

Approved _____

Date

Fred A. Kerr

2/24/83

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESSThe meeting was called to order by Senator Fred A. Kerr at _____
Chairperson10:00 a.m./p.m. on Wednesday, February 23, 1983, 19__ in room 423-S of the Capitol.All members were present except: Senator Ross Doyen (Excused)
Senator Joe Norvell (Excused)
Senator Joe Warren (Excused)Committee staff present : Bruce Hurd
Raney Gilliland
Lorraine Cobb

Conferees appearing before the committee:

Adrian Polansky, Chairman, Governor's Agriculture Working Group

Mr. Polansky distributed Executive Order No. 82-59 titled Establishing the Agriculture Working Group (See Attachment 1); the Governor's Agricultural Working Group Outline (October 9, 1982) (See Attachment 2); and the Group's Statement of Purpose: Formed to assist in developing a new bold approach to prosperity in American agriculture adopted December 18, 1982 (See Attachment 3), reading therefrom.

Mr. Polansky stated at their January 21, 1983 meeting 37 people representing 24 major farm groups attended, which was very encouraging. They will retain an open line of communication with those groups. He stated Chuck Lambert is on the staff working on research and papers and that the group will have a long range goal with regards to national farm policy.

Answering a question as to whether the group will have any recommendations to the legislature this year, Mr. Polansky stated they will have nothing within the next few months. They will perhaps have a framework of alternatives in early to mid summer.

Senator Kerr inquired as to their feelings on the PIK program to which Mr. Polansky replied they did not have a position on it at this time but felt anything done to lower the inventory would be a positive effort. He further stated it would be perhaps six weeks to two months before they state their position on national policies and alternatives. He felt since this is the golden anniversary of farm programs they need time to formulate a long range program.

As to Senator Thiessen's question as to whether the PIK program will cut production sufficiently, Mr. Polansky stated at this time he determined there was perhaps 16-20% participation in the corn and wheat areas and 5% in soybeans. A further question by Senator Thiessen as to whether the group would indicate mandatory reduction, he stated they are not yet ready to state a position as to voluntary versus a mandatory program. Relative to Senator Thiessen's remark that if we reduce our production other countries might increase theirs, Mr. Polansky stated that would be hard to analyze.

Senator Gannon stated as introduced the PIK program was a short type of operation. He felt there is a real need to look at long term goals. He felt it was too great a job to accomplish with one staff person. Mr. Polansky stated they have a number of resource and university people available. He stated if the PIK program is successful in bringing down surplus, then it will work and should be expanded. Senator Gannon felt such a program would have to be developed within grain producing states and we will have to unite the program on a multi-state basis. Mr. Polansky stated the Governor had sent out letters to 16 states in the grain belt and had received

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,
room 423-S, Statehouse, at 10:00 a.m. ~~pm~~ on Wednesday, February 23, 1983, 19

a good response. They may have different proposals than Kansas but they will take a look at all of them.

Senator Karr stated since this will be a long term agriculture endeavor he questioned interfacing the group with House and Senate members. Mr. Polansky stated they encourage any input, thoughts and ideas regarding agriculture. They want to spend an adequate amount of time on background work and want to come up with legitimate ideas. They would be glad to meet with individuals, groups or subcommittees. He stated the states need to become more active on the national scene. There is need to get the ag states together to strengthen the ag approach and then go to the national level.

Senator Allen asked if the group was going to promote programs for the whole world or just the state of Kansas. Mr. Polansky stated you can't divorce agriculture in Kansas from the rest of the world--there has to be a wide approach. He mentioned Congressman Pat Roberts was formulating a National Ag Forum. Relative to Senator Allen's question as to whether they will use the ongoing programs in Kansas, Mr. Polansky stated they will look at them and any market development program will be helpful. Senator Allen questioned whether any possible improvements or changes would be made in existing programs; Mr. Polansky stated not at this time, but it would be an alternative. They certainly do intend to cooperate. As to the frequency of their meetings, Mr. Polansky stated they have met twice a month.

Senator Montgomery inquired if the 24 farm organizations had been asked for input and whether Mr. Polansky is optimistic about getting a program developed to the satisfaction of all farm groups. Mr. Polansky stated he felt the situation is different than it was in years past. With the climate as it is, there is much more willingness to work together.

Answering Senator Montgomery's question if they looked into the Canadian farm program, Mr. Polansky stated they had discussed different types of marketing systems that other major countries do employ.

Senator Kerr assured Mr. Polansky the committee stands ready with the door open to help in any way possible.

The meeting was adjourned.

