Approved March 23, 1987
Date

MINUTES OF THE Senate COMMITTEE ON Agriculture.

The meeting was called to order by Senator Allen at
Chairperson

10:05 a.m./~~p.m.~~ on March 19, 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: Sam Brownback, Secretary of State Board of Agriculture
George Sanneman, Interfaith Rural Life Committee
John Stitz, Catholic Rural Life
Jim Nelson, pork producer, Windom, Kansas
Ivan Wyatt, Kansas Farmers Union
Joe Vogelsberg, farmer, Marshall County
Steve Voet, farmer, Marshall County
Ronald Schneider, Kansas Rural Center
Leo Schwartz, Kansas Pork Producers Council
Christopher Walker, Kansas National Farmers Organization
Steven Anderson, American Agricultural Movement
Vic Krainbill, Kansas Pork Producers Council
Don Sailors, Kansas Pork Producers Council

Senator Allen called the Committee to order and asked the Committee to recommend a Resolution acknowledging Agriculture Week and for action on Committee minutes.

Senator Warren made a motion the Committee request a Resolution acknowledging the week of March 16 thru 20 as Agriculture Week. Senator Montgomery seconded the motion. Motion carried.

Senator Warren made a motion the minutes of March 18 be approved. Senator Montgomery seconded the motion. Motion carried.

The Chairman called attention to HB 2076 for the hearing for the opposition to the bill. The Chairman called on Sam Brownback to testify.

Mr. Brownback gave copies of the Delegate Resolution of the Kansas State Board of Agriculture concerning the Corporate Farm Bill (attachment 1). He stated he was speaking neither as a proponent or opponent but was sharing the resolution of the delegates and expressed opposition to any change with the Corporate Farm Law that would create competition for the family farmer. Mr. Brownback expressed no opposition to corporate farms but opposition to tax breaks that give corporate farms advantages and requested that type of legislation not be passed.

The Chairman thanked Mr. Brownback and called on George Sanneman to testify.

Mr. Sanneman gave copies of his testimony to the Committee (attachment 2) and expressed opposition to HB 2076. Mr. Sanneman explained how he had seen corporate farming of swine business in Nebraska and stated Kansas did not need like circumstances.

The Chairman thanked Mr. Sanneman and called on John Stitz to testify.

Father Stitz gave the Committee copies of his testimony (attachment 3) and expressed the feeling that HB 2076 is counterproductive for farm families of Kansas and requested the bill not be passed.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture,

room 423-S, Statehouse, at 10:05 a.m. on March 19, 1987.

The Chairman thanked Father Stitz and next called attention to the written testimony sent to the Committee by Jim Nelson, a pork producer, who could not be present to present his testimony (attachment 4) and then he called on Ivan Wyatt to testify.

Mr. Wyatt gave the Committee copies of his testimony (attachment 5) and expressed that production is not a problem in Kansas but markets are the problem. He stated that HB 2076 will not help Kansas economically.

The Chairman thanked Mr. Wyatt and called on Joe Vogelsberg to testify.

Mr. Vogelsberg a small hog farmer expressed opposition to HB 2076 and requested that swine not be amended back into the bill. Mr. Vogelsberg stated a group of farmers are hoping to organize a business of raising organic poultry with one processing plant shared by the group of farmers. He stated corporate farming would be too much competition for their type of business; thus he encouraged defeat of HB 2076.

The Chairman thanked Mr. Vogelsberg and called on Steve Voet to testify.

Mr. Voet handed written testimony to the Committee (attachment 6) and expressed opposition to HB 2076. He stated he was a small farmer who could not compete with large corporations; he expressed hope that the Committee votes against HB 2076.

The Chairman thanked Mr. Voet and called on Ron Schneider to testify.

Mr. Schneider furnished copies of his testimony to the Committee (attachment 7) and expressed opposition to HB 2076 because the bill, if passed, will be adverse to the best interest of the small farmers of Kansas.

The Chairman thanked Mr. Schneider and called on Leo Schwartz.

Mr. Schwartz gave copies of his testimony to the Committee (attachment 8) and requested the Committee not pass HB 2076.

The Chairman next called on Christopher Walker to testify.

Mr. Walker stated he did not favor the proposed changes in the Corporate Farm Bill. He expressed the hope that better times are coming for agriculture in Kansas but questioned whether the better times would be for corporate farming or in the hands of small farmers. He requested the Committee not approve HB 2076 and also not approve any future requests for relaxing the corporate farm law of Kansas.

The Chairman thanked Mr. Walker and called on Steven Anderson to testify.

Mr. Anderson stated HB 2076 would not create a good future for the small farmers of Kansas. He requested the Committee refuse to pass the bill. Mr. Anderson stated that corporate agriculture, unlike the small farmer, is not interested in the welfare of the community in which it is situated; it is interested only in profit. He questioned if the Legislature was looking for a short term profit for the state or for the long term best interest of our small farmers; and if for long term then this bill will not be passed.

The Chairman thanked Mr. Anderson and called on Don Sailors to testify.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture,

room 423-S, Statehouse, at 10:05 a.m. on March 20, 1987

Mr. Sailors gave copies of his testimony to the Committee (attachment 9) and expressed objection to changing the present Corporate Farm Law.

The Chairman thanked Mr. Sailors and called on Mr. Krainbill to testify.

Mr. Krainbill handed the Committee copies of his testimony (attachment 10) and expressed opposition to the proposed pork amendment for the Corporate Farm Bill. Mr. Krainbill expressed the belief that he could compete with corporate operations if given the same tax benefits; he encouraged more study be given to this subject before any changes are made.

During discussion it was stated that the Pork Producers Council did a mail survey of pork producer members of the state. Figures revealed that 16 percent of the pork producers responded to the survey with the larger percentage favoring no change in the Corporate Farm Law. It was stated there are about 1,000 pork producer members in Kansas. It was also stated that the Pork Producers were not asked for input during study of this issue during the Task Force Study of last summer.

The Chairman adjourned the Committee at 11:06 a.m.

