

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND LIVESTOCK

The meeting was called to order by Rep. Bill Fuller at
Chairperson

9:00 a.m./~~p.m.~~ on March 4, 1983 in room 423-S of the Capitol.

All members were present except:

Committee staff present:

Bruce Hurd, Revisor of Statutes Office
Raney Gilliland, Legislative Research Department
Kathleen Moss, Committee secretary

Conferees appearing before the committee:

The Minutes for the February 18 and 23, 1983 meetings were approved as written.

Chairman Fuller instructed the committee that they will have the opportunity to take any action on the three bills heard in committee this week. Today is the last day to take committee action on House bills.

Statements in opposition to HB 2415 by Donald H. Kistler and Joseph Gregg were given to committee members and entered into the record. They are Attachments No. 1 and No. 2.

HB 2136 - An act relating to liens on personal property; providing for liens for seed used to produce crops.

After discussion, Rep. Campbell moved to table HB 2136. The motion was seconded by Rep. Apt and motion carried.

HB 2433 - An act concerning agriculture; relating to the wheat and grain commission; concerning the application of the mill levy per bushel upon wheat, corn, grain sorghum and soybeans; pertaining to time of levy by the commodity credit corporation; concerning the use and purpose of certain credits to the state general fund; amending K.S.A. 2-2608 and 2-3007 and repealing the existing sections.

A proposed balloon amendment to HB 2433 was distributed to committee members. See Attachment No. 3. Staff explained the amendment. Rep. Polson made a conceptual motion to adopt the amendment. Rep. Buehler seconded the motion. Division was requested - 12 voted in favor of the motion and 1 voted against it. Motion carried.

Rep. Apt moved to table HB 2433. Rep. Adam seconded the motion and motion carried.

HB 2415 - An act relating to the promotion and development of the general economic welfare and prosperity of the state of Kansas through the conservation of the agricultural wealth of the state; providing for the prevention of economic waste in the marketing of wheat, feed grains, oil seeds, milk, cotton and rice crops produced in the state of Kansas by establishing a minimum price and orderly marketing rules therefor; providing for the administration and enforcement of this act; providing penalties for the violation of the provision of this act; providing for a referendum and a producer's marketing board.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND LIVESTOCK,
room 423-S, Statehouse, at 9:00 a.m./~~p.m.~~ on March 4, 1983

Rep. Shelor moved to amend HB 2415 by striking on Page 1, all of Line 24 after the word, "act" and all of Line 25 to the word, "providing", and strike all of Section 8. He added that Lines 172, 173 and 174 need to be clarified concerning general elections and "producers" needs to be defined. Rep. Shelor explained the amendment removed the penalty provisions of the bill. Rep. Niles seconded the motion and motion carried.

After discussion, Rep. Hamm moved to report HB 2415 favorably. Rep. Adam seconded the motion.

Rep. Apt made a substitute motion to table HB 2415. Rep. Long seconded the motion. Show of hands indicated that there were 11 in favor of tabling and 9 opposed. Motion carried.

The meeting was adjourned at 9:55 a.m.

The next meeting will be on Thursday, March 10, 1983 at 9:00 a.m. in Room 519-S.

STATEMENT IN OPPOSITION TO HB 2415
PRESENTED TO CHAIRMAN FULLER AND
THE MEMBERS OF THE HOUSE COMMITTEE
ON AGRICULTURE AND LIVESTOCK.

BY
DONALD H. KISTLER

My name is Donald H. Kistler. I own and operate a small dryland farm and cow-calf operation in Thomas County, near Colby, in Northwest Kansas. I am opposed to HB 2415. I would like to briefly outline my objections to this bill. This bill would:

- Ignore the basic economic principles of Supply and Demand.
- Disrupt or destroy markets.
- Call for draconian measures to control production, and take from individual producers the management decisions best left to the individual.
- Use an outmoded system to arrive ^{AT} an arbitrary price.

Let us now consider each of the above items in more depth.

Some would have you believe that the law of supply and demand is no longer valid. They are wrong! Supply and demand will be the most important consideration in HB 2415. As arbitrarily set higher prices increase the cost to consumers, both domestic and foreign, consumption will fall. At the same time, higher guaranteed prices to the producer will stimulate production. To illustrate the folly of attempting to fix commodity prices let us examine an effort to do just that---by OPEC. As the OPEC mandated prices for oil pushed up the consumer's prices, consumption dropped dramatically. At the same time, the production of oil was increasing rapidly. The result is being described as a worldwide "glut" of oil. Oil prices are now dropping steadily and are to drop even more as OPEC's efforts to control prices (and production) lie in shambles. It is interesting to compare OPEC'S

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price fixing efforts with HB 2415's intent to fix the price of food and fibre. OPEC controls a large portion of the free world's oil supply. This supply is not only limited and non-renewable but there are few readily available substitutes. Food, on the other hand, is produced throughout the world on a periodic and always renewable basis. Further, as one item of food becomes scarce another is available for substitution. If OPEC is unable to make price fixing work for oil it is highly unlikely that efforts to fix the price of food and fibre will work even as well.

