

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senator Allen at  
Chairperson

10:07 a.m./~~XXX~~ on March 18, 1987 in room 423-S of the Capitol.

All members were present ~~except~~

Committee staff present: Raney Gilliland, Legislative Research Department  
Jill Wolters, Revisor of Statutes Department

Conferees appearing before the committee: Wilburn Nelson, Kansas Poultry Association,  
Manhattan  
Martha Walker, Economic Development Director of  
Harvey County  
Representative Carl Holmes, Mayor, Plains, Kansas  
Roy Poage, President, Dekalb Swine Breeders, Inc.,  
Dekalb, Illinois  
Bill Fuller, Kansas Farm Bureau  
Rich McKee, Kansas Livestock Association  
Dr. John Schlender, Ag. Economist, Kansas State  
University

Senator Allen called the Committee to order and called for action on Committee minutes.

Senator Arasmith made a motion the minutes of March 17 be approved.  
Senator Warren seconded the motion. Motion carried.

The Chairman called attention to HB 2076 and called on Wilburn Nelson to testify.

Mr. Nelson gave copies of his testimony to the Committee (attachment 1) and spoke in support of the present form of HB 2076.

The Chairman thanked Mr. Nelson and called on Representative Tom Walker. Representative Walker introduced his daughter-in-law, Martha Walker, to testify.

Ms. Walker gave copies of her testimony to the Committee (attachment 2) and expressed support for HB 2076 with the suggestion of two amendments that would allow rabbits to be raised within a corporation operation. The amendments requested request in Section 1 a subsection defining, "rabbit confinement facility" be included and request Section 2 be amended to exempt from corporate farming restrictions agricultural land held or leased by a corporation for use as a "rabbit confinement facility".

The Chairman thanked Ms. Walker and called on Representative Carl Holmes to testify.

Representative Holmes gave written testimony to the Committee (attachment 3) and then requested swine be amended back into HB 2076. He also requested that for one year Dekalk be granted permission to purchase additional land for their business at Plains with no tax breaks or IRB's. He also requested that on the last page of his testimony in Section 15 within (C) that the blank be filled in with the number 10.

The Chairman thanked Representative Holmes and called on Roy Poage to testify.

Mr. Poage gave copies of his testimony to the Committee (attachment 4) and then explained the operation of their swine operation at Plains. He explained that they chose Kansas for the swine operation because they felt Kansas the best state in the United States for such an operation and that Dekalb still feels Kansas is the best state for such an operation.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture

room 423-S, Statehouse, at 10:07 a.m. ~~xxx~~ on March 18, 1987

The Chairman thanked Mr. Poage and called on Bill Fuller to testify.

Mr. Fuller gave copies of his testimony to the Committee (attachment 5) and expressed support for some changes in the corporate farming law but stressed tax advantages must not be given to any corporate entity that we are not willing to give the farm family. Mr. Fuller suggested that since so many concerns are expressed about swine being amended into the bill that maybe action on that issue should be delayed for one year which would allow a time to study the issue.

The Chairman thanked Mr. Fuller and called on John Schender to testify.

Mr. Schender gave copies to the Committee of information about corporation taxation which he explained (attachment 6).

The Chairman next called on Rich McKee to testify.

Mr. McKee gave copies of his testimony to the Committee (attachment 7) and expressed support for HB 2076. Mr. McKee stated he believed agriculture should have the same corporate opportunities as manufacturers, retailers or any other industry.

During discussion Ms. Walker stated no one had testified during House hearings to request rabbits be amended into the bill. It was stressed that the cattle feedlots in Western Kansas had created a huge market for Kansas grain and that with passage of HB 2076 more markets would be created for the grains of Kansas. Mr. Poage replied that if this bill is not passed his corporation will expand in another state but that they would like to expand in Kansas. Mr. Poage answered he did not know what his corporation would do if the special requests made by Representative Holmes were granted that his Board of Directors make decisions not he himself.

Senator Allen adjourned the Committee at 11:04 a.m.

GUEST LIST

COMMITTEE: SENATE AGRICULTURE

DATE: March 18, 1987

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Alameda Edwards	R2 Ottawa	Fr. Co. 7B
Raymond & Laine Vaha	503 N. 2nd Potosi, Ks	Farm Bureau
Lily Beth Moore	RRI, Box 53, Copeland	26 Co. FB
Alan Steppat	Topeka	McGill & Assoc.
Rae Bentley	Shields	KAU G
Dorrie Powers	Rt 2 Spearville	Kans. Farm Bureau
Betty Jo Denton	Munro, Ks	Ks Farm Bureau
Thelma J. Nelson	Manhattan, Ks	Kansas Fertility Assn
Thelma J. Nelson	Manhattan, Ks	Kansas Fertility Assn
Martha Walker	Newton, Kansas	Harvey Co. Vets. Med. Council, Inc.
Ivan Wyatt	McPherson, Ks	Kans. Farmers Union
Winifred Denton	Munro, Ks	Kans. Farm Bureau
Azren Eaton	Dodge City, Ks	" " "
John Q. Stegman	Spearville KS	" " "
Berna Mae Stegman	" "	" " "
Corrine Eaton	Dodge City	" " "
Julie Anderson	Topeka	Ks Co-op Council
Elton Bowman	Sedan, Ks	Ks Farm Bureau
Stanley DREHER	Topeka, Ks	Ks Farm Bureau
Craig Cooper	Hoxie, Ks.	Ks. Farm Bureau
Myra Mae Delmar Kaiser	Lrainfield	" " "
Karyl M. Kaiser	Chapin, Ks	" " "
Stanley	Dutchman	" " "
Gerald E. Lawrence	Winfield, Ks.	" " "
Hilbert C. Randall	STAFFORD, Ks	" " "

GUEST LIST

March 18, 1987

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COMMITTEE: SENATE AGRICULTURE

DATE: March 18, 1987

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Will Studer	Beloit Ks.	
<del>Mason Koss</del>	<del>Emporia, Ks</del>	
<del>Jerry Studer</del>	<del>Beloit Ks. 67420</del>	
FRED VAN NAHMEN	RUSSELL Ks	Ks FARM Bureau
<del>Grand P... ..</del>	<del>Spencer, Ks</del>	<del>Farmer Stockman Farm Bureau</del>
Bill Juller	Manhattan	Ks. Farm Bureau
Randall Holmes	Plains, Ks.	
Harry Salisbury	Topeka	KDOL
Killynda Holmes	Plains	legislative wife
Jimmy Boldt	Effingham Ks	FARM Advocate Net
<del>Kenneth Wallingford Jr</del>	<del>Effingham, Ks</del>	<del>Farm Advocate net.</del>
Max Z... ..	La...	
Bruce Farber	La...	

MINUTES OF SPECIAL KPA BOARD MEETING  
JANURAY 24, 1987  
RED COACH INN, MCPHERSON

Directors Present: Terry Dockter, Wayne Goertzen, Mark Miller, Wilburn Nelson, Bill Parmely, Leonard Sharp, Alfred Stucky, Waldo Waltner, Milo Warne, and Earl Wetta.

