - Kansas Veterinary Medical Association
Brad Cooper - Kansas Livestock Marketing Association
Wilbur Jay - LaCrosse, Ks. DVM
W.E. Ripple - Dodge City, DVM
Mrs. Robert Williams - Meriden, Ks.

The meeting of the House Agriculture and Livestock Committee was called to order by William Beezley, Chairman. Rep. Dempsey asked to speak and told the Committee that Chairman Beezley had been elected to the Executive Committee of the Mid America Dairymen. The Chairman told the Committee not to eat breakfast as he would supply ice cream bars.

HB 2514 - relating to the licensure of public warehousemen.

Raney Gilliland, Research Department, gave an overview of the bill. Mr. Sam Reda, Kansas Grain Inspection Department, told the Committee that the state examination is as good or better than the federal, but he cannot say that we should not have the federal licensing. In reply to a question Mr. Reda stated that there are 667 warehouses in Kansas.

Mr. Don Watson, Kansas Grain Inspection Department, stated that maybe we ought to try this bill with Rep. Hamm's bill or possibly delay action until a task force study is done.

Mr. Frank McBride of Salina, representing the Kansas Grain and Feed Dealers, said that this organizations represents 95% of the grain in Kansas through Independents and Co-ops. He stated that he was not here to argue the merits of which license is better, but in the United States we have always had the freedom of choice and he was here to express the concern voiced by some of the people regarding the licensing issue. Possibly HB 2390 should be considered along with this bill. He wants to see much more thought and consideration given to this. We should not be in haste to create a bad law.

Mr. Joe Hund, Paxico, Kansas, stated that he has two elevators, one state licensed and one federal licensed. The Paxico elevator is a 200,000 bushel elevator. The Junction City elevator is a 650,000 bushel elevator. He stated that the state is as thorough as the federal in the examinations. The federal people do certify the scale operator and the people handling the grain that comes in. He said that any added cost ultimately gets passed on to the farmer.

The Committee took up HB 2515, concerning certified private applicators use of pesticides. Mr. Bill Duitsman, Agriculture Secretary, stated that he saw nothing wrong with this bill but he would like to see, in line 37, after the word, "a" insert the word "valid". After the word certificate, delete the rest of the wording to the middle of line 39 and insert "on June 30, 1981." The bill would then read, "a valid private applicator's certificate on June 30, 1981." Rep. Smith moved to amend the bill. Rep. Fuller gave a second to the motion; the motion carried. Rep. Leach moved to pass the bill as amended out of committee. Vice Chairperson Aylward gave a second to the motion. The motion carried. HB 2515 was passed out of committee favorably as amended.

HB 2516 - public livestock markets; relating to fees for inspection of livestock. Dr. Gerald Gurss, Animal Health Department, suggested several changes for this bill. He suggested not less than .07 per head; also any fee in excess of .07 per head shall be determined by negotiations between the market operator and the market veterinarian. The agreement shall be filed in the office of the livestock commissioner.

Dave Bennett, Kansas Livestock Association, spoke in favor of this bill. He stated that the veterinarian's duty is inspection only and not decision making as to sell or not sell the cattle.

Dr. Vernon White, Syracuse, Ks, passed out copies of his testimony.(See Attachment I). Dr. White is Chairman of the Sale Barn Committee for the Kansas Veterinary Medical Assn. He stated his reasons for his support of the bill and read a Resolution stating the KVMA position. Dr. White stated that his is the only veterinary in four counties and works long hours. He feels that he has a responsibility to the community and its people and this has nothing to do with the monetary aspect of the situation, but he does think a higher fee is certainly in order.

Mr. Brad Cooper, Kansas Livestock Marketing Association, said that this has been discussed for many years. This organization met last fall and also about a month ago. After talking to market people they decided to support this bill. There are 89 sale barns in the state with over 4 million cattle going through the markets. It was in 1968 that the fee was raised from 3¢ to 5¢. A raise in the fee does seem to be in order.

Dr. Wilbur Jay, La Crosse, Ks. a member of the Kansas Veterinary Medical Association committee spoke to solicit support for passage of HB 2516.

