

Approved Fred KerrDate 2/14/84MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESSThe meeting was called to order by Senator Fred Kerr at _____
Chairperson10:00 a.m./~~p.m.~~ on Thursday, February 9, 1984, 19__ in room 423-S of the Capitol.All members were present except: Senator Ross Doyen (E)Committee staff present: Raney Gilliland, Research Department
Jim Wilson, Revisor's Office

Conferees appearing before the committee:

Jack Quinlan, Attorney, representing Seaboard Corp., Shawnee Mission
Senator Charlie Angell
Secretary Jamie Schwartz, KDED
Gene Smith, Attorney, Liberal, representing DeKalb Corp.
Roy Poage, DeKalb Corp., & President, Kansas Swinebreeders
Jack S. Miller, Vice President, Seaboard Corp., Shawnee Mission, Ks.
Arnold Heaton-Merheim, Managing Director
Pauls & Whites Int., Ltd., Ipswich, England

Senator Kerr informed the committee Senator Thiessen had requested the committee to consider introducing a bill encompassing the language as contained in House Bill No. 2260 introduced last year relative to patent designs. (Note Attachment 1) Senator Montgomery moved such a bill be drafted and introduced, seconded by Senator Norvell. Motion carried.

SENATE BILL 519

Senator Kerr stated we would be hearing a number of proponents on SB. 519. He introduced Jack Quinlan who informed the committee the Seaboard Corporation has been working on a partnership with Pauls and Whites, International some seven to ten years. They want to do what DeKalb is doing in Plains, Kansas. He stated the bill is necessary if DeKalb is to continue doing what they have been doing since the 1970's, and the partnership between Seaboard Corporation and Pauls & Whites International is to proceed. (Note Attachment 2, Attorney General's opinion).

Senator Angell stated DeKalb has been an important asset to the Plains community since 1973--it is a multi-million dollar corporation. Senator Angell feels since the farm corporation law exempts feeding for slaughter it should be amended to include exemption for confined swine breeding. The facility is doing something to help revenue going to the farmers, buying large quantities of feed and grain, hiring 130 employees and is a boon to Plains.

Jamie Schwartz stated KDED has been working and cooperating with persons interested in this new facility. Kansas is their choice. The sorghum and soybeans are available, climate favorable, as well as available work force. Undoubtedly they would go to KSU for management positions. He stated his staff had given him information indicating Kansas is second in crop production, fourth in grain production and ninth in hog production. He feels the new facility would be an asset to Kansas.

Note Attachment 3 as presented by Roy L. Poage. He stated DeKalb likes being in Kansas and knows the people are favorable toward their operation. Due to the Attorney General's opinion, the inclusion for the exemption for breeding purposes is necessary as contained in Senate Bill 519. Kansas is progressive and ag minded.

Mr. Poage presented some slides showing the facilities at Plains, stating 40% of their production is under total confinement; there may be 500 sows

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,

room 423-S, Statehouse, at 10:00 a.m./~~p.m.~~ on Thursday, February 9, 1984, 19 .

in one building. 50% of the cost is involved in feed. He stated, "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"

They produce about 150,000 hogs per year at the Plains facilities. In 1983, they purchased in Kansas about \$8.9 million in Kansas for grain and other feed ingredients and Attachment 3 sets out the breakdown. During the next 10 years they expect to purchase approximately 209 million bushels of grain and at today's prices that will cost them about \$60 million.

Their total outlay for feed, labor, natural gas and propane, electricity, trucking, supplies and building materials was \$13,590,000 in 1983. Their breeding stock is sold throughout the U.S. and foreign countries; very little is sold in Kansas. DeKalb wants to retain their high investment at Plains and he urges the committee to give favorable consideration to Senate Bill 519.

Gene Smith stated he has represented DeKalb since 1972-3. They have created an excellent breeding herd and they are a welcome asset to the local community. He referred to the Attorney General's opinion and they are asking for clarification which Senate Bill 519 incorporates.

Jack Miller stated Seaboard Corporation has been active in Kansas economy for 70 years. He called on Arnold Heaton-Merheim with whom Seaboard has been working with for sometime to present his request to locate a swine facility in Kansas similar to that of DeKalb in Plains.

