Approved February 28, 1989
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Elizabeth Baker, Chairperson, at

3:40 xxx./p.m. on Thursday, February 23, 1989 in room 423-S of the Capitol.

All members were present except: Representatives Goossen, Weimer, Helgerson, Aylward, Foster and Mead. Excused.

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

Conferees appearing before the committee:
Jerry Jost, Kansas Rural Center
Representative Bruce Larkin
Representative Don Rezac
Robert Runnels, Jr., Executive Director, Kansas Catholic Conference
Ivan Wyatt, Kansas Farm Union
John Balthrop, hog producer, Peabody, Kansas
Leroy Bower, Kansas National Farmers Organization
Bryan Schulz, farmer, Thayer, Kansas
Raebern Nelson, farmer, Chanute, Kansas
Don Sailors, farmer, Neosho County
Bryon DeFreese, farmer, Princeton, Kansas
Steve Cranor, hog farmer, Chetopa, Kansas
Dale Fooshee, Interfaith Rural Life Committee
Stephen Anderson, farmer, Alma, Kansas

The meeting was called to order at 3:40 p.m. by Chairman Baker.

The minutes of the February 14 and 16, 1989 meetings were approved.

Chairman Baker opened the continuation of the hearing on H.B. 2368 and recognized Jerry Jost.

Jerry Jost representing The Kansas Rural Center, Inc. testified in opposition to H.B. 2368. Mr. Jost stated that the corporate farm law debate is about economic opportunity for farmers to own their own business. This law is designed to keep ownership of our economic assets, farmland and livestock production within the local community so that profits and expenditures will recirculate locally. The principle behind this economic development approach is to build on local strengths - family farmers and not pit one community against another when each tries to boost their own economy by draining their neighbor's. He feels that Nebraska is an example of economic success that broadens the base of farmland ownership and should be our standard. He stated that H.B. 2368 should be rejected because it is special interest legislation that benefits primarily one corporation advancing the fragmentation of agriculture that displaces existing family farmers. (Attachment I).

Representative Bruce Larkin was the next conferee. Representative Larkin expressed concern with the new language on page 3, line 92, No. 15. In his estimation, this language would open the door for every major corporation except those with foreign ownership. Every corporation and every farmer could make the claim that through selective breeding and genetic improvement they have improved the performance of their swine herds. Everyone who is looking for improved efficiency has been breeding for a genetic line that is superior to others. Companies such as Cargill, Tyson, Murphy, Continental Grain, Pig Improvement Co., and National Farms would fall under this exemption if they would sell just a few of their breeding stock herd each year. This loophole is big enough to drive a freight train through. He feels that the issue being raised by this bill is only a drop in the bucket compared to the socio-economic problems created by a corporate structure of agriculture. For this reason he asks that if we are going to address corporate farming, that we expand these hearings and take into account the positive things that we can do to protect the famers of this state. The two bills that I have introduced in this committee would protect the interest of the thousands of family farmers in this state. (Attachment 2).

Representative Don Rezac was the next conferee. Representative Rezac expressed his concerns with the definition given in the amendment in H.B. 2368 "agricultural land for the purpose of developing, producing or raising breeding swine which, through a process of selective breeding and genetic improvement.. " As he sees it, anyone could raise a few hogs for breeding but then sell many more for slaughter because, by definition, this bill makes no stipulations as to numbers required for breeding or slaughtering. This lack of clear definition in this bill will open the door to corporate hogs in Kansas. He also feels that the other corporate hog bill in committee is closely related and it's very difficult to separate the two issues. He also feels that if the bill is not strongly opposed and comes out of this committee next, it will be a sad day for Kansas agriculture. (Attachment 3).

The next conferee was Robert Runnels, Jr., Executive Director of the Kansas Catholic Conference. Mr. Runnels testified that it is their evaluation that H.B. 2368 opens the door to a malady that strikes at the very heart of our strength in Kansas the **family farm.** (Attachment 4).

The next conferee was Ivan Wyatt, President of the Kansas Farmers Union. Mr. Wyatt testified his concern with sub-section 15, page 3 which he feels leaves the gate wide open for legal manipulation of the law. It does not define what a swine confinment facility for the purpose of raising breeding stock encompasses. He also stated that if the Legislature, the Governor, the State Board of Agriculture and Kansas, Inc. are not willing to stand up for a Swine Center of Excellence to benefit all pork producers of the state, then don't expect farmers to consider allowing anything that will open the state of Kansas up to a corporate take-over of their means of livelihood. (Attachment 5).

John Balthrop, producer of Hampshire and Yorkshire hog breeding stock at Peabody, Kansas testified in opposition of the bill. He sees it as nothing more than a bill to allow DeKalb Swine Breeders to expand their Plains operations. DeKalb is competition to him and every other seed stock producer. DeKalb he stated has always been a quality competitor and he has no problems with them. (Attachment 6).

The next conferee, LeRoy Bower, President, Kansas National Farmers Organization testified that the grass roots farmers that he represents favor strong rural communities, they favor a strong farm corporate law and oppose H.B. 2368. He encouraged the committee to hold hearings on H.B. 2289 and H.B. 2257. (Attachment 7).

Bryan Schulz, hog farmer from Thayer testified next. Mr. Schulz opposed the bill as he sees it as a threat to his own farm. (Attachment 8).

The next conferee was Raebern Nelson, farmer from Chanute, Kansas. Mr. Nelson testified that he felt that without a doubt that changing our laws to allow corporate hog farm expansion will result in a net loss to our economy and that we should support the swine industry which we already have in Kansas. (Attachment 9).

Don Sailors, a farmer from Neosho County testified next. Mr. Sailors opposes the bill and feels that the sparsely populated area of Plains, Kansas has painted a rather rosy picture of the prosperity it is witnessing through the existence of a breeding company there. He feels that the question of uppermost importance is, does the legislature want to jeopardize the existence of all the existing pork producers in Kansas just so a small area can prosper? (Attachment 10).

The next conferee was Bryon DeFreese, farmer from Princeton, Kansas. Mr. DeFreese shared with the committee his vision of economic development for the state. He also opposes H.B. 2368. He feels that the decision as to whether people like himself will raise the hogs or whether large corporations will is a political decision. He feels that the interests of the people of this state are best served by competition and by having choices. (Attachment 11).

Steve Cranor from rural Chetopa, Kansas testified in opposition of the bill. He requests that we please do not allow the family farm heritage of which Kansas is known and recognized, fall by the wayside and be pushed out by corporate giants. (Attachment 12).

The next conferee was Dale Fooshee testifying on behalf of the Kansas Ecumenical Ministries Interfaith Rural Life Committee. Mr. Fooshee appeared before the committee to reaffirm support of the Resolution of the Committee drawn when the Committee met on February 13 and 14. (Attachment 13).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,

room 423-S, Statehouse, at 3:40 ~~a.m.~~/p.m. on Thursday, February 23, 1989.

The final conferee testifiying in opposition to H.B. 2368 was Stephen Anderson, farmer from Alma, Kansas. Mr. Anderson strongly opposes this bill and reinforced support for all the previous testimony heard. Mr. Anderson also shared with the committee his ideas on what economic development is.

(Attachment 14) is a letter from Keith Devenney, County Commissioner from Junction City.

The conferees responded to questions from the committee.

Representative Shumway made a motion to table H.B. 2368. Representative Baker said that this motion was not appropriate at this time.

This concluded the hearing on H.B. 2368.

The meeting was adjourned at 5:15 p.m.

Elizabeth Baker

Date: 2/23/89

GUEST REGISTER

HOUSE

Committee on Economic Development

NAME	ORGANIZATION	ADDRESS
Ivan W. Wyatt	Ks Farmers Union	McPherson
Scott Hessell	Kansas, Inc.	Topeka
[illegible]	Star Herald	Belton, Mo
Rep Don Rezac	Leg	Onaga
[illegible]		Milton Vale
Bruce Larkin	Leg	Baileyville
Carol Smith	Interfaith Rural Life	K. C.
Del Jacobsen	" " "	Hays, KS.
Dale F Foothill	Interfaith Rural Life com	Garnett, Ks
Chris Walker	Kans NFO	Mayetta Ks
Don Frenchin	Ks NFO	Hoyt Ks
J. Neil Morrissey	Ks NFO	Hoyt Kans.
Bill [illegible]	Ks Farm Bureau	Manhattan, KS
Don Sailors	Pork Producer	Erie, Ks
Bryan Ashby	Pork Prod. ~~Stock~~ Feed	Thayer Ks
Steve Granor	Cherokee Co. Pork Producers	Chetopa, KS.
Mary Beth Kelley	Sisters of Charity	Topeka, Ks

Date: 2/23/89

GUEST REGISTER

HOUSE

Committee on Economic Development

NAME	ORGANIZATION	ADDRESS
Bob Runnels	Ks. Cath. Conf.	Leawood, Ks
Raeburn Nelson	swine producer	Chanute, Ks
John Balthrop	swine producer	Peabody Ks
Karvin R. [illegible]	Webb & associates	Topeka, Ks
Sam Goodin	NFO	Clay Center, Ks
LeRoy Bower	Kansas NFO	Pittsburg, KS.
[illegible] L. Harris	N.O.R.M.	Hepler Kans
Vicky Foth		Topeka
Stephen Anderson	Farmer	Alma
[illegible] Harr	NFO	Walnut, Ks
John Stutz	Cath. Rural Life	KCKs
Jim Swiercinsky	Lazy S Feed	Box 306 Scandia Ks 66966
L. W. [illegible]	[illegible] Farmer	Princeton, Ks
[illegible] DeForest	[illegible]-Farmer	
John [illegible]	Baileyville	[illegible]
[illegible] J. Buessing	Baileyville	
Wilbert Rottinghaus	Baileyville	

te: 2/23/89 GUEST REGISTER

HOUSE

Committee on Economic Development

NAME	ORGANIZATION	ADDRESS
Rich McKee	KLA	Topeka
John O. Miller	AARP	"
[illegible]		KCKS
W.D. Grindstaff	KFB	Neodesha
Lee Diediker	~~[illegible]~~ PPC	Neosho
Bryan Whelan	PPC	ST Paul
Stan Whelan	RPC	St. Paul, KS
Tim Stroda	KPPC	Manhattan
[illegible] J. [illegible]	Eagle Beacon	Topeka
Barbara Stich	KPPC	Erie
Wm A. Stich	KPPC	~~Elaine~~ Erie
Ann Patterson	KDOC	Topeka
STEVE LLOYD	KPPC	PALMER
[illegible]	Ks Farmer	Topeka

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

TESTIMONY IN OPPOSITION TO HB 2368

Chairperson Baker and members of the Economic Development Committee, I am Jerry Jost representing the Kansas Rural Center. Agriculture is undergoing significant structural changes toward centralized and concentrated markets and production units that eventually work to the detriment of consumers, rural communities, family farmers, and wise resource use.