Chairman Beezley asked Dr. Ripple of Dodge City, Ks. if he would please leave his testimony so the committee could consider it as there was no more time on the bill.

Mrs. Robert Williams, Meriden, Kansas, came to speak to the Committee in reference to HB 2481, An Act establishing a cause of action for damages from the owner of any dog injuring persons or property. Mrs. Williams has a daughter who was attacked by a dog and as a result lost her ear. Mrs. Williams urged the Committee to take some action that would protect persons as much as the animals seem to be protected. She said that if a dog has not been proven vicious before, he is more or less entitled to "one free bite". She said there is an old law dated 1868 that was revised in 1923. This addressess the problem in a very limited way, but the law needs to be updated for the protection of the people who are at the mercy of roaming dogs.

Chairman Beezley thanked Mrs. Williams and said we would take up the bill tomorrow. Rep. Johnson moved the minutes of the previous meeting be approved. Rep. Polson gave a second. to the motion. The motion carried. The meeting was adjourned.

Don Cress	K-State Univ.
Vernon White DVM	Syracuse KS
Wilbur D. Joy DVM	La Crosse Ks
W.E. Ripple DVM	Dodge City KS
Joseph K. Caley DVM	Manhattan Ks
[illegible]	Topeka
Joseph O. Hund	Paxico, Ks.
Clyde S Jacobs	Kansas State University
Elsie Watkins	Lecompton, KS
Warren Reed	Scott City Kans
Frank MacBride	Salina Kansas
Kenneth M. Wilke	Bd of Agriculture
W.W. Putman	Bd of Agriculture
Lois Schuepler	Farm Wife - self
Lynda Ryan	AAM
[illegible]	[illegible]
John C. Miller	Committee of Ks Farm Organizations
John Blythe	K.F.B.
Robert W. Williams	R.R.1 Meriden, KS.
Deanna J. Williams	" "
Lou Sluit	Bd. Agriculture

Attachment I

WHITE'S VETERINARY CLINIC
VERNON M. WHITE, DVM
Box 655
Syracuse, Kansas 67878
Phone 316—384-7400

Chairman Beezly, Vice-Chairperson Aylward, members of the committee and other interested persons:

I want to thank you for the time afforded for this hearing.

I am Dr. Vernon M. White, a practitioner from Syracuse, Kansas, the Chairman of the Sale Barn Committee for the Kansas Veterinary Medical Association, and a sale barn inspector.

House Bill No. 2516 is a compromise among three organizations: The Kansas Livestock Association, the Kansas Livestock Marketing Association and the Kansas Veterinary Medical Association.

The last fee increase for Sale Barn Veterinary inspections went into effect July, 1970. I dont know of anyone or any other group that hasnt had a raise in that time. At that time, it was raised from 3¢ to the present 5¢ per head.