This bill would disrupt marketing. The producers not covered by this bill could easily supply the United States market with adequate commodities, leaving those producers in the effected States handcuffed and without ready markets. Internationally, the United States would no longer be a major exporter of farm commodities---exports which are presently the only bright spot in the United States balance of trade. Most of the commodities covered by HB 2415 are produced, or have the potential to be produced, in abundance elsewhere on this planet. World production would eagerly increase to easily fill the gap left by pricing ourselves ^{OUT} of the world market. It is ludicrous to think that the production represented by this bill would have a major, long lasting effect on world supplies.

This bill would call for bullet-proof production controls. Even though the language in the bill gives rather broad authority to the State Board of Agriculture to set up production controls, it makes no mention of the absolute need to coordinate such an effort with other States. A bill of this scope cannot be administered on a State by State basis. It's objectives would have to be controlled by a much

more powerful and centralized entity, ie, the Federal Government. Most farmers fear such controls, and rightly so. The placing of management decisions in the hands of an impersonal bureaucratic entity (at any level of government) would not only rob the farmer of vital management decisions but be destructive of productivity and efficiency in the bargain.

The term parity, as used in HB 2415, is not a valid concept. The parity ratio was conceived to compare conditions seventy years ago with conditions today, and to apply seventy year old standards to today's agriculture. In 1913 farms were powered by horses and a large part of the nations population was required to work on those farms just to feed the United States. This is in comparison with the efficient, modern agriculture of today---an agriculture which uses less than three percent of a greatly increased population base to produce an embarrassment of riches. To rely on this parity formula, no matter how many times it has been "adjusted", is to use the most arbitrary method of setting a price.

In closing I would like to leave you with a few thoughts which need to be kept in mind when considering HB 2415:

First, the intent of this bill does not take into account basic economic facts. No one, for what ever reason has ever repealed the law of supply and demand;

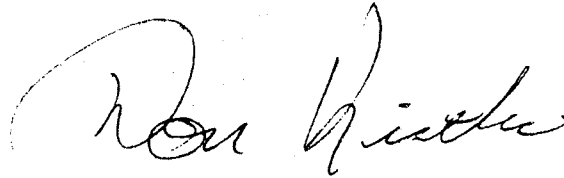
Second, the reduced production brought about by this bill would probably not be offset by the higher unit prices, conceivably resulting in lower incomes for producers;

Third, we must recognize that the United States is part and parcel of the world community and its economy. We must not pretend that the remainder of the world does not exist;

Fourth, agriculture in the United States is of a very complex and interdependent nature. Simplistic, poorly thought out efforts to tinker with any part of this vital industry could prove disastrous to agriculture, to this State and to the entire nation.

Although I recognize the dire plight of agriculture in these trying times, there is no doubt in my mind about HB 2415's inability to do anything but make matters worse. I therefore respectfully ask the committee kill this bill.

I would like to thank the members of this committee for receiving my thoughts.

A handwritten signature in cursive script, reading "Don Kistler". The signature is written in dark ink and is positioned above the typed name and address.

Donald H. Kistler
RR. 2, Box 97
Colby, Kansas 67701

MORRISON - GREGG - MITCHELL GRAIN COMPANY

4800 MAIN STREET / SUITE 458 / KANSAS CITY, MISSOURI 64112 / (816) 931-7756

March 2, 1983

Mr. Bill Fuller
Chairman, House Agriculture
Committee
State Capitol Building
Topeka, Kansas 66612

Dear Mr. Fuller:

I am extremely sorry, but I just could not find anybody from the Board of Trade to come to Topeka to testify before your committee on Thursday morning, March 3, at 9:00. But I have written a short summary of my thoughts with reference to the price fixing of grain.

It is regrettable that almost every year somebody or some group comes up with a plan under which they believe the price of wheat could be fixed at a level above the market. It is regrettable because none of these plans can work and those who have been sincerely advocating them are terribly disappointed.