Rising livestock profits increasingly go to fewer livestock producers as livestock are moved off family farms. Concentrated markets, tax shelters and cheap grain policies feed the growth of large corporate feedlots. Vertical integration and concentration in the food industry forces consumers to pay higher prices while farmers receive a smaller share of the consumer dollar. Increased profits for food middlemen provide greater incentive for more mergers and market concentration.

Nine midwestern states have corporate farm laws. Nebraska has recognized the economic importance of family farms and passed the nation's tightest law in 1982 allowing only family farm corporations to enter farming. Kansas, in contrast, has few restrictions on corporate feedlots. With this "state fence" protecting family farmers, Nebraska has taken the nation's lead in cattle feeding and outstrips Kansas in hog production. Nebraska demonstrates that family farmers can compete with the rest of the nation provided they are protected against the unfair competitive advantages of large corporations.

The corporate farm law debate is about economic opportunity for farmers to own their own business. This law is designed to keep ownership of our economic assets, farmland and livestock production, within the local community so that profits and expenditures will recirculate locally. The principle behind this economic development approach is to build on local strengths- family farmers - and not pit one community against another when each tries to boost their own economy by draining their neighbor's.

The Nebraska example of economic success that broadens the base of farmland ownership should be our standard. Kansas should adopt a constitutional amendment adopting the non-family farm restrictions of Nebraska and allowing the people of Kansas to decide this issue more permanently. HB 2368 should be rejected because it is special interest legislation that benefits primarily one corporation advancing the fragmentation of agriculture that displaces existing family farmers.

House Eco Devo Committee
Attachment 1
2/23/89

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

OVERVIEW OF AGRICULTURAL TRENDS AND MIDWESTERN CORPORATE FARMING RESTRICTIONS

Prepared by Jerry Jost

TRENDS FACING FAMILY FARMERS ...

If the present trends in agriculture continue ...

* Approximately 50,000 mega-farms will account for 75% of the agricultural production by the year 2,000.

* The agricultural sector will be bipolar; medium-sized farms disappear leaving many small and part-time farmers and a few superfarms.

* Biotechnologies will enable production to be more centralized and vertically integrated also increasing the practice of contract production.

* Some communities will benefit from these changes; others will lose. Regional trade centers will benefit at the expense of other towns that are bypassed in the process of centralization.

* Large and very large-scale industrialized agriculture is strongly associated with high rates of poverty, substandard housing, and exploitative labor practices in the rural communities that provide hired labor for these farms.

The above summary is taken from Technology, Public Policy, and the Changing Structure of American Agriculture, Office of Technology Assessment, Congress of the United States, March, 1986.

LIVESTOCK PRODUCTION IS BEING MOVED OFF FAMILY FARMS ONTO CORPORATE FEEDLOTS

10,000 hog farms may be turning out 85% of the hog production in the United States by the year 2,000. (William Helming, market analyst, Grass & Grain, 3/1/88)

"We've picked a trend, a leading edge, of what we believe is a transition from individual farmer production to the large, commercial production of hogs ... My feeling is the hog industry has passed a threshold. They have solved enough of the problems of confinement production that the hog industry will inevitably take the same path as the production of chickens." (Bill Haw, president of National Farms, Farm Journal, 10/84)

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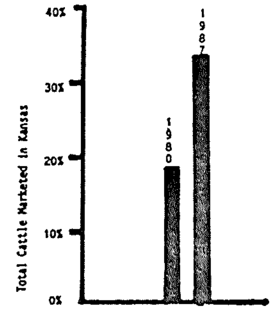
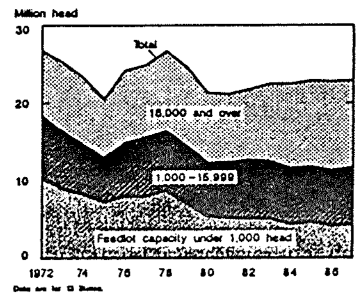
Less than 10% of t[illegible] Kansas feedlots marketed over 95% of the finished cattle in Kansas. The only feedlot size group in Kansas that increased production this decade were those with over 32,000 head capacity. (Kansas Agricultural Statistics)



Feedlots with sales over 32,000 head
Data taken from Kansas Ag Statistics

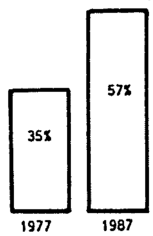
The USDA charts below point out similar concentration of livestock production into larger feedlots throughout the United States. The top 20 cattle feeding operations in United States feed 3.2 million head, nearly one-third of all cattle on feed. In 1987, the top 200 feedlots fed half of all the cattle in the major 13 feeding states. (Beef Today, 10/88)

Fed Cattle Marketed by Feedlot Capacity



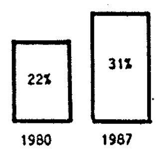
Source: USDA

HOGS IN INVENTORY IN LARGEST FEEDLOTS
(Greater than 500 Head)
(% of Total Inventory)



Data covers the United States.
SOURCE: USDA

FED CATTLE FROM LARGEST FEEDLOTS
(Greater than 32,000 Head Capacity)
(% of Total Marketed)

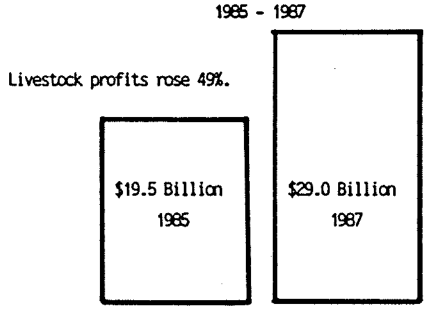


Data covers 13 states throughout the United States.
SOURCE: USDA

RISING LIVESTOCK PROFITS AND FALLING GRAIN PRICES GIVE MARKET INCENTIVES FOR LARGE CORPORATIONS TO INVEST IN FEEDLOTS

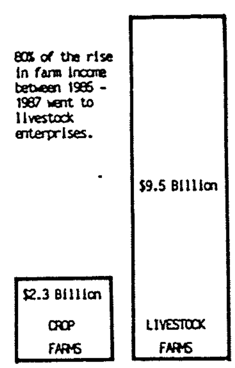
Net cash income for livestock producers rose 49% in 1986 and 1987. Between 1985 and 1987 80% of the increase in agricultural income ($11 billion) went to livestock enterprises. (Greg Hanson, USDA economist, Farmline, 9/88)

NET CASH INCOME FOR LIVESTOCK PRODUCERS
1985 - 1987



Source: USDA

INCREASES IN NET CASH FARM INCOME
BETWEEN 1985 - 1987



Source: USDA

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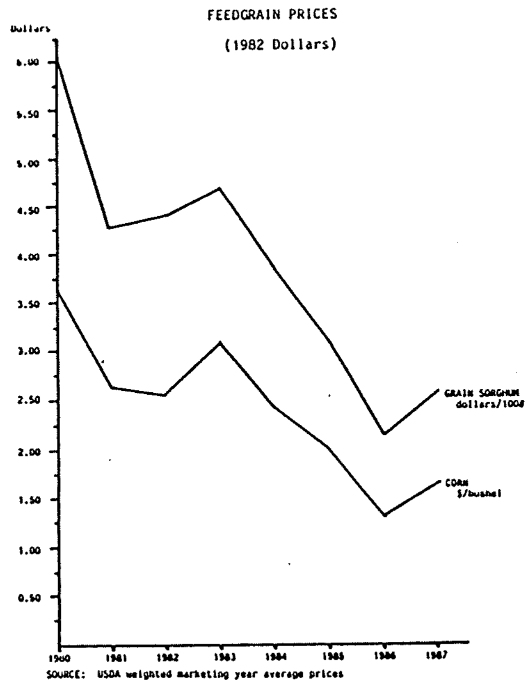
"Thanks to its (USDA) experience with regulating the release of government stocks first in the 1983 PIK program, then with the PIK certificate and export bonus programs starting in 1985, USDA is maintaining a steady flow of commodities into the market ... in order to keep a damper on prices." (Jonathan Harsch, Grass & Grain, 7/19/88)

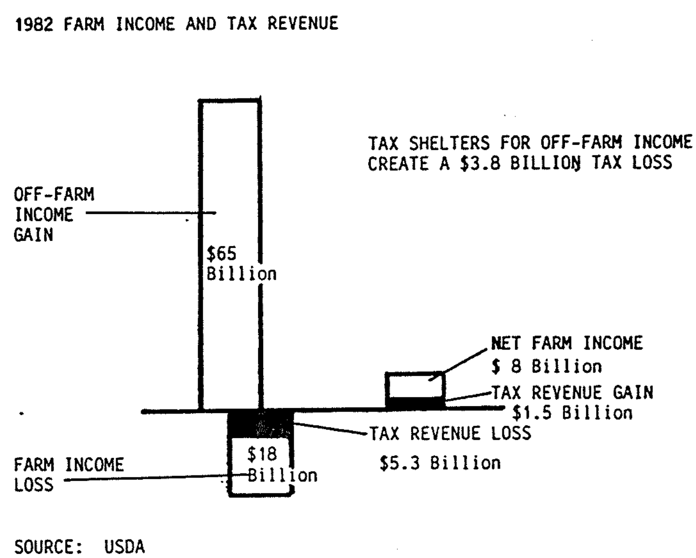
"The cattle feeder ... is going to continue to let the taxpayer indirectly pay half of his feed bill, and provide a good market for the crops that the farmer produces." (Bill Haw, Beef, 9/88)



NO LEVEL PLAYING FIELD EXISTS FOR FAMILY FARMERS TO COMPETE WITH THE MARKET ADVANTAGES OF LARGE CORPORATIONS

TAX SHELTERS afford **wealthy individuals** the opportunity to escape taxes by "farming the tax code". This tax incentive to over capitalize agriculture has resulted in the oversupply of farm goods and lower farm prices. The extra tax savings wealthy investors accumulate gives an unfair competitive edge over family farmers who are farming for a livelihood.