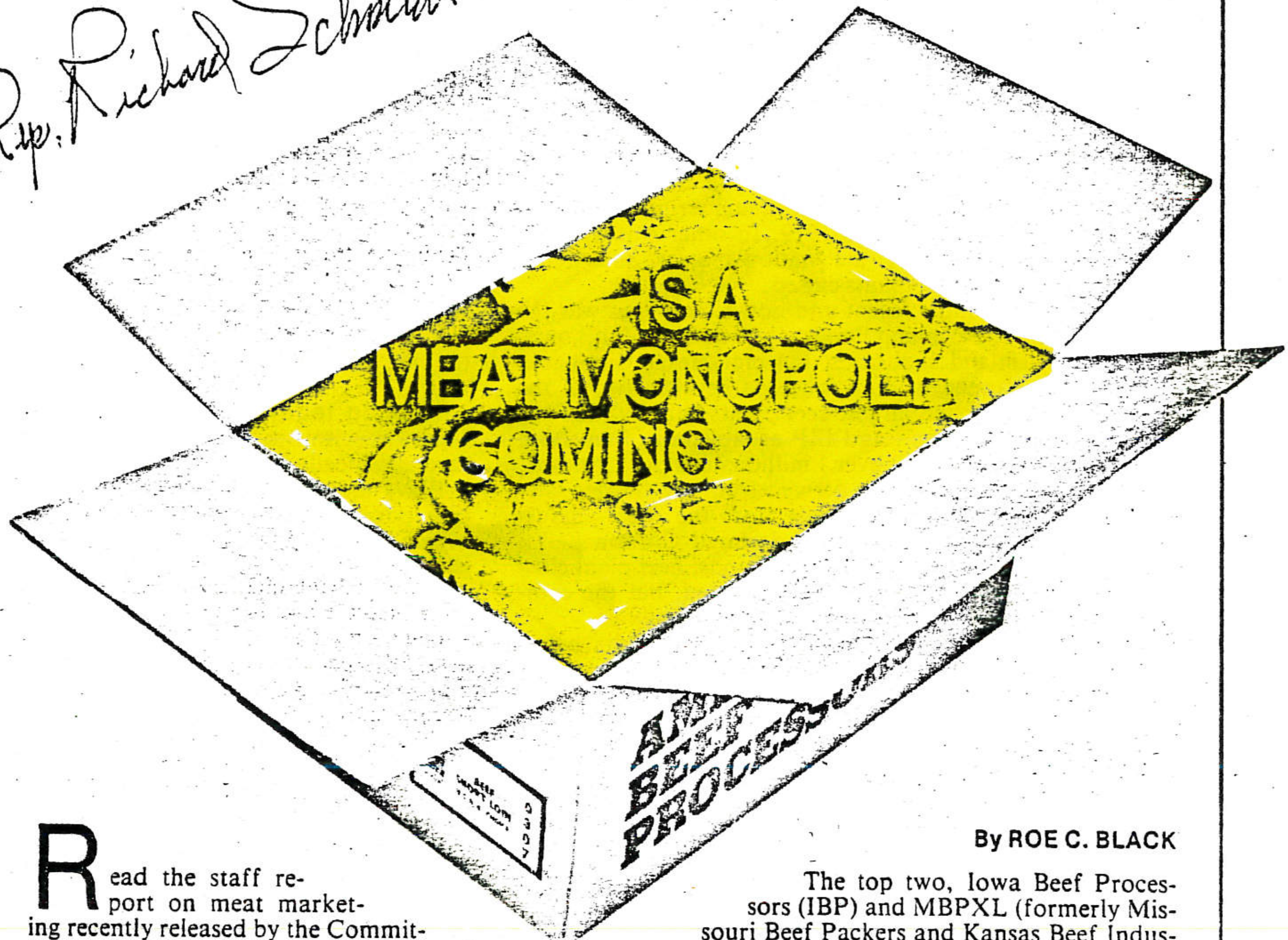
I want to give you some reference information pertaining to the fees in the four states around us:

Colorado is not standardized; by that I mean the fee is not the same at every sale. Their average would be between 10¢ and 15¢ per head. Some sales are on a minimum of $100-$150.

Oklahoma is not standardized. The fee varies from 3¢ to 20¢, and the average would be 10¢ to 12¢, with a minimum of $50-$100.

Missouri is not standardized but would average about 10¢.

Rep. Richard Schmitt



By ROE C. BLACK

Read the staff report on meat marketing recently released by the Committee on Small Business of the House of Representatives, and you're not only inclined to believe a meat monopoly is coming, the report makes you wonder if something approaching a monopoly is not already here.

But the packing industry hotly denies it. The American Meat Institute hired Schnittker Associates, a Washington consulting firm, to make an independent study, which countered the staff findings of the committee headed by Neal Smith (D., Iowa). It found the meat industry "highly competitive." Former Secretary of Agriculture Bob Bergland called the meat industry "healthy" in his testimony at hearings. The Justice Department finds no reason to act on antitrust grounds. And the Packers & Stockyards Administration (P&SA) in USDA has been unable to act successfully against the looming shared monopoly in the meat packing business.

Decide for yourself. This report, based on almost three years of hearings and USDA figures, shows a shocking degree of concentration that many, both inside and outside the beef business contend is a shared monopoly. If so, it's growing every day.

For example, the top four packing firms in the U.S. at latest count slaughter 66% of all steers and heifers in 23 major feeding states compared with 56% in 1969.