Arnold Heaton-Merheim called attention to Attachment 4 setting out the proposed development of a swine confinement unit in Western Kansas similar to the one pictured in Appendix I of the Attachment 4. They propose to have three stages starting with two confinement units each of 1,100 sows and expanding up to 11,000 sows within ten years from the start of the project. The projected construction costs would be \$6.65 million. By the end of Stage 3, the capital expenditure would be approximately \$33.3 million. There would be an on-going policy of replacement and renewal. Construction would be by qualified companies on a sub-contractual basis, and they would hope to purchase equipment from Kansas manufacturers and distributors.

There would be a few managers from England and they hope to hire highly qualified KSU graduates and local people for other positions. They feel perhaps 25% of their production will be sold as breeding stock. He stated the bulk of the feed would be produced within Kansas drawn from processing plants at Emporia, Wichita and Fredonia.

They would use the services of the local community--trucks, grain purchases and other commodities. They will also employ a veterinarian and local employees.

The electricity and natural gas would be derived from Kansas resources. The water requirement at Stage 1 will be approximately 3,000 gallons per hour and much of this would be recycled.

Over the last two years they have looked at North Carolina, Kentucky and Indiana but finally elected to locate in Kansas for the following reasons:

1. KDED has actively pursued this project and given them enormous help.
2. Kansas has low pig population and they would not be a major competitor.
3. They feel the Kansas agricultural community would be highly receptive to an ag project of this nature.
4. They plan to be major users of grain grown in Kansas which would give greater marketing opportunities to local farmers.

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They desire to locate in Kansas and are hopeful legislation will permit them to do so.

Answering Senator Norvell's inquiry as to how many acres it would take to isolate their facilities, Mr. Merheim stated 160 acres to house 4,400 hogs. Answering another inquiry of Senator Norvell, Mr. Merheim stated they have made no overture as to just where they will locate but feels they are not interested in prime agriculture land. They do not want to invest too much in the land. Mr. Merheim stated in their other operations it has been beneficial since packing stations have been able to get full carloads. As to the usage of water, Mr. Merheim feels the consumption would be low.

In answer to Senator Thiessen's inquiry as to how the Animal Welfare Rights Organizations feel about such a project, Mr. Merheim stated when health people go around to their units they see the hogs are happy.

Senator Kerr stated Friday the committee would be hearing from the opponents to the bill.

The meeting was adjourned.

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SENATE

AGRICULTURE AND SMALL BUSINESS COMMITTEE

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

Thursday, Feb. 9, 1984

Date

NAME	ADDRESS	ORGANIZATION
Chip Wheeler	Topeka	Ks Legis. Policy Group
Leon Sinn	Ft. Scott	FARMER
Richard Weixelmann	Wamego	Farmer
Dee Liles	Topeka	KLA
Mike Bean	"	"
David Hanson-Perleir	ENGLAND	PAWS + WHITES P.C.C.
Keith Baker	ENGLAND	PAWS + WHITES P.H.C.
Jack St. On	Shawnee, Kansas	Seaboard Corp.
Charles Giff		
Ray		
Gene Smith	Liberal, Kansas	SMITH GREENLEAF & BROOKS DE KALB SWINE
Roy Pearce	DeKalb, Ill.	BREEDERS DeKalb Swine Producers Inc.
Bobby Crenshaw	Topeka	Comm. of Farm Orgs.
James Schwartz	Topeka	KDED
Wade Anderson	Topeka	KDED
John Blythe	Manhattan	Ks Farm Bureau
Barry Massey	Topeka	Press
Randy Mahule	Topeka	KDED
Frank Christensen	Topeka	KDED
Ann Walker	"	"
Bob Shick	TOPEKA	Gov's OFFICE
John Baker	Topeka	
James H. Porter	DeKalb, Ill.	DEKALB SWINE BREEDERS
Mary Harper	Healy	A.A.M.
Deanne Muetter	Topeka	KOHE
Sister Ellen Peterson	K.C.	Ks Catholic Conference
John Stet		

attach 1 2/29/84
C

HOUSE BILL No. 2260

By Representative Chronister

2-8

0017 AN ACT relating to the reproduction of products by use of
0018 certain manufacturing processes; prohibiting certain acts and
0019 providing remedies therefor.

0020 *Be it enacted by the Legislature of the State of Kansas:*

0021 Section 1. (a) No person shall:

0022 (1) Manufacture for sale any product produced by use of a
0023 direct molding process, unless the person has first obtained the
0024 permission of the manufacturer of the original product used as
0025 the pattern for the mold;

0026 (2) sell any product manufactured in violation of subsection
0027 (a)(1); or

0028 (3) purchase any product with intent to manufacture a re-
0029 production of that product in violation of subsection (a)(1).