In the tax year 1982, 2.7 million farm tax returns were filed with two-thirds of those showing net farm income losses totaling $18 billion. The one-third with positive net farm income totaled $8 billion resulting in $1.5 billion in tax revenue for the government. However, these two groups together filed off-farm income totaling $65 billion. The farm income losses reduced the taxes paid on off-farm income by $5.3 billion. In other words, the federal government would have been $3.8 billion richer if farm income had not been taxed and not used to reduce taxes on other income. (Ed Reinsel, USDA economist, Farmline, 1986)



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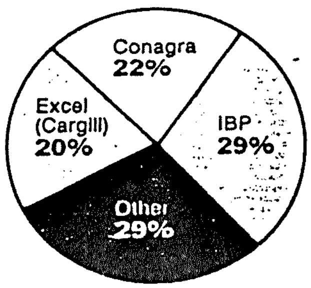
PACKER CONCENTRATION, VERTICAL INTEGRATION AND CONTRACT PRODUCTION help large corporations extract leverage in the marketplace against family farmers who lose competitive markets and fair prices.

The Big Three In Beef Packing

Last year 28 million grain-fattened cattle were slaughtered. Percent by each company.



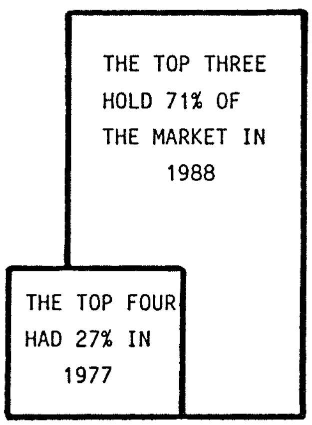
Source: The Helming Group

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

A 10% increase in the market share by the four largest beef packers reduces fed cattle prices by 10 cents per cwt. When IBP enters a market region, fat cattle prices are reduced by 44 cents per cwt. (2)

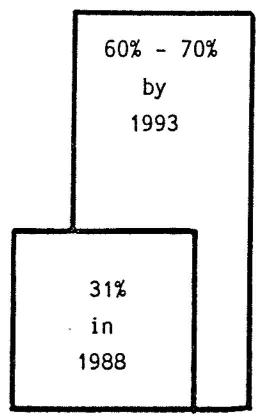
"The rate of concentration (of the three large beef packers) is unprecedented. There is no parallel in any of the industries - food an non-food - with which I'm familiar." (Economist Bruce Marion, Des Moines Register, 11/7/88)

THE TOP BEEF PACKERS HAVE GOTTEN FEWER AND BIGGER



Source: USDA & Kansas City Times

THE TOP FOUR PORK PACKERS ARE EXPECTED TO GET BIGGER



Source: AGWEEK

"An oil company with a packing subsidiary (IBP) has about one-third of the beef packing business. A subsidiary of Cargill, the world's largest private company, and Swift Independent together have about one-third. Fourth is us, with a little less than 10% of the business. All the other packers together have just 25%. And that scares the hell out of me." (Ken Montfort, President of Montfort of Colorado; March, 1987. Montfort has since been purchased by ConAgra further concentrating the beef packing industry and giving ConAgra expanded vertical integration into packer feeding.)

(1) "Monopsony Power in Commodity Procurement: The Case of Slaughter Hogs", Miller, Steve, and Harris, Clemson University, 1981.
(2) "The Impact of Packer Buyer Concentration on Live Cattle Prices", Quail, Marion, Geithman, Marquardt, University of Wisconsin, 1986.

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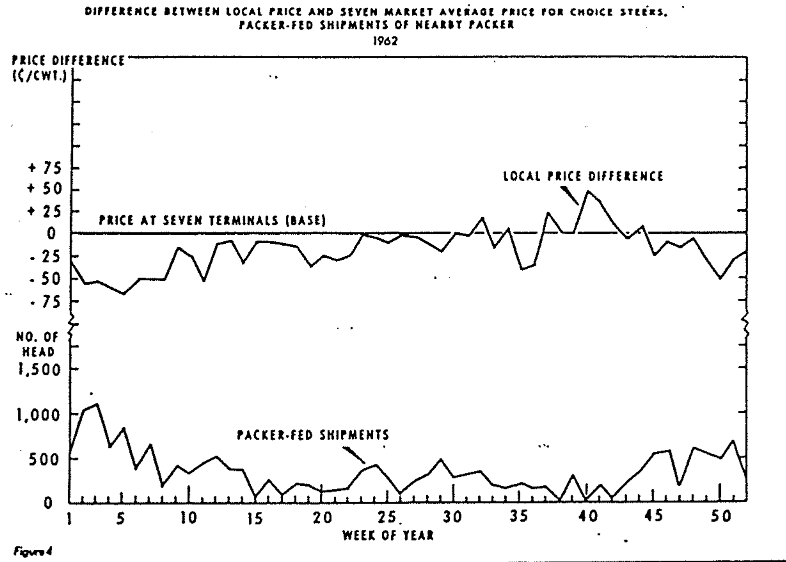
LOW PRICES CORRESPOND WITH HIGH PACKER-FED SHIPMENTS

VERTICAL INTEGRATION

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



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

"If we (IBP) feed cattle, the numbers will be large. Will it affect prices? You bet. If we place a million head of cattle on feed and prices were going up, do you think we would use our cattle or yours?" (Bob Peterson, President of IBP, KC Times, 8/24/88)

CONTRACT PRODUCTION EXTENDS VERTICAL INTEGRATION LEVERAGE OF LARGE CORPORATIONS

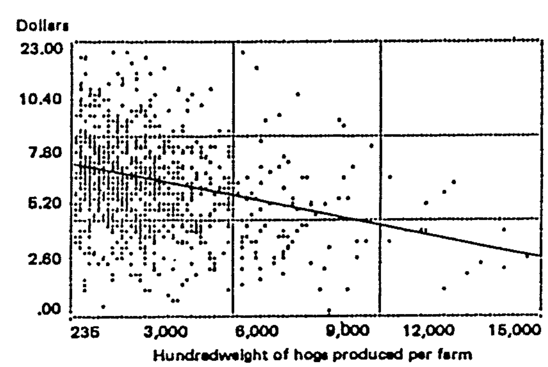
"The (dairy) industry will discipline itself by contracting for all needed milk supplies. Admittedly that will make the government-controlled dairy industry of today far more like that of the poultry industry, and what's emerging in the pork industry." (Donald Nicholson, economist, Dairy Herd Management, 1988)

A recent Farm Journal and Hogs Today survey of hog producers in four key midwestern states revealed that lack of capital was the largest reason contributing to the growth in contract hog production. Yet 82% of the respondents rejected the idea of raising hogs for others. 74% of the farmers believed hog contracting would lead to bigger operations as it has in the poultry industry.

BULK PURCHASING - A COMPETITIVE EDGE FOR LARGER FARMERS

Agribusinesses compete aggressively for business from the big operators to assure high volumes of business. Large producers gain economic power because of their size and purchasing power. This gives large producers a competitive advantage over moderate- size family farmers who may be equally or more efficient producers. (Van Arsdall & Nelson, Economies of Size in Hog Production, USDA, 1985)

Cost per 100 pounds of commercial feeds fed, 1983



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

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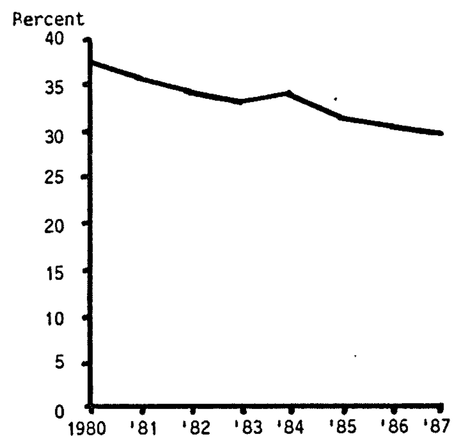
USES OF TECHNOLOGY - ANOTHER TREADMILL THAT SQUEEZES OUT FARMERS?

"The nation's farm system is being driven from the processing end of the food chain - by the specifications and orders set by major corporations, supermarket chains .. and the federal government. In this process of "top down" agriculture, the genetic variable ... will play an increasingly important role." (Jack Doyle, Altered Harvest, 1985)

FOOD MIDDLEMEN ARE TAKING UP MORE OF THE CONSUMERS DOLLAR WHILE FARMERS END UP WITH LESS

According to Agricultural Department records going back to 1913, when farmers got 46% of the food dollar, the annual share has been at record low levels the past three years.