GUEST LIST

COMMITTEE: SENATE AGRICULTURE

DATE: March 19, 1987

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Ivan W. Wyatt	McPherson	Ks Farmers Union
Chris Walker	Mayetta	Ks. Natl Farmers Org
Alan Steppat	Topeka	McGill & Assoc.
RON SCHNEIDER	TOPEKA	KS. RURAL CENTER
Jim Jarred	HUMBOLDT	Ks Pork Producer
Don Dailors	Erie, Ks	" " "
Raeburn Nelson	Chanute, Ks	Ks. Pork Producer
Dan Rice	Topeka	Secretary of State
Leo Schwartz	Washington KS	Kansas Farmer + Pork producer
Victor L. [illegible]	Bern Ks	Kansas Pork Prod Farmer
Mike Jensen	Manhattan	Ks Pork Producers
Wilbur Leonard	Topeka	Comm Ks Farm Org
Greg Schmitz	Marysville Ks	Marshall Co Farmers Union
Steve Voet	Oketo, Ks	Marshall Co. Farmers Union
Joe Vogelsberg	Home KS.	Marshall Co. Farm Bureau
John Stitz	K. C. Ks	Catholic Rural Life
Paul W Dwerlkotte	Beattie Ks	
William Sandmann	Frankfort	
Fred Bentley	Whiting	KS Rural Center
HOWARD W. TICE	HUTCHINSON	KAWG
Chris Wilson	Hutchinson	KS Grain & Feed Assn
Jerry Jost	Whiting KS.	KS. Rural Center

KANSAS STATE BOARD OF AGRICULTURE

1987 MEETING

DELEGATE RESOLUTION

WE, THE STATE BOARD OF AGRICULTURE, OPPOSE ANY CHANGE IN THE CORPORATE FARM BILL THAT WILL GIVE CORPORATIONS A COMPETITIVE ADVANTAGE OVER THE FAMILY FARM.

125 YES

10 NO

attachment 1
Senate agriculture
3-19-87

I come to you today as a farmer from Clay Center, Kansas and upon recommendation from the INTERFAITH RURAL LIFE COMMITTEE of the Consultation of Cooperating Churches in Kansas. The INTERFAITH RURAL LIFE COMMITTEE is a widely diverse faith group with a network throughout Kansas which keeps in close touch with the impact of the rural crisis on Kansas.

"The purpose of the INTERFAITH RURAL LIFE COMMITTEE is to seek to unite the resources of the religious community of Kansas to respond in any appropriate way to the continuing rural crisis, within a vision of wholeness."

I have had the experience of seeing and visiting a large corporate farm outside of O'Neil, Nebraska in the spring of 1985. Actually the corporate farm is closer to Atkinson, Nebraska were I was asked to speak in one church. This church in Atkinson had a membership in which about half of the financial support came from farm families and the other half from employees of the corporate farm know as National Farms. The pastor shared of strong tension within this church.

National Farms use to own 30,000 acres at O'Neil, Nebraska. In 1982 they sold their land to an insurance company so they could invest in a swine operation consisting of 32,000 sows. In 1985, when I had visited the swine facilities they were not totally completed, however, they were farrowing and finishing 13,000 sows on one quarter section of land in one large confinement building. Under this building was a pit to collect the waste which was then piped to a nearby one quarter section field and pumped threw a center pivot irrigation system that has to be replaced every 5 years due to corrosion. The SMELL was overwhelming as the pastor and I drove within 5 miles of it.

Many family farms, I was told by a local pastor, went out of business due to a disease National Farms had brought in and told no one around them that they had it. Consequently, lawsuits over negligence, air pollution and etc. were happening.

I was told the individuals for that type of farming, corporate, in that area were employees and businesses who greatly benefited by it which are few in number. Those opposed to this type of farming are Farm Families and a good proportion of the community in the area who dislike the air pollution from this mass producing swine facility.

In all, this was a good learning experience and I would recommend anyone who wants this type of farming needs to go visit one first before making a final decision.

Therefore, lets keep swine and poultry confinment corporate laws as they are.

March 19, 1987

Senate agriculture

George Sanneman
Member, Interfaith Rural Life Committee

attachment 2
3-19-87

TO: Chairman [illegible]m Allen, Senate Agricultu[illegible] Committee

FROM: John Stitz, Dir. Catholic Rural Life, Archdiocese KC Kansas

Subject: Hearings on HB 2076

This office, affiliated with the National Catholic Rural Life Conference, strongly supports family farm agriculture. We believe that the responsibility of stewardship of the earth and its food production is a commandment of God, best fulfilled by family farm agriculture.

The social and spiritual values which guide rural people in stewardship, good production and building communities are fundamental to a democratic society, and the preservation of human rights. Today, family farm agriculture is in trouble because of depressed income. Vertical intergration and the concentration of capital, as facilitated by HB 2076, will lead to less family income, and more farmers leaving agriculture.

There is no way individual farmers can compete with vertical integrators. This was clearly illustrated by trends in the poultry industry. Families need viable economic variables if they are to survive difficult financial times. Vertical integration reduces diversification opportunities.

As leaders of our state we ask you to carefully consider the impact of this proposed economic trend, vertical integration, upon individuals, families and rural communities.

We ask you not to approve HB 2076.

Secondly, we sincerely believe it is a long proven reality that a strong, viable family farm system has long been one of the great strengths of our State of Kansas and all other rural states. Nationally, twenty-five percent (25%) of all jobs in America are food producing related. Large scale production, as would be permitted by HB 2076,

attachment 3
Senate agriculture
3-19-87

would further deprive Kansans of gainful employment; hence further eroding the basis of Rural Life and greatly harmful to the future of our State. A major problem in Kansas is out-migration because of "Bigger is Better" mentality!

attachment 3

3-19-87

TO: Chairman Jim Allen, Senate Agriculture Committee

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attachment 3
3-19-87

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March 17, 1987

Dear Senator Allen,

I am a pork producer from McPherson County. There is local concern the Senate may try to include hogs back into the Corporate Farm Law. At the local level, there is much opposition to changing the present law. We feel the industry has been doing a good job of promoting its product, and keeping supply under control.

I have enclosed a statement showing my opposition in the event the current bill is amended to exclude pork production. Futher, I would like to state my opposition to giving Cargill a one time exemption. Thank you for your time.

Sincerely,
Jim Nelson

Jim Nelson
Rt. 1 Box 47
Windom, Ks. 67491

attachment 4
Senate agriculture
3-19-87

TO: SENATE AG. COMMITTEE

FROM: JIM NELSON, RURAL ROUTE 1, WINDOM, KS 67491

REF: KS. CORPORATE FARM LAW

I am a pork producer from McPherson County with a farrow to finish operation. During 1986 the farm had a gross income of $268,000 with hogs providing $128,000 in gross sales. The hogs sold were the result of a herd of 75 sows. If it were not for hogs, I seriously doubt I would be able to farm. I mention these figures so you will realize $268,000 was contributed to the local economy from one farmer because he had hogs to maintain the cash flow and income needed to keep a viable farm.

I would like to express my concern about changing the Farm Corporation Law, and counter some of the explanations used in seeking a change.

a) "Allowing expansion through changes in the current law would stabilize or increase production numbers."

We as pork producers are not in a growth market. Currently, we can kill about 230,000 head a day at $65.00 cwt. to 330,000 head a day at $35.00 cwt. depending on the average daily kill weight. The market is very volatile and will react rapidly to any anticipated change in numbers. The market can only absorb a given number of hogs at a given price level. With rapid advancement in technology, it is not difficult to increase hog numbers if added production is necessary. Pork production is a very mature industry, and cannot accept new production without either new demand or lower prices. If we allow large corporations into the state, we will displace pork producers in our state and other states. For every 1000 sow operation brought into our state, 30 producers with average size operations will be displaced. Is this what we want to achieve by changing the Corporate Farm Law?

Hogs have been mortgage lifters for many years and have helped young men get a foothold into farming. A young producer can be the most efficient in terms of production, but cannot compete with large corporations. Local pork producers must cut production when the profits are gone for a considerable length of time. Ultra large units tend to keep production at a maximum in order to keep per unit costs at a minimum. They may decide to expand when hog prices are below break even because they think the market cycle has bottomed. Individual farmers don't have multimillion dollar parent companies to pump money into their operations when prices are low.

Several years ago pork producers lobbied hard for 10% investment credit on swine facilities. It brought outside investment into the industry - mostly for tax shelter. As it turned out, we encouraged production during times of low prices. Hopefully the new tax law will correct this situation.

b) "Changes would allow us to keep present packing plants open and entice new packing industry into the state."

New packing plants would be a producers delight. I question, however, whether a change in the law is proposed to encourage packing plants into the state for the current producer, or to invite large corporations who

attachment 4

3-19-87

will attract the packing industry. Kansas currently produces and exports enough hogs each year to fill the needs of an additional packer in Northeast Kansas. Transportation of hogs into other states is cheaper than building a new facility in another location.

c) "The cattle feeding industry is an example of economic development in Kansas."

There is a flip side to this story. Remember packing plants called Swift, Cudahey, and Armour? What happened to the Wichita Stockyards? What happened to the farm feeders in Kansas and the corn belt? More recently, have you noticed most of the feeder cattle going directly to feedlots and bypassing sale barns? Several large feed lots in Kansas borrow money outside the state and carry their checking accounts with these same banks. Thousands of bushels of grain are brought in from other states to feed because local grain is tied up under government loan. What appears on the surface may be only what we want to see. Consolidation was devastating to many people getting the industry where it is today.

d) "The development of these interest would have a positive impact on land values and create more demand for the crops grown in the state."

Several large corporations would have a difficult time having a positive impact on land prices. The contrary may exist. As more producers are forced out of production, total farms may be sold due to the lack of cash flow. Large hog confinement units would be in isolated areas across the state, very little impact could be felt. As for crop values--there are only a certain number of hogs raised at a given price level. Grain prices may rise in a given area where hog numbers are great, but grain will be in excess in other areas due to the lack of hogs. Total consumption of grain will remain fixed across the United States, so the average price of grain will remain somewhat constant.

e) Progressive producers in states that allow ultra-large units are competitive with them."

There are several large units in Kansas, but they are family owned. There is nothing which keeps them from becoming ultra-large units and I expect some will. I can compete with any of these large units because they have the same base I have. They are limited by capital, feed, facilities and labor. Large corgorations on the other hand have access to money from parent companies. When facilities are built, they will be modern and built with contract labor in a short period of time. Yes, I can compete, but not if they refuse to liquidate during times of low prices as large units have demonstrated. I can compete, but it will be tough when they add 5000 sow units from an unlimited source of capital.

f) "New ultra-large units will be built somewhere, why not in Kansas where Kansas can reap the benefits of the developing industry?"

We all want economic development for Kansas. Adding to a mature industry can be the beginning of devastating problems. Large corporations will buy protein and mineral at the lowest price from one supplier not spreading the wealth among communities. Consider what kind of people will be employed. It doesn't take too many white collar jobs to run a large hog

attachment 4

3-19-87

operation. Local coops and small elevators who have feed mills will suffer from consolidation of the hog industry. Large corporate units will provide their own vets, nutritionists, and building consultants. Most of these people are mobile and live in other states so they can consult other hog units.

Kansas has seen a decrease in the number of hog farms during the past 5 years, but the number of slaughter hogs is about the same. Hog production is different from the feedlot industry. Ranchers still have cows and calves. Small feeders still background cattle to sell to feedlots. Large hog units on the other hand farrow to finish hogs. Once they are consolidated there is no room for a small producer.

Large companies are already in Kansas. Tyson, the large chicken company is feeding 6000 purchased hogs near Newton in a contract arrangement with farmers. Cargill has contract arrangements with farmers to raise chickens in Kansas. These corporations are operating under the present law.

Kansas has an opportunity in the hog industry, but let's build on the strengths of producers we currently have; producers who will be here tomorrow, adding to the health of local economies.

Big is not always better. The Kansas Corporate Farm Law is as important today as it was at its conception. Large Corporate farms take care of themsleves instead of the needs of others and the land they use. To change the law for one or two individuals or corporations is not right or in the best interest of the state.

I hope your decision will allow me to continue being a pork producer.

attachment 4

3-19-87

STATEMENT

OF

IVAN W. WYATT, PRESIDENT, KANSAS FARMERS UNION

ON

H.B. 2076 (CORPORATE POULTRY FACILITY)

BEFORE

THE SENATE AGRICULTURAL COMMITTEE

March 19, 1987

Mr. Chairman, Members of the Committee:

I am Ivan Wyatt, President of the Kansas Farmers Union. We continue to oppose H.B. 2076.

It was obvious at the hearings held in the House Committee on Economic Development there was strong opposition to H.B. 2076.

There was little, if any, support from people appearing for amendments to the bill such as the one exempting "poultry confinement facility" from Kansas Corporate Farm Law.

It appears to many, this rush to embrace the so-called economic development movement, the state Legislature feels compelled to do something, whether it is right or wrong, good or bad.

We keep hearing how we have to provide for value added opportunities.

If we are truely interested in maintaining the Kansas rural community infrastructure, these value added opportunities must be at the farm gate or local community level. To do otherwise will only serve to accelerate the demise of our rural communities.

Production is not the problem.

(more)

attachment 5
Senate agriculture
3-19-87

The lack of marketing opportunities is the real villain to economic development in the rural community.

Market access is virtually nil for the independent broiler and egg producers unless they want to go door to door and in many Kansas Towns there are laws restricting or prohibiting such marketing.

Changing Kansas corporate farming law is not a realistic or visable means to accomplish rural economic development.

Approximately a decade ago Dr. Barry Flinchbaugh toured the state of Kansas with a program on corporate farming. The crux of his program was "whoever controls the market will control agriculture."

Today in rural Kansas the crux of rural economic development is who will control the market? Who will have access to the market?

If there is a real desire to encourage economic development, a review should be made of marketing laws and regulations already on the books, so as to allow and encourage marketing opportunities for the independent producer.

I would also encourage this committee on agruculture to consider legislation that would encourage those enterprising individuals and groups who would be the forerunners in developing new products that will provide alternatives and diversification for Kansas farmers in the coming years, such as protection from encroachment by charlatans who would infringe upon their newly developed markets, assure market accessability and protect from unfair or subsidized competition.

This sort of study and legislation will do much more to help Kansas develop economically than these continuing attempts of tinkering with the Kansas Corporate Farming Laws.

Thank you.

attachment 5

#

3-19-87

Salmonella, Beef Link In The News

By Kevin Pendley

CHICAGO (KRF) — A study of resistant salmonella released in the New England Journal of Medicine Thursday is expected to prompt consumer concern over the use of hamburger products, Dr. John Spika, author of the article, told Knight-Ridder Financial News in a telephone interview.

Spika, chief of the epidemiology section at the Federal Centers for Disease Control in Atlanta, said that although poultry generally is the culprit in food poisoning cases, salmonella poisoning in beef from the particular strain studied — newport — increased greatly, to 300 cases in 1985, from 50 the previous year.

Public conception of hamburger as "beef steaks" — meat needing only surface cooking — helped contribute to the salmonella outbreak, Spika said.

"The public has been fairly well educated that we need to cook poultry properly. But when you surface heat hamburger, you're taking a risk (of not destroying salmonella strains)," Spika said.

Although ground beef is more susceptible to picking up salmonella bacteria because of the grinding process, consumers are still taking a risk by not cooking a steak all the way through, Dr. Steve Waterman, who worked on the study and is employed by the Los Angeles County Health Department, said.

In studies conducted from 1968 to 1980, 198 outbreak cases (when two or more individuals contract salmonellosis) were reported, according to Karen Stuck, public affairs officer with USDA's Food Safety and Inspection Service. Of those 198, 63 were linked to beef, 34 to pork, 85 to poultry, and 16 to other meats, she said.

Nearly a third of the salmonella outbreaks were linked to beef, despite the fact that only 1 to 5 percent of raw beef product carries salmonella bacteria, as opposed to 37 perceny of broilers and 12 percent of pork, she said.

The CDC study also is expected to raise concern over the buying practices of slaughterhouses, Spika said. Slaughter houses that had the highest number of condemned carcasses also were found to have the highest incidence of salmonella infection in those carcasses, he said.

The implication is that packers, particularly those with higher numbers of condemned carcasses, should be more discriminate buyers and handlers of livestock for slaughter, he said.

"Fewer people would get ill were the product not mishandled in the slaughter house," Morris Potter, a veterinary epidemiologist at the CDC said.

Criticism that the study was not legitimate because it focused on tracing resistant salmonella strains to the use of chloramphenicol, which is illegal, was refuted by the sheer number of food poisonings related to the use of chloramphenicol, Spika said.

"Farmers knew that the drug was not legal," he said, "but felt they had to use it because penicillin and tetracycline were uneffective in their opinion."

The study points to a need for enhanced preventive measures from the producer to the packer, right on to the consumer, Spika said.

Producers need to use antibiotics more prudently and not as an excuse to cover up poor management, he said. Packers need to be more selective in securing livestock for slaughter, and consumers need to cook hamburger thoroughly, he said.

The study, conducted from December 1985 to February 1986, was sponsored by the CDC, USDA, Los Angeles County Health Department, the California Health Department, and the California Department of Agriculture.

In anticipation of the study's release, the American Meat Institute earlier this week issued a statement saying "meat which is properly cooked and handled is completely safe for consumers. The CDC study does not alter this fact."

The AMI release also stated that the study "deserves careful evaluation by the FDA, the scientific community and the food industry as we all seek ways to reduce the risk of salmonellosis and other food-borne illnesses."

Word of the study circulated through the livestock futures pits at the Chicago Mercantile Exchange the last week of February, but there was very little, if any, impact on prices.

However, livestock analysts said they'll be watching closely the amount of national publicity the matter receives following Thursday's publication.

Stonger Demand To Boost Feeder Prices

According to Cattle-Fax General Manager Topper Thorpe, strong competition for declining feeder cattle supplies should produce higher feeder cattle prices this year. These prices should maintain a premium over fed cattle prices, Thorpe says.

Expected declines in per-capita beef supplies also should result in slightly higher fed cattle prices this year compared to 1986. Thorpe also believes feed and production costs in 1987 may be the lowest since the 1970s.

attachment 5

3-19-87

LOIS COPY 3-19

To: Senate Agriculture Committee
Chairman, Senator Jim Allen

From: Steve Voet
Oketo, Kansas 66518
913-744-3575

attachment 6
Senate agriculture
3-19-87

Mr. Chairman, Members of the Committee:

My name is Steve Voet. I am a family farmer from Oketo, in Marshall County. I have a wife and two children. My principle crops are milo, wheat, and beans. I have a small cow calf operation and raise a few hogs. I speak in opposition to House Bill 2076. My 11 year old son shows a great deal of interest in farming and livestock. He is active in showing livestock at the fair, and drives the tractor at every opportunity that arises. I found this piece of paper in his homework one evening, and on it were three wishes the kids in his class wrote down about their future. His first wish was to farm with his wife and kids like his dad. His second wish was to own his own farm equipment and two tractors. His third wish was to have nice neighbors and to help everyone out. I got to thinking, "how is he going to fulfill these wishes when I am not for sure I can continue farming and pass the farm on to him?" One main reason for this is the invasion of non-family farm corporations. There is no way I can compete with corporations operating on outside money and that is including local and foreign investors. The corporation can operate on much smaller profit margins than I can because of the quanities they can work with. The corporations also have unfair tax advantages that I don't have. My personal feelings are that farm corporations are really factories producing large quanitities of produce at any price. My dad

attachment 6

3-19-87

is a very small dairy farmer and he has talked to me about how the dairy industry on the west coast is like a big milk factory and put him at a great disadvantage when the government says there is a milk surplus and those milk factories produce around the clock. If we allow any kind of non-family farm corporations in Kansas, my family's future, especially the wishes of the future of my son, will not come true. I don't want me or especially my son having to go to the city to look for a job.

Mr. Chairman, I thank you for your time and I hope this committee votes against house bill 2076.

Thank you,

Steve Voet

attachment 6

3-19-87

2015

THE KANSAS RURAL CENTER, INC.
304 Pratt Street
WHITING, KANSAS 66552
Phone: (913) 873-3431

Testimony Apposing H.B. 2076

Mr. Chairman and Members of The Committee:

I am Ronald Schneider, speaking on behalf of the Kansas Rural Center. As most of you may know, the Kansas Rural Center is a private, non-profit research and education organization focusing on rural and sustainable agriculture issues. We have been incorporated since 1979.

The Kansas Rural Center apposes House Bill 2076, and urges this committee not to recommend it for approval. It is our opinion that this proposed bill would have an adverse affect upon family farms and small rural communities in Kansas.

This Committee has been advised by the corporate interests that Southwest Kansas is the ideal place for pork breeding and production. If that is so, we believe this Committee, and the entire legislature, should review options which encourage this activity for all of the family farms in the region and the state. It makes no sense to give this economic opportunity to a single corporation which will transfer many of the profits out of state. The Redwood-Kryder report encourages the state to develop small to medium sized businesses; this bill works against such a model of economic development, and may deny a better, broad-based development strategy to existing farmers.

Testimony has suggested that expanded corporate activity in beef has improved conditions for family farmers. The feed lots are a major purchaser of cattle from local farms. The pork

attachment 7
Senate agriculture
3-19-87

industry, however, is not based upon the same methods of production. It is a vertical operation which does not rely upon outside farmers to prepare the animal for the lot. It will only tend to drain the existing market for the other family farm producers. For example, based upon the Kansas Crop and Livestock Reporting Services, in 1977 24% of all pork in this state was produced in Southwest Kansas. In 1985, 78% of the state's pork production is now in that region.

What has happened to the rest of the small pork producers? It is our opinion that this form of corporate pork production may in fact be the contributing factor for pork production decline on family farms; additional research is needed to evaluate this, and many other implications of H.B. 2076.

In summary, we believe that the promotion of corporate farming activities shall harm family farms and sustainable agriculture in Kansas. It is important to diversify farming activities throughout the state, and not to shift a greater concentration of production to a few major corporations. It is in the interest of all Kansans, urban and rural, that we maintain local control of our industries and businesses. We believe that this bill should not pass out of committee. At the very least, additional research should be commissioned to thoroughly analyze the impact of this proposed legislation before action is taken.

attachment 7

3-19-87

ARGUMENTS FOR AND AGAINST HB 2076 (CORPORATE FARM LAW)
Prepared by the KANSAS RURAL CENTER
February, 1987

FOR:

Kansas hog prices are $1 lower than the national average. Hog numbers in Kansas are significantly down bottoming at the lowest levels in almost twenty years. Since 1972 Kansas slaughter capacity has declined 66% due in part to declining hog numbers. 69% of butcher hogs go out of Kansas for slaughter due either to lack of slaughter capacity or higher prices elsewhere. Therefore other states are processing our hogs and receiving value added benefits. Increasing our productive capacity by permitting completely open laws on corporate hog production will develop the high volume needed to attract processors. Nearby processors will encourage higher hog prices due to reduction in transportation costs. The southwestern beef industry is used as an comparative example for the potential benefits of this kind of agricultural development. Dodge City steers draw a $1.80/cwt. advantage over neighboring states due to close access of processors.

AGAINST:

The higher southwest Kansas beef cattle price is not primarily due to a feedlot exemption in our corporate farm law. Southwest Kansas is a natural geographical place for beef processing. It is a central point for the heavy cattle production that arches from Texas to Nebraska. Corporate feedlot exemptions are not necessary to produce the number of cattle to attract processors. Kansas has had the cattle productive capacity well before the feedlot exemption in 1981. Those fed-cattle numbers have remained relatively steady while cattle and calf numbers have registered a 6.7% decline in the 1980's. Nebraska provides an example in which a much more restrictive corporate feedlot law has resulted in consistent increases in its fed cattle numbers. Kansas Agricultural Statistics show that Nebraska led all seven major cattle producing states with the largest increase of November placements from the previous year (114%). In December Nebraska was the only state of these seven major states to register an increase of fed cattle numbers over the previous year. Nebraska is proving that it doesn't need corporate feedlot exemptions to lead the nation in fed cattle expansion.

Bringing in processors doesn't ensure higher prices. Since the turn of the decade we have witnessed corporate expansion in cattle feedlots and the development of beef processors. Yet the average statewide prices for beef cattle have dropped. (Average price '79-81 was $64.80/cwt.; '82-'85 was $59.30/cwt.) The competition-stifling concentration of packers across the major livestock producing states have actually lowered prices. A Clemson University study found that each one percent decline in buyer concentration would increase hog prices between $0.02 - $0.18/cwt. A 1986 University of Wisconsin study, THE IMPACT OF PACKER BUYER CONCENTRATION ON LIVE CATTLE PRICES, concludes that in regions including Kansas "public policies aimed at reducing the levels of concentration appear to be appropriate ... competitive

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conditions can have an important influence on returns received by U. S. cattle feeders." This research estimated, in the regions including Kansas, during the years 1976-1980, a reduction of concentration of the top four packers to a percentage of 40% of the total slaughter market would raise the average price of cattle from $0.24 - $0.47/cwt. The report also concludes from 30 similar previous studies that a convincing consistency is emerging confirming that packer concentration is significantly related to prices.

Comparing the beef cattle industry to the hog industry is comparing apples to oranges. While beef cattle feeding naturally gravitates towards the dryer climate of the southwest, hog production is concentrated in the cooler, corn country of Iowa and the North Central states. (See enclosed maps.) Naturally the majority of pork processors are going to locate there. A dramatic shift of production here in Kansas is unrealistic. Even if it were to happen, a dominance of large production units isn't needed to provide sufficient hog numbers. Those productive North Central states have half the percentage of large hog farms, annual sales over 5,000 head, that Kansas does yet they have the productive capacity we dream of. Obviously small and medium-sized units can produce the hogs just as Nebraska shows the medium-size farmer can produce the cattle.

Finally, there is no apparent corporate restriction on the production of hogs for slaughter purposes in the current law since a swine confinement facility is considered to be a feedlot. Apparently larger coporations are restricted in the raising of swine for the sale of breeding stock. However, how would such breeding-stock, corporate entities be producing the extra stock to draw in big processing units?

FOR:

A corporate exemption for swine confinement facilities will bring in needed outside captital to develop our state's swine productive capcacity. Many jobs will be created in the local community for construction of new facilities and labor on the farm. Before a 1984 House Judiciary Committee a representative from the Seaboard Company stated interests in building a large swine breeding facility in a joint effort with a British firm. An estimated 35 million dollars would be spent over a developmental time of ten years. Over a hundred people would be employed. KSU graduates would provide good candidates for employment in managmement roles. This would certainly help to keep our well educated graduates in our state.

AGAINST:

True, some new jobs would be created. But these would come at the expense of existing jobs of smaller family farmers.

DeKalb Swine Breeders, Inc. is a wholly owned subsidiary of DeKalb AgResearch, Inc. It's facilities lie in Seward and Meade counties near Plains, Kansas. Roy Poage, president, testified before a House Judiciary Committee in March, 1984 stating that his coporate hog operation produced an estimated 150,000 hogs per year. That corporation was authorized in September, 1973. A comparison between the pig crop numbers reported by Kansas

Crop and Livestock Reporting Service shows that in the late 70's and through the 80's pig crop numbers in Seward and Meade counties have dramatically risen while hog production in the remaining 12 counties withered away. In 1984 the DeKalb hog farm is estimated to have cornered 93% of the pig crop in that two-county area and 68% of the whole southwest region of Kansas. DeKalb's presence has had a striking relationship with the dramatic decline of the rest of the southwest region's pork industry. The table below shows the changes in pig crop numbers mentioned above. (Figures were used from annual reports of the Kansas Crop and Livestock Reportins Service.)

Year	% Pig Crop of SW District in Seward and Meade	Total Pig Crop in SW Dist.
1977	24%	232,000
1978	39%	200,000
1979	51%	222,000
1980	55%	232,000
1981	60%	263,600
1982	69%	229,300
1983	73%	239,100
1984	73%	220,300
1985	78%	234,600

From the above table you can conclude that the total hog numbers in the southwest district remained stable but producers in neighboring counties were squeezed out.

It is true also that a corporation can build a new large swine confinement facility and bring new money into the local community. However that economic stimulus can be very short lived as farmers are displaced and the new construction is completed. Actually local communities will suffer in the longer term. Sociological studies overwhelmingly agree that it is the medium-sized farmer that contributes far more to the health of the local community in terms of economic stimulation, civic involvement and the creation of jobs. Cornelia and Jan Flora conclude in one of their studies "retention of medium-sized farms lead to greater community vitality than the growth of very large farms in the small grain and livestock areas of the western half of the United States."

Dr. Walter Goldschmidt in a classic study of two California towns that were alike in all the causative factors except the scale of surrounding farm operations concluded that by every measure he could devise, the quality of Dinuba (the smaller farming community) was superior to that of Arvin (the larger farming community). Dinuba prospered with a 20% larger population, a higher average income and over twice the number of farmers and independently employed businessmen including white collared workers. Dinuba also had more paved streets, better public services, more parks, twice the number of civic organizations and 77% more separate business establishments. The retail trade in Dinuba was 61% greater and local expenditures for household goods was three times greater than the larger farming community. A follow-up study was performed thirty years later in 1977 and reached similar and more alarming conclusions. The larger farming community had become more dependent on outside funding partly due to an eroded tax base.

The Macrosocial Accounting Project -- Community Information Bank at the University of California at Davis focused its sociological research on 85 diverse towns in the Central Valley region over an eight year period. E. G. Dolber-Smith concludes that there was a strong, statistically significant, negative relationship between the size of agricultural operations and poverty. He writes "the faster farm sizes increase, the faster the rates of poverty increase." Dean MacCannell, also of the University of California at Davis, writes "there is mounting evidence that current policies designed to promote agriculture, insofar as they lead to the expansion of existing operations and greater concentration, in actual practice, also promote the deterioriation of rural community life ... Everyone who has done careful research on farm size, residency of agricultural land owners and social conditions in the rural community finds the same relationship: as farm size and absentee ownership increases, social conditions in the local community deteriorate."

It is estimated that for every six or seven farmers that go out of business, one local business also goes under. Also farm corporations owned by foreign corporations allow earned profits to leave the community to be enjoyed by the absentee owners. The future of such a corporation within the community hangs upon the possibility that a more attractive labor or economic situation can be found elsewhere.

FOR:

The dominant trends are towards larger farms with newer technology, more specialization and more efficiency. It is these larger units that are more efficient and more productive. US Hog Industry, 1981, Arsdall and Nelson from USDA's Economic Research Service, studying the North Central and Southeast regions of the United States, outline some of the following aspects of economy of size for hog producers: Litter sizes were consistently below average on the smallest farms. The large volume-producers achieved superior performance in pig production through higher production per litter and earlier weaning. Larger enterprises used feeds more efficiently. Larger operations have annual sales twice their inventory while smaller producers had sales the same as their inventory. Cooperatives, corporations, and family corporations accounted for less than 5% of all the businesses involved in hog production. Most of the corporations had no business interests other than farming. "The overall economics of increasingly larger and more complex operations that produce hogs will force a higher proportion of production of hogs and pigs under such business organizations in the future." To legislate against such trends would be unwise and counterproductive.

AGAINST:

Large-scale hog operations can achieve some efficiencies due to size. However some of those comparisons look only at a narrow, qualified perspective. For example in the same study, US Hog Industry, there is acknowledgment that in the case of feed efficiency there is as much variation among producers within a certain size group as there is difference between groups. This suggests that individual management irrespective of size is more of a determinant than a larger economy of size. This narrow approach often overlooks the smaller producers hog operation is a smaller part of a larger diversified farm. The changing seasonal work load determines intensity of management given to one single enterprise. So while that diversity may cost some efficiency at certain demanding seasons, the overall diversity lends greater stability to the larger farming operation that constantly must face changing weather, crop and market situations. It is this same diversity and the lower captial nature of hog investment that provides an easier entry level for beginning farmers. Removing the added income generated by hog production for both the beginning and medium-sized farmer can severly weaken the overall diversified approach to their farming operation.

One needs also to mention that not all studies agree on the advantages of large scale hog operations. Hogs living in confinement facilities experience more stress which hinders their rate of weight gain. In a University of Missouri Extension record-keeping program, researchers discovered that it cost large confinement units $1.50 more per hundred weight to produce pork than in small open pasture operations.

It must also be noted that some of the major incentives for large scale farm operations are artifical. Farming has been a lucrative tax shelter investment for high-tax bracket investors that wish to "farm the tax code." Likewise the incentive for incorporation is often not for reasons of efficiency but for tax reasons and limited liabilities. The New York Times reported in 1978 that only 3% of all farms received almost half of the total benefits from tax and credit policies. The 80's ushered in new tax inducements of investment credits and accelerated depreciations. All of this means corporate income would often be taxed at only one third to one half the rate of which the upfront costs were deducted. It comes as little surprise that 27% of United States' farmland is owned by non-farm investors. So the medium-sized farmer may find himself in farming to earn a living while his competitor is less interested in profits in the market place but profits made through the tax system. Thus competition becomes unfair and tilted towards the "progressive trends" of larger operations and fewer farmers.

These "don't buck current trends" arguments also ignore the stability and innovation that a diversified agricultural structure has produced. Many farmers as opposed to just a few insures that more different strategies will be experimented with in dealing with the variables of food production; drought, insects, weeds, crop selection, etc. The greater number of producers guarantees a heathier competition stablizing food prices.

These economies of size also don't take into account environmental costs. A large feedlot has a monumental problem with waste disposal while a smaller farmer welcomes that same waste as a contribution within an integrated soil enhancement program. Waste runoff from a large feedlot may contaminate an underground water reservoir that never gets accounted into the corporation's expenses.

FOR:

HB 2076 will encourage greater hog production and thereby consume more of our Kansas grain. That adds use value to our grain products and raises local grain prices due to the increased demand.

AGAINST:

Medium and small-sized producers have proved they can produce the numbers of hogs needed. So why not distribute the benefits of increased grain prices to the farmer that will contribute more to the local economy. A 1967 study of 190,000 farm families using supervised credit of the FHA showed they grossed $3.2 billion and spent all of it locally. The agency's administrator said before a subcommittee "the managers of largescale corporation farms deal directly with the wholesalers or even the manufacturers of the products they need ... In an area where corporation farms dominate there is no place for the village farm supply dealer, the co-op grain elevator, the small banker. You simply cannot have corporation farms and small business enterprises cheek and jowl. On the other hand, where family farms thrive, small businesses flourish, too."

FOR:

Kansas is a poultry-deficit area. We ship many of our turkeys outside the state for processing. We need entrepreneurs and investors that provide the capital and shove to get this kind of production growth. Kansas would greatly benefit from increased production that would attract more in state processing. The poultry industry is already a very corporately concentrated industry. No chance is available for a medium-sized producer to market his own products. Thereby reducing the entrance for new corporations to enter the current poultry market prevents the contracting farmer from receiving a little more favorable competition for his services.

AGAINST:

There seems to be some legitimacy to this argument. The poultry industry is highly concentrated and vertically integrated. However large poultry corporations already own agricultural land in Kansas. So how will such a proposed change effect the current dynamics of the poultry industry?

SUMMARY:

In 1950 four out of every ten farmers in the country produced and sold hogs or pigs. Nearly all hog enterprises were small and part of a diversified farm business. Inputs were mostly farm produced. Production systems differed little among farms. While total industry output changed little in the last 30 years, the number of producers shifted from over 2 million small and relatively homogeneous units to a fifth of that number with great differences among them in size of enterprise and production practices. Those three and one-half decades of agricultural history prove that the necessary hog supply can be adequately met by either quite small or very large producers. Kansas has gone through a transition of 135,000 farms in 1950 to 70,000 today. That has resulted both from a natural evolution of technology and artifical inducements of tax shelters for non-farmers and legal advantages of incorporation. Sociological studies prove the readily observable. As large farms squeeze out the medium-size farms, rural communities deteriorate and the displaced migrate to the larger urban areas. Often this only increases the social burdens within the urban areas. The debate on the corporate farm law offers a forum on two different models of agriculture - a small and medium-size farm base that has proven to more than meet our food and export needs and a captial-intensive, industrial model that concentrates productive assests within a few individuals often outside the community. A family farm model integrates the ownership, management and labor while the industrial model stratifies those functions. The former provides a "democratization of decision making" while the latter depends on the belief that economic and public decisions can be best made by a few.

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Leo Schwartz

R.R. 2

Washington, Kansas 66968

Gentlemen of the Senate Ag. Committee:

I am Leo Schwartz, farmer and pork producer from Washington, Kansas in Washington County. Our family operates a 200 sow farrow to finish swine operation. Due to the bad economic climate in ag and farmers going out of business, there are fewer people to farm the land. So we are farming in excess of 3500 crop acres.

Hogs have been very profitable through 1986 and into 1987 for the people who produce and finish them. However, our profits had been non-existent the previous four or five years.

Gentlemen, you have been told many things and shown many figures about an industry that most of these people know very little about, The Pork Industry. We as producers do not appreciate lawyers, economic development experts, and some politicians telling us that we don't know what is best for our industry here in Kansas and nationwide.

You have been given figures saying the numbers of hogs are down in Kansas. They have given you only the part of the story they wanted you to see. Numbers are down here and across the United States. For example, from the year 1980 through 1985 these following major pork producing states also showed a decrease in production according to USDA figures.

Iowa	down	10%
Illinois	down	8%
Nebr.	down	9%
Mo.	down	8%
Minn.	down	9%
Ind.	down	9%
Kans.	down	10%

Numbers are down here and across the U.S. because we as producers were producing more than the public could consume and so went our profit. So -- many hog operations and farmers went broke. I do not need to tell you the reason for our higher prices... lower numbers and a government cheap grain policy is producing a substancial profit.

Did you ever realize why these large grain companies want to produce hogs or beef? Cheap grain they own can be converted to more profit for their corporations in New York City or Paris, France. Kansas will usually be the loser to those people.

Sirs, I was told at a Swine Seminar producer meeting, Tuesday to leave the corporate law on swine alone. 90% of the states top producers said NO to opening up the law to anyone or everyone

Wednesday, a livestock group testified for the corporate law. Remember they don't represent the Kansas Pork Producers - only cattle people. They completely ignor us as an organization. I am the immediate past president of the Kansas Pork Producers, so I feel that I am very capable of speaking for the membership and myself as an individual pork producer. We as producers produce for a profit and hopefully will produce to current needs.

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Leo Schwartz

R.R. 2

Washington, Kansas 66968

A month ago, we testified against changing the corporate law as far as the pork producers were concerned. After many weeks it was put to rest for impact studies. Now... here we are again with talk of a one year excemption to allow grandfathered corporations to buy land. Fellows this would be about as unconstitutional as a few other things that have come out of the Capital.

As a pork producer speaking for the KPPC and Kansas Swine Seminar Group, let's kill this talk as far as changing the swine part of the corporate farm law and let us as individuals improve the economic welfare of the State of Kansas.

Mr. Chairman, ladies and gentlemen. I am Don Sailors a pork producer from southeast Kansas. I have a 200 sow farrow to finish operation. I am not in favor of any change which might permitt corporate hog production in Kansas.

We in the Pork Industry are proud to have been in a situation where we could make a profit, on the average over the years. The example of producers ability to self-discipline their production has been profit rewarding. When this ability to controll production numbers through wise business analysis is disregarded by its producers, the results can be disastrous. I see this as one of the main concerns with large corporate hog units. Their main goal is how many head can be produced irregarless of the price received. Reason being is that many of these corporations also own feed processing companies, whose main objective is moving large volumes of feed. Their main source of feed may not even come from within the state which the swine unit is located.

This massive overproduction of pork will certainly have a dowmward effect on the overall price paid to producers. Individuals like myself cannot operate at break even prices for our hogs for long periods of time like these second entity corporations can.

As for the idea of corpations wanting to enlarge their facilities so they can export more breeding stock I also find this counterproductive to our industry. We need to be thinking about exporting pork products to these countries not supplying them with breeding stock so they no longer need our finished product.

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Economic Developement should include social purpose and moral commitment to make this state more livable, not just lived in. I sincerely hope you examine all the econ~~om~~ic repro-cussions that would be caused with the changing of existing Corporate Farm Law.

For these reasons I object to changing the Corporate Farm Law of Kansas.

Thank You,

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Mr. Chairman and members of the Senate Ag. Committee. I'm Victor Krainbill, a farmer from Nemaha County. As a swine producer and a member of the Kansas Pork Producers Council I'm here to speak in opposition of the proposed pork amendment to House Bill 2076.

On February 17, Bill Fuller of Farm Bureau, Steve Lloyd and myself of KPPC met with members of the Economic Development Committee and house leadership to further discuss the implications of House Bill 2076 on the Kansas swine producer. After much discussion we were assured that this bill would not leave committee this year and that an interim study would be completed before further action would be taken.

I have no problem with my ability to compete with the larger hog operations as long as we are playing on a level field. At this point in time there are still conflicting arguments as to whether the playing field is indeed level. Yesterday you heard from a tax expert that only gave you part of the picture. There are many other implications to be considered. I am not a tax expert but I would urge you to look into all the tax advantages available to the ownership of breeding stock by large corporations.

I might also add that I am a member of other farm organizations, KLA included, but I would like to stress to you that the KPPC is the voice of the pork producers of this state and we would like you to strongly consider our views. We feel that a decision of this magnatude should not be made without much further study.

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