President Miller called the meeting to order at 12:45 p.m. After one hour of discussion concerning the Association's position on proposed legislation to change Kansas' Corporate Farm Law so corporations could own poultry and egg production facilities, Bill Parmely made a motion, seconded by Wilburn Nelson, that the Association go on record as not opposed to the proposed changes in the Corporate Farm Law. Motion carried unanimously.

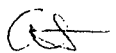
Wilburn Nelson discussed the status of dialogue between The Kansas and Nebraska Veterinary Diagnostic Laboratories concerning sharing of services. One concern about the KSU Laboratory is the lack of a printed fee schedule. Milo Warne made a motion, seconded by Terry Dockter, that the Association forward a request to Dr. Strafuss, Avian Pathologist, and Dr. Vorheis, Director of the KSU Veterinary Diagnostic Laboratory, requested a printed schedule of fees for various services offered by the laboratory. Motion carried.

The Secretary mentioned the audit and the fact that a bill had not been received from the accounting firm. Wilburn Nelson stated the accountant had visited with him and mentioned that their actual time spent on the audit was equivalent to \$1100. Wilburn Nelson made a motion, seconded by Terry Dockter, that the Secretary express to the accountant that the Association believes that amount to be high and to settle for the lowest possible amount and confer with the board prior to making a commitment for future services with this accounting firm. Motion carried.

Waldo Waltner made a motion, seconded by Earl Wetta, that the Secretary/Treasurer be granted the authority to write off any 1985-86 pass due accounts that he deemed non-collectible. Motion carried.

Meeting adjourned at 3:25 p.m.

Respectively submitted,

  
Albert W. Adams  
Secretary/Treasurer

*attachment 1*  
*Senate agriculture*  
*3-18-87*



# KANSAS

## POULTRY ASSOCIATION

## TURKEY FEDERATION



Office—Room 225, Call Hall, KSU • Telephone—913/539-5441 • Mailing Address—1816 Alabama, Manhattan, Kansas 66502

January 26, 1987

Honorable Robert Talkington  
Office of The President, Kansas Senate  
Room 357E  
State Capitol  
Topeka, KS 66612

Dear Senator Talkington:

It is the understanding of the Kansas Poultry Association that a bill maybe introduced this legislature session which if passed would change the present Corporate Farm Law to allow corporations to own facilities for raising poultry and swine, and for the production of eggs.

A special board meeting was held by the Kansas Poultry Association on Saturday, January 24th. for the purpose of formulating the Association's position on this proposed legislation. Realizing that Kansas needs to be responsive and innovative in economic development in agriculture, the Association's directors unanimously approved the following resolution: "The Kansas Poultry Association does not oppose passage of legislation which would allow corporations to own facilities for the raising of poultry and the production of eggs."

The Kansas Poultry Association is the trade organization that represents the egg, poultry meat, and turkey meat production and marketing industries in the state.

The following data indicate how the poultry industry has declined in Kansas over the past 25 years. Presently Kansas has approximately 1.8 million egg production chickens on farms, raises approximately 100,000 market turkeys, and raises no commercial broiler chickens. However, in 1960 Kansas had 6.6 million layers on farms, raised 1.9 million turkeys, and raised 865,000 broilers. During this period there have been large increases in poultry production in neighboring states, e.g. commercial broiler production and egg production in Arkansas, and turkey production in Arkansas, Missouri and Nebraska. Obviously changes need to be made to attract poultry industries to the state.

Please feel free to contact me if the Association can be of further assistance in supporting the proposed legislation. My address is Mark Miller Produce, Cottonwood Falls, KS 66845 (316-273-6365).

Sincerely,

Mark Miller, President

POTENTIAL FOR EXPANSION OF POULTRY INDUSTRY IN KANSAS

Background Information  
for  
Legislative Hearing on Changes in Corporate Farm Law  
by  
Albert W. Adams, Extension Specialist, Poultry Science  
Kansas State University

I. Decline in poultry production in Kansas during period of 1945-1985:\*

	<u>Numbers raised</u>		
	<u>1945</u>	<u>1960</u>	<u>1985</u>
Layers on farms	14,095,000	6,572,000	1,900,000
Broilers	1,081,000	1,891,000	None
Turkeys	861,000	865,000	100,000

II. Changes in poultry production during same period in neighboring states of:

Arkansas:

Layers	6,159,000	4,668,000	15,204,000
Broilers	3,308,000	31,750,000	760,000,000
Turkeys	158,000	2,132,000	16,000,000

Missouri:

Layers	19,000,000	8,800,000	5,700,000
Broilers	3,300,000	31,700,000	**
Turkeys	1,800,000	4,300,000	12,500,000

Nebraska:

Layers	12,600,000	8,900,000	3,600,000
Broilers	890,000	2,200,000	885,000
Turkeys	1,000,000	1,100,000	850,000

Oklahoma:

Layers	10,100,000	3,300,000	3,700,000
Broilers	1,000,000	7,700,000	61,700,000
Turkeys	686,000	1,300,000	**

\*Source - USDA Publications.

\*\*Data combined with other states to avoid revealing individual units.

III. Current number of poultry processing plants in Kansas and neighboring states:

	<u>Broiler</u>	<u>Turkey</u>
Arkansas	28	4
Missouri	7	3
Oklahoma	2	0
Nebraska	0	1
Kansas	0	0

IV. Current and potential future status of the poultry industry in Kansas.

A. Commercial egg production:

Egg production is the primary poultry enterprise in Kansas. Unit size varies from 10,000 to 170,000-hen capacity at one location. Most egg production is on contract which requires the farmer to supply the building(s), equipment, labor, and utilities and the contractor, usually the marketing agency, to supply the ready-to-lay pullet, feed, medication, market, and supervision. Five individuals or firms control the production of most of the eggs in Kansas with one firm controlling approximately 50% of the hen capacity in the state.

Currently Kansas has 1.9 million layers which produce 39,333,000 dozens of eggs with an estimated value of \$19,667,000. Estimated income from feed sales is \$11,970,000 and from other inputs \$6,445,000 for a total gross income of \$38,082,000. These 1.9 million layers consume 171,000,000 lb. of feed from dayold to the end of their productive life. Based on a cereal grain content of 62% and a soybean meal (44%) content of 16%, this feed volume represents 106,020,000 lb. or 1,893,000 bushels of cereal grain and 30,780,000 lb. of soybean meal which is equivalent to 38,962,000 lb. of raw soybeans or 649,367 bushels. Based on average yields per acres of 125, 51, and 20, respectively, for corn, sorghum grain, and soybeans, these volumes represent the yields from 15,144 acres of corn or 37,118 acres of sorghum grain, and 32,468 acres of soybeans.

Kansas is an egg deficit state producing less eggs than its people consume. Based on a per capita consumption of 255 eggs, Kansas needs to produce 57,375,000 dozens to be self-sufficient, but it only produces 39,333,000 dozens. The deficit of 18,042,000 dozens eggs represents the production from 873,000 hens which represents potential additional income of \$9,021,000 from egg sales, \$5,499,000 from feed sales, and \$2,958,000 income from other production inputs; a total of \$17,478,000. Additionally it is estimated these 873,000 hens would consume the corn from 6958 acres or the milo from 17,058 acres plus the soybeans from 14,920 acres.