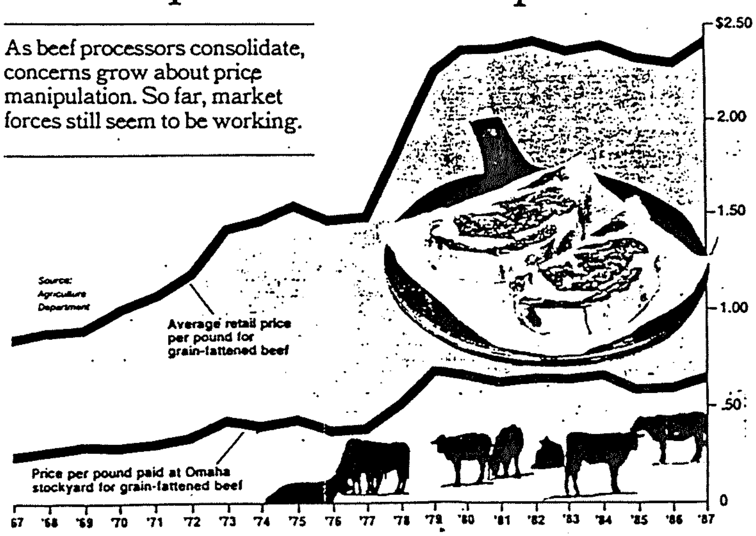
FARM VALUE SHARE TO RETAIL VALUE

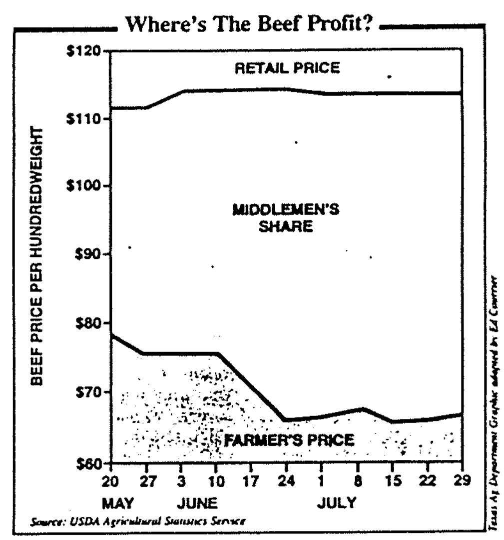


SOURCE: USDA

THE NEW YORK TIMES, SUNDAY, MAY 29, 1988

A Meatpacker Cartel Up Ahead?





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SOCIOLOGICAL IMPACTS OF LARGE FARMS ON BUSINESS AND RURAL COMMUNITIES

"Retention of medium-sized farms lead to greater community vitality than the growth of very large farms in the small grain and livestock areas of the western half of the United States." Emerging Technologies, Farm Size, Public Policy and Rural Communities: The Great Plains and the West, Cornelia Butler Fora and Jan Flora, KSU, 1985.

"The faster farm sizes increase, the faster the rates of poverty increase." ... "There is mounting evidence that current policies designed to promote agriculture, insofar as they lead to the expansion of existing operations and greater concentration, in actual practice, also promote the deterioration of rural community life ... Everyone who has done careful research on farm size, residency of agricultural land owners and social conditions in the rural community finds the same relationship: as farm size and absentee ownership increases, social conditions in the local community deteriorate."
Sociologists E. G. Dolber-Smith and Dean MacCannell. Both worked on the Macro-social Accounting Project -- Community Information Bank at the University of California at Davis which researched 85 diverse towns in the Central Valley region over an eight year period.

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

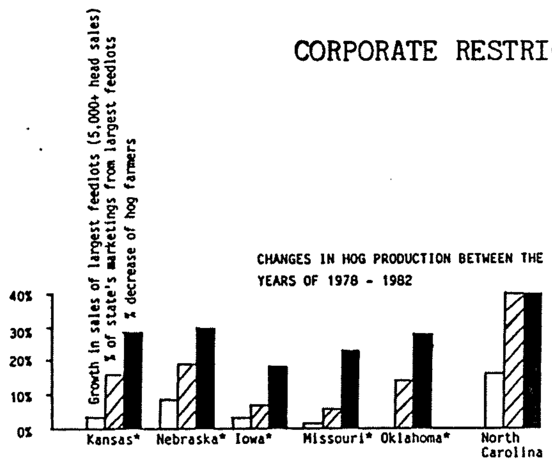
"The economies of rural communities are generally centered around the agricultural sector. There can be little doubt that the vitality of these communities has been adversely affected by the growth in farm size and the corresponding decline in their numbers. One reason for this assertion is that declining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

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

"The managers of large scale corporation farms deal directly with the wholesalers or even the manufacturers of the products they need ... In an area where corporation farms dominate there is no place for the village farm supply dealer, the co-op grain elevator, the small banker. You simply cannot have corporation farms and small business enterprises cheek and jowl. On the other hand, where family farms thrive, small businesses flourish, too." 1967 FmHA study of 190,000 farm families using supervised credit.

A-1-8
2/23/89

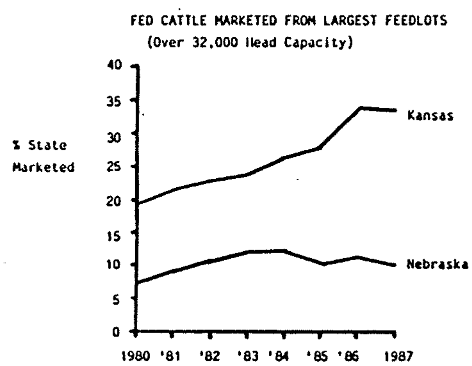
CORPORATE RESTRICTIONS HELP FAMILY FARMERS



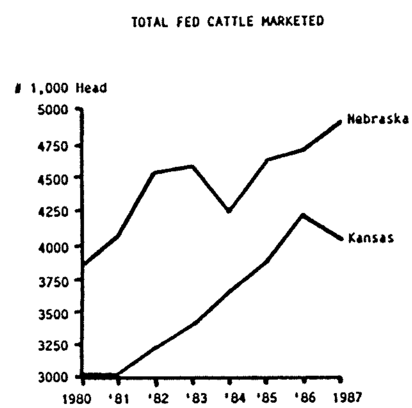
*States with corporate farm laws
Data taken from U.S. Department of Commerce, Bureau of Census

Midwestern states with corporate farming restrictions retain more hog production on family farms than does restriction-free North Carolina, a leading hog producing state in which one man, Wendell Murphy, is estimated to have control over one-fourth of the hog production. *

Nebraska has a significantly more corporate restrictions on cattle feeding than does Kansas. Nebraska's law, passed in 1982, has coincided with a leveling of growth of the largest cattle feedlots. Kansas has shown dramatic growth in its largest feedlots. Nebraska is a larger cattle feeder than Kansas, keeps more of its production among more feeders, and in the last several years has shown more consistent growth in cattle feeding than Kansas. (See charts below.)



SOURCE: USDA



SOURCE: USDA

LAND PRICES FALL MORE IN STATES WITH CORPORATE FARMING

Researchers at the Center for Rural Affairs in Nebraska found that states in the upper midwest with corporate farm restrictions had slower rates of decline in land values during the farm crisis of the 1980's.

STATE	CORPORATE FARMING RESTRICTION [1]	PERCENTAGE DECLINE IN LAND VALUE 2/81 - 2/86 [2]
ND	YES	-30%
SD	YES	-42%
NE	YES	-55%
KS	YES	-41%
MN	YES	-55%
IA	YES	-59%
MO	YES	-43%
WI	YES	-41%
IL	NO	-49%
IN	NO	-50%
MI	NO	-31%
OH	NO	-49%

[1] SOURCE: Center for Rural Affairs, Walthill, Nebraska
[2] SOURCE: USDA Economic Research Service

* Estimate on Murphy's control was made by Arthur Jenkins, President of North Carolina's Pork Producers Association, Farm Journal, 3/86)

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MIDWEST CORPORATE FARM LAWS
NINE STATE CHART

		WISCONSIN	SOUTH DAKOTA	OKLAHOMA	NORTH DAKOTA	NEBRASKA	MISSOURI	MINNESOTA	KANSAS	IOWA
FAMILY FARM CORPORATIONS (Stockholders are generally limited to natural persons or estates.)	All stockholders related	Limited to 15 Different Families			X[1]					
	Majority stockholders related		X	[2]		X	X	X	X	X
	Family member active engagement requirement				X[3]	X		X		
	Stockholder active engagement requirement		X				X		X	
	Restrictions on non-farm and passive income			X	X					X
AUTHORIZED FARM CORPORATIONS (For-profit corporations are generally prohibited from being a stockholder.)	Maximum # stockholders	15	10	10	PROHIBITED	PROHIBITED		5	15	25
	Restrictions on non-farm and passive income		X	X			X	X		
	1,500 acre limitation							X		X
	Stockholder active engagement requirement							X	X	
NON-FAMILY LIMITED PARTNERSHIPS (Iowa and Minnesota have different requirements for family limited partnerships.)	Maximum # partners			10		PROHIBITED			10	
	General partner active engagement								1	
	Restrictions on non-farm and passive income			X				X		
	1,500 acre limitation							X		X
VERTICAL INTEGRATION	Hog packer feeding prohibition				X[5]	X[5]			X[4]	X
	Cattle packer feeding prohibition				X[5]	X[5]				X
	Hog packer contract feeding prohibited								X[4]	X
SPECIAL EXEMPTIONS (Generally nonfarm business expansion, nonprofits, and corporations involved in research, coal, seed, nursery, alfalfa and mineral extraction are exempted.)	Exemption for livestock feedlots		Cattle	X					X	
	Exemption for poultry operations	X		X		X	X	X	X	X
	Exemption for breeding stock operations	X	X				Hogs	X		
	20% limited expansion for grandfathered	X					X	X		
	# years exemption period for land taken for security as a result of indebtedness (Generally applies only to state charted banks)	5	10	7	3	5	10	5	10	5
PUBLIC DISCLOSURE AND ENFORCEMENT	Maximum dollar penalty for violations of reporting requirements		1,000				1,000[6]	1,000		1,000
	Maximum dollar penalty for violation of farmland ownership restrictions	1,000		500	25,000				50,000	50,000
	Divestment period (years)		5			2		5	1	1
	Reporting requirements		X	X	X		X	X	X	X
	Public disclosure in county newspapers				X					
	5% random compliance check				X					
	County to state information transfer on corporate farmland transactions				X	X				X
ALIEN OWNERSHIP	Alien corporation restrictions	X	X	X	X	X	X	X		X
	Acreage limitation for alien corporations	640	160							

1 Maximum # stockholders is 15
2 Stockholders in excess of 10 must be related
3 Officers and directors must be actively engaged
4 Cooperatives are excluded from these restrictions
5 The law is interpreted to prohibit packer feeding
6 Stiffer penalties may apply for alien corporations

Prepared by the Kansas Rural Center, 1988

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CORPORATE CONTROL OF OUR FOOD CHAIN

"Economists generally agree that if 55% of a market is controlled by four or fewer companies, then an oligopoly exists. This is the case for every food category. The United States food system is geared to getting people to eat money." - Susan George, Feeding the Few

The nation's farm system is being driven from the processing end of the food chain - by the specifications and orders being set by major corporations. - Jack Doyle, Altered Harvest.