The top two, Iowa Beef Processors (IBP) and MBPXL (formerly Missouri Beef Packers and Kansas Beef Industries), owned by Cargill, Inc., slaughter 30% of the steers and heifers in the U.S., up from 15% five years ago. More important, they have approximately a 45% share of the U.S. boxed beef market. And by the end of this year, that will approach 60%.

But the power of the two giants is much greater in some regional markets. "Some reliable estimates are that for 1980, IBP may slaughter approximately 65% of the steers and heifers in the Pacific Northwest," says the staff report. Five years ago the company didn't slaughter a single animal there.

IBP and MBPXL are galloping to widen their lead on other packers. The third and fourth largest packers, Swift, now Swift Independent Packing Company, and John Morrell have been in trouble.

The meat business is far more integrated than most people realize. For example, 15 of the top 25 feedlots in the U.S. ranked by capacity are associated with a meat company; and they account for 20% of the national feedlot capacity. Out of 124,000 feedlots in this country, only 420 marketed 52% of the fed cattle sold last year.

MBPXL, the nation's second largest beef packer, is owned by Cargill Inc., the world's largest grain company and the nation's largest cattle feeder through its Caprock Industries subsidiary in Texas. Cargill is also the sixth largest commercial livestock feed manufacturer through its Nutrena Mills and a major broker in futures markets through Cargill Investors Services.

What does this dominance by big packers mean? To producers, in the short run, it may mean price premiums as the big guys scramble to increase their share of the market. In the long run, however, lurks the likelihood of fewer buyers—indeed, only one buyer for farm-fed cattle in some areas. If history is any indicator, that means some feeders may face one bid, one price.

USDA reports that more than 345 firms and more than 380 packing plants quit slaughtering steers and heifers between 1969 and 1979. In other words, in 10 years, over 35% of the nation's steer and heifer slaughter firms and plants closed.

One of the most recent and notable closings was the beef plant of Farmland Foods, Garden City, Kan., owned by Farmland Industries, the big Kansas City-based co-op. It happened to be squeezed between two of the world's newest and largest beef plants built by MBPXL at Dodge City, Kan., and IBP at Holcomb, Kan. Both will have a capacity of over 1 million head per year each.

"The real lesson to be derived from the Garden City closing is what it foretells for the beef industry—growing concentration," declared Gordon Leith, Farmland's president. Farmland Foods' beef plant closed even before IBP's new plant started, but the competitive pressure for cattle and labor was obvious.

"When both big plants open, independents better hold onto their seats," observed James L. Smith, acting administrator, P&SA.

A growing number of Midwest feeders know what concentration means. For example, IBP buys from 23% to 25% of the fed cattle in the heart of the Corn Belt, in Iowa, Minnesota, Nebraska and South Dakota. Some estimates are that in some 25-county areas around major plants in these states, one firm buys as much as 80% of the fed cattle because there are few other buyers feeders can reach economically.

"It would be extremely difficult to find any competition today within 50 to 100 miles or more of the very largest boxed beef plants," the staff report says.

"Closing of small plants that are close by in favor of larger plants that serve a larger marketing area increases significantly the transportation costs of primary producers," M.W. Wilson, National Farmers Union, told the congressional committee. "Just the simple difference of having to haul livestock 100 miles versus 50 for sale and slaughter eats into the profits, if any, that livestock producers are making. They have little opportunity to pass that cost along."

