

Approved March 14, 1988  
Date

MINUTES OF THE \_\_\_\_\_ COMMITTEE ON Select Committee on Corporate Farm Law.

The meeting was called to order by Senator Allen at \_\_\_\_\_  
Chairperson

8:04 a.m./~~p.m.~~ on March 2, 1988 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:

Senator Allen called the committee to order for the purpose of approving the committee report and recommendations to be presented to the full Legislature. Copies of the report were given to each member (attachment 1).

Committee discussion centered around the wording of the last paragraph of the report concerning numbers of acres to allow a corporation already in the swine business in Kansas to expand. Comments included that the Legislature should not say how many acres a business should have, that the business should decide the number of acres it needs, that a company only buys needed land that they do not buy more than the business needs, and it was questioned if recommendation says a corporation can buy all the land it wants will it be able to go and buy as much as it wants in any part of the state. Allowing a corporation to expand on a formula of so many swine per so much land was discussed. It was suggested to put a period after the word 'operations' in the last sentence of the report and omitting the remaining words.

Senator Gannon made a motion that the last sentence of the report read, 'The Committee recommends that the Kansas Corporate Farming Law be amended to permit corporations currently engaged in swine production to purchase agricultural land for swine production, including farrow-to-finish and breeding operations.' Senator Frey seconded the motion. Motion carried. Senator Montgomery requested permission to file a minority report. The Chairman granted permission.

Senator Warren made a motion that the motion from the meeting of February 24 concerning no tax advantages, incentives or enhancements be allowed any corporation be included in the report. Representative Bryant seconded the motion. Motion carried.

Senator Gannon made a motion the committee accept the report as amended. Senator Frey seconded the motion. Motion carried. Representative Gjerstad and Representative Hamm requested it be recorded that they voted no.

The Chairman called for action on the committee minutes.

Representative Roenbaugh made a motion the committee minutes of February 24 be approved. Representative Gjerstad seconded the motion. Motion carried.

The Chairman adjourned the committee at 8:38 a.m.

The amended "Report and Recommendations" appears as Attachment 2; "Supplemental Report of Concurring Members" Attachment 3; and "Minority Report" is Attachment 4.



## REPORT AND RECOMMENDATIONS

### Select Committee on Corporate Farming

#### Background

The Select Committee on Corporate Farming was required to review and address concerns expressed by the 1987 Special Committee on Agriculture and Livestock to the 1988 Legislature in its report on Proposal No. 5 -- Corporate Farming. This report contains a brief description of the activities of the Select Committee on Corporate Farming and contains recommendations for further consideration by the 1988 Legislature.

The Select Committee met on January 28, February 2, February 9, February 15, February 16, February 18, February 24, and February 26. The meeting on January 28 was an organizational meeting. On February 2, the Committee held an extensive review of the study, entitled "A Study of the Impacts on Kansas of Corporate Swine Farms Laws." The review of the study was done by Mr. George O'Day, of Development International, the consultant and author of the study. On February 9, the Select Committee held a meeting to discuss options for proceeding with its review. At that time, the Committee decided to hold hearings on February 15, 16, and 18. On February 15 and 16, the Committee heard from individuals representing two corporations engaged in swine production as well as from proponents for modifications in the state's Corporate Farming Law to permit corporations to own sufficient agricultural land in order to either expand or construct swine confinement facilities. On February 18, opponents for any change in the state's Corporate Farming Law were heard. Minutes and copies of the statements of conferees are available in the Kansas Legislative Research Department.