CARGILL

* "America's largest agribusiness"
* Largest private corporation in US
* # 1 grain trader and egg producer
* Tied for # 1 soybean crusher
* # 2 beef packer and flour miller
* # 3 corn and wheat miller
* # 5 seed producer
* Major coffee trader and fertilizer producer
* Owns 340 grain elevators in US and Canada
* Owns 800 trading, processing, marketing plants and offices in 52 countries employing 46,000 people
* Raises 450,000 cattle, 350,000 hogs, 12 million turkeys, 312 million broilers
* Profits increased 66% in 1986 during a major farm crisis for family farmers

"Farming ... requires an exploitation of the worker that, in the end, only works when self-imposed." - Cargill Chairman, Whitney Macmillan

CONAGRA

* # 1 flour miller
* # 1 meat packer
* # 1 seafood processor
* # 1 cattle feeder
* # 2 poultry producer & processor
* Sells over $1 billion in farm supplies
* Sells deli meats, eggs, maple syrup, lamb, pet food ...
* Sells brand name foods such as Country Pride, Banquet, Armour, Del Monte, Chun King, Patio, Morton, Singleton ...
* In its 14-year history sales have jumped fifteenfold; earnings 37 times

"It's a war out there (in the world farm market) and the other countries are the enemy ... Food is no hoola hoop."- ConAgra Chairman, Mike Harper.

NATIONAL FARMS

* Owned by the multi-billionaire Texas Bass Brothers
* Estimated largest red meat producer in US
* # 4 hog producer in US; owns the largest single hog farm
* In the top five cattle feeders in US; first in Kansas
* Owns 100,000 acres of ranchland from Nebraska to Texas; 12,000 acres in Kansas
* Owns 25,000 acres of cropland in Nebraska

"We're not saying anything about wether its right or wrong, just or unjust. It's simply the way we see the future of this business objectively." - National Farms president, Bill Haw.

IBP

* Second largest meatpacker in US
* Largest producer of rawhide in the world
* Purchased 40 Heinhold hog buying stations in the midwest
* Owned by Occidental Petroleum
* Worst case of underreporting of injuries in OSHA history

"IBP's story is not the story of a leader; it is the story of a scandal ... There is a violence about IBP, a tension attached to everything the company attempts." - Steve Bjerklie, Editor of Meat and Poultry.

Produced by the Kansas Rural Center, 1988.

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2/23/89

Experts Cast Wary Eye On Mergers In Ag

By Mark Moore
AgriData News Service

Merger talk in the poultry industry has some economists worried over the continued loss of players in the food processing industry.

After all, they say, look at about 70 percent of the cattle is being produced by three major feeders. That cuts down on competition and cuts down on the price a farmer receives," he said.

And although the poultry industry is a different animal, the same market impacts are possible, economists say.

Holly Farms Corp. and Tyson Foods Inc., the nation's largest poultry processor, are currently discussing a possible buyout by Tyson.

Tyson has been trying since the fall to acquire Holly Farms. Holly Farms resisted Tyson, and agreed to be acquired by ConAgra instead. However, Tyson successfully sued in Delaware to block the merger.

Tyson has 14.1 percent of the poultry-processing market while ConAgra is second with 9.5 percent and Holly Farms has 6.6 percent.

The merger itself should have no effect on farmers, one expert said, but "you always have to worry about a monopoly."

"Both companies grow (chickens) on contract farms," says Paul Aho, Extension poultry scientist at the University of Georgia. "The farmers are provided feed and the birds."

With farmers being contracted, they do not have to worry about selling at an auction like beef producers. However, the shrinking number of producers could limit the amount of companies in one area.

Bruce Marion, Extension agricultural economist at the University of Wisconsin, said that in poultry, the fewer contractors means fewer places to do business.

"This consolidation could have an effect in local areas," he said.

"There have been a lot of horizontal mergers," he said. "The companies have been motivated, in part, to increase market power and gain efficiency."

Horizontal integration is when one company merges or buys another company that produces a similar product.

Aho said that in areas were there is integration, farmers have to play by the contractor's rules or they don't play at all. "If consolidation continues, growers could have no choice."

"About 10 years ago there were probably 100 major poultry processors. Now there are about 50," Aho said. "I wouldn't be surprised that by the end of this century there would be 12 processors."

But Aho would be concerned if that number got to two or three. "There would be a problem if there were a monopoly created. There's the potential for abuse."

Willard Mueller, professor of agricultural economics and law at the University of Wisconsin, said that consolidation in the food industry is not healthy for consumers or farmers.

"The consumer begins paying higher prices while the farmer gets a lower price," Mueller said.

Mueller said that economic theory predicts and empirical studies verify that industries with high market concentration and advertising-created product differentiation have excess price and profits.

"It is not surprising, therefore, that the food and tobacco product industries are among the most profitable of all American industries, and have become increasingly so," Mueller said in hearings on the Food Manufacturing Industries before the House subcommittee on monopoly and commercial law last year.

Mueller told the committee that "Market power begets higher prices and excess profits.

The Result: Higher prices for consumers and lower prices for Farmers. Price overcharges to consumers in 1975 were estimated at between $12.5 billion and $13.7 billion. After adjusting for inflation, by 1987 such overcharges were between $26 billion and $29 billion."

Clay Pederson, communications director for the National Farmers Union, said that the consolidation in the beef industry is detrimental to the family farmer.

"In the cattle industry now, what has been happening in the beef industry. The shrinking number of packers has several farm groups worried, and even charging that such consolidation creates a monopoly in some markets, causing lower profits for farmers and higher prices for consumers.

G-1-12
2/23/89

STATE OF KANSAS

BRUCE F. LARKIN
REPRESENTATIVE, DISTRICT SIXTY-TWO
R.R. 1
BAILEYVILLE, KANSAS 66404

COMMITTEE ASSIGNMENTS
MEMBER: EDUCATION
AGRICULTURE AND SMALL BUSINESS

TOPEKA

HOUSE OF
REPRESENTATIVES

February 23, 1989

I would first like to express my concerns about the language of this bill, and then share some information and ideas I have about corporate farming and corporate farming laws.

My concern with the new language on Page 3, line 92, No.15 is this. In my estimation, this language would open the door for every major corporation except those with foreign ownership. Every corporation and every farmer could make the claim that through selective breeding and genetic improvement they have improved the performance of their swine herds. Everyone who is looking for improved efficiency has been breeding for a genetic line that is superior to others. Companies such as Cargill, Tyson, Murphy, Continental Grain, Pig Improvement Co., and National Farms would fall under this exemption if they would sell just a few of their breeding stock herd each year. This loophole is big enough to drive a freight train through.

With those concerns expressed, I would like to share with the committee the results of a multi-state task force on corporate farming, and ask that you consider expanding the scope of these hearings to include laws that will protect family farmers from monopolization in agriculture and look at economic incentives that will favor beginning farmers.

In December, a group of legislators and representatives from 8 Midwestern states met in Kansas City to discuss corporate farming laws. The discussion centered on the different corporate farm laws in each state, and how to coordinate the laws in a regional approach to halt the corporate takeover of agriculture. Representatives of this group met again in Omaha on February 3rd to hammer out a model corporate farm law that could be introduced in each state next year. Many of the provisions of this model are already in place in Iowa, Minnesota, Nebraska, and South Dakota. I attended this meeting in place of Senator Montgomery who was selected to represent the state of Kansas, but was unable to attend. The intent of this effort is to protect the family farms and rural communities in the Midwest and eliminate the unfair corporate competition and monopolization which is currently destroying the family farm system of agriculture in this nation. The two bills which I have sponsored fit into this model legislation and are currently in this committee.

I could go into a great amount of detail about tax-shelter farming and the effects on agriculture. I could also go into details about Federal Farm programs, special interest involvement, price fixing, and corruption and market manipulation at the commodity exchanges. These are all relevant issues pertaining to corporate farming, and should be thoroughly investigated and discussed by this committee before considering this special legislation.

House Eco Devo Committee
Attachment 2
2/23/89

The two bills that I have introduced in this committee would protect the interests of the thousands of family farmers in this state and would enforce many of the anti-trust laws which the federal government fails to enforce, but these bills receive no recognition or hearings, just as the family farmers get little or no recognition for the economic development they provide for this state. At the hearings on Tuesday, the testimony pointed out the economic benefits of hog production in the Plains area. I could go across the state in most rural communities and bring in the bankers, businessmen, and farmers that would testify to the benefit of the hog production in their areas also. The difference is, in these communities the benefits are spread out among hundreds of individuals, instead of one company.

