

MINUTES OF THE HOUSE COMMITTEE ON JUDICIARY

The meeting was called to order by Representative Bob Frey at
Chairperson

3:30 ~~am~~/p.m. on March 19, 1984 in room 313-S of the Capitol.

All members were present except:

Representative Knopp was absent.

Committee staff present:

Jerry Donaldson, Legislative Research Department
Mike Heim, Legislative Research Department
Mary Ann Torrence was excused
Nedra Spingler, Secretary

Conferees appearing before the committee:

Senator Charlie Angell
Jack Quinlan, attorney for the Seaboard Company
Jamie Schwartz, Kansas Department of Economic Development
Jack Miller, Vice-President, Seaboard Company, Shawnee Mission
Arnold Heaton-Merheim, Pauls & Whites
Roy Poage, President of DEKALB Swine Breeders, Inc.
Don Laird, Garden City area Chamber of Commerce and Finney County
Gary Hellebust, Executive Vice-President of the Kansas Pork Producers Council
Fred Germann, Legislative Chairman, Kansas Pork Producers Council, and Co-Owner of F & R
Swine Corporation, Junction City
Senator Don Montgomery
Mary Harper, Healy, Kansas, American Agriculture Movement
Reverend John Stitz, Director, Catholic Rural Life, Archdiocese of Kansas City, Kansas
Viola Dodge, Kansas Agri Women
Ivan Wyatt, President, Kansas Farmers Union

A hearing was held on SB 519, exempting swine confinement facilities from restrictions on agricultural corporations.

Senator Charlie Angell, supported the bill and noted the DEKALB Corporation, a hog slaughtering and breeding operation, will be affected by the bill's provisions. He outlined the positive effects the DEKALB Corporation has had on the Plains, Kansas, area with increased population, jobs, and good prices for grain and other feed which also benefits other parts of the state. He said a number of residents of the Plains area had been enroute to testify to the importance of the DEKALB industry to the area but were turned back by the weather. The Seaboard Company will be establishing an operation in the United States somewhere with Oklahoma, Texas, and Colorado being considered, and the bill was needed to enable it to do so in Kansas. He believed this would be a major economic asset for the state. Because the DEKALB Corporation's operations were grandfathered in when the corporate farm law was passed in 1981, it is legal now for it to slaughter hogs with no limitation, and he questioned why it was bad for it to sell a portion as breeding stock.

Jack Quinlan, attorney, representing the Seaboard Company, formerly known as the Seaboard Allied Milling Corporation, said the company had been involved in the milling business for a long time and, in cooperation with Pauls & Whites, an English corporation, would like to start a swine facility in Kansas. His statement (Attachment No. 1) describes the three-stage, ten-year implementation plan on which \$35 million will be spent resulting in an ongoing need for local contractors, trucking, feed grain, and employees. Kansas is the most attractive state in which to locate because of its grain crops, agricultural schools, and natural gas. Indications of support for the project have come from western Kansas grain farmers.

Jamie Schwartz, Kansas Department of Economic Development, presented a statement (Attachment No. 2) supporting SB 519. He also furnished information compiled by Kansas State University regarding the swine industry in Kansas concerning production (Attachment No. 3) and marketing (Attachment No. 4). An addendum to his statement (Attachment No. 5) gives background information on Kansas agriculture and trends in grain production and hog operations. Mr. Schwartz said the large corporate farm is producing only a small portion of the nation's hogs and are not in competition with small farm operations. The real competition comes from other states,

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and Kansas needs to produce more. The state has a great grain potential for hogs which cannot be realized with restrictive laws. He refuted what he said was erroneous information that the Seaboard project would get special 2% interest money or that it would be financed by IRB bonds since these are being restricted by Congress.

A statement from the Kansas Industrial Developers Association supporting the bill is attached (Attachment No. 6).

Jack Miller, Vice-President, Seaboard Company, Shawnee Mission, gave a statement (Attachment No. 7) supporting the bill and giving the history of Seaboard's involvement with Kansas and Pauls & Whites, Ltd., hog producers in the United Kingdom, and their cooperative operation in Nigeria. He believed a similar operation in Kansas would mean Kansas jobs for Kansas graduates.

Arnold Heaton-Merheim, Pauls & Whites, stated his company, at Seaboard's request, had looked at many states to establish a breeding stock operation and preferred Kansas because of its climate, grain production, and availability of natural gas. If SB 519 is not passed, Pauls & Whites will be forced to go to another state. His statement is in Attachment No. 8.

Roy Poage, President, DEKALB Swine Breeders, Inc., supported SB 519. His statement is attached (Attachment No. 9) and outlines the DEKALB operation at Plains and the contributions, including increased need for grain, that operation and others like it can make to the state. He mentioned the swine genetic research being done by DEKALB resulted in a \$10 million cost since 1972, and smaller purebred operations cannot spend that much. Mr. Poage said DEKALB would like to continue its operation in Southwest Kansas on the 1600 acres it owns. Because an Attorney General's opinion has ruled that DEKALB cannot sell breeding stock, its main business, passage of the bill would clarify the corporation's future status and help it obtain refinancing, if necessary.

Don Laird, representing the Garden City area Chamber of Commerce and Finney County, supported the bill and said the possibility of a swine operation site would have a positive impact on his area which is based on agriculture. He noted the changes taking place regarding this base and believed this legislation would fill the gap. The DEKALB operation affects his area, and the Finney County farmers he has talked with believe an additional site would increase grain sales. He said the fears of small farm operations being done in by large companies were unfounded.

Statements of two supporting conferees who were weathered in are attached. They are from Eugene Smith, Attorney for DEKALB (Attachment No. 10) and Carl Holmes, Mayor of Plains (Attachment No. 11). Mr. Smith's statement contains his analysis of the Attorney General's opinion that affects the DEKALB operation.

Gary Hellebust, Executive Vice-President of the Kansas Pork Producers Council, gave a statement (Attachment No. 12) for this group in opposition to SB 519. He noted the oversupply of hogs, the low prices at the farm level, and the current 12% farm production loss. When the pork supply increases, it is at the expense of the family farm. The Council recommends that, prior to legislative action, an impact study be conducted regarding who will produce swine, where it will be done, and who will produce the grain. Mr. Hellebust said, in his 15 years with the Council, this bill had generated the most intense interest.

Fred Germann, past president of the Kansas Pork Producers Council and present legislative chairman, opposed the bill, stating he was not anti-corporation since he was an owner of F & R Swine Corporation, Junction City, with the same problems as DEKALB faces. He called attention to the Pork Producers' positive response to the Board of Agriculture's self-help suggestion to reduce their swine herds. This suggestion is inconsistent with the KDED statement that Kansas needs more hog production. Mr. Germann said the Council does not want to interfere with the DEKALB operation or request changes that would jeopardize cattle lots but it opposes corporations selling livestock unless it is proven by an impact study that it is in the best interest of the state. Mr. Germann's statement is attached (Attachment No. 13).

Senator Don Montgomery noted the close vote SB 519 received in the Senate Agriculture Committee and apologized that the bill had been assigned to the House Judiciary Committee rather than the Agriculture Committee. He clarified that the bill was not intended to create problems for the DEKALB corporation who he believed had been grandfathered into the present law according to statements made by the staff of the Senate Agriculture Committee. Senator Montgomery's statement opposing SB 519 is attached (Attachment No. 14).

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Mary Harper, a member of a family corporation grain farming operation who monitors legislation for the American Agriculture Movement, gave a statement (Attachment No. 15) opposing SB 519. She said the bill opens up the door for large corporations which would be a detriment to small farms and the national economy. If more swine facilities are needed, farmers will take care of the need. She said DEKALB does not pay the checkoff that independent pork producers pay.

Reverend John Stitz, Director, Catholic Rural Life, Archdiocese of Kansas City, Kansas, opposed SB 519 as a measure that may affect the structure of the family farm. His statement is attached (Attachment No. 16).

Viola Dodge, farm wife, representing the Kansas Agri Women, gave a statement (Attachment No. 17) in opposition to the bill. She believed it would open the door for foreign investors and would lead to requests from others to be exempt.

Ivan Wyatt, President, Kansas Farmers Union, believed SB 519 was in the Judiciary Committee because it was a special interest bill which had become too hot to handle in the Agriculture Committee with farmers and pork producers voicing strong opposition to it. He believed the KDED wants the bill passed to perpetuate itself. Corporate investors would violate fair trade and market laws which would isolate independent producers. Mr. Wyatt's statement is attached (Attachment No. 18).

In discussion, questions were directed to conferees regarding the reason for the bill's being referred to this Committee, the increasing competition of American meat products with foreign products, the potential for loss of farm jobs which will increase the unemployment lines in the cities, what the bill's effect would be on the health of the farm community, and the legal status of the DEKALB operation with conflicting opinions being given on whether or not it was grandfathered in according to the Attorney General. Mr. Poage noted that the DEKALB swine breeding operation produced and sold to farmers male and female hogs to be placed in their herds to upgrade reproduction. It was not in competition with farmers to produce more hogs for slaughter.

There was discussion regarding the states that allow corporations to own swine-producing operations. Mr. Hellebust said Nebraska had had a liberal law, but, due to its effect on farmers, a constitutional amendment was passed to prohibit this. A member noted that other states do permit these operations and this will impact on Kansas which is no longer a separate entity. He questioned why jobs resulting from such a law should not be available in Kansas. Mr. Hellebust said this would result in overproduction which consumers cannot absorb.

A member noted the bill seemed to be a Board of Agriculture issue rather than one for the KDED. Mr. Schwartz said representatives of the Board of Agriculture had been invited to this hearing. He was requested to ask the Board to give its position on the bill to the Committee.

Mr. Schwartz was questioned as to the scope of the bill and if corporations other than Seaboard would also be implementing swine operations. He said he would like to see an increase in hog production, and, regardless of what happens in Kansas, it is not going to determine the price of pork which has been declining because of the size of farms. A member noted the request for this legislation seemed to be corporate blackmail since the corporation involved has said it will locate elsewhere if the bill is not passed. Mr. Schwartz said he was not suggesting repeal of the Kansas corporate farm law, but KDED was only promoting reverse investment to bring in foreign investments for Kansas. If Kansas could isolate itself from the rest of the world, he would not support SB 519. The KDED has no quarrel with family farms but had been requested by corporations to appear before the legislature, the decision making body.

There was discussion regarding the checkoff program and DEKALB's and the Pork Council's participation in it. Mr. Poage said DEKALB participates in the national checkoff program for marketed hogs but not for breeding stock, and most pork producers in Kansas, including family farm producers, do not participate in checkoff.

Other firms operating breeding stock projects were noted including PIC, Purina, and F & R Swine Corporation, 50% of which is owned by Continental Grain Company. Mr. Poage said of all hogs produced in the United States, only about 5% fall in the breeding stock category. Mr. Germann believed F & R was grandfathered in when the corporate farm act passed. He noted

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the feasibility of the trend from small group production using pasture land to large groups using confinement facilities and said many people were in the breeding stock business. A member pointed out the co-owner of Mr. Germann's corporation, Continental Grain Company, is owned by the Swiss, a foreign corporation, which may be a violation of the law.

The meeting was adjourned at 6:00 p.m.

3-19

BEFORE THE KANSAS HOUSE JUDICIARY COMMITTEE
THE HONORABLE ROBERT FREY, CHAIRPERSON

Attachment # 1

STATEMENT IN SUPPORT OF
SENATE BILL NO. 519

Mr. Chairman and members of the Committee, I am Jack Quinlan and I am an attorney engaged in the private practice of law here in Topeka. For quite a few years now, I have represented Seaboard Company, formerly known as Seaboard Allied Milling Corporation whose Kansas offices are at Shawnee Mission, Kansas.

As you know, Seaboard has been involved in agribusiness in this state almost from their beginning as a company. You probably best knew them when they were involved in the milling industries in this state. Senate Bill 519 adds to the definitions section the definition of a swine confinement facility. This bill was introduced and is necessary because under the present law as interpreted by an Attorney General's Opinion - the definition of a "feedlot" includes and permits the production of hogs for slaughter - however production of breeding pigs is not.

In other words, today without any amendment to the law anyone can produce all the hogs for slaughter they care to. If this bill was to become law, then Seaboard would like to do something that it has wanted to do for some little time, and that is to start a swine confinement facility in Kansas. In doing so Seaboard recognizes the fact that this is a highly technical operation and requires expertise and experience. Accordingly, in looking around for someone who had that expertise and experience, Seaboard became acquainted with a public English corporation known as Pauls & Whites. There is contemplated then a

Atch. 1

joint venture consisting of Seaboard and Pauls & Whites and to the extent that Pauls & Whites in beginning this project will be managing the units, we do have them involved. I don't want to bore you with numbers and therefore I refer you to my statement which I would like to incorporate herein by reference. However, a few numbers need to be mentioned so you can understand the magnitude of dollars to be invested here in the State of Kansas.

It is planned that this facility would start with three stages, those being one, two and three. It will take 10 years to reach stage three. A total of somewhere between 33 and 35 million dollars will ultimately be spent. Initially, there would be about 6.65 million spent on pig buildings, site work (excavation, lagoons, roadways, drainage, etc.), pig equipment, offices and housing, feedmill, utilities and special equipment such as vehicles and generators. Keep in mind that in addition to initial capital outlay for construction there will also be an ongoing policy of replacement and renewal for which there would be a need for local contractors and local expenditures. As I say, with the exception of the two initial positions consisting of a general manager and operations manager, which Pauls & Whites will furnish, all other personnel would be employed from local sources and by the end of stage three would employ somewhere between 105 and 130 people. Because we are talking about a very highly technical system of hog production, there would need to be recruited suitably qualified graduates hopefully from Fort Hays State and Kansas State University, who would both be well qualified to fulfill the initial supervisory level positions and moving on to the higher managerial levels after training and experience. If Senate Bill 519 becomes law the current plans contemplate an on-campus recruitment this fall.

In addition to all monies that will be spent locally just for construction costs and all other services that are necessary and attendant thereto, a very substantial and important impact to the area will be the utilization of grain and feed crops. Feed rations will utilize such commodities as sorghum, wheat, corn, soya bean meal and additional minor ingredients. The bulk of these commodities are produced within Kansas. Sorghum, wheat and corn will be drawn from immediate local sources to the project, and soya meal will be drawn from the processing plants at Emporia, Wichita and Fredonia, Kansas. The total annual requirements will be:

Under stage one - sorghum, wheat and corn 9,500 tons; soya meal 2,500 tons and other ingredients 700 tons.

Under stage two - 24,000 tons of sorghum, wheat and corn; soya meal 6,250 tons and other ingredients 1,750 tons.

Under the final stage, stage three, now ten years from now - 48,000 tons of sorghum, wheat and corn; 12,500 tons of soya meal and other ingredients 3,800 tons.

When Seaborad began looking around other states such as Oklahoma, Colorado, Kentucky, North Carolina and ultimately Kansas for location of such a facility, Kansas was most attractive because of its high reputation for agricultural and a substantial surplus of grain and feed crops as well as Kansas State and Fort Hays State Universities both rating very highly in the field of agricultural education.

After production commences, then the trucking industries will become involved. Under stage one there would be at least five truckloads of pigs per week leave the facility; under stage two twelve truckloads per week and stage three twenty-five truckloads per week.

Throughout the course of getting from phase one to phase three, it is anticipated that a foreign market, and I want to emphasize that - a foreign market, will be generated and created for the sale of not only slaughter hogs but some of the breeding stock which will be sold. These markets are abroad and should not really have any impact on Kansas insofar as other hog breeding is concerned. I would also say to you that we have heard from Chambers of Commerce, County Commissions and other interested parties throughout the western part of the state who are asking Seaboard to very seriously consider their respective communities for location of such a project. You can well understand this when you can see the impact it will have on a local community in a very beneficial way insofar as dollars spent, people employed, etc. Consider also, that in addition to those employed directly, how many people would be employed indirectly through maintenance and supplies (such as stationery, work clothing, medical and veterinary supplies), all of which will be purchased locally.

We sincerely believe that what we have to offer the State of Kansas and the help we would be giving in use of surplus grains as feed for this project will have a very substantial economic impact in a favorable manner upon the whole western end of this state. As many of you know, at the present time our grain farmers are having to ship very much of their product out of state for sale and this sort of project will help diminish the surplus grains we now have in Kansas as well as the rest of the nation.

Thank you.

TESTIMONY BEFORE THE
HOUSE JUDICIARY COMMITTEE

S.B. 519

March 19, 1984

Charles J. Schwartz, Secretary
Kansas Department of Economic Development

KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT

503 Kansas Avenue, Sixth Floor, Topeka, Kansas 66603

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JOHN CARLIN
Governor

CHARLES J. "Jamie" SCHWARTZ
Secretary

Mr. Chairman and Members of the Committee:

In September of 1983 we were contacted by the prospect, Seaboard Corporation and Pauls & Whites, to assist them in locating a swine operation in Kansas. To proceed with the project, we were requested to seek an Attorney General's opinion, a copy of which is provided. As Attorney General Opinion No. 83-160 does not clearly address the prospect's interest in breeding operations, we support the passage of Senate Bill 519 to insure a Kansas location for their investment.

We did not initiate our efforts on their behalf as experts in the hog industry, but we have secured data on the effects of locating a large hog unit in Kansas. Data from an impact study by Kansas State University, The Swine Industry in Kansas, 1983, shows that DeKalb Swine Breeders, a large seedstock producer located in Southwestern Kansas, has benefited commercial hog production in that area. According to this study, Southwestern Kansas, consisting of 12 counties, which surround the counties in which DeKalb is located, increased their hog inventory by 106% from 1970 to 1981. The hog numbers in the counties in which DeKalb is located were not included in figuring the increase. During that same time period the swine inventory in the State of Kansas decreased 20%. The presence of the DeKalb Swine Breeders' operation in Southwest Kansas has prompted farmers in that area to get into hog production, not to get out.

In addition, Kansas grain farmers will also benefit from increased hog production in our state. Increased hog numbers will open more markets and should entice a large packing plant to locate somewhere in the State of Kansas. Oscar-Meyer, which is one of the major packing companies in the United States purchased land near Oswego, Kansas several years ago with intent to build a large packing plant, but sold the land in 1982 after doing a feasibility study which indicated to them that there were not enough hogs in Kansas to justify a large packing plant. According to the study, the hog producers surveyed sent 69% of their butcher hogs to other states for slaughter. This would appear to increase Kansas pork producers costs and cause a decline in the overall Kansas economy. Of course the history of the cattle feedlot business in western Kansas and the subsequent increase in slaughter capacity provides the most persuasive precedent.

The most important commodity for producing hogs is grain and soybean meal, both of which are produced in Kansas in great quantities; any increase in hog numbers in the state would increase the market for feed grains and soybean meal. We have been told that as a rule of thumb, each market hog will consume approximately 10 bushels of grain (corn, wheat, sorghum) and 150 lbs. of soybean meal. Therefore, for every 100,000 hogs produced in Kansas approximately 1,000,000 bushels of grain and 7,500 tons of soybean meal would be consumed.

A large hog operation would bring new investment into the state, new jobs which means more spending in homes, renting of apartments, buying of cars and other consumer goods. Of course, all of this increases the tax base for local and state government.

To provide additional background, a recent study of the U.S. swine industry, The Changing Structure & Organization of the U.S. Pork Sector, indicates that hog units as independent, self sufficient, profitable enterprises must be larger to survive economically, as follows:

In the 1960's, hog enterprises as small as 200-499 head appeared to be viable because they increased in absolute numbers (Table 4.3). In the 1970's only enterprises of 500 head or more gained in numbers. The economic tide of the past quarter century has been running clearly toward larger units.

In addition to shifts in the average cost curve, other forces have likely been behind this dramatic structural shift. Hog enterprises were an integral part of a diversified agriculture at the end of World War II. The hog enterprise could not remain untouched amidst the general increase in the size of commercial farms, their growing specialization, and the substitution of capital for labor. For example, as a farmer's corn acreage climbed from 160 to 600 acres, a ten sow hog enterprise became a nuisance rather than a relatively large source of income.

Since 1900 the number of hog farmers has been declining. During the 1959-1969 period, the U.S. experienced the biggest decline in any decade. Nearly 50% of all the farms raising hogs in 1959 discontinued their hog operations by 1969.

Even though the trend in hog production has been to fewer hog farms, large corporate hog farms only produce a very small percentage of the nations hogs. In fact, according to the National Pork Producers Council, which recently published a list of the large corporate farmers the combined total of the sows of these producers was 116,700 sows. The nations sow herd on December 1, 1983, according to U.S.D.A. Pig Crop Report was 7,350,000. Therefore, the large corporations only own .0016 of all the sows in the U.S.

Total number of sows owned by large corporate farmers - 116,700

Total number of sows in the U.S. Dec. 1, 1983² - 7,350,000

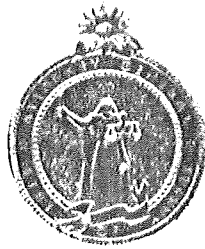
Therefore, one can readily conclude that the total U.S. sow inventory owned by large hog corporations is less than 1%.

The production and sale of female seed-stock by corporations as replacements for hog producer's herds amounts only to 2%¹ of the annual total female seed-stock replacements. 98% of the female seed-stock is produced and sold by purebred breeders, commercial producers and by producers saving their own gilts. The production and sale of the males for commercial hog production by corporate sources is 15-20% of the total 85% of the male seed-stock sold is produced by the purebred breeders, there are approximately 10,000 in the U.S., commercial producers and hog producers themselves.