0030 (b) A person injured by a violation of subsection (a) may
0031 bring a civil action for injunctive relief, actual damages caused
0032 by the violation, reasonable attorney fees and costs of the action.

0033 (c) As used in this section, "direct molding process" means
0034 any manufacturing process in which an original product is used
0035 as a pattern for making a mold for use in manufacturing repro-
0036 ductions of that product.

0037 (d) This section shall not apply to any product which is
0038 manufactured using a mold made before July 1, 1983.

0039 Sec. 2. This act shall take effect and be in force from and
0040 after its publication in the statute book.

Attch. 1

attach 2/9/83



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
ANTITRUST: 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.

breed and fed

Atch. 2

intended to be bred
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.

Jamie Schwartz
Page Three

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 enclosures, 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.

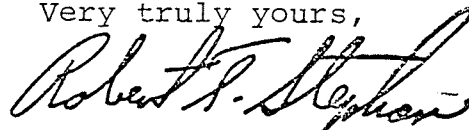
We are advised by the Kansas Animal Health Department that a "farrow to finish" operation is common among hog feeders. "Farrow" as defined by Websters Seventh New Collegiate Dictionary, p. 303 (1969), means "to bring forth young" swine. "Farrow to finish" is the breeding and feeding of hogs on the same 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.

Jamie Schwartz
Page Four

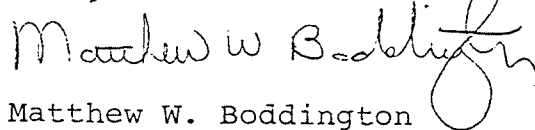
It is a primary rule of statutory construction that when the intent or purpose of the legislature can be ascertained, it must be followed. City of Salina v. Jagers, 228 Kan. 155 (1980). And "[w]here a statute is susceptible to more than one construction, it must be given that construction which, when 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,



OFFICE OF THE ATTORNEY GENERAL
ROBERT T. STEPHAN



Matthew W. Boddington
Assistant Attorney General

RTS:BJS:MWB:hle

Attachment 3 2/9/84 21

Testimony of Roy L. Poage
President, DEKALB Swine Breeders, Inc.
Before the Kansas Senate Committee
on Agriculture and Small Business
AND
Before the Kansas House Committee on
Agriculture and Livestock
February 9, 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

Attch. 3

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

*progressive
ag-minded*

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.

*Part in
\$500/200*

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, come additional acreage is required for waste dispersion and other environmental considerations.

4 research farms in DeKalb
Plains
Subbocks
1600 acres
move 3
-4-

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	600,000
TOTAL	<u>\$ 8,900,000</u>

*21 mil
should be
30 mil*

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

*in 1983
1-10 yrs
will spend \$135 mil*

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.

*ga
nc
Mwest
2 J e - Ks -*

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 require 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.