Put in a different context, every 100,000 increase in layers in Kansas would translate into an estimated increase demand for 99,643 bushels of cereal grain which equals 797 additional acres of corn or 1,954 acres of sorghum grain, and 34,183 bushels of soybeans which equals the yield from 17,091 acres. Additional gross income generated would be approximately \$20 per hen or \$2,000,000.



Major supporting businesses associated with the current egg production industry are four started pullet firms, four shell egg processing plants, and two hatcheries. No estimates has been made of their economic impact.

B. Turkey production industry:

Currently the Kansas turkey industry consists of a large turkey hatchery which hatches over 2 million poults per year, three turkey breeder farms with a capacity of 49,000 breeders. These breeders supply hatching eggs for the hatchery in Kansas, a hatchery in Colorado, and a hatchery in Missouri, and several growers who grow approximately 100,000 market turkeys per year. Most of the poults hatched in Kansas are exported to Arkansas, Missouri, Minnesota, and Nebraska for growout.

Loss of turkey processing facilities at Hesston, Wichita, Parson, and McPherson in the 60's was a crippling blow to the Kansas turkey industry. Current production must be processed in plants located in Nebraska, Missouri, and Arkansas. This places growers in Kansas at a disadvantage because of transportation costs, shrinkage, lack of financing, and lack of volume.

Kansas is also a turkey meat deficit state producing less turkey meat than its people consume. Base on a per capita consumption of 11.5 lb., Kansans consume 31,050,000 lb RTC turkey or 38,813,000 lb. live weight equivalent which is equal to 1,848,000 head of straightrun turkeys. Thus 1,748,000 additional straightrun turkeys would need to be grown in Kansas to make the state self-sufficient in the production of turkey meat. An increase in production of 1,748,000 turkeys represents potential additional income of \$18,354,000 from sale of birds, \$9,789,000 from sale of feed, and \$4,195,000 from sale of other inputs; a total of \$32,338,000. This figure doesn't include the estimated income from supporting industries such as breeders, a hatchery, etc. In addition, these birds would consume approximately 12,736 acres of corn or 31,216 acres of milo and 33,190 acres of soybeans.

The 100,000 straightrun turkeys presently grown in Kansas would: 1). consume 5,100,000 lb. of cereal grain which is equivalent to 91,061 bushels of corn or sorghum grain; the production from 729 and 1,786 acres of corn and milo, respectively; and 2). 1,800,000 lb. of soybean meal which is equivalent to 37,967 bushels of soybeans which represent the production from 1,898 acres. Gross income generated by this volume is approximately \$1,050,000 from sale of live birds, \$560,000 from sale of feed, and \$240,000 from other inputs for a total of \$1,850,000 (\$18.50 per bird).

C. Commercial broiler industry:

Presently there are no commercial broilers produced in Kansas. In contrast, Arkansas is the leading broiler producing state in the U.S. The broiler industry is highly vertically integrated and lends itself to the concentration of production and processing in a limited geographical area.

Most broilers are grown on contract with the farmer furnishing the buildings, equipment, labor, and utilities and the contractor, usually the processor, furnishing the chicks, feed, medication, service, and the market. A family unit (one full-time equivalent) with a 21,000-bird capacity unit could raise 5.5 broods or 113,900 birds per year. Based on current grower contracts, the net labor and management income, until the building and equipment indebtedness was paid, to the grower would be approximately \$5,299.

Every 100,000 broilers grown in Kansas would translate into an estimated 798,000 lb. of total feed which represents 7,125 bushels of either corn or milo - the equivalent of 57 acres of corn or 140 acres of milo, and 6,400 bushels of soybeans which represent the yield from 320 acres. Each 100,000 broilers would generate an estimated income of \$126,840 from sale of birds, \$63,840 from sale of feed, and \$27,360 from other inputs for a total of \$218,040 per 100,000 broilers grown or \$2.18 per bird.

Obviously Kansas is a broiler meat deficit state since no commercial broilers are produced in the state. Based on per capita consumption of 55.5 lb. RTC, Kansans consume approximately 149,850,000 lb. of RTC broilers or 199,800,000 lb. live weight equivalent. This translates into 47,571,000 live birds. This volume of birds would generate an estimated \$60,415,000 from sale of birds, \$30,445,000 from sale of feed, and \$13,048,000 from other inputs; a total of \$103,908,000 or \$2.18 per live bird marketed.

It is estimated that the 47,571,000 head of broilers would consumer the corn from acres or the milo from 6660 acres, and the soybeans from 15,223 acres.

#### IV. Summary:

Although the values shown here are approximate, they do illustrate that commercial production of eggs, and chicken and turkey meat is big business. It would be dreaming to think that Kansas could ever reach the situation where she is self-sufficient in the production and processing of these three poultry commodities. However, as the data show, sizeable increases in the production of any of these commodities would have a major impact on the economy of Kansas.

Suggested advantages for location of additional poultry production and processing facilities in Kansas are availability of a high labor force, a favorable climate, nearness to sources of major feed ingredients, and less danger of disease because of low concentration of poultry. Suggested disadvantages are laws which discourage corporate ownership of facilities for raising poultry and producing eggs, distance to major population centers, reluctance of financial institutions to finance "feathers", lack of processing facilities, and a general negative attitude toward "feathers."

**Harvey County Jobs Development Council, Inc.**

500 Main Place — Executive Suites

Newton, Kansas 67114

316-283-6033

March 18, 1987

Sen. Allen and Members of the  
Senate Agriculture Committee:

I am Martha Walker, director of the non-profit economic development corporation serving Harvey County and its cities. I am here today on behalf of a group of folks in the Harvey County area who have been working many months to develop a vertically integrated, value-added agriculture project that is, to our knowledge, unprecedented in Kansas.

I believe it would be the true prototype project for the kind of agricultural-based economic development we have labored to encourage in Kansas. We have engaged in a good deal of rhetoric regarding our commitments to value-added agricultural projects and to economic development from our agricultural base.

But our rhetoric is empty if, by law, we preclude projects such as the one we are trying to develop in South Central Kansas. The corporate farm law appears to preclude development of our project. We specifically seek an additional exemption enabling us to proceed.

Essentially, the principals in our project are working to develop a vertically integrated project embracing all elements necessary to breed, raise, feed and process rabbits. The project proposes to include an equipment manufacturing plant and small laboratory facilities to enable the principals to develop options for product sales to bio-medical research entities.

Biological sales appear to be a related enterprise with substantial development potential for this project and for Kansas. It is estimated that 50 to 70 percent of the gross income from the Pel-Freez rabbit processing plant in Arkansas is generated by the sales of biologicals.

Employment for this project is projected at 68 persons with 50 more positions potentially created by the third year of operation. The project includes an on-farm, computer-managed, state-of-the-art breeding and feedlot operation; feed mill and waste disposal operation. It proposes two manufacturing-processing plants and a laboratory operation. It anticipates providing opportunities for rabbit production for 12 to 19 additional, independent growers.