USDA statistics will clearly show the shifting that has occurred in the last 30 years, and the increasing concentration of production by fewer farmers and large corporations. Once again much of this has been caused by tax shelters. So as we increase production from corporations, supply and demand will dictate that many individual family farmers will go out of business. We've all heard the arguments that this is the trend, and that it is inevitable that corporation will take over. I say it will only occur if we allow it to occur. As government leaders we hold the key to the future of agriculture and what that structure will be. We can write the laws to favor corporate farming, just as we can write laws to protect our family farmers. There is a movement in many of the Midwestern states to strengthen corporate farm laws to protect the economic interests of their states. If we had the reporting laws in place, and could analyze the results, we too might be considering strengthening our laws to protect our economic base.

We could then use our economic development programs to help rebuild rural Kansas through beginning farmer programs that would help young people get a start in agriculture. In my estimation there are so many positive things that can be done to help the family farmers of this state; however, it has only been the special interest groups that have received the attention of the leadership in this legislature. Perhaps it's time we call for a constitutional amendment on the issue of corporate farming, and let the people of Kansas decide whom they want to control their food production.

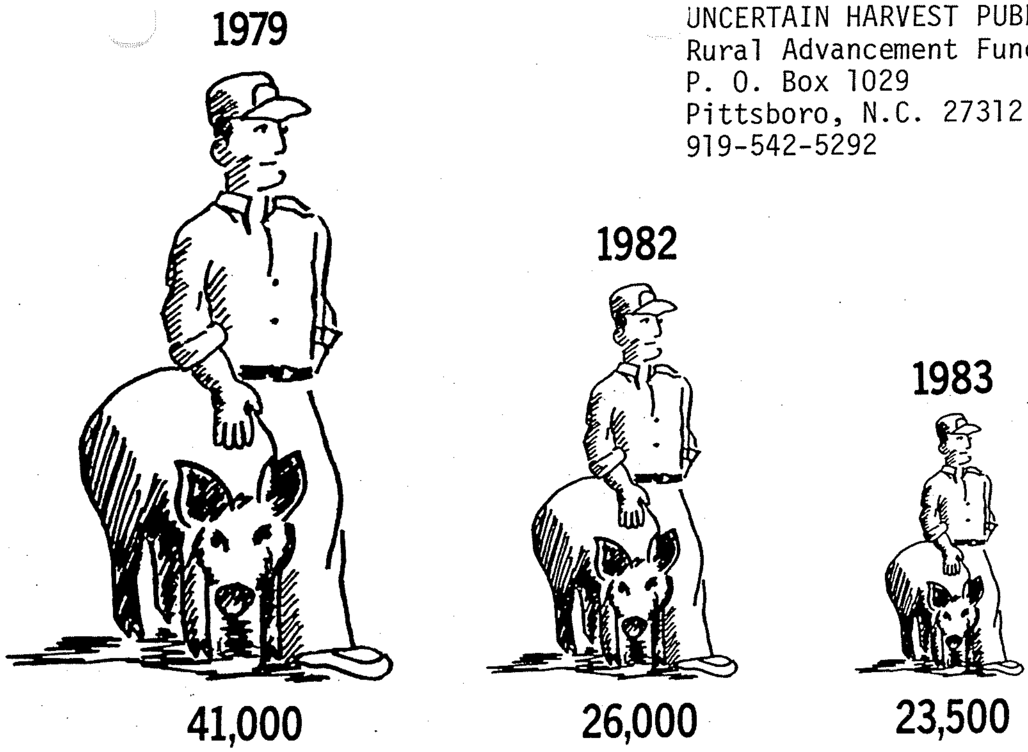
The issue being raised by this bill is only a drop in the bucket compared to the socio-economic problems created by a corporate structure of agriculture. For this reason I would ask that if we are going to address corporate farming, that we expand these hearings and take into account the positive things that we can do to protect the family farmers of this state. Kansas has often been referred to as the "Wheat State", but I envision the day we can refer to Kansas as the "Family Farm State".

a-2-2
2/23/89

UNCERTAIN HARVEST PUBI ION
Rural Advancement Funa
P. O. Box 1029
Pittsboro, N.C. 27312
919-542-5292

NORTH CAROLINA'S VANISHING HOG FARMER

Over the last 5 years, N.C. lost over 43% of its hog farmers.



HOGS

FINDINGS

Over the last five years, N.C. has lost over 43 percent of its hog farmers.

N.C. has a greater number of large-volume hog facilities than any state in the nation.

Just six super-sized operations account for one-third of all hogs produced in N.C.

The last five to ten years have seen a gradual erosion of farmer control in the N.C. hog industry. The rapid growth of corporate hog farms has resulted in a growing trend toward contract hog production.

Federal tax policies have encouraged excessive investment in the hog industry, resulting in overproduction and low prices.

Approximately 75 percent of all market hogs in N.C. are sold directly from the producer to the packing plant.

Just two companies account for at least 80 percent of all hogs slaughtered in N.C.

Plans for the expansion of two of N.C.'s giant corporate hog farms are potentially devastating for the state's small and medium size hog producers.

a-2-3
2/23/89

RANKING & IMPORTANCE TO N.C.'s AGRICULTURAL ECONO...

Hogs rank third in total cash receipts for all farm commodities in N.C.—accounting for approximately ten percent of total cash receipts. North Carolina is the largest hog producer outside of the Corn Belt, ranking seventh nationally.

Up until the last few decades it was not considered efficient to produce hogs in this region because N.C. is a "grain deficit" state. It costs more to feed hogs here than in the Midwest. Our deficiency in feed production, however, is offset by our proximity to the large East Coast market, a moderate climate, and lower construction and labor costs.

A RADICAL TRANSFORMATION IN U.S. HOG PRODUCTION

The structure of hog production has changed dramatically—shifting from the family farm to the "factory farm."

Traditionally, small-scale hog operations requiring a relatively small investment of land and capital have offered small family farmers a reliable source of farm income. But in recent years, the structure of hog production has changed dramatically—shifting from the family farm to the "factory farm." Today, the majority of the nation's hogs are produced on concrete surfaces in large, factory-like facilities which allow for year-round production. Specialized buildings, automated equipment and the development of medical and genetic technologies now enable a single individual to manage hundreds of sows in a closely confined, environmentally controlled unit.

Increasing concentration in the hog industry has resulted in fewer income opportunities for small and medium size producers. In recent years, the influx of large, highly capitalized hog facilities has led to overproduction and low market prices. Only the largest hog producers with adequate financing can survive in a depressed market—the small and medium size producers are simply forced out of production. As a result, the nation's hog farms are becoming fewer, larger and more specialized. Nowhere has this trend been more dramatic than in North Carolina.

INCREASING CONCENTRATION IN THE N.C. HOG INDUSTRY

Over the last five years, N.C. has lost over 43 percent of its hog farmers.

Over the last five years, N.C. has lost over 43 percent of its hog farmers. The number of N.C. hog farmers dropped from 41,000 in 1979, to 26,000 in 1982, to only 23,500 in 1983. (Source: *USDA Hogs & Pigs*)

As the number of N.C. hog farmers has rapidly diminished, the size of hog production facilities has increased. *Today, N.C. has a greater number of large-volume hog facilities than any state in the nation.* Facilities in N.C. with 2000+ hogs marketed annually account for 46 percent of total sales. By contrast, only fourteen percent of Iowa's hogs come from farms of that size (Iowa is the nation's largest hog producer). Source: *U.S. Hog Industry, USDA, June, 1984.*

Today, N.C. has a greater number of large-volume hog facilities than any state in the nation.

A relatively small number of large-volume hog operations now control a disproportionate share of N.C.'s hog market. According to the U.S. Dept. of Agriculture, the largest three percent of N.C.'s hog producers (with 1000+ head) account for 59 percent of total sales. In contrast, N.C.'s smallest hog farmers (76 percent of the total) with 1-99 head, accounted for only twelve percent of all sales.

Based on data provided by industry spokesmen, the Rural Advancement Fund estimates that six super-sized hog operations account for one-third of all hogs

a-2-4
2/23/89

The Rural Advancement Fund estimates that six super-sized hog operations account for one-third of all hogs produced in N.C.

produced in N.C. (see list of hog producers). Three of North Carolina's giant hog producers (Cargill, Carroll Foods, and Murphy Farms) are ranked among the five largest hog farms in the nation! (*Farm Journal Magazine*, October, 1984)

All pork producers suffer in a depressed market—but the small hog farmers are first to go. According to Dr. H.C. Gilliam, N.C. State University agricultural economist, hog production has traditionally operated on four to five year cycles of up and down prices. Many small hog farmers, commonly called "inners and outers," have gone in and out of hog production—depending on the price cycle. But all that is changing. "Now that there are many more highly capitalized and larger production units, the cycle is not so well defined. The highly capitalized producers will continue to produce as long as they can make any money at all," explains Dr. Gilliam.

What are the possible implications to the hog industry and related institutions if a majority of hogs are produced by large-volume hog operations? That question was the subject of a paper presented by the University of Missouri agricultural economist Glenn Grimes at the 1983 American Pork Congress. According to Grimes:

> Sharp changes in hog and feed prices will create greater fluctuations in cash flow and income for large, specialized units than for traditional units. Credit needs may frequently exceed those funds available locally. Equity financing may move slowly into the hands of non-farm individuals and companies. *As hog production becomes more of a "factory system" farmers will not have inherent advantages in retaining control of it. Already 10 percent of the large-volume units are part of agribusiness operations—typically a feed company.* (emphasis added)

The last five to ten years has seen a gradual erosion of farmer control in the N.C. hog industry.