Wheat is grown in almost every country of the world and in almost every state in the United States. In the marketing process it crosses state lines and is moved all around the world. Under the marketing system, buyers always can buy the grain and sellers can sell any time, any day in the year, and anyplace in the world.

Attempts to isolate any state or states in the United States from the market or an attempt to build a fence around any state and fix a price within its borders can only be futile. The end result would be no market in that particular state. Buyers within the state cannot pay a higher price than buyers outside would pay and remain competitive with their products. So they just wouldn't buy any Kansas wheat. As an example, a flour mill in Atchison, Kansas would not pay more for Kansas wheat when they could buy the same wheat at a lesser market in Nebraska or some other state. A Kansas elevator could not buy wheat it could not sell in Kansas, so it would pay only, at the market, for wheat it could market in other states or for export.

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Mr. Bill Fuller
March 2, 1983
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No matter how desirable higher prices might be, if a farmer can't sell at those prices, the plan is no good. The plan has to be workable. It has to stand a test of competition. You can't, in effect, have a gun on every buyer and say, "Pay this, or else". Kansas, or any other state, cannot have that kind of a monopoly. It is regrettable that all proposals for fixing prices are not thought through thoroughly to the point where they will pass the test of practicality.

I could go on with more details, but in order to make this letter short, I'm merely giving you the best feeling that I have. As a farmer and a rancher myself, I realize the difficult times we are having these days. But I do not know the answer because supply and demand always work whether we like it or not.

Sincerely,



Joseph B. Gregg

JBG:sjk

HOUSE BILL No. 2433

By Representatives Polson, Acheson, Apt, Arbuthnot, Aylward, Barr, Braden, Buehler, Bussman, Campbell, Chronister, Cloud, Cobb, Crumbaker, Debaun, Dempsey, Eckert, Farrar, Flottman, Friedeman, L. Fry, B. Fuller, W. Fuller, Goossen, Guldner, Harper, Hassler, L. Johnson, King, Kline, Leach, Littlejohn, Long, R.D. Miller, Moomaw, Niles, B. Ott, K. Ott, Patterson, Reinhardt, Roe, Roenbaugh, Rolfs, Sallee, Sand, Schmidt, Shelor, Smith, Sughrue, Walker and David Webb

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0024 AN ACT concerning agriculture; relating to the wheat and grain
0025 commissions; concerning the application of the mill levy per
0026 bushel upon wheat, corn, grain sorghum and soybeans; per-
0027 taining to time of levy by the commodity credit corporation;
0028 concerning the use and purpose of certain credits to the state
0029 general fund; amending K.S.A. 2-2608 and 2-3007 and repeal-
0030 ing the existing sections.

0031 *Be it enacted by the Legislature of the State of Kansas:*

0032 Section 1. K.S.A. 2-2608 is hereby amended to read as fol-
0033 lows: 2-2608. (a) Commencing June 1, 1982, there is hereby
0034 levied an excise tax of four mills per bushel upon wheat marketed
0035 through commercial channels in the state of Kansas on and after
0036 such date. ~~Except as provided in subsection (d) of this section,~~ the
0037 tax shall be levied and assessed to the grower at the time of sale,
0038 and shall be shown as a deduction by the first purchaser from the
0039 price paid in settlement to the grower.

0040 (b) The administrator shall furnish to every first purchaser
0041 receipt forms which shall be issued by such first purchaser to the
0042 grower upon payment of such excise tax. The form shall indicate
0043 thereon the procedure by which the grower may obtain a refund
0044 of any such tax. Within one year after any and all sales during
0045 such period the grower may upon submission of a request there-
0046 for to the administrator, obtain a refund in the amount of the tax
0047 or taxes deducted by the first purchaser. Such request shall be
0048 accompanied by evidence of the payment of the tax or taxes

The administrator shall provide such forms in duplicate pertaining to loans received from the commodity credit corporation. When such loan is made, the grower shall receive the original form and may obtain a refund of any such tax upon receipt of such form by presenting that form to the administrator. The duplicate form shall be held by the commodity credit corporation with any other documents pertaining to that loan. If the grower redeems the loan, the duplicate form shall be delivered to such grower who may use that form to obtain a refund of any such tax if no refund has been paid to the grower prior to such redemption.

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0049 which need not be verified.

0050 (c) The commission shall keep complete records of all refunds
0051 made under the provisions of this section. Records of refunds
0052 may be destroyed two years after the refund is made. All funds
0053 expended in the administration of this act and for the payment of
0054 all claims whatsoever growing out of the performance of any
0055 duties or activities pursuant to this act shall be paid from the
0056 proceeds derived from such act. ~~In the case of~~ Except as provided
0057 ~~in subsection (d) of this section,~~ when a lien holder who is a first
0058 purchaser as defined herein, the tax shall be deducted by the lien
0059 holder from the proceeds of the claim secured by such lien at the
0060 time the wheat is pledged or mortgaged.

