

Approved March 21, 1988  
Date

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senator Allen at  
Chairperson

10:08 a.m. ~~p.m.~~ on March 17, 1988 in room 423-S of the Capitol.

All members were present except: Senator Norvell (excused)

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

Conferees appearing before the committee: Rod Bigham, President, Jefferson County  
Delia Biesenthal, hog producer, Wheaton, Kansas  
David Biesenthal, hog producer, Wheaton, Kansas  
Jim Dobbins, hog producer, Goff, Kansas  
LeRoy Bower, President, Kansas NFO, Pittsburg,  
Kansas  
Dan Nagengast, Director Church World Service/Crop,  
Member of Hunger Consortium,  
farmer, Shawnee County  
Ivan Wyatt, Kansas Farmers Union  
Ron Schneider, Kansas Rural Center  
Betty Fenton, Kansas Organic Producers, Topeka,  
Kansas  
Frank McCullum, Fall River, Kansas  
Joe Vogelsberg, Marshall County Pork Producers  
Don Sailors, Erie, Kansas  
Clint Fletcher, hog producer, Galena, Kansas

Senator Allen called the committee to order and called for committee action concerning a Senate Resolution recognizing "Agriculture Day".

Senator Arasmith made a motion the committee request introduction of a resolution in the Senate proclaiming March 18, 1988 as "Agriculture Day". Senator Karr seconded the motion. Motion carried.

The Chairman called on the following to testify as opponents to SB 727.

Rod Bigham gave copies of his testimony and lists of pork producers in Jefferson County who oppose any changes in the Kansas Corporate Farming Law (attachment 1).

Della Biesenthal gave the committee copies of her testimony (attachment 2).

David Biesenthal, gave copies of his testimony to the committee (attachment 3).

Jim Dobbins expressed opposition to SB 727. Mr. Dobbins stated he felt the George O'Day report was faulty and that it should not be used for making decisions. He also stated that the proposed Center of Excellence for Swine has a large sum of money requested for its first year. He questioned what such a center would do. Mr. Dobbins asked why if there is so much grain in Western Kansas are hog producers in Eastern Kansas not sending their hogs to Western Kansas to be finished out.

LeRoy Bower gave the committee copies of his testimony (attachment 4).

Dan Nagengast provided the committee with copies of his testimony (attachment 5).

Ivan Wyatt gave the committee copies of his testimony (attachment 6).

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture,  
room 423-S, Statehouse, at 10:08 a.m./~~p.m.~~ on March 17, 1988

Ron Schneider provided the committee copies of his testimony (attachment 7). Mr. Schneider also stated that he believed the minority report of the Select Committee to be the most accurate and concise report to come from the Select Committee. Mr. Schneider commented that the committee report stated that a Center for Swine Excellence was needed to provide technology to small hog producers but that SB 727 does not limit the use of a Center of Swine Excellence to only small hog producers. He stated that he felt a bill should be written seperately concerning a Center of Excellence for Swine that it should not be included with the corporation issues of SB 727. Mr. Schneider requested the committee study the definition of a "swine confinement facility" as listed in SB 727; the definition does not mention small producer or family producer in the definition and he feels it should. Mr. Schneider suggested the bill should have included the issue of vertical integration with relationship to processors, producers, and swine feed lots. He questioned why in this bill vertical integration is prohibited only for pork; maybe the committee should study and decide if should be prohibited for all live-stock or no livestock at all. Mr. Schneider suggested that line 236 of SB 727 needs more review with the issue of vertical integration in regards to who owns hogs. Mr. Schneider believes the bill needs more study; he believes as it is written that it will be detrimental for small farmers in the state.

Betty Fenton expressed disapproval of SB 727 and requested the committee defeat the bill.

Frank McCullum expressed opposition to SB 727. He stated that a country survives by small farmers not by corporations. He suggested the proposed money for a Swine Center of Excellence be put in an escrow account and the interest therefrom be used for scholarships. Considering the changes proposed, he asked, where does society want this country to go.

Joe Vogelsberg gave the committee copies of his testimony (attachment 8).

Don Sailors explained that he was a pork producer that lives in the Southeast corner of Kansas and that he lives close to the poultry industry in Arkansas. He stated that producers in his area do not want the Kansas small pork producers business to go as the poultry industry has gone in Arkansas. He stated that North Carolina has a Swine Center of Excellence and still their hog production decreases. Mr. Dobbins stated that is not what we want for Kansas.

Clint Fletcher gave the committee copies of his testimony (attachment 9).

The Chairman declared the hearing closed for SB 727 and stated the committee would take action on the bill at the next committee meeting. He adjourned the committee at 11:01 a.m.

GUEST LIST

COMMITTEE: Senate Agriculture

DATE: March 17, 1988

NAME	ADDRESS	ORGANIZATION
Mike Jensen	Manhattan	Ks Pork Producers
Jim Jummel	Topeka	Kansas Grain & Feed Assn.
ALAN STEPHAT	Topeka	Coastal Corp.
Jerry Cost	Whiting	KRC
Byron Patten	Topeka	Tanky Creek <sup>Woodson Co.</sup> Community
Allie Dennis	Topeka	Ks State Bd of Ag
Ray Burns	Topeka	*BOD
Ron Phares	Lawrence	Ks. RURAL CENTER
Kellynda Holmes	Plains	leg.
Louise Dobbin	Goff	Producers
Gayle Stewart	Tecumseh	Farm w/rl - Ks Agri-Women
Betty Fenton	Topeka	Koolhaas Producers
Ron Sudbeck	Seneca	Producers
John Sudbeck	Seneca	Producers
Wayne Pottinghaus	Seneca	Producers
Tyrone McCallum	Fall River	Producers
Don Sailors	Erie, Ks	Producers
John Blythe	Manhattan	KFB
Lloyd Polson	Vernilion	Farmer
Joe Lieber	Topeka	Ks Co-op Council
Duane L. Hoffhaus	Axtell	PRODUCER
Ben W Harris	K2 Walnut	NFO & Pork Prod.
Sam Goodin	Clay Center, Ks	NFO



Ladies and Gentlemen of the committee:

My name is Rod Bigham and I live near Meriden, KS in Jefferson County. I am here representing myself and the Jefferson County Pork Producers as president. I am a graduate of Kansas State with a B.S. in Ag Mechanization, B.S. in Marketing and a minor in Animal Science. I farm 1050 acres, have a 50 sow farrow to finish operation, perform maintenance and construction on 2 rural water districts, am a member of the Jefferson Co. Extension Executive Board and the Board president of the Meriden CO-OP.

First of all, I am glad to see the Committee partially listening to the last pleas of the opponents of the first round of hearings, by eliminating part of the original proposal dealing with the corporate swine issue. I am here to present 135 names on a petition that states: "The undersigned concerned citizens of Kansas Agriculture, oppose any further relaxation of the Kansas Corporate Farming Law." At the last hearing, Fred Larkin of Republic Co. stated that 93% of their members opposed, Kenny Smith of Nemaha Co. had 160 names against plus whatever has come in since then. With this type of opposition, how can this committee still be in favor of loosening the law in regard to swine? Also can all these people be basing their opposition on "fear emotions", inability to face reality and non-basis of facts" as stated by several of the proponents? Hardly!

Our group does not oppose contract feeding of hogs between farmers, however, there is considerable opposition to contract feeding involving large corporations. This follows in step with the results published in the mid-February issue of Farm Journal

(1)

*attachment* 1  
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titled "Will Hogs Follow Poultry's Path?" (Pg 24, 24A-B) and the February issue of Hogs Today titled "Will Contracting Play in Peoria." (Pg 18 - 19). In these articles, producers were polled over a four state area, with an average respondent selling 1754 hogs/year in 1987. 82% of these producers said they would not consider raising hogs for others. Their biggest concern was outside capital and control of the hog production.

The reason for concern were:

46.8% Don't like big business involvement

42.6% Allows too many hogs to be produced and results in lower prices

21.3% Threatens the family farm

13.8% Is not healthy for the long run

John Schultz of Wells, MN states that "hog production is becoming much too commercial, and independent producers are being pushed toward expansion in order to compete." Result of expansion, lower prices. I think this survey would have similar results in Kansas

There are positive points to be considered regarding contracting as stated yesterday, and many of them could help ease the burden of some of the financially strapped farmers. But, we must ask ourselves "How did we get so desperate to begin with?" Mainly due to expansion and oversupply in previous years. Glen Grimes of University of Missouri states "73% of the farmers who were once independent, experienced financial difficulties before becoming contractees." Small lots become a way to retire debt, but the larger operations attracted the large corporations.

Other problems with contracting, Grimes states, are that "some of the contracts do not show enough return to the owner to sustain facilities." I must ask "How is a producer going to get back into hog production, on his own, when his facilities are delapidated?" This is another example of corporate "use up the suckers and run strategy."

Grimes final point, which should be thought about in regard to all producers return, states: "Without contracting, desirable prices would have lasted longer. It would have required investment and construction by producers to realize growth the we've seen recently, but instead, we did it quickly through contracting."

The Swine Excellence Center at K-State is a good idea for all producers of Kansas if certain questions are addressed. Some of these questions are "How will this center be funded?" "What kind of research will be done and to whose benefit?" "Is it going to benefit the small producer more to the corporate producer?" "Will research be done for a corporation if it donates a large sum of money for research specifically geared for a large operation?" "Will we have results like they did in California, when their University developed a machine for picking fruit that displace hundreds of workers?" This was paid for with taxpayers money, but only the large corporations could afford to buy the machine. Will we follow North Carolina, which (correct me if I am wrong) also has a Swine Center of Excellence and corporate farming, but still lost 1/3 of its hog producers in 4 years? Think about these questions ladies and gentlemen, before being led to believe that bigness and research are our great salvation!

Finally, we come to the expansion of existing corporations in Kansas. I have no devastating problems with allowing them to expand to a certain extent. However, what is to keep a Tyson National Farms from acquiring Dekalb or F & R at Junction through a merger of hostile corporate takeover bid and then being able to expand as large a unit as they want, because that corporation is operating in Kansas under another name? Will the loopholes be plugged in this bill before the damage can be done? Remember, CARGILL is also a family corporation.

Lastly, will this bill and Kansas just be used as a stepping stone for future ammendments and expansion, as it is whittled away at year after year as has been done in the previous years? Please ask yourselves these questions. By your voting aqainst this bill you will help to restore the individual producers' confidence in their legislators and in their state organizations.

Thank vou.



SPONSORED BY THE JEFFERSON COUNTY PORK PRODUCERS  
 Rod Bigham- President 913-484-2680

The undersigned concerned citizens of Kansas Agriculture,  
 oppose any further relaxation of the Kansas Corporate  
 Farming Law.

<u>NAME</u>	<u>ADDRESS</u>	<u>OCCUPATION</u>
Elin Domann	Winchester, Ks.	Farmer
Ron Lane	Winchester	Farmer
Ken Noll	Winchester	Farm
Ray Noll	Atchison, Ks	Farm
Rick Wuskas	Notonville Ks	Farm work in town
Daniel Noll	Winchester, Mo	Farmer
Ed Hattemer	Oskaloosa Ks	Factory worker
Jean Domann	Winchester Ks	Farmer
Charles Domann	Winchester Ks	Farmer
Connie Lering	Rt. 1 Cummings, Ks	Farmer
John S. Lering	Rt 1 Cummings, Ks	Farmer
Mary K. Lee	R1 Easton Ks	Farmer
Joe C. Lee	R1 Easton Ks	—
Walter Lee	R1 Easton Ks	—
John Lee	R1 Easton Ks	Farmer
Myrtle Lee	R1 Easton Ks	Farmer
Raymond Copenney	Winchester Ks	Farmer
Richard Copenney	Winchester Ks	Farmer

Eugene W. Kramer Uniontown St 7 Farmer  
 Melvin E. Wagner Sr R.R.#1 Winchester Ks. Farmer  
 Elaine M. Wagner R. R.#1 Winchester Ks. F.F.S.  
 Catherine Jantsch Rt. 1 Box 247 Easton, KS Cath. Church Staff  
 Anthony C. Butel RR3 Atchison, KS Cath. Church Staff  
 Bonnie D. Kramer Rt 1 Winchester, Ks Spec. Ed. Paraprofessionals  
 Tammy D. Nell RR3 Atchison, Ks. Farmwife - postal clerk  
 Frank Schmidt R #1 Winchester  
 Donald A. Schrick RR3 Atchison Farmer  
 Alice A. Homans RR #3 Atchison Ks 66002 R. N  
 Chris Homans RR #3 Atchison Ks 66002 Farmer  
 Jeannette Bishop R-3 Atchison, Ks  
 Mitchell Hatten Osedale, Ks 66066  
 Allen Locklin R1 Mortonville Ks 66060 Farmer  
 Jerome Kramer Box 55 Winchester Ks 66097 FARMER  
 Eugene L. Kramer Easton Ks. 66070 Farmer (Hog)  
 Jessie Homans Atchison Kans 66002 Farmer  
 Danny M. Ritchie RR #1 Cummings k 66002.  
 David Quatus Easton, Ks. 66020 Farmer  
 Spence Quatus Easton, Ks. 66020 " "  
 Robert L. Thompson Easton Ks. 66020 Pottery  
 Tom Miller Winchester, Ks 66097 Farmer  
 #1 Gerald L. Kramer Winchester, Ks 66097 Farmer



SPONSORED BY THE JEFFERSON CO. PORK PRODUCERS  
 ROD BIGHAM PRES 784-2680

THE UNDERSIGNED CONCERNED CITIZENS OF KANSAS  
 AGRICULTURE, OPPOSE ANY FURTHER RELAXATION OF  
 THE KANSAS CORPORATE FARMING LAW.

NAME	ADDRESS	OCCUPATION
August Noll	Winchester, Ks	Farmer & Stockman
Mary Lemke	Atchison, Ks.	Farmer & Stockman
Charles Noll	Nortonville, Kans	Farmer
Chris Weishaar	Nortonville, Ks	College Student
Ronald Weishaar	Nortonville, Ks	Farmer & worker
Harold Schrick	Winchester Ks	Farmer
Wilbur C. Wagner	Easton, Ks	Farmer
Margie Noll	Winchester Kansas	Farmer
Evelyn Noll	RR3 Atchison	House wife
Leo Dale Noll	RR1 Box 63 Winchester Ks	Farmer
Dorothy Noll	Box 144 Winchester Ks	Farm wife
P. Mary Beth Kelly	Meriden, Ks	Rural Minister
Scott Purviskey	Cummings Ks	Farmer
Karin Dugstad	Nortonville, Ks	Farmer
John Stitz	Leavenworth Ks.	Rural Pastor.
Joan Kramer	R-1 Winchester, Ks.	Farm wife
Donna Noll	R#1 Winchester Ks.	Farm wife
Judy Schrick	R#1 Winchester Ks	Farm wife
Virginia L. Schrick	R#1 Winchester, Ks.	Farm Wife
Donald Noll	Rt Winchester Ks	Farmer
Kay Noll	Rt. 1 Winchester, Ks	Teacher & Farmer's Wife
William Kramer	R1 Winchester, Ks	
Paul Lemke	Atchison Ks	Farmer
Farone Fine	Atchison, Ks	
James Thering	Cummings Ks	Farmer
Bernard Noll	Atchison, Kansas	Parttime farmer
Robert Hoff	Atchison Kans	Farmer
Maurice Noel	Cummings Ks	Farmer
David Zule	Easton, Ks.	
Ralph Noll	Winchester Kan	Farmer

SPONSORED BY JEFFERSON CO. PORK PRODUCERS  
 ROD BIGHAM PRES 484-2680

THE UNDERSIGNED CONCERNED CITIZENS OF KANSAS  
 AGRICULTURE, OPPOSE ANY FURTHER RELAXATION OF  
 THE KANSAS CORPORATE FARMING LAW.

NAME	ADDRESS	OCCUPATION
Ed Buttron	Box 186 Nortonville Ks	Farmer
John J. Casinwall	Box 137 B Nortonville Ks	Farmer
Donald Fusk	Box 315 Nortonville Ks	Farmer
Ed. Niemann	Nortonville Kan	Farmer
Lawrence Raichert	Nortonville Kan	Farmer
Larry G. Pruitt	Rt 2 Valley Falls Ks	Raise Hogs
Donald Josh	Valley Falls RR 2	Farmer
Kenneth Niemann	Box 342 Nortonville Ks	Farmer
Robert George	Nortonville, Ks	Farmer
Donald Floyd	Valley Falls Ks	Farmer
Tom Lutz	Nortonville, Ks	Farmer
Pick Wiskhaar	Nortonville Ks	Raise Hogs
Terry L. Verts	Nortonville Ks	Teacher - Farmer
Dyckly	Nortonville Ks	Farmer
Robert Schmitt	Nortonville Ks	Feed Salesman
Tom McLaughlin	Muscott, Kansas Box 36	Farm + Raise Hogs
Dick Coppinger	Winchester, Ks Box 99A	Farm + Raise Hogs
Jim Houghton	Nortonville, Ks Rt 1	Raise Hogs
Evelyn Terring	Ozawie, Ks 66070	Farmer
W. Keim	Nortonville Ks 66060	FARMER-Postal Service
Ron Lape	Winchester, Ks	Farmer
Annex J. Lusot	Effington Ks	Farmer
Allan Wiskhaar	Nortonville Ks	Farmer
Jerry Wiskhaar	Nortonville, Ks	Farmer
Jan Minor	Nortonville, Ks	Farmer
Robert J. Ellerman	Box 17 Nortonville, Ks	Farmer
David J. Apperial	Box 164 Nortonville	Farmer
Mark Penner	Box 13 Nortonville	Farmer

SPONSORED BY JEFFERSON CO. PORK PRODUCERS

ROD BIGHAM PRES 984-2680

THE UNDERSIGNED CONCERNED CITIZENS OF  
KANSAS AGRICULTURE, OPPOSE ANY FURTHER RELAXATION  
OF THE KANSAS CORPORATE FARMING LAW

	NAME	ADDRESS	OCCUPATION
	Danny R. Wpiz	Meriden, K	Farmer
	Billy E. Schultz	Oskaloosa, Kan	Farmer
	Neil Gantz	RR 1	Livestock Farmer
	George Gantz	RR #1	Livestock Farmer
	David Hemme	RR01 Pevy	" "
	Keith Stanwin	R 1 Grantville	" "
7	Pat Schaper	RR 1 Pevy	Farmer
	Paul Gantz	RR 1 Oskaloosa	" "
	Charles Deaf	RR 1 Valley Falls	
	Jenn H. Swank	Rte. 1 Box 346 Meriden	Farmer
11	Warren Swank	Rt. 1 Box 347, Meriden	State Employee & Farmer

Name; Della Biesenthal  
Address: RR1 Wheaton, Ks  
Representing self

I oppose SB 727 because I feel that this is the wrong way to enhance the swine industry of Kansas.

First, the \$600,000 proposed for the Center of Swine Excellency would gain more economic development of offered to the nation's largest pork packer as incentive to locate in Kansas. See attached Article.

In February all producers opposing corporate expansion told the Special committee that if assured of a market outlet and a fair price the hogs would be produced. If these two leading packers were encouraged to established in Kansas the competition the Ark city packing plant needs would be present. IBP if approached would probably welcome this economic incentive considering that they are already circulating rumors of expanding into pork processing at their Emporia location.

The establishment of these two companies would create several more jobs than the Center of Swine Excellency without the additional yearly expense by the state in terms of salaries for state employees. Plus the value-added concept that Sam Brownback preaches would be put into practice.

Secondly, some questions regarding the expansion of our existing swine corporations need to be asked before changing the law.

Like where in the state do they intend to build their new units?

If, it is in the northwest part of the state, is there adequate groundwater to meet their production needs without depleting the watertable below the guidelines established by that area's GMD.

Another question is , From whom will they obtain the funds to build these new units? Will it be from Kansas banks or large eastern banks? The majority of large eastern banks are Japanese controlled, and are active seeking investments in American businesses. If the forecast of the coming recession in the 1990's develops and these corporations could not meet their loan obligations the bank holding their note would gain control of their share of the Kansas swine industry. So, from whom these corporations borrow is an important question in term of future economics.

*attachment 2*  
*3-17-88*

# **N**ews 'n Notes

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## **Two Packers Plan To Beef Up Hog Slaughtering Capacity**

Two national pork packing companies are scurrying to increase their hog slaughtering capacity in the Midwest.

Swift Independent Packing Co. (SIPCO) plans to enlarge three of its existing plants and IBP, inc., continues to search for a place to build in northeast Iowa.

In early February, SIPCO reported it would double the capacity of its Worthington, MN, hog slaughtering and processing plant. The southwest Minnesota facility now slaughters 7,800 hogs a day. A second shift will be added to handle the new workload.

Kenneth Monfort, SIPCO president, said the Worthington project is part of a three-plant expansion program which will also include Swift plants in Marshalltown, IA, and St. Joseph, MO. The expansion will double SIPCO's total hog slaughter from 6 million to 12 million hogs a year.

Monfort added the expansions are dependent on reaching agreements on water and sewage requirements in each location, plus approval from unions and government agencies. He added, "This industry needs more than one strong player at the processing level and we plan to continue to be one of the leaders."

Swift plans to add buying stations to its 55-station fleet.

In Iowa, IBP is still unsure whether its next hog slaughtering plant will be built in Manchester or Waterloo.

In 1987, after announcing the company would built at Manchester, IBP ran into opposition from some of the town's citizens. The firm has not yet been able to obtain a state permit for dumping waste in the area. Now a Waterloo delegation is courting the company. Waterloo is the former home of Rath Packing Co.

Waterloo's mayor has formally invited IBP to build the \$40 million plant there, agreeing to let the plant dump waste into the city's sewage treatment system.

An IBP spokesman could not say when the decision would be made, but

said the company hopes to begin construction April 1. Under that timetable, the plant would be ready to slaughter by late 1989. He added the plant is expected to employ 1,200 to 1,500 people and slaughter 4 million hogs per year, making it one of the largest slaughtering plants in the country. Some additional buying stations will probably be established in northeast Iowa to feed the plant.

The new plant fits IBP's long-term growth program begun in 1982, the spokesman said, adding, "And it's likely this won't be the last pork plant IBP builds." ◇



Name: David Biesenthal Address: RR1 Wheaton, Kansas 66551  
Representing: Self and Family as an individual.

I. Economic Development

- A. Last year corporate hogs were a way to:
  - 1. Support the failing agriculture economy in Kansas.
  - 2. Reduce the large grain supply in Kansas.
- B. This year corporate hogs are seen as an industry saver.
  - 1. Low hog numbers mean a profit not the death of the industry.
  - 2. Error in recording hog numbers because of false information.

II. Risks corporate hogs represent.

- A. Personal in order to meet contract obligations.
  - 1. Financial debt due to rapid expansion.
  - 2. Loss of independence.
  - 3. Loss of heritage.
- B. Environmental do to large concentration of hogs in a small area.
  - 1. pit smells
  - 2. disposal of manure
  - 3. spread of diseases especially pseudorabies

III. Present operation

Farrow to finish on 80 acres.  
Dirt gestation lots plus small older sheds for farrowing.  
Modern confinement building used for finishing, around 500 market/year.  
Breeding herd of 25 sows and 2 boars.  
Feed used in the operation is 90% purchased from area farmers.  
Equipment used older machinery purchased farm auctions.  
Income sufficient enough to support 3 people and remain debt-free.

IV. Suggestions to protect the individual who chooses not to contract.

- A. A guaranteed buying station within a reasonable distance of the present concentration of hogs.
- B. If vertical integration is ever allowed that packers must accept all hogs produced by an individual and pay a fair market price for such hogs; this price should be based on an national average.

attachment 3  
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I am LeRoy Bower, President of the Kansas NFO. I live on a 700 acre diversified grain and livestock operation in Cherokee County Kansas, near Pittsburg.

I am confident to report to you today that progress and growth can take place in agriculture by more careful planning for the future of a broad based agriculture, rather than catering to special interests.

Let me give you some examples:

First of all, as most of you probably know, the state of Nebraska has strengthened their corporate farm law. A few years ago, when they were debating the corporate farm issue in Nebraska, there were several cries that it was a step backwards, that the economy of Nebraska would suffer irreversable damage.

Today, we know that the opposite is true. Nebraska is the only state that is experiencing real growth in cattle feeding numbers and has had no decline in hog numbers. Iowa, too, has had good results from taking a position of strengthening their corporate farm law. Strengthening corporate farm laws seems to be the trend today.

Because of this trend, Kansas NFO, and other farmers I visit with, feel that planning for what is good to the greatest number of people and communities is progress. This progress is a caring for rural communities and farmers, not catering to special interests and pitting community against community, and farmer against farmer.

The state of North Carolina, for example, with little debate on the corporate issue, recently lost 40 per cent of its hog farmers. Swine feedlots owned by large companies like Cargill, Tyson, Carroll Foods and Murphy now account for 40 percent of the hog numbers there.

It is the opinion of the Kansas NFO that the entire economy of Kansas would be more stable if it contained a broad based number of diversified agriculture producers.

The Kansas State University agriculture departments would experience a growth, not a decline, in student numbers because our children would see a future as family farming entrepreneurs.

Ideas like a Swine Center of Excellence for KSU would then benefit more producers and students, not large companies who can already afford to do their own Research and Development. while a center for Excellence sounds like a good idea, wouldn't it in fact be subsidizing the R & D of large corporations, if small hog farmers were forced out of business?

The Kansas NFO strongly approves of the idea of having many small businesses (farmers), rather than having a few large business who hire employees as tenants on farms. Right now, for example, Metropolitan Life Insurance Companies is selling Limited Partnerships in farm land to be purchased in about seven states, Kansas is not included.

*attachment 4*  
*3-17-88*

Met Life plans on hiring a large Farm Management Company to make farming decisions, and in many cases having tenant's, not farmers, on the land. How will your rural suppliers benefit? What about local elevators, or commodity offices.

Our system of free markets and competition works when there are large numbers of buyers and sellers. Small businesses, like small farmers, create more new jobs and vitality in a community and economy.

Our nation was built on a strong cultural foundation of agriculture and families. Kansas probably more so and Kansas probably will not escape it. We should be proud of it and take advantage of it.

When we think of farmer Jefferson's words: "The small landholders are the most precious part of the state," for "they are tied to their country, and wedded to its liberty and interests by the most lasting bonds," we think of positive "work ethic" values that Kansas even today courts potential industry with.

John Naisbett, wrote in the bestseller book, Megatrends, that we have become a service oriented society. He also listed 10 Megatrends of the future. One of those trends was that we are becoming a more decentralized society, meaning that as we become more educated as a society, grassroots information from people is more valid. He also said that top down solutions are out of style.

In concluding here today, let me state as clearly as possible that the current corporate farm law already provides enough loopholes for corporations family or otherwise.

What I pledge to you is that the grass roots constituencies favor strong rural communities. They favor a strong farm corporate law. They favor planning for the state as a whole, not special interest groups. They favor participative planning, not a commissioned study that ends up hopelessly flawed.

Having a group like Kansas Inc. is a good idea, but the results of the study they recently commissioned should be an embarrassment to everyone involved. The study was rushed, underfunded, late, misrepresented our current corporate farm law, and didn't study the positive results of Nebraska or Iowa's law.

When I went to college, if I turned in a paper like that, it failed.

THANK YOU.

LeRoy Bower  
Kansas NFO  
RR#5, Box 529  
Pittsburg, Ks 66762  
316-643-5391

STATEMENT BEFORE SENATOR ALLEN'S COMMITTEE ON BILL #727

THE CORPORATE FARM LAW

BY DANIEL L. NAGENGAST, DIRECTOR OF CHURCH WORLD SERVICE/CROP,  
MEMBER OF THE HUNGER CONSORTIUM

MARCH 17, 1988

Mr. Chairman, Members of the Committee:

My name is Dan Nagengast and I am a member of the Hunger Consortium of Kansas Ecumenical Ministries. The Hunger Consortium is made up of denominational representatives and executives from various development and relief agencies operating in the state. In a joint meeting between the Hunger Consortium and the Interfaith Rural Life Committee, those attending endorsed the Interfaith Resolution on Corporate Farming. I have appended that Resolution and the list of signatories to this statement.

I have a background in farming, having grown up on a wheat farm in Western Nebraska. I have spent much of the last decade working with extremely small farmers in farming areas which we would consider impracticable, if not impossible, namely the Sahel of Western Africa. It was with great interest that I read of the testimony by Mr. George O'Day of Developmental International. When challenged that his proposal would harm individual hog producers, Mr. O'Day responded that much of their international research is for small, subsistence farmers in the third world, and that those poor farmers would "literally kill" to operate within the kind of industrial agriculture structure he was proposing. My questions for him, had I been present, would have probed deeper into his concept of helping the poor. In countries

*attachment 5*

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in which 70 to 90 percent of the population subsist through farming, what does industrialization of agriculture mean? Does it mean urbanization and the need for governments to assist in the creation of jobs for the unlucky majority not provided for in the new agricultural structures? If the governments are unable to provide this "economic development" in the cities, what do people do for a living when agriculture is taken from them? Is there an increase in hunger in those countries, even though there may also be an increase in food production? Is there an increase in homelessness? Is there an eroding of family and traditional values?

Decisions about who gets to feed hogs in third world countries have very far-reaching ramifications. I invite you to consider some of those in the present instance.

My wife and I are presently working towards becoming farmers in Southwest Shawnee County. This summer will be our first production year. Like all eternally optimistic farmers we plan to go to market with what we produce. There we hope to receive cash in return. If we receive enough cash for what we produce, one of us will quit their job and farm, while the other continues to work. If things go better than we expect, both of us may eventually quit our jobs. We will be replaced in our present positions. We will have created one, and maybe two jobs in the State of Kansas. I don't expect to receive any "Eco-Devo" funds for this. I do expect to provide fresh food that is consumed within 100 miles of where it is produced, rather than the 1300 mile average in this country.

What do we need from the State of Kansas? We need policies that will allow us to grow a wide range of crops, and feed many kinds of animals. If we are confronted with huge corporate competitors we will not be able to compete. Our farm will not be able to maintain the diversity necessary for us to have an income from it throughout the year. If we cannot compete with rabbits, with eggs, with chicken, with pork, with milk, with beef, with grain, with organic vegetables because this body has decided that Corporations are the way to go, then we cannot compete at all. What we need from the State of Kansas is encouragement.

Thank you for your time and attention. I appreciate the work that you do and the complexities of the decisions you must make. I submit to you that policies which you propound reach farther than any of us can know.

KANSAS ECUMENICAL MINISTRIES  
INTERFAITH RURAL LIFE COMMITTEE

The Interfaith Rural Life Committee of Kansas Ecumenical Ministries encourages the members of the faith communities of Kansas to join in the public policy discussion of the Kansas Corporate Farm Law.

RESOLUTION

The Interfaith Rural Life Committee affirms that the Kansas Corporate Farm Law should, at a minimum, remain unchanged, or be strengthened to prevent further vertical integration of livestock production.

The Interfaith Rural Life Committee views with alarm and pain the agricultural crisis of the 1980's and the stress it has placed upon family owned and operated farms. It is both appropriate and necessary for Kansas to consider policy that will enhance economic development opportunities for farm families and to revitalize rural Kansas.

Therefore, the Interfaith Rural Life Committee encourages discussion of public policy that:

- 1) Sustains and creates farming opportunities for young, beginning and fore-closed-upon farmers. Policy must be examined to determine whether or not it provides legal, market or tax incentives that favor large agribusiness corporations and absentee ownership of farm land over the rights and accessibility of farm families to economic opportunities. Policies should not discourage and displace farm family owned and operated enterprises.
- 2) Promotes stewardship of the environment and the finite natural resources of God's creation. Concentration of livestock production raises questions about safe waste disposal, access to and use of water, and environmental contamination. These are issues which will affect the quality of life and economic opportunities available to future generations of Kansans.
- 3) Promotes the viability and vitality of community life across Kansas. Locally owned and widely dispersed businesses and farms have been, and continue to be, the foundation of Kansas rural communities. Livestock production concentrated in one area or county often means the loss of production and economic vitality that normally occurs in numerous counties across the State. Kansas communities will be enhanced by economic

development that assists local governments and businesses with ideas to create good paying jobs in locally controlled enterprises that keep their profits and purchasing power within the community.

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The Interfaith Rural Life Committee is a program of nineteen religious bodies in Kansas addressing the difficulties in agriculture during the 1980's. Its statement of purpose is:

The purpose of the Interfaith Rural Life Committee is to empower the people of Kansas to work toward wholeness of community and personhood that values vital rural communities. Within this purpose, the Committee will work to assure:

- a) a stewardship of creation that embodies God's intention for air, land, and water;
- b) a system of justice that will assure sustainable agriculture; and
- c) a continuation of the Biblical and American traditions of individual family land ownership and operation.

INTERFAITH RURAL LIFE COMMITTEE

Post Office Box 713

Hays, KS 67601-0713



RESOLUTION ON CORPORATE FARMING

Del Jacobsen  
Rural Life Worker  
Interfaith Rural Life Committee  
Hays, KS

Heinz Janzen  
Interfaith Rural Life Committee  
Hillsboro, KS

Patrick Cameron  
Inter-faith Ministries  
Wichita, KS

Anabel Bijjani  
State Board Church Women United  
Emporia, KS

Jerry Zanker  
Interfaith Rural Life Committee  
Galva, KS

Jim Munson  
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Joyce D. Jolly  
Interfaith Rural Life Committee  
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M. Russell Jolly  
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Freeport, KS

Jim Godbey  
Interfaith Rural Life Committee  
Mullinville, KS

Bob Chambers  
Concerned Individual  
Newton, KS

Robert J. Kasper  
Hunger Consortium  
Tonganoxie, KS

Raymond Regier  
Interfaith Rural Life Committee  
Moundridge, KS

Madelyn Kubein  
Interfaith Rural Life Committee  
and Church Women United  
Moberly, KS

Jim Henry  
Interfaith Rural Life Committee  
Longford, KS

Dale L. Fooshee  
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Minnie M. Finger  
Interfaith Rural Life Committee  
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Darrell Huddleston, Regional Director  
Heifer Project International

Deborah L. Swank  
Interfaith Rural Life Committee  
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Daniel L. Nagengast, Director  
Church World Service/CROP  
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E. Donald Close  
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Oakley, KS

Malcolm Strom  
Hunger Consortium  
Dwight, KS

Loren Janzen  
Interfaith Rural Life Committee  
Baptist Churches  
Scott City, KS

Delbert Smith  
Hunger Consortium  
Newton, KS

Dorothy G. Berry, Director  
Kansas Ecumenical Ministries  
Topeka, KS

Merrill Broach, Rector  
St. Paul's Episcopal Church  
Clay Center, KS

\*Titles for identification purposes only

on purpose

Resolution on Corporate Farming

- Ed Jacobsen IRLC Hays, KS
- Henry Jansen IRLC Hellsboro, KS
- Patrick T. Cameron HC Inter. Fair Dominion Wichita
- Amabel Bizziani C.W. United - State Board Georgia
- Joey Zanker IRLC Galva, KS
- Jim Johnson ELCA Wichita KS
- George D. Jolly IRLC Presbytery of S. KS Freeport, KS
- M. Russell Jolly 1st Presbyterian Church (IRLC) Freeport, KS
- Jim Halley IRLC Mulholland, K
- Bob Chambers Internt. School Newton Kansas
- Robert J. Kasper, Hunger Consortium Topeka, KS
- Raymond Regier IRLC-Memphis Moundville, KS
- Madelyn Kuleri IRLC also Church Women United - ~~KS~~ McPherson
- John Henry IRLC, Methodist Longford, KS
- Dale F. Foshee WPA United Methodist Church
- Marilee M. Fingers IRLC, KS East Conf., United Meth. Church
- A. David Stewart, IRLC, American Baptist Chs, Manhattan
- Robert M. Fleener United Methodist Minister - chairman Hunger.
- Durrell Huddleston, Regional Director, Heifer Project International
- Edward K. Swank, IRLC United Methodist Church, Cherokee, KS
- David L. Maygood Director Church World Service/CROP Topeka
- Charles W. H.R. Presbyterian Church, USA. Topeka
- George R. Jansen IRLC Northern Kansas Presby. Terling Church, U.S.A. Clay Center
- Alvin J. Jansen IRLC Lutheran Church - Missouri Synod, Oakley
- Margaret Stroy Hunger Consortium Dwight, KS
- Mike Jansen IRLC, American Baptist Church, Scott City
- Robert Smith HUNGER CONSORTIUM NEWTON
- Donna, Ben KEM Topeka KS

Manuel Benitez, Rector, St. Paul's Episcopal Church, Clay Center

STATEMENT  
OF  
IVAN W. WYATT, PRESIDENT  
KANSAS FARMERS UNION  
ON  
SENATE BILL 727  
(CORPORATE HOGS)  
BEFORE  
THE SENATE AGRICULTURE COMMITTEE  
ON  
MARCH 17, 1988

Mr. Chairman, Members of the Committee:

I am Ivan Wyatt, President of the Kansas Farmers Union.

I would be less than candor if I didn't tell you I have approached the Special Committee Report (Senate Bill 727) with less than enthusiasm from the start.

However since that time I have had the opportunity to participate in a town hall type meeting in Clay Center last Monday evening.

What was said from the podium was much less important than what we heard from the people who attended; approximately 60 to 70 pork producers were there. Because of that meeting the validity of Farmers Union's position to oppose this bill was underscored, and I will try to spell out those reasons.

First, I have given you all a copy of the statement that I made before the Special Committee based on the investigation of of corporate contract broiler production in Northwest Arkansas in the late 50's by the Packers and Stockyards Administration.

Gentlemen, I want to tell you that if a similar investigation was held in the corporate contact production of

*attachment 6*  
*3-17-88*

eggs, turkeys, broilers, etc., today I firmly believe we would reach much the same conclusions of results as came from the Economic study of Structure, Practices and Problems carried on by the USDA investigation.

In addition, I also believe some of the results would prove shocking from the consumers aspect.

This is the main reason that we will oppose any change in the Kansas Corporate Farming law as it deals with the production of pork, and there are several more.

1. There has not been any up to date investigation of present corporate contract production and how it might effect the industry and Kansas. I think this has been because the Kansas State Board of Agriculture has approached this issue from a biased point of view. Statements coming from the Clay Center meeting indicate this.

I would encourage this Committee and the House Ag Committee if they want to know what the people think of this issue, to go out into the country and hold similar meetings and listen to the average producer.

2. Much misleading information has been circulated, resulting in newspaper editorials based upon the greatly flawed "O'Day Study" that was paid for with taxpayers monies.

This Committee and the Legislature would be negligent if it passed this legislation without availing itself to further

opinion based on correct information and timely investigation.

3. This question needs to be answered: did the State Board of Agriculture, a state funded regulatory agency, act improperly in taking a biased point of view in advocating and promoting a controversial, political issue before the Kansas Legislature?

An investigation should be forth coming to see if the state agency may have knowingly or unknowingly perpetuated misleading information before the agricultural community.

4. Another question that needs answering: since the production of pork in Kansas has nearly doubled since the mid 50's and has been a very significant factor in Kansas Agriculture, why has the Governor, the State Board of Agriculture indicated they would not support the establishment and funding a "Swine Technology Center" at Kansas State University, until the Kansas Corporate Farming Law is changed?

The overwhelming question has to be, why? Since the pork industry in Kansas operated by its citizens has been a growing industry, why hasn't the Governor, and the State Board of Agriculture supported fulfilling this need without the demand of first changing the Kansas Corporate Farming Law?

Have they advocated a major change in Kansas law because of the lack of adequate accurate information, and the lack of proper investigation of conditions of corporate contracting?

Corporations are not sacred or sinless - I might remind the

Committee of the recent contract scam of Culture Farms Inc., uncovered by the investigation of Attorney General Steffan.

Here we are considering a major change in the structure of Kansas Agriculture, its communities and its citizens.

To conclude, I wish to read the observations of a newspaper writer and author concerning the change in the people and communities of Northwest Arkansas, which resulted from changes in the poultry industry that were similar to the changes advocated in Senate Bill 727 here today.

"One area I always liked to visit (in the 1940's and 50's) was Northwest Arkansas, where many Ozark farmers were going into broiler growing. I thought they were the most interesting, imaginative and, on the whole, the best educated farmers I met. Sometimes they would invite me to stay for dinner and served good fried chicken, as well as stimulating conversation."

"But a change has occurred in recent years. Those families are no longer the same. Many of them have left. Those remaining ordinarily don't invite you to dinner because the wife has gone to work in town, sometimes in a broiler processing plant. The husband can no longer make the living by himself. He has been reduced to working for wages."

Victory Ray

August 2, 1968

Preface, The Corporate Invasion of American  
Agriculture

We are totally opposed to this legislation or any similar legislation without first having the answers to these four questions and several more, and intend to seek further public and information



STATEMENT  
BEFORE  
SPECIAL JOINT COMMITTEE ON CORPORATE FARM LAW

BY  
IVAN W. WYATT, PRESIDENT

KANSAS FARMERS UNION

FEBRUARY 18, 1988

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I AM IVAN WYATT, PRESIDENT OF THE KANSAS FARMERS UNION.

WHEN THIS DEBATE BEGAN ON CHANGING KANSAS' CORPORATE FARMING LAW, THE PURPOSE OF THE PROPOSED CHANGE WAS SUPPOSED TO HAVE BEEN AN EFFORT TO HELP THE ISOLATED PROBLEM OF DEKALB SWINE BREEDERS. THEN IT BECAME EVIDENT THE INTENT WAS MORE. PROPONENTS OF CHANGE WANTED TO ALLOW THE CORPORATE FEEDING OF HOGS PATTERNED AFTER THE CORPORATE FEEDING OF CATTLE. HOWEVER, THIS BECAME A WEAK ARGUMENT FOR CHANGING THE PRESENT LAW, SINCE KANSAS' CORPORATE FARMING LAW ALLOWS THE CORPORATE FEEDING OF LIVESTOCK INCLUDING HOGS.

IT IS NOW APPARENT THAT THE REAL THRUST OF THOSE WANTING TO CHANGE KANSAS' CORPORATE FARM LAW IS TO OPEN UP KANSAS PORK PRODUCTION TO EXPLOITATION BY CORPORATE VERTICAL-INTEGRATION AND CONTRACT PRODUCTION.

ONE MIGHT WONDER WHY THE PROMOTERS OF CHANGING KANSAS' CORPORATE FARMING LAW HAVE BEEN RELUCTANT TO BE OPEN AND ABOVE BOARD ABOUT THEIR INTENT. I WILL DEAL WITH THIS A LITTLE LATER.

HOWEVER, MR. O'DAY IN HIS STUDY MADE THE INTENT CLEAR. MR. O'DAY SAID THE POULTRY INDUSTRY'S CONTINUING ADVANTAGES WAS DIRECT CONTROL BY A SMALL NUMBER OF DECISION MAKERS. MR. O'DAY SAID, THE FUTURE FOR SMALL-SCALE PORK PRODUCERS MAY BE TIED TO CONTRACTING WITH CORPORATIONS MUCH THE SAME AS IN THE INTEGRATED BROILER INDUSTRY.

*attachment 6  
3-17-88 (continued)*

SINCE MANY OF THOSE CORPORATIONS WISHING TO INTEGRATE PORK PRODUCTION ARE THE SAME THAT INTEGRATED THE PRODUCTION OF BROILERS IN THE 50'S AND 60'S. SO WHAT IS THEIR PAST RECORD? HERE WE FIND THE REASON FOR THE PROPONENTS NOT BEING OPEN AND ABOVE BOARD IN THEIR INTENT.

PORK PRODUCTION TODAY IS AT APPROXIMATELY THE SAME STAGE AS BROILER PRODUCTION WAS BACK THEN.

INDIVIDUAL FARMERS ARE EXPANDING THE PRODUCTION OF PORK FROM A SIDELINE OPERATION OF THE FARM, TO A MAJOR PART OF THEIR OVER-ALL FARMING OPERATION. IT IS BECOMING LESS AND LESS AN IN AND OUT SITUATION. PORK PRODUCTION TO THESE FARMERS IS BECOMING A LONG TERM COMMITMENT.

THIS IS EVIDENCED IN FACT, DESPITE WHAT THE OPPONENTS SAY. KANSAS PORK PRODUCTION FIGURES REFLECT THAT GROWING LONG-TERM COMMITMENT AS PORK PRODUCTION IN KANSAS HAS NEARLY DOUBLED SINCE THE MID 50'S, WITH SHORT TERM ADJUSTMENTS BEING MADE TO ACCOMMODATE SUPPLY AND DEMAND.

IN THE LATE 50'S AND EARLY 60'S, THE PRODUCTION OF BROILERS BEGAN ITS EVOLUTIONARY CHANGE AS INDIVIDUAL FARMERS BEGAN TO MAKE IT A MAJOR PART OF THEIR FARMING OPERATION. THERE WERE THOUSANDS OF INDEPENDENT PRODUCERS OF BROILERS. THERE WERE HUNDREDS OF FIRMS SLAUGHTERING POULTRY. THERE WAS AN OPEN COMPETITIVE MARKET AVAILABLE TO THE PRODUCERS. PRICES WERE DISCOVERED AND ESTABLISHED IN THE MARKET PLACE.

THE GREAT AMERICAN PROMISE WAS WORKING. PRIVATE ENTERPRISE WAS ALIVE AND WELL. THE PRIVATE ENTREPRENEUR THROUGH AMBITION AND HARD WORK COULD PULL HIMSELF UP BY HIS BOOT STRAPS IN THE FREE MARKET. THIS WAS AMERICA AT ITS BEST.

BUT SOMETHING HAPPENED? THERE IS ANOTHER SIDE TO THE O'DAY STUDY.

I WOULD NOT EXPECT THE BASS BROTHERS OR THE DREYFUSES, OR THE CARGILLS TO LOOK AT THE OTHER SIDE, BUT I WOULD EXPECT THE PEOPLE IN KANSAS, SERVING KANSAS, TO LOOK AT BOTH SIDES AND THE RAMIFICATIONS OF THE CHANGES THEY PROPOSE.

THE STORY REVEALED IS "AN ECONOMIC STUDY OF STRUCTURE, PRACTICES AND PROBLEMS OF THE BROILER INDUSTRY," BY THE PACKERS AND STOCKYARDS ADMINISTRATION OF THE U.S. DEPARTMENT OF AGRICULTURE.

THE STUDY REVEALS WHY TODAY THERE IS ONLY A HANDFUL OF FIRMS CONTROLLING THE PRODUCTION AND PRICE OF BROILERS. WHY TODAY THERE IS NO OPEN MARKET FOR BROILERS.... WHY TODAY THERE IS NO PUBLIC PRICE DISCOVERY FOR BROILERS..... WHY TODAY ALL COMMERCIAL BROILER PRODUCTION IS PRODUCED BY CONTRACT GROWERS OF INTEGRATED BROILER FIRMS!

THE STUDY COVERED 33 BROILER FIRMS IN A THREE STATE AREA. AT THAT TIME THESE FIRMS ACCOUNTED FOR 30% OF THE BROILERS SLAUGHTERED UNDER FEDERAL INSPECTION IN THE UNITED STATES.

IN A 10 YEAR PERIOD, THE NUMBER OF BROILER FARMS DECLINED BY ONE-THIRD. IN A FOUR YEAR PERIOD, THE NUMBER OF FIRMS SLAUGHTERING BROILERS DECLINED BY NEARLY ONE-THIRD.

IN THE PACKERS AND STOCKYARD ADMINISTRATION INVESTIGATION, THE STUDY FOUND THAT IN A 5 YEAR PERIOD 64% OF THE ADDED INVESTMENT IN POULTRY RELATED FACILITIES BY FOUR LARGE DIVERSIFIED COMPANIES WAS MADE BY ACQUISITION.

FIRMS AUDITED IN THIS INVESTIGATION INCLUDED 20 DIVISIONS OF MAJOR MEAT PACKERS AND OTHER NATIONAL CONCERNS, 21 LOCALLY CONTROLLED FIRMS, AND TWO COOPERATIVES.

NATIONAL FEED COMPANIES WERE USUALLY FULLY INTEGRATED.

INTEGRATED FIRMS OBTAINED NO BIRDS FROM INDEPENDENT PRODUCERS WITHOUT CONTRACTS.

INVESTIGATORS FOUND THAT SOME CONTRACTORS CHARGED FEED TO

BROILER PRODUCERS AT "PUFFED" (INFLATED) PRICES. SUCH PAPER LOSSES THEY CONCLUDED, WORKED AGAINST THE GROWERS AS THEY BARGAIN FOR NEW CONTRACTS.

THEY FOUND THE PROBLEM WITH CONTRACTING WAS THE WEAK BARGAINING POSITION OF THE GROWER, AND NO MARKET FOR LIVE BIRDS AT THE GROWER LEVEL. THE GROWER NO LONGER HAD THE OPTION TO CHOOSE BETWEEN PRODUCTION FOR SALE IN AN OPEN MARKET OR PRODUCTION UNDER CONTRACT.

THE REAL ISSUE HERE TODAY IS FUTURE MARKET ACCESS TO THE INDEPENDENT PRODUCER.

IN THE EARLY 50'S, A FARMER IN THE STUDIED AREA COULD DIVERSIFY BY GROWING BROILERS FOR THE OPEN MARKET. TODAY THE OPEN MARKET PROVIDES THE KANSAS FARMER WITH THE OPPORTUNITY TO EXPAND OR DIVERSIFY THE FARROWING AND FEEDING OF HOGS. THAT OPTION IS NO LONGER AVAILABLE TO THE BROILER PRODUCER. WHY?

THE EMERGENCE OF THE INTEGRATED STRUCTURE OF THE BROILER INDUSTRY BROUGHT WITH IT THE DEMISE OF THE SMALLER INDEPENDENT FIRMS THAT PROCESSED BROILERS. THE TYPICAL FIRM TODAY IN THE BROILER INDUSTRY IS THE VERTICALLY INTEGRATED FIRM.

EARLY IN 1963, THE U.S. DEPARTMENT OF AGRICULTURE RECEIVED COMPLAINTS FROM BROILER PRODUCERS OF UNFAIR PRACTICES, SUCH AS PRICE FIXING, PRICE DISCRIMINATION, UNFAIR ECONOMIC PRESSURES, REPRISALS, BOYCOTTING AND FAILURE TO ACCOUNT ACCURATELY TO THE CONTRACT PRODUCERS.

AS A RESULT OF THE INVESTIGATION OF THESE COMPLAINTS, THE PACKERS AND STOCKYARDS ADMINISTRATION ISSUED A COMPLAINT AGAINST ARKANSAS VALLEY INDUSTRIES, RALSTON PURINA AND TYSON FOODS.

THESE ARE SOME OF THE SAME FIRMS WHO TODAY ARE BECOMING INVOLVED IN THE CORPORATE VERTICALLY INTEGRATED CONTRACT PRODUCTION OF PORK.

THE COMPLAINT ISSUED BY THE PACKERS AND STOCKYARDS

ADMINISTRATION ALLEGED THE RESPONDENTS (P-S DOCKET 3497) "ACTING IN COMBINATION AND INDIVIDUALLY DID BOYCOTT, BLACKLIST AND REFRAIN FROM ENTERING INTO, OR CONTINUING GROWER CONTRACTS OR AGREEMENTS WITH CERTAIN GROWERS, KNOWN OR SUSPECTED OF BEING ACTIVE MEMBERS OF AN ASSOCIATION ORGANIZED BY AND TO FURTHER THE MUTUAL INTEREST OF BROILER GROWERS".

THOSE GROWERS INVOLVED IN MARKETING CO-OPS WERE ALSO BLACKLISTED.

THE COMPLAINT CONCLUDED THAT THE PACKERS AND STOCKYARDS ADMINISTRATION, "HAS REASON TO BELIEVE THE ACT WAS VIOLATED."

LATER A FEDERAL COURT WAS TO ISSUE A CEASE AND DESIST ORDER AGAINST THOSE FIRMS. THOSE FIRMS APPEALED THE COURT RULING.

AFTER SOME 7 YEARS OF LITIGATION, THOSE FIRMS WERE FOUND GUILTY.

HOWEVER, AFTER 7 YEARS OF CONTINUED BOYCOTTING AND BLACKLISTING, THE INDEPENDENT PRODUCERS HAD BEEN EITHER DRIVEN OUT OF PRODUCTION OR INTO BANKRUPTCY, AND HAD LOST THEIR FARM.

TODAY, IN OTHER STATES, CONTRACT PORK PRODUCERS ARE LOSING THEIR FARMS.

IT WAS STATED EARLIER IN THIS COMMITTEE THAT CORPORATIONS SHOULD NOT BE RESTRICTED. IT WAS STATED THAT BIG CORPORATIONS SHOULD BE ALLOWED TO DO WHAT THEY DO BEST. THAT'S THE AMERICAN WAY!

HOWEVER, IN THE COURSE OF THE PACKERS AND STOCKYARDS ADMINISTRATION INVESTIGATIONS, SEVERAL THINGS WERE DISCOVERED:

1. FARMERS WHO WERE IN A POSITION TO FINANCE THEIR OWN BROILER GROWING OPERATIONS FOUND THERE WAS NO LONGER A LIVE MARKET AVAILABLE.

2. GROWERS EXPRESSED CONCERN ABOUT THEIR ABILITY TO SWITCH FIRMS. GROWERS WERE RELUCTANT TO NEGOTIATE FREELY AND OPENLY WITH OTHER FIRMS, BECAUSE IF THEIR CONTRACTOR FOUND OUT AND DISAPPROVED,

HE MIGHT CUT THEM OFF.

3. GROWERS FELT RELUCTANT TO COMPLAIN ABOUT WHAT THEY CONSIDERED TO BE UNFAIR OR OFFENSIVE TRADE PRACTICES CARRIED ON BY THEIR CONTRACTOR BECAUSE HE MIGHT BE LABELLED A "PROBLEM PRODUCER".

4. GROWERS COMPLAINED EVEN IN PERIODS OF OVER-PRODUCTION INTEGRATORS CONTINUALLY ENCOURAGED OTHER FARMERS IN THE AREA TO BUILD NEW FACILITIES AND TO ENTER INTO CONTRACT PRODUCTION.

5. SOME GROWERS WERE NOT PERMITTED TO READ OR EXAMINE CONTRACTS BEFORE SIGNING, AND WERE NOT ALLOWED TO RETAIN A COPY OF THE CONTRACT.

6. OTHER GROWERS STATED THERE WAS "PUFFING", OR THE MARKING UP OF PRICES FOR FEED AND OTHER COSTS INVOLVED IN THE PRODUCTION OF BROILERS, TO REDUCE GROWER PRESSURE FOR HIGHER CONTRACTS.

7. GROWERS STATED THAT ONE CONTRACTOR FORCED THEM TO GROW ONE FLOCK OF BROILERS AT ONE-HALF THE PAYMENT CALLED FOR IN THE CONTRACT. OTHERWISE, THE FIRM WOULD NOT RENEW THEIR CONTRACT IF THEY REFUSED.

8. MANY GROWERS WERE FEARFUL THEY WOULD LOSE THEIR CONTRACTS IF THEIR INTEGRATORS FOUND OUT THEY HAD TALKED TO THE P.& S. INVESTIGATORS.

9. GROWERS WITH ONE LARGE FIRM SAID THEY HAD TO CHANGE EQUIPMENT THEY ALREADY OWNED AND CONSIDERED ADEQUATE AND REPLACE IT WITH EQUIPMENT FROM THE INTEGRATORS, AT "PUFFED" PRICES.

10. GROWERS FOR ONE INTEGRATED COMPANY COMPLAINED THEY WERE FORCED TO BUY SUPPLIES FOR OTHER FARM ENTERPRISES FROM THE CONTRACTORS, IF THEY WANTED TO CONTINUE TO GROW BROILERS FOR THE FIRM.

THIS IS A PARTIAL LIST OF THE COMPLAINTS ABOUT WHAT THOSE CORPORATE FIRMS APPARENTLY THOUGHT WAS THE "AMERICAN WAY" TO DO AS THEY WISHED.

IS THE SO-CALLED "CORPORATE EFFICIENCY" A MYTH?

IF THESE CORPORATIONS WERE SO EFFICIENT, WHY WERE THEY CHARGED AND FOUND GUILTY OF "UNFAIR TRADE PRACTICES"?

JUST BECAUSE SOMEONE SAYS THE FARMER-FEEDER IS INEFFICIENT DOESN'T MAKE IT SO.

ONCE A FEW CORPORATIONS CONTROL THE MARKET WITH NO COMPETITION, WHERE IS THE MEASURE OF EFFICIENCY?

TO REPEAT; MR. O'DAY IN HIS STUDY CONCLUDED, "THE POULTRY INDUSTRY'S CONTINUING ADVANTAGE WAS DIRECT CONTROL BY A SMALL NUMBER OF DECISION MAKERS." MR O'DAY SAID, "THE FUTURE FOR SMALL-SCALE PORK PRODUCERS MAY BE TIED TO CONTRACTING WITH CORPORATIONS MUCH THE SAME AS IN THE INTEGRATED BROILER INDUSTRY."

WOULD MR. O'DAY HAVE MADE THE SAME RECOMMENDATION IF HE HAD READ THE "ECONOMIC STUDY OF STRUCTURE, PRACTICES, AND PROBLEMS OF THE BROILER INDUSTRY"?

IS THIS THE FUTURE HE WOULD ADVOCATE FOR THE FUTURE OF KANSAS PORK PRODUCERS?

IS THIS THE FUTURE THE ADVOCATES OF CHANGING KANSAS' CORPORATE FARM LAW WANT FOR KANSAS PORK PRODUCERS?

AS WE HAVE SEEN ONE COMMUNITY PITTED AGAINST ANOTHER IN INDUSTRIAL DEVELOPMENT, WE ARE SEEING THE PROPONENTS OF CHANGING KANSAS' CORPORATE FARMING LAW ATTEMPTING TO PIT ONE STATE AGAINST ANOTHER. THEY TELL US WE HAVE TO GRAB THIS OPPORTUNITY BEFORE SOME OTHER STATE DOES. IT SOUNDS LIKE A CON JOB TO ME.

THERE IS A DIFFERENCE BETWEEN ECONOMIC DEVELOPMENT, AND ECONOMIC EXPLOITATION.

HOW MUCH GOOD WILL WE HAVE DONE FOR KANSAS IF WE ALLOW THE DREYFUSES, THE CARGILLS, THE CONTINENTALS, OR BASS BROTHERS TO EXPLOIT KANSAS HOG FARMERS OVER THE NEXT 10 YEARS SO THEY CAN CARRY THE PROFITS OFF TO MINNEAPOLIS, TEXAS OR FRANCE.

IT MAKES MUCH MORE SENSE IF WE ARE TRULY CONCERNED ABOUT THE WELL BEING OF THE STATE, ITS FARMERS AND ITS CITIZENS, FOR THE STATE TO USE SOME OF ITS ECONOMIC DEVELOPMENT RESOURCES TO POOL THE EFFORTS AND RESOURCES ON A REGIONAL BASIS, TO ENHANCE, MAINTAIN AND GUARANTEE MARKET ACCESS FOR ITS INDEPENDENT PRODUCERS OF PORK.

THIS ATTEMPT MAKES MORE SENSE, THAN SIMPLY LETTING "CORPORATE GEORGE" OR "PIERRE" DO IT THEIR WAY, FOR THEIR BENEFIT INSTEAD OF THE WELL BEING OF KANSAS AND ITS PORK PRODUCERS.

# # #

*"One area I always liked to visit (in the 1940's and 50's) was Northwest Arkansas, where many Ozark farmers were going into broiler growing. I thought they were the most interesting, imaginative and, on the whole, the best educated farmers I met. Sometimes they would invite me to stay for dinner and served good fried chicken, as well as stimulating conversation.*

*"But a change has occurred in recent years. Those families are no longer the same. Many of them have left. Those remaining ordinarily don't invite you to dinner because the wife has gone to work in town, sometimes in a broiler processing plant. The husband can no longer make the living by himself. He has been reduced to working for wages."*

Victor Ray  
August 2, 1968  
Preface, *The Corporate Invasion of American Agriculture*



# THE KANSAS RURAL CENTER, INC.

304 Pratt Street

WHITING, KANSAS 66552

Phone: (913) 873-3431

## TESTIMONY IN OPPOSITION TO S.B. NO. 727

Chairman Allen, and members of the committee. I am Ronald Schneider speaking on behalf of the Kansas Rural Center. We oppose S.B. 727 and any other legislative attempt to enlarge and promote large corporate farming in the State of Kansas.

I have recently testified before the Select Committee on Corporate Farming, and I submit the written testimony and information presented to that committee. Our research on this subject confirms that expansion of corporate farming is bad legislation. The vast majority of data and studies show that opening up corporate farm laws is detrimental to existing farmers, rural communities, and the citizens of Kansas in general.

I urge you to read and evaluate all information on the subject, and specifically, study the information that we are submitting to you. This research yields the following conclusions:

1. Large scale vertical integration and packer concentration depresses livestock processes and hurts existing farmers.
2. Packers who own feedlots can directly control local cash prices at their discretion.
3. Large corporations have significant tax benefits.
4. Large farm related operations gain substantial discounts on bulk purchases.
5. States with strong corporate farm legislation have maintained more hog production among small to medium producers than those states without corporate limitations.
6. Large corporate farming operations are detrimental to the social and economic conditions of the local community.
7. Large corporate farming activities generally adversely impact small, family farms.

The Majority Report prepared by the Select Committee makes numerous recommendations. We believe that the Minority Report is more accurate, and we support the conclusions made by those members of the committee. The Minority Report states:

We object to the report of the majority in that it says that an extensive review of the Development International

*attachment 7*  
*3-17-88*

Report was conducted. We suggest that the review was not extensive and that if the Committee had really been sincere about the study, it would have insisted that Kansas, Inc., critique as initially agreed. Failure to do so raises questions about the validity of the study.

We also believe that this study is fatally flawed; it is poor research which this state has foolishly funded. We agree with the criticisms noted in the Minority Report, and have found numerous other research errors, mistakes, and omissions.

This bill does not address the serious issue of vertical integration. In fact, hog production and processing is expanded for existing corporations. They are given a blank check for vertical integration in pork. Both the Board of Agriculture and the KPPC have recommended legislation that would prevent vertical integration in pork; yet, this bill ignores these recommendations. An endorsement of this bill, as currently drafted, ignores the official statements of the organizations which claim to be among the major proponents of this legislation. These inconsistencies raise serious questions which must be answered to all farmers and voters in Kansas.

Senate Bill 727 is special interest legislation; to label it anything else is misrepresentation. This legislation is an attempt to assist major multi-national corporations at the potential demise of small to medium size farmers in Kansas. In exchange, the bill offers a center for swine technology which is to assist the swine industry. However, there is nothing in this legislation which limits the benefits of this center to Kansas family farmers, and small processors. We suggest that if current trends continue, this center will be another free service offered to large producers under the auspices of "economic development". Instead, the 3/4 of a million dollars should be allocated for programs which will directly help family farmers and rural communities develop locally based processing and marketing businesses.

In summary, S.B. 727 is another attempt to water down the Kansas Corporate Farming Law. We now have at least 20 "exceptions" to corporate farming in Kansas; this bill proposes number 21. In reality, the law has been eaten away by the greed of agribusiness to produce nothing but a skeleton. The Corporate Farming Law is in jeopardy as it stands today. We believe that this bill will further erode the restrictions which may limit corporate dominance in agriculture.

If this legislature prefers a state with fewer farmers, dwindling rural communities, and increased social and economic problems in small towns, then we suggest that you continue to allow large corporations to expand their dominance in agriculture. On the other hand, you have an opportunity to take a stand, and to promote pork production and agriculture among small to medium size producers in Kansas; and in turn, promote a long term, sensible economic development program. The latter approach requires the defeat of S.B. 727.

# THE KANSAS RURAL CENTER, INC.

304 Pratt Street

WHITING, KANSAS 66552

Phone: (913) 873-3431

## Testimony on Corporate Farm Law

The Kansas Rural Center is a private, non-profit organization which has provided research and public education on agricultural and natural resource policy issues for the past eight years. As an advocate for the family farm system of agriculture, we are vitally interested in economic development issues and strategies which attempt to improve the rural economy. After research on corporate farming which we will try to summarize before you today, we have concluded that opening up our corporate farm law will not bring about the type of economic development that is in the best interests of existing farmers, rural communities, and Kansas.

The best model for agricultural development in Kansas is to develop public policies that strengthen a broadly-owned base that encourages diversification in both grain and livestock production among individual farms. Sociological evidence recommends that the vitality of communities is best enhanced by maintaining a broad base of medium-sized farms. (See page 4.) As farm size grows, farm operators bypass local businesses to purchase directly from wholesalers. Main street businesses falter and eventually farmers lose services that they had come to expect. Profits leave local communities to distant corporate stockholders and headquarters. Quality of jobs decrease as we move away from a family farm system to a corporate structure that separates ownership, management and labor.

Kansas responded to the economic hardships and the farmer exodus during thirties by instituting the first corporate farm law in the nation. That law then, as is true today, can serve the general public good by protecting our traditional family farm system, against some of the unfair competitive advantages of large agricultural corporations. These advantages

permit corporations to undermine competition in the marketplace and the quality and reliability of our food source.

Even after the federal tax reform of 1986, our tax structure gives distinct advantages and incentives to corporate expansion. (See page 5.) Large operations can use bulk purchasing advantages over other producers. (See page 6.) Both of these advantages can work to squeeze out currently efficient producers who can not fully utilize these tax advantages. Local businesses and services suffer as they are displaced by wholesalers and regional trade centers. As the farm population leaves; soon the business community shrinks followed by cut backs in social, health, and educational services.

The largest advantage of agribusinesses is to use the market leverage of vertical integration to drive down farm prices. A USDA study shows that packers that own feedlots can depress local cash prices significantly. (See page 7.) IBP has recently indicated interest in raising their own slaughter cattle. (See Des Moines Register article, page 8.) The concentration of meatpackers in the United States significantly lowers livestock prices. (See page 9.) This large scale vertical integration and packer concentration eventually works to undermine the survival of existing farmers as prices are depressed.

Before relaxing our corporate farm law, Kansas should consider how other midwestern states have used their corporate farm laws to benefit their livestock industries and producers. Nebraska in 1982 passed one of the nation's toughest corporate farm laws. Nebraska is the only major hog producing state in the nation that has not had a decline in hog numbers this decade. (See page 10.) Eight states in the early eighties had major

corporate restrictions according to the USDA. (See map page 11.) Comparing those states with North Carolina, which does not have a corporate farm law, we find the states with corporate restrictions have maintained their hog production more among the medium-size producers while North Carolina has the greatest growth in the largest feedlots and the largest loss of hog producers. (See page 12.) Note also that Iowa, who produces one-fourth of the nation's hogs, relies proportionately more on the medium-sized producers than does Kansas. Obviously having a dominance of large feedlot production is not necessary to be a leader in hog production.

In summary, continuing a broad base of family farm entrepreneurs is the best economic development model for our communities and our state. At the very least Kansas must not relax our law to entice corporate hog production into Kansas. Instead we need to expand our agricultural corporate reporting requirements to be sure that existing corporations are in compliance with current law. The Iowa law can serve as a good model. Kansas should prohibit the vertical integration of large corporations in the livestock industry.

Finally, the corporate farm law should be dealt with in an comprehensive way rather than in a piecemeal approach that often pits one farm interest against another. Since our food system is important to every Kansan and this issue is difficult to resolve in the legislature, we recommend that this issue be brought before a public vote through a constitutional amendment.

Thank you for your attention.

## SOCIOLOGICAL IMPACTS OF LARGE FARMS ON BUSINESS AND RURAL COMMUNITIES

"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." Emerging Technologies, Farm Size, Public Policy and Rural Communities: The Great Plains and the West, Cornelia Butler Fora and Jan Flora, KSU, 1985.

"The faster farm sizes increase, the faster the rates of poverty increase." ... "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 deterioration 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." Sociologists E. G. Dolber-Smith and Dean MacCannell. Both worked on the Macrosocial Accounting Project -- Community Information Bank at the University of California at Davis which researched 85 diverse towns in the Central Valley region over an eight year period.

It is estimated that for every six or seven farmers that go out of business, one local business also goes under. Larry Swanson, a Nebraska demographer, studied 27 remote counties between 1950-1980 and estimated that every 10% loss in farm population resulted in 15% loss in retail businesses, school enrollment and labor supply.

"The economies of rural communities are generally centered around the agricultural sector. There can be little doubt that the vitality of these communities has been adversely affected by the growth in farm size and the corresponding decline in their numbers. One reason for this assertion is that declining farm numbers tend to erode the population base of rural counties. Another factor is that larger farmers are more apt to bypass local service facilities and implement dealerships, preferring instead to purchase supplies at larger, regional trade centers or to deal directly with wholesalers." (Kansas Business Review, Sexton and Cita, Summer 1982.)

"By every measure I could devise, the quality of life in Dinuba (small farm community) was superior to that of Arvin (large farm community) ... There is no doubt that the dominance of large-scale agribusiness was the cause of these vast and important differences between two the towns about 100 miles apart and engaging in the same kind of agricultural production." Dr. Walter Goldschmidt testifying before a Senate Judiciary subcommittee in 1979 on his 1944 California classical study on the sociological impact of farm size on rural communities.

"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." 1967 FmHA study of 190,000 farm families using supervised credit.

WHEN IS A BUILDING NOT A BUILDING?

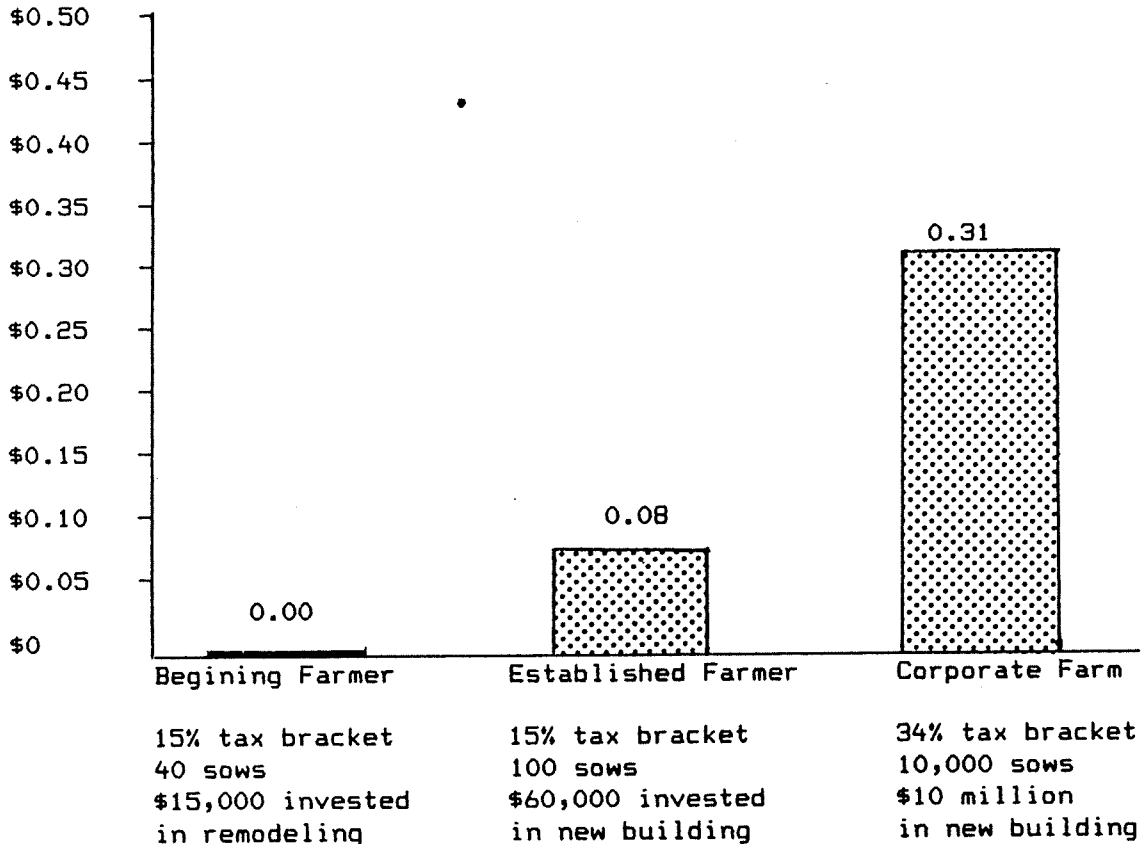
Livestock, dairy and poultry buildings are defined as equipment for tax purposes, qualifying them for unrealistically rapid depreciation. Current law allows for a seven year depreciation schedule; 15 years would be more realistic. Speeding up the writeoff is worth the interest value of having the tax savings in just seven years instead of 15.

The benefit is greater the higher the tax bracket and the more money invested in facilities (capital) to replace labor. Consequently, it gives an advantage to corporate operations over family farms (see below). It encourages more building and more production, which cause lower hog prices.

Most family farmers lose more in price than they gain in tax benefits. For example, National Farms' 300,000 hog operation proposed for South Dakota would lower hog prices by about 25 cents per cwt, three times more than the established farmer below gains from the tax break. The beginning farmer gets no tax benefit because his income is insufficient to use the writeoff in just seven years, yet he must suffer the lower price.

VALUE OF ACCELERATING DEPRECIATION ON HOG BUILDINGS

HOG PRICE INCREASE OF  
EQUAL VALUE TO TAX BREAK



Information provided by Center For Rural Affairs, Walthill, Nebraska, 1987.

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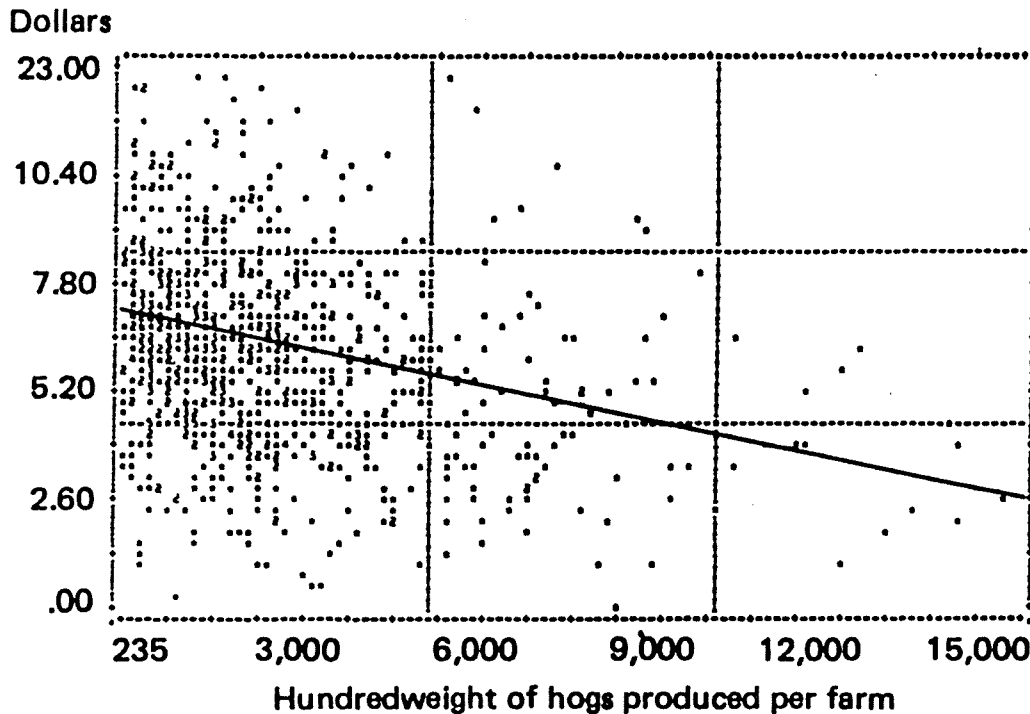
"There is a general view that sellers of large lots of cattle get some price advantage beyond that justified by cost difference."

Dr. Willard Mueller, Un. of Wisconsin and former Chief Economist, Federal Trade Commission

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Agribusinesses compete aggressively for business from the big operators to assure large volumes of business. Large producers gain economic power because their size may get them higher prices for products and lower prices for inputs. This gives large producers a competitive advantage over moderate sized family farmers who may be equally or more efficient producers.

### Cost per 100 pounds of commercial feeds fed, 1983



Source: Van Arsdall, Roy N., and Nelson, Kenneth, Economies of Size in Hog Production, USDA, December 1985.



## DOES PACKER FEEDING CREATE THE POTENTIAL FOR UNFAIR PRICING?

"Whenever the market strengthens to a certain point, they quit buying our cattle and they kill cattle out of their own yards. Then they break the market." - A Colorado farmer describing the impact of packer feeding by Monfort (Omaha World Herald).

While an increase in fat cattle sales by independent feeders will reduce fat cattle prices, USDA researchers found that the price reduction was ten times greater when the additional cattle were fed by packers (Aspelin, Arnold and Gerald Engelman, 1966, Packer Feeding of Cattle; Its Volume and Significance, Packers and Stockyards Administration, USDA, Marketing Research Report # 776).

"By 1995, 30 percent of the nation's cattle will be slaughtered by the big packers in joint ventures with feedlots." Kevin McCullough, packer consultant, interview (Beef Today).

Bill Haw, President of hog industry giant National Farms, predicted recently that hog production would become controlled by packing companies (Lincoln Journal, 11/9/87).

### LOW PRICES CORRESPOND WITH HIGH PACKER-FED SHIPMENTS

DIFFERENCE BETWEEN LOCAL PRICE AND SEVEN MARKET AVERAGE PRICE FOR CHOICE STEERS.  
PACKER-FED SHIPMENTS OF NEARBY PACKER  
1962

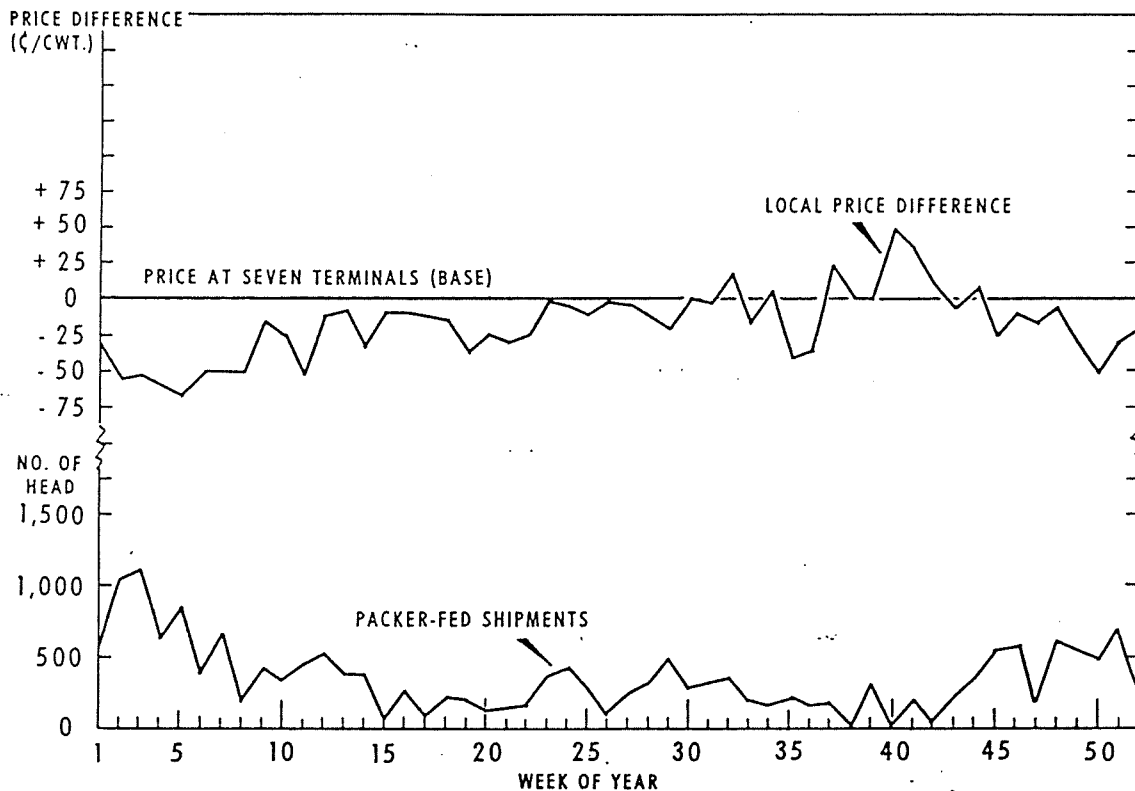


Figure 4

Source of Chart: Packer Feeding of Cattle; Its Volume and Significance, USDA

Des Moines Register 2-6-88

# IBP won't rule out raising own cattle

By DON MUHM  
Register Farm Editor

An official of IBP Inc., the nation's largest meatpacker, said Friday his company is not ruling out raising its own cattle for slaughter, and if it does "it won't be in a modest way."

The speech by IBP Vice President George Spencer to the Iowa Cattlemen's Association was one of two focusing on three of the most serious issues being debated within the cattle industry: the trend toward giant feedlots, increased livestock feeding by meatpackers and the increasing use of contracts with packers to provide livestock for slaughter.

Nebraska feedlot owner Jim Roberts told the Des Moines convention that IBP, Excel and ConAgra, the nation's "Big 3" beef packers, are slaughtering an ever-increasing share of slaughter-ready beefs. The three companies killed 41 percent of all grain-fed beef cattle in 1985, Roberts said. Last year the total jumped to 68 percent.

## Out of the Market

Roberts said this trend and the use of "forward contracting" sales of market-ready cattle "tends to take these packers out of the market."

Roberts said the number of cattle being fed in giant feedlots has increased. Five of the largest feedlot cattle companies can feed 2.5 million head of beef animals a year.

"This may not be all bad, or negative when supplies are short. But we see a true test of this on down the road when numbers are greater. Then we might see some negative impact from what's happening," Roberts said.

Spencer said that IBP only recently started forward contract sales of slaughter-ready cattle, and that was "for the convenience of lenders and feeders." He said forward contracts represented only 1.2 percent of IBP's slaughter last year.

The IBP executive said, "We as a company don't want to be in competition with you in the auction barn ... [however] if we find forward pricing contracts and packer-feeding of cattle causes us concern over the availability of animals for slaughter at our plants and prevents us from getting the supply we need, we will seriously move in the direction of packer-feeding, and it won't be in a modest way."

Spencer then added that IBP would "move aggressively" in lining up con-

tract sales, too. "We have no plans and no desire now, but conditions may change."

He also answered charges of concentration in the meat packing industry, by saying, "These are not new plants being constructed and no additional facilities ... but existing plants some one else couldn't make work."

In another presentation, Texas A&M animal scientist Gary Smith scolded the cattlemen for losing the food war to chicken.

"The chicken people beat us to death with finger foods," Smith said. "Do you know if McDonald's had



JULIANNE HAYWOOD  
marketed last year."

come up with Beef McNuggets instead of chicken it would have required the rounds and chucks of 1.7 million head of fed cattle?"

But on the other hand, Smith said the debut of fajitas "put \$2.75 more on the price of every beef animal

marketed last year."

Julianne Haywood, 19, of Union was named 1988 Iowa Beef Queen at the convention from a field of 14 participants. She is a student at Iowa State University and the daughter of Charles and Betty Haywood.

Selected runners-up and designated Iowa Beef Princesses were Shellen Lynch of Gladbrook and Cindy Ludwig of Carroll.

## Cattle herd drops 3%

The number of cattle has declined by 3 percent to 99 million head, the nation's smallest beef and dairy herd since 1961.

Both beef cow and dairy cow numbers dropped 2 percent. Cattle numbers have declined steadily from the record high of 132 million head in 1975.

The number of milk cows, 10.3 million head, is the smallest since 1872, according to the USDA.

Iowa numbers declined by 1 percent. Beef cow totals are 1.2 million head, up 2 percent, while the number of milk cows in the state dropped 3 percent to only 299,000 head.

The USDA said all cattle in Iowa now total 4.6 million head, down 1 percent.

## ECONOMIC POWER

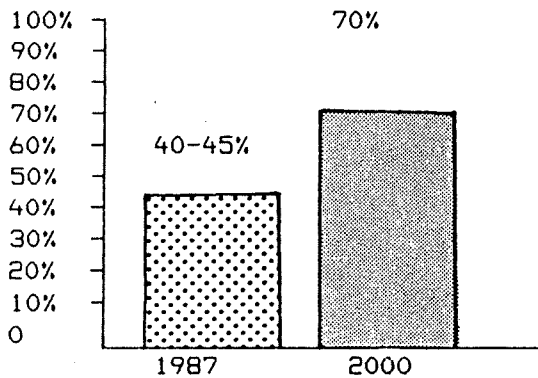
Free market theory assumes that there are many buyers and sellers, none with the ability to set prices, either acting independently or with others. But when there are only a few buyers or sellers, what happens to prices?

\* A one percent increase in the market share held by the four largest packers reduced hog prices by 2¢ per cwt. (1)

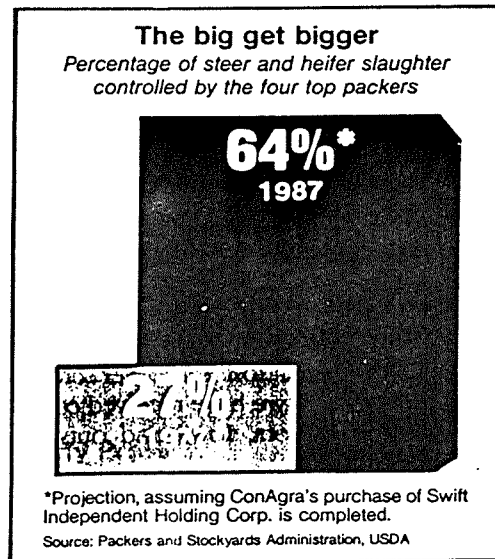
\* A 10% increase in market share by the four largest beef packers reduces fed cattle prices by about 10 cents per cwt. (2)

\* When IBP (Iowa Beef Processing, a market giant) is in a market region, fat cattle prices are reduced by 44 cents per cwt. (2)

BY 2000, 4 FIRMS WILL SLAUGHTER  
70% OF NATION'S HOGS



Source: The Helming Group, Agricultural Consultants, Farm Journal, Sept. 1987.



### Sources:

(1) "Monopsony Power in Commodity Procurement: The Case of Slaughter Hogs", Miller, Steve, and Harris, Hal, Clemson University

(2) "The Impact of Packer Buyer Concentration on Live Cattle Prices", Gwen Quail, Bruce Marion, Fred Geithman, and Jeffery Marquardt, University of Wisconsin, Madison, May 1986.

# STATISTICALLY SPEAKING

## Hog Inventory Trends

The chart below shows U.S. hog numbers as of December 1 for the past ten years. Hog numbers have declined 21 percent from the 64.5 million head that were on hand in the U.S. in December 1980 and 24 percent from the peak of 67.3 million head attained in December 1979. The outline map which accompanies this article shows how hog numbers have declined by state. Percentages for the ten quarterly states are circled because these, for the most part, are the leading hog states and inventory and farrowing information is provided for those states on a quarterly basis.

Since December 1980, Kansas hog numbers have declined 24 percent, somewhat more than both the ten state and U.S. average, but not nearly as great as the percentage decline in the southeastern states where numbers have been cut by half or more.

Nebraska was the only important producing state that showed no decline in numbers since December 1980. Only a few minor states showed increases.

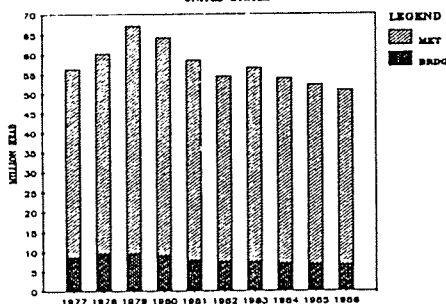
For the past year, with the hog-corn ratio reaching record levels, many have expected to see a significant turnaround in hog numbers. The June 1 Hog and Pig Report shows that turnaround is occurring, but rather unevenly. The ten major states covered in the June report show a 9 percent increase in inventories as compared with June 1, 1986. Of the ten states only Kansas and Indiana showed no change. Missouri was up 3 percent, Minnesota was up 6 percent, Georgia up 7 percent, Nebraska, Illinois and North Carolina up 8 percent, Iowa up 12 percent, and Ohio was up a whopping 26 percent. Overall inventory increases have been slower

than many expected and probably much more unevenly distributed geographically than might have been anticipated. It will be very interesting to watch hog and pig numbers over the next few months to see if the regional trends of the past six months will continue.

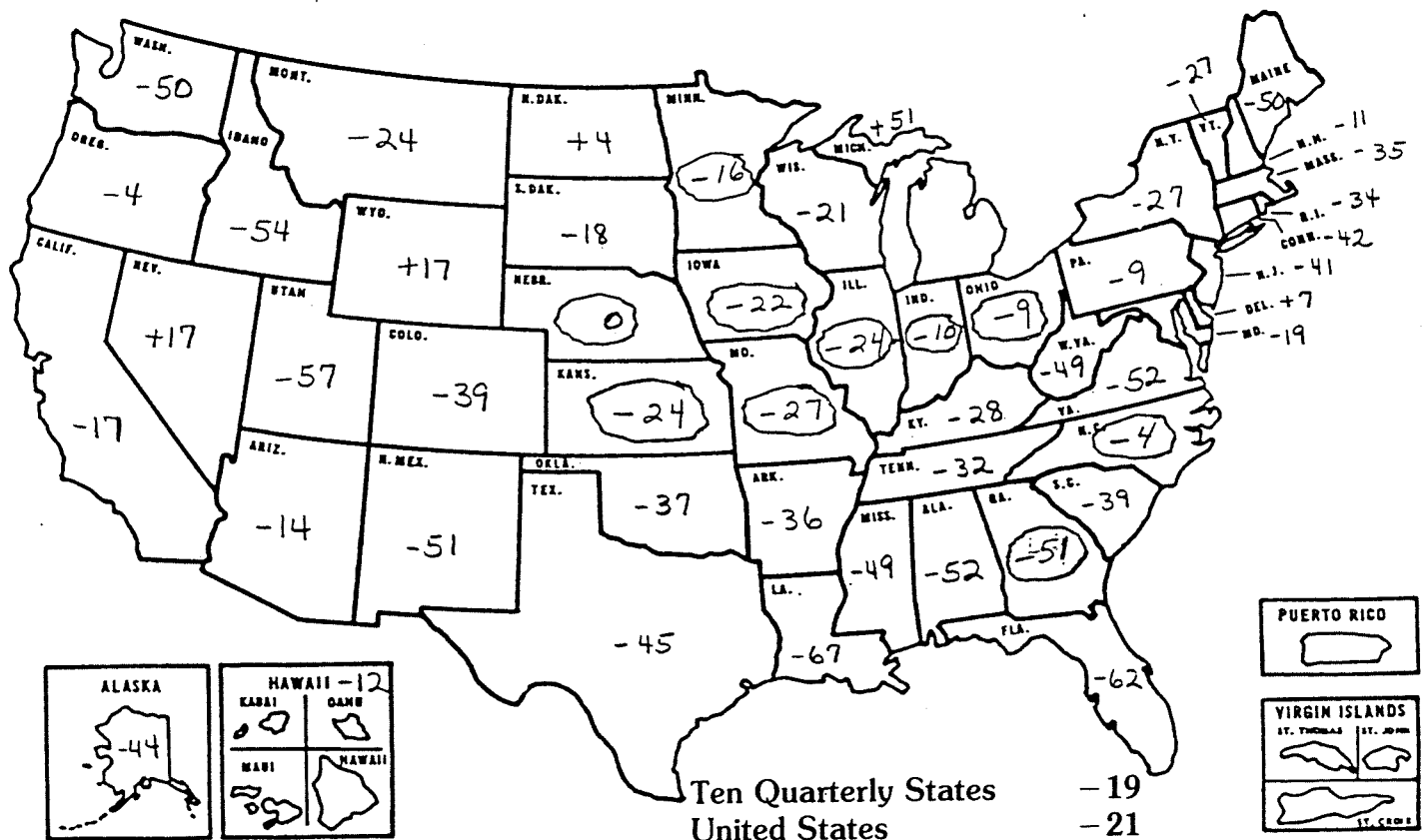


M.E. "Moe" Johnson is a State Statistician with the Kansas Board of Agriculture.

DECEMBER 1 ALL HOGS AND PIGS  
UNITED STATES



## Percent Change in Hog and Pig Inventories between Dec. 1, 1980 and Dec. 1, 1986





## HOGS, FARMERS AND CORPORATE FARM LAWS

Corporate farm laws are useful to maintain hog production among small and medium-sized producers. Many midwestern states have corporate farm laws to protect the interests of family farmers from unfair competitive advantages of corporations. Comparisons can be made between North Carolina, a major hog producing state with no corporate farm law, and various midwestern states that do have a corporate farm law.

State	Total Hogs and Pigs sold in 1982 Size of Farm - % number head sold				Growth in sales among largest feedlots, '78-'82, as part of total sales
	1-999	1000-1999	2000-4999	5000+	
Kansas	52.2	17.3	14.6	15.9	2.8%
Nebraska	52.2	18.3	10.6	18.9	8.4%
Iowa	52.3	25.4	15.0	7.3	3.2%
Missouri	65.3	19.0	10.4	5.3	1.2%
Oklahoma	60.6	15.0	10.7	13.7	--
North Carolina	22.4	14.6	22.8	40.2	15.9%

### Change in Number of Hog Farmers, 1978 - 1982

State	# Hog Farmers		% Decrease
	1978	1982	
Kansas	13,794	9,778	29.1%
Nebraska	23,000	16,000	30.4%
Iowa	60,065	49,021	18.4%
Missouri	35,000	27,000	22.8%
Ok lahoma	9,000	6,500	27.7%
North Carolina	15,737	9,436	40.0%

Data taken from U. S. Department of Commerce, Bureau of Census.

Note: Kansas, Nebraska, Iowa, Missouri and Oklahoma all have corporate farm laws. North Carolina does not.

## CORPORATE FARM LAWS OF VARIOUS STATES

### **KANSAS**

Permits the following: family farm corporations with the majority of stockholders related; authorized farm corporations that were incorporated by Kansans with fewer than 16 individual stockholders 30% of whom have some involvement with labor or management; limited agricultural partnership with no more than ten partners with one of the general partners involved in labor or management; an assortment of trusts. Feedlot ownership is exempted from any corporate restrictions. Poultry and rabbits were exempted in the 1987 legislative session. However, the attorney general has rendered an opinion that corporations larger than authorized farm corporations owning a swine "feedlot" must sell for slaughter and not for breeding purposes. Civil penalties for violators are limited to \$50,000.

### **NEBRASKA**

Permits family farm corporations but prohibits other corporations from entering farming or ranching. The Nebraska law is also unique in that it pertains to both land and livestock ownership. There is no exemption for authorized farm corporations or feedlots. Existing corporate owned farms or feedlots are "grandfathered" in. Nebraska obtained its law through a public referendum process in 1982.

### **IOWA**

Permits family farm corporations as well as authorized farm corporations with less than 26 individual stockholders. The Iowa law is unique in that it prohibits meat processors with more than \$10 million annual sales from ownership, operation, or control of feedlots. Limited partnerships are allowed but must file annual reports. An 1987 admendment limits acreage ownership of authorized farm corporations and authorized trusts to 1,500 acres along with a three year divesture period for those in violation. Penalty for violation limited to \$50,000.

### **NORTH DAKOTA**

Along with Kansas, North Dakota was one of the first states to have a corporate farm law. Permits family farm corporations with less than 16 stockholders with restriction that 65% of the gross income must come from farming. Permits cooperative corporations that have 75% of the stockholders who are actual farmers or ranchers. There are no exemptions for feedlots or authorized corporations. The attorney general conducts a random compliance checkon 5% of the registered corporations.

*from  
Joe Vogelberg  
3-17-88*

The Kansas Pork Producers Council has come out in favor of loosening the Corporate farmer law to allow the corporate replacement of family farms.

The pork producers in Marshall County are strongly opposed to this abominable position.

Marshall County ranks 4th in the state in pork production. Our average farmer has 25 sows. We are in favor of preserving the family farm, not abandoning it. The Marshall County Pork Producers vote NO on further loosening an already promiscuous corporate farming law.

MARSHALL COUNTY PORK PRODUCERS

*attachment 8  
3-17-88*



Clint Fletcher  
R#1 Box 170c  
Galena, ks. 66739

There are many reasons to oppose amending the current farm law. This is my opportunity to express a few reasons it would affect me and those like me a Kansas Hog producer.

I feel threatened that opening the current law to corporates, would leave the gate wide open to an eventual control of the pork market much like that of the poultry industry. One can easily see that private ownership and open markets for the individual poultry producer are gone forever.

In a recent associated press article in the newspaper explained how a large national chain retailer was opening stores in the smaller towns of Texas. As they did, countless small businesses closed within weeks of the large store openings. Local bankers said money made by that store did not stay in that town.

I see this, along with corporate farming as an example of the whole American business system following a big eat little trend. Whether it be the local

attachment 9  
3-17-88

dime store, food store or family farm.

I could possibly see a short term advantage do to construction and initial money spent, but its the long term that has me bothered. When our Markets that are currently strained, are flooded with a glut of mass produced hogs, it could eventually Squeeze the individual producer right out of business!

In the matter of the center of excellence, I feel its being used an artificial bait waved in front of our face to overshadow the real issue. With the trouble the state is already having financing Colleges now where will the funds come from to finance the Center of Excellence.