The last five to ten years has seen a gradual erosion of farmer control in the N.C. hog industry. An informal telephone survey of swine extension specialists in N.C.'s top seven hog producing counties reveals that feed mills, agribusiness corporations, and large, independent hog farmers are among the state's largest hog producers. These super-size hog farms are not owned and operated by working farmers, they are businesses which depend on hired management or contract labor. These companies either contract with individual farmers to grow-out hogs or hire professional managers to raise hogs in company-owned facilities (usually a combination of both). Unlike fully integrated poultry companies, however, major hog firms are not involved in processing.

There are no official estimates on contract hog production in N.C. But retired NCSU swine extension agent, Clyde Weathers, is concerned about the growing trend toward contract hog production in N.C. "We're seeing some feed dealers gobbling up the hog market as fast as they can. It concerns me that during these low prices more producers are willing to turn to the contract system—where they will only be making minimum wage. As the low prices [in hogs] continue, it will become more and more attractive to hard-pressed producers."

FEDERAL TAX POLICY—INCENTIVES FOR GROWTH

One factor contributing to the rapid growth of large-scale hog production is federal income tax laws which encourage large, high-equity farmers and wealthy non-farm investors to get into hog farming because of tax sheltering opportunities.

The domination of large-volume hog operations in N.C. and across the country did not just happen by accident. One factor contributing to the rapid growth of large-scale hog production is federal income tax laws which encourage large, high-equity farmers and wealthy non-farm investors to get into hog farming because of tax sheltering opportunities. According to Dolly Floyd of the N.C. Pork Producers Association, "We've got producers who are investors—they won't get hurt if they don't make a profit—they just write it off on their taxes."

Investors in large-scale, confinement hog facilities can take advantage of a variety of

a-2-5
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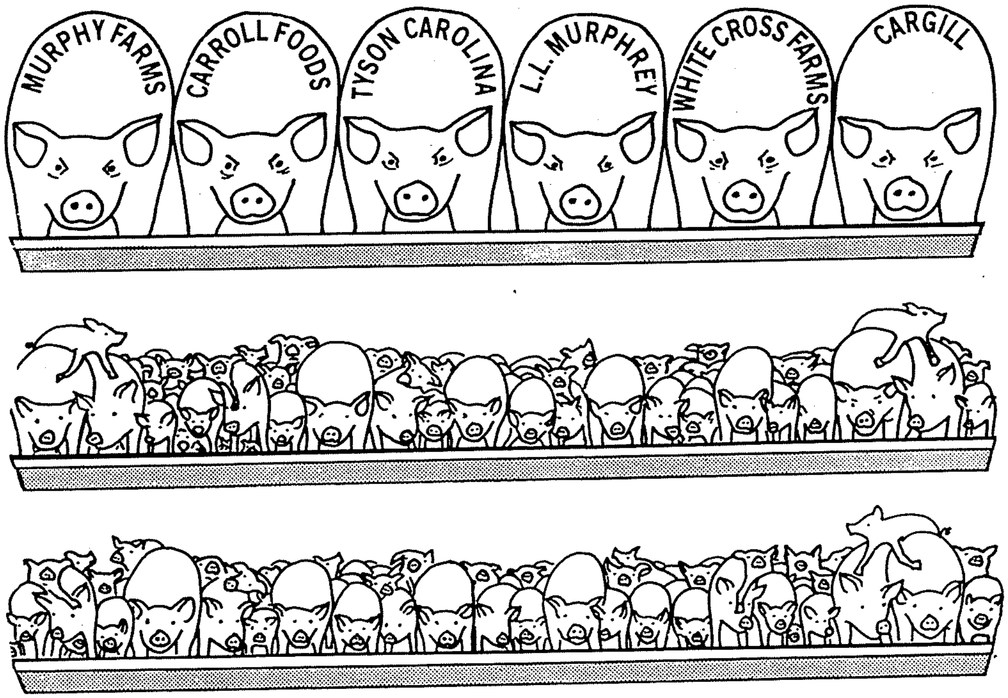
WHO'S HOGGING THE HOG BUSINESS?

Six super-sized hog operations account for one-third of all hogs produced in N.C.



tax breaks that allow them to recover their initial investment rapidly. For example, federal tax laws define confinement hog buildings as "equipment," which makes them eligible for investment tax credit and a five-year depreciation schedule. These tax breaks have encouraged excessive investment in the hog industry nationwide, resulting in overproduction and depressed prices. All hog farmers can take advantage of the five year depreciation schedule and investment tax credit. But high equity farmers and wealthy investors benefit more from accelerated depreciation write-offs than the average family farmer because deductions create larger savings for persons in high tax brackets.

These tax breaks have encouraged excessive investment in the hog industry nationwide, resulting in overproduction and depressed prices.

Many hog producers across the country are questioning whether federal tax policies on investment credits and depreciation are having a negative impact by encouraging overproduction and thus jeopardizing the long-term stability of the hog industry. According to James Wright Jackson, a Sampson County hog farmer and a member of both the state and national Pork Producers Associations, "There's nothing wrong with a tax credit for family farmers, but there's a way in this tax law for others to take advantage of it. It's just another way for people who have a lot of money to stop paying taxes."

In 1983, a measure seeking to reform tax sheltering opportunities in agriculture was narrowly defeated in Congress. An amendment proposed by Iowa Senator Charles Grassley proposed lengthening depreciation schedules on single-purpose agricultural buildings (including hog facilities) from the current five years to fifteen years.

MARKETING

There are a variety of marketing outlets for pork producers in North Carolina. They include:

1) Assembly Points—including state-graded market hog sales, buying stations

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2/23/89

A PROFILE OF N.C.'s LARGEST HOG PRODUCERS

Based on data provided by industry spokesmen, the Rural Advancement Fund estimates that one-third of all hogs produced in N.C. come from the six super-sized hog companies listed below. Three of these companies (Cargill, Carroll Foods, and Murphy Farms) were recently ranked among the nation's five largest hog farms. (*Farm Journal Magazine*, October, 1984).

Murphy Farms, Inc. – Duplin County

According to the N.C. Pork Producers Association, Murphy Farms is "the largest family-owned hog farm in the United States." Murphy Farms began operating in 1962 and was incorporated in 1969. The company's principal stockholders are Wendell Murphy (a state legislator and member of the House Agriculture Committee) and his father Holmes Murphy. The company produces approximately 300,000 market hogs annually in facilities spanning six counties in N.C. and three in S.C. Murphy Farms produces hogs in their own facilities and also contracts with farmers.

Carroll Foods, Inc. – Duplin County

Carroll Foods is a private company which is a major producer of turkeys and hogs. The company has been involved with hog production since 1969. Carroll Foods raises hogs in company-owned facilities and also contracts with approximately 55 to 60 hog farmers in Duplin, Sampson and Lenoir Counties. According to a company spokesman, Carroll's currently raises 200,000 market hogs annually, but plans to double their capacity within five years.

Tyson Carolina, – Washington County

Tyson Carolina is a division of Tyson Foods, Inc., a major broiler and hog producer based in Arkansas. Tyson Food purchased an existing hog operation and 10,000 acres of land near Creswell, N.C., from First Colony Farms in 1978. In August, 1979, an article in *Successful Farming* magazine warned that plans for Tyson's new hog operation were so large that it "ought to scare the hell out of every hog farmer in the country."

Tyson Carolina produces approximately 200,000 hogs annually, over 40 million pounds of pork. According to Jim Hicks, General Manager of Tyson Carolina, the company plans to double current production. The company no longer contracts with individual farmers. They prefer to hire professional managers to produce hogs in company-owned facilities.

L.L. Murphrey Co., – Greene County

LL. Murphrey Co. is a family-owned corporation which has been in the hog industry approximately fourteen years. The company raises hogs in four N.C. counties. According to Mr. Murphrey, the company employs about 40 people, including contract farmers. They produce approximately 60,000 market hogs annually—both in their own facilities and under contract to individual farmers.

White Cross Farms, – Bertie County

White Cross Farms is a family-owned corporation which entered hog production only six years ago. The company raises hogs in Bertie and six surrounding counties. About one-half of their hogs are produced in their own facilities; the other half are produced under contract. The company produces approximately 50,000 market hogs annually.

Cargill, Inc. – Wilson County

Cargill, Inc., a private corporation, is one of the world's largest grain dealers. Cargill began producing hogs in N.C. in 1981. Today, it is ranked the third largest producer in the nation. All of Cargill's hogs are produced under contract—but Cargill declined to tell us how many market hogs they produce each year in N.C. Based on industry statistics, RAF estimates that Cargill produces approximate 200,000 to 250,000 market hogs annually.

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operated by packers, and five assembly points operated by the Farm Bureau;
2) Public Livestock Markets;
3) Direct Selling from Hog Producer to the Packer/Slaughterhouse.

Fewer hogs are moving through public sales and auctions.

According to marketing specialists at the N.C. Dept. of Agriculture, an estimated 75 percent of all market hogs are now sold directly from the producer to the packing plant. As a result, fewer hogs are moving through public sales and auctions. The Nebraska-based Center for Rural Affairs reflects on this trend in hog marketing and its impact on small producers:

As the markets suffer, the fortunes of the small producer will, too.

> Public markets used primarily by small and average sized producers will suffer a loss of business as more hogs are marketed directly by larger producers to packers or as other forms of vertical coordination—contracts, integrated operations, bargaining associations—replace open markets as a means of moving hogs from one stage of production to another. As the markets suffer, the fortunes of the small producer will, too. (*Transformation of Hog Farming in America*, Center for Rural Affairs, 1981)

PROCESSING

There are approximately 94 commercial hog slaughtering plants in N.C. According to the N.C. Pork Producers Association, however, just two companies account for at least 80 percent of all hogs slaughtered in the state. (Approximately twenty to thirty percent of the hogs raised in N.C. are slaughtered out of state, mostly in Smithfield, Virginia.)

Just two companies account for at least 80 percent of all hogs slaughtered in the state.