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SENATE

AGRICULTURE AND SMALL BUSINESS COMMITTEE

10:00 a.m., Room 423-S

Wednesday, Feb. 23, 1983

Date

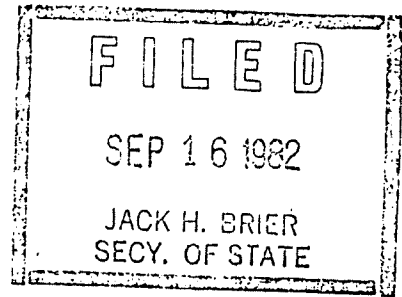
NAME	ADDRESS	ORGANIZATION
Vernon Deines	Box 6 Ramona, Ks.	Farmers Union
Terry Lindusky	Rt. 1 Box 34 Marion, Ks.	Farmers Union
Paul W. Smith	Kansas, Mo.	Farmers Union
Bellie Flores	Quinter, Kansas (farmer)	Farmers Union
Vaughn Flores	Delia, Kansas	NFD-FU ^{County} Rural
Fred Bentley	Whiting, Mo	Ks Rural Center
Chuck Lambert	Manhattan, Ks	Governor's Ag Working Group
Adrian J. Polansky	Belleville, Mo	Governor's Ag Working Group
Daniel R. Rempel	Corning, Ks	Farmers Union
Chris Walker	Mayetta, Ks	Kans. NFD
Greg Schmitz	Manlyville, Ks	Kans. Farmers Union
John Hubing	Buileyville, K.	Kans. Farmers Union
Ocean Wytch	McPherson	Ks Farmers Union
Arnold Gilbey	Salina	Ks Farmer Union
Eugene Tjellberg	Salina	Ks. Farmers Union
Kenneth & Hudson	Salina	Ks Farmer Union
Harold Kutz	Atton	Ks Farmers Union
Darrel Hemmberg	Smith Center, Ks	Kansas Farmer Union
B. Crasshaw	Ks	CKFO
W. Kartota	Topeka	Kansas Co-op Council
Joel E. David	Darden City	Farmers Union
George Grossenbacher	Bern, Kans	Kansas Farm Bureau
John Blythe	Manhattan	K. F. B.
Marilyn Stauffe	McPherson, Ks.	Ks Farmers Union
Bob Martin	McPherson	Ks. Farmers Union
Janey S. Gropech	Strong City	" " "
Don D. Orff	Enterprise	" " "
Lloyd & Bletty Ratto	St. John, Ks	" " "

Mrs. Richard Brown
Alpa Box

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James H. Brown
Terrence Brown

STATE OF KANSAS



OFFICE OF THE GOVERNOR
State Capitol
Topeka 66612

Jim Carlin Governor

EXECUTIVE ORDER NO. 82-59

ESTABLISHING THE AGRICULTURE WORKING GROUP

Executive Department
State House
Topeka, Kansas

WHEREAS, agriculture has been and will continue to be a major part of the economy of the State of Kansas; and

WHEREAS, the American farm sector is suffering from severe economic stress, perhaps the worst since the Great Depression; and

WHEREAS, farmers and ranchers are victimized by circumstances beyond their direct control: record yields and incredible productive capacity; and

WHEREAS, at the end of this harvest, the United States will have twice as much corn, wheat and soybeans in stockpile as was produced in 1970 even though production now occurs on fewer acres and with a voluntary set-aside in place; and

WHEREAS, farmers can no longer rely on the Federal treasury and old-line commodity programs to adequately serve their needs; and

WHEREAS, it is the proper role of state governments to assist in formulation, implementation and execution of programs to assist in the remedying of these situations.

Atch. 1

NOW, THEREFORE, pursuant to the authority vested in me as Governor and chief executive of the State of Kansas, I hereby establish the Agriculture Working Group, who shall be appointed by the Governor and include individuals generally representative of the following sectors:

- A. Farmers;
- B. The Banking Community; and
- C. Agri-Business.

The Governor shall designate one of the members as Chairperson. The Working Group shall meet on call of the Chairperson. The Working Group shall have a general charge to make recommendations to the Governor concerning the following:

- (1) Needs, goals, aspirations and concerns of farmers and agri-business persons;
- (2) Marketing strategies, practices and options;
- (3) Current structure, statutes, regulations and programs of both the Federal government and the State of Kansas;
- (4) Necessary involvement of the Governor, the Legislature, the State Board of Agriculture, the Kansas Department of Economic Development, Universities under the jurisdiction of the State Board of Regents, other State agencies, and the private sector; and
- (5) Pertinent legislative and budget matters.