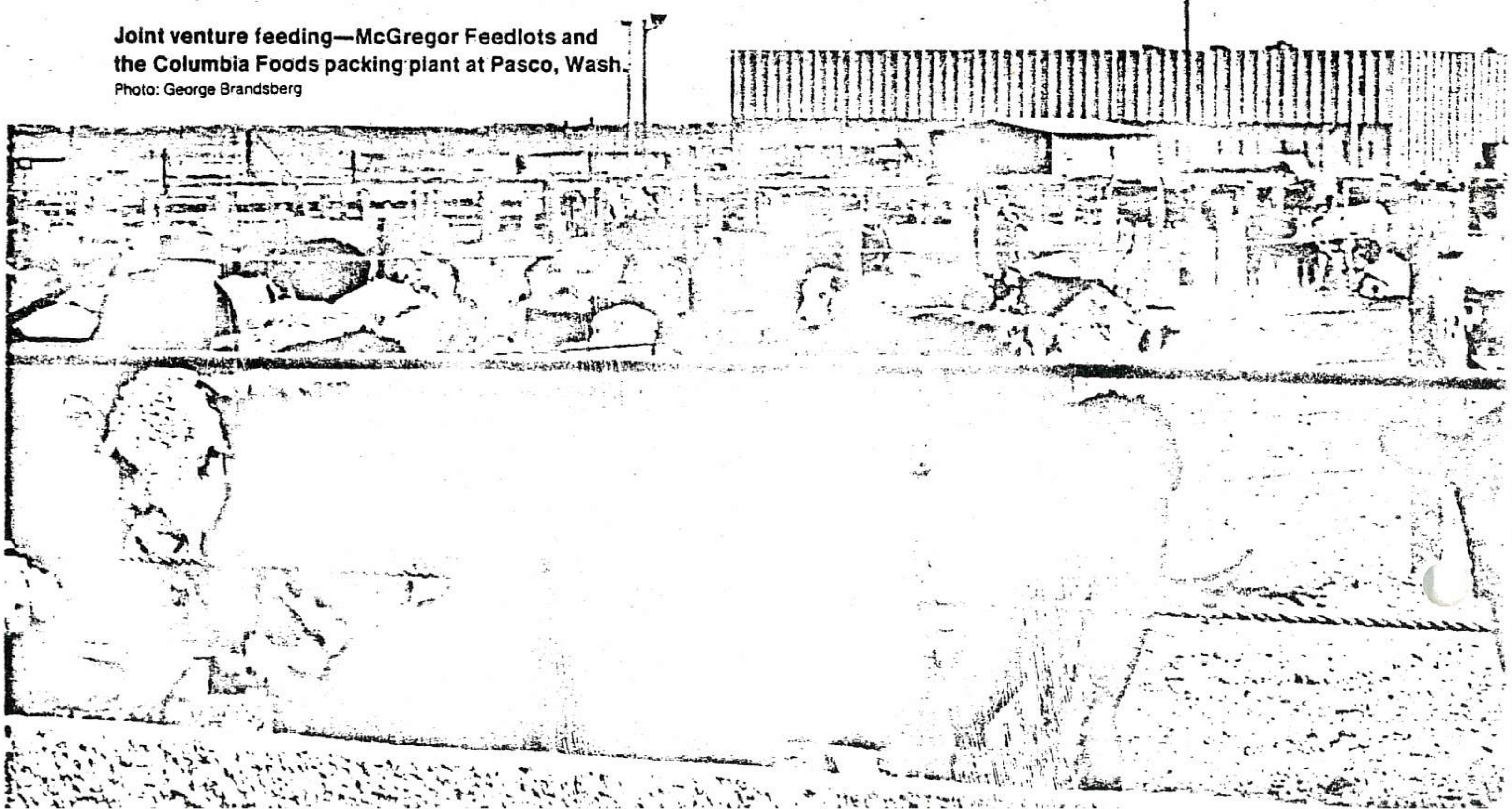
This economic fact of life for livestock feeders has not, of course, gone unnoticed. Packers pretty much expect close-by cattle to come their way. In 1969, the Justice Department, in an investigation, quoted IBP's 1962 annual report. ". . . Experienced cattle buyers who operate throughout Iowa, Minnesota, South Dakota and Nebraska . . . view the 100-mile radius around each plant as one giant stockyard and consider every firm in the area as a stock pen."

How do today's packers come by such clout? They know how to assemble economic power—in some cases practically from scratch.

IBP's move into the Northwest is a good example. (See "Joint Venture Feeding," FARM JOURNAL, Mid-March 1979.) In 1975, the co-chairman of the board of IBP left IBP and moved into the area. He shortly joined the owner of one of the area's largest feedlots in purchasing a closed packing plant. The next year, the company they formed, Columbia Foods, and three huge cattle feeders bought a second packing plant aided by a $3-million advance from IBP. IBP then purchased Columbia Foods and renovated the two plants.

