

Approved Feb. 7, 1989  
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Representative Susan Roenbaugh at  
Chairperson

9:07 a.m./~~p.m.~~ on January 25, 1989 in room 423-S of the Capitol.

All members were present ~~except~~

Committee staff present: Raney Gilliland, Legislative Research Department  
Lynne Holt, Legislative Research Department  
Marjorie Brownlee, Committee Secretary

Conferees appearing before the committee: Lois Schlickau, President, Kansas State  
Board of Agriculture  
Sam Brownback, Secretary, Kansas State  
Board of Agriculture

The meeting of the House Committee on Agriculture and Small Business was called to order by Chairman Susan Roenbaugh.

The Chairman introduced Lois Schlickau, President of the Kansas State Board of Agriculture. Ms. Schlickau talked in depth concerning the state of agriculture in Kansas. (Attachment 1) Among the areas about which she reported was the bio-control program of musk thistle, evaluation of privatization for inspection in various programs, the FACTS program, beefing up of enforcement of water laws, and emphasis on marketing of Kansas products. She mentioned several other programs receiving attention.

Sam Brownback, Secretary of the State Board of Agriculture, was the next person to address the Committee. He spoke more of the actual state of agriculture on the farms and in the market place. (See Attachment 1-3)

Secretary Brownback said that though the drought had been bad, Kansas agriculture appeared to be on the road to recovery. Farmland values have increased 8% and total assets of the farmer were 26% higher than the previous year with net worth 36% higher. He cited that wheat production was down but the price was higher, corn value was increased, as were grain sorghum and soybeans. He summarized that although 1988 was a year marred by drought---all in all, considering the production and prices the year would be labeled a good one.

Several questions were asked of Secretary Brownback by members of the Committee.

The meeting was adjourned at 9:43 a.m. by Chairman Roenbaugh.

The next meeting of the House Agriculture and Small Business Committee will be January 26, 1989, at 9:00 a.m. in Room 423-S.



PRESENTATION BY  
LOIS SCHLICKAU, PRESIDENT, KANSAS STATE BOARD OF AGRICULTURE

AND

SECRETARY OF AGRICULTURE SAM BROWBACK

TO THE KANSAS HOUSE AND SENATE AGRICULTURE COMMITTEES

January 25, 1989

*A & SB*  
01-25-89

*Attachment 1*

*Lois Schlickau*

Thank you Mr. Chairman and members of the Committee for allowing us the opportunity to present to you a statement on the present condition of Kansas agriculture, issues facing the industry in general and the Kansas State Board of Agriculture in particular.

During the past year the State Board of Agriculture has had a very active calendar. Our main work is being done in the trenches day in and day out by our seven divisions, each of which have significant successes to report. Within the Plant Health section, we have reinitiated a bio-control program of musk thistle which we are excited about and have worked with other entities on encouraging biological control of other pests such as the Russian Wheat Aphid. Furthermore, we are seeing more enforcement of the Noxious Weed laws.

In the division of Inspections, which includes dairy, meat and poultry, weights and measures, and agricultural products, we are evaluating additional opportunities to extend privatization into other areas similar to what was accomplished in the large and small scale program. We are also striving to maximize inspection efficiency through firm and uniform enforcement of the laws.

The FACTS program continues to receive a number of calls from financially distressed farmers. Calls have increased since the recent FmHA foreclosure mailings. Your amendments to the FACTS legislation last year enabled us to receive more than \$400,000 in mediation funds from the federal government to contract with a group in this state to provide mediation on Farmers Home Administration delinquent loans and others as requested.

The Statistics division was kept very busy monitoring the drought and providing dependable crop estimates given the weather conditions. We further resumed several key agricultural surveys such as the Custom Rates Survey, Wheat Variety Survey, Grain Marketing and Transportation and Pasture Rental Survey. They have further initiated some new surveys pertaining to agriculture and the rural economy. Information on the production of sunflowers and catfish in the state will soon be available. We also anticipate publishing improved measures of farm income assets and debts, tabulation of farm bankruptcies and surveys pertaining to rural business trends.

The division of Water Resources continued its heavy workload. It's staff was also extra busy due to the drought, responding to water shortages, water rights and minimum desirable streamflow administration and trying to expedite the processing of various types of applications, etc., during emergency conditions. The division is trying to beef up enforcement of our water laws and to implement the new provisions related to water use reporting to improve the water data base which is important for planning, management and enforcement purposes. The division has implemented new water conservation requirements for new applications to appropriate water, established an intensive groundwater use control area in the Upper Smoky Hill River Basin, continued to work with the groundwater management districts and played a significant role in interstate water matters, particularly in the Kansas v. Colorado law suit, other interstate river compacts, and in the Missouri River Basin. The Division has been able to make progress in reducing the backlog of field inspection work and the issuance of certificates of appropriation but is still understaffed to handle all of the additional responsibilities added to the division by recent legislation and to otherwise administer the programs assigned to the division in light of the current needs related to water in Kansas.

Our Laboratory division has added analysis of chemical residues in water. We have been periodically surveying chemigation wells to determine if there are any chemical pesticide residues. We were able to do this by a shift of resources within the lab. The lab has continued to be inundated with a heavy load on seed analysis, particularly in the native grass area. This is a result of the high quality work that we do at reasonable prices at the Seed Lab and also the government Conservation Reserve Program and its increase in demand for quality grass seed.

Our most visible division within the Board of Agriculture during the past year has been our Marketing division, with the highly successful Bloomingdale's promotion, the FROM THE LAND OF KANSAS program and the "Celebrate Kansas Food" promotions we have really hit our stride on promoting Kansas food thus increasing the market for the production and processing of these products within the state. We now have 212 companies associated with the FROM THE LAND OF KANSAS program, two years ago there were 60. Within this marketing area the state is receiving an 8 to 1 return on its investment in market promotion and development. Funds for loans for agricultural diversification have been located and used. The Blueprint Study was completed this last year and is being implemented. During the upcoming year you will see a number of conferences take place in the area of adding value to agricultural production. The Wheat Commission along with the Board of Agriculture, the Department of Commerce and KSU is sponsoring a conference today on adding value to Kansas wheat. In the High Plains area around Dodge City there will be a conference on business opportunities associated with agriculture in the month of February. In March we, along with three other state departments of agriculture and several other entities, will be sponsoring a commercializing non-food uses of agricultural commodities conference in Kansas City. The targeted audience for that conference will be agriculture and industry to explore places that we can commercialize presently developed non-food uses of agricultural commodities. This is an area which we have had a task force meeting on and I believe holds tremendous potential for the agricultural production in the state. Mr. Chairman, I would certainly like to encourage the Committee to hear from the Chairman of that task force, Ladd Seaberg, President of Midwest Grain Products, Inc. in Atchison, Kansas about their report and findings. It is most interesting and encouraging.

As you can see, 1988 was a busy year and a very good year for the Kansas State Board of Agriculture and we believe for Kansas agriculture in general.

*Sum Brownback*

However, the biggest story in Kansas agriculture during the past year was the drought that gripped much of the nation's mid-section throughout the summer of 1988 and continues even today for many parts of the midwest and Kansas. The dry weather had a major impact on fall harvested crops, hay and pasture throughout the state, the resulting reductions in crop yields were more than offset though, by increased prices so that the value of crop production in Kansas during 1988 actually exceeded the previous year. Most Kansas farmers came into 1988 in an improved financial condition with Kansas net farm income at a record level in 1987. Kansas net farm income was at \$1.7 billion in 1987, an all time record high. The year brought higher cattle prices, but lower hog prices. Producers of both cattle and hogs gave overwhelming support to check off referendums which provided optimism for improving demand for beef and pork through aggressive promotion programs.

At the beginning of 1988, Kansas agriculture appeared to be on the road to recovery. Farmland values in February 1988 averaged \$368 an acre, up 8% from the previous year. Kansas farmers came into 1988 with total assets 26% higher than the previous year and net worth, 36% higher. Debt-to-asset ratios continue to show considerable improvement declining to .23 as compared to .28 at the beginning of 1987 and .32 a year earlier. This means that for every dollar of assets farmers across Kansas had, they had 23 cents in debt. Survey's showed a declining portion of Kansas farmers in financial trouble.

However, the drought year of 1988 did not treat all farmers equally. Some who were already in financial trouble had to bear an even greater burden while those who were blessed with rain and produced a reasonable crop were able to take advantage of improved prices and had opportunity to further enhance their financial condition. Total net farm income in Kansas in 1988 should, very nearly, equal the record set in 1987.

In wheat, production was down 12% below 1987 and the lowest since 1981, but the price was much higher. The total market value of the 1988 wheat crop approaching 1.2 Billion dollars compared with about 879 million dollars for the previous year, and the quality of the crop was excellent with tremendous test weights and protein averaging the highest of recent years.

Corn production was up slightly from the previous year with close to 2/3 of the Kansas corn crop irrigated. The value of the crop seems likely to reach 350 million dollars, some 34% more than the 1987 crop.

Grain sorghum production was down 29% from a year earlier with the estimated average yield of 62 bushels per acre. Again prices were much higher with the total market value of the crop close to 450 million dollars. Kansas continues to be the nation's leading grain sorghum producer.

Soybean production was significantly hurt by the drought with production down 32% from a year ago. The estimated value of the soybean production at slightly less than 350 million dollars was about 2% less than last year.

Hay prices were extremely volatile during the hot, dry, uncertain summer. The Kansas hay crop was estimated to be down 14% but average prices received for all hay reached as high as \$93 a ton in August 1988 compared with \$51 per ton in August 1987. There were many reported sales at even a much higher price.

Kansas continued its strong position in cattle, with all cattle and calves on Kansas farms as of January 1, 1988 at 5.86 million head, down 1% from the previous year. The cattle feeding industry in Kansas continues to show expansion with Kansas gaining ground from it's third ranking position on the state's of Nebraska and Texas. We still hope, and if present trends continue, Kansas will become the beef state within the next ten years. Kansas, of course, is the industry leader in processing of cattle.

Kansas hog inventories increased in numbers and were up in concert with the national trends, however, total cash receipts from hogs are likely to be down about 10% from one year ago level due to lower prices paid for pigs.

Dairies in Kansas continue to contribute a steady amount to the state's economy.

In the sheep area, Kansas lambs on feed are up 17% from the previous year and the highest in 14 years.

To summarize, although 1988 was a year marred by drought; all in all, one would have to take the production and prices of 1988 put it in a bottle and label it, a good year.

Regarding the upcoming Legislative Session, topics which the Legislature may wish to investigate include:

1. A review and, where deemed appropriate, implementation of the recommendations of the non-food use task force.
2. Increased privatization of enforcement functions at the State Board of Agriculture.
3. A request for civil penalties in certain enforcement areas.
4. Consideration of the Interim Committee report on changes needed in the Pesticide and Chemigation laws.
5. Funding of the Value-Added Processing Center.
6. A proposal for Recreational Fee Access on private land.

I will discuss each of these briefly.

As I mentioned previously, we believe the non-food use area holds tremendous potential for expansion of demand of Kansas agricultural production. I would be happy to provide each of you a copy of the task force report however, as I stated at the outset, I would again encourage you to hear instead from the Chairman of that group. The findings of this group generally mesh three areas of concern. The number one concern is increasing demand and hopefully price for agricultural production in the state; number two, increasing the value of crops which we produce and ship out of state by value-adding; and number three, environmental concerns that are coming forward, many of which can be addressed by non-food uses of agricultural commodities. I know you will want to take a good hard look at the possibilities in this area.

For sometime the State Board of Agriculture has pursued as much privatization of our enforcement functions as possible. During previous Legislative Sessions you have authorized the privatization of scale inspection in both large and small scales. I am pleased to report that those efforts are paying dividends. Not only is our investment in those areas decreasing but our efficacy is improving. When we were doing all of the inspection of the scales, the efficacy rate we were finding was 66%. Now the efficacy rate of scales is around 90%. We would like to see more of our programs examined for possible privatization, particularly in the area of Chemigation where a requirement of annual inspection of a Chemigation unit by a private certified company might help alleviate concerns and make a more productive inspection system.

We are asking that certain areas regulated by the State Board of Agriculture be allowed to give civil penalties for violation of laws. Specifically, in the area of the Chemigation law, we believe that civil penalties should be assessed against those violating that law. Also, in the

area of dairy plant inspection, we are requesting the ability to levy civil penalties. In the area of dairy plant inspection, we presently have only two options, one is to continually remind the operators to do certain items as required by law, the other is to shut the entire plant down. Neither of these options is wholly acceptable. A half step would allow a civil penalty of an appropriate amount would help us in enforcing the law without being so draconian as shutting the entire plant down and thus injuring, perhaps to death, the plant and the dairy producers that supply the plant.

The State Board of Agriculture presented to the Interim Committee proposed changes in the Chemigation and Pesticide laws. We continue to support some changes and modifications in those areas. Of specific interest to us is to allow the use of chemicals at less than label rate, the creation of special chemical use districts where the groundwater may be particularly susceptible to chemical contamination and in the Chemigation area the private inspection. I believe that you will hear more information from the Interim Committee regarding this particular area. I certainly believe that this is going to be one of the most if not the single most difficult issue facing the entire agricultural industry throughout the upcoming decade.

I serve on Value-Added Processing Center Leadership Council. We are just getting that entity underway. It is something that stands to benefit Kansas agriculture tremendously by encouraging the processing industry thus increasing local markets for our agricultural supplies and, in many cases, rural jobs. I mention this here in that this Committee was the one that approved the creation of this Value-Added Processing Center. Now vigilance is needed to make sure that it is appropriately funded and operated in such a manner to be of greatest benefit to the state.

Finally, the State Board of Agriculture cooperated with the Department of Wildlife and Parks after the Commission Report on the Future of Kansas Agriculture, the Governor and several legislators asked us to work on a recreational fee access proposal. Agriculture, for many years, has had a problem with the deer population. There was a feeling during the last legislative session that the landowner should reap some benefit out of feeding the state's deer herd. An additional impetus for us to work in this area was the Commission Report on the Future of Kansas Agriculture which encouraged looking at charging for access to landowners' property as a way and means of receiving additional income from the fixed resources that the farmers have. For the past several months we have worked with the Department of Wildlife and Parks to come forward with a proposal. The proposal does have flaws but we do believe has a number of positive characteristics as well. In general, the Recreational Fee Access Proposal would allow landowners to voluntarily lease land to the state for a fee in exchange for the landowner allowing those people who purchase an access permit to come upon the land. The second portion of the proposal would allow landowners and others to create special wildlife districts and then sell access to the districts. The final portion of the plan would have deer permits run with the land, the landowner could charge access to his land to harvest the deer. This proposal is based completely upon voluntary participation by the landowner and the recreational enthusiast, it transfers all liability to the state, it provides a mechanism for farmers to realize some income from feeding the state's deer herd and puts forward some mechanisms for rural economic development. The proposal is certainly not flawless, much concern has been raised about adjacent landowners to those who lease their land or absentee landowners who lease their land leaving others to contend with the



problems. Likewise notification of the landowner by those who come onto the land is an issue that needs to be addressed.

Mr. Chairman, it's my delight to come in front of your group and to serve this state as the Secretary of Agriculture. I have certainly enjoyed myself over the past year and look forward to working with you and your Committee throughout the upcoming session in any way that we can. If further information needs to be provided on certain topics or if you have specific requests please let us know. We will be happy to assist.

We would be happy to respond to any questions.