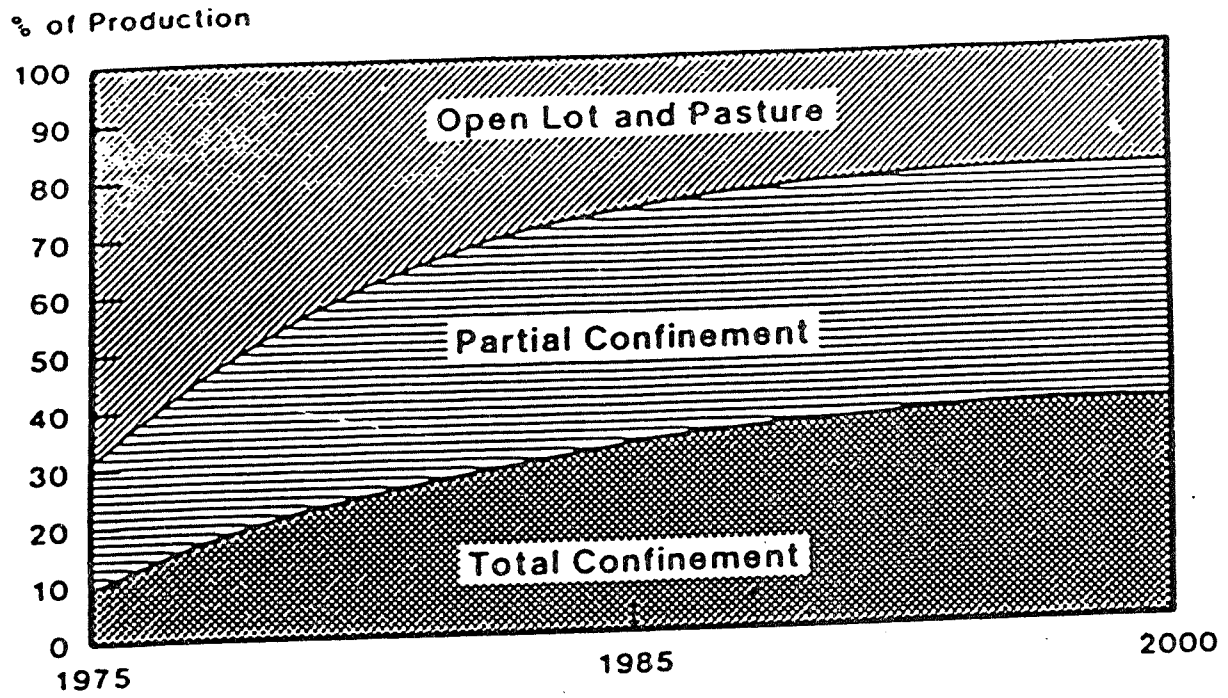
FINAL COMMENT

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.

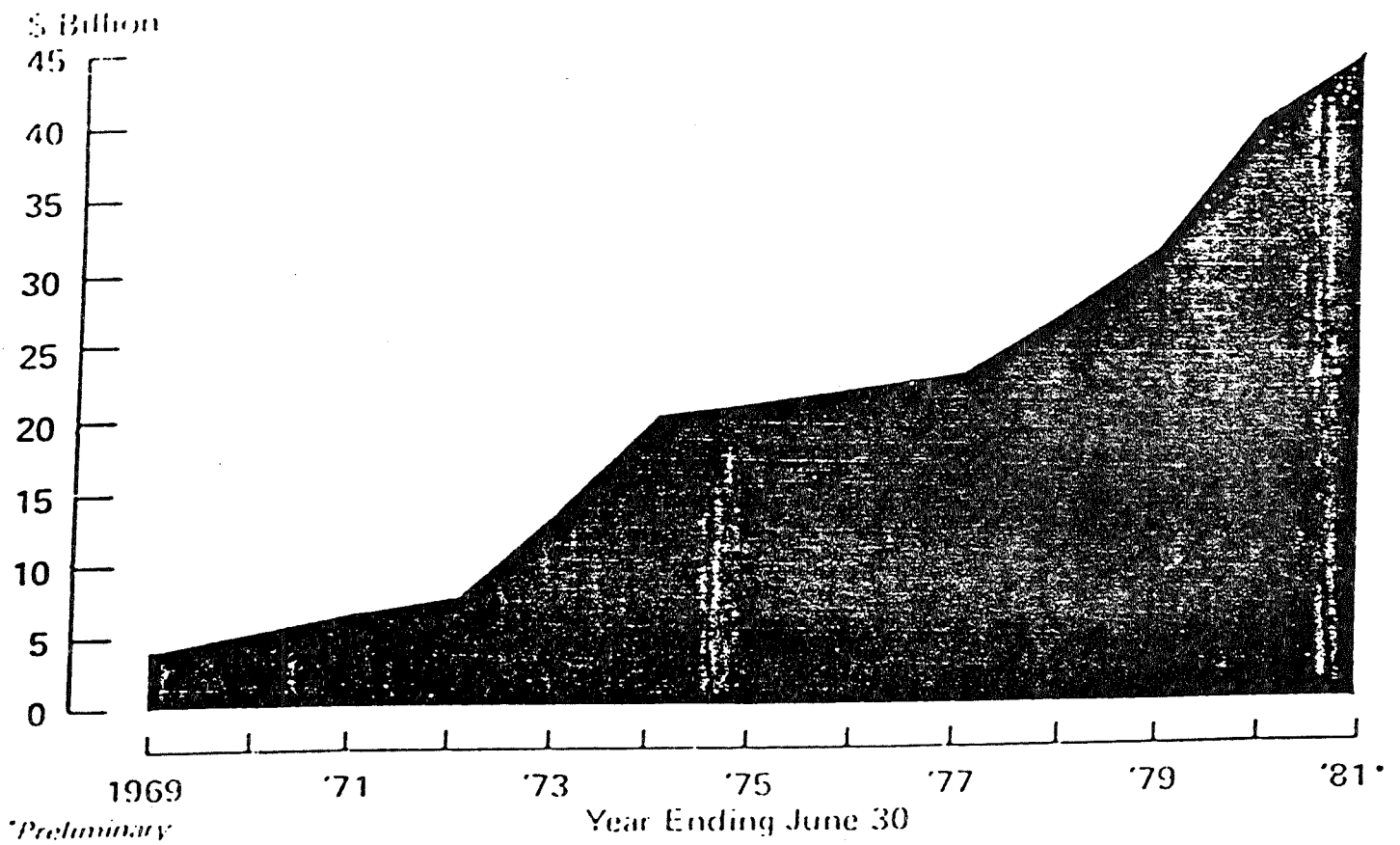
Thank you very much for your time. I'll be glad to answer any questions you might have.