In 1977, owners of six of the largest feedlots in the Northwest incorporated as Northwest Feeders. They then entered into a joint venture contract with IBP to supply all their cattle to the firm from their 350,000 head-capacity feedlots. Many other packers have dropped out. And it's estimated that IBP will soon slaughter two thirds of the cattle produced in the region.

This looked like a monopoly situation to P&SA, back in 1977—but it didn't to a federal judge. P&SA's request for an injunction was thrown out, largely because



Joint venture feeding—McGregor Feedlots and the Columbia Foods packing plant at Pasco, Wash.
Photo: George Brandsberg

of an admittedly poorly prepared case and an unwillingness of local producers to complain at the time.

Big packers also know how to get an edge on supplies direct from their own feedlots. Take the nation's second largest beef packer, MBPXL, which also happens to be linked to the nation's largest feeding operation, Caprock Industries, through parent Cargill.

The president of Cargill, M.D. McVay, last year told the Kansas Livestock Association that "there is little or no synergism created by uniting feedlots with slaughter plants." Considering the immensity of operations, McVay said: "To combine a feedlot and slaughter plant into one profit center would lead to disaster."

But this doesn't mean that operations aren't complementary. McVay admits that MBPXL, on average, buys 10% of the 425,000 head of cattle Caprock can feed annually. He figures this is of no consequence. "Caprock's sales to MBPXL represent less than 3% of MBPXL's annual slaughter of 1.75 million head. Location and timing—the costs of cattle and feed are better guides to buying decisions than company affiliations."

No doubt. But, as every market reporter knows, having some captive supply to start a day's or a week's kill at a packing plant that must go full tilt for efficiency is a big advantage to livestock buyers.

As a cub reporter on the Omaha livestock market in the early 1950s, I was fascinated to see how easily a major packer kept daily lamb prices down. Every time receipts were off and it looked as if buyers would have to bid up for lambs, bidding turned out extremely slow.

It was a mystery to me, until I found out that one of the market's biggest lamb buyers had a lamb feedlot close to his nearby packing plant. He knew receipts were down early, started his daily kill with his own lambs, and prices on days like that were no more than steady.

Such practices are not illegal. They make money for packers in the short run. But they don't accurately reflect favorable changes (from a feeder's standpoint) in supply and demand, thus affecting a producer's incentive to produce.

To be sure, packers have their economic woes, too. Unfortunately, the older your plant is, the greater they are. Gordon Leith described in *Farmland News* the labor squeeze that helped force the closing of the Farmland Foods' beef plant at Garden City, Kan.:

"Frankly, we faced an impossible situation. The wages we would be required to pay represented an $800-an-hour differential from those paid by the new plants (IBP and MBPXL). The problem of varying labor rates at different plants in a labor-intensive industry has to be solved." "It's driving out old-line packers that have been in business since the Civil War," added Farmland Foods Manager John Westerhoff.

So it is the packers' own labor problems that propel the move to fewer and bigger plants as well as their desire to dominate the industry. What can be done?

Representative Neal Smith is determinedly opposed to growing packer power—in large part because his constituency is pro-labor. He wants a law prohibiting any packer from slaughtering or acquiring more than 25% of the nation's annual production of steers and heifers.

But don't hold your breath. Smith's proposal has drawn fire from such diverse elements as the Iowa Cattlemen's Association, the Justice Department and packer associations—each for different reasons.

Do we really need new legislation? Perhaps not. The Justice Department apparently already has more than enough power to prevent monopoly in the meat business. Some would point to their lack of understanding of the livestock business or unwillingness to understand it as reasons for allowing this alarming concentration to go unabated.

But Packers and Stockyards (P&SA) understands the livestock business. Yet this agency has been continually downgraded, underfunded, understaffed and confined to policing markets and marketmen rather than pursuing antitrust efforts.

It appears now that efforts to stymie packer concentration are stalled at ground zero—bogged down in a morass of special interest pressure and apathy. Before we see action, someone besides congressmen and bureaucrats will have to wring his hands and wonder, "Is a meat monopoly coming?" ◁