As Kansans we need to recognize that our real competition in hog production comes from other states. We should be raising a larger percentage of the U.S. hog production relative to our grain supply. With an increase in hog numbers we have the potential to attract a major meat packer that will slaughter and process hogs within the State of Kansas. But before that can happen Kansas needs to produce more hogs. Kansas has been declining in hog inventory since 1970, while other states such as Nebraska and Minnesota have been increasing and Iowa which raises 22%² of the hogs in the United States has stayed about the same.

Hog farms have become fewer and larger since 1900 as shown earlier. From the information we have been able to gather one has to conclude that in today's agriculture, hog producers have to be larger and more efficient in order to survive. The trend in grocery stores is to fewer, but larger super-markets in order to reduce costs. If we want to maintain the standard of living we then have to be more efficient in producing goods, foods and services within the State of Kansas. Kansas is an agriculture state and we should build on our agriculture base in order to bring more economic development and prosperity to the State of Kansas.

We feel that Kansas has a great potential for hog production given our abundance of grain and good weather. This potential will never be realized if governmental restrictions are placed upon it.



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612

ROBERT T. STEPHAN
ATTORNEY GENERAL

October 31, 1983

MAIN PHONE (913) 296-2215
CONSUMER PROTECTION 296-3751
ATTORNEY TRUST 296-5299

ATTORNEY GENERAL OPINION NO. 83-160

Jamie Schwartz, Secretary
Kansas Department of Economic Development
503 Kansas Avenue, 6th Floor
Topeka, Kansas 66603

Re: Corporations -- Agricultural Corporations --
Ownership of Agricultural Land; Operation of
Feed Lot

Synopsis: A foreign corporation, authorized to do business in Kansas, may own agricultural land in this state, irrespective of acreage, for the purpose of operating a feedlot for the feeding and slaughtering of hogs. As an incidental aspect of the feedlot operation, such corporation may engage in the breeding of the hogs from within its own stock for feeding and slaughter but may not breed hogs for sale prior to feeding and slaughter. Cited herein: K.S.A. 17-5901, 17-5903, as amended by 1983 Session Laws, Ch. 88, §72, K.S.A. 17-5904, 17-7301, 7 U.S.C.A. §202.

* * *

Dear Secretary Schwartz:

You have requested our opinion concerning whether a corporation, desiring to operate a feedlot for hogs, is precluded from the ownership of agricultural land in this state, pursuant to K.S.A. 17-5904, because of its desire to incorporate an incidental breeding operation on its feedlot premises.

We are advised that a foreign corporation has requested permission to purchase approximately 300 acres of Kansas land for the operation and maintenance of a feedlot for the feeding and slaughtering of hogs. As part of this feedlot operation, the corporation desires to breed its stock. The hogs will be breed, feed and slaughtered on the feedlot premises.

The hogs are not breed for sale before slaughter. The corporation has incorporated this breeding procedure into its feedlot operation in order to maintain the quality of the herd and to maintain health standards.

K.S.A. 17-5901 et seq., establishes the ownership limits and uses of agricultural land in Kansas by a corporation. K.S.A. 17-5904 reads in pertinent part as follows:

"No corporation, trust, limited corporate partnership or corporate partnership, other than a family farm corporation, authorized farm corporation, family trust, authorized trust or testamentary trust shall, either directly or indirectly, own, acquire or otherwise obtain or lease any agricultural land in this state."

In examining those entities that are allowed uncontrolled ownership of Kansas farm land, as set out above, we find that in this case, the corporation is not one of those entities, as defined by K.S.A. 17-5903, as amended by 1983 Session Laws, Ch. 88, §72. Therefore, we look to the exceptions contained in K.S.A. 17-5904, which states in pertinent part:

"The restrictions provided in this section do not apply to the following:

. . . .

"(8) Agricultural land held or leased by a corporation for use as a feedlot."

It must be noted that the statutes make no distinction between land ownership by a domestic or foreign corporation, K.S.A. 17-5903(a), as amended [see e.g., Alien Ownership of Kansas Farmland: can it be Prohibited?, David A. Williams, 20 W.L.J. 514 (1981)] and we are assuming for purposes of this opinion that any such foreign corporation would be licensed and authorized to do business in this state pursuant to K.S.A. 17-7301 et seq.

A feedlot is defined at K.S.A. 17-5903(e), as amended, as "a lot, yard, corral, or other area in which livestock fed for slaughter are confined. The term includes within its meaning agricultural land in such acreage as is necessary for the operation of the feedlot." We naturally assume that the land in question is agricultural land as defined in K.S.A. 17-5903(f) as amended.

It is obvious from a reading of the entire Act that it is the intent of the legislature to limit the commercial use of agricultural land by corporations. While a corporation may own agricultural land for the operation of a feedlot, it must be noted that the statutes make no prohibitions against the operation of a slaughterhouse, as a slaughterhouse is not included within the definition of farming. K.S.A. 17-5903(g), as amended. However, the production of livestock, or, in this case the breeding of hogs, could be considered farming. K.S.A. 17-5903(g), as amended.

Your question concerns whether the operation of a breeding house can be included within the definition of a feedlot. Our research has disclosed no case which specifically includes breeding as part of a feedlot operation. However, the definition of "stockyard" as set out in 7 U.S.C.A., §202 is helpful:

"the term 'stockyard' means any place, establishment, or facility commonly known as stockyards, conducted, operated, or managed for profit or nonprofit as a public market for livestock producers, feeders, market agencies, and buyers, consisting of pens, or other inclosures, and their appurtenances, in which live cattle, sheep, swine, horses, mules, or goats are received, held, or kept for sale or shipment in commerce." See e.g., Denver Union Stock Yard Co. v. United States, 21 F.Supp. 83 (D. Colo. 1937).

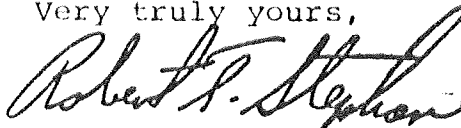
While the statute above applies to public stockyards, it is useful in determining what is included within the activities of a stockyard or feedlot.

We are advised by the Kansas Animal Health Department that a "farrow to finish" operation is common among hog feeders. "Farrow" as defined by Websters Seventh New Collegiate Dictionary, p. 303 (1969), means "to bring forth young" swine. "Farrow to finish" is the breeding and feeding of hogs on the same premise. In this particular situation, the corporation has implemented a "farrowing" operation into its feedlot operation, as an internal method to reduce disease (See Pauls and Whites International Ltd., Proposal to Establish a 2218 Sow Breeding and Fattening Unit in the U.S.A. p. 17.) We have also been assured by the corporation that none of the hogs "farrowed" would be sold on a commercial basis but would be used exclusively to fatten for slaughter purposes on the premises of the feedlot. Additionally, based upon the diagram of the operation, as supplied by the corporation, it is readily apparent that the breeding of the hogs is an integral part of, or incidental to, this particular operation.

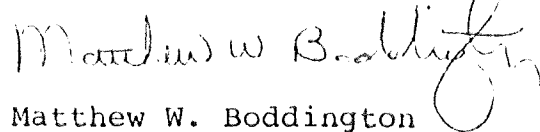
It is a primary rule of statutory construction that when the intent or purpose of the legislature can be ascertained, it must be followed. City of Salina v. Jagers, 228 Kan. 155 (1980). And "[w]here a statute is susceptible to more than one construction, it must be given that construction which, when considered in its entirety, gives expression to its intent and purpose." Reeves v. Board of County Com'rs of Johnson County, 226 Kan. 397, 402 (1979). However, even though the Act is restrictive as to corporate uses of agricultural land, if we examine closely the definition of feedlot, it is sufficiently broad so as to encompass any incidental activities necessary to the operation of the feedlot. Such incidental aspects of a feedlot operation for hogs could include the breeding of the pigs for the purpose of stocking the feedlot. It must be kept in mind, however, that these incidental activities must be strictly confined to the feedlot operation.

Therefore, we have little hesitancy in concluding that a corporation, authorized to do business in Kansas, may own agricultural land, irrespective of acreage, for the purpose of operating a feedlot for the feeding and slaughtering of hogs. As an incidental aspect of the feedlot operation, a corporation may engage in the breeding of the hogs from within its own stock for feeding and slaughter but may not breed hogs for sale prior to feeding and slaughter.

Very truly yours,

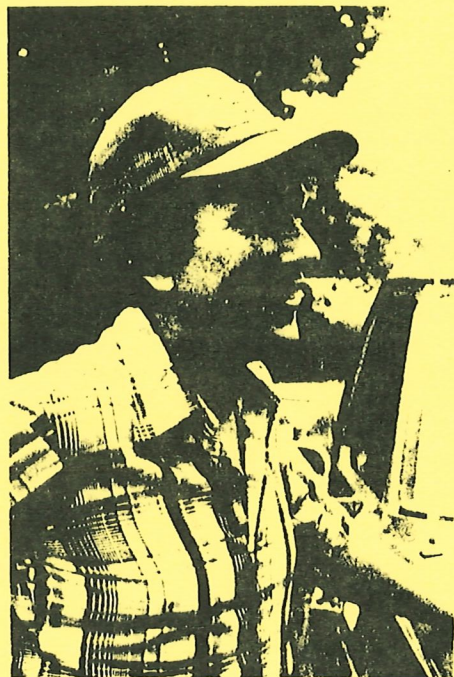
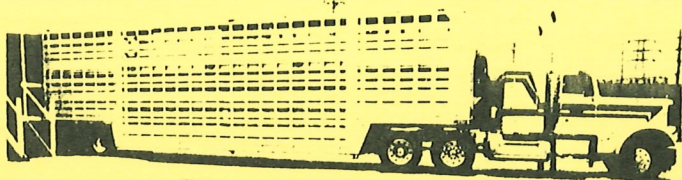
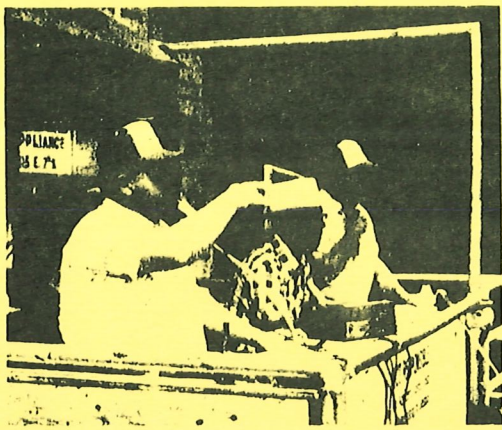


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**THE SWINE INDUSTRY IN KANSAS,
1983**

I. production

Atch. 3

The Swine Industry in Kansas, 1983

1. Production

Acknowledgments

Thanks to those producers who completed and returned their surveys; they are the ones who made this study possible.

And to Doyle Talkington of the Kansas Pork Producers' Council, for providing me with a mailing list for my surveys.

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INTRODUCTION

Kansans, in 1981, produced 722.5 million pounds of pork, and marketed just over 3 million head of hogs (736,786,000 pounds). At an average per cwt. price of \$42.80, this resulted in \$319,930,000 of gross income. (Table 1)

KANSAS HOGS AND PIGS				
<u>Year</u>	<u>Production (1,000 pounds)</u>	<u>Marketings (1,000 pounds)</u>	<u>Avg. Price Per Cwt. (\$)</u>	<u>Gross Income</u>
1960	389,290	385,990	\$15.50	\$62,952,000
1970	722,727			
1975	582,405	586,345	45.00	270,455,000
1976	643,220	618,275	44.10	278,585,000
1977	738,785	713,795	40.00	290,659,000
1978	686,235	680,855	47.00	327,676,000
1979	795,985	794,080	41.90	339,154,000
1980	776,443	794,388	36.90	297,827,000
1981	722,452	736,786	42.80	319,930,000

<u>Year</u>	<u>On Hand Previous Dec. 1</u>	<u>Inshipments</u>	<u>Marketings</u>	<u>Farm Slaughter</u>
	-----1,000 head-----			
1960	1,177	75	1,645	85
1970				
1975	1,750	199	2,442	12
1976	1,650	229	2,617	11
1977	1,850	233	3,077	13
1978	2,000	216	2,974	12
1979	2,000	325	3,305	12
1980	2,090	225	3,300	12
1981	1,900	146	3,059	10

Table 1 (3)

The bulk of these hogs came from the eastern two-thirds of the state, with especially heavy production in the NE and NC regions.

However, while these figures are substantial, hog numbers in Kansas were down in 1981. They were also down in 1980, and again in 1982. The decrease from 1979 to 1980 was 9%, from 1980 to 1981, 7% and from 1981 to 1982, 5.65% (1).

As shown on the maps of Figure 1, hog density has shifted over the last twenty years. Some of the more drastic changes include decreases in Wyandotte, Lyon, Osage, Coffey, Douglas, Franklin, Anderson, Johnson, Miami, Linn, Butler, Cowley, Greenwood, Woodson, Montgomery, Allen, Bourbon, Crawford and Cherokee counties: all in the eastern third of the state. Also showing major drops are Smith, Republic, Washington (NC); Dickinson, Marion (C); Kingman, Harvey (SC); Rawlins (NW); and Logan (WC) counties. Largely increased density is now found in Geary, Elk, Edwards, Scott and Gray counties. Seward county has also greatly enlarged its hog population, due mainly to the large DeKalb farrow to finish operation at Liberal. Grass and Grain (1) estimates there were 76,300 head of hogs in Seward county on December 1, 1982. That would give a density of close to 140 hogs and pigs per square mile.

THOUSANDS OF HOGS BY COUNTY

- 1960 -

Cherokee	Polk	Decatur	Barren	Phillips	Salem	Izwell	Republic	Washington	Marshall	Howard	Sumner	DO
7.0	8.3	14.7	17.2	15.6	14.4	33.2	17.1	32.0	26.3	41.0	27.8	10
Shelton	Thomas	Sheridan	Grimes	Point	Osborne	Mitchell	Clarendon	Clay	Atter	Polk	Jefferson	10
4.2	4.7	8.3	3.6	4.0	8.3	7.3	13.2	18.1	17.9	21.8	13.2	21.5
Wallace	Logan	Cove	Trego	Ellis	Russell	Lincoln	Ellsworth	Osborne	Atter	Washington	Cherokee	10
3.1	2.3	3.4	1.3	2.8	3.7	8.5	4.8	20.3	6.4	8.3	8.5	19.4
Clay	McIntosh	Scott	Law	Hess	Frank	Barren	Ellsworth	Atter	Atter	Atter	Atter	10
1.5	2.2	1.5	1.0	2.7	2.0	5.2	2.9	6.6	20.3	13.9	13.2	14.6
Harrison	Henry	Fancy	Hodgeman	Frank	Frank	Stafford	Atter	Atter	Atter	Atter	Atter	10
2.0	1.9	4.3	7	7	1.2	5.1	19.1	10.4	10.4	12.1	5.8	10.4
Stanton	Grant	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	10
2.2	.9	.9	3.0	3.7	.7	5.6	10.3	19.3	17.3	13.3	10.8	18.8
Marion	Stevens	Seward	Marion	Comanche	Marion	Marion	Marion	Marion	Marion	Marion	Marion	10
.5	2.5	1.5	3.0	2.5	4.9	4.5	14.0	12.9	8.0	9.7	16.8	5.7

- 1970 -

Cherokee	Polk	Decatur	Barren	Phillips	Salem	Izwell	Republic	Washington	Marshall	Howard	Sumner	DO
6.4	12.0	16.9	17.8	27.0	16.0	24.0	47.0	22.0	44.0	58.0	17.0	25.0
Shelton	Thomas	Sheridan	Grimes	Point	Osborne	Mitchell	Clarendon	Clay	Atter	Polk	Jefferson	10
5.5	7.7	18.0	5.3	8.1	17.5	16.0	12.5	16.0	21.0	25.6	19.0	19.0
Wallace	Logan	Cove	Trego	Ellis	Russell	Lincoln	Ellsworth	Osborne	Atter	Washington	Cherokee	10
2.8	3.6	5.5	1.2	2.6	6.0	8.5	12.1	25.0	19.0	19.5	7.1	11.0
Clay	McIntosh	Scott	Law	Hess	Frank	Barren	Ellsworth	Atter	Atter	Atter	Atter	10
2.7	3.1	1.5	1.6	4.5	7.5	7.0	3.2	6.0	19.0	19.0	21.0	19.6
Harrison	Henry	Fancy	Hodgeman	Frank	Frank	Stafford	Atter	Atter	Atter	Atter	Atter	10
1.0	2.9	2.0	1.5	6.0	1.5	6.5	17.0	21.4	17.0	65.0	7.0	23.5
Stanton	Grant	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	10
.8	2.5	1.6	2.6	13.5	5.4	15.0	23.0	23.5	41.3	17.5	12.4	19.3
Marion	Stevens	Seward	Marion	Comanche	Marion	Marion	Marion	Marion	Marion	Marion	Marion	10
1.0	.7	2.5	4.3	1.8	3.5	4.2	5.2	16.3	18.5	6.2	37.0	15.4

- 1981 -

Cherokee	Polk	Decatur	Barren	Phillips	Salem	Izwell	Republic	Washington	Marshall	Howard	Sumner	DO
7.0	8.4	14.4	12.6	36.8	33.9	50.5	38.4	82.4	63.0	55.9	46.3	24.7
Shelton	Thomas	Sheridan	Grimes	Point	Osborne	Mitchell	Clarendon	Clay	Atter	Polk	Jefferson	10
6.9	9.7	16.9	7.9	8.9	20.6	28.8	18.2	43.5	25.0	34.8	19.3	25.1
Wallace	Logan	Cove	Trego	Ellis	Russell	Lincoln	Ellsworth	Osborne	Atter	Washington	Cherokee	10
2.5	3.3	10.3	6.0	7.5	6.6	13.0	11.9	26.4	4.0	22.4	9.3	23.5
Clay	McIntosh	Scott	Law	Hess	Frank	Barren	Ellsworth	Atter	Atter	Atter	Atter	10
3.2	6.2	26.6	4.4	3.2	1.3	16.1	8.1	22.6	26.6	26.6	22.0	23.6
Harrison	Henry	Fancy	Hodgeman	Frank	Frank	Stafford	Atter	Atter	Atter	Atter	Atter	10
2.8	2.8	6.4	3.5	11.7	2.7	6.3	22.5	32.2	33.3	9.1	23.0	20.1
Stanton	Grant	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	Marshall	10
.9	9.0	10.7	8.7	14.0	12.1	21.4	11.3	27.8	39.0	12.7	8.5	14.9
Marion	Stevens	Seward	Marion	Comanche	Marion	Marion	Marion	Marion	Marion	Marion	Marion	10
.5	5.2	?	?	1.2	4.9	4.9	6.1	20.3	27.8	8.5	28.6	20.8

Figure 1

At the beginning of 1981, only 4% of the hog farms in Kansas had inventories of more than 1,000 head. However, these producers accounted for 43% of the state's total inventory. In contrast, 85% of Kansas' swine operations had less than 300 head, and produced only 27% of the total inventory (3).

Table 2 illustrates the dramatic shift in operation size in Kansas since 1940. Today only 27% of the state's hogs are produced on farms raising 300 or fewer head; in 1940, that size of operation accounted for over 98%.

Size Operation (head)	OPERATION SIZE									
	-1940-		-1950-		-1960-		-1970-		-1980-	
	% all hogs produced	% all Kansas operators	% all hogs produced	% all Kansas operators	% all hogs produced	% all Kansas operators	% all hogs produced	% all Kansas operators	% all hogs produced	% all Kansas operators
1-25	36.64	70.32	20.00	53.17	5.19	27.89			<u>1-99</u>	
26-50	31.33	21.00	28.53	27.40	12.52	25.47			9.4	62.5
51-75	12.38	4.77	17.45	9.85	11.59	14.31			<u>100-199</u>	
76-150	12.59	3.17	20.51	7.29	22.66	17.01			9.3	14.5
151-300	5.17	.66	11.20	2.10	32.91	13.03			<u>200-299</u>	
301+	1.89	.08	2.39	.19	15.13	2.23			8.4	7.5
									<u>300-599</u>	
									10.1	5.7
									<u>600-999</u>	
									19.8	6.1
									<u>1000+</u>	
									43.0	3.7

SOURCE: Kansas Crop and Livestock Reporting Service

Table 2

Hog production can be observed not only by size of farm or area of state, but also by type of farm. The charts in Tables 3 and 4 show the distribution of swine enterprises through the operations involved with the Kansas Farm Management Association. Thirty-five of the 2399 farms included have swine as their only farming enterprise; they obviously depend the most on hogs for income. The most popular combination is cash crops with some swine production (most often farrow to finish). Hogs also appear to feature prominently in "general farm" operations (2).

FARM TYPE			
-Kansas-			
1981			
	<u>No. Farms</u>	<u>Litters of Pigs</u>	<u>Swine Income Per Farm</u>
1. cash crop dryland	1030	38	\$ 3,989
2. cash crop irrigated	188	25	879
3. stock-ranch cowherd	12		76
4. dairy	139		904
5. sow & litter (market)	28	425	244,518
6. sow & litter (feeders)	7	301	171,026
7. backgrounding	30		718
8. background-finish	14		731
9. cash crop, cowherd	235	26	1,575
10. cash crop, dairy	39		1,821
11. cash crop, sow & litter (M)	66	150	93,878
12. cash crop, sow & litter (F)	14	126	72,539
13. cash crop, feeder pigs	5		66,341
14. cash crop, ewe & lamb	12		
15. general farm	238	83	35,244
16. cowherd, backgrounding	9		132
17. cash crop, backgrounding	129	15	2,492
18. cash crop, finishing	9		1,975
19. cash crop, background, finish	29		2,934
20. cash crop, beef			

Table 3

FARM TYPE, KANSAS DISTRICTS
 -1981-
 Kansas Farm Management Association

DISTRICT TYPE FARM	NW		NC		NE		SW		SC		SE	
	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$
cash crop dryland	70	423	155	4,592	213	8,446	126	358	252	2,729	205	3,255
cash crop irrigated	40	811					131	533	12	4,188		
stock-ranch cowherd											11	63
dairy	9	147	21	3,009	51	375			21	-32	32	1,348
sow & litter (market)					6	183,376					10	139,832
sow & litter (feeders)												
backgrounding							18	422			5	649
background-finish					5	1,183						
cash crop, cowherd	87	571			44	1,807	26	372	5	-38	35	1,927
cash crop, dairy			5	3,772	11	4,695			12	42	7	
cash crop, sow & litter			14	98,270	19	103,834			8	79,854	19	70,824
general farm	49	13,555	32	41,495	54	50,792	6	9,772	15	21,483	78	40,063
cash crop, backgrounding	19	23	24	4,463	21	2,360	30	160	16	3,544	18	5,717
cash crop, b-ground, finish					9	6,440					11	2,465
cash crop, beef	44	4,274	23	6,470	35	6,708	8	474	12	6,925	39	11,638

No. = number of operations
 \$ = swine income per farm

Table 4

PURPOSE

Hogs are obviously an important facet of Kansas agriculture and the state's economy. Yet little has been done outside of the state board of agriculture to study or document the industry and its trends. So, a survey was conducted, with the following objectives in mind:

- 1) Determine production practices and performance levels of Kansas hog producers in 1983;
- 2) Determine what swine facilities are available and/or in use in Kansas in 1983;
- 3) Determine what types of waste management are in use in Kansas in 1983;
- 4) Look at relationships between size, type and location of Kansas hog operations in 1983;
- 5) Determine swine producers' attitudes and reasonings regarding their future plans, and
- 6) Assimilate historic data relevant to these areas, for comparison purposes.

PROCEDURE

A five page survey was sent to 900 hog producers, selected randomly from the Kansas Pork Producers' Council's mailing list. Questions dealt with size and type of operation, production practices and figures, facilities, marketing*, and future plans. Close to one third of the questionnaires were returned, counting those sent in by farmers now retired or otherwise out of the hog business. The answers were tabulated and compared, cummulatively as well as by size, type, and area.

The area breakdowns referred to in this report are the same as those used by the Kansas Crop and Livestock Reporting Service: Northwest=Norton, Decatur, Graham, Rawlins, Thomas, Sherman, Cheyenne and Sheridan counties; North Central=Rooks, Phillips, Riley, Cloud, Washington, Republic, Clay, Jewell, Smith, Mitchell, Osborne and Ottawa counties; Northeast=Leavenworth, Atchison, Brown, Nemaha, Pottawatomie, Jackson, Doniphan, Jefferson, Marshall and Wyandotte; West Central=Ness, Wallace, Greeley, Logan, Wichita, Scott, Gove, Lane and Trego; Central=Ellis, Rush, Russell, Barton, Lincoln, Ellsworth, Rice, Saline, McPherson, Dickinson and Marion; East Central=Geary, Morris, Chase, Wabaunsee, Lyon, Shawnee, Osage, Coffey, Douglas, Franklin, Anderson, Johnson, Miami and Linn; Southwest=Hamilton, Haskell, Grant, Stanton, Ford, Finney, Seward, Meade, Gray, Clark, Stevens, Hodgeman, Morton and Kearny; South Central=Sedgewick, Reno, Sumner, Pawnee, Harvey, Edwards, Kiowa, Harper, Pratt, Kingman, Stafford, Comanche and Barber; and, Southeast=Crawford, Cowley, Montgomery, Butler, Cherokee, Labette, Bourbon, Neosho, Allen, Wilson, Greenwood, Chautauqua, Elk and Woodson.

*The marketing information will be combined with results of a seperate survey sent to Kansas hog markets, and presented in another publication.

SURVEY RESULTS*

FARM FIGURES

The operations included in this study were broken down into nine size classifications, based on the total number of hogs and pigs currently owned:

- 1 = 0 to 50 hogs and pigs
- 2 = 51 to 100 hogs and pigs
- 3 = 101 to 250 hogs and pigs
- 4 = 251 to 500 hogs and pigs
- 5 = 501 to 1000 hogs and pigs
- 6 = 1001 to 2500 hogs and pigs
- 7 = 2501 to 5000 hogs and pigs
- 8 = 5001 to 7500 hogs and pigs
- 9 = 7500+ hogs and pigs.

The responses included 28 1's (10.98%), 25 2's (9.8%), 54 3's (21.18%), 59 4's (23.24%), 4 5's (21.57%), 20 6's (7.84%), 9 7's (3.53%), 2 8's and 3 9's. Combined, they represented 161,599 head in inventory, with an average population of 638.7 hogs and pigs per farm.

When broken down further, that gave a per farm average of 73 sows, 5 boars, and 13 replacement gilts.

Size also was measured on an acre basis. The mean for acres operated was 1007.2, and for acres owned, 45.5. Thus, the hog producers surveyed owned an average of 5.27% of the land they worked.

The responses then were grouped by type of operation:

- 1 = Farrow to finish
- 2 = Farrow to finish, buy extra feeders
- 3 = Farrow to finish, sell some feeders
- 4 = Farrow and sell feeders
- 5 = Buy feeders and finish
- 6 = Raise breeding stock.

The most common practice was farrow to finish, which applied to 122 surveys (46.5%), rather distantly followed by buying feeders (49 responses, 19.0%). There were 20 2's, 28 3's, 25 4's, and 18 6's.

The surveys also were classified according to area:

- 1 = North Central (NC)
- 2 = Central (C)
- 3 = South Central (SC)
- 4 = Northeast (NE)
- 5 = East Central (EC)
- 6 = Southeast (SE)
- 7 = Northwest (NW)
- 8 = West Central (WC)
- 9 = Southwest (SW)

*The number of total responses will vary between questions, since many producers only partially completed their forms.

Fifty-three surveys were returned from the NC district and 44 from the NE.

Table 5 shows the percent breakdown for each area, and also what percentage of the state's hogs originate there. The similarity of figures would indicate that the survey response was a good representation of the state's producers.

<u>Area</u>	<u>% of Kansas Hogs</u>	<u>% of Surveys</u>	
NE	19.0%	17.9%	
EC	14.0%	11.4%	<u>Eastern third</u>
SE	12.5%	13.0%	45.5%/42.6%
NC	21.0%	21.6%	
C	10.5%	11.8%	<u>Central third</u>
SC	8.5%	9.7%	40.0%/43/1%
NW	3.5%	4.8%	
WC	3.0%	4.0%	<u>Western third</u>
SW	8.0%	5.3%	14.5%/14.1%

Table 5

The age or ages of the main operator(s) was monitored. Both the mean and median of the 310 observations was 40, with 14 occurrences. The range was 16 to 68. Age didn't vary noticeably by size of operation, but trended toward younger for purebred operations, and older for both farrow to finish and feeder to finish. Operators also seemed to be older overall in the established hog centers of SE, NE and NC Kansas, and younger in the western third.

One hundred sixty eight operations were organized as individual businesses (67%). Partnerships accounted for 23% (59 observations), with 48 of those being with a family member. Twenty-four operations were incorporated, or 10% of the total; 15 of these were family corporations, and nine were otherwise. These percentages varied between different size groupings, with many more of the smaller operations belonging to individuals, and more of the larger ones to partners and corporations. The "type" breakdown held more closely to the overall ratio, although type 3 (farrow to finish, sell some feeders) represented a disproportionate number of partnerships, and no corporations. When viewed by area, there were significantly fewer individual, and more partnership businesses in the northwest, more partnerships also in the west central district, and more corporations in the east central part of the state.

When asked what other farming enterprises they were involved in, producers responded as illustrated in Table 6.

<u>Other Enterprises</u>	<u>No. of Responses</u>
beef	171
dairy	1
poultry	7
horses	5
other livestock	7
corn	28
milo	89
beans	40
wheat	115
oats	4
alfalfa & hay	49
silage	6
other crops	3
seed	4
"crops" (unspecified)	83

Table 6

When expressed as a percent of total cash receipts for 1982, the figures in Table 7 result.

<u>Income Source</u>	<u>Mean (%)</u>	<u>No. of Observations</u>
Swine	48.13	235
Dairy	.16	231
Beef	13.29	227
Other Livestock	3.22	230
Crops	26.26	228
Off-Farm	6.81	227

Table 7

Swine income ranged from 1 to 100%, and the standard deviation for the 48.13% mean was 27.18. As would probably be expected, there was a high correlation between size and swine income (coefficient .60183, probability less than .0001), and a strong negative correlation between off-farm income and size (coefficient $-.26313$, probability less than .0001). Swine income also was correlated moderately to type. Area was not related significantly to swine, crop or off-farm income, but was correlated moderately to beef income.

Several survey questions dealt with feeds and feeding. The first concerned on-farm mixing of feed, which drew 181 "yes" responses (73%), and 68 "no's". The smallest size (size 1) operations answered only 57% "yes", and that figure gradually increased for each size group, up to 100%. There was only minimal deviation from the overall ratio within areas, although the EC region did have 85% "yes's" and the SW region only 61%.

Farmers also were asked how much on-farm storage they had for feed or grain. Most either had none, or more than 1,000 bushels, with just a handful falling in between. Seventy-five percent of those with storage had room for between 1001 and 30,000 bushels. The upper range was to 150,000 bushels.

Two-thirds of those surveyed said they fed at least one boughten complete ration. Over three-fourths of those producers used a commercial creep feed, and 43% of them bought complete nursery feeds. Only 15 surveys indicated that all feeds, farrow to finish, were purchased in a complete, pre-mixed form.

This 60% "yes"/40% "no" ratio varied significantly in two areas; for the central district it was 71%/29%, and for the west central, 44%/56%.

Farmers also were asked what percent of the feed grain fed to their hogs (in 1982) was grown on their farm. The bulk of the responses fell into either the 1 to 10% or 91 to 100% extreme ranges. Almost 27% of those surveyed grew little or none of their feed, and 40% produced all or nearly all.

PRODUCTION PRACTICES

Producers were asked what breed or cross of hogs they produced, and the responses were, not surprisingly, quite varied. A few points were obvious, however. The most popular breed for a purebred herd was Yorkshire (Y), followed about evenly by Durocs (D), Hampshires (H), and Spots (S). Yorks were also the most favored breed for cross-breeding purposes; York crosses accounted for 83.3% of all responses. Landrace was next, with 26% (obviously, a certain number of crosses contained both breeds).

The most named two-way cross was Y x D, with 10% of all crosses. Y-H-D took the lead for three-way mixes, accounting for 26% of all crosses. Y-C-H-D was the number one four-way cross.

Purebreds made up 19% of the responses (mostly for breeding), 2-way crosses, 20%, and 3-way crosses, 41%. Over half of those surveyed used three or more breeds.

Of those producers with sows, 57% planned two farrowings per year, while 43% were in a continuous cycle. The smaller sized operations (numbers 1 and 2) showed a higher percentage of "twice a year" responses, and those size 6 and above trended more towards continuous. The variations in type came with groups 3 and 4, which sold feeder pigs. They showed proportionately more "continuous" replies, possibly because their income was more directly affected by number of pigs born and weaned. That was true also of the western third of the state.

Farrowings were also broken down by month (Table 8).

<u>Month</u>	<u>No. of Farrowings Reported</u>	<u>% of Farrowings Reported</u>
Jan.	2696	8.26
Feb.	2605	9.15
March	2685	10.03
April	2568	9.67
May	2567	7.14
June	2222	5.83
July	2673	7.22
Aug.	2617	9.92
Sept.	2873	10.84
Oct.	2326	8.44
Nov.	2752	7.31
Dec.	2166	6.18
Total	31,023	100.00

Table 8

Sows were kept for an average of four litters, with 65% being kept for five or fewer. Twenty percent had sow lifespans of six litters, and only 16% of longer. No one farrowed only gilts, and only six out of 207 made a practice of selling sows after two litters.

Producers were asked for information on several production characteristics, and those results are presented in Table 9.

Creep feeding was practiced by 78% of those responding. The feed was first made available as early as birth, and as late as five weeks, with the majority (55%) putting the creep out between one and three weeks, and leaving it until weaning.

The extreme ranges for weaning ages were two and a half weeks and 12 weeks (one observation of each), with 72% of the surveys falling within the four to six week range.

<u>Variable</u>	<u>Mean</u>	<u>Range</u>	<u>Variance</u>	<u>N</u>
conception rate	88.52	98.00	96.41	153
# pigs born/litter	10.46	9.00	1.695	192
# pigs weaned/litter	8.58	80.00	31.296	195
post-weaning death loss(%)	2.45	9.90	5.33	134
feed to gain ratio	3.42	4.70	0.67	66

Table 9

When asked to describe briefly their record-keeping system, farmers produced a wide variety of responses. Only 12 said they kept no records, but there were several responses along the lines of "poor," "terrible," and "primitive." On the other hand, KSU's Farm Management records were kept by 40 operators, and 8 had computerized systems. Many only kept financial records, some using a commercial service or CPA. All the remaining producers used index cards, calendars, notebooks, worksheets, etc. just to keep track of those two to seven areas they personally felt were important (e.g. where purchased, weights, dates, what boar, litter information, feed consumed, expenses).

FACILITIES

Table 10 illustrates the total number of animal spaces available, by facility and swine type, in those hog farms surveyed. These figures give a total of 4540 farrowing spaces, and room for 50,913 nursery pigs, 89,608 growing and finishing hogs, and 14,365 sows and replacement gilts.

Total numbers for slatted floor facilities are 46,131 (14.72%), on partial slats 41,658 (23.06%), on solid floors 9542 (8.54%), in open front buildings 25,145 (17.22%), on dirt 29,002 (31.32%), and in portable buildings 6118 (5.12%).

That is a grand total of 154,040 spaces.

<u>Housing Type</u>	<u>Farrowing</u> (sows)	<u>Nursery</u> (pigs)	<u>Finishing</u> (hogs)	<u>Sow Quarters</u> (sows & gilts)
Total confinement, Total slats	1,688	30,085	12,483	1,875
Total confinement, Partial slats	1,138	11,800	28,100	1,190
Total confinement Solid floor	627	3,170	5,790	255
Open front, Concrete	269	3,638	19,909	1,329
Dirt lots, shelter	608	1,700	18,511	9,293
Portable buildings	360	520	4,815	423

Table 10

Waste management in these facilities also was considered. The majority of those surveyed, as can be seen in Table 11, use hand labor or a loader on the manure in solid form. Lagoons and pits are also common, except in sow quarters (remember close to 2/3 of the sows studied were on dirt lots, and had either no or simple solid waste handling).

<u>Manure Handling System</u>	<u>Farrowing</u>	<u>Nursery</u>	<u>Finishing</u>	<u>Sow Quarters</u>
Solid Wastes (hand labor, loader)	100	77	76	70
Mechanical Scraper	4	5	18	10
Pit	57	53	68	9
Lagoon	51	25	40	11

Table 11

PLANS

Producers were asked to indicate what percentage changes in their volume of marketings, as compared to 1982, they expected in 1983, 1987 and 1992. The one year projections averaged out to an increase of 6.28%, with individual figures ranging from -100% to +500%.

In five years these operators anticipated an average increase of 12.31% (range: -100% to +300%), and in ten years, 12.97% (range: -100% to +500%).

There was a moderate correlation between size and both the one and five year projections (not ten), but none between any of the estimates and either area or type.

Those surveyed consider numerous factors when making future plans, and some producers even use the same reasons to draw different conclusions. Some of the most cited reasons for planning a production increase included:

1. New and better facilities and/or feed storage
2. Improved production efficiency (not necessarily an increase in sow numbers, just pigs)
3. Good market for breeding stock
for feeder pigs
for fats
4. Children entering business; other available labor
5. Need to increase cash flow or gross income
6. Utilize grain produced on farm
7. Fill up facilities
8. Believe pork promotion is improving market
9. Believe current economics (prices, costs, hog cycle) are favorable to expansion

Many of the main points for remaining stable are related to those for expanding:

1. Operating at facility capacity
2. Operating at capacity of available labor
3. Economy
4. Interest too high for expansion
5. Health and age considerations
6. Believe the best practice is to always hold production level steady

The most quoted reasons for decreasing production were:

1. Retirement
2. Worn out facilities
3. Profitability/economy
4. Labor shortage
5. Anticipate high feed costs (PIK)

Factors that would cause producers to change their plans from stable or decreased production to increased include:

1. Profitability--higher prices, lower feed costs
2. Interest rates down
3. More help, especially from children
4. Afford new facilities
5. Improved health

On the other hand, considerations that would cause a change in plans from increase to decrease were:

1. Economics--low prices, expensive feed, high interest, high building costs
2. Decline in health
3. Swine disease
4. Lack of labor; children loose interest in
5. Loss of rented facilities or farm ground
6. Government programs or regulations.

In addition, there were several producers who emphasized they didn't feel they could out-guess the market, and they expected to follow their pre-determined expansion/stabilization plans, bar anything but "going broke," "if wife left," or even "loss of life."

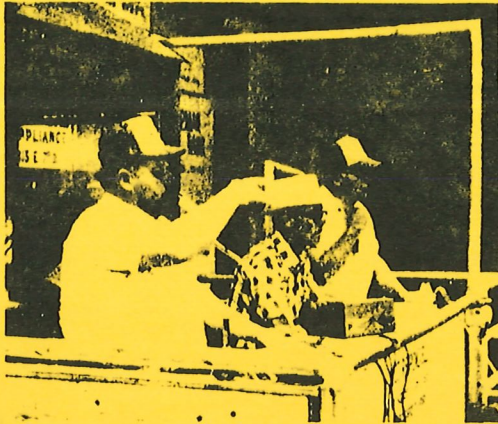
CONCLUSIONS

Swine production in Kansas is a major industry, and it is expanding, both in numbers and into areas of the state that are not historically hog raising districts. Hog producers here are found in all parts of the state, and on operations ranging widely in size and type. Performance levels, based on this survey, were reasonably high. A variety of facilities were found, distributed among the various areas, sizes and types of operations, but shelter buildings on dirt lots were still the most common. Similarly, solid waste handling was the most common form of waste management.

Kansas hog producers, while concerned about a number of governing factors, were apparently fairly optimistic about raising swine here. While the past three years have shown a downward trend in hog numbers, it appears that a small to moderate increase in production is ahead for the industry.

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THE SWINE INDUSTRY IN KANSAS, 1983

II. marketing

Atch. 4

The Swine Industry in Kansas, 1983

II. Marketing

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INTRODUCTION

The marketing of hogs in Kansas is going through changes. The number of both market outlets and in-state slaughter facilities is going down, even though this is not a nation-wide trend. The map on the next page shows the location, by county, of markets for swine in 1982, and lists those that have recently gone out of business. Rodeo Meats, in Arkansas City, has since reopened, and is currently in an expansion phase; they started at 2,000 head a day, and planned to increase slaughter to 5,000. On the other hand, the auctions at WaKeeney and Pratt no longer deal with hogs, nor do at least two of these buying stations.

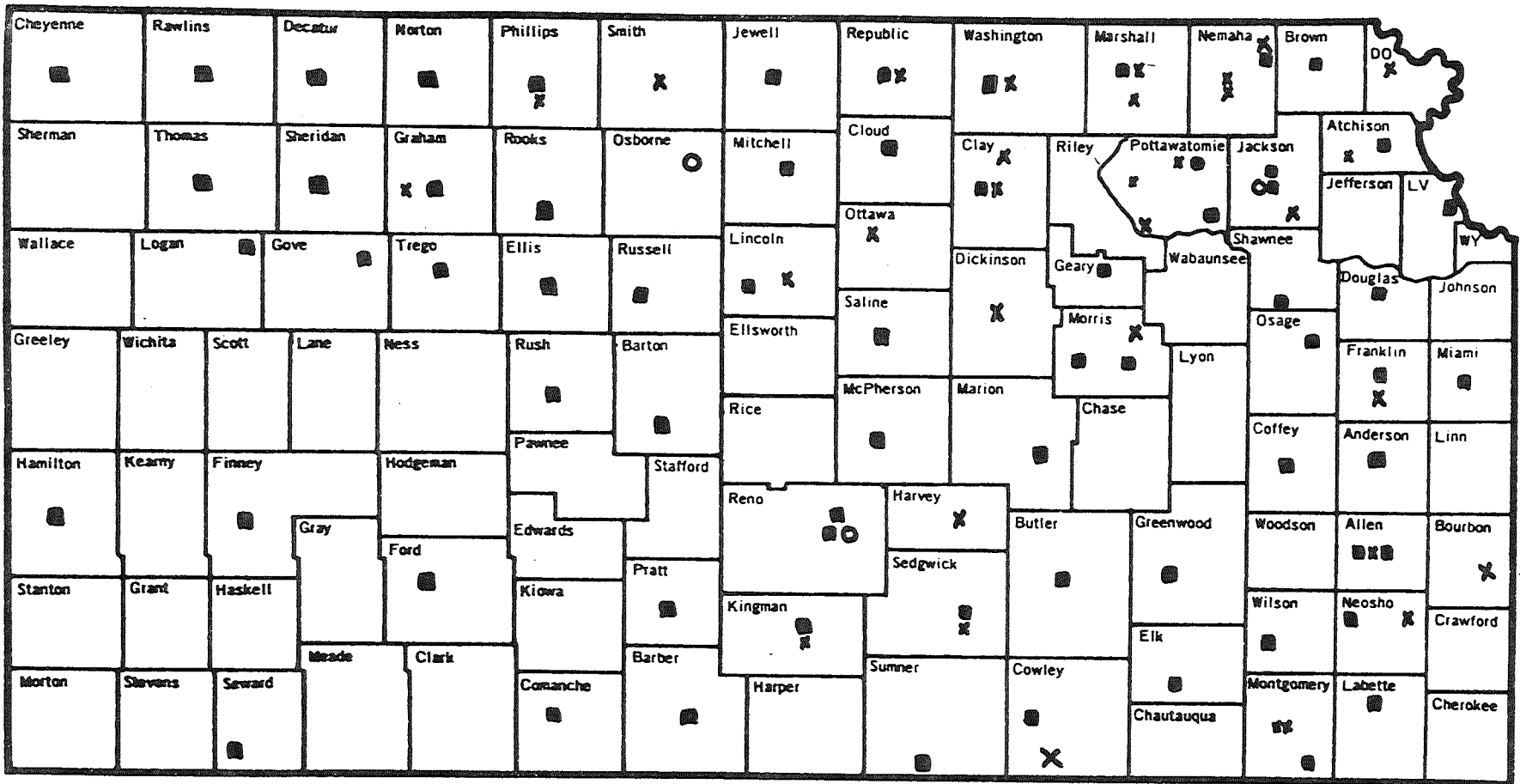
Table 1 shows the number of public livestock markets in Kansas for selected years since 1940, and how many hogs were sold through them(1). Note the decrease in number of auctions from the peak in 1950, and in number of hogs marketed in 1981-82. While some patrons of these closed markets have simply turned to other auctions, undoubtedly others have gone to out-of-state terminal markets or buying stations, which, in many cases, also haul the animals out-of-state. The use of Kansas slaughter plants is not a major option, because, as shown in Table 2, there just aren't enough in operation. Again, Rodeo has reopened, but that still only brings the total to four, one of which butchers only sows.

Kansas Public Livestock Markets
(Fiscal Years)

<u>Fiscal Years</u>	<u>Number Markets Listed</u>	<u>Hogs</u>
1940-41	135	617,454
1945-46	140	555,603
1950-51	154	882,160
1955-56	132	720,278
1960-61	145	755,209
1965-66	113	759,977
1970-71	105	1,381,830
1975-76	92	1,143,648
1977-78	89	1,346,544
1979-80	87	1,529,063
1981-82	81	979,032

Table 1

Swine Market Locations, Fiscal 1982



Also in operation, 1980

■ Turon (Reno County), X Kingman (Kingman County)

Also in operation, 1981

■ Elkhart (Morton County) X Emporia (Lyon County)
 ■ Downs (Osborne County) X Turon (Reno County)
 ■ Salina (Saline County) ● Arkansas City (Cowley County) *

-KEY-

■ auctions
 X buyers
 ● slaughter facilities:
 Downs = 1500 hd/day
 Hutchinson = 400 hd/day
 Holton = 300 hd sows/day

* returned to operation in 1983

 Kansas Pork Slaughter Facilities

<u>Plant</u>	<u>Location</u>	<u>hd/day</u>	
		<u>1972</u>	<u>Status, 1982</u>
Theis	Great Bend	200	closed in 1976
Winchester	Hutchinson	250	400 hd/day
Daskocil	Hutchinson		closed in 1981
Cudahy	Wichita	3500	closed in 1975
Rodeo	Ark City	1700	closed in 1982
York (Pork Packers Int'l.)	Downs	1000	1500 hd/day
Fanestil	Emporia	50	closed
Midland Meat Processors	Holton		300 sows/day
Wilson	Kansas City	3500	closed in 1976
Hull-Dillon	Pittsburg	200	closed in 1975

-Surrounding States-

Hormel	Fremont, NE	remodelled 1980
Farmland	Crete, NE	new 1976; 6-8,000 hd/day
Armour	St. Joe, MO	new, approximately 1970
Wilson	Marshall, MO	new 1976; 11,000 hd/day
Sigman	Brush, CO	old; 1800 hd/day
Loveland	Loveland, CO	480 hd/day

 Table 2 (4)

Table 3 more clearly shows the drop in state slaughter, compared to a U.S. increase, over the last 20 years (as well as a by-month breakdown). Information from the Packers and Stockyard Resume (8) confirms that this is not the national trend. Table 4 illustrates an increase in the number of major U.S. firms slaughtering hogs over a six-year period.

HOG SLAUGHTER TRENDS

U.S.				KANSAS													
million pounds pork	1,000 head slaughtered	avg. live wt.	avg. dressed wt.	1,000 hd. slaughtered													Total
				<u>J</u>	<u>F</u>	<u>M</u>	<u>Ap</u>	<u>My</u>	<u>Jn</u>	<u>Jy</u>	<u>A</u>	<u>S</u>	<u>O</u>	<u>N</u>	<u>D</u>		
1960	11,630	84,375.3	236#	138#	299	258	264	258	254	226	188	210	203	223	240	243	2,866
1970	13,427	84,958.5	239#	152#	154	136	160	173	142	136	146	158	183	206	191	213	1,998
1980	16,615	97,174.1	242#	172#	121	110	126	148	131	116	113	112	128	124	108	124	1,459.8
1981					122	109	126	131	106	107	110	115	141	150	141	157	1,515.6

Table 3

<u>Year</u>	<u>No. Major Firms</u>	<u>No. of firms Slaughtering Hogs</u>
1970	1323	717
1973	1130	580
1974	912	513
1977	865	475
1979	812	497
1980	842	529

Table 4

However, Kansas' situation may be a result of the industry's move towards high volume facilities. As shown in Table 5, over half of the nation's hogs are killed in plants handling over a million head annually. This also could be a cause of all the large differences between pig crop and hog slaughter, by state, shown in Table 6.

Federally Inspected Slaughter Plants (6)
By Size, 1981

<u>Hogs</u>	<u>Plants</u>		<u>Slaughter</u>	
	<u>Number</u>	<u>% Total</u>	<u>Thousand Head</u>	<u>% Total</u>
Under 1,000	899	64.8	294	0.3
1,000-9,999	269	19.4	799	0.9
10,000-99,999	110	7.9	3,420	3.7
100,000-999,999	72	5.2	30,753	33.6
1,000,000+	38	2.7	52,342	57.2
TOTAL	1,388	100.0	87,608	100.0

Table 5

Pig Crop and Hog Slaughter, by State (8)

<u>State</u>	<u>% of National Pig Crop</u>	<u>% of National Hog Slaughter</u>	<u>Difference</u>
Iowa	22.6	26.1	+3.5
Illinois	10.5	7.7	-2.8
Missouri	7.8	3.7	-4.1
Minnesota	7.8	6.8	-1.0
Indiana	6.7	4.7	-2.0
Nebraska	6.5	5.1	-1.4
North Carolina	3.9	1.7	-1.2
Kansas	3.2	1.5	-1.7
South Dakota	3.2	3.5	+ .3
Ohio	3.2	4.7	+1.5
Georgia	3.1	2.2	- .9

States Shipping Most In

1. Iowa (3.5)
2. Michigan (3.1)
3. Virginia (2.7)
4. Pennsylvania (2.7)
5. California (1.8)

States Shipping Most Out

1. Missouri (4.1)
2. Illinois (2.8)
3. Indiana (2.0)
4. Kansas (1.7)
5. Nebraska (1.4)

Table 6

While all these slaughter animals are shipped out of the state, numbers of feeder pigs and growing hogs are transported in. In 1970, 104,000 hogs were shipped into Kansas: 47,248 from Missouri; 16,478 from Illinois; and 10,748 from Minnesota. In 1975, inshipments totaled 203,000 head, with 153,800 coming from Missouri. Oklahoma and Arizona followed Missouri in number of Kansas inshipments that year. The 1980 total was 225,000: 167,200 from Missouri; 17,800 from Oklahoma; and 16,100 from Tennessee (2).

PURPOSE

Very little documentation is available on hog marketing in Kansas, other than those figures and counts represented in the previous section. In order to help fill this information gap, a study was designed with the following objectives in mind:

1. Determine the trends of marketing decisions by producers in Kansas in 1983, including the source of market information, pricing method(s) used, and number of hogs marketed;
2. Determine what markets, and what type of markets, are used by Kansas hog farmers in 1983, and the distance the hogs are hauled to them;
3. Determine what practices are most common in the different types of hog markets in Kansas in 1983;
4. Determine the final destinations of those slaughter hogs raised in Kansas in 1982; and
5. Assimilate historic data relevant to these area, for comparison purposes.

PROCEDURE

Surveys were sent to both hog producers and hog markets, and the data tabulated at Kansas State. Nine hundred producer surveys, five pages in length, were mailed, and about 1/3 of them were returned. They contained information on numerous aspects of swine production, much of which is presented in another publication, as well as on marketing. The market surveys went to all 115 auctions, buying stations and slaughter facilities whose name and location were known by this office and 1/3 of these also were returned.

The mailing list for the producer survey came from a random sampling off the Kansas Pork Producers' Council's mailing list. The names of operating auctions were obtained from a state board of agriculture publication (1). The KPPC's list of buying stations (3) also was incorporated in the market mailing list, as were the names of the state's four slaughter plants.

SURVEY RESULTS

PRODUCER PRACTICES

The producers surveyed marketed 268,232 slaughter hogs in 1982. They also sold 25,503 feeder pigs, and 7007 head of breeding stock. Table 7 shows these, and similar figures for 1981 and 1983 (projected), as well as the average breakdown per farm.

<u>Year</u>	<u>Slaughter Hogs</u>		<u>Feeder Pigs</u>		<u>Hogs For Breeding</u>	
	<u>Sum</u>	<u>Mean</u>	<u>Sum</u>	<u>Mean</u>	<u>Sum</u>	<u>Mean</u>
1981	237,929	857.14	21,124	91.84	5899	25.21
1982	268,232	1171.32	25,503	110.40	7007	29.94
1983 (expected)	289,568	1286.97	31,228	136.96	8204	35.06

Table 7

Of these, 80.87% were sold on a live weight (slaughter hogs) or per head (feeder pigs) basis. Only 1.2% were sold by carcass weight, while 17.1% were priced grade and yield. Fully 98% were priced at the time of sale, and less than 1% with either forward contracts or on the futures market. Out of 245 observations, only an average of 5% of these hogs were hedged.

The mean for preferred weight at which to sell feeder pigs was 47.08 pounds, and for slaughter hogs, 227.95. That is down from the 1980 state-wide average of 244 pounds. Historical figures for this weight are 1960, 244; 1970, 248; 1975, 239 (5).

Producers were asked to number, in order of importance to them, those sources of market information that they used. Radio was the most preferred, with 53% of all number one's, and 24% of all references. A complete summary of this data is shown in Table 8.

Almost 90% of the producers surveyed said, some quite emphatically, that they participate in the optional Pork Producers' Council check-off. Only 27 did not.

<u>Information Source</u>	<u>Incidence of Producers' Ranked Choices</u>					
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>	<u>Other</u>
Production Publications	26	24	26	14	7	6
Marketing Publications	20	24	23	11	0	8
Business Publications	5	12	8	13	16	13
Government Reports	3	8	16	18	11	17
Radio	142	37	13	5	2	3
Television	39	40	21	6	5	14
Word-of-Mouth	7	6	6	10	5	22
Futures Prices	13	19	28	14	4	13
Newspapers	4	2	1	0	0	0
From Buyer	5	0	2	0	0	0
Other	8	-	-	-	-	-

Table 8

MARKETS USED

Operators were asked what type(s) of markets they sold their 1982 production through, and, without regard for number of hogs sold at each (just incidence of use), the responses were: Buying stations, 40.1%; auctions, 26.7%; at-plant delivery, 16.6%; individual transactions 11.3%; and, terminal markets, 5.3%.

These markets were an average of 49 miles from the farm with a range of 0 (on-farm sales) to 900 miles (hailed to Bryan Brothers in West Point, Mississippi). There was a high correlation between distance travelled and the type of market; very close for "individual" marketing, and farther to direct plant sales. Anywhere from 2 to 25,200 head were delivered to each outlet, per farm, in 1982, with an average of 726.

The type of market used varied between size, type and area of the operation. The larger farms sold proportionally more animals to plants, and fewer to auctions. And the more mid-sized sellers showed fewer individual transactions.

As would be expected, none of the producers finishing all their animals made individual sales, unless they were single transactions for someone's home freezer. These people took a very large number of their hogs to buying stations.

Those raising feeder pigs indicated an overall 50/50 share between individual and auction sales, and obviously none at stations, terminals, or plants. Purebred breeders also heavily utilized private sales (61% of their exchanges) and auctions (25%). None of them took their extra or lower quality stock to terminal markets; most of these went to buying stations.

Producers in the northeast part of the state often used the terminal markets (27% of their transactions), but those throughout the rest of Kansas seldom, or never, did.

People in the north central region relied most heavily on buying stations, taking almost 2/3 of their hogs there. But auctions were far more predominant in the EC, SE and SW, where the stations were less important. Larger percentages of the hogs raised in the SE and NW went directly to the slaughter plants.

Another "type" grouping, with more historical data, is shown in Table 9.

SALES BY MARKET TYPE												
Market Type	1960		1970		1975		1979		1980		1981	
	1,000 head	%	1,000 head	%	1,000 head	%	1,000 head	%	1,000 head	%	1,000 head	%
-KANSAS-												
Direct Country			1,062	56.7	765	70.4	1,193	92.6	1,193	92.6	1,283	91.4
Terminal			517	27.6	114	10.5	54	4.2	54	4.2	68	4.8
Auction			293	15.6	208	19.1	42	3.3	42	3.3	53	3.8
-U.S.-												
Direct Country	47,104	61.0	55,398	68.5	48,726	71.6	61,607	74.6	61,607	74.6	71,257	76.6
Terminal	23,356	30.3	13,863	17.1	11,090	16.3	12,178	14.7	12,178	14.7	12,541	13.5
Auction	6,695	8.7	11,586	14.3	8,260	12.1	8,845	10.7	8,845	10.7	9,192	9.9

Table 9

Notice the large drop in auction sales since 1970.

Ninety-six different markets were used last year by the producers involved in this survey. The twenty that were cited on more than five different surveys are listed below, with the number of observations, average distance travelled to the market, and the number of hogs received from the surveyed producers. Also, when known, the final destination of those animals is included.

Auctions

Southwest Livestock--Dodge City		
6 obs.	avg. 24 miles	2426 head
JC Livestock Sales--Junction City		
17 obs.	avg. 25 miles	23,174 head
Herrington Livestock Auction--Herrington		
6 obs.	avg. 37 miles	903 head
Marysville Livestock and Commission Company		
7 obs.	avg. 23 miles	336 head
Beloit Livestock Auction--Beloit		
7 obs.	avg. 28 miles	3585 head

Stations

Byron Thoreson--Delmar		Clougherty Packing
7 obs.	avg. 19 miles	4288 head
John Kruse--Linn		Farmland
22 obs.	avg. 25 miles	11,544+head
G&S--Kingman		
9 obs.	avg. 35 miles	3697 head
Bill Lehman--Washington		Hormel
9 obs.	avg. 10 miles	3509+ head
Newton Livestock--Newton		Rodeo
16 obs.	avg. 29 miles	10,248 head
Kevin Krumm--Belleville		Wilson
11 obs.	avg. 13 miles	2812 head
Lawrence Reik--Clay Center		York or PPI
11 obs.	avg. 23 miles	18,672 head
Manhattan Sale Barn--Manhattan		Rodeo (Wilson last year)
11 obs.	avg. 23 miles	3932 head
Clearwater Livestock--Clearwater		Farmland
9 obs.	avg. 33 miles	1235 head

Terminals

St. Joe Stockyards--St. Joseph, MO		
17 obs.	avg. 60 miles	37,928 head
K.C. Stockyards--Kansas City, MO		
8 obs.	avg. 60 miles	6878 head

Plants

Farmland--Crete, NE		
14 obs.	avg. 269 miles	33,808 head
Pork Packers International--Downs, KS		
9 obs.	avg. 46 miles	5890 head
Rodeo--Arkansas City, KS		
18 obs.	avg. 73 miles	17,624+ head
Winchester--Hutchinson, KS		
10 obs.	avg. 32 miles	3,777 head

+represents a producer who indicated that he delivered hogs to a particular market, but didn't indicate how many.

MARKET PRACTICES: BY AUCTION

Sixteen auctions returned their surveys, from the following areas:

NW-2	NC-2	NE-1
WC-0	C -1	EC-3
SW-2	SC-3	SE-2

Four were organized as individual businesses, and there were six each of both partnerships and corporations. The average market in this study had been in operation 25 years, with auctions trending older than the mean. Three had undergone major remodelling within the last five years, two between 6 and 10 years ago, and four more within 20 years. Just half of these sale barns felt the need for repairs at this time, and half did have plans for remodelling or expansion.

The majority (94%) of these markets dealt with hogs once a week (the remaining one was open two days). Monday, Tuesday, and Saturday were the most popular days to operate, and Sunday (no one open) and Wednesday (one market only) the least. None of these auctions sold only hogs, although five of them had swine on days separate from the other species. They all sold cattle, besides the hogs and pigs, and six sold horses, while nine sold sheep and goats.

The average distance to their three nearest competitors (for all types of markets) was 75 1/4 miles.

Each market dealt with an average of 24,085 head last year, and the typical auction sold an additional 5286 feeder pigs. The largest volume was at a buying station, where 130,000 head were marketed last year.

These figures represented an average 45.5% utilization of available facilities; the highest figure cited for percent utilization was only 80%.

All markets priced fats by weight, with the additional option of grade and yield pricing available at some stations and plants. And all markets dealing with feeder pigs priced them by the head.

On a "typical" day, those auctions monitored had 31 sellers, coming an average distance of 72 miles, and 5 buyers, from an 87-mile radius, for fat hogs. There were also 18 farmers selling feeder pigs, and 9 buying them. Barn managers were asked their "normal" order of sale, and gave a wide variety of answers, with no listing seeming more popular than another.

Only 40% said they saw seasonal changes in the numbers of hogs. Those 40% did agree that numbers were up in the spring and fall, and down in the summer and winter. Other factors widely believed to affect volume were weather and price, and, to some extent, interest rates, feed costs, and competition.

Selling charges varied, both in amount and method determined, between auctions. Most figured by the head; examples follow:

80¢/hd selling + 60¢/hd. yardage
 \$1.80/hd commission + 40¢/hd yardage + 14¢/hd insurance + 20¢/hd Meat Board
 25¢/hd yardage.

Others calculated a prorated cost:

- 3% on the first \$1000, 2% over
- 3% on first \$500, 2% over + 35¢/hd yardage
- 3% on singles, down to 1% for value greater than \$15,000.

The auctions and buying stations surveyed employed a total of 389 people, with an average of 17.6 per market.

Managers were asked to indicate what forms of advertising they used, numbering in order of preference. As indicated in Table 10, radio and newspaper were the most popular.

Advertising Method	Incidence of Markets' Ranked Choices			
	1st	2nd	3rd	4th
Radio	12	0	0	0
Television	0	0	0	0
Newspapers	7	6	1	0
Farm Publications	1	2	0	0
General PR	2	0	5	1

Table 10

The final question on the survey dealt with current major problems. Weather and lack of livestock numbers ranked high. Other causes for concern included the high cost of overhead, high cost of insurance, varying market conditions, governmental deductions, competition, road conditions, and junk hogs.

MARKET PRACTICES: BY BUYING STATION *

Ten buying stations responded to the survey:

NW-0	NC-3	NE-1
WC-1	C -0	EC-1
SW-1	SC-2	SE-1.

These markets were open for business far more often than the auctions; four operated five days a week (closed Sunday and either Friday or Saturday), and six were open every day but Sunday.

Business organization was quite varied--three individuals, one partnership, two corporations and four cooperatives. Most were satisfied with their facilities; only one had plans for making repairs or expanding.

The question of seasonal variability in hog numbers brought a much more emphatic response from these markets; everyone said volume was up in the spring and fall/early winter, and down in the summer and winter. Their volume also was affected by the weather and prices, and to some degree, by "location," "on-feed reports," "beef-pork spread," "interest rates," "grain availability," "PIK," and "disease."

* any information presented under auctions regarding "all markets" included stations and plants, and will not be repeated here.

Ninety percent of those surveyed collected the optional check-off, and half of them levied an insurance charge on the animals purchased. However, these were the only selling costs.

Buying stations did less overall advertising than auctions. Three surveyed relied on word of mouth, and just two used radio, and four newspapers.

Problems encountered by these operators included light hogs, bad roads and bridges, an unstable market, a drop in the number of hogs in Kansas, and "educating producers in marketing strategy."

MARKET PRACTICES: BY SLAUGHTER PLANT

Only five slaughter plants returned surveys, and three were from out-of-state companies who bought some Kansas hogs. Four of these five bought animals to process into sausage, so their buying practices probably would not match those of the plants not responding.

All plants were open Monday through Thursday, and three also were open on Friday.

Only one was an individual business, and the rest were corporations.

These buyers, too, found seasonal volume changes. Again, higher in spring and fall, and low in the winter. One respondent also felt volume dropped in the fall. In addition, numbers fluctuated with price, the hog cycle, weather and feed supplies.

No costs were levied on sellers.

Different plants used different modes of advertising--one each on radio, TV, farm publications, general PR and word of mouth, and two used newspapers.

These five plants slaughtered a total of 30,950 head a week. Between them, there is capacity to slaughter 34,400. That translated into 89% utilization. On an average per plant basis, that was a 6880 capacity/week, or a 357,760 head potential per year.

Currently, plants and buyers wanted these slaughter animals to weigh an average of 228 pounds for butcher hogs, and 540 pounds for fat sows, etc. for sausage. Notice that the slaughter figure of 228 coincides with 227.8 from the producer survey.

Only three problems were cited in plant responses: price of livestock, excess of slaughter capacity, and getting enough slaughter sows from nearby.

FINAL DESTINATION

Many producer's didn't know where their hogs went after they were sold, but the responses of those who did know are summarized in Table 11.

As for distribution after slaughter and processing, the responses from the surveys are listed below:

Winchester (wholesale cuts)-"widely"
 Midland (Oldham Farm Sausage)-"continental U.S."
 Bryan Brothers (sausage)-"primarily SE and SW U.S."

<u>Destination</u>	<u>No. of Producers</u>	<u>No. of Hogs</u>
Armour St. Joseph, MO	15	10,862
Bryan Brothers West Point, MS	7	3,133 ++
Clougherty , CA	6	4,896
Farmland Crete, NE	61	65,481 ++
Hormel Fremont, NE	17	9,988
KC Yards Kansas City, MO	9	6,927
Local Plants	4	207
Morrell Sioux City, IA	4	5,753
Oscar Meyer St. Joseph, MO	1	498
Pork Packers Int'l. Downs, KS	22	22,211
Rodeo Arkansas City, KS	45	31,847 ++
St. Joe Yards St. Joseph, MO	14	11,758
Swift (?)	1	240
Wilson Marshall, MO	24	21,207
Winchester Hutchinson, KS	11	3,814

-HOGS MARKETED-

	<u>IN KANSAS</u>	<u>In Missouri</u>	<u>In Nebraska</u>	<u>Other out-of-state</u>	<u>TOTAL OUT-OF-STATE</u>
head	58,079	40,390	75,469	13,782	129,641
%	31%	21%	40%	8%	69%

Table 11

Looking ahead, much of what is presented here could be very different tomorrow. IBP plans to get into hog slaughter. Swift Independent has purchased some Armour plants. Workers for Wilson are on strike at this writing. It is a volatile time in the pork processing industry; producers will just have to wait and see where their business is heading.

CONCLUSIONS

To echo the opening comments, the marketing of hogs in Kansas is going through changes. There are fewer markets available to the producer, and more of those he does use are buying stations; fewer are auctions or terminals. There also are fewer slaughter facilities operating in the state. And while this is not a nation-wide occurrence, there is a trend towards larger volume plants across the U.S.

Today, producers sell most of their hogs on a live-weight basis, although there was a sizeable number of animals sold grade and yield in 1982. Few are hedged. Information used to make these marketing decisions comes most often from radio and TV.

Basically, three types of markets are available to producers in the state--auctions, buying stations and slaughter facilities. There are also terminal markets located just over the state line in Missouri. These markets currently are operating at less than half capacity.

Auctions in Kansas usually sell hogs one day a week, and levy various charges on the sellers. They advertise most on radio and in newspapers. Concerns include seasonal volume, weather and lack of livestock numbers.

Kansas buying stations operate nearly every day, and receive hogs with no selling charge, unless there is a minimal insurance fee. Their current major problem is seasonal change in volume.

Only four slaughter plants are now operating in Kansas. They are concerned with livestock price and numbers, and excess of slaughter capacity.

These four, along with local lockers, are butchering sites for just 31% of the Kansas hogs included in this survey. The remaining 69% goes out of state--21% to Missouri, and 40% to Nebraska.

The situation described here is open to possible major changes in the foreseeable future. Economies of size and location will help direct these changes, as will the shifting of industry influence between major companies.

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TESTIMONY BEFORE THE
HOUSE JUDICIARY COMMITTEE

S.B. 519

March 19, 1984

ADDENDUM

Charles J. Schwartz, Secretary
Kansas Department of Economic Development

Atch. 5

ADDENDUM

BACKGROUND INFORMATION ON KANSAS AGRICULTURE

<u>Crop or Livestock Item in Kansas</u>	<u>Ranking in U.S.</u> ¹
Crop Land	2nd
Overall Grain Production (sorghum, wheat & corn)	6th
Commercial Grain Storage Capacity	1st ²
Hogs on Farms in Kansas - December 1, 1983 (3% of total U.S. hog inventory is in Kansas.)	9th ²

TRENDS OF GRAIN PRODUCTION AND HOG PRODUCTION IN KANSAS

Dr. Orlen Grunewald, a professor at Kansas State University, and Cathryn Bandyk, a research assistant at Kansas State University, published a study of the swine industry in Kansas in 1983. The results of that study show that since 1972 Kansas hog slaughter facilities have been closing as a result of the reduction in hog numbers in Kansas. In fact since 1972, the daily slaughter capacity in Kansas plants has been reduced by 66% according to information in the Kansas State Report. Because of the decline of pork slaughter facilities in Kansas, slaughter plants in Nebraska, Iowa and Missouri have increased their killing capacity. Consequently Kansas hog producers are forced to either ship their hogs out-of-state or to sell to buying stations which ship the hogs out-of-state. Either way requires the producer to incur additional cost in marketing their product. The following excerpts from the same swine report concisely summarize the current state of affairs concerning the slaughter capacity and buying station capacity in Kansas.

The marketing of hogs in Kansas is going through changes. The number of both market outlets and in-state slaughter facilities is going down, even though this is not a nation-wide trend. The map on the next page shows the location, by county, of markets for swine in 1982, and lists those that have recently gone out of business. Rodeo Meats, in Arkansas City, has since reopened, and is currently in an expansion phase; they started at 2,000 head a day, and planned to increase slaughter to 5,000. On the other hand, the auctions at Wakeeney and Pratt no longer deal with hogs, nor do at least two of these buying stations.

Table 1 shows the number of public livestock markets in Kansas for selected years since 1940, and how many hogs were sold through them (1). Note the decrease in number of auctions from the peak in 1950, and in number of hogs marketed in 1981-82. While some patrons of these closed markets have simply turned to other auctions, undoubtedly others have gone to out-of-state terminal markets or buying stations, which, in many cases, also haul the animals out-of-state. The use of Kansas slaughter plants is not a major option, because, as shown in Table 2, there just aren't enough in operation. Again, Rodeo has reopened, but that still only brings the total to four, one of which butchers only sows.

EXHIBIT 1

1970 - PLAIN FIGURES
 1981 - UNDERLINED FIGURES

6.4 <u>7.0</u>	12.0 <u>8.4</u>	16.0 <u>14.4</u>	17.8 <u>12.6</u>	27.0 <u>36.8</u>	36.0 <u>33.9</u>	74.0 <u>50.5</u>	47.0 <u>38.4</u>	77.0 <u>82.4</u>	44.0 <u>63.0</u>	58.0 <u>55.9</u>	32.0 <u>46.3</u>	24.0 <u>24.3</u>		
5.5 <u>6.9</u>	7.7 <u>9.7</u>	18.0 <u>16.9</u>	5.3 <u>7.9</u>	8.1 <u>8.9</u>	17.5 <u>20.6</u>	16.0 <u>28.8</u>	12.5 <u>18.2</u>	36.0 <u>43.5</u>	24.3 <u>25.0</u>	29.0 <u>34.8</u>	25.4 <u>19.3</u>	22.0 <u>24.0</u>	25.1 <u>12.3</u>	
2.8 <u>2.5</u>	3.6 <u>3.3</u>	5.5 <u>10.3</u>	4.2 <u>6.0</u>	2.6 <u>7.5</u>	4.0 <u>6.6</u>	8.5 <u>13.0</u>	12.3 <u>11.9</u>	25.0 <u>26.4</u>	6.0 <u>19.0</u>	24.0 <u>22.4</u>	29.5 <u>22.4</u>	7.1 <u>9.3</u>	23.5 <u>23.6</u>	11.0 <u>12.0</u>
2.7 <u>3.2</u>	3.1 <u>6.2</u>	3.5 <u>26.6</u>	1.6 <u>4.4</u>	4.5 <u>3.2</u>	2.5 <u>1.3</u>	7.0 <u>16.1</u>	3.2 <u>8.1</u>	6.0 <u>22.6</u>	26.4 <u>19.0</u>	19.0 <u>26.6</u>	28.0 <u>23.0</u>	21.0 <u>22.0</u>	19.6 <u>20.1</u>	20.0 <u>16.2</u>
1.0 <u>2.8</u>	2.9 <u>2.8</u>	2.0 <u>6.4</u>	1.5 <u>3.5</u>	6.0 <u>11.7</u>	6.5 <u>6.3</u>	17.0 <u>23.5</u>	21.4 <u>25.2</u>	17.5 <u>12.7</u>	17.5 <u>12.7</u>	11.5 <u>8.5</u>	19.0 <u>14.9</u>	24.3 <u>16.8</u>	27.0 <u>21.7</u>	21.0 <u>15.0</u>
.8 <u>9</u>	2.5 <u>9.0</u>	1.6 <u>10.7</u>	2.6 <u>8.7</u>	13.5 <u>14.0</u>	1.5 <u>2.7</u>	23.0 <u>11.3</u>	23.5 <u>27.8</u>	43.3 <u>39.0</u>	12.7 <u>12.5</u>	12.4 <u>24.7</u>	19.3 <u>24.8</u>	12.4 <u>16.8</u>	21.0 <u>15.0</u>	21.0 <u>15.0</u>
1.0 <u>5</u>	.7 <u>5.2</u>	1.8 <u>1.2</u>	3.5 <u>4.9</u>	4.2 <u>4.9</u>	5.2 <u>6.1</u>	16.3 <u>20.3</u>	38.5 <u>27.8</u>	12.5 <u>13.0</u>	6.2 <u>8.5</u>	37.0 <u>28.6</u>	15.4 <u>20.8</u>	14.5 <u>4.6</u>	14.5 <u>4.6</u>	14.5 <u>4.6</u>

HOGS IN INVENTORY
 1970-1981 + 106% - SW AREA
 Dec. 1, 1970 - Dec. 1, 1981
 20% - STATE OF KANSAS

Source: USDA Crop Reporting Board
 The Kansas Swine Industry Report-Marketing II

GRAIN IN PRODUCTION IN BUSHELS 1970-1981
 CORN + 81% WHEAT + 2%
 SORGHUM + 63% SOYBEANS + 225%

Source: Crops & Livestock Reporting Board

*Kansas Public Livestock Markets
(Fiscal Years)*

<u>Fiscal Years</u>	<u>Number Markets Listed</u>	<u>Hogs</u>
1940-41	135	617,454
1945-46	140	555,603
1950-51	154	882,160
1955-56	132	720,278
1960-61	145	755,209
1965-66	113	759,977
1970-71	105	1,381,830
1975-76	92	1,143,648
1977-78	89	1,346,544
1979-80	87	1,529,063
1981-82	81	979,032

Table 1

Kansas Pork Slaughter Facilities

<u>Plant</u>	<u>Location</u>	<u>hd/day 1972</u>	<u>Status, 1982</u>
Theis	Great Bend	200	closed in 1976
Winchester	Hutchinson	250	400 hd/day
Doskocil	Hutchinson		closed in 1981
Cudahy	Wichita	3500	closed in 1975
Rodeo	Ark City	1700	closed in 1982
York (Pork Packers Int'l.)	Downs	1000	1500 hd/day
Fanestil	Emporia	50	closed
Midland Meat Processors	Holton		300 sows/day
Wilson	Kansas City	3500	closed in 1976
Hull-Dillon	Pittsburg	200	closed in 1975

-Surrounding States-

Hormel	Fremont, NE	remodelled 1980
Farmland	Crete, NE	new 1976; 6-8,000 hd/day
Armour	St. Joe, MO	new, approximately 1970
Wilson	Marshall, MO	new 1976; 11,000 hd/day
Sigman	Brush, CO	old; 1800 hd/day
Loveland	Loveland, CO	480 hd/day

Table 2 (4)

Table 3 more clearly shows the drop in state slaughter, compared to a U.S. increase, over the last 20 years (as well as a by-month breakdown). Information from the Packers and Stockyard Resume (8) confirms that this is not the national trend. Table 4 illustrates an increase in the number of major U.S. firms slaughtering hogs over a six-year period.

Conclusions

To echo the opening comments, the marketing of hogs in Kansas is going through changes. There are fewer markets available to the producer, and more of those he does use are buying stations; fewer are auctions or terminals. There also are fewer slaughter facilities operating in the state. And while this is not a nation-wide occurrence, there is a trend towards larger volume plants across the U.S.

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Kansas buying stations operate nearly every day, and receive hogs with no selling charge, unless there is a minimal insurance fee. Their current major problem is seasonal change in volume.

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These four, along with local lockers, are butchering sites for just 31% of the Kansas hogs included in this survey. The remaining 69% goes out of state--21% to Missouri, and 40% to Nebraska.

The situation described here is open to possible major changes in the foreseeable future. Economies of size and location will help direct these changes, as will the shifting of industry influence between major companies.

Grain & Soybean Production

Corn	+81% ¹
Sorghum	+63% ¹
Wheat	+ 2% ¹
Soybeans	+225% ¹

TABLE 4.2⁴: FARM REPORTING AN INVENTORY OF HOGS AND PIGS, 1900-1978

Census	Number of Farms	% of All Farms
1900	4,335,989	93.0%
1920	4,852,430	75.2
1940	3,767,875	61.8
1950	3,013,549	55.9
1959	1,848,784	49.8
1969	686,097	25.1
1978	512,292	20.7

TABLE 3.1⁴: SOURCES OF BREEDING STOCK: APPROXIMATE SHARES BY SOURCES, 1980

	Purchased			Self-Produced
	Purebred	Corporate	Commercial	
Boars	65-70%	15-20%	10%	5%
Gilts	7%	2%	5%	85%

SOURCE: Hayenga, Boyd, and Christian.

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U.S. Pork Sector.



March 19, 1984

TO: Judiciary Committee Members

This letter is to ask your support in the passage of Senate Bill 519. The Board of Directors of the Kansas Industrial Developers Association, at their annual meeting in Topeka on March 6, voted unanimously to support the passage of this bill because of the significant favorable impacts on the economy of the State of Kansas.

The competition among states for the attraction of new capital investment and the creation of new jobs is keen and increasing in intensity. Those of us who are involved in trying to sell Kansas and Kansas communities as a location for new business facilities, and new jobs, deal directly with that competition on a daily basis. The situation of having a company who has selected Kansas as a good place to start a new business venture, after having eliminated several states from consideration, and has a roadblock placed in front of them by state government is an unusual one. The passage of SB 519 will remove that roadblock and allow for the eventual investment of over \$30 million dollars in the economy of Kansas and the creation of over 100 new jobs for Kansans.

I urge you to cast your important vote in favor of the passage of Senate Bill 519. Thank you.

Sincerely

GARY TOEBBEN
2nd Vice President

sjb

BEFORE THE HOUSE JUDICIARY COMMITTEE
HONORABLE ROBERT FREY, CHAIRPERSON

Attachment # 7

S.B. 519

STATEMENT OF JACK S. MILLER-SEABOARD CORPORATION

Seaboard's relationship with the State of Kansas goes back 57 years to 1927 when a Boston group moved out to Kansas City, Mo. and bought a small flour mill just 4 blocks east of the Kansas state line. The business prospered and additional capacity was acquired. By the late 1940's the company owned eight flour mills in Kansas: two located in Topeka, and mills in McPherson, Lindsborg, Russell, Winfield, Kingman and Newton. An earlier mill acquired in Wyandotte County burned to the ground in 1937. Terminal elevators at Topeka, Kansas City, Kansas and Hutchinson, together with a small string of county houses were acquired during the same interval. Although additional mills were built in the eastern part of the U.S. at Albany, Culpeper, Chattanooga, Port Allen and Jacksonville and another was purchased at Buffalo, operational headquarters were always maintained in this area and are now presently at Merriam, Kansas.

Overseas Seaboard has flour mills in three West African countries and in two South American countries. Our usage of Kansas wheat is considerable. The mill in Nigeria alone grinds 300,000 metons annually and our feed mill there consumes considerable corn. In Ecuador we not only mill flour, we also manufacture animal feeds and operate an integrated hog project.

Atch. 7

Pauls and Whites, hog producers in the United Kingdom are partners with us in the Nigerian feed mill. Our interest in raising hogs led us to discussions with them about the possibility of raising hogs in Kansas. We have felt for some time that there are advantages in hog production in Kansas that many overlook in their anxiety to work only in the large corn producing states. We are planning on being a good market for Kansas milo as well as corn.

Kansas continues to be the center of our operations, as we feel that the resources here are substantial. Kansas State University, with the flour milling, feed milling, and baking schools, together with animal husbandry has been an important factor for us, and we have reciprocated with strong financial support, especially in the rebuilding of the flour mill after the fire, and more recently participating as co-chairman of the successful industry drive to raise funds for the third floor of Shellenberger Hall. Providing scholarships for the milling school, we have been successful in hiring a good number of graduates, many of whom are still with us today.

We feel that this proposed hog project will bring money into the state, provide a market for the producers' grain and help develop an industry, which today is more prominent in other states than in Kansas. Both the residents of the state and ourselves should benefit.

BEFORE THE HOUSE JUDICIARY COMMITTEE
REPRESENTATIVE ROBERT FREY, CHAIRPERSON
S.B. 519
ARNOLD-HEATON-MERHEIM-PAULS & WHITES CORP.

Attachment # 8

As Mr. Miller has told you, Pauls & Whites is already a partner with Seaboard in a feedmill in Nigeria.

Pauls & Whites has been in existence for some 150 years and is very much involved in hog and feed production. Many directors are farmers and the Chairman, George Paul, is President of the British equivalent of the Pork Producers Association.

At Seaboard's request we spent a lot of time looking not just at Kansas but many other states. However, we agreed with Seaboard's recommendation of Kansas because of the large grain surplus (particularly milo) in the west, plus the favorable climate, and availability of natural gas.

The Attorney General gave his opinion that our venture would be legally permitted provided we only raised hogs for slaughter.

However, we are keen to produce breeding stock for export because we are currently looking at setting up hog production in the Far East using U.S. breeding stock.

Atch. 8

Since we consider it vital to be free to produce breeding stock, if the amendment is not passed then we will be forced to set up in another state such as Colorado or Texas.

This would be very disappointing to us as we have had letters from many parts of Kansas welcoming our venture and asking us to consider locating in their county.

Testimony of Roy L. Poage
President, DEKALB Swine Breeders, Inc.
Before the Judiciary Committee of the
Kansas House of Representatives
March 19, 1984

INTRODUCTION

My name is Roy Poage. I am President of DEKALB Swine Breeders, Inc. My purpose for being here this morning is to provide you with information which I hope will be helpful as you consider the proposed amendment to the law, now pending before you, relating to the corporate ownership of agriculture land in Kansas. I will discuss the DEKALB Swine Breeders' operation located near Plains, Kansas, and the contributions that that operation and other confinement hog operations can make to the State of Kansas, and especially to the communities where they are located. I hope my presentation will help persuade you that it is desirable to act favorably on the proposed amendment.

I was born and raised on a livestock farm near Lubbock, Texas. In 1959 my father-in-law and I started one of the first total confinement swine operations in the United States to produce breeding stock. Having grown up in the Panhandle of Texas, I was familiar with the problem of surplus grain that we always had in that area. However, cattle feedlots came into the area in the 1950's and hog confinement units in the 1960's and within a few years there was no longer a grain surplus in the Panhandle of

Texas. As a result the price of grain increased compared to many other areas in the country.

In 1972, my father-in-law and I merged our company with a newly formed company, DEKALB Swine Breeders, Inc. and I moved from Lubbock, Texas to Sycamore, Illinois to manage this company. DEKALB Swine Breeders' intention was to expand its operations and we needed an appropriate location to build new facilities.

Because I was familiar with the advantages Kansas offered for confinement hog units, we searched for a place to locate in Kansas. The advantages that we believe Kansas has are as follows:

1. There is always a good supply of milo, corn, wheat and in some cases, barley in Kansas. In fact, a great deal of grain is shipped out of Kansas to be used in other states or foreign countries. It is more economically beneficial to use the grain in Kansas.
2. Kansas has more sunshine and a better livestock climate than some of the midwestern states where most hogs are raised.
3. Kansas produces a lot of natural gas that can be used, if necessary, in swine operations.
4. Kansas is an agricultural state and we believed we could make a contribution by using its agricultural products; and therefore we would be looked upon favorably by

Kansans. We didn't want to locate somewhere where we might not be wanted.

BACKGROUND AND PURPOSE OF DEKALB SWINE BREEDERS, INC.

DEKALB Swine Breeders, Inc. is a wholly-owned subsidiary of DEKALB AgResearch, Inc. In 1917 a group of farmers in DeKalb County, Illinois started an association called the DeKalb County Soil Improvement Association which later became DEKALB AgResearch, Inc. The purpose of this Association was to help farmers improve their soil and to help them buy good seed so they could improve their profitability. Over the years, DEKALB AgResearch, Inc. evolved into a company that through research, developed and produced its own products for sale to the farmer. In the 1930's it was among the first to develop, produce and sell hybrid seed corn. In the 1940's it was one of the first to develop, produce and sell hybrid chickens as layers. In the 1950's it was the first to develop, produce and sell hybrid sorghum seed.

The primary objective of DEKALB Swine Breeders, Inc. is through research to develop and produce hybrid swine breeding stock of superior genetic quality to sell to commercial hog producers. We developed, produced and sold the first hybrid swine breeding stock in 1976. We believe that farmers using our improved breeding stock have an opportunity to increase the profits they might otherwise realize.

UNITED STATES HOG PRODUCTION AND CONFINEMENT UNITS

Commercial hog production has been changing dramatically since 1954. In 1954 there were about 2.4 million hog producers in the United States. Today there are about 450,000. Many economists are estimating that by the year 2000 there will be about 300,000 hog producers. Because of this continuing trend toward fewer hog producers producing approximately the same number of hogs as in the past, production units are becoming larger. That is the reason there has been a movement toward the rearing of hogs in confinement facilities, rather than in open lots. Large production units in open lots require a great deal more land than comparably sized units in confinement. Confinement rearing of hogs started in the 1950's and has been increasing since the early 1960's. Currently, approximately 20-25% of all hogs produced in the United States are raised in total confinement. We anticipate that about 40% will be raised that way by the year 2000.

Hog confinement units are very similar to cattle feedlots. That is:

- (1) they are highly intensified type of agriculture;
- (2) they require a high capital investment;
- (3) they use large quantities of feed grains; and
- (4) they employ many people to run the operations.

While hog confinement operations occupy relatively small acreage, some additional acreage is required for waste dispersion and other environmental considerations.

These more intensified hog operations require large amounts of capital that usually can only be raised by pooling the assets of several individuals or by an existing business that has access to sufficient capital, as well as agricultural technology and know-how. Because of the number of investors and the amount of capital involved, most of these businesses believe it is necessary to operate as a corporation. These operations can cause economic growth in local communities. They are long term investments with long lasting results that do not involve people who are looking for a "fast buck".

DEKALB'S KANSAS OPERATIONS

A major part of DEKALB's swine operations are located near Plains, Kansas. We currently produce about 150,000 hogs per year at those facilities.

Let me discuss the amount of capital involved in the construction and operation of a large swine confinement operation. An operation such as we have in southwestern Kansas, for example, would cost about \$25 million at today's prices to build the facilities and purchase the required equipment, and about \$4 million in working capital. Concrete, building supplies and equipment are available to be purchased from Kansas businesses.

Over 50% of the operating costs for producing hogs is used for the purchase of grain and feed ingredients. DEKALB purchases a

total of between \$8 and \$9.5 million annually of grain and feed ingredients to produce feed at its mill in Plains, Kansas. While most of this feed is used in our Kansas operation, we ship some of the feed to our operation located in Lubbock, Texas. In 1983 we purchased in Kansas about \$8.9 million in Kansas for grain and other feed ingredients as follows:

<u>Ingredients</u>	<u>Annual Cost</u>
Milo, Corn, Wheat and Barley	\$ 5,800,000
Soybean Meal	2,500,000
Other ingredients	<u>600,000</u>
TOTAL	\$ 8,900,000

Since we began our operation in Kansas in 1973 we have purchased about \$30 million worth of grain from Kansas farmers. During the next ten years we expect to purchase approximately 20 million bushels of grain. At today's prices that will cost us about \$60 million.

We employ between 120 and 135 people in our Kansas operations at all times. Our current annual Kansas payroll is over \$2 million per year. We hire local residents whenever possible. If we hire people from other parts of the United States and move them to southwestern Kansas, it is our policy to hire the best educated and most qualified people we can find. Usually they are college graduated in their early to middle 20's.

Annually, we purchase about \$550 thousand worth of natural gas

from a local gas distribution company. In addition, we purchase about \$400 thousand worth of electricity each year from the local utility. This past year we paid over \$600 thousand to local truckers to haul our breeding stock and market hogs.

We spend about \$1 million annually for the purchase of supplies, maintenance, repairs of equipment and construction of buildings.

In summary, our approximate current annual expenditures for our Kansas operation include:

Feed	\$ 8,900,000
Labor	2,100,000
Natural gas & propane	600,000
Electricity	400,000
Trucking	630,000
Supplies and building materials	<u>960,000</u>
TOTAL	\$13,590,000

SALES OF BREEDING STOCK AND MARKET HOGS

Domestic Breeding Stock Sales

We sell breeding stock throughout the United States. Very little is sold in Kansas. In reality, we produce a product with renewable natural resources produced in Kansas (feed and grains) and export it to all parts of the United States as well as foreign countries.

Export Breeding Stock Sales

The agricultural products we produce in the U.S. are in great demand throughout the world. United States agricultural exports have increased from about \$5 billion in the early 1960's to over \$40 billion in 1982. Because of the strong dollar, some of the grain markets have fallen off recently. However, we are finding that the hybrid swine breeding stock business is increasing in foreign countries.

In our fiscal year ended August 31, 1983, we sold a little over \$1 million worth of swine breeding stock from our Kansas operations to customers in Japan, Mexico, Venezuela and Ecuador. We anticipate that during our fiscal 1984, our sales will be close to \$2 million from sales in Japan, Mexico, Venezuela, Canada and Thailand. In fact, within the next 10 days, a stretch DC-8 loaded with about 500 breeding animals will go from our operation in Kansas to Thailand.

The breeding stock we sell into these foreign countries is sometimes fed American grain and soybean meal processed from American soybeans. This occurs because many of the foreign countries that we do business in do not raise corn or soybeans. thus, we are not only exporting breeding stock fed with Kansas grain, but we are also helping establish hog herds in other countries that will required imported grain. This increased need for imported grain

will be partially met by grain produced by Kansas farmers.

Market Hog Sales

To produce a hybrid hog requires the development of specialized male and female lines. As a result, all of the animals we produce cannot be selected for breeding purposes. Most of the male animals of the female lines are castrated and most of the females of the male lines also cannot be utilized for breeding stock. Additionally, about one-half of the males in the male line and about one-half of the females in the female line do not meet our selection criteria. Consequently, these animals are sold as market hogs. We sell our market hogs to Kansas packers, as well as to packers in Texas, Mississippi, Colorado, California, Iowa and Missouri.

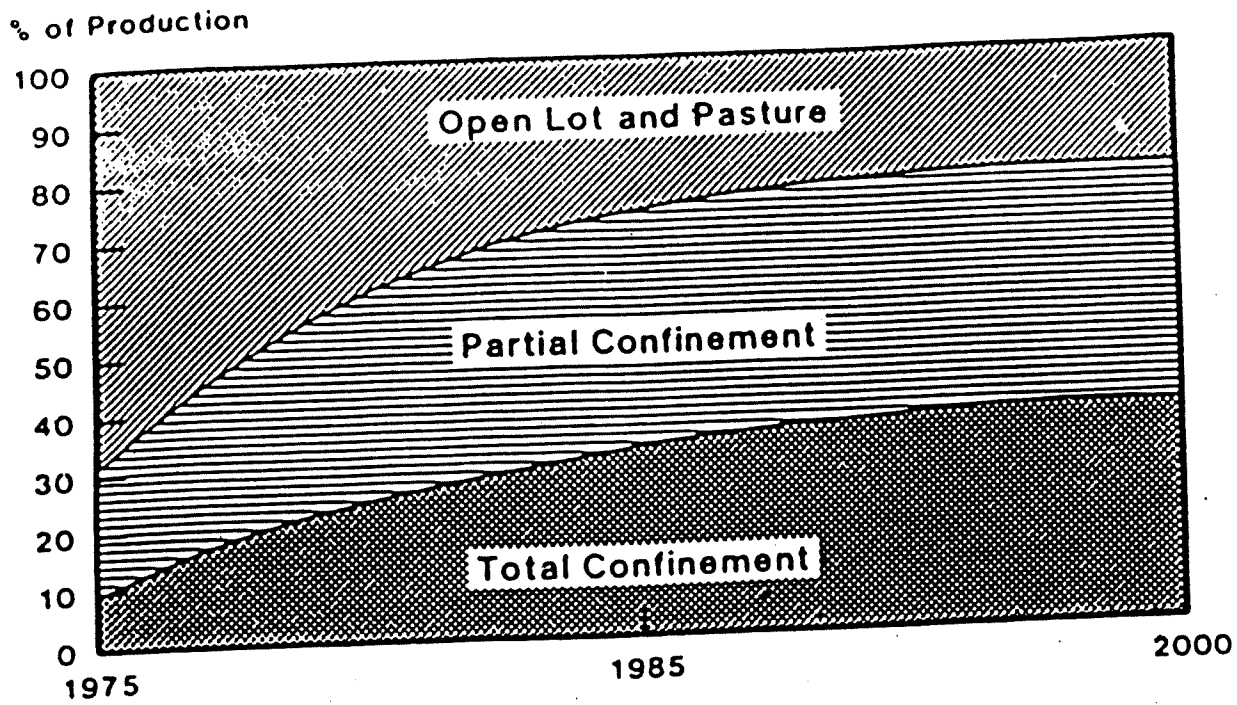
FINAL COMMENT

We believe we have made a significant contribution to the State of Kansas, especially southwestern Kansas. We also believe we will provide a long lasting economic benefit, including providing a long-term market for grain produced in Kansas.

To the extent other corporations operate swine confinement operations in Kansas, the benefits to Kansas increase. Since I strongly believe that swine production in confinement facilities is the way of the future, and that Kansas is an excellent location for such operations because of its surplus grain and good climate, I urge you to act favorably on the proposed amendment.

Thank you very much for your time. I'll be glad to answer any questions you might have.

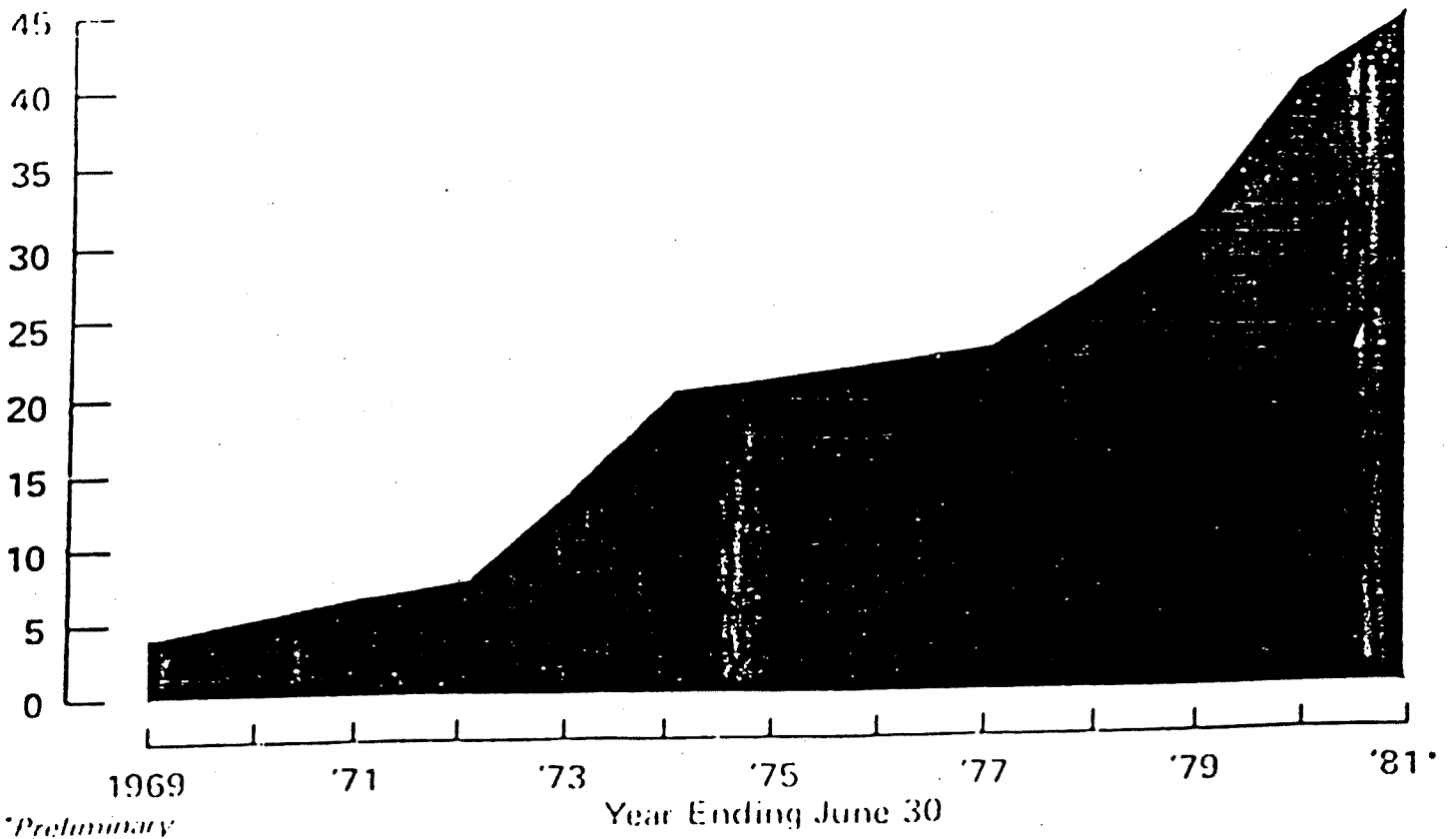
Types Of Production Facilities



Source: MRI Survey

U. S. AGRICULTURAL EXPORTS - COMMERCIAL

\$ Billion



**Preliminary*

Testimony of Eugene L. Smith, Attorney at Law, Liberal, Kansas
Before the House Judiciary Committee
Kansas House of Representatives
March 19, 1984

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

You have heard the testimony of a number of proponents of Senate Bill 519, part of which was a history of DeKalb Swine Breeders extensive hybrid swine breeding activities near the city of Plains in southwest Kansas, an activity which commenced in the year 1973 and which now is an important integral part of the economy of the area, the existence and continued viability of which is threatened by legislation passed in the year 1981. Senate Bill 519 would remove this threat to the continued existence of this important industry, by clarifying the 1981 legislation to insure that swine breed improvement activities such as DeKalb are not prohibited by law. While the larger issue associated with Senate Bill 519, involves the question of whether the State of Kansas shall assume its rightful position as a premier force in the pork producing and processing industry, or whether it shall continue its decline even further from its present dismal position of producing only 3% and processing only 1½% of the nation's pork supply. I will limit my remarks today to some of the problems which confront a lawyer in assessing the legal status of land ownership by DeKalb and others similarly situated.

The 1981 statute (KSA 17-5904) in the prefatory clause prohibits virtually all land ownership by a corporation. Then in its following sections, it excepts or exempts corporate land ownership for virtually every conceivable type of business activity being conducted in the State of Kansas at the time it was passed in 1981, save only one — the production and sale of swine breeding stock by DeKalb Swine Breeders at its foundation farm near Plains, Kansas.

Those of us who pondered the question of DeKalb's land ownership status thought perhaps DeKalb could legitimately continue its operations because of the FEEDLOT exemption. (KSA 17-5904 (a)(B)). But in the Fall of 1984, the Kansas Attorney General rendered his opinion No. 83-160, which carefully analyzes the statute and very clearly concludes that DeKalb's sale of breeding stock is not covered by the FEEDLOT exemption.

We examined KSA 17-5904 (a) (7) (A), (B) and (C) to determine whether DeKalb was exempt by reason of one of the grandfather exemptions contained in the 1981 statute. DeKalb owned no land in the year 1968, and therefore is not covered by the provision exempting land owned by corporations prior to 1968. (KSA 17-5904 (a) (7) (A)).

It does appear that DeKalb can legitimately continue its operations until July 1, 1991, at which time it would have to discontinue its hybrid breeding stock sales unless it "is in compliance with the provisions of this act". (KSA 17-5901 (a) (7) C). That is to say, it must be or become a family farm or authorized farm corporation by July 1, 1991, a feat highly unlikely of accomplishment.

Thus, unless the statute is amended or favorably judicially construed prior to July 1, 1991, this exemption is not available and certainly is not applicable as the situation now exists.

This leaves only the exemption provided by KSA 17-5901 (a) (7) (B). If DeKalb, or its operation, is exempt under any provision of the existing law, it must be by reason of this provision. The problem can best be understood by asking those of you on the Judiciary Committee who are lawyers whether you would be able to render a title opinion assuring the lender of 15 to 20 million dollars, that DeKalb legally holds title to its land and can continue to do so after July 1, 1991.

Should DeKalb refinance its Kansas operations, it will encounter the very real problems connected with interpreting the the 1981 statute. There is considerable doubt whether any member of the Kansas Bar would be willing to risk his guarantee or legal reputation by giving an opinion that DeKalb is exempt from the prohibitory provisions of the 1981 statute by reason of compliance with the provisions of KSA 17-5901 (a) (7) (B). Reasonable doubt concerning statutory language sufficient to warrant initiation of declaratory judicial proceedings in order to determine merchantability of real estate title is adequate reason for enactment of clarifying legislation.

In attempting to explain the problem to our area legislators I prepared an analysis of the questions presented. Rather than repeat them here, I have made copies of that analysis for your review and have included copies of the 1981 statute, the attorney general's opinion, and the repealed KSA 17-5901, with which a corporation must have been "in compliance" in order to be exempt by reason of the provisions of KSA 17-5901 (a) (7) (B).

I ask each of you who can find the time, and especially those of you who are practicing lawyers, to make your own analyses and reach your own conclusions as to whether DeKalb and others similarly situated are secure in their businesses, or their ability to obtain financing for continued operations.

Without legislative clarification of the 1981 statute, the only route to assurance of legitimate land ownership is through judicial declaration, a process in itself fraught with uncertainty and delay. The issue is not always who is right or wrong, but whether the business affected can survive the lengthy ordeal and attendant substantial legal expenses. If there is enough doubt for reasonable men to differ in their understanding of statutory language, if there is virtue in relieving the congested dockets of the courts, and if an innocent party because of its investment has been ensnared in its provisions, then especially if the activity is otherwise legal, what sense does it make to clog title standard committees and the courts with matters that Senate Bill 519 could easily resolve?

We ask that the Judiciary Committee clarify the 1981 statute by recommending the adoption of Senate Bill 519.

The Legitimacy of DeKalb's Title To Land Owned Prior To
The Enactment Of The 1981 Statute (KSA 17-5904, et al)

- A. Under the provisions of KSA 17-5904, DeKalb can legitimately own such property if it falls within the exemption of KSA 17-5904 (7)(b). The language of this exemption is sorely in need of clarification for the reason that title examiners have a great deal of difficulty in determining the legitimacy of land ownership where it depends on factual circumstances which may or may not have existed at a certain date (i.e. -- was the corporate owner "in compliance with KSA 17-5901" as it existed on July 1, 1981?).
- (1) How does a corporation establish on the land ownership records that it was - or was not - in compliance with KSA 17-5901 as it existed on July 1, 1981?
 - (2) Does the term "in compliance with" used in the grandfather exemption mean "not in violation of" (i.e. was a corporation "in compliance with" the provisions of KSA 17-5901 if, on July 1, 1981, if it was not engaged in the prohibited acts of "producing, planting, raising, harvesting or gathering of" the enumerated crops, or "the milking of cows for dairy purposes"?). If so, how can the fact of compliance be established in the land ownership records?
 - (3) Or, does the term "in compliance with" in the grandfather exemption mean that the corporation had to meet the requirements of a Family Farm Corporation as defined in the old KSA 17-5901? If so, then if DeKalb is not exempted under the "feedlot exemption" it has effectively been deprived of its property without just compensation.
- B. Under the provisions of KSA 17-5904, DeKalb can legitimately own the property if it falls within the FEEDLOT exemption of KSA 17-5904 (8). However, this exemption also appears to be in need of legislative clarification if it was intended to exempt corporate operators of breeding and farrowing facilities such as DeKalb.
- (1) Under the interpretation of the Attorney General, DeKalb cannot qualify for the "feedlot exemption" and thereby legally own the property if it breeds hogs "for sale prior to slaughter".
 - (2) There is no question DeKalb breeds hogs "for sale prior to slaughter". Its very purpose in establishing its Kansas foundation herd was to develop a superior breeding animal. From this foundation herd it sells Kansas bred animals, for breeding purposes, not only to Kansas farmers, but to other swine producers throughout the world.

Slaughter would probably be the ultimate end of all hogs it sells except those which die of accident, disease or old age. (i.e. - even hogs held for breeding are ultimately sold for slaughter).

(3) Even hogs sold to a packing house for anticipated immediate slaughter are "sold" prior to slaughter.

C. There appears to be one other possible way for DeKalb to establish legitimate ownership of its land, and that would be to terminate its breed improvement program and use its facilities only for raising animals to be "sold for slaughter" prior to July 1, 1991, pursuant to the COMPLIANCE exemption of KSA 17-5904 (7)(c). In such case, Kansas would be deprived of a significant export industry, which would simply benefit some other state. If Kansas is to maintain its world wide agricultural supremacy, it needs to encourage the improvement of animal breeds to the same extent it encourages the scientific improvement of crops. Note that the COMMERCIAL PRODUCTION exemption of KSA 17-5904 (11) exempts land "used for the commercial production and conditioning of seed for sale or resale as seed--.", and also KSA 17-5904 (10) which exempts land used for "educational research or scientific or experimental farming".

Unless it was the intent of the legislature to prohibit a limited corporate ownership of land for breed improvement purposes then the statute needs clarification to specifically include such activity in the statutory exemptions.

LIMITED DIGEST OF CORPORATE LAND OWNERSHIP LAW

KSA 17-5904: (BASIC PROHIBITION OF CORPORATE LAND OWNERSHIP)

"(a) No corporation -- shall -- own, acquire, or otherwise obtain or lease -- agricultural land --."

KSA 17-5903:

"(f) 'Agricultural land' means land suitable for farming.

"(g) 'Farming' means the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, the production of milk, the production of fruit or other horticultural crops, grazing or the production of livestock. Farming does not include the production of timber, forest products, nursery products, or sod, and farming does not include a contract to provide spraying, harvesting or other farm services."

KSA 17-5904: (GRANDFATHER EXEMPTION)

"(a) -- The restrictions provided in this section shall not apply to the following:

- (7) Agricultural land owned or leased by a corporation if ---
(B) Any such (corporation) was in compliance with the provisions of KSA 17-5901 prior to its repeal by this act,

Provided such entity shall not own or lease any greater acreage of agricultural land than it owned or leased prior to the effective date of this act,-----"

KSA 17-5901: - (as in effect prior to July 1, 1981)

"(a) No corporation shall -- engage in the -- business of producing, planting, raising, harvesting or gathering of wheat, corn, grain sorghum, barley, oats, rye or potatoes, or the milking of cows for dairy purposes --" (Then follows the old "Family Farm Corporation" exemption)

KSA 17-5904: (FEEDLOT EXEMPTION)

"(a) The restrictions provided in this section shall not apply to the following:

- (8) Agricultural land owned or leased by a corporation for use as a feedlot."

KSA 17-5903:

"(e) 'Feedlot' means a lot, yard, corral, or other area in which livestock, fed for slaughter are confined. The term includes within its meaning agricultural land in such acreage as is necessary for the operation of the feedlot."

Attorney General's Opinion No. 83-160:

"A -- corporation --- may own agricultural land in this state, irrespective of acreage, for the purpose of operating a feedlot for the feeding and slaughtering of hogs. As an incidental aspect of the feedlot operation, such corporation may engage in the breeding of hogs from within its own stock for feeding and slaughter, but may not breed hogs for sale prior to feeding and slaughter. Cited herein KSA 17-5901, KSA 17-5903, as amended by 1983 Session Laws, Ch. 88§72, KSA 17-5904, 17-7301, 7USCA\$202."

Article 59.—AGRICULTURAL CORPORATIONS

Law Review and Bar Journal References:

Act thoroughly analyzed in "Kansas Farm Corporations: Some Observations and Recommendations," Philip Ridenour, 44 J.B.A.K. 241 (1975).

17-5901.

History: L. 1973, ch. 99, § 1; Repealed, L. 1981, ch. 106, § 3; July 1.

Source or prior law:

17-202a, 17-202b, 17-202c, 17-6001.

Sec. 71. K.S.A. 17-5902 is hereby amended to read as follows: 17-5902. (a) All corporations and limited corporate partnerships, as defined in K.S.A. 17-5903 *and amendments thereto*, which hold agricultural land, as defined in K.S.A. 17-5903 *and amendments thereto*, within this state, and which are required to make annual reports to the secretary of state shall provide the information required of such corporations and limited corporate partnerships in the annual reports made under ~~K.S.A. 1981 Supp. 56-123e section 69 or 70~~ or K.S.A. 17-7503, 17-7504, or 17-7505 ~~or K.S.A. 1981 Supp. 56-123a, as such sections are amended by this act, and amendments thereto~~. The information required by this section does not apply to the following: (1) A tract of land of less than 10 acres, (2) contiguous tracts of land which in the aggregate are of less than 10 acres; or (3) state assessed railroad operating property.

(b) Any person who shall knowingly submit, or who through the proper and due exercise of care and diligence should have known that any submission of information and statements required of corporations and limited corporate partnerships subject to the provisions of this section are false or materially misleading, or who fails or refuses to submit such information and statements is guilty of a class A misdemeanor.

(c) The secretary of state shall keep a separate index of all corporations and limited corporate partnerships subject to the provisions of this section.

Sec. 72. K.S.A. 17-5903 is hereby amended to read as follows: 17-5903. As used in this act:

(a) "Corporation" means a domestic or foreign corporation organized for profit or nonprofit purposes.

(b) "Nonprofit corporation" means a corporation organized not for profit and which qualifies under section 501(c)(3) of the federal internal revenue code of 1954 as amended.

(c) "Limited corporate partnership" means a limited partnership, as defined in ~~K.S.A. 56-122 section 1 and amendments thereto~~, which has as a member or members, whether as general or limited partners, one or more corporations.

(d) "Corporate partnership" means a partnership, as defined in K.S.A. 56-306 *and amendments thereto*, which has within the association one or more corporations.

(e) "Feedlot" means a lot, yard, corral, or other area in which livestock fed for slaughter are confined. The term includes within its meaning agricultural land in such acreage as is necessary for the operation of the feedlot.

(f) "Agricultural land" means land suitable for use in farming.

(g) "Farming" means the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, the production of milk, the production of fruit or other horticultural crops, grazing or the production of livestock. Farming does not include the production of timber, forest products, nursery products, or sod, and farming does not include a contract to provide spraying, harvesting or other farm services.

(h) "Fiduciary capacity" means an undertaking to act as executor, administrator, guardian, conservator, trustee for a family trust, authorized trust or testamentary trust or receiver or trustee in bankruptcy.

(i) "Family farm corporation" means a corporation:

(1) Founded for the purpose of farming and the ownership of agricultural land in which the majority of the voting stock is held by and the majority of the stockholders are persons related to each other, all of whom have a common ancestor within the third degree of relationship, by blood or by adoption, or the spouses or the stepchildren of any such persons, or persons acting in a fiduciary capacity for persons so related;

(2) all of its stockholders are natural persons or persons acting in a fiduciary capacity for the benefit of natural persons; and

(3) at least one of the stockholders is a person residing on the farm or actively engaged in the labor or management of the farming operation. A stockholder who is an officer of any corporation referred to in this subsection and who is one of the related stockholders holding a majority of the voting stock shall be deemed to be actively engaged in the management of the farming corporation. If only one stockholder is meeting the requirement of this provision and such stockholder dies, the requirement of this provision does not apply for the period of time that the stockholder's estate is being administered in any district court in Kansas.

(j) "Authorized farm corporation" means a Kansas corporation, other than a family farm corporation, all of the incorporators of which are Kansas residents and which is founded for the purpose of farming and the ownership of agricultural land in which:

(1) ~~Subject to provision (4),~~ The stockholders do not exceed 15 in number;

(2) the stockholders are all natural persons or persons acting in a fiduciary capacity for the benefit of natural persons or nonprofit corporations; and

(3) at least 30% of the stockholders are persons residing on the farm or actively engaged in the day-to-day labor or management of the farming operation. If only one of the stockholders is meeting the requirement of this provision, and such stockholder dies, the requirement of this provision does not apply for the period of time that the stockholder's estate is being administered in any district court in Kansas.

~~(4) For the purposes of this definition if more than one person receives stock by bequest from a deceased stockholder, all of such persons, collectively, shall be deemed to be one stockholder, and a husband and wife, and their estates, collectively, shall be deemed to be one stockholder.~~

(k) "Trust" means a fiduciary relationship with respect to property, subjecting the person by whom the property is held to equitable duties to deal with the property for the benefit of

another person, which arises as a result of a manifestation of an intention to create it. A trust includes a legal entity holding property as trustee, agent, escrow agent, attorney-in-fact, and in any similar capacity.

(l) "Family trust" means a trust in which:

(1) A majority of the equitable interest in the trust is held by and the majority of the beneficiaries are persons related to each other, all of whom have a common ancestor within the third degree of relationship, by blood or by adoption, or the spouses or stepchildren of any such persons, or persons acting in a fiduciary capacity for persons so related; and

(2) all the beneficiaries are natural persons, are persons acting in a fiduciary capacity, other than as trustee for a trust, or are nonprofit corporations.

(m) "Authorized trust" means a trust other than a family trust in which:

(1) ~~Subject to provision (4),~~ The beneficiaries do not exceed 15 in number;

(2) the beneficiaries are all natural persons, are persons acting in a fiduciary capacity, other than as trustee for a trust, or are nonprofit corporations; and

(3) the gross income thereof is not exempt from taxation under the laws of either the United States or the state of Kansas.

(4) *For the purposes of this definition*, if one of the beneficiaries dies, and more than one person succeeds, by bequest, to the deceased beneficiary's interest in the trust, all of such persons, collectively, shall be deemed to be one beneficiary, and a husband and wife, and their estates, collectively, shall be deemed to be one beneficiary.

(n) "Testamentary trust" means a trust created by devising or bequeathing property in trust in a will as such terms are used in the Kansas probate code.

17-5904. Agricultural corporations; limitations; exceptions; penalties. (a) No corporation, trust, limited corporate partnership or corporate partnership, other than a family farm corporation, authorized farm corporation, family trust, authorized trust or testamentary trust shall, either directly or indirectly, own, acquire or otherwise obtain or lease any agricultural land in this state. The restrictions provided in this section do not apply to the following:

(1) A bona fide encumbrance taken for purposes of security.

(2) Agricultural land when acquired as a gift, either by grant or devise, by a bona fide educational, religious or charitable non-profit corporation.

(3) Agricultural land acquired by a corporation in such acreage as is necessary for the operation of a nonfarming business. Such land may not be used for farming except under lease to one or more natural persons, a family farm corporation, authorized farm corporation, family trust, authorized trust or testamentary trust. The corporation shall not engage, either directly or indirectly, in the farming operation and shall not receive any financial benefit, other than rent, from the farming operation.

(4) Agricultural land acquired by a corporation by process of law in the collection of debts, or pursuant to a contract for deed executed prior to the effective date of this act, or by any procedure for the enforcement of a lien or claim thereon, whether created by mortgage or otherwise, if such corporation divests itself of any such agricultural land within 10 years after such process of law, contract or procedure.

(5) A municipal corporation.

(6) Agricultural land which is acquired by a trust company or bank in a fiduciary capacity or as a trustee for a nonprofit corporation.

(7) Agricultural land owned or leased by a corporation, corporate partnership, limited corporate partnership or trust on the effective date of this act if (A) any such entity owned or leased such agricultural land prior to July 1, 1965, provided such entity shall not own or lease any greater acreage of agricultural land than it owned or leased prior to the effective date of this act unless it is in compliance with the provisions of this act, or (B) any such entity was in compliance

with the provisions of K.S.A. 17-5901 prior to its repeal by this act, provided such entity shall not own or lease any greater acreage of agricultural land than it owned or leased prior to the effective date of this act unless it is in compliance with the provisions of this act, or (C) any such entity was not in compliance with the provisions of K.S.A. 17-5901 prior to its repeal by this act, but is in compliance with the provisions of this act by July 1, 1991.

(8) Agricultural land held or leased by a corporation for use as a feedlot.

(9) Agricultural land held or leased by a corporation for the purpose of the production of timber, forest products, nursery products, or sod.

(10) Agricultural land used for bona fide educational research or scientific or experimental farming.

(11) Agricultural land used for the commercial production and conditioning of seed for sale or resale as seed or for the growing of alfalfa by an alfalfa processing entity if such land is located within 30 miles of such entity's plant site.

(12) Agricultural land owned or leased by a corporate partnership or limited corporate partnership in which the partners associated therein are either natural persons, family farm corporations, authorized farm corporations, family trusts, authorized trusts or testamentary trusts.

(13) Any corporation, either domestic or foreign, organized for coal mining purposes which engages in farming on any tract of land owned by it which has been strip mined for coal.

(b) Any corporation, trust, limited corporate partnership or corporate partnership, other than a family farm corporation, authorized farm corporation, family trust, authorized trust or testamentary trust, violating the provisions of this section shall be subject to a civil penalty of not more than \$50,000 and shall divest itself of any land acquired in violation of this section within one year after judgment is entered in the action. The district courts of this state may prevent and restrain violations of this section through the issuance of an injunction. The attorney general or district or county attorney shall institute suits on behalf of the state to enforce the provisions of this section.

(c) Civil penalties sued for and recovered by the attorney general shall be paid into the state general fund. Civil penalties sued for and recovered by the county attorney or district attorney shall be paid into the general fund of the county where the proceedings were instigated.

History: L. 1981, ch. 106, § 2; July 1.

State of Kansas

ATTORNEY GENERAL

OPINION NO. 83-160

Corporations—Agricultural Corporations—Ownership of Agricultural Land; Operation of Feed Lot. Jamie Schwartz, Secretary, Kansas Department of Economic Development, Topeka, October 31, 1983.

A foreign corporation, authorized to do business in Kansas, may own agricultural land in this state, irrespective of acreage, for the purpose of operating a feedlot for the feeding and slaughtering of hogs. As an incidental aspect of the feedlot operation, such corporation may engage in the breeding of the hogs from within its own stock for feeding and slaughter but may not breed hogs for sale prior to feeding and slaughter. Cited herein: K.S.A. 17-5901, 17-5903, as amended by 1983 Session Laws, Ch. 88, § 72, K.S.A. 17-5904, 17-7301, 7 U.S.C.A. § 202. MWB

ROBERT T. STEPHAN
Attorney General

Doc. No. 001606

OPINION NO. 83-182

Corporations—Agricultural Corporations—Limitations on Ownership of Land; Exceptions for Security Interests. Representative Arthur Douville, Twentieth District, Overland Park, December 19, 1983.

K.S.A. 17-5904 prohibits corporations from owning, acquiring or otherwise obtaining or leasing any agricultural land in Kansas, except as provided therein. While subsection (1) allows bona fide encumbrances to be taken by corporations for the purpose of security, such language refers to mortgages or other equitable interests, and does not include legal title retained by a vendor in a contract for deed and thereafter sold to a corporation. By contrast, a corporation could acquire agricultural land which is subject to a contract for deed under the provisions of subsection (4), through foreclosure on a vendor's interest which had been pledged as security for a separate loan. Accordingly, a corporation could not acquire legal title in agricultural land through a program of purchasing vendors' interests in contracts for deed. Cited herein: K.S.A. 17-5904; JSS

ROBERT T. STEPHAN
Attorney General

Doc. No. 001754

emergency has ended, and for such further time thereafter as may reasonably be required to reopen; however, in no case shall such offices remain closed for more than forty-eight (48) consecutive hours, excluding other legal holidays, without requesting and obtaining the approval of the commissioner.

(b) The officers of an association may close the association's offices on any day or days designated by proclamation of the president of the United States or the governor or legislature of this state, as a day or days of mourning, rejoicing or other special observance. [L. 1973, ch. 98, § 4; July 1.]

17-5822. Same; notice of closing to commissioner, when. An association closing its offices pursuant to the authority granted under sections 2 or 3 [17-5819 or 17-5820] of this act shall give as prompt notice of its action as conditions will permit and by any means available to the commissioner. [L. 1973, ch. 98, § 5; July 1.]

17-5823. Same; days closed during emergencies considered legal holidays; liability; construction of act. Any day on which an association is closed during all or any part of its normal business hours pursuant to the authorization granted under this act shall be, with respect to such association, a legal holiday for all purposes with respect to any savings and loan business of any character. No liability, or loss of rights of any kind, on the part of any association, or director, officer or employee thereof, shall accrue or result by virtue of any closing authorized by this act.

The provisions of this act shall be construed and applied as being in addition to, and not in substitution for or limitation of, any other law of this state or of the United States, authorizing the closing of a savings and loan association or excusing the delay by a savings and loan association in the performance of its duties and obligations because of emergencies or conditions beyond the association's control or otherwise. [L. 1973, ch. 98, § 6; July 1.]

Article 59.—AGRICULTURAL AND HORTICULTURAL CORPORATIONS:

17-5901. Agricultural or horticultural corporations; limitations on activities; application of other corporation laws. (a) No corporation shall directly or indirectly engage in the agricultural or horticultural business of producing, planting, raising, harvesting or gathering of wheat, corn, grain sorghums, barley, oats, rye or potatoes or the milking of cows

for dairy purposes: *Provided, however,* That nothing herein contained shall prevent a domestic corporation from engaging in any agricultural or horticultural business of producing, planting, raising, harvesting or gathering of wheat, corn, grain sorghums, barley, oats, rye or potatoes or the milking of cows for dairy purposes if (1) such corporation does not have more than ten (10) stockholders; (2) all of the stockholders of the corporation are individuals, trustees, natural or corporate, under trust instruments wherein individuals or classes of individuals are designated as primary or principal beneficiaries or guardians, conservators, executors or administrators of individuals; (3) all of the incorporators are natural persons residing in this state; (4) such corporation does not own, control, manage or supervise, either directly or indirectly, a total of more than five thousand (5,000) acres of land; and (5) none of the stockholders own stock in another corporation authorized to engage in any agricultural or horticultural business of producing, planting, raising, harvesting or gathering of wheat, corn, grain sorghums, barley, oats, rye or potatoes or the milking of cows for dairy purposes, but nothing herein shall prevent any corporation, either domestic or foreign, organized for coal mining purposes from engaging in the agricultural or horticultural business on any tract of land owned by it which has been strip mined for coal.

(b) The provisions of the general corporation laws of this state, chapter 17 of the Kansas Statutes Annotated and acts amendatory thereof or supplemental thereto, and all powers and rights thereunder shall apply to farm corporations organized hereunder except where such provisions are in conflict with or inconsistent with the express provisions of this act. [L. 1973, ch. 99, § 1; July 1.]

Source or prior law: 17-202a, 17-202b, 17-202c, 17-6001.

17-5902. Same; annual reports; criminal acts; secretary of state's duties. (a) All corporations which own or lease any land within this state which is used or usable for farming or agricultural or horticultural purposes shall provide the information required of such corporations in their annual reports pursuant to K. S. A. 1972 Supp. 17-7503, 17-7504 or 17-7505 as such sections are amended by this act: *Provided, however,* That (1) a tract of land of less than ten (10) acres, (2) contiguous tracts of land which in the aggregate are of less than ten (10) acres, or (3) state accessed railroad operating property

TESTIMONY BEFORE THE
HOUSE JUDICIARY COMMITTEE

S.B. 519

March 19, 1984

Carl Dean Holmes, Mayor
of Plains, KS.

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Chairman Frey, committee members, ladies, and gentleman, I am Carl Dean Holmes, mayor of Plains, Kansas--home of the worlds widest and roughest mainstreet. I farm and have a cow-calf operation. The city of Plains is a growing and prospering community which has a strong agricultural base. The surrounding area is a primarily cash grain farming area with a few cattle and very few other livestock until DeKalb moved into the area 10 years ago. The reasons the city cooperated with DeKalb 10 years ago was to stem the flow of our young people leaving the area and assist in the cities growth. Since DeKalb came into the area, Meade county has dropped around 500 in population and the other two communities in the county dropped 14 per cent in population. However, Plains and Kismet which are adjacent to DeKalb have increased in population with Plains increasing by 20 per cent. The valuation in the city of Plains has more than doubled in the past

decade and all the increase has been without DeKalb doing any building within the city limits. The valuation has come from the building of homes, grain elevators and service type businesses. It has stemmed the loss of businesses in the community and new businesses have located in the community. In our school system it takes over \$35,000 to educate a student for 12 years. When that graduate leaves the community, the community has lost its investment in its most valuable asset. In the 1950's and 1960's the community lost its investment because there were no job opportunities. In the last decade, that trend has been reversed with the graduates staying in the community and some of the 1950's and 1960's graduates returning to the Plains area. When available, DeKalb has hired local residents. The employees they have hired outside the area are to fill those jobs requiring special training. In many cases, DeKalb has provided employment to farm family members so that the family had enough income to stay in the area. Grain

production has more than doubled in the past decade.

Livestock production has increased and the number of farmers in the local area has increased stemming the outflow of farm family members. DeKalb, as a corporate pork production farm, has been beneficial to our agricultural based economy. DeKalb has paid its fair share of township, county, school district, cemetery district, hospital district, state and all other governmental taxes. DeKalb buys repairs from local businesses thus helping the local economy. As a result of the corporate farm, the median age of the farmers and citizens in our area has dropped. DeKalb has paid a bonus for grain produced in our area and in some cases this has made a difference in a family farm continuing or closing its doors. It is my understanding that DeKalb's operation is at question only because it sells breeding stock; its sale of slaughter hogs does not conflict with present Kansas corporate law. No one is forcing the hog producer in Kansas to buy breeding stock from DeKalb. DeKalb is

adding value to agricultural products produced in Kansas instead of our having to ship raw products to other states or for foreign export. DeKalb is actually helping the pork producers in the state because without DeKalb one and maybe two of the states pork packing houses would have closed its doors forcing the Kansas pork producer to ship his finished animals further for processing. I want to express to this committee and this audience that corporate pork production and the family farm is working together in our area. The corporate pork production farm has helped the Plains area, has helped increase our grain prices, has helped to retain the family farm, has provided high quality breeding stock to those producers when needed, has helped retain pork packing houses in the state, and has been an economic benefit to the state.

March 19, 1984

MY NAME IS GARY HELLEBUST. I AM THE EXECUTIVE VICE PRESIDENT OF THE 2800 MEMBER KANSAS PORK PRODUCERS COUNCIL. OUR MEMBERSHIP OPPOSES SENATE BILL 519.

KANSAS PORK PRODUCERS ARE VERY CONCERNED WITH THE EFFECT THE PROPOSED LEGISLATION WOULD HAVE ON THE EXISTING PRODUCERS IN KANSAS. HOG PRODUCERS HAVE HISTORICALLY WORKED TOGETHER TO SOLVE INDUSTRY PROBLEMS WHETHER THEY WERE NITRITE SCARES, AFRICAN SWINE FEVER OR PRODUCTION-SUPPLY PROBLEMS. AT THIS TIME OUR INDUSTRY IS TROUBLED WITH AN OVERSUPPLY OF PORK CAUSING DISASTROUSLY LOW PRICES AT THE FARM LEVEL. IN THE PAST ONE YEAR KANSAS HAS LOST OVER 1500 PRODUCERS, APPROXIMATELY 12% OF OUR NUMBER. THE PERCENTAGES ARE SIMILAR THROUGHOUT THE NATION.

THIS COMMITTEE IS NOW CONSIDERING LEGISLATION THAT WOULD ENCOURAGE AND EXPIDITE EXPANSION OF FOREIGN CORPORATIONS INTO THE KANSAS HOG INDUSTRY. PORK PRODUCERS HAVE ASKED FOR NO GOVERNMENT PROGRAMS TO SUPPLEMENT THEIR ABILITY TO SURVIVE. WE CAN NOT STAND IDLY BY WHILE THE KANSAS DEPARTMENT FOR ECONOMIC DEVELOPMENT AND OTHER STATE AGENCIES INTICE EXPANSION INTO KANSAS BY FOREIGN OWNED CORPORATIONS TO COMPETE WITH INDIVIDUAL FAMILY FARMS. WE DO NOT NEED LEGISLATION PROMOTED

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BY BUREAUCRATIC AGENCIES TO EXPAND HOG PRODUCTION NUMBERS WHEN THE NATIONS PORK PRODUCERS ARE VOLUNTARILY REDUCING SUPPLIES IN ORDER TO SURVIVE.