#### Recommendations

The first item of discussion by the Committee was the issue of endorsement for a swine technology center to be located at Kansas State University. The Committee recognized the need for enhancement of technological assistance to smaller hog producers in the state and believes that such enhancement is of necessity in order to maintain and increase economic viability of existing Kansas hog producers. The Committee believes that this technological enhancement will stimulate growth and efficiency in the Kansas swine industry and thereby increase economic development. An outline of the type of enhancement the Committee believes is necessary was provided by the Kansas Pork Producers Council. This recommendation includes the addition of five new professional positions at Kansas State University, including an agricultural engineer; a veterinarian; a swine nutritionist; an agricultural economist with expertise in finance and hog marketing analysis; and a swine breeding herd physiologist and production record analyst. The FY 1989 cost of funding the center, assuming it was fully functional on July 1, 1988, was estimated to be \$637,000. FY 1990 cost was estimated to be \$502,000. The Committee recommends the establishment of the center to the 1988 Legislature.

*attachment 1*  
*3-2-88*

In conjunction with this discussion, the Committee considered the issue of vertical integration in agricultural industries. It had been illustrated to the Committee how some states have passed laws so that the same corporation or legal entity could not function in all phases of agricultural production and processing. One state that was illustrated was Iowa, where current law prohibits "any processor of beef or pork or limited partnership in which a processor holds partnership shares as a general partner or partnership shares as a limited partner, to own, control or operate a feedlot in Iowa in which hogs or cattle are fed for slaughter." In concluding its discussion of these two issues, the Committee recommends modification of current law to permit corporations to contract with hog producers for production of hogs (farrow-to-finish). However, the Committee recommends that as a part of this modification of the law, that processors be prohibited from owning hogs under contracts for hog production.

The final area of discussion that the Committee had was in the area of what types, if any, of entities should be permitted to acquire agricultural land in order to develop swine confinement facilities. The Committee recommends that the Kansas Corporate Farming Law be amended to permit corporations currently engaged in swine production to purchase agricultural land for swine production, including farrow-to-finish and breeding operations, in an amount not to exceed the amount of agricultural land which they currently own.

Respectfully submitted,

Sen. Jim Allen, Chairperson  
Select Committee on Corporate Farming

Rep. Clifford Campbell  
Rep. Susan Roenbaugh  
Rep. Jack Beauchamp  
Rep. Bill Bryant  
Rep. Lee Hamm  
Rep. Diane Gjerstad

Sen. Don Montgomery  
Sen. Robert Frey  
Sen. Joe Warren  
Sen. Richard Gannon

## REPORT AND RECOMMENDATIONS

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#### Recommendations

The first item of discussion by the Committee was the issue of endorsement for a swine technology center to be located at Kansas State University. The Committee recognized the need for enhancement of technological assistance to smaller hog producers in the state and believes that such enhancement is of necessity in order to maintain and increase economic viability of existing Kansas hog producers. The Committee believes that this technological enhancement will stimulate growth and efficiency in the Kansas swine industry and thereby increase economic development. An outline of the type of enhancement the Committee believes is necessary was provided by the Kansas Pork Producers Council. This recommendation includes the addition of five new professional positions at Kansas State University, including an agricultural engineer; a veterinarian; a swine nutritionist; an agricultural economist with expertise in finance and hog marketing analysis; and a swine breeding herd physiologist and production record analyst. The FY 1989 cost of funding the center, assuming it was fully functional on July 1, 1988, was estimated to be \$637,000. FY 1990 cost was estimated to be \$502,000. The Committee recommends the establishment of the center to the 1988 Legislature.

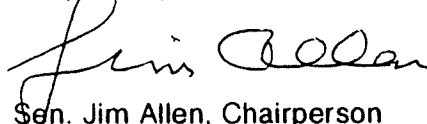
*Attach 2*

In conjunction with this discussion, the Committee considered the issue of vertical integration in agricultural industries. It had been illustrated to the Committee how some states have passed laws so that the same corporation or legal entity could not function in all phases of agricultural production and processing. One state that was illustrated was Iowa, where current law prohibits "any processor of beef or pork or limited partnership in which a processor holds partnership shares as a general partner or partnership shares as a limited partner, to own, control or operate a feedlot in Iowa in which hogs or cattle are fed for slaughter." In concluding its discussion of these two issues, the Committee recommends modification of current law to permit corporations to contract with hog producers for production of hogs (farrow-to-finish). However, the Committee recommends that as a part of this modification of the law, that processors be prohibited from owning hogs under contracts for hog production.

The Committee discussed the potential economic advantages that large swine production corporation may have. The Committee recommends that to the extent possible state and local governments not be permitted to grant economic advantage to corporately owned swine production facilities.

The final area of discussion that the Committee had was in the area of what types, if any, of entities should be permitted to acquire agricultural land in order to develop swine confinement facilities. The Committee recommends that the Kansas Corporate Farming Law be amended to permit corporations currently engaged in swine production to purchase agricultural land for swine production, including farrow-to-finish and breeding operations.

Respectfully submitted,



Sen. Jim Allen, Chairperson  
Select Committee on Corporate Farming

March 2, 1988

Rep. Clifford Campbell  
Rep. Susan Roenbaugh  
Rep. Jack Beauchamp  
Rep. Bill Bryant  
Rep. Lee Hamm  
Rep. Diane Gjerstad

Sen. Don Montgomery  
Sen. Robert Frey  
Sen. Joe Warren  
Sen. Richard Gannon

STATE OF KANSAS



TOPEKA

SENATE CHAMBER

SUPPLEMENTAL REPORT OF CONCURRING MEMBERS

SELECT COMMITTEE ON CORPORATE FARMING

Although we support the recommendations of the majority of the members of the Select Committee on Corporate Farming, we believe the Committee did not go far enough in its final decisions regarding modifications in the Kansas Corporate Farming Law.

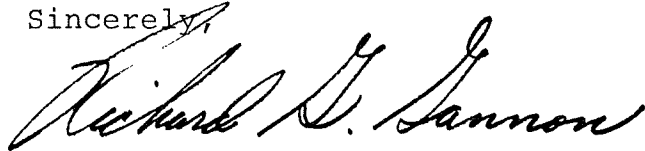
In concluding that the Committee did not go far enough in the modifications it suggests, we believe there is a need to point to some of the pertinent factors for our conclusion. First, Kansas is ideally suited for hog production. It has a favorable climate, with an abundance of feed grain supplies readily available. Both of these factors favor production efficiencies in swine. Secondly, we believe some of the state's economic development activities need to be directed toward agriculture. Rather than shipping so much of the state's grain production out of state, we believe that hog production can add value to the grain. This is economic development that really counts. Thirdly, we believe it is necessary for members of the Legislature, the hog producers of the state, and other interested parties to understand and realize that hog producers in Kansas compete against hog producers in the rest of the country.

*Attach 3*

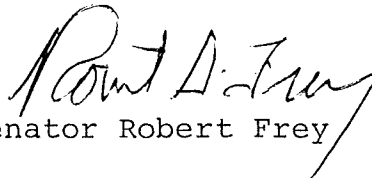
Even if corporate swine production facilities are never built in Kansas, their existence in other states will still result in additional competition for Kansas producers. If it were possible to expand hog production in the state and ultimately attract an additional hog processing facility, this would make Kansas producers more competitive and economically viable.

There is no doubt Kansas could become a major hog producing state. The necessary inputs are available. One of the biggest disadvantages of this occurring is the perceived uncertainty of the Legislature in supporting and nurturing new agricultural development in Kansas. The spokesperson from Dekalb Swine Breeders said in his statement before the Select Committee that Dekalb intends to locate production facilities in progressive agriculture states. That is, ones that nurture and promote agriculture rather than restrict the growth of agriculture units. We believe the Kansas Legislature needs to clarify this uncertainty so that any corporation would be permitted to acquire agricultural land in sufficient acreage to sustain large-scale production facilities. We recommend other legislators consider this option for the betterment of Kansas.

Sincerely,



Senator Richard G. Gannon



Senator Robert Frey



STATE OF KANSAS

LEE HAMM  
REPRESENTATIVE 108TH DISTRICT  
CLARK, COMANCHE, KIOWA  
AND PRATT COUNTIES  
RR 1  
PRATT KANSAS 67124



TOPEKA

HOUSE OF  
REPRESENTATIVES

DIANE A. GJERSTAD  
REPRESENTATIVE NINETY-EIGHTH DISTRICT  
WICHITA  
2701 LULU  
WICHITA, KANSAS 67216-1237

March 14, 1988

To Members of the House of Representatives:

For your information, enclosed is a copy of the  
Minority Report from the Select Committee on Corporate  
Farming.

A handwritten signature in cursive script that reads "Lee Hamm".

Lee Hamm  
Representative  
108th District

A handwritten signature in cursive script that reads "Diane".

Diane Gjerstad  
Representative  
98th District

Attach 4

## MINORITY REPORT

### SELECT COMMITTEE ON CORPORATE FARMING

We have several concerns and objections to the report filed by the Committee on behalf of the majority of the Select Committee on Corporate Farming. This Minority Report is intended to address our concerns and objections.

We object to the report of the majority in that it says that an extensive review of the Development International 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. Even without a critique of the study, we can point to several errors and discrepancies in the study. The Development International study builds its hypothesis on data derived from the initial categorization of arbitrarily selected states. We strongly disagree with this categorization. Categories were composed of selective states, without an explanation of inclusion or the rationale for omitting the upper Mississippi Valley. The author admitted no analysis of states' actual laws on corporate farming was made. We also disagree with the use of 1977 as a base year. The length of trend for study should have been extended to include at least two full hog cycles. We would also like to point out that the study ignored any socio/economic impact on local communities. We believe this is of vital importance in the Legislature's ability to make quality decisions regarding this issue. In conclusion, we believe that the study conducted by Development International is flawed by reason of unsound methodology.

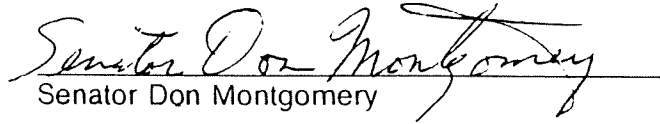
We also take issue with the Committee's majority report in its recommendation regarding the state's ability to create an equal playing field for family farm hog producers competing against huge corporations. We believe that the state can impact minimally the disparity in these areas. Part of this disparity is due to federal tax law and part is due to the economies of scale that huge corporations have with regard to volume buying power and increased production capacity. Even if legislation is introduced to limit use of economic development incentives given by the state or locals, the economic playing field between family farm producers and corporations can never be even.

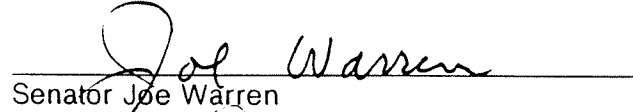
With regard to the issue of contracting, we believe that law is currently sufficient and no change is necessary. If it is challenged by court action, then there may be a need to address the issue of contracting for agricultural production by corporations in Kansas. The interests of family farms would be better served with guidelines as to how the contracts are written, including consideration of provisions that make contracting more equitable for family farm producers.

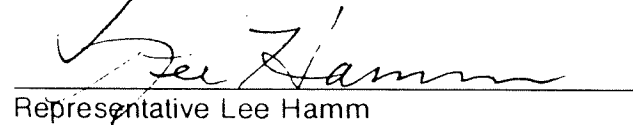
We agree that the Legislature can provide aid to small scale hog producers in the area of marketing, strengthen research efforts that will help Kansas hog producers, and increase technical assistance to current hog producers. We would further suggest that amendments may be needed to prevent vertical integration in the area of food production for other agricultural products.

In conclusion, we oppose any change in the Kansas Corporate Farming Law, even if that change only permits the expansion of just one corporate entity. We believe the Legislature fully studied and addressed this topic in 1984 and made the appropriate decision.

Sincerely submitted,

  
\_\_\_\_\_  
Senator Don Montgomery

  
\_\_\_\_\_  
Senator Joe Warren

  
\_\_\_\_\_  
Representative Lee Hamm

  
\_\_\_\_\_  
Representative Diane Gjestad