The principal developers are a Kansas family whose ancestors homesteaded in our area. However, the capital requirements for the pro-

*attachment 2*  
*Senate agriculture*  
*3-18-87*

ject coupled with the current agricultural lending situation and comparative lack of sources of funds for agricultural and on-farm projects necessitates patching together a number of sources of equity investment and capital formation.

The development entity necessary for this project does not appear, at this time, to qualify as a family farm or authorized farm corporation.

In order to pursue this project, we would request that at Section 1 a subsection be included defining "rabbit confinement facility" as a structure and related equipment used for housing, breeding or feeding of rabbits in a restricted environment...etc.

And we would request Section 2 be amended to exempt from corporate farming restrictions agricultural land held or leased by a corporation for use as a "rabbit confinement facility."

We need your assistance to pursue development of this project. Thank you for your time and consideration.

March 18, 1987

Testimony regarding HB 2076

Mr. Chairman and Members of the Senate Agriculture Committee:

I am Representative Carl Holmes. I want to thank you for the opportunity to speak in favor of amending House Bill 2076. Today, I appear before you not as a State Representative, but as the Mayor of the city of Plains, Kansas. My testimony will document the unique growth of Plains over the last ten years. My testimony will explain how the DeKalb Swine Breeding Operation, located south of Plains, has impacted that growth. Finally, my testimony will urge this committee to approve changes in the corporate farming laws allowing continuing economic development in my community.

I was first elected to the city council in 1977. Since 1982, I have served as Mayor of the city of Plains. During the middle 1950's when I was in high school, the population of Plains ranged between 650 and 700 varying back and forth with the economic situation occurring in Southwest Kansas. At that time, the town's growth was stagnant.

Today, Plains has over 1100 population and is growing. From 1976 to 1986, the assessed valuation of Plains increased 1.5 million dollars even though none of DeKalb's facilities are built within the city limits of Plains. During the past 10 years, Plains has seen an additional 2 million bushels of grain storage constructed. Last year, our modern medical clinic, which has been vacant for over 10 years, went back into operation on a daily basis staffed with a full time doctor. In 1985, Plains, with the cooperation of the Farm Home

*attachment 3  
Senate agriculture  
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Administration, completed a 12 unit senior citizen housing center. Our bank built a new building costing well over 1/2 million dollars. Our recreation facilities far exceed any other towns in Kansas with 1100 population. These facilities include a nine hole grass green golf course, 4 full size tennis courts with additional practice courts, a modern irrigated combination softball-baseball field, swimming pool, large multi-purpose courts used for basketball, volleyball, and dancing, trap and black powder shooting ranges along with many other improvements found in city parks of larger cities.

Plains' capital improvement projects include a doubling of the cities water pumping capacity, extensive water main improvements, new sewage treatment plant with discharge for irrigation purposes, well over one million dollars of new street improvements, along with many smaller projects. The capital improvements that have taken place in the last ten years well exceed over 2 million dollars or 2000 dollars per capita. A couple of years ago, Plains had the highest per capita debt load in Kansas permitted in part by special legislation passed by the Kansas Legislature. The city has rebuilt itself. Most of the capital improvement projects were done by petition to the city council. I want to emphasize the growth of Plains is tied to agri-business. With our population growth, we have seen numerous new homes built, new apartment houses constructed and old apartment houses rebuilt, new service businesses established, and agricultural oriented businesses expanded.

DeKalb Swine has a state of the art, total confinement operation whose main purpose is to raise the best quality hybrid breeding stock

and market that breeding stock worldwide. The procedure raises hybrid breeding stock in similar fashion to raising hybrid seed. This means 25 to 30 per cent of their production is sold as breeding stock, with culls sold as market hogs. The total production from DeKalb would only sustain a modern packing plant for 8 days per year. 95 per cent of DeKalb's breeding stock sales are outside the state of Kansas with 15 per cent of their breeding stock sales to overseas markets.

DeKalb utilizes 2 million bushels of grain a year consisting of 1.8 million bushels of milo and 200,000 bushels of wheat with 75 to 80 per cent of its purchases directly from farmers and the balance from local elevators. DeKalb does not produce any grain used in its operation. DeKalb pays the farmers a premium of 10 to 15 cents per bushel above the daily local elevator price for wheat and 10 to 20 cents per hundred weight above the daily local elevator price for milo at harvest. DeKalb also contracts grain in advance at additional premiums. They have a Texas operation where they ship 15 per cent of their processed finished feed from their mill south of Plains.

DeKalb Swine employs 150 people in all phases of their operation south of Plains. Between 75 and 80 per cent of their employees are college trained. They have an intern program with colleges throughout the country which allows students to come to Plains for on-the-job training or farm manager training for college credit. DeKalb also sends out consultants worldwide to work with farms who have purchased their breeding stock.

DeKalb contracts out the trucking of all their hogs to local contractors. They attempt to hire local farmers to transport grain

from their buying stations and local elevators to their mill in the off-season. DeKalb recycles the water used in their swine operation by giving it to farmers located around their breeding farms. The farmers use it for irrigation and fertilization of their crops. DeKalb also hires local contractors for maintenance projects.

Since DeKalb's last farm was built, Kansas changed its laws which now prohibit them from expanding in Kansas. DeKalb has two production farms in Texas and a research farm in Illinois which they would prefer to move to Kansas. If the current corporate farming law was changed, DeKalb would expand their current operations in Kansas.

DeKalb is operating with a highly trained, mostly college educated labor force to produce pork. Their presence in Plains has allowed Plains to grow, not die like most cities of our size. Plains is proud to have a new industry which created 150 new jobs and provide a market for their surplus grain instead of shipping raw, unprocessed grain to Russia below the cost of production. DeKalb has worked hand in hand with KDED and will continue to work with the Department of Commerce to further expand their markets overseas. Their greatest new market is the Far East; however, we have prohibited them from expanding in Kansas.

One year before DeKalb came to Plains, the deposits of the Plains State Bank totaled 5,748,000 dollars. Today the deposits in the same bank total 22,310,000 dollars. These deposits reflect the earnings of employees, merchants, and farmers in the Plains area. DeKalb does not use the Plains State Bank for its deposits. Attached is a record showing the yearly deposits in the Plains State Bank from 1972 thru



1986.

I will defy you to show me other towns in the state of Kansas with a population of less than 700 in the 1950's, that today are 50 per cent larger than they were 30 years ago, and have grown as a result of agriculture. Plains met the challenge, until we stumbled into the Kansas Corporate Farming Laws.

Attached is a proposed amendment for your consideration. The proposal would allow DeKalb one year from July 1987 until July 1988 to acquire land for expansion of their swine breeding operation. The Plains community produces 5 million bushels of grain more than is consumed in the area. We need the market DeKalb would provide for this grain.

Thank you and I will stand for any questions.