John Carlin
Executive Order No. 82-59
Page Three

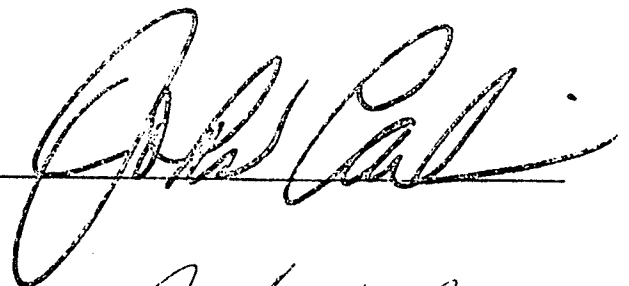
Members of the Working Group shall serve with no compensation at the pleasure of the Governor. Staff support shall be provided by the Department of Administration, the Department of Economic Development, the State Board of Agriculture, Universities under the jurisdiction of the State Board of Regents, and such other agencies as may be designated by the Governor. Expenses of the Working Group may be paid for by the individual organizations employing the members of the Working Group; or may be paid for by the Department of Economic Development, the State Board of Agriculture, Universities under the jurisdiction of the State Board of Regents, or other agencies as may be designated by the Governor, only upon vouchers approved by the head of the particular State agency or designee and the Governor or his designee.

The Working Group shall report to the Governor at least twice annually its Study, Report and Recommendations.

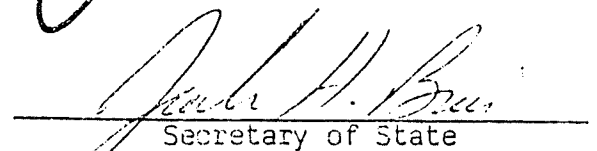
This document shall be filed with the Secretary of State as Executive Order No. 82-59 and shall become effective immediately.

THE GOVERNOR'S OFFICE

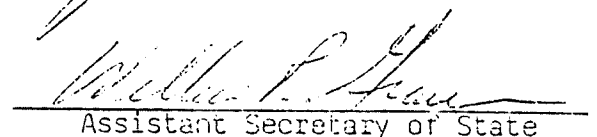
By the Governor



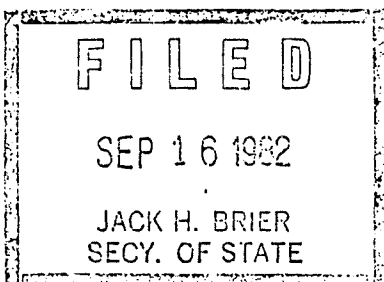
September 16, 1982



Secretary of State



Assistant Secretary of State



GOVERNOR'S AGRICULTURAL WORKING GROUP OUTLINE

October 9, 1982

I. Situation:

- A. The old-line commodity programs cannot be taken for granted in the future.
1. Federal funds will be limited.
 2. 50 years of similar programs during nine administrations haven't solved the problem.
 3. We have "progressed" from Henry Wallace's Ever-Normal Grainery to the Farmer-Owned Grain Reserve.
 4. Net farm income has declined for three consecutive years.
 5. The results of 50 years of intervention into the marketplace have been capitalized into land values.
 6. Record crops have been achieved.
 7. The price is below the average cost of production regardless of how it is figured.
 8. We have become the world's residual supplier at taxpayer and farmer expense.
 9. The commodity programs were designed for a domestic market and are now employed in an international environment.
 10. The U.S. is now part of an international food system.
 11. Time is available, perhaps 15 years to develop an alternative to current programs.
 12. Long-term policy solutions are needed rather than temporary stop gap measures.
 13. No nation can solve the problems independently.
 14. Individual countries can, however, adopt strategies to cope with problems in the international food system.
- B. Will the long-term price trends for farm products drift upward, downward, or lie fairly constant? (See Graph 1)
1. A declining world food price trend (adjusted for inflation) is based on worldwide recession, lack of resources to purchase food in less developed countries, population control measures and on the supply side our tremendous capacity to produce, high technology such as genetic engineering, synthetics, ocean resources, and human capital improvements.
 - a. Technology to produce food is increasing at a faster rate than the constraints (land, water, energy, human and money capital) on food production.
 - b. The expected increase in food demand will be constrained by the large debt level position of many food importing countries and the slowdown in the world economy.
 2. A constant world food price trend (adjusted for inflation) implies a balance between world food demand and supply.
 3. An increasing world food price trend (adjusted for inflation) is based on long-run improving world incomes, population increases, easing of political tensions and on the supply side increasing pressure on the depleting natural resource base (water, energy, land).

-over-

- C. Periods of surpluses and deficits in world food supplies will occur with a much greater degree of price variability than in the past. The question is, which will prevail? (See Table 1)
1. Price variability will arise from an unstable international monetary system with fluctuations in the value of the dollar and interest rates.
 2. Price variability will arise from market manipulation for foreign and domestic political reasons.
 3. Highly variable prices is a "cost" of operating in an international food system.
- D. Commodity markets are internationalized.
1. Worldwide political instability will continue. More reliance on the international market will compound the situation. Food will be used as a weapon and trade wars will occur. Trade is occurring between the relatively unmanaged U.S. market and the managed markets of the rest of the world.
 2. Export market will be the growth market while the domestic market will be stagnant. Growth export markets will be the developing countries and the centrally planned countries (USSR and PRC for example) while the export market to the developed countries will be stagnant.

II. The Problem:

Can the situation be changed? If so, how? If not, how do we cope with it? What political and market strategy will be most effective?

III. Alternatives:

1. Do Nothing (allow market forces to operate).
2. Continue Current Program (Land Retirement and F.O.R.).
3. Mandatory Supply Control Program.
4. Two-Price Plan.
5. Market Orders.
6. Collective Bargaining/Bargaining Associations.
7. Export Expansion
 - promotion
 - bilateral agreements
 - credit
 - subsidies
8. Income Insurance.
9. Adapt the farm credit model to farmer-owned and controlled marketing associations with a production control mechanism contained therein (including the CCC).
10. Public Utility.
11. Canadian/Australian System (Marketing Board).
12. License Farmers.
13. Co-responsibility Programs (producers bear part of the responsibility for surplus disposal and market promotion).
14. International Cartel.
15. International Commodity Agreements.

Table I. Total Grain Utilization and Carryover
(all grains except oil seeds)