Lundy Packaging of Clinton, N.C., is the state's largest buyer and processor of pork with approximately 1.5 million head slaughtered annually. Lundy was recently ranked N.C.'s fifth largest private company. (Because they are a private company, little is known about the business. Lundy declined to answer our calls and letters requesting information).

Lundy Packaging is now expanding their Clinton-based facility and expects to double their slaughtering capacity to three million hogs annually. This will give Lundy the capacity to slaughter virtually all hogs produced in N.C.! Lundy products are currently marketed from Maine to Florida.

Dinner Bell Foods, Inc. operates N.C.'s second largest hog packing plant in Wilson. The publicly-owned company is headquartered in Ohio, but their largest packing plant is in N.C. They slaughter approximately 500,00 to 550,000 hogs annually. According to Dinner Bell hog buyer, Larry Carpenter, the company buys 90 to 95% of their hogs from within a 100-mile radius of Wilson. Dinner Bell products are marketed in nineteen states.

N.C. PORK PRODUCERS ASSOCIATION

The N.C. Pork Producers Association (NCPPA) is the state's hog commodity organization based in Raleigh. "We represent pork producers, but we work mostly with consumers to promote pork and create new markets." The NCPPA is affiliated with the National Pork Producers Association in Iowa.

Every six years, N.C. hog farmers hold a referendum to decide whether or not to assess themselves a fee to pay for their commodity organization. In 1984, N.C. hog farmers voted to increase their assessment to twenty cents per top hog, and ten cents

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for each feeder pig. This amount is automatically deducted from the farmer's check when hogs are marketed. The money is turned over to the N.C. Dept. of Agriculture, which transfers the funds to the NCPPA. In turn, the NCPPA sends their national office twenty percent of the fees.

According to NCPPA, 55 percent of their annual budget is spent on promotion of pork products. They have a full-time home economist, and they also lobby in the state legislature.

The Rural Advancement Fund asked NCPPA Executive Secretary Al Daniels what he considered were the major problems confronting the N.C. hog industry. "Interest rates and the animal welfare people," responded Daniels. The Association is, perhaps, less concerned about the loss of N.C. hog producers since the Association's funding is not determined by the number of productive hog farmers, but the total volume of hogs sold at market.

CONCLUSION

If current trends continue, hog production in N.C. will be limited to a handful of corporate hog factories. Two of N.C.'s super-sized hog operations, Tyson Carolina and Carroll's Foods, indicate plans to double capacity in the near future. If hog production in N.C. increased by 500,000 market hogs annually (a 17 percent increase in current production) hog prices would drop sharply—forcing many producers out of business. The impact on North Carolina's small and medium size producers is potentially devastating.

The trend toward corporate hog production could be curtailed by legislative reforms to eliminate tax sheltering opportunities in agriculture. A proposal to lengthen the depreciation schedule on confinement buildings from five years to 15 years is just one example. N.C. hog farmers should work together with Congressional representatives to draft proposals restricting the use of tax breaks which have granted a competitive advantage to large-scale operators at the expense of small and medium size hog farmers.

STATE OF KANSAS

DON M. REZAC
REPRESENTATIVE, SIXTY-FIRST DISTRICT
WABAUNSEE COUNTY AND PARTS
OF POTTAWATOMIE AND RILEY COUNTIES
(913) 889-4514

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: AGRICULTURE AND SMALL BUSINESS
ENERGY AND NATURAL RESOURCES
LOCAL GOVERNMENT

TESTOMONY PRESENTED TO
ECONOMY DEVELOPMENT COMMITTEE
BY
REPRESENTATIVE DON REZAC

Thank you, Madam Chairman. I am here today to testify in opposition to HB 2368. I want to give a little bit about my background. In addition to being a State Representative, my two sons and I run a farming/ranching operation south of Onaga. I come from a farm family that has been in the area for the last 110 years.

I am extremely concerned with the definition given in the amendment in HB 2368 "agricultural land for the purpose of developing, producing or raising breeding swine which, through a process of selective breeding and genetic improvement...." As I see it, anyone could raise a few hogs for breeding but then sell many more for slaughter because, by definition, this bill makes no stipulations as to numbers required for breeding or slaughtering. This lack of clear definition in this bill will open the door to corporate hogs in Kansas.

In addition, the other corporate hog bill you have in committee is closely related and it's very difficult to separate the two issues.

As a past president of the Kansas Young Farmer's Association, I have seen agricultural operations all over the state and the country. As the active membership is to age 35, I have been an associate member for awhile, but I have a life membership in this organization. Through my membership, I went on 24 state tours in Kansas and saw a good cross section of Kansas agriculture. I also had the opportunity to attend 12 national meetings and see agriculture in these states. The twelve states are Missouri, Indiana, Illinois, Georgia, Pennsylvania, Colorado, Kansas Texas, Oklahoma, Wyoming, Kentucky, and Nebraska.

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TESTIMONY
Economic Dev. Committee
February 23, 1989

Not only have I seen agriculture in these 12 states, but I've met people that farm in these states. Even though you may see them only once a year, you learn what their concerns are.

I've seen the corporate chicken operations in Georgia and I visit with farmers who raise the chickens for the corporate operations. And, "yes," I've been at the main elevators to see the feed mills. The farmers in Georgia have absolutely no control over the marketing of their chickens. Their profits depend entirely upon the tonnage of their chickens, but when the corporations want to pick up the chickens, they do so, even though a few extra days would mean greater profits for the farmers.

We hear a lot about corporate farming in Colorado. I've been in the sand hills of NE Colorado at least once a year for the past nine years and have watched the corporate agriculture at work in Colorado. We have heard that Colorado sand hills are being turned into center pivots of corn. This is being done by both farming families and corporations.

Farm families have a hard time competing with corporations, having to expand their operations to just compete. However, when hard times fall, the corporations have the capital to outlast farm families or can just pull out of the area. The families are then left with an overwhelming debt load.

Dekalb is in a very bad situation and it's difficult to separate a corporate breeding operation from a corporate finishing operation. It is a bad situation for Dekalb to be in, but they're there. And if we do not strongly oppose this bill, the corporate bill HB 2368 will come out of this committee next and it will be a sad day for Kansas agriculture.

DON REZAC
State Representative
District #61

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TESTIMONY

House Committee on Economic Development
Thursday, February 23, 1989

HOUSE BILL 2368

By Robert Runnels, Jr., Executive Director
Kansas Catholic Conference

Thank you Chairperson Baker and Members of the House Economic Development Committee.

My name is Bob Runnels, Executive Director of the Kansas Catholic Conference. I am here today to voice our opposition to House Bill 2368. Your committee is so vital to the future of Kansas and because of your key position in our future I am pleased to have the opportunity to speak with you.

Surely you stand for the prosperity of Kansans and for the best interest and welfare of all citizens.

You seek to establish a climate through legislation which will benefit our state and our rural communities.

You understand that what seems to be a venture which opens what appears to be a new opportunity can be very detrimental to our farming community.

It is our evaluation that H.B. 2368 opens the door to a malady that strikes at the very heart of our strength in Kansas the **family farm**.

If in 1989 you allow corporate breeding of swine then wouldn't it follow in 1990 or soon thereafter to widen this legislation to accommodate full fledged corporate swine facilities and production?

It is our belief that this bill is wrong for our rural communities ... for the health of our family farms we ask you to report this bill unfavorably for passage.

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STATEMENT

OF

IVAN W. WYATT, PRESIDENT OF THE KANSAS FARMERS UNION

BEFORE

THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

ON

HB-2368

(CORPORATE SWINE DEVELOPMENT)

FEBRUARY 23, 1989

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

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

THIS PROPOSED LEGISLATION THAT DEALS WITH CORPORATE INTRUSION, OR THE APPEARANCE OF CORPORATE INTRUSION INTO THE PRODUCTION OF HOGS HAS A VERY DARK AND OMINOUS CLOUD HANGING OVER IT.

THIS IS THE RESULT OF THE EVENTS OF THE PAST FEW YEARS, WHEN CONCERNED PEOPLE WERE NOT DEALT WITH AN OPEN, FORTHRIGHT MANNER.

ONE EXAMPLE WAS THE PRESENTATION OF THE O'DAY STUDY ON CORPORATE PRODUCTION OF HOGS FUNDED BY KANSAS, INC. TO KANSAS FARMERS AS A BLUEPRINT FOR PROSPERITY, AT THE ANNUAL MEETING OF THE STATE BOARD OF AGRICULTURE.

WHEN THE "O'DAY STUDY" WAS SHOWN TO BE FLAWED, NONE OF THESE GROUPS, ORGANIZATIONS, ETC., THAT PROMOTED THAT STUDY STOOD UP AND ADMITTED TO ITS LACK OF CREDIBILITY.

THE GOVERNOR OF KANSAS INDICATED SUPPORT TO THE INDEPENDENT PORK PRODUCERS OF THE STATE FOR A CENTER OF EXCELLENCE FOR SWINE PRODUCTION IF THEY ACCEPTED LEGISLATION BASED ON FLAWED INFORMATION. THIS LEGISLATION WOULD HAVE ALLOWED VERTICALLY INTEGRATED CORPORATE PRODUCTION OF HOGS IN KANSAS.

THE INDEPENDENT PORK PRODUCERS WERE INFORMED THAT THE GOVERNOR WOULD WITHDRAW SUPPORT FOR FUNDING OF THE PROJECT IF THEY

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N'T ACCEPT SUCH LEGISLATION. APPARENTLY THAT THREAT HAS TURNED INTO FACT, BECAUSE THERE HAS BEEN NO MENTION FORTHCOMING CONCERNING STATE ASSISTANCE TO ASSIST THE INDEPENDENT PORK PRODUCERS OF THE STATE WITH THIS TYPE PROGRAM.

TO NOW EXPECT THE PORK PRODUCERS OF THE STATE TO ENDORSE THIS LEGISLATION OR ANY SIMILