

Approved February 28, 1989
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Elizabeth Baker at
Chairperson

3:34 ~~xxx~~/p.m. on Tuesday, February 21, 1989 in room 423-S of the Capitol.

All members were present except: Representative Weimer. Excused.

Committee staff present:
Jim Wilson, Revisor
Raney Gilliland, Research
Elaine Johnson, Secretary

Conferees appearing before the committee:
Representative Carl Holmes
Bill R. Fuller, Assistant Director, Public Affairs Division, Kansas Farm Bureau
Richard L. Dirks, Mayor, Kismet, Kansas
Raymond Neu, President, The Plains State Bank, Plains, Kansas
Bob Deacon, hog farmer, Kismet, Kansas
Reuben L. Jeane, General Manager, CMS Electric Cooperative, Meade, Kansas
Ron Eakes, Mid-Plains Construction, Inc., Plains, Kansas
Michael Thomas, Administrator, Meade Lutheran Hospital Assoc., Inc., Meade, Kansas
Ron Alexander, salesman, Plains, Kansas
Vail Fruechting, grain farmer, Plains, Kansas

The meeting was called to order by Chairman Baker at 3:34 p.m.

The committee was informed that the minutes of the February 14th and 16th meetings were in their files and approval would be requested at the next meeting.

Chairman Baker opened the hearing on H.B. 2368 and recognized Representative Carl Holmes.

Representative Holmes testified in support of H.B. 2368. This proposed legislation would require that any corporation operating a "swine confinement facility" would have to be a U. S. controlled corporation. It states also that any "swine confinement facility" would have to be for the principal purpose of raising breeding swine and NOT for the production of market hogs. Representative Holmes covered the legal background for current law and the prohibited tax advantages for swine confinement facilities and DeKalb Swine background information. He also provided newspaper clippings on corporate hog farming. (Attachment 1).

The next conferee was Bill R. Fuller, Assistant Director, Public Affairs Division of the Kansas Farm Bureau. Mr. Fuller testified in support of H.B. 2368. He stated that the voting delegates representing the 105 County Farm Bureaus adopted the following policy at the 70th Annual Meeting of Kansas Farm Bureau in Topeka, December 6, 1988: "We will not oppose expansion of any corporate hog facility now located in Kansas which has the support of farmers and other citizens in the area of the facility. Beyond this, we believe additional changes in the Kansas Corporate Farm Law are not necessary." It appears to the Farm Bureau that H.B. 2368 would allow a specific swing breeding operation to be exempted from the corporate prohibition under Kansas law. If this proposal is an attempt to allow expansion of an existing corporate entity operating in southwest Kansas, we are proponents of H.B. 2368 as long as the expansion has the support of the farmers and other citizens in the area. This proposal does not swing the door wide open to corporate farming. (Attachment 2).

Mayor Richard Dirks of Kismet, Kansas testified next on how DeKalb affects the economic impact in the area. (Attachment 3).

Raymond Neu, President of The Plains State Bank was the next conferee. Mr. Neu testified that there are three banks in Meade County, all of which benefit from the DeKalb employees payroll. This payroll adds a tremendous boost to the area economy. DeKalb Swine Breeders Inc. is not a threat to the local farm land owned because DeKalb does not farm land that they own in the area. Although the bank does not get requests to finance many pork producers who are primarily in the hog production business, they do finance farmers who have small hog operations and they do not

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

room 423-S, Statehouse, at 3:34 ~~xxx~~/p.m. on Tuesday, February 21, 1989

see that number of producers diminishing. DeKalb Swine Breeders Inc. as a corporate pork production farm enterprise has been very beneficial to the agricultural business economy both locally and to the State of Kansas. Therefore, it seems foolish to deter their expansion within the state boundaries. (Attachment 4).

The next conferee was Bob Deacon. Mr. Deacon owns his own hog farm which he purchased three years ago. Before purchasing his own hog farm he worked for DeKalb Swine Breeders. He feels that corporations should be able to own land to raise livestock in Kansas as long as there are no tax breaks or incentives given to them that are not given to individuals. When he is asked about being neighbors with DeKalb: "How do you compete?" he always replies: "I am not really competing with DeKalb. I am competing with the other people in the world who produce other protein sources such as beef and poultry." Through good management of swine husbandry and economics, he is able to be a part of the industry along with any large producer in the state of Kansas. He feels that if you are a believer of the free enterprise system, you will pass this corporate bill. (Attachment 5).

Mr. Reuben Jeane, General Manager, CMS Electric Cooperative testified as to how corporate hog farming in Kansas affects the CMS Electric Cooperative. DeKalb Swine Breeders is one of their consumers. Without DeKalb, the other 4,000 plus consumers would have much higher rates for the cooperative in order to continue to provide the electrical service currently being provided. The DeKalb Swine Breeders currently pay electrical utility bills of over \$783,000 per year. If DeKalb were allowed to expand, and they expanded at the rate that they did in the 1970's and early 1980's when DeKalb was growing at the rate of one (1) additional farm each year. Each additional farm would use an additional 1,265,000 KWH per year for a total dollar value in revenue of over \$90,000. The increase and milling cost would be approximately 89,000 KWH of electrical power and over \$9,000 in revenue to mill the grains that would feed the additional breeding stock. These numbers reflect only how the DeKalb expansion would effect just one portion of the economy, that being just the CMS Electric Cooperative and the electrical power that they use. For each additional farm there are normally 15 new families that move into the community to form 15 new basic jobs. (Attachment 6).

The next conferee was Ron Eakes owner of Mid-Plains Construction, Inc. in Plains. As a private contractor he has grown from a two man operation to one that employs ten. His ready mix concrete plant does business with DeKalb and does \$20,000 in business annually between ready mix sales and construction work. (Attachment 7).

Michael Thomas, Administrator of Meade District Hospital testified that the future expansion of DeKalb (one farm) will provide an estimated 45 potential patients to their service area. (Attachment 8).

The next conferee testifying in support of H.B. 2368 was Ron Alexander a businessman from Plains. He asks that those producers and legislators who oppose corporate hog farming, please study the situation carefully. DeKalb is not trying to run the small producers out of business, only inefficiency can do that. DeKalb is in the breeding stock business to make genetic improvements which in turn increase profits for the small commercial producers. (Attachment 9).

The final conferee on H.B. 2368 was Vail Fruechting a farmer from Plains. He testified that DeKalb benefits him as a grain sorghum producer. From harvest time until about the middle of December, he has the opportunity to sell his milo for approximately \$.20/cwt. higher than the local elevator market. This means about five to six thousand dollars in additional net income for his operation. He urges support for a change in the Kansas corporate farm law and believes it would benefit not only him as a beginning young farmer, but would benefit the state of Kansas as a whole. (Attachment 10).

This closed the hearing on H.B. 2368.

(Attachment 11) is a letter of support for H.B. 2368 from the Seward County Commissioners.

(Attachment 12) is a letter of support for H.B. 2368 from D. J. Wettstein, Kismet, Kansas.

(Attachment 13) is a letter from Mike Jensen, Executive Vice President of the Kansas Pork Producers Council. This letter states that the Kansas Pork Producers Council will take no position, on H.B. 2368. However, individual members are free to express their own personal opinion.

The meeting adjourned at 4:46 p.m.

Elizabeth Baker

Date: 2/21/89

GUEST REGISTER

HOUSE

Committee on Economic Development

<u>NAME</u>	<u>ORGANIZATION</u>	<u>ADDRESS</u>
VAIL FRUECHTING	Farmer	Rt 1 Box 46 B PLAINS KS 67869
Dogla Jensen	cont.	Box 153, Hiramet
Harold Reichen	County Comm.	Box 605 Plains, Ks.
Dan Donahue	Plains City Council	Box 296 Plains, Kans.
Gary Ansel	Farmer	Box 610 Plains, Ks.
Jim Eaker	Mid-Plains Const. Assn.	Box 638 Plains, KS
Rock Ormiston	Sales - Ag	Hesmet, Ks.
Jerry Lindberg	Chamber of Commerce	Box 676, Liberal
Jerry Post	Kansas Rural Center	Whiting, KS. 66552
Chris Walker	KANS NFO	Mayetta, Ks
J. Neil Morrissey	Kans NFO	Wright, Kansas
Ann Patterson	KDOC	Topeka
Terry Denker	KDOC	Topeka
BILL FULLER	Kansas Farm Bureau	Manhattan
Tim Stroda	Kansas Pork Producers Council	Manhattan
Sandy Payne	Kansas Pork Producers Council	Manhattan
Ron Alexander	John Deere	Plains, Ks.
REUBEN JEANE	CMS Electric Coop	MEADE, K.S.

Date: _____

GUEST REGISTER

HOUSE

Committee on Economic Development

<u>NAME</u>	<u>ORGANIZATION</u>	<u>ADDRESS</u>
Bob Deacon	Park View Hill	RR1 Kisimut KS 67859
Raymond C. New	Plains State Bank Box	Box 38, Plains KS 67859
Richard J. Dirks	Kismet KS Mayor	Box 313 Kismet KS
Mike Bear	Ks Look Ann	Topeka
Carl Holmer	St. Leg	Plain
Warren Parker	Manhattan	Kansas Farm Bureau
Jean Wyatt	M'Pherson	Ks Farmers Union
Don Repp	Onawa	Leg.
SCOTT HESSELL	KANSAS, Inc	TOPEKA
Alan Steppat	Pete McGill & Associates	Topeka
Bruce Turkin	Baldyville	Leg
Hank Ernst	Kansas Farmer	Topeka
Alison Arlin	Eagle Beer	Topeka
Jol Leber	Ks Coop Council	Topeka
Walt Darby	Dir of Budget	Topeka

TESTIMONY
HB-2368
Economic Development Committee

Madam Chairman and Committee Members:

I am Representative Carl Holmes, and I wish to thank you for the opportunity to speak in favor of HB-2368. This bill addresses a matter of vital concern regarding the continuing economic development of my district. I have prepared a folder of information, providing background material, Attorney General's opinions, and editorials. I will only summarize and give a broad overview. I do not wish to be repetitious--this issue has been discussed thoroughly in the past. The information you have before you is for reference and orientation of new committee members.

Let us look at the additional exemption as written in HB 2368. It states, "Agricultural land owned or leased by a corporation operating a swine confinement facility on such agricultural land for the purpose of developing, producing or raising breeding swine which, through a process of selective breeding and genetic improvement carried on by such corporation, possess characteristics relating to the improved performance of swine herds of farmers and livestock raisers, if the majority of voting shares of such corporation are directly or indirectly owned or controlled by persons who are citizens of the United States."

This amendment would require that any corporation operating a "swine confinement facility" would have to be a U. S. controlled corporation. It states also that any "swine

confinement facility" would have to be for the principal purpose of raising breeding swine and NOT for the production of market hogs.

LEGAL BACKGROUND

CURRENT LAW

17-5903 states--"Swine confinement facility" means the land, structures and related equipment owned or leased by a corporation and used for housing, breeding, farrowing or feeding of swine in an enclosed environment. The term includes within its meaning only such agricultural land as is necessary for proper disposal of liquid and solid wastes in environmentally sound amounts for crop production and to avoid nitrate buildup and for isolation of the facility to reasonably protect the confined animals from exposure to disease.-- This definition is in current law passed by the legislature in 1988. It is only a definition and does not allow "Swine confinement facility" operations. If this was listed as a permitted operation, which it is not, it would prohibit vertical integration between grain producer and feedlot operators producing swine.

17-5905 states-- Processor of pork and partnership in which processor holds shares; unlawful acts. (a) In order to preserve free and private enterprise, prevent monopoly and protect consumers, it is unlawful for any processor of pork or limited partnership in which a processor holds partnership shares as a limited partner to: (1) Contract for the production of hogs of which the processor is the owner or (2) own hogs, except such processor may own hogs for 30 days before such hogs are manufactured, processed or prepared for sale as pork products.-- This definition is current law passed by the legislature in 1988.

This prohibits packing houses from ownership of swine before their purchase for slaughter and thus prevents vertical integration between feedlot and packer.

PROHIBITED TAX ADVANTAGES FOR SWINE CONFINEMENT FACILITIES

The following are a list of 4 prohibited tax advantages for swine confinement facilities if swine confinement facilities were allowed by law.

79-250 states-- Poultry, rabbit and swine confinement facilities not allowed to be exempt from ad valorem taxation. Currently, feedlots producing swine could be exempt from property taxes.

12-17,109a states-- Same; areas prohibited. The governing body of a city or the board of county commissioners of a county shall not designate an area as an enterprise zone pursuant to K.S.A. 12-17,108, and amendments thereto, if within such area there is located a swine confinement facility as defined in K.S.A. 17-5903, and amendments thereto. Currently, feedlots producing swine could be allowed to operate in an enterprise zone.

12-1749b states-- Issuance of revenue bonds; certain purposes prohibited. No revenue bonds shall be issued under authority of K.S.A. 12-1740 to 12-1749a, inclusive, and amendments thereto, in which all or part of the proceeds of such bond issue are to be used to purchase, acquire, construct, reconstruct, improve, equip, furnish, repair, enlarge or remodel property for any swine confinement facility on agricultural land which is owned, acquired, obtained or leased by a corporation. As used in this section, "corporation," "agricultural land" and "swine confinement facility" have the meanings respectively ascribed thereto by K.S.A. 17-5903, and amendments thereto.

79-32,154 states-- "Revenue producing enterprise" shall not mean a swine confinement facility as defined in K.S.A. 17-5903, and amendments thereto.-- This permits the use of "Credit against tax for establishment of qualified business facility" in connection with the Job Expansion and Investment Credit Act of 1976 for feedlots producing swine.

I use the preceding to point out that there are barriers in place to restrain swine confinement production if it were allowed by law. It is NOT my desire to open up swine confinement operations to everyone, but just to allow companies which may be subject to HB 2368 (DeKalb) to expand in an area where they are appreciated by the family farmers.

Basically, HB 2368 does not CHANGE the Kansas Statutes so much as it CLARIFIES our existing laws. In 1981, the legislature established corporate farming statutes restricting certain corporate agriculture activities and exempting others. The law specifically states, the restrictions do not apply to feedlots. DeKalb Swine Breeders had been in place south of Plains since the '70's, and the legislative members believed that their operation would be covered by the exemption. Also, since DeKalb was already in place, they would be "grandfathered" in.

In 1983, Attorney General Opinion No. 83-160 states, "We have little hesitancy in concluding that a corporation, authorized to do business in Kansas, may own agricultural land, irrespective of acreage, FOR THE PURPOSE OF OPERATING A FEEDLOT FOR THE FEEDING AND SLAUGHTERING OF HOGS. As an incidental aspect of the feedlot operation, a corporation may engage in the breeding of the hogs from within its own stock for feeding and slaughter BUT MAY NOT BREED HOGS FOR SALE PRIOR TO FEEDING AND SLAUGHTER". This opinion opened the door for large corporate farrow to finish feedlot operations, but effectively restricted any future expansion for DeKalb. A broad interpretation of "However, even though the Act is restrictive as to corporate uses of agricultural land, if we examine closely the definition of feedlot, IT IS SUFFICIENTLY BROAD SO AS TO ENCOMPASS ANY INCIDENTAL ACTIVITIES NECESSARY TO THE OPERATION OF THE FEEDLOT."

In 1988, Attorney General Opinion No. 88-145 states, "We conclude that the holding of seed stock (breeding stock) for commercial sale does not in our opinion constitute farming by a

corporation. And thus the acquisition of agricultural land by a corporation for this purpose does not violate the corporate farming act because it comes within exception (3) found in K.S.A. 1987 Supp. 17-5904."

Now lets take these two Attorney General Opinions and try to see what they mean to DeKalb:

1. DeKalb, if it changed its main thrust of operation, could purchase all the agricultural land it wanted, produce its own grain, breed, farrow, and sell slaughter hogs in Kansas without restriction. AG OPINION 83-160
2. DeKalb could breed, farrow, and finish hogs in other states and move them to additional Kansas land for a "short term" before selling them to other parties as breeding stock. AG OPINION 88-145
3. DeKalb could breed and farrow hogs in other states, then move them to Kansas to a swine feedlot on additional agricultural land and sell them for slaughter. CURRENT LAW 17-5904 (8) & AG OPINION 83-160
4. DeKalb CANNOT breed, farrow, finish, and sell any swine for breeding purposes in Kansas except on ground they owned in 1981.

DeKalb Swine Breeders is a high-tech, state of the art, total confinement operation whose main purpose is to raise the best quality hydrid breeding stock and market that breeding stock worldwide. They are not interested in feedlot operations and

pose no threat to the small farmer in my district. In fact, they provide a premium market for the grain produced by farmers and work very closely and compatibly with our local agricultural community. The restrictions imposed upon DeKalb have forced them to go to Oklahoma to buy property for expansion.

All efforts to undo the restrictions on DeKalb have met with resistance in Topeka. Corporate farming issues raise a very emotional response and bring out intense fears of large corporate conglomerates eating up the small Kansas farmer. If you will study our existing laws, and then look closely at HB 2368, you will see that it is a very narrow structured exemption tailored to specifically allow DeKalb's expansion. I am a farmer and have no desire to open this up statewide. I only ask that the Kansas Legislature pass HB 2368. It is critical to the economic growth in my district, and would be a step to CLARIFY THE ORIGINAL INTENT OF THIS BODY IN 1981.

DEKALB SWINE BACKGROUND INFORMATION

ANNUAL PRODUCTION COSTS
for 8 Kansas Farms

KANSAS GRAIN PURCHASES:	\$3.5 to \$5.0 million
KANSAS OTHER FEED INGREDIENTS	\$3.0 TO \$4.0 million
KANSAS LABOR (average 200)	\$3.4 million
KANSAS ENERGY PURCHASED	\$1.0 million
KANSAS TRUCKING	\$0.6 million
KANSAS SUPPLIERS MISC.	\$1.0 million
Total	\$13.75 million

Each farm built outside Kansas is loss of over \$1.5 million input purchases

Each farm built outside Kansas is loss of over \$3.0 million in construction

Lost taxes include property, income, sales

Kansas farmers loss of grain sales

Value-added product--98% breeding stock sales outside Kansas

The typical employee is a graduate of an agricultural school

Each new employee receives intensive training

Women constitute 1/3 of the employees and receive advancement

REASONS DEKALB LOCATED IN KANSAS

Good climate

Excess grain

Small local swine numbers

Low population density

PLAINS

Community Profile Information

POPULATION:

	1960	1970	1980
City	780	857	1044
County	5505	4912	4788

UNEMPLOYMENT RATE: 3.2%

ASSESSED VALUE: \$2,991,684
(doubled since 1970--no DeKalb construction within city limits)

BANK ASSETS:

	1972	1988
	\$5,748,000	\$24,132,000

(Assets are not DeKalb's, but reflect growth of community wealth)

AREA GRAIN STORAGE: est. 6.5 million bu. excluding DeKalb
(est. 2.5 million built last 10 years)

Agri-business growth

The Wichita Eagle
Established 1872

The Wichita
Eagle-Beacon

The Wichita Beacon
Established 1872

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DAVIS MERRITT, Jr.
Executive Editor

KEITH MURRAY
General Manager

WILLIAM R. HANDY
Managing Editor

GEORGE NEAVOLL
Editorial Page Editor

Editorials

Corporate hogs

Kansas could lose new industry

KANSAS could become one of the country's leading hog producing states, creating new jobs and bringing new income to hard-pressed rural areas. But if the state is to get those benefits, the Legislature must remove some restrictions on corporate farm ownership.

Legislation allowing DeKalb Swine Breeders to expand its operations in Southwest Kansas is bottled up in the Senate Agriculture Committee. Failure to enact the measure could force DeKalb to move its proposed breeding farm to another state that is more hospitable to the company's plans.

The legislation, which also would establish a swine research center at Kansas State University, has been endorsed by the State Board of Agriculture, the Kansas Farm Bureau and the Kansas Pork Producers Council. The opposition comes primarily from smaller hog farmers who fear that corporations would put them out of business.

Actually, the smaller producers are in deep trouble regardless of the fate of the pending legislation. Since

the state corporate farming law was enacted in 1981 the number of swine raisers has declined in Kansas from around 13,000 to 6,900.

The reality is that corporate hog farming is part of the future of the swine industry, despite the wishes of those fighting the DeKalb legislation. As Tom Rose, president of the Kansas Pork Producers Council, explained, "The trends of our industry are clearly established, and those already producing pork in this state will be competing against the corporate sector whether that production is in Kansas or not."

The choice for the Legislature is not whether to protect some smaller hog producers — that's been tried and it failed — but whether Kansas has a future as a major hog raising state. Unfortunately, some legislators and smaller farmers are trying to block change that is inevitable and protect an agricultural system that has become outdated. In the process they are hurting the rest of the state, and fooling themselves.

The Wichita Eagle
Established 1872

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Editorials

Hogs head south

Economic suicide in Kansas

DEKALB wanted Kansas. It begged the Legislature to be allowed to bring jobs and millions of new dollars to the state. It offered the prospect of a growing business, and a chance to make Kansas a national leader in the swine industry.

Indeed, DeKalb sought to build on its success in Kansas. The company has an eight-farm complex near Plains, generating a \$3 million payroll and millions of dollars in purchases for grain and equipment in Southwest Kansas.

But the 1988 Legislature didn't want DeKalb. Despite the dire need for new business in the state's rural areas, the Legislature refused to amend the state corporate farming law to allow DeKalb to expand in Kansas. In effect, the Legislature caved in to pressure from a few hog farmers and agriculture activists and told the company to get lost.

But DeKalb didn't get lost. It went to Oklahoma, where the company recently announced plans for a \$3.6 million large-scale hog farm near Turpin, about 10 miles south of Liberal. That means many of the economic benefits from the operation will go to Oklahoma, not Kansas.

The issue shows the dangers of economic protectionism. Most of the

opposition to the DeKalb expansion came from Southeast Kansas, where hog farmers feared competition. Rather than fight in the marketplace, the smaller operators ran to the politicians to defend them from the rigors of the capitalist system.

However, even if they won their legislative battle, the small hog farmers lost their war. Worse, their attitude threatens to take much of rural Kansas down with them.

DeKalb, for example, simply stepped across the state line into the eager arms of Oklahoma, where the legislature amended its farm laws to allow DeKalb to locate there. The competitive pressures the Kansas hog producers sought to avoid still exist, but the farmers have left Kansas a reputation as hostile to business.

American agriculture is in transition. Many of the future jobs in rural areas must come from such companies as DeKalb. Kansas can resist modern agribusiness and, most likely, wind up a financial victim, or it can work with corporations to keep the state's rural economy viable.

Kansas has survived because it has adapted to changing economic realities. But as long as the Legislature succumbs to special economic interests trying to protect themselves, the state's future will remain cloudy.

DATE: Jan. 1-30-89

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Economics lesson from hogs

Anyone doubting the power of the Legislature to damage the Kansas economy should note the issue of corporate hog farming.

Because of pressure from some Kansas hog farmers, the 1988 Legislature refused to amend the state corporate farming law to allow DeKalb Swine Breeders, Inc., to build a major hog plant in southwest Kansas.

Rebuffed by Kansas, DeKalb simply moved across the border to Oklahoma, which was eager for the new jobs, tax revenue and other benefits the swine operation brings. Thus, rather than stop corporate hog farming, the Kansas Legislature wound up giving the Oklahoma economy a multi-million dollar boost.

The Legislature also gave Kansas an anti-business reputation among some corporations. That image could hurt Kansas, especially as Oklahoma and other states are aggressively wooing agribusiness concerns.

The House Economic Development Committee, which held a hearing last week on the issue, may try to amend the state corporate farming law to avoid future DeKalb-type mistakes. At a minimum, the Legislature should abolish the restrictions that

cost Kansas the new DeKalb venture.

The corporate farm law clearly is not halting the decline of Kansas' small-scale hog industry. A 1988 study by Kansas, Inc., the state economic development agency, noted a continuing drop in the number of Kansas hog farms and lower production compared with neighboring states. Yet swine experts say Kansas' climate and ample supply of feed grains make it ideal for hog raising.

The Kansas corporate hog law is pure economic protectionism. Some hog farmers want to keep out competition that may threaten their livelihoods. The indisputable truth, however, is that the Kansas Legislature can't isolate hog farmers from the free-enterprise system. As DeKalb proved, if Kansas doesn't want the new hog operation, Oklahoma does. In the end, the impact on the Kansas hog industry is the same, only Kansas gets few of the benefits of the new type of swine production.

Unfortunately, the Legislature would rather cater to a small number of hog raisers than offer new economic opportunities for rural Kansas. The hope is that the DeKalb case teaches legislators something about current economic reality.

DATE: Wed. 2-15-89

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Editorials

Free hog farms

Anti-corporate law hurts state

The Legislature must decide whether to keep Kansas in an economic suicide pact with its three neighboring states that also ban corporate hog farms. If it does, Oklahoma can be Kansas' prosperous pallbearer.

Over the past few years, Kansas, Iowa, Nebraska and South Dakota have enacted laws limiting hog operations to family farmers. The argument has been that the government should protect smaller producers from large corporations that want to move into the hog industry by breeding, raising and slaughtering pigs. In effect, the four states are trying to control the development of the hog industry, and make government, not private initiative, the arbiter of economic progress.

But as Mom and Pop grocers found out when they fought the supermarkets, and as Main Street merchants learned from the chain stores, some economic changes can't be resisted. That is certainly the situation with corporate hog farming.

Consider how the corporate hog law has worked in Kansas. In 1988, DeKalb Swine Breeders sought to amend state law so it could expand its hog operations in Southwest Kansas. Pressured by small hog farmers, the Legislature rejected DeKalb.

Rebuffed by Kansas, DeKalb simply moved a few miles south into Oklahoma, which welcomed the new jobs and other benefits the company brought. Thus, to appease a small group of hog farmers, the Legislature denied Southwest Kansas what could become a major new industry. The Kansas farmers still face the same competition from DeKalb; the only difference the law has made is to give Kansas a reputation as hostile to agribusiness.

Meanwhile, as its neighbors tilt at economic windmills, Oklahoma moves forward into a new era in agriculture.

The House Economic Development Committee proposes amending the corporate hog law so the DeKalb case isn't repeated. The legislation is vital if Kansas is to recognize current reality and adjust to the new economics of rural America. Even if it were desirable, it is impossible to protect Kansas hog farmers from modern capitalism.

The Economic Development Committee's measure will test how Kansas legislators will respond to the rapidly changing economics in agriculture. Oklahoma leaders understand what's going on. As a result, they have a new industry while Kansas has nostalgia for the family farm.

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2/21/89

Will Corporate Hog Production Affect Meade County ?

Meade County News
Wednesday, March 23, 1988

by Tom Kuhns

At the current time there is legislation at the state capital concerning corporate hog production in the state. Dekalb Swine Breeders would like to expand their operations in Kansas but are prohibited to do so due to state law. Several years ago a series of laws were passed which were aimed at keeping corporations from pushing small family farmers out of business in Kansas.

At the time it seemed like a wise thing to do. After all, farmers were starting to go under and it seemed that the impersonal corporations were flocking to farm auctions like vultures waiting for an animal to die.

However, since the prohibition of corporate agriculture was instated farmers have continued to go under. Something to which the corporations can truthfully say they had nothing to do with.

On February 16, 1988 Roy Poage, president of Dekalb Swine Breeders, addressed the select committee on the corporate farm law in Topeka. The following are excerpts from his testimony.

"Dekalb is going to build more hog farms whether Kansas changes the corporate farming law or not. If we can't build in Kansas, we will have no other choice, but to build somewhere else."

"All of Dekalb's foundation farms are located near Plains, Kansas. We have eight farms near Plains that produce all the boars, GP females and about 30% of the hybrid gilts we sell."

"Ninety-eight percent of the breeding stock that is produced and sold by Dekalb is sold outside the state of Kansas either internationally or in other parts of the U. S."

"Dekalb decided to come to Kansas in 1972, because Kansas appeared to be a progressive, agriculture state. Our observations were that Kansas would do everything within its power to promote the development of its agriculture economy. At least we never imagined it would pass laws to

restrict it."

Pogue gave the committee several advantages and disadvantages of corporate hog production in Kansas:

"Kansas has a good climate for hog production. It has a more moderate temperature and is drier than the corn belt states. Both of these factors favor production efficiencies."

"There is an excess of grain in Kansas and it appears there will be a surplus of grain in Kansas for many years to come. It produces grain, sorghum, wheat, corn and barley. All can be fed to hogs. Grain can be shipped out of the state or it can be used to produce value added products to bolster the state economy."

"The biggest disadvantage of locating a swine facility in Kansas at the present time is the uncertainty of the state legislature being willing to support and nurture the development of agriculture in Kansas. Kansas could become a major state in hog production in the years ahead but it must take a progressive stance towards animal agriculture."

Pogue then gave the committee some facts concerning the numbers of hogs in the state:

"There is a misconception that corporate hog farms are displacing small hog farmers. I submit to this committee there is no verifiable evidence that this happened or is happening. I submit to you that hog corporation have only taken the place of hog producers who quit. In 1959, there were 37,615 hog farms in Kansas, by 1969 there were 19,784. 17,000 hog farmers discontinued their operations from 1959 to 1969. There were no corporations in Kansas during that period."

"The corporations listed in the Kansas Inc. study did not become large operations until the late 1970's after nearly 1.5 million hog producers had quit raising hogs in the previous 16 years."

The proper perspective of corporations roles in hog production is that they started only after 1.5 million producers quit. Corporations didn't

displace producers. Large corporate hog farms didn't force small producers out. Corporations took the place of the producers who quit."

"We compared the inventory of all hogs and pigs of 1971 to 1986. We used the inventory of all hogs and pigs on December 1st as reported by the USDA and the Kansas Crop and Livestock Reporting service."

Pogue explained to the committee a Kansas map that he had prepared. In the map the state was divided into three sections east, central, and west. Each of those sections were divided into three smaller sections, north, central, and south, giving the map nine sections in all.

In all sections of the map hog population had declined since 1971 except for the west-central section which remained unchanged. Even the southwest section of the map reflected a 20% drop. (however the population of Dekalb hogs brought that section's population up 227%)

The interesting thing about the map was the figure shown for Seward and Meade counties. In those two counties the combined hog population had risen 61% in the last 15 years. That is not including the hogs owned by Dekalb.

Pogue indicated to the committee that successful business enterprises tend to attract more of the same. Pogue also gave some information concerning the economic impact that Dekalb makes on the area:

"I understand this information has been given to this committee, that Dekalb doesn't buy its grain in Kansas and doesn't buy supplies locally. Again that is not true. About 80% to 90% of the two-million bushels of grain we use here is bought within a 20 mile radius of our farms near Plains. The remainder is bought from other parts of Kansas. Each year we purchase the following within Kansas:"

*Grain-\$3.5 to \$5 million (depending on grain prices)

*Other feed ingredients-\$3 to \$5 million

*Labor-\$3 million

*Kansas natural gas and Kansas Electrical power-\$1 million

*Kansas trucking \$.6 million
*Equipment, supplies, building materials and local contractors service \$1 million

Each year Dekalb Swine Breeders spends anywhere from \$12 to \$15 million in the state of Kansas. The vast majority of that money is spent right here in southwest Kansas. They have proven that they are not a threat to the small hog producer. Should corporate hog farming be allowed to grow in Kansas? You have been given Dekalb's side of the story, decide for yourself.

Business/Farm

Miniature cows
begun as a lark. 8F

Markets 4-7
Farm 8
Farm Classified 9

F

Swine farm has neighbors in hog heaven

By Bob Cox
Staff Writer

PLAINS — There is a six-letter word that spells prosperity for this southwestern Kansas town — DeKalb.

To some Kansans, corporate hog farms are an evil that threatens small farms and rural communities. But that's not the view in Plains, where DeKalb Swine Breeders is the single largest driving force behind the economy.

"We've been quite a growth community," said Elwin Tyson, manager of the Plains co-op elevator. "Without (DeKalb) I'm sure we'd be a dying community, too."

The numbers tend to bear out Tyson's view. The population of Plains numbered 837 in 1970, according to the Census Bureau. DeKalb first set up operations in 1973. By 1980, Plains residents had increased 21 percent to 1,044.

DeKalb is in the hog business in a big way, producing about 180,000 animals each year on eight separate, highly specialized farms south of Plains. The firm sells breeding stock to swine farmers across the country and around the world.

It takes a lot of people and money to raise that many hogs. DeKalb employs about 175 people and spends, depending mostly on grain prices, \$12 million to \$14 million a year in Plains and surrounding environs. The payroll is more than \$3 million, most of which is spent in Plains, nearby Kismet or Liberal.

"I think they're an asset to the community," said Leroy Bowen, owner of Home Lumber and Supply Co., one of the retail merchants whose business benefits from the economic fallout created by DeKalb's pres-

Tyson, DeKalb is both competitor and customer. They buy grain, mostly milo, from area farmers who might otherwise sell to the elevator. But at other times of the year DeKalb turns to the co-op for milo, as well as other supplies.

At a time when small town Kansas banks have failed in greater numbers than at any time since the Depression, flush is the word to describe The Plains State Bank. Deposits have increased an average of almost \$1 million a year since DeKalb began operating, said bank President Raymond Neu.

DeKalb officials say they would like to spur additional economic activity in the area, if given the opportunity. They have plans to expand, saying that demand for DeKalb breeding stock greatly exceeds what can be supplied. But the company is stymied by a 1981 Kansas law that prohibits corporations from owning land for farming and is seeking a legislative exemption.

A DeKalb hog farm is a marvel of modern agricultural efficiency, a virtual factory. There are no pigs wallowing in mud. From the moment of conception until the time they're marketed, DeKalb hogs are raised in a series of heated barns designed specifically for that purpose. As the hogs grow from infancy to maturity, they progress into larger quarters.

Although critics of confinement hog raising would charge that such practices are, at best, unnatural, the hogs themselves — fat and, when awake, rowdy — appear content.

The first thing that impresses a visitor to the DeKalb farms is the emphasis on cleanliness. Each farm is surrounded by a 6-foot-high, chain link fence.

"That separates the farm, which is considered clean, from the outside world, which is considered contaminated," said Gary Faust, DeKalb's operation's manager.

Preventing disease is a high priority in confinement-swine production. Disease can rage through an entire herd and result in heavy death and financial losses. Everyone — employee and visitor alike — enters the DeKalb farms through a secured building, showers and changes into clothes provided by the company. Going from one part of the

● DEKALB, 2F, Col. 1



Photo provided by DeKalb
About a third of DeKalb's workers are women. Sarah Beard, left, and Deb Fetty check a pen.

62/11/89
2/11/89

DeKalb pumps in millions to prime local prosperity

Swine farms' employees add to community, residents say

● DEKALB, from 1F

farm to another may require another shower and change of clothes. A tour of the entire farm takes five showers.

Each animal's life is tracked by computer, its vital statistics — weight, feed consumption and health — recorded at regular intervals. Littermates are kept together, since research has shown that family harmony results in improved growth rates.

Not every hog meets DeKalb standards — only about one in four ends up with a career in breeding. The rest become pork.

Each farm is designed to produce only males or females, since the animals are bred for specific, sex-linked traits. Members of the rejected sex are fed for slaughter. Nor is it a benevolent order later on. Only the strong and desirable survive to spread their genes.

But rigorous standards pay off. DeKalb boars, ranked by a computer according to an index of desirable characteristics, sell from \$325 to \$1,150 each. "There's a lot of people that sell \$250 boars, but that's not a market we're after," said Steve Sutton, assistant production manager.

There's another side to the DeKalb operations — a human one. The typical DeKalb employee is 23½ years-old, a graduate of a leading agriculture or agribusiness school, perhaps from as far away as New York or California.

The people are also a boon to the Plains area, said Tyson. "They're good people. They marry into the community. They go to our churches."

Each DeKalb employee is put through an intensive training regimen that includes classroom instruction and hands-on-the-hogs work. It's training with a long-term purpose. Plains may be just the first step in a long career with DeKalb or elsewhere in the swine industry.

"We get good people to start with, put them through the training, then talk to them about their future," said Faust.

For the new employees, the transition to small-town Plains can be difficult. Faust said the company tries to orient and help them get established. The company sponsors softball and basketball teams and other activities.

All of DeKalb's salespeople start out working on the production end of the business, either at Plains or



Linda Oliphant trains new DeKalb employees. The typical DeKalb employee is 23½ years-old, a graduate of a leading agriculture or agribusiness school, perhaps from as far away as New York or California.

Photo provided by DeKalb

one of the company's other farms. Turnover is often rapid, either through advancement within DeKalb or to other companies in the hog business. A few have left the company to start their own farms.

About a third of the DeKalb staff are women. One of them, Kim Lane, a Missouri native and

veteran of six years with DeKalb, now manages the training farm, overseeing both its production of boars and the education of new employees.

One of her assistants is Linda Oliphant, who says DeKalb offered the opportunity to stay in agriculture that wasn't available on the

family farm in Iowa. "I can advance with DeKalb the same as any man," she said.

All things considered, the folks around Plains say they wouldn't mind seeing DeKalb expand. "I haven't heard anybody say they were against it," said Neu, the bank president.

'88 ISUZU TRUCK
\$6777
DELIVERED



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612

ROBERT T. STEPHAN
ATTORNEY GENERAL

October 31, 1983

MAIN PHONE (913) 296-2210
CONSUMER PROTECTION 296-3751
ANTITRUST 296-5299

ATTORNEY GENERAL OPINION NO. 83- 160

Jamie Schwartz, Secretary
Kansas Department of Economic Development
503 Kansas Avenue, 6th Floor
Topeka, Kansas 66603

Re: Corporations -- Agricultural Corporations --
Ownership of Agricultural Land; Operation of
Feed Lot

Synopsis: A foreign corporation, authorized to do business in Kansas, may own agricultural land in this state, irrespective of acreage, for the purpose of operating a feedlot for the feeding and slaughtering of hogs. As an incidental aspect of the feedlot operation, such corporation may engage in the breeding of the hogs from within its own stock for feeding and slaughter but may not breed hogs for sale prior to feeding and slaughter. Cited herein: K.S.A. 17-5901, 17-5903, as amended by 1983 Session Laws, Ch. 88, §72, K.S.A. 17-5904; 17-7301, 7 U.S.C.A. §202.

* * *

Dear Secretary Schwartz:

You have requested our opinion concerning whether a corporation, desiring to operate a feedlot for hogs, is precluded from the ownership of agricultural land in this state, pursuant to K.S.A. 17-5904, because of its desire to incorporate an incidental breeding operation on its feedlot premises.

We are advised that a foreign corporation has requested permission to purchase approximately 300 acres of Kansas land for the operation and maintenance of a feedlot for the feeding and slaughtering of hogs. As part of this feedlot operation, the corporation desires to breed its stock. The hogs will be breed, feed and slaughtered on the feedlot premises.

A-1-18
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The hogs are not breed for sale before slaughter. The corporation has incorporated this breeding procedure into its feedlot operation in order to maintain the quality of the herd and to maintain health standards.

K.S.A. 17-5901 et seq., establishes the ownership limits and uses of agricultural land in Kansas by a corporation. K.S.A. 17-5904 reads in pertinent part as follows:

"No corporation, trust, limited corporate partnership or corporate partnership, other than a family farm corporation, authorized farm corporation, family trust, authorized trust or testamentary trust shall, either directly or indirectly, own, acquire or otherwise obtain or lease any agricultural land in this state."

In examining those entities that are allowed uncontrolled ownership of Kansas farm land, as set out above, we find that in this case, the corporation is not one of those entities, as defined by K.S.A. 17-5903, as amended by 1983 Session Laws, Ch. 88, §72. Therefore, we look to the exceptions contained in K.S.A. 17-5904, which states in pertinent part:

"The restrictions provided in this section do not apply to the following:

. . . .

"(8) Agricultural land held or leased by a corporation for use as a feedlot."

It must be noted that the statutes make no distinction between land ownership by a domestic or foreign corporation, K.S.A. 17-5903(a), as amended [see e.g., Alien Ownership of Kansas Farmland: can it be Prohibited?, David A. Williams, 20 W.L.J. 514 (1981)] and we are assuming for purposes of this opinion that any such foreign corporation would be licensed and authorized to do business in this state pursuant to K.S.A. 17-7301 et seq.

A feedlot is defined at K.S.A. 17-5903(e), as amended, as "a lot, yard, corral, or other area in which livestock fed for slaughter are confined. The term includes within its meaning agricultural land in such acreage as is necessary for the operation of the feedlot." We naturally assume that the land in question is agricultural land as defined in K.S.A. 17-5903(f) as amended.

It is obvious from a reading of the entire Act that it is the intent of the legislature to limit the commercial use of agricultural land by corporations. While a corporation may own agricultural land for the operation of a feedlot, it must be noted that the statutes make no prohibitions against the operation of a slaughterhouse, as a slaughterhouse is not included within the definition of farming. K.S.A. 17-5903(g), as amended. However, the production of livestock, or, in this case the breeding of hogs, could be considered farming. K.S.A. 17-5903(g), as amended.

Your question concerns whether the operation of a breeding house can be included within the definition of a feedlot. Our research has disclosed no case which specifically includes breeding as part of a feedlot operation. However, the definition of "stockyard" as set out in 7 U.S.C.A., §202 is helpful:

"the term 'stockyard' means any place, establishment, or facility commonly known as stockyards, conducted, operated, or managed for profit or nonprofit as a public market for livestock producers, feeders, market agencies, and buyers, consisting of pens, or other inclosures, and their appurtenances, in which live cattle, sheep, swine, horses, mules, or goats are received, held, or kept for sale or shipment in commerce." See e.g., Denver Union Stock Yard Co. v. United States, 21 F.Supp. 83 (D. Colo. 1937).

While the statute above applies to public stockyards, it is useful in determining what is included within the activities of a stockyard or feedlot.

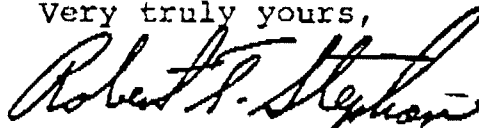
We are advised by the Kansas Animal Health Department that a "farrow to finish" operation is common among hog feeders. "Farrow" as defined by Websters Seventh New Collegiate Dictionary, p. 303 (1969), means "to bring forth young" swine. "Farrow to finish" is the breeding and feeding of hogs on the same premise. In this particular situation, the corporation has implemented a "farrowing" operation into its feedlot operation, as an internal method to reduce disease (See Pauls and Whites International Ltd., Proposal to Establish a 2218 Sow Breeding and Fattening Unit in the U.S.A. p. 17.) We have also been assured by the corporation that none of the hogs "farrowed" would be sold on a commercial basis but would be used exclusively to fatten for slaughter purposes on the premises of the feedlot. Additionally, based upon the diagram of the operation, as supplied by the corporation, it is readily apparent that the breeding of the hogs is an integral part of, or incidental to, this particular operation.

It is a primary rule of statutory construction that when the intent or purpose of the legislature can be ascertained, it must be followed. City of Salina v. Jagers, 228 Kan. 155 (1980). And "[w]here a statute is susceptible to more than one construction, it must be given that construction which, when considered in its entirety, gives expression to its intent and purpose." Reeves v. Board of County Com'rs of Johnson County, 226 Kan. 397, 402 (1979). However, even though the Act is restrictive as to corporate uses of agricultural land, if we examine closely the definition of feedlot, it is sufficiently broad so as to encompass any incidental activities necessary to the operation of the feedlot. Such incidental aspects of a feedlot operation for hogs could include the breeding of the pigs for the purpose of stocking the feedlot. It must be kept in mind, however, that these incidental activities must be strictly confined to the feedlot operation.

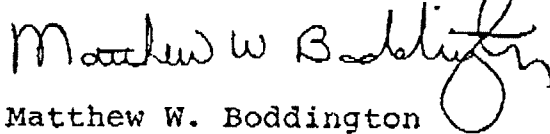
Therefore, we have little hesitancy in concluding that a corporation, authorized to do business in Kansas, may own agricultural land, irrespective of acreage, for the purpose of operating a feedlot for the feeding and slaughtering of hogs. As an incidental aspect of the feedlot operation, a corporation may engage in the breeding of the hogs from within its own stock for feeding and slaughter but may not breed hogs for sale prior to feeding and slaughter.

*Following for
slaying hogs*

Very truly yours,



OFFICE OF THE ATTORNEY GENERAL
ROBERT T. STEPHAN



Matthew W. Boddington
Assistant Attorney General

RTS:BJS:MWB:hle



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612

ROBERT T. STEPHAN
ATTORNEY GENERAL

October 6, 1988

MAIN PHONE: (913) 296-2215
CONSUMER PROTECTION: 296-3751

ATTORNEY GENERAL OPINION NO. 88- 145

The Honorable Carl D. Holmes
State Representative, One Hundred Twenty-Fifth District
P.O. Box 578
Plains, Kansas 67869

Re: Corporations--Agricultural Corporations--
Limitations; Holding Seed Stock

Synopsis: K.S.A. 1987 Supp. 17-5904 generally prohibits certain corporate ownership of agricultural land. Exception number three, however, allows corporations to acquire agricultural land for a nonfarming business, so long as the corporation does not directly or indirectly farm the land. The short term holding of swine for commercial sale does not involve the production of livestock and thus is not farming and not proscribed by the corporate farming act. Cited herein: K.S.A. 47-1001; K.S.A. 1987 Supp. 17-5902 et seq.; 17-5904(3).

*

*

*

Dear Representative Holmes:

As Representative for the One Hundred Twenty-Fifth District you request our opinion concerning the corporate farming act, K.S.A. 1987 Supp. 17-5902 et seq. That act prohibits certain corporations from directly or indirectly, owning, acquiring or otherwise obtaining agricultural land in this state. Specifically you inquire whether DeKalb Swine Breeders, Inc. may purchase, own, lease or use agricultural

9-1-22
2/21/89

land for the purpose of holding seed stock for commercial sale.

You indicate that DeKalb Swine Breeders, Inc. engages in the research, development, distribution and marketing of hybrid seed stock (breeding stock). The corporation in question wishes to sell the seed stock and will not breed or farrow these animals at these commercial sales centers.

K.S.A. 1987 Supp. 17-5904(a) provides:

"No corporation, trust, limited partnership or corporate partnership, other than a family farm corporation, authorized farm corporation, limited agricultural partnership, family trust, authorized trust or testamentary trust shall, either directly or indirectly, own, acquire or otherwise obtain or lease any agricultural land in this state.

The statute then lists fourteen exceptions to the general prohibition. Pertinent to this opinion is the third exception:

"Agricultural land acquired by a corporation in such acreage as is necessary for the operation of a nonfarming business. Such land may not be used for farming except under lease to one or more natural persons, a family farm corporation, authorized farm corporation, family trust, authorized trust or testamentary trust. The corporation shall not engage, either directly or indirectly, in the farming operation and shall not receive any financial benefit, other than rent, from the farming operation." K.S.A. 1987 Supp. 17-5904(a)(3). (Emphasis added.)

"Agricultural land" is defined in the act as "land suitable for use in farming." K.S.A. 1987 Supp. 17-5903(g). The above exception generally provides that a corporation may own agricultural land if the land is not used by the corporation, either directly or indirectly, for farming. Whether we have a nonfarming business depends upon whether the holding of seed stock constitutes "farming." The term is defined at K.S.A. 1987 Supp. 17-5903(h) as follows:

"'Farming' means the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, the production of milk, the production of fruit or other horticultural crops, grazing or the production of livestock. Farming does not include the production of timber, forest products, nursery products or sod, and farming does not include a contract to provide spraying, harvesting or other farm services." (Emphasis added.)

Thus the question turns upon whether the holding of seed stock (breeding stock) constitutes the "production of livestock." Because the terms are not defined in the corporate farming act, we must interpret them to give them the effect intended by the legislature. State, ex rel, v. Unified School District, 218 Kan. 47 (1975).

A well recognized rule for determining legislative intent is that identical words or terms used in different statutes on a specific subject (emphasis added) are interpreted to have the same meaning in the absence of anything to indicate a different meaning was intended. Farmers Co-op v. Kansas Bd. of Appeals, 236 Kan. 632 (1975), citing Callaway v. City of Overland Park, 211 Kan. 646 (1973). Article 10, chapter 47 of the Kansas Statutes concerns public livestock markets that, by definition in K.S.A. 47-1001(f) appear to describe our factual circumstances:

"[A]ny business conducted or operated for compensation or profit as a public market for livestock, consisting of pens, or other enclosures, and their appurtenances, in which livestock are received, held, sold, or kept for sale or shipment."

Even though the public livestock market act is not applicable, these statutes deal with the holding of livestock for commercial sale and as such deal with the specific subject in question. We find the definition of "producer" in K.S.A. 47-1001(d) helpful in determining whether the holding of breed stock for commercial sale constitutes the production of livestock. A "producer" is defined as any person engaged in the business of breeding, grazing or feeding livestock. Since DeKalb will not be engaging in the business of breeding,

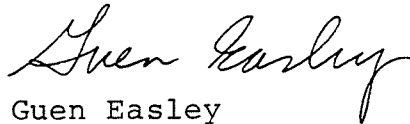
grazing or feeding livestock on this land, they will not be producing livestock nor engaging in farming. See T-Bone, Inc. v. Martin, 236 Kan. 632, 644 (1985) (feeding involves a process of three to six months where livestock are fed concentrated diets of grain, roughage and supplements to produce the maximum gain in the shortest period of time.) We note that we have assumed the animals held will remain for only a brief period of time for purposes of commercial sale and not for purposes of growing these animals and thereby producing livestock.

We conclude that the short term holding of seed stock (breeding stock) for commercial sale does not in our opinion constitute farming by a corporation. And thus the acquisition of agricultural land by a corporation for this purpose does not violate the corporate farming act because it comes within exception (3) found in K.S.A. 1987 Supp. 17-5904.

Very truly yours,



ROBERT T. STEPHAN
Attorney General of Kansas



Guen Easley
Assistant Attorney General

RTS:JLM:GE:jm



PUBLIC POLICY STATEMENT

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

RE: H.B. 2368 -- concerning corporate hog production

February 21, 1989
Topeka, Kansas

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

Chairman Baker and Members of the Committee:

My name is Bill Fuller. I am the Assistant Director of the Public Affairs Division of Kansas Farm Bureau. We certainly appreciate this opportunity to express the views of the farmers and ranchers who are members of the 105 County Farm Bureaus in Kansas.

Spirited debate over the Corporate Farm Law is not new in Kansas. After much hot political debate, the 1931 Legislature enacted one of the earliest and strictest corporate farming laws in this nation. The 1981 Legislature, after extensive study and debate, rewrote the Corporate Farm Law. More recently, corporate poultry and rabbit operations were allowed. Last session, Farm Bureau recommended and supported amendments to prevent a corporate swine facility from receiving any tax advantages not available to family farmers. That was accomplished by passage of H.B. 3018. We believe equity for family farmers is a requirement that must be protected when considering any changes in the corporate farm law.

Few issues have stirred emotions more than proposals to change the Corporate Farm Law. Farm Bureau has not escaped that debate. We are a general farm organization ... representing both

*House Eco Dev Committee
Attachment 2 2/21/89*

livestock producers and crop farmers. Frankly, some of our members want no change, others suggest limited expansion and others say open the door because we can compete with corporations.

Our membership has studied issues papers, responded to questionnaires, attended meetings and extensively debated the issue. However, when it comes time to decide policy, the majority prevails in Farm Bureau, as it does in Legislative Committees and in the full Kansas Legislature. The voting delegates representing the 105 County Farm Bureaus adopted the following policy at the 70th Annual Meeting of Kansas Farm Bureau in Topeka, December 6, 1988:

Corporate Farm Law

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

We are opposed to any expansion of the Kansas Corporate Farm Law which would provide economic incentives or tax advantages not available to family farmers.

We will not oppose expansion of any corporate hog facility now located in Kansas which has the support of farmers and other citizens in the area of the facility. Beyond this, we believe additional changes in the Kansas Corporate Farm Law are not necessary.

In order to evaluate any changes in the Corporate Farm Law, including consideration of H.B. 2368, we must remind ourselves there is considerable corporate hog farming already allowed in Kansas under current law. In fact, unlimited pork production in feedlots is allowed today. In addition, a 1983 opinion by the Attorney General is interpreted to permit corporate

farrow-to-finish facilities when the production is limited to market hogs. However, the sale of corporately produced feeder pigs and breeding stock is prohibited. It is important to realize H.B. 2368 is not the beginning of corporate hog farming in Kansas!

It appears to us H.B. 2368 would allow a specific swine breeding operation to be exempted from the corporate prohibition under Kansas law. **If this proposal is an attempt to allow expansion of an existing corporate entity operating in southwest Kansas, we are proponents of H.B. 2368 as long as the expansion has the support of the farmers and other citizens in the area.** We believe the statements by the many individuals and interest groups at public hearings over the years demonstrate that approval.

Excessive restrictions by Kansas on corporate production, unless a strong wall can be built around the state that will insulate against such activity in other states, will not likely provide the protection some expect. The majority of our members realize we cannot prevent change, rather we can be most effective in guiding the change to reap the most advantages and minimize any adverse effects.

H.B. 2368 appears to be a "limited" proposal. It does not swing the door wide open to corporate farming. We believe the concept proposed in H.B. 2368 is appropriate. We will attempt to respond to any questions you may have. Thank you!

CITY OF KISMET

BOX 44
KISMET KANSAS 67859

DEKALB SWINE BREEDERS, PLAINS, KANSAS

EMPLOYEE PAY CHECK

<u>MONTHLY EXPENDITURES</u>		<u>ESTIMATES</u>
HOUSING	\$200.00	\$400.00
ELECTRICITY	50.00	100.00
GAS	35.00	75.00
WATER	15.00	75.00
TELEPHONE	15.00	70.00
CABLE TV	15.00	30.00
GROCERIES	200.00	600.00
SCHOOL	20.00	60.00
FUEL	300.00	500.00
ENTERTAINMENT	10.00	50.00
CLOTHING	100.00	200.00
MEDICAL SERVICES	<u>20.00</u>	<u>60.00</u>
TOTALS	980.00	2,220.00
Amount of Employees	<u>X 175</u>	<u>175</u>
(Per Month)	\$171,500.00	\$388,500.00
	<u>X 12 months</u>	<u>X 12 months</u>
	<u>\$2,058,000.00</u>	<u>\$4,662,000.00</u>

These figures are in the Plains, Kismet, Meade, Liberal area. They do not include any payments such as car, appliances or the such.

Richard L. Dirks Mayor
House Eco Devo Committee
Attachment 3 2/21/89

CITY OF KISMET

BOX 44
KISMET KANSAS 67859

February 17, 1989

TO WHOM IT MAY CONCERN:

I was contacted in 1974 for input into the possibility of Dekalb Swine Breeders coming into our area and what we could provide for the company and its employees.

I have done this and the company has left a definite impact on our city and the area. Listed below are some of the areas it affects everyday:

1. Housing was of course necessary and few have purchased houses and many have rented.
2. Backhoe and dirt services have been established in our area.
3. Hairdressing Services have expanded.
4. Co-op Service Station has expanded.
5. Other tires services and repairs have come into our area.
6. Grocery stores have expanded.
7. A new Post Office is to be built.
8. A new General Store is now here.
9. Hardware Store has been built.
10. Agri Business has been established.
11. School enrollment has increased.
12. Grain farmers have a better outlet for grain
13. The City has improved their water system.
14. The City has improved their road system.
15. The Sewer system has been enlarged.
16. The Rural Fire Department has been improved.
17. The ambulance system has been expanded to take care of people in the city and the area.

Richard L. Dirks Mayor
a-3-2
2/21/89

February 21, 1989

**Testimony Given in Behalf of
Dekalb Swine Breeders, Inc.**

Introduction: I am Raymond Neu, President of The Plains State Bank, Plains, Kansas. We are a rural community of approximately 1,100 population. Our bank has approximately \$26,000,000. in total footings, and \$22,000,000. in total deposits. We employ fifteen people. Our Capital represents about 14% of our total assets, which is relatively high as Bank Capital ratios go today. During the last 15 years, our deposits have increased on the average by \$1,000,000. per year. There are three banks in Meade County, all of which benefit from the Dekalb employees payroll.

In February, 1988 there were 30 Plains area people here in support of a change in the Corporate Farm law which would allow corporations to purchase Kansas land for use in the production of swine. As a young man, I was lead to believe that large corporations were a threat to the small farmer. During my 30 years as an agricultural lender, I have found that philosophy to be a myth. Corporations in general are created for the purpose of making profits. Farming enterprises in many instances are undercapitalized and therefore are not efficient. Also, farms are not consistantly profitable, so Corporations look beyond them to other types of ventures that are more profit stable.

The Dekalb employee payroll adds a tremendous boost to our area economy. It brings to us some flexibility of our deposit, loan and income picture, i.e. the need for installment lending for the purchase of personal items such as food, utilities, housing, automobiles, etc. We do not have an automobile dealership, so those items are generally purchased in Meade, Dodge City, Liberal, or Garden City.

In the last five years, our young farmer/borrower base has increased rather than declined. The reasons are as follows. The Government farm program with the \$50,000 limitation has caused a portion of this, but also, we are experiencing a good number of college educated young farmers returning to our area using intensive farming practices and various marketing tools. Those tools include but are not limited to forward sales contracting of commodities, commodity hedging, "put" and "call" contracts, coupled with use of various electronic information gathering and processing technics.

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Dekalb Swine Breeders Inc. offers local farmers forward contracting of grain and direct purchase of grain upon delivery. This provides for the farmer to obtain approximately .20¢ cwt bonus for the grain. Because the grain that Dekalb buys from local farmers is consumed locally, it does not enter the open grain market. Therefore, other grain producers even outside our area benefit as well. Another advantage is that Dekalb does not charge the person that delivers grain for sale at a future date, any storage.

Dekalb Swine Breeders Inc. is not a threat to the local farm land owner because Dekalb does not farm land that they own in the area. As an example, if they purchase 160 acres of land, approximately 15% to 18% of that acreage is used for the swine facilities, lagoon etc. The remainder of land is leased back to the local farmer, who, in most cases, gets the benefit of the sewage which is applied back to the cropland. If, in fact, Dekalb is a threat to the smaller individual swine producer, it would be naive to believe that they would no longer be in competition with the smaller producer if located in a neighboring contiguous state.

I feel that it would be better for Kansas to have the benefit of corporate farmers owning land for the purpose of swine production than to go to other areas outside our state. I personally am aware that Beaver County, Oklahoma people encouraged Dekalb to move their facilities across the state line. They have acquired land in Oklahoma a few miles south of the Kansas-Oklahoma state line. Facilities built in Oklahoma will be on Oklahoma tax rolls and the employees of those facilities would naturally spend their paychecks and be personal taxpayers in that state.

Although we do not get requests to finance many pork producers who are primarily in the hog production business, we do finance farmers who have small hog operations and we do not see that number of producers diminishing. Dekalb Swine Breeders Inc. as a corporate pork production farm enterprise has been very beneficial to the agricultural business economy both locally and to the State of Kansas.

Therefore, it seems foolish to deter their expansion within the state boundaries.

Thanks
Raymond C. New

6-4-2
2/21/89

February 21, 1989

TESTIMONY BEFORE
HOUSE ECONOMIC DEVELOPMENT COMMITTEE

Madam Chairman and members of the House Economic Development Committee:

My name is Bob Deacon. I grew up on a farm in northwest Iowa and attended a two-year animal husbandry course at a voc-tech in Iowa. From there I went to work on a farm in California and then came to DeKalb Swine Breeders in Kansas in 1974. I worked for DeKalb for 10 1/2 years before buying my own hog farm three years ago. DeKalb has been and is one of the foremost leaders in the swine industry. I know I would not be as successful as I am today if it were not for the knowledge and experience I gained by working at DeKalb.

I feel that corporations should be able to own land to raise livestock in Kansas as long as there are no tax breaks or incentives given to them that are not given to individuals. This country is based on the free enterprise system. Free enterprise means that anybody has a chance to own his own business and make it successful. With the corporate law that we now have, we are limiting the free enterprise system. Most corporations were started by one individual.

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I am certain there are plenty of cities in Kansas that would welcome a new McDonalds, a new Walmart, or a new K-Mart in their town. On the other hand, we are standing back and allowing a few to limit the economic and agricultural progress that corporate hog farming could offer their communities and the state of Kansas.

I have had several people ask me about being neighbors with DeKalb: "How do you compete?" I always reply: "I am not really competing with DeKalb. I am competing with the other people in the world who produce other protein sources such as beef and poultry." As pork producers, we have to stick together and promote our product to the fullest. We have to find new ways to use our products. We have to get consumers educated as to how pork can be a nutritious part of their diet.

I am sure there are still some that say the larger producer has an economic advantage over a small producer. Farming is like many other industries. There are certain advantages to size and scale. It is and will be very difficult to make a living farming a quarter section of land; there simply is not enough income potential. This same situation exists for the small hog farmer. I am certain I can generate more income with a 125 sow herd than with a 50 sow herd and thus better support my family.

However, the real key to being in the swine industry today is efficiency, not size. I am aware of my cost of production, and

having worked for DeKalb, I have an idea of what their costs are. Through good management of swine husbandry and economics, I am able to be a part of the industry along with any large producer in the state of Kansas. If you are a believer of the free enterprise system, you will pass this corporate bill.

Testimony of Reuben L. Jeane,
General Manager, CMS Electric Cooperative

Presented to the House Economic Development Committee

Tuesday, February 21, 1989

Good afternoon, I am Reuben Jeane, General Manager of the CMS Electric Cooperative, located in Meade, Kansas. It is indeed a pleasure to be with you ladies and gentlemen this afternoon as representatives of the citizens of Kansas.

My comments this afternoon should be directed towards how corporate hog farming in Kansas affects the CMS Electric Cooperative, of which I am employed. CMS Electric Cooperative was formed in 1945 and our first lines were built in 1948. The basic area that we serve are the counties of Seward, Meade, Clark, and Comanche. We also serve electrical power to portions of Stevens, Haskell, Gray, Ford, Kiowa, and Barber counties. We employ 25 employees both in Meade and in Coldwater.

The purpose of CMS Electric Cooperative is to provide dependable economical electrical power to our consumers within our service area. As a rural electric cooperative, we are owned and governed by our members--or the consumers to whom we serve electrical power.

DeKalb Swine Breeders is one of these consumers that we serve. Just what impact does this one consumer of CMS Electric have on our total operations? Without DeKalb, the other 4,000 plus consumers would have much higher rates for the cooperative to continue to provide the electrical service that we currently are providing.

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The DeKalb Swine Breeders currently pay electrical utility bills of over \$783,000 per year. Approximately 60% of that is to pay for power costs that is generated in generating plants within the state of Kansas or local states. And, the other 40% is to pay payroll, taxes, and maintenance costs for maintaining the system. This \$783,000 is 13.8% of our total revenue each year. If DeKalb was to move out of our area, to Oklahoma or some other state, our other electrical service members would have to continue to pay-off the investment that has been made to provide electrical service in their area the next 35 years.

In rural Southwest Kansas we currently have 1.6 meters for every mile of line that we have built. It is quite expensive to provide electrical power in the very out-lying areas on farms and ranches. Without these large loads such as DeKalb, our other consumers would have to increase carrying the burden of electrical power. Heaven knows, our rural areas, farmers, ranchers, and everyone else in Southwest Kansas, have enough financial burdens with the economic situation as it is.

Everyone is talking about Economic Development, and it seems that we are going backwards by running firms, that want to expand here, out of the state. Let's do something that will help everyone, bringing more jobs into Kansas, not sending jobs out of state.

Currently DeKalb Swine Breeders has eight (8) separate farms in the Plains Kansas area that raise swine for breeding purposes. The CMS Electric Cooperative serves all of these farms, wells, the headquarters buildings and other services that they need. I can only project of what the DeKalb organization would do if they were allowed to expand by buying more land with a change of the current Kansas Law.

If they were allowed to expand, and they expanded at the rate that they did in the 1970's and early 1980's when DeKalb was growing at the rate of one (1) additional farm each year. It is upon that growth rate that we have done our studies to provide electrical power to their expanding system.

Each additional farm would use an additional 1,265,000 KWH per year for a total dollar value in revenue of over \$90,000. The increase and milling cost would be approximately 89,000 KWH of electrical power and over \$9,000 in revenue to mill the grains that would feed the additional breeding stock. These numbers reflect only how the DeKalb expansion would effect just one portion of the economy, that being just the CMS Electric Cooperative and the electrical power that they use.

For each additional farm there are normally 15 new families moved into our community to form 15 new basic jobs. If this growth rate was sustained over the next 10 years, the value of this economic development within our community would be 150 new basic jobs. A 1982 study by the Department of Commerce, stated that "for every 100 basic jobs created, 385 other jobs in the service and support areas are also created." If those numbers hold true, in 10 years with this expansion rate, there would be 727 new jobs formed in Southwest Kansas due to this one (1) firm expanding. That does not take into affect the expanded market for grain, expanded market for consumer goods within our communities, and all these have a direct effect upon any business or utility within our area.

People often ask me "what can we do for economic development in our state or community." We are currently working within our county and neighboring counties to bring in new businesses that can expand with facilities that we have available. As you are well aware, it is very hard to find firms that want to move, or are willing to move to this area if they

are all ready established. We have a firm here within our area that wants to expand and we will not let them. We are running them off to another state so that they can maintain their business in a growing state.

As I said earlier, I can only address how the DeKalb Swine Breeders foundation farms would effect the CMS Electric Cooperative in their expansion efforts. CMS in the 70's and early 80's placed a very strong network of electrical system to support their building plans at that time. This basic electrical system is in place and is being paid for currently by all of our members. We are also having to currently upgrade our facilities that were built in the late 1940's with a new substation in this area and within the next 12 months the electric cooperatives investment will be over \$1 million within Seward County to provide the support for all of our consumers in that area.

With this change in the state law concerning corporate farming and DeKalb starts building additional farms, they would pay for any additional lines that would have to be built to provide suport. The other consumers would **not**. With a large load, like DeKalb places upon our system, it is spread throughout the year so it does not create peak power problems that we have with some of our other loads such as irrigation. With this very stable load design and load growth, we would be able to obtain power at cheaper rates and also pass on these cheaper rates to our consumers.

In conclusion, I can only predict what the DeKalb Swine Breeders Firm would do in expansion. They have desired over the last several years the need for additional farms, they have discussed it at length with us if we could provide electrical power, we can and we've planned towards this end.

It seems strange that they can cross the state line by seven (7) or eight (8) miles and build a farm in the Oklahoma Panhandle with the taxes all going to that area, and benefiting that area when they could stay right in their own neighborhood and location and expand, and the people of Kansas would gain the benefits of that expansion.

The effect of that expansion upon all the consumers of the CMS Electric Cooperative would be that rates would not only stabilize, but in all likelihood would decrease from 8 to 12 percent. This reduction would have a direct effect upon not only the counties of Meade and Seward, but all the other counties that we serve within.

I can only testify as a citizen of Kansas and also as the manager of the CMS Electric Cooperative in Meade. Help us save our rural communities and the way of life that we have within these communities. Help us save our state and stop the exodus of people to other areas. We need to help firms who want to expand within Kansas and do everything possible to keep those firms here. We need to allow corporate farming as it pertains to the DeKalb Farm Breeders. I do thank you for your attention this afternoon.

A-6-5
2/21/89

MID-PLAINS CONSTRUCTION, INC.

1001 WEST B. STREET
POST OFFICE BOX 638
PLAINS, KANSAS 67869
(316) 563-7853

Members of the Economic Development Committee:

My name is Ron Eakes and I'm the owner of Mid-Plains Construction, Inc. in Plains. As my name implies, I'm a general contractor. My work takes us to rural communities within a thirty mile radius of Plains and it is my observation that while surrounding towns are economically sluggish the Plains-Kismet communities are prospering due in part to the presence of DeKalb Swine Breeders. During my nine years in business I have grown from a two man operation to one that employs ten. In this time I've purchased Plains Ready-Mix, a ready mix concrete plant. This facility was originally set up to provide concrete for DeKalb Foundation Farms #5, 6, and 7. Because of this Plains and the surrounding towns now have the benefit of a local Ready-Mix Company. Annually we do \$20,000.00 in business with DeKalb between ready mix sales and construction work. In addition, 1985 was a very good year for my company due to the work created by the construction of DeKalb Foundation Farm #8. During this ten month project we employed eleven men who did all the concrete and building construction.

As a direct result of this project we became affiliated with Hog Slat, Inc. from North Carolina. This company manufactured all of the concrete slat flooring for Foundation Farm #8. Soon after this project was completed DeKalb became interested in replacing

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the aluminum slats in their seven existing farms with concrete slats. A project that will take seven years to complete. Because of my concrete facilities and the size of this project, I became interested and hence became a subsidiary of Hog Slat, Inc. and began to manufacture slats at my location at Plains. This business has grown from a seasonal two man operation that produced 400 gang slats per year to one that presently employs four men, six days a week, year around with an annual production of 2,900 gang slats per year, a 700% increase. While DeKalb is my largest buyer, I've enjoyed increased sales in the surrounding states of Colorado, Nebraska Iowa, Illinois, Missouri, Arkansas, Oklahoma, and Texas.

1989 looks to be even a bigger sales year. During this year we plan to expand our slat operation to seven employees due to DeKalb's proposed expansion and additional sales to to other hog producers. On a personal note, the greatest benefit I've received from DeKalb is the fact that forty percent of their work force are women and one of these is now my wife.

In closing, I feel because of the efficiency of large scale hog confinement systems the growth of this type of hog farming is inevitable. The economic advantages are great, I am but just one example. Whether we choose to reap the benefits or let them go to another state is up to us. Thank you.

9-7-2
2/21/89

MEADE DISTRICT HOSPITAL

Operated By
MEADE LUTHERAN HOSPITAL ASSOCIATION, INC.
Meade, Kansas 67864

MEMORANDUM

February 21, 1989

To: Members of the Kansas Economic Development Committee

From: Michael Thomas, Administrator
Meade District Hospital

The purpose of this memorandum is to provide information to this committee in support of the expansion of Dekalb Swine Breeders Inc.

I am the Administrator of Meade District Hospital. Our Hospital District includes the city of Plains and the surrounding area within the Meade County line. Meade District Hospital is licensed by the State of Kansas as a 26 bed acute care facility. The Hospital District also leases and operates a Medical Office Clinic in the city of Plains. This office is staffed by physicians from Meade five days per week.

The hospital is largely dependent on an aging population for operating revenue, and because of inequitable reimbursement systems (Medicare) for this population, the dependence is becoming a tremendous burden. Future expansion of Dekalb (one farm) will provide an estimated 45 potential patients to our service area. In 1988 Dekalb and their employees paid to Meade District Hospital \$25,000 for services such as Emergency Room, Obstetrical Care, and Surgery. Other healthcare providers in the area (Southwest Medical Center, physician offices, etc.) were paid in excess of \$50,000. Should Dekalb expand at the "pre-1984 rate", one farm per year, these numbers would easily double. With continued cuts in the Medicare program, the hospital's survival depends on its ability to attract

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younger "full charge paying patients".

From past experience Meade District Hospital has enjoyed indirect benefits from Dekalb's location. Many of their employee's spouses seek employment, and are credentialed healthcare workers. (RN, LPN, Dietician, or Lab Techs). Some of these people have attended local Juco schools to complete their training, thus benefiting Kansas educational systems.

The physicians in Meade are currently providing Obstetrical services. They have assured me that if the Dekalb work force were not in the service area, with the cost of malpractice insurance as it is in Kansas, they would not be able to provide this service.

In closing, I would like for you to ask yourselves the following questions. Is the Kansas population aging faster than the rest of the nation? Is Southwest Kansas aging faster than the rest of the state? Will Dekalb's expansion bring more young educated or educateable people to Southwest Kansas? Will the expansion increase the tax base for State and Local Taxing Authorities? Will the State Income Tax Revenue be increased? I believe the answer to all of these questions is YES, and I urge you to take the necessary steps to allow Dekalb to expand their business.

Respectfully yours,



Michael Thomas, Administrator
Meade District Hospital

9-8-2
2/21/89

February 21, 1989

TESTIMONY BEFORE
HOUSE ECONOMIC DEVELOPMENT COMMITTEE

Members of the Committee, Representative Holmes and Concerned Kansans:

My name is Ron Alexander and I live in Plains, Kansas. I am grateful for the opportunity to express my opinion concerning DeKalb Swine Breeder's unsuccessful attempt to expand in southwest Kansas.

I have two reasons for being interested in this case. One is that I am a businessman who is dependent upon their trade. Secondly, I have an animal science background and am a former DeKalb Swine Breeders employee.

From a business standpoint, I am involved in three areas. A small farming interest in Seward county keeps me up to date on grain prices. Although I do not market grain directly to DeKalb, I am well aware that their grain needs have increased the prices in the local area. As owner of the Tumble Inn, which is a class B Club and Snack Bar, I occasionally visit with DeKalb employees, most of whom are college educated. They visit freely about their jobs, and seem proud of their contributions to world swine production. The last and most important area is

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selling farm machinery at Reiss Farm Equipment. The John Deere dealership is the only one in the county and is vital to the area.

Since 1985 the farm implement business has been difficult. Through job cuts and sales and inventory tax legislation the Kansas implement business is on the road to recovery.

DeKalb Swine Breeders does not purchase machinery from us for tilling the ground, however, they do purchase small tractors for handling livestock trailers. We have sold new units to DeKalb. Our primary business with DeKalb is as a sizeable parts and service account.

As stated previously, I am interested in this case from an animal science aspect. I hold an advanced degree in animal nutrition and maintain membership with The American Society of Animal Scientist. After graduate school, I was a commercial hog producer in Georgia for two years. In 1974 I began my employment with DeKalb Swine Breeders. I held various positions from one of the first farm managers to International Sales Manager at the DeKalb, Illinois location.

DeKalb Swine Breeders is in the swine breeding stock business producing economically efficient boars and gilts to be used in commercial production units throughout the world.

9-9-2
2/21/89

DeKalb Swine Breeders has made the commitment to genetically improve the desirable economic traits in the swine industry and has spent a lot of money in Kansas.

Oklahoma has seen the potential for the swine industry in their state and DeKalb Swine Breeders has purchased land there for expansion. This will be economically beneficial for Oklahomans in jobs, local trade and taxes.

Everyone here today knows the problems in rural Kansas. It is no different in the Plains area. I appear before you today, asking for your help in clarifying the laws relating to corporate hog breeding. This would help us as businessmen in Meade and Seward counties.

As for those producers and legislators who oppose corporate hog farming, please study the situation carefully. DeKalb is not trying to run the small producers out of business, only inefficiency can do that. DeKalb is in the breeding stock business to make genetic improvements which in turn increase profits for the small commercial producers.

Thank you.

February 21, 1989

TESTIMONY BEFORE
HOUSE ECONOMIC DEVELOPMENT COMMITTEE

Madam Chairman and Members of the House Economic Development
Committee,

My name is Vail Fruechting from Plains, KS. I am here in support of corporate farming in general, and Dekalb Swine Breeders in particular. I believe that corporate hog farming in Kansas could greatly benefit the state of Kansas, and create greater opportunities for young farmers, such as myself, and all farmers in general.

I am thirty one years old and have been farming on my own for four years since 1985. There are a lot of young farmers around Plains just like myself who have had the opportunity to begin farming in recent years, in spite of the poor agricultural economy. Because of the irrigation, which almost guarantees us a crop to sell, and industries such as Dekalb Swine Breeders, the cattle feeding and beef packing industry in western Kansas, lending institutions have been willing to help young farmers get their start in farming. I have had the opportunity to visit with other young farmers and ranchers across the state and across the nation, and I feel that southwest Kansas has one of the strongest agricultural economies in the nation. As you know, a strong agricultural sector greatly benefits the nonagricultural economy as well. Plains is a growing, thriving community with prosperous businesses. Many young people are able to stay in the community and on the farm because of opportunities created by industries like Dekalb.

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I'd like to tell you how Dekalb benefits me as a grain sorghum producer. From harvest time until about the middle of December, I have the opportunity to sell my milo for approximately \$.20/cwt. higher than the local elevator market. This means about five to six thousand dollars in additional net income for my operation. If I choose not to sell after harvest, then in mid-December my grain goes on "open contract". This means that Dekalb's buying price will be the same as the local elevators, but I will not be charged storage. Generally, about March or April, Dekalb will be back in the market for more grain sorghum. Farmers with on farm storage have the opportunity again to sell their stored grain for a premium. I think that local consumption of our grain sorghum benefits growers in a much broader area, also. If we did not sell to Dekalb, that grain would be shipped away from Plains, increasing supplies and ultimately lowering the price for other grain producers outside of Plains.

I am also a director and president of the Kansas Grain Sorghum Producers Association board. Our association policy resolutions state that we support an exemption to the corporate farm law for hog farms, provided private hog farmers have access to the same economic incentives (tax breaks, etc.) as corporate farms might receive. We believe this exemption would benefit grain sorghum growers statewide, without injuring the family hog farmer.

In closing, I would like to urge your support for a change in the Kansas corporate farm law. I believe it would benefit not only myself as a beginning young farmer, it would benefit the state of Kansas as a whole.

A-10-2
2/21/89

Commissioners-

Otto J. Mehl, District 1
Joe Sealey, District 2
C.J. Wettstein, District 3

Board of County Commissioners
Seward County, Kansas
Liberal, Kansas 67901
February 20, 1989

Commissioner Meeting
FIRST AND THIRD DAY OF
EACH MONTH AT 1:00 P.M.

TO THE HONORABLE REPRESENTITIVES OF THE STATE OF KANSAS:

This letter is informing you:

The Seward County Commissioners wholeheartedly support House Bill #2368.

This bill would open the door for Dekalb Swine Breeders to expand their breeding stock farms in the State of Kansas, without having to move into the State of Oklahoma.

The \$12,000,000.00 they spend annually in our state is economic development in which we would have to look far and wide to find another business or industry to match this amount.

If we lose this business, it could mean two small towns in Kansas dying, and two small towns across the border in Oklahoma flourishing.

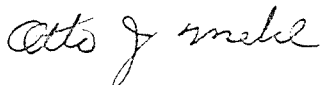
This is very unnecessary.

Please look at the merits for Seward County, Meade County, and the State of Kansas, and vote yes to House Bill #2368.

We ask for your support of this bill.

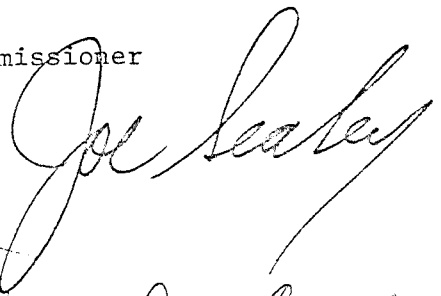
Thank You

Otto J. Mehl, Chairman
Seward County Commissioner
1st. district



C.J. Wettstein
Seward County Commissioner
3rd. district

Joe Sealey
Seward County Commissioner
2nd. district



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C. J. Wettstein
R.R. #1, Box 96
Kismet, Kansas 67859
(316) 563-7544

TO THE HONORABLE REPRESENTITIVES OF THE STATE OF KANSAS:

Because I am not present today, does not mean that this is not an important issue for you as a representative to act upon. This could very well be one of the most important issues of this session, and I feel it is imperative that you address it now, act in favor of Dekalb Swine Breeders, or let the State of Kansas, Seward County and Meade County suffer the consequences in the future.

I am speaking to you today as a Seward County Commissioner, a Seward County farmer, and as a Meade and Seward County businessman.

We need this business in our area as much in the future as we have needed it in the past.

Since I was elected County Commissioner of Seward County, I have been approached by our local Economic Development Committee, stating, we need to bring as many businesses, and all industries possible into Seward County, for economic growth.

Here, we have an established business, started with no tax incentives, it employes between 150 to 200 employees, payes taxes to the State of Kansas, is an economic boon to Seward

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and Meade Counties, and our representatives are wanting this business to move across the state line into Oklahoma.

Do you as a Kansas State Representative want Dekalb Swine Breeders tax dollars to go into the State of Oklahoma's coffers?

This business is economic development.

As a farmer, they have helped to increase the cost of grain approximately \$.06 per bushel above local market price. When you figure this on the 2,000,000 bushels they feed annually, this is an extra dollar figure of \$120,000. We still have approximately 5,000,000 bushels in this area that we do not use in this area and still ship out for consumption. If Dekalb Swine Breeders were allowed to expand, there would be more bushels used to receive the higher price for our product, meaning extra dollars that Meade and Seward County farmers would have to spend yearly.

Is this not economic development we need?

Finally, as a business man, we need the dollars of salaries pumped into our economy. Figure 200 employees at an average salary of \$1200.00 per month. That equals \$240,000 per month to boost our economy.

Not only can we take the salaries of the people in account, we also have to take into account the money that is spent for repairs, vehicles, services, office supplies, and office

equipment. We also have the money spent on buildings and concrete in the past, and money that will be spent on buildings and concrete when new farms are built in the future.

This is money into our economy.

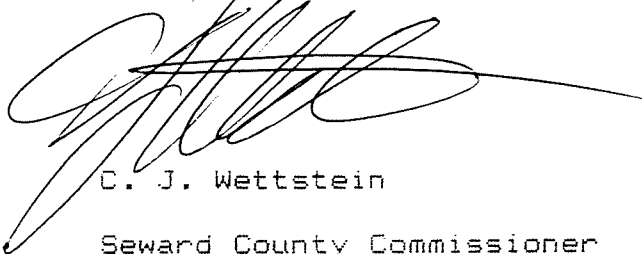
Isn't this what everyone calls economic development?

Isn't economic development what we are fighting for?

Do you as a State of Kansas Representative want this economic development to end up in the State of Oklahoma, which seemingly is a state that solicites outside business, instead of running established businesses off?

I implore of you, please look at the merits Dekalb Swine Breeders present pertaining to economic development to Seward and Meade Counties, and to the State of Kansas, and vote to let Dekalb Swine Breeders continue to expand in Kansas where we need them.

Thank You



C. J. Wettstein
Seward County Commissioner



KANSAS PORK PRODUCERS COUNCIL

2601 Farm Bureau Road • Manhattan, Kansas 66502 • 913/776-0442

February 17, 1989.

TO: Members of the House Economic Development Committee
FROM: Mike Jensen, Executive Vice President
RE: Corporate Farming Legislation

Based upon action taken at our November 1988 Annual Meeting by the Executive Board and the membership body, the Kansas Pork Producers Council policy regarding the corporate farming issue is strictly to "monitor the legislation". Thus we will take no position as the Kansas Pork Producers Council. However, individual members are free to express their own personal opinion.

Although we are neutral on the issue of corporate hog farming, we will be staunch defenders of the policy to allow no artificial economic advantages to any entity. This would include, but not limited to, Industrial Revenue Bonds, property tax abatements or other governmental based advantages.

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