Types Of Production Facilities



Source: MRI Survey

U. S. AGRICULTURAL EXPORTS - COMMERCIAL



Attachment 4 2/9/84

Explanatory Notes to Proposed Swine Confinement Facility in the State of Kansas

(A planned joint venture by Seaboard Corporation, Shawnee Mission, Kansas and Pauls & Whites, Ipswich, England)

It is the intention of Seaboard Corporation (a company long established and well-known in Kansas) and Pauls & Whites (a public company with great experience in large scale hog production) to build a swine confinement unit in Western Kansas. (See photograph on Appendix 1.)

1. PROPOSED DEVELOPMENT

- Stage 1 - Two confinement units each of 1,100 sows. One Central Office, One Central Feedmill. We intend that project start-up will be October, 1984.
- Stage 2 - Expansion up to 5,500 sows by the addition of three extra Confinement Units within five years of start of project.
- Stage 3 - Further expansion up to 11,000 sows by the addition of five extra Confinement Units within ten years of start of project.

2. PROJECT CONSTRUCTION

Our intention would be to have all construction work carried out by local, suitably qualified companies on a sub-contractual basis. We would also look to purchase our equipment requirements from Kansas manufacturers and distributors. (The photographs on Appendix 2 would be typical examples of our requirements.)

Our budgeted capital expenditure at Stage 1 would be:

Pig Buildings)	
)	
Site Works (Excavation, Lagoons,)	
Roadways, Drainage, etc.))	\$3.32 million

Attch. 4

Pig Equipment (Crates, Pens, Feeders, etc.)	\$2.46 million
Offices and Housing	\$0.22 million
Feedmill	\$0.25 million
Utilities (Power, Water & Gas)	\$0.20 million
Specialist Equipment (Vehicles, Generator, etc.)	\$0.20 million
TOTAL	<u>\$6.65 million</u>

For every 1,100 sow unit that we build in the expansion phase our capital expenditure will be approximately \$3.3 million.

Therefore, by the end of Stage 3 our expenditure will have been approximately \$33.0 million.

In addition to the initial construction there will also be an on-going policy of replacement and renewal for which we would need local contractors.

3. PEOPLE

	<u>Stage 1</u> (Initial)	<u>Stage 2</u> (Additional)	<u>Stage 3</u> (Additional)
<u>Administration</u>			
General Manager	1	-	-
Operations Manager	1	-	-
Production Manager	-	1	-
Controller	-	1	-
Office Staff	4	2	2
<u>Production</u>			
Unit Manager	2	3	5
Staff-Supervisory Grade	6	9	15
-Operative Grade	10	15	20
<u>Feedmill</u>			
Manager	-	-	1
Supervisor	1	-	-
Operative	1	1	1

	<u>Stage 1</u> (Initial)	<u>Stage 2</u> (Additional)	<u>Stage 3</u> (Additional)
<u>Maintenance</u>			
Supervisor	-	1	-
Operative	-	1	1
	<hr/>	<hr/>	<hr/>
SUB TOTAL	26	34	45
	<hr/>	<hr/>	<hr/>
CUMULATIVE TOTAL	<u>26</u>	<u>60</u>	<u>105</u>

Synopsis of Staff Grades Required

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>TOTAL</u>
Graduates	7	15	21	43
Skilled Clerical	4	2	2	8
Skilled Agricultural	9	12	17	38
Skilled Maintenance	-	1	1	2
Unskilled	2	3	6	11

We will be looking to recruit suitably qualified graduates, (hopefully from Kansas State University), to fulfill the initial supervisory level positions and moving on to the higher managerial levels after training and experience. Current plans contemplate on-campus recruitment this fall.