  
**THE**  
**PLAINS**  
**STATE BANK**

P. O. Box 38 — Phone: (316) 563-7242

	Plains, Kansas 67869		
	DEPOSITS	LOANS	TOT FOOTINGS
1972	5748	3224	6508
1973	6776	3580	7732
1974	7792	5901	8956
1975	9906	7896	11272
1976	12976	10413	14610
1977	11455	8123	13143
1978	13266	10125	14980
1979	14298	9985	16424
1980	15007	11078	17390
1981	17547	10519	20023
1982	19682	9533	22452
1983	18948	10129	22694
1984	20,995.-	10,766.-	24,943.-
1985	20,754.-	9,958.-	23,994.-
1986	22,310.-	9,717.-	25,912.-

**HOUSE BILL No. 2076**

By Legislative Commission on Kansas Economic Development

1-22

0017 AN ACT relating to agricultural land; concerning the use thereof  
0018 by corporations for certain purposes; prohibiting certain ad  
0019 valorem taxation exemptions for such purposes; amending  
0020 K.S.A. 79-201a and K.S.A. 1986 Supp. 17-5903 and 17-5904  
0021 and repealing the existing sections; and also repealing K.S.A.  
0022 1986 Supp. 17-5904a.

0023 *Be it enacted by the Legislature of the State of Kansas:*

0024 Section 1. K.S.A. 1986 Supp. 17-5903 is hereby amended to  
0025 read as follows: 17-5903. As used in this act:

0026 (a) "Corporation" means a domestic or foreign corporation  
0027 organized for profit or nonprofit purposes.

0028 (b) "Nonprofit corporation" means a corporation organized  
0029 not for profit and which qualifies under section 501(c)(3) of the  
0030 federal internal revenue code of 1954 as amended.

0031 (c) "Limited partnership" has the meaning provided by  
0032 K.S.A. 56-1a01 and amendments thereto.

0033 (d) "Limited agricultural partnership" means a limited part-  
0034 nership founded for the purpose of farming and ownership of  
0035 agricultural land in which:

- 0036 (1) The partners do not exceed 10 in number;
- 0037 (2) the partners are all natural persons, persons acting in a  
0038 fiduciary capacity for the benefit of natural persons or nonprofit  
0039 corporations, or general partnerships other than corporate part-  
0040 nerships formed under the laws of the state of Kansas; and
- 0041 (3) at least one of the general partners is a person residing on  
0042 the farm or actively engaged in the labor or management of the  
0043 farming operation. If only one partner is meeting the require-  
0044 ment of this provision and such partner dies, the requirement of  
0045 this provision does not apply for the period of time that the

0046 partner's estate is being administered in any district court in  
0047 Kansas.

0048 (e) "Corporate partnership" means a partnership, as defined  
0049 in K.S.A. 56-306 and amendments thereto, which has within the  
0050 association one or more corporations.

0051 (f) "Feedlot" means a lot, yard, corral, or other area in which  
0052 livestock fed for slaughter are confined. The term includes  
0053 within its meaning agricultural land in such acreage as is neces-  
0054 sary for the operation of the feedlot.

0055 (g) "Agricultural land" means land suitable for use in farm-  
0056 ing.

0057 (h) "Farming" means the cultivation of land for the produc-  
0058 tion of agricultural crops, the raising of poultry, the production of  
0059 eggs, the production of milk, the production of fruit or other  
0060 horticultural crops, grazing or the production of livestock. Farm-  
0061 ing does not include the production of timber, forest products,  
0062 nursery products or sod, and farming does not include a contract  
0063 to provide spraying, harvesting or other farm services.

0064 (i) "Fiduciary capacity" means an undertaking to act as ex-  
0065 ecutor, administrator, guardian, conservator, trustee for a family  
0066 trust, authorized trust or testamentary trust or receiver or trustee  
0067 in bankruptcy.

0068 (j) "Family farm corporation" means a corporation:

0069 (1) Founded for the purpose of farming and the ownership of  
0070 agricultural land in which the majority of the voting stock is held  
0071 by and the majority of the stockholders are persons related to  
0072 each other, all of whom have a common ancestor within the third  
0073 degree of relationship, by blood or by adoption, or the spouses or  
0074 the stepchildren of any such persons, or persons acting in a  
0075 fiduciary capacity for persons so related;

0076 (2) all of its stockholders are natural persons or persons acting  
0077 in a fiduciary capacity for the benefit of natural persons; and

0078 (3) at least one of the stockholders is a person residing on the  
0079 farm or actively engaged in the labor or management of the  
0080 farming operation. A stockholder who is an officer of any corpo-  
0081 ration referred to in this subsection and who is one of the related  
0082 stockholders holding a majority of the voting stock shall be

0083 deemed to be actively engaged in the management of the farm-  
0084 ing corporation. If only one stockholder is meeting the require-  
0085 ment of this provision and such stockholder dies, the require-  
0086 ment of this provision does not apply for the period of time that  
0087 the stockholder's estate is being administered in any district  
0088 court in Kansas.

0089 (k) "Authorized farm corporation" means a Kansas corpora-  
0090 tion, other than a family farm corporation, all of the incorporators  
0091 of which are Kansas residents and which is founded for the  
0092 purpose of farming and the ownership of agricultural land in  
0093 which:

0094 (1) The stockholders do not exceed 15 in number;

0095 (2) the stockholders are all natural persons or persons acting  
0096 in a fiduciary capacity for the benefit of natural persons or  
0097 nonprofit corporations; and

0098 (3) at least 30% of the stockholders are persons residing on  
0099 the farm or actively engaged in the day-to-day labor or manage-  
0100 ment of the farming operation. If only one of the stockholders is  
0101 meeting the requirement of this provision and such stockholder  
0102 dies, the requirement of this provision does not apply for the  
0103 period of time that the stockholder's estate is being administered  
0104 in any district court in Kansas.

0105 For the purposes of this definition, if more than one person  
0106 receives stock by bequest from a deceased stockholder, all of  
0107 such persons, collectively, shall be deemed to be one stock-  
0108 holder, and a husband and wife, and their estates, collectively,  
0109 shall be deemed to be one stockholder.

0110 (l) "Trust" means a fiduciary relationship with respect to  
0111 property, subjecting the person by whom the property is held to  
0112 equitable duties to deal with the property for the benefit of  
0113 another person, which arises as a result of a manifestation of an  
0114 intention to create it. A trust includes a legal entity holding  
0115 property as trustee, agent, escrow agent, attorney-in-fact and in  
0116 any similar capacity.

0117 (m) "Family trust" means a trust in which:

0118 (1) A majority of the equitable interest in the trust is held by  
0119 and the majority of the beneficiaries are persons related to each

0120 other, all of whom have a common ancestor within the third  
 0121 degree of relationship, by blood or by adoption, or the spouses or  
 0122 stepchildren of any such persons, or persons acting in a fiduciary  
 0123 capacity for persons so related; and

0124 (2) all the beneficiaries are natural persons, are persons act-  
 0125 ing in a fiduciary capacity, other than as trustee for a trust, or are  
 0126 nonprofit corporations.

0127 (n) "Authorized trust" means a trust other than a family trust  
 0128 in which:

0129 (1) The beneficiaries do not exceed 15 in number;

0130 (2) the beneficiaries are all natural persons, are persons act-  
 0131 ing in a fiduciary capacity, other than as trustee for a trust, or are  
 0132 nonprofit corporations; and

0133 (3) the gross income thereof is not exempt from taxation  
 0134 under the laws of either the United States or the state of Kansas.

0135 For the purposes of this definition, if one of the beneficiaries  
 0136 dies, and more than one person succeeds, by bequest, to the  
 0137 deceased beneficiary's interest in the trust, all of such persons,  
 0138 collectively, shall be deemed to be one beneficiary, and a hus-  
 0139 band and wife, and their estates, collectively, shall be deemed to  
 0140 be one beneficiary.

0141 (o) "Testamentary trust" means a trust created by devising or  
 0142 bequeathing property in trust in a will as such terms are used in  
 0143 the Kansas probate code.

0144 ~~(p)~~ "Swine confinement facility" means the structures and  
 0145 related equipment used for housing, breeding, farrowing or  
 0146 feeding of swine in an enclosed environment. The term includes  
 0147 within its meaning only such agricultural land as is necessary  
 0148 for proper disposal of liquid and solid wastes and for isolation  
 0149 of the facility to reasonably protect the confined animals from  
 0150 exposure to disease.

0151 ~~(q)~~ ~~(p)~~ "Poultry confinement facility" means the structures  
 0152 and related equipment used for housing, breeding, laying of  
 0153 eggs or feeding of poultry in a restricted environment. The term  
 0154 includes within its meaning only such agricultural land as is  
 0155 necessary for proper disposal of liquid and solid wastes and for  
 0156 isolation of the facility to reasonably protect the confined

(p) "Swine confinement facility" means the structures and related equipment used for housing, breeding, farrowing or feeding of swine in an enclosed environment. The term includes within its meaning only such agricultural land as is necessary for proper disposal of liquid and solid wastes and for isolation of the facility to reasonably protect the confined animals from exposure to disease.

(q)

0157 *poultry from exposure to disease. As used in this subsection,*  
0158 *“poultry” means chickens, turkeys, ducks, geese or other fowl.*

0159 Sec. 2. K.S.A. 1986 Supp. 17-5904 is hereby amended to read  
0160 as follows: 17-5904. (a) No corporation, trust, limited partnership  
0161 or corporate partnership, other than a family farm corporation,  
0162 authorized farm corporation, limited agricultural partnership,  
0163 family trust, authorized trust or testamentary trust shall, either  
0164 directly or indirectly, own, acquire or otherwise obtain or lease  
0165 any agricultural land in this state. The restrictions provided in  
0166 this section do not apply to the following:

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

0168 (2) Agricultural land when acquired as a gift, either by grant  
0169 or devise, by a bona fide educational, religious or charitable  
0170 nonprofit corporation.

0171 (3) Agricultural land acquired by a corporation in such  
0172 acreage as is necessary for the operation of a nonfarming busi-  
0173 ness. Such land may not be used for farming except under lease  
0174 to one or more natural persons, a family farm corporation, autho-  
0175 rized farm corporation, family trust, authorized trust or testa-  
0176 mentary trust. The corporation shall not engage, either directly  
0177 or indirectly, in the farming operation and shall not receive any  
0178 financial benefit, other than rent, from the farming operation.

0179 (4) Agricultural land acquired by a corporation by process of  
0180 law in the collection of debts, or pursuant to a contract for deed  
0181 executed prior to the effective date of this act, or by any pro-  
0182 cedure for the enforcement of a lien or claim thereon, whether  
0183 created by mortgage or otherwise, if such corporation divests  
0184 itself of any such agricultural land within 10 years after such  
0185 process of law, contract or procedure, *except that provisions of*  
0186 *K.S.A. 9-1102 and amendments thereto shall apply to any bank*  
0187 *which acquires agricultural land.*

0188 (5) A municipal corporation.

0189 (6) Agricultural land which is acquired by a trust company or  
0190 bank in a fiduciary capacity or as a trustee for a nonprofit  
0191 corporation.

0192 (7) Agricultural land owned or leased or held under a lease  
0193 purchase agreement as described in K.S.A. 12-1741 and amend-

0194 ments thereto by a corporation, corporate partnership, limited  
0195 corporate partnership or trust on the effective date of this act if  
0196 (A) any such entity owned or leased such agricultural land prior  
0197 to July 1, 1965, provided such entity shall not own or lease any  
0198 greater acreage of agricultural land than it owned or leased prior  
0199 to the effective date of this act unless it is in compliance with the  
0200 provisions of this act, or (B) any such entity was in compliance  
0201 with the provisions of K.S.A. 17-5901 prior to its repeal by this  
0202 act, provided such entity shall not own or lease any greater  
0203 acreage of agricultural land than it owned or leased prior to the  
0204 effective date of this act unless it is in compliance with the  
0205 provisions of this act, and absence of evidence in the records of  
0206 the county where such land is located of a judicial determination  
0207 that such entity violated the provisions of K.S.A. 17-5901 shall  
0208 constitute proof that the provisions of this act do not apply to  
0209 such agricultural land, and that such entity was in compliance  
0210 with the provisions of K.S.A. 17-5901 prior to its repeal, or (C)  
0211 any such entity was not in compliance with the provisions of  
0212 K.S.A. 17-5901 prior to its repeal by this act, but is in compliance  
0213 with the provisions of this act by July 1, 1991.

0214 (8) Agricultural land held or leased by a corporation for use as  
0215 a feedlot; ~~a swine confinement facility~~ or a poultry confinement  
0216 facility.

0217 (9) Agricultural land held or leased by a corporation for the  
0218 purpose of the production of timber, forest products, nursery  
0219 products; or sod.

0220 (10) Agricultural land used for bona fide educational research  
0221 or scientific or experimental farming.

0222 (11) Agricultural land used for the commercial production  
0223 and conditioning of seed for sale or resale as seed or for the  
0224 growing of alfalfa by an alfalfa processing entity if such land is  
0225 located within 30 miles of such entity's plant site.

0226 (12) Agricultural land owned or leased by a corporate part-  
0227 nership or limited corporate partnership in which the partners  
0228 associated therein are either natural persons, family farm corpo-  
0229 rations, authorized farm corporations, family trusts, authorized  
0230 trusts or testamentary trusts.



0231 (13) Any corporation, either domestic or foreign, organized  
 0232 for coal mining purposes which engages in farming on any tract  
 0233 of land owned by it which has been strip mined for coal.

0234 (14) Agricultural land owned or leased by a limited partner-  
 0235 ship prior to the effective date of this act.

0236 (b) Any corporation, trust, limited corporate partnership or  
 0237 corporate partnership, other than a family farm corporation, au-  
 0238 thorized farm corporation, family trust, authorized trust or tes-  
 0239 tamentary trust, violating the provisions of this section shall be  
 0240 subject to a civil penalty of not more than \$50,000 and shall  
 0241 divest itself of any land acquired in violation of this section  
 0242 within one year after judgment is entered in the action. The  
 0243 district courts of this state may prevent and restrain violations of  
 0244 this section through the issuance of an injunction. The attorney  
 0245 general or district or county attorney shall institute suits on  
 0246 behalf of the state to enforce the provisions of this section.

0247 (c) Civil penalties sued for and recovered by the attorney  
 0248 general shall be paid into the state general fund. Civil penalties  
 0249 sued for and recovered by the county attorney or district attorney  
 0250 shall be paid into the general fund of the county where the  
 0251 proceedings were instigated.

0252 New Sec. 3. No city or county may grant any exemption from  
 0253 ad valorem taxation under section 13 of article 11 of the Consti-  
 0254 tution of the state of Kansas for all or any portion of the appraised  
 0255 valuation of all or any part of the buildings, improvements,  
 0256 tangible personal property and land of any poultry confinement  
 0257 facility which is on agricultural land and which is owned or  
 0258 operated by a corporation. As used in this section, "corporation,"  
 0259 "agricultural land" and "poultry confinement facility" have the  
 0260 meanings respectively ascribed thereto by K.S.A. 17-5903 and  
 0261 amendments thereto.

0262 Sec. 4. K.S.A. 79-201a is hereby amended to read as follows:  
 0263 79-201a. The following described property, to the extent herein  
 0264 specified, shall be exempt from all property or ad valorem taxes  
 0265 levied under the laws of the state of Kansas:

0266 First. All property belonging exclusively to the United States,  
 0267 except property which congress has expressly declared to be

(15) Agricultural land held or leased  
 by a corporation for use as a swine  
 confinement facility if (A) such land is  
 acquired by such corporation on or after July  
 1, 1987, and prior to July 1, 1988; (B) such  
 corporation is operating a swine confinement  
 facility within the state which was exempt  
 from the restrictions of this section by  
 (a)(7)(A) of this section; and (C) the land  
 acquired for such use is located within  
10 miles of the land upon which the swine  
 confinement originally exempt from the  
 provisions of this act is operated.

attachment 3  
 3-18-87

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Testimony Regarding HB2076

March 17, 1987

Mr. Chairman and members of the Senate Agricultural Committee:

My name is Roy Poage and I'm President of DEKALB Swine Breeders, Inc. We were invited here today by your Chairman, Jim Allen, to state why DEKALB Swine Breeders chose to build its foundation farms in Kansas in 1972. We would like to thank you for this opportunity.

Maybe I should begin by telling you something about my background since it has a great deal to do with the reason that DEKALB located in western Kansas.

I grew up on a livestock farm in Texas. In 1959, my father-in-law and I became partners in the swine breeding business. In 1961, we started a company called Lubbock Swine Breeders, Inc. in Lubbock, Texas. We sold breeding stock throughout the United States and in several foreign countries during the 1960's. In 1972, we merged with DEKALB Corporation and I moved to DeKalb, Illinois to manage the swine breeding business for DEKALB.

When I moved to DeKalb, the top management of the company had planned to build the foundation farms that now exist in Plains, Kansas, some where in Illinois. Because I was well-acquainted

with western Kansas, I suggested that we consider that area to build DEKALB's foundation farms. We conducted an indepth study and after a year's deliberation, we decided to locate the foundation farms near Plains, Kansas. The reasons why we chose western Kansas were as follows:

1. It is a good climate for hog production.
2. There is an excess of grain and from all indications, it appears that there will continue to be a surplus of grain in Kansas for many years to come.
3. In 1972, western Kansas had very limited hog production and we felt this offered great potential for increased hog production. We wanted to be in a state that was progressive and that would grow in livestock production. We saw that potential in Kansas.
4. In 1972, we considered Kansas to be one of the most progressive agricultural states. New cattle feed lots and slaughter plants were being built each year. We thought that hog production would grow in a similar manner. In fact, we thought it might become one of the largest states in hog production. We feel that it could if it was developed to its full potential. A large packer was making plans to build a large hog packing plant near Manhattan.

5. Western Kansas had a low population density, and with the increasing number of feed lots, we felt like western Kansas would be very receptive to increased hog production.

Representative Holmes has given you several statistics about DEKALB and about DEKALB's being located in the Plains, Kansas area. I will not be repetitious and repeat any of those statistics. But let me tell you a few things about our Plains operation.

We have an employee recruitment program in Plains. We recruit college graduates from all over the country to work at our Plains operation. We also have agreements with several major universities who send interns to Plains to work for three to six months as part of their education while they are in college. We also have a training school that we conduct for all new employees before they go to work on the farms. We have one farm set-up as a training farm, and after the employees have been adequately trained, they are assigned to jobs at one of the eight farms. Normally we do not use anyone in our sales or service program, in other parts of the country, unless they have been trained and have worked at the Kansas foundation farms for a two to three years. We hire people from universities all over the country for our Plains operation. Some of them stay for a few years and leave, or they are promoted and moved to other parts of the

country. Many have married and made their home in or near Plains, Kansas.

Most of the breeding stock that we sell is sold in other states. Kansas only produces two or three percent of the total market hogs in the country. Most of the market for breeding stock is outside of Kansas. We also sell a great deal of breeding stock in the international market and that part of our business has good growth potential. Our largest foreign market is the far east, which includes Japan, Thailand, and China. We think that the opportunity in the far east will continue to grow in the future.

There are some other thoughts that I would like to leave for your consideration. Hog production, in general, is a sideline with most farmers. There are very few farmers that make their living raising hogs. Farmers get in and out of hog production depending mostly on the grain price and the price of hogs. But over the last thirty to forty years, this has been changing. In the United States, in 1954, there was 2.4 million hog producers. Today, there are approximately 350,000. Over two million farmers have quit raising hogs since 1954. Over one million quit in the 1960's. I have been in the hog production for nearly thirty years. My father-in-law and I started with about fifty sows. There is a lot of talk these days about larger hog farms. It has been my observation over the past thirty years, that larger hog

farmers came into existence because smaller hog farmers quit producing hogs. That trend is continuing and will continue for the next twenty years. The average midwestern farmer is about fifty years of age. They don't have large families, and in most rural areas, the young people are still leaving the farms to go to the cities to work. It is difficult, and in some areas nearly impossible, to hire outside labor to work on the farm. Because of the changing structure of agriculture over the last thirty years, a large percentage of farmers have quit producing hogs. This trend will continue because many farmers no longer see hogs as an integral part of their farming operations. It is easier and more convenient for farmers to farm more land and expand their farming operations in that way rather than expand in livestock production. Because of these trends, people who had the financial resources, have built large hog farms. They are located in different states in the United States. Where these farms are located, packing companies are building new facilities to kill the increase in hog production. Kansas has that potential.

Kansas has had a dramatic decline in the number of hog producers since 1959. The decline in these numbers is shown on the following page.

DECLINE IN NUMBER OF HOG PRODUCERS

IN KANSAS\*

<u>Year</u>	<u>Number of Producers</u>	<u>% Decline</u>
1959	37,615	
1969	19,784	47%
1979	15,000	24%
1985	8,300	
1986	7,000	16%

\*Source: U.S.D.A. Ag census and U.S.D.A. Pig Crop Report

In 1986, one of the most profitable years in hog production on record, the number of farmers producing hogs in Kansas decreased 16%.

I would like to thank Chairman Allen for his invitation to come and testify before this committee. I hope my testimony has been helpful in helping you make up your mind in the position that you should take on House Bill #2076. We could have located our hog facilities in any state of the Union in 1972. We chose Kansas because we thought it offered the greatest opportunity and a better area for hog production than any other place in the United States. After fifteen years, we are more convinced than ever that Kansas offers great opportunities for increased hog production.

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# PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON AGRICULTURAL

**RE: H.B. 2076 - Exempting Poultry Confinement Facilities  
from Prohibition on Corporate Ownership of Agricultural land**

March 18, 1987  
Topeka, Kansas

Presented by:  
Bill R. Fuller, Assistant Director  
Public Affairs Division  
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

My name is Bill Fuller. I am the Assistant Director of Public Affairs for Kansas Farm Bureau. I am speaking on behalf of the farmers and ranchers who are members of the 105 county Farm Bureaus. We appreciate this opportunity to express our views on H.B. 2076.

The Corporate Farm Act rewritten by the 1981 Kansas Legislature prohibited the corporate ownership of agricultural land ... then allowed for 13 limited exemptions. The "#8 exemption," which exists today, permits corporate ownership of feedlots and allows unlimited meat production. We have corporate farming in Kansas today! H.B. 2076 as amended would authorize a corporation to acquire limited land to construct specific operations ... "poultry confinement facilities."

After extensive study by the membership and debate by the voting delegates at the 68th Annual Meeting of Kansas Farm Bureau, the following policy was established:

**Corporate Farm Law**

Kansas needs to be responsive and innovative in capital formation for agriculture and economic development in agriculture. We support changes in the Kansas Corporate Farm Law that will enhance economic opportunities for farm families, and for growth and expansion of grain and livestock operations.

*attachment 5*  
*Senate agriculture*  
*3-18-87*



Kansas Farm Bureau has been actively involved with the extensive economic development initiatives established by this Legislature to assure agriculture, Kansas' basic and largest industry, gets its share of the action. We told the House Committee on Economic Development the farmers and ranchers who are members of Farm Bureau across Kansas are willing to accept the recommendations of the Economic Development Task Force on Agriculture and the Legislative Commission on Kansas Economic Development concerning the corporate farming law IF certain assurances and safeguards are provided:

1. Acquisition of land by corporations must be limited to the land required to only construct and handle the waste from the confinement facilities ... NOT allow corporations to produce grain or other crops.

2. Legislation must make it abundantly clear that no tax structure in Kansas will give any advantage to corporations not allowed any farm family.

We insisted any corporate agricultural production plant must be prohibited from receiving property tax abatement under the recently approved Constitutional Amendment authorizing cities and counties to grant property tax exemptions for economic development purposes ... manufacturing, research and development, and warehousing. In addition, we requested corporate operations be

prohibited from using Industrial Revenue Bonds (IRB's) in construction of agricultural production facilities. We believe "new" sections 3 and 4 added by the House Committee address our tax equity concerns. **We cannot give any corporate entity tax advantages we are not willing to give the farm family.**

The farmers and ranchers of Farm Bureau insist there must be a "level playing field" for all producers ... individuals, partnerships, family farm corporations and any other corporations. If all producers are guaranteed an equal footing in the areas of ... property taxes, income taxes and interest rates ... the majority of our members can support H.B. 2076. In fact, we can see some possible benefits when you consider the increased possibility of attracting processing facilities to Kansas and the possibility of improved markets for some of our surplus grain.

Thank you for allowing us to express the views of the farmers and ranchers of Farm Bureau on H.B. 2076. I will attempt to respond to any questions you may have.

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FEDERAL INCOME TAX RATES - 1986 TAX REFORM ACT

Married Filing Jointly  
(Individual)  
1988 and Later Years

Corporate Income Tax Rates  
Tax Years Beg. After 6/30/87

Taxable Income	Tax Rate	Taxable Income	Tax Rate
0-\$29,750	15%	0-\$50,000	15%
\$29,750-\$71,900	28%	\$50,000-\$75,000	25%
\$71,900-\$149,250	28% + 5% surtax*	\$75,000-\$100,000	34%
Over \$149,250	28% of total taxable income**	\$100,000-\$335,000	34% + 5% surtax*
		Over \$335,000	34% of total tax- able income

\* The 5% surtax is a means of phasing out the 15% tax bracket for individuals, bringing the overall tax bracket to 28% for incomes over \$149,250 and phasing out the 15 and 25% brackets for corporations, bringing the overall tax bracket to 34% for incomes over \$335,000.

\*\* Plus lesser of (1) 28% of the sum of personal and dependency exemptions or (2) 5% of taxable income over \$149,250.

The Research Institute of America, Inc., makes this observation:  
Under pre-'86 Act law, the top individual rate was higher than the top corporate rate (50% individual versus 46% corporate). Some businesses operate in corporate form to take advantage of this. Under the Act, the top corporate rate (34%) will be higher than the top rate on individuals (28%). Some corporations may want to elect S corporation status so that the income will be taxed at the shareholder's lower rates. Others may want to consider liquidating and continuing operations as an unincorporated entity.

Taxes Due With \$75,000 Taxable Income Levels

Individual	C-Corporation	Family Farm Corporation
\$13,548	\$13,750	\$10,480

attachment 6  
Senate agriculture  
3-18-87



2044 Fillmore • Topeka, Kansas 66604 • Telephone: 913/232-9358

Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

STATEMENT  
OF THE  
KANSAS LIVESTOCK ASSOCIATION  
TO THE  
COMMITTEE ON  
AGRICULTURE  
SENATOR JIM ALLEN, CHAIRMAN  
SENATOR DON MONTGOMERY, VICE CHAIRMAN  
WITH RESPECT TO HB 2076  
CORPORATE FARMING  
PRESENTED BY  
RICH MCKEE  
EXECUTIVE SECRETARY, FEEDLOT DIVISION  
MARCH 18, 1987

Mr. Chairman and members of the committee, I am Rich McKee. I am here representing the Kansas Livestock Association. KLA represents a broad range of over 9,000 livestock producers who reside in virtually every geographic corner of the state. Many of our members are involved in the production of grain. In reviewing this bill and following lengthy discussion the KLA membership took a position in favor of HB 2076.

The Kansas Livestock Association believes the corporate structure is a necessary business tool which should be available for farmers, ranchers and feeders. Two of the reasons this tool is needed include limiting liability and the need for finances in a very capital intensive industry. We believe agriculture should have the same corporate opportunities as manufacturers, retailers or any other industry.

If passed, this bill would clarify corporations, specifically poultry as the bill stands today, could feed meat producing animals. Encouraging this type of activity to occur in Kansas would boost local grain demand.

*attachment 7  
Senate agriculture  
3-18-87*