0061 ~~(d) If the lien holder who is a first purchaser is the commodity~~
0062 ~~credit corporation, the tax will be levied when such service takes~~
0063 ~~actual possession of the wheat which is pledged to secure the lien~~
0064 ~~of that service.~~

0065 ~~(e)~~ The tax shall constitute a preferred lien and shall have
0066 priority over all other liens and encumbrances upon such wheat.
0067 The tax shall be deducted and paid as herein provided whether
0068 such wheat is stored in this or any other state.

0069 Sec. 2. K.S.A. 2-3007 is hereby amended to read as follows:
0070 2-3007. (a) Commencing September 1, 1982, there is hereby
0071 levied an assessment of three mills per bushel upon corn and
0072 grain sorghum marketed through commercial channels in the
0073 state of Kansas on and after such date. Commencing September 1,
0074 1982, there is hereby levied an assessment of 10 mills per bushel
0075 upon soybeans marketed through commercial channels in the
0076 state of Kansas on and after such date. ~~Such~~ Except as provided in
0077 ~~subsection (d) of this section,~~ assessment shall be levied and
0078 assessed to the grower at the time of sale, and shall be shown as a
0079 deduction by the first purchaser from the price paid in settlement
0080 to the grower.

0081 (b) The division shall furnish to every first purchaser receipt
0082 forms which shall be issued by such first purchaser to the grower
0083 upon the payment of such assessment. The form shall indicate
0084 thereon the procedure by which the grower may obtain a refund
0085 of any such assessment. Within one year after any and all sales

Notwithstanding that one year limitation, if a loan is made by the commodity credit corporation for a period of more than one year, the grower may obtain a refund of any such tax as provided in this act if such loan is redeemed by the grower any time prior to the termination of such loan period.

(d)

Such

The administrator shall provide such forms in duplicate pertaining to loans received from the commodity credit corporation. When such loan is made, the grower shall receive the original form and may obtain a refund of any such tax upon receipt of such form by presenting that form to the administrator. The duplicate form shall be held by the commodity credit corporation with any other documents pertaining to that loan. If the grower redeems the loan, the duplicate form shall be delivered to such grower who may use that form to obtain a refund of any such tax if no refund has been paid to the grower prior to such redemption.

0086 during such period the grower may upon submission of a request
 0087 therefor to the division, obtain a refund in the amount of the
 0088 assessments deducted by the first purchaser. Such request shall
 0089 be accompanied by evidence of the payment of the assessments
 0090 which need not be verified.

0091 (c) The division shall keep complete records of all refunds
 0092 made under the provisions of this section. Records of refunds
 0093 may be destroyed two years after the refund is made. All funds
 0094 expended in the administration of this act and for the payment of
 0095 all claims whatsoever growing out of the performance of any
 0096 duties or activities pursuant to this act shall be paid from the
 0097 proceeds derived from such assessment. ~~In the case of~~ Except as
 0098 ~~provided in subsection (d) of this section,~~ when a lien holder who
 0099 is a first purchaser as defined herein, the assessment shall be
 0100 deducted by the lien holder from the proceeds of the claim
 0101 secured by such lien at the time the corn, grain sorghum or
 0102 soybeans are pledged or mortgaged.

0103 (d) ~~If the lien holder who is a first purchaser is the commodity~~
 0104 ~~credit corporation, the tax will be levied when such service takes~~
 0105 ~~actual possession of the corn, grain sorghum or soybeans which is~~
 0106 ~~pledged to secure the lien of that service.~~ The assessment shall
 0107 constitute a preferred lien and shall have priority over all other
 0108 liens and encumbrances upon such corn, grain sorghum or soy-
 0109 beans. The assessment shall be deducted and paid as herein
 0110 provided whether such corn, grain sorghum or soybeans are
 0111 stored in this or any other state.

0112 Sec. 3. K.S.A. 2-2608 and 2-3007 are hereby repealed.

0113 Sec. 4. This act shall take effect and be in force from and after
 0114 its publication in the statute book.

Notwithstanding that one year limitation, if a loan is made by the commodity credit corporation for a period of more than one year, the grower may obtain a refund of any such tax as provided in this act if such loan is redeemed by the grower any time prior to the termination of such loan period.