Office management, secretaries and clerks will obviously be drawn from suitably qualified local candidates.

Experience has shown both in the U.K. and from our research in the U.S.A., that highly competent people (both men and women) are required in hog production management, especially in the areas of farrowing and nursery where meticulous attention to detail plays a tremendous part in keeping piglet mortality to a minimum.

Because Kansas has a high reputation for agriculture, we feel that Kansans possess the qualities that we need to operate the project. K-State rates very highly in the field of agricultural education.

4. BREEDING STOCK

It is anticipated that approximately 25% of our production will be sold as breeding stock. The remainder of our production will be sold as market hogs.

Anticipated breeding stock sales will be:

<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
\$0.75 million	\$1.8 million	\$3.0 million

5. PURCHASING OF COMMODITIES

Our 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 soyameal will be drawn from the processing plants at Emporia, Wichita and Fredonia.

Our total annual requirements will be:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
Sorghum, wheat, corn	9,500 tons	24,000 tons	48,000 tons
Soyameal	2,500 tons	6,250 tons	12,500 tons
Other Ingredients	700 tons	1,750 tons	3,800 tons

6. SERVICES TO BE PROVIDED BY THE LOCAL COMMUNITY

(i) Trucking

Sales of Pigs	- Stage 1 - 5 Truck loads per week. Stage 2 - 12 Truck loads per week. Stage 3 - 25 Truck loads per week.
Grain Purchases	- Stage 1 - 9 Truck loads per week. Stage 2 - 23 Truck loads per week. Stage 3 - 45 Truck loads per week.
Other Commodities	- Stage 1 - 1 Truck load per week. Stage 2 - 3 Truck loads per week. Stage 3 - 5 Truck loads per week.

(ii) Services

- Specialist equipment such as vehicles, generator and air conditioning, will require annual servicing and repairing. We will look to local companies to fulfill this need.
- Maintenance. In the initial stages we will look to local companies to provide site and building maintenance and repairs, i.e. plumbers, various building trades, engineers, electricians, etc.
- Miscellaneous supplies e.g. office stationery, work clothing, medical and veterinary supplies will all have to be purchased locally.

(iii) A project of this size will require the services of a good veterinary surgeon to provide curative and preventative care. We would expect this person to live locally to the project in order to provide such a service.

(iv) Employees of the company will move into the area and will require housing and all the other services such as utilities, provisioning, banking and medical.

7. UTILITIES

(a) Power and Gas

Our annual expenditures on electricity and gas utilities will be as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
Electricity	\$114,000	\$285,000	\$570,000
Natural Gas	\$156,000	\$390,000	\$780,000

Please note that both these energy requirements will be derived from Kansas resources.

(b) Water

The water requirement at Stage 1 will be approximately 3,000 gallons per hour, much of which is recycled and used for sanitary purposes. We shall conserve animal drinking water, where possible, by the use of animal activated drinkers.

8. WHY KANSAS

Having identified the project we have spent many months seeking the right location.

Over the last two years we looked several times at N. Carolina, Kentucky and Indiana but finally elected to site the project in Kansas for the following reasons:

- (1) The K.D.E.D. in Kansas have actively pursued this project and have been an enormous help to us already, and we hope they will continue to be of help during the establishment of the project.
- (2) Kansas has a low pig population and we will not be in a major competitive situation with other producers.
- (3) We believe that the Kansas agricultural community would be highly receptive to an agricultural project of this nature. We anticipate no problem in finding skilled farm labor for our project. We are companies whose roots are in agriculture in the U.K. and U.S.A. respectively and we feel comfortable about coming to Kansas.
- (4) We plan to be major users of grain crops grown widely in Kansas and this project would present greater marketing opportunities to local farmers.

We sincerely would like to see ourselves as a part of the future here in Kansas. We are committed to advancing the interests of Kansas as a leading agricultural state and we believe that our presence here will foster and create substantial employment and business opportunities for the many citizens of this State.

Thank you very much for your time.



Aerial View of a Typical 1100 Sow
Farrow to Finish Hog Unit



View of Typical Building Construction



Internal View of Building to show Type of Equipment that could be Constructed by Local Manufacturers