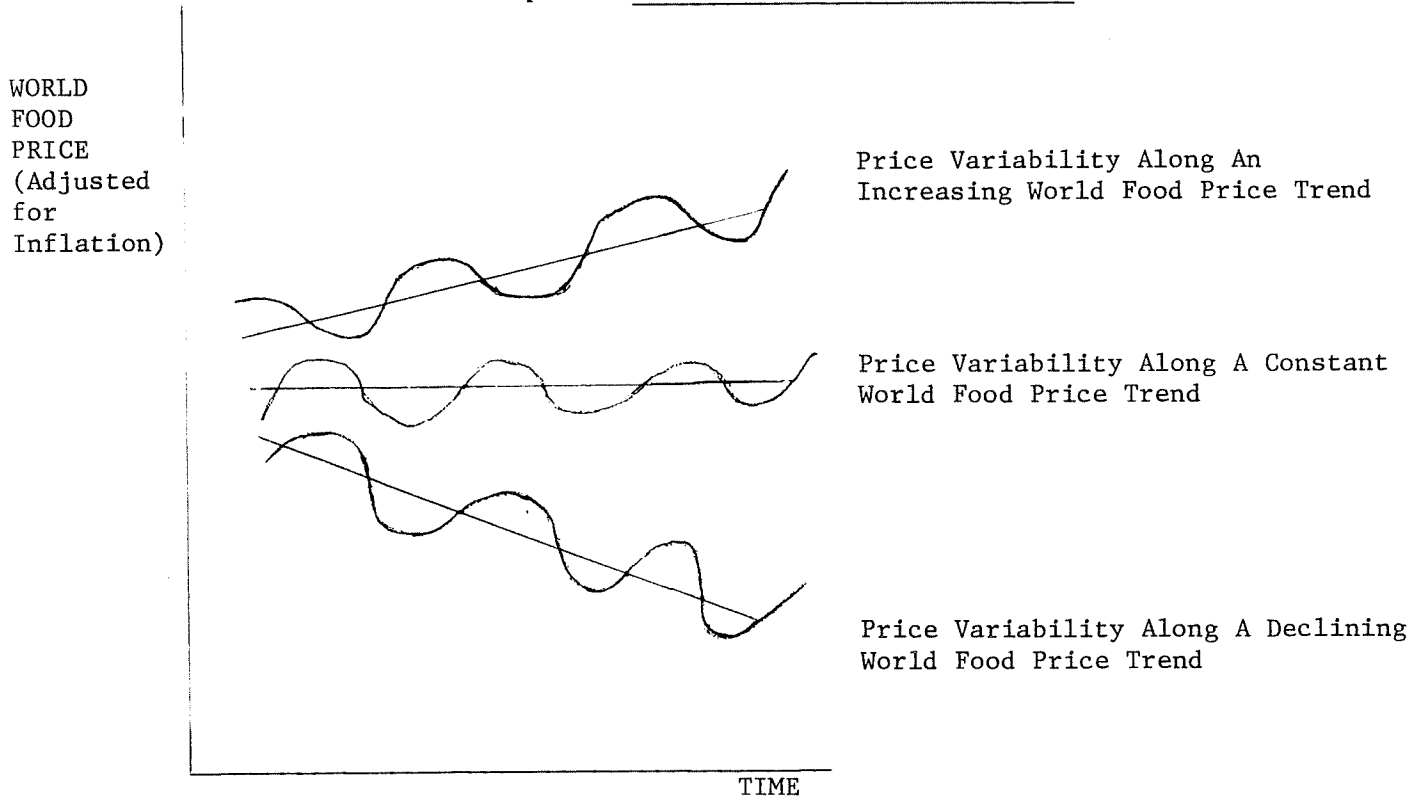
Million Metric Tons

Year	<u>Carryover</u>		<u>Utilization</u>		<u>Carryover as % of Utilization</u>		<u>U.S. Carryover as % of world</u>
	US	World	US	World	US	World	
1960-61		197		832		24*	
61-62	102	170	140	853	72	20*	60**
65-66	59	143	150	957	39	15	41
70-71	55	165	164	1144	34	15	33
75-76	37	138	155	1232	24	11	27
80-81	60	171	172	1452	35	12*	35
82-83	123	238	186	1479	66	16*	52**

* A 4 percentage point turn around is possible in one year

** U.S. is returning to the early sixties as the world's grain storer.

Graph 1. Possible Future Price Trends



Prepared by:
Dr. Paul Kelley
Dr. Orlen Grunewald
Dr. B. L. Flinchbaugh

Governor's Working Group on Agriculture

Statement of Purpose: Formed to assist in developing a new bold approach to prosperity in American agriculture.

We in the heartland must take the lead in developing an alternative to the current old bankrupt approach to national agricultural policy. Today we are producing for storage not for consumption. Price depressing surpluses are continuing to be committed to a farmer owned reserve, which differs little from the ever normal grainery program of the 30's. Net farm income will decline for the third straight year in a row. This has not occurred since the 30's, and tragically our national agricultural policy is similar. Current policy will not solve the problem. There is too much in storage and the 1983 programs will not cut production sufficiently. This policy was designed for a domestic market, yet it is still being used when one out of three kernels of grain today is shipped overseas. Is there any wonder why it isn't working?

Since the Agricultural Adjustment Act of 1933 when we didn't like the outcome of the marketplace government intervened with a multitude of schemes -- price supports, production controls, soil bank, non-recourse loans, set-aside acreages, farmer owned reserves, export promotions. We have had a fifty year history of commodity programs under nine administrations.

Has the problem been resolved? Obviously not, or net farm income would be at higher levels. Obviously not, or our highly leveraged relatively young farmers would not be in jeopardy. The old approach of government subsidies and controls has seen its day. The time has arrived for a new approach.

The production efficiency of the American farmer is a tremendous success story, but the time has come for us to turn an equal amount of effort toward marketing. For too long agriculture has improved its production efficiency with little or no reward in the marketplace. We can no longer afford to rely on the federal treasury to bail us out. We must develop our own strategy and control our own destiny. Government must play a positive but limited role.

While maintaining our efforts toward production efficiencies, we must turn our efforts toward developing a marketing strategy for American agriculture so that farmers can have muscle in the marketplace. We have been trying as independent farmers to deal with a managed marketplace.

We have been meeting market power with no muscle. That has got to change.

One example of how this could be done is the farm credit system approach. Government provided the structure and the start up funds, but today the system is entirely owned and financed by farmer associations with no assistance from the government. Perhaps this approach can be adapted to a producer supply management/stocks program to replace a supply management/stocks program manipulated by the political process.

No one has the answer. No one has developed the strategy. But an effort must be made -- to explore ideas, to think innovatively, to put the best brains available to work toward that end. Governor Carlin appointed the non-partisan working group to serve as the catalyst to bring together various viewpoints and interests. We will draw on resource people at our universities and elsewhere. We will solicit the thoughts and ideas of farmers and their leaders and agri-business related people throughout the state. The Governor will take the results of our deliberation to the other Midwest Governors who represent the heartland of American agriculture. In turn, we will have input at the national level, and this will evolve into a new effective bold approach to national agricultural policy if American agriculture will unite behind it. A plan developed by agriculture for agriculture and controlled and financed by agriculture.

Adrian Polansky, Chariman
Charles Hamon
Jimmie Dean
Jim Kramer
Dick Reinhardt
Ron Sweat
Norm Whitehair
Harland Priddle, Ex Officio

Statement Adopted December 18, 1982