WE BELIEVE THAT IN VIEW OF THE SATURATED PORK CONSUMER MARKET ANY INCREASE DUE TO A FOREIGN CORPORATION WOULD RESULT IN A DECREASE IN THE NUMBER OF KANSAS HOG PRODUCERS. THERE SIMPLY IS NO OTHER RESULT POSSIBLE! WHEN THE PORK SUPPLY INCREASES, IN ANY AREA OF THE NATION, BY THIS TYPE OF EXPANSION IT WILL DECREASE IN ANOTHER. IN THIS CASE AT THE EXPENSE OF THE KANSAS FAMILY FARM!

WHILE WE OPPOSE ANY AMENDMENT TO THE CORPORATE FARM LAW THAT WOULD ENCOURAGE EXPANSION BY FOREIGN CORPORATIONS, WE STRONGLY SUPPORT THE RIGHT OF PUBLIC CORPORATIONS TO CONTINUE TO PRODUCE HOGS IN KANSAS IF THEY WERE IN COMPLIANCE WITH EXISTING LAWS PRIOR TO THE 1981 FARM ACT. IT IS OUR UNDERSTANDING THAT SUCH CORPORATIONS ARE GRANDFATHERED BY THE 1981 LAW SO LONG AS THEY CONTINUE TO PRODUCE AT THOS LEVELS AND DO NOT EXPAND.

WE ARE AWARE THAT PUBLIC CORPORATIONS PRODUCING HOGS FOR SLAUGHTER AND FOR BREEDING STOCK SALE ARE CONCERNED WITH THE PROPOSED LEGISLATION. THE De CALB SWINE CORPORATION FACILITY AT PLAINS KANSAS, F & R SWINE CORPORATION LOCATED AT JUNCTION CITY AND OTHERS WOULD BE ABLE TO CONTINUE TO PRODUCE HOGS AND SELL BREEDING STOCK WITHOUT THE AMENDED LEGISLATION.

IN FACT FRED GERMAN, AN OWNER OF F & R IS TESTIFYING TODAY
IN OPPOSITON TO THE LEGISLATION .

THE KANSAS PORK PRODUCERS COUNCIL'S POSITION IS THAT
PRIOR TO ANY ACTION AMENDING THE 1981 CORPORATION FARM BILL
THE LEGISLATURE SHOULD IMPLIMENT STUDIES TO DETERMINE THE
IMPACT SUCH LEGISLATION WOULD HAVE. WE NEED TO UNDERSTAND
WHO WILL BE PRODUCING HOGS IN KANSAS IN THE FUTURE, WHERE
THEY WILL BE PRODUCED AND WHO WILL PRODUCE THE GRAIN TO FEED
THEM.

IF THE KANSAS LEGISLATURE IS WILLING TO REDUCE THE
NUMBER OF FAMILY FARMS RAISING HOGS IN KANSAS IN ORDER TO
BENEFIT FOREIGN CORPORATIONS WE NEED TO KNOW WHO AND HOW
MANY FAMILY FARMS WILL BE SACRIFIECED!

House Judiciary Committee testimony

My name is Fred Germann past president of the Kansas Pork Producers Council and now legislative chairman. My main thrust here today is to present some background that will help explain our concerns with Senate Bill 519.

During the past four years the swine business has been in the doldrums a majority of the time and many producers have been forced out of business. The United States Department of Agriculture pig report issued last June projected extremely large numbers of hogs to be marketed in the months ahead. This was a crisis for our industry. In response the National Pork Producers Council instigated a program of greatly stepped up advertising of our product during the time of greatest supply and also urged producers everywhere to reduce sow numbers and and market hogs at lighter weights to reduce the total supply. Kansas producers like those in many other states responded favorably to this self help program. I point out that no government subsidies were asked for. Numbers have been reduced and hopefully there are better days ahead. Ladies and gentlemen, I hope that in light of the foregoing you can understand the frustration and dismay of our Kansas producers when word was received that a project with a potential output of over two hundred thousand head annually was being contemplated for Kansas. It is ironic and inconsistent that while our State Board of Agriculture has been working to aid livestock producers develop export markets to help alleviate depressed markets, another segment, the Kansas Economic Development Commission announces with pride that this forementioned new industry namely Pauls Whites' may be coming to Kansas. Now I have nothing personal against these people, but isn't it ridiculous when two groups with good intentions but with too little study are in effect working at cross purposes? Immediately those

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favoring the project will say, it will bring new economic gains to the state. True in the immediate area of location, but when only so much of a product can be profitably produced these gains will be drained away at the expense of other areas. To our knowledge no impact study was made that gave consideration to the adverse effects on those who already have investments in facilities, live - stock and land.

The entire question of tax policies as it affects our industry is becoming of increasing concern to our producers. At the annual meeting of the Kansas Pork Producers council this past December a resolution was passed asking for a study in regard to tax policies and how they affect us in the total picture. At the National level the resolution was broadened to include "those factors related to the current structure and trends of the pork industry that have positive or negative effects". Suggested points of consideration include (1) ownership patterns and size; (2) distribution of tax benefits or tax impacts; (3) technology and capital intensity. The almost unanimous vote favoring this resolution indicates great concern about trends in our industry and a desire to try to come to grips with our problems and proper manner to deal with them. Let it be made clear that KPPC does not want to interfere with Dekalbs' clarification of title if indeed there is a problem in this area that requires legislation. Also, we do not want changes in corporation laws that would jeopardize cattle feedlots or other swine facilities already in place. However, at this time ^{We are} ~~were~~ unalterably opposed to any change that would permit such large corporations as Pauls Whites to come in and sell breeding stock until and unless proven in the best interests of the state through thorough impact studies.

Ladies and gentlemen, I have been in the swine production business since my youth and involved in many activities related to the industry. In these several decades I can not recall a single issue that has aroused such unanimous and grave concern among our people as have some implications of Senate Bill 519,



TOPEKA

SENATE CHAMBER

DON MONTGOMERY
SENATOR, TWENTY-FIRST DISTRICT
MARSHALL, NEMAHA, POTTAWATOMIE,
WABAUNSEE, PARTS OF DICKINSON,
GEARY, MORRIS, RILEY COUNTIES
1218 MAIN
SABETHA, KANSAS 66534

COMMITTEE ASSIGNMENTS
VICE-CHAIRMAN: LOCAL GOVERNMENT
MEMBER: ASSESSMENT AND TAXATION
JOINT COMMITTEE ON ADMINISTRATIVE RULES
AND REGULATIONS
AGRICULTURE AND SMALL BUSINESS
EDUCATION

Attachment # 14

March 19, 1984

TESTIMONY OF SENATOR MONTGOMERY OF SB-519

SB-519, BEFORE YOU TODAY, IS A BILL THAT MANY PEOPLE SINCE ITS INTRODUCTION HAVE BECOME VERY CONCERNED ABOUT, BECAUSE OF ITS IMPACT UPON THE FARMER IN THE BUSINESS OF RAISING HOGS AS PART OF THE FAMILY FARM OPERATION. THE CONCERN IS VERY LIGITIMATE AS IT WILL DEFINITELY BROADEN THE CORPORATE FARM LAW WE PASSED SEVERAL YEARS AGO.

I BELIEVE WE ARE GOING IN THE WRONG DIRECTION AND, IF ANYTHING, WE SHOULD BE DOING MORE TO PROTECT THE KANSAS FARMERS WHETHER IT IS IN AGRICULTURAL LAND OWNERSHIP OR THE OWNERSHIP AND RAISING OF LIVESTOCK. THE FAMILY FARMER TODAY IS ABOUT AS DOWN AND OUT AS ANY TIME IN HISTORY. THE NUMBERS BEING FORCED OFF THE FARM TODAY IS REACHING AN ALL TIME HIGH AND THERE IS NOT MUCH CHANCE FOR IMPROVEMENT IN THE NEXT FEW YEARS.

THIS BILL SHOULD NOT BE PASSED AS IT WILL SIGNAL TO THE MANY FARMERS WHO OPERATE A SWINE BREEDING PROGRAM, AS A NECESSARY PART OF THEIR FARM OPERATION, THAT THE KANSAS LEGISLATURE HAS NO CONCERN ABOUT THE ECONOMIC CONDITION OF THE FARMER AND ARE GOING TO ENCOURAGE LARGE FOREIGN CORPORATIONS, WITH MANY ADVANTAGES OVER THE FAMILY FARMER, TO COME INTO KANSAS AND DIRECTLY COMPETE AGAINST AN INDUSTRY WITH TOO MANY HOGS NOW.

I'VE HEARD THAT THIS BILL WILL OPEN UP MARKETS FOR OUR GRAIN SURPLUSES. I WOULD DISAGREE AND POINT OUT IT COULD WORK IN REVERSE AS FAR AS FOR THE PRICE OF GRAIN. IF WE PUT A LARGE NUMBER OF SMALLER FARM OPERATORS OUT OF BUSINESS YOU HAVE ELIMINATED MANY BIDDERS FOR THE GRAIN DOWN TO ONE OR TWO LARGE CORPORATIONS BIDDING FOR THE GRAIN.

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ALSO, IF THESE FAMILY FARMERS ARE FEEDING THE GRAIN THEY RAISE, AND THEY HAVE TO GET OUT OF THE HOG BUSINESS THEN THEIR GRAIN WILL BE IN THE MARKETING CHANNELS.

THE FAMILY FARMER WILL ALSO BE AT A DISADVANTAGE IN SELLING HIS HOGS BECAUSE THE HOG BUYER WILL NOT HAVE TO GO OUT AND COMPETE IN BUYING FROM THE FARMER WHEN HE CAN BUY OR CONTRACT WITH ONE LARGE SUPPLIER.

THE DOLLARS GENERATED BY MANY FARMERS WILL BE SPENT IN THEIR COMMUNITIES WHERE THE DOLLARS THE LARGE CORPORATIONS MAKE WILL MOST PROBABLY BE SENT BACK TO THE PARENT COMPANY OUTSIDE KANSAS. NOW TELL ME WHOSE DOLLARS ARE GOING TO BENEFIT KANSAS THE MOST?

WE HAVE MANY LARGE FEEDLOTS IN KANSAS BUT THESE FEEDLOTS ARE A PART OF THE COMPLETE CYCLE OF THE CATTLE INDUSTRY. THE FAMILY FARMER STILL HAS A PART IN THE CYCLE AS THEY CAN RAISE THE CALVES, GRASS THEM, OR BACKGROUND THEM BEFORE GOING TO THE FEEDLOTS. THE SWINE FACILITIES WE ARE TALKING ABOUT WOULD BE A FARROW TO FINISH WITH NO CHANCE FOR THE FARMER TO BE INVOLVED IN THE CYCLE OF RAISING HOGS.

MY PLEA IS, MR. CHAIRMAN AND COMMITTEE MEMBERS, THAT YOU REPORT THIS BILL ADVERSELY AND SHOW THE MANY FARMERS IN MY DISTRICT, AND OTHER DISTRICTS, WHO OPERATE SWINE BREEDING FACILITIES THAT YOU ARE CONCERNED ABOUT THEIR ECONOMIC PROBLEMS. A LITTLE SUPPORT AND NOT A KICK WHEN THEY ARE DOWN WILL CERTAINLY GO A LONG WAY IN PROVING THE KANSAS HOUSE OF REPRESENTATIVES STILL BELIEVES KANSAS AGRICULTURE IS THE NO. 1 INDUSTRY IN KANSAS, AND THE FAMILY FARMER, AND ESPECIALLY THOSE RAISING HOGS, ARE A VERY IMPORTANT PART OF OUR GREAT STATE.

THANK YOU FOR LISTENING AND I WOULD CERTAINLY APPRECIATE IT IF YOU WOULD OPPOSE THIS BILL.

March 19, 1984

Attachment # 15

Thank you Mr. Chairman:

I am Mary Harper. I monitor legislation for the American Agriculture Movement. We are not hog producers, but we are concerned in saving the family farm. Our Nation's economy is better when family farmers are prospering. We see large corporations as detrimental to a prosperous national economy. Fewer people are gainfully employed, less production materials are needed, small towns are killed, unemployed farmers move to cities and take jobs thereby forcing out others and forcing up the unemployment rolls.

Instead of parity we see higher costs, including interest, and lower receipts. We also see more "farmers" who have adequate off-farm income investing in farms to take advantage of the "no-profit syndrome" so they pay less taxes. Farm programs are charged with the costs of the food stamp plans and the PL 480 loans to other countries. We see these investors as well as many farmers struggling to raise more either by expensive fertilizers and water or breaking out land which should never be tilled.

We particularly are resentful that foreign money is used in these corporations that cause economic woes at the same time our government (us taxpayers) are loaning those same countries our money, most times knowing it will never be repaid nor do they pay interest.

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Government says making these loans and grants will make it possible for those people to buy our products. The farmers in the European community have the same problems as we have and yet people the world over are starving. Our producers are cutting back on production because they feel there must be over-production considering that there is little or no profit in farming. Therefore, we oppose strongly this amendment to SB519.

To Chairman, Rep. Robert Frey
House, Judiciary Committee

From: Rev. John Stitz, Dir. Catholic Rural Life, Archdiocese K.C. Ks.

Re: SB 519

Attachment # 16

The National Catholic Rural Life Conference, sponsored by the Catholic Bishops, is firmly committed to family farm agriculture and to the human development of rural communities. We believe that God gave us land and natural resources to be used wisely for the common good. We believe that family farmers are the best stewards of these resources because they make decisions based on values best suited to community development. Because of this belief we are interested in this and any other measure that may affect the structure of family farm agriculture. Any exemption to the law will surely lead to others.

Recently a young pig farmer in Leavenworth county, father of two children, discussed SB 519 with me. He lamented the apparent trend to vertical integration of the hog industry. In despair he said that its impossible to stop. I think he is wrong. Current levels of corporate control in the food system are the result of many legislative decisions, big and small, federal and state. In similar fashion, the trend can be reversed by legislative decisions, large and small. It is a question of how important the Leavenworth county farmer appears to this body of decision makers.

The issue at stake is more than hog numbers, jobs for the professionals, kilowatts used, streets built, or bushels of grain fed; the issue is people making a living on the land. And diversification to livestock is an essential factor in making that living for most of the family farmers.

The independent farmer is bonded to community by relationships of community trust, care, dependibility and a vision for the children. The corporate bond is measured in terms of profit. Look at Rock Port, Mo. Since Cargill's meat plant is no longer profitable, any committment to Rock Port is ended. Now Rock Port is faced with tremendous problems of adjustment and social rehabilitation. What happened to the corporate promises

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made to the people of Rock Port? I ask you to request KDED to provide an environmental and people impact study and to evaluate the long term community development rather than the short term economic gain for outside interests. As we believe in our religion, we believe the best thing for Kansas is the economic and social well being of the family farmer. And therefore, we believe the legislature has responsibility to protect that most valuable resource.

Mr. Chairman and Members of the Committee:

I am Viola Dodge, a farm wife, from Olsburg, Kansas. I represent the Kansas Agri women and we oppose SB 519.

Attachment # 17

In 1981 when the corporate farm law was passed its purpose was to prevent the ownership of Kansas Agriculture land by out of state and foreign investors. This law did not effect the ownership and operation of corporate feed lots where livestock is fed for slaughter only. Any corporation, such as DeKalb, who were already in operation as a breeder of livestock were grandfathered except that they could not expand their facilities. The intent of the law is plain and it has worked well.

SB 519 is a special interest bill whose sole purpose is to change the 1981 law. DeKalb and Pauls and White have attorneys who can interpret the corporate law of Kansas. The only reason they want this special interest bill is that they don't like what they read and they want it changed.

There is no doubt but that this is a very crafty bill. To exempt "Swine Confinement Facilities" would open the door for foreign investors to own Kansas agriculture land for the purpose of breeding and farrowing of swine. Why are they throwing just the pigs to the wolves? Why not all livestock? I think we can analyze their reasoning. These investors will get their foot into the door and get established and then they will come back to you and ask to change the word "Swine" to "Livestock" to include all the red meat industry. After all it wouldn't be right to treat pigs differently than cows. The door would then be wide open and uncontrollable for foreign ownership of Kansas agriculture land. They could then get into the breeding and birthing of beef, sheep and dairy as well as swine. Would you support legislation for foreign ownership of Kansas agriculture land for a cow calf operation? Dairy is very vulnerable because many are already in confinement facilities.

This is just like my garden, as long as the gate is kept shut all of the livestock is kept out; but if that gate is pushed open enough to let the pigs in then soon all of the livestock are in the garden.

This bill is very vague as to the number of acres needed for this proposed 11,000 breeding and farrowing facility. The bill states, page 4, "only such agriculture land required for proper disposal of liquid and solid wastes and for isolation of the facility to reasonably protect the confinement animals from exposure to disease". How many acres do you suppose this means? Is it one acre per sow, 5 acres or 10 acres, or is it whatever acreage they think they need? That paragraph is just about as clear as mud, isn't it? My neighbors, who have swine confinement facilities, estimated it takes approximately 1 acre per sow to spread the waste. At this rate this proposed 11,000 sow facility would need about 11,000 acres or over 17 square miles of Kansas agriculture land. If this were to be in Maryland or Delaware it would take over one third of their state.

It is fallacious thinking to say the answer to our surplus grain problem is to raise 220,000 more pigs. With this thinking should we also produce more calves too? We already have in Kansas all the facilities needed to breed and farrow all of the pigs for any feedlot that wants to start up.

Because of the magnitude of the effects this bill would have on the ownership of Kansas agriculture land I urge you to stop this bill right here and take some time to allow for a thorough study.

In closing, if you have ever walked through a swine confinement building then you know how that most offensive odor can cling to you. This bill stinks even worse, don't get yourself caught down wind of it.

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STATEMENT
OF
IVAN W. WYATT, PRESIDENT
KANSAS FARMERS UNION
BEFORE
THE HOUSE JUDICIARY COMMITTEE
ON
SB-519

Attachment # 18

Mr. Chairman, Members of the Committee:

I am Ivan Wyatt, President, Kansas Farmers Union.

It would appear that SB-519 is a special interest bill that has become too hot for the Agriculture Committee to handle.

Several weeks ago the House Agriculture Committee Chairman made a special concession to one of the investors involved with this bill.

This European investor appeared before the Senate Agriculture Committee and the House Agriculture Committee, before SB-519 had even been considered by the Senate Committee, a very unorthodox procedure

Since that time farmers and pork producers have become aware of SB-519, and have voiced strong opposition to it.

Apparently the leadership has transferred this hot potato, SB-519 to your committee, an obvious ploy to try to pass SB-519 through a non-agriculture committee.

The House Agriculture Committee has already been burnt this session by passing another special interest bill.

I am referring to HB-3032. Kansas law states that truckers must prevent leakage or dropping of its load on the streets and highways of this state.

Probably 98% to 99% of the truckers of livestock keep their trucks clean and prevent, except for very small amounts, leakage and spillage of manure, etc., on the streets and highways of the state. However a few weeks ago one trucker came before the House Agriculture Committee complaining he had received some 20 to 30 tickets from the highway patrol for spilling manure in the streets of a Kansas town (Marion).

I have personally seen manure some 1/4 to 1/2 inch deep, and 2 or 4 feet wide, spread through several blocks of the main business district of that town.

The House Agriculture Committee passed out that bill that now says it is alright to spread manure through the streets and roads of the state, as long as they have their trap doors shut regardless how deep the manure is in their

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truck, or how much they may be spilling - that very definitely is special interest legislation.

SB-519 likewise is a special interest bill.

A few years ago the legislature passed a corporate farming bill assuring Kansas farm families that they were protected then from foreign and unidentifiable investors, now that trust and assurance is being eroded by SB-519.

Yes, I know that K-State and the KDED is supporting this bill.

They argue if SB-519 becomes law there will be several dozen jobs available for young K-State graduates.

Now I ask, is this the purpose of K-State educational programs, to provide employees for foreign investors, or is it to be educating our young people to go out and become independent, self employed persons, who will become part of the states communities, cycling their earnings through the states economy, whereas foreign investors will be funneling those profits out of the state and nation.

I understand the KDED may support this as something for a show case to perpetuate themselves claiming this foreign investment as an accomplishment, even though it could eventually displace hundreds, even thousands of independent pork producers.

This is not economic development.

This is exactly what happened to the boiler industry.

Today as you travel the three corners area of Oklahoma, Arkansas, and Missouri you may still see empty independent boiler houses standing where some 15 years ago corporate investors violated fair trade and marketing laws isolating those thousands of independent producers from the markets.

All this happened, even though federal courts ruled against these illegal practices. However, these practices continued during some seven years of legal challenge and appeals, etc.

At the end of that seven years of appeals and challenges the corporations were found guilty and fined a few thousand dollars, however by that time the independent producers had long went bankrupt or were forced out.

Today, there is less than a handful of corporations producing this countries boilers, and now much of that corporate production has been moved to foreign nations such as Mexico.

That was not, economic development.

This is obviously a special interest bill, when the favor of one corporation is being given greater consideration than that of some 10,000 independent pork producers within the State of Kansas, not counting thousands of local businessmen, feed salesmen, manufacturers etc., who derive their lively-hood suppling the needs of those independent porl producers dispersed throughout the state.

Therefore I urge this committee not to fall into the special interest trap the House Agritulture Committee did when they passed their special interest bill allowing one trucker to continue to spill manure on the streets and roads of the state, an obvious violation of present state law.

Likewise I urge you not to further jeopardize the future of this states independent pork producers, their communities, and the futures of our rural youth who through their 4-H projects, FFA projects, and college students who are preparing themselves to be successful, independent, profitable citizens of this state, and certainly not to be a hired hand for some foreign corporation.

The members and families of the Kansas Farmers Union strongly urge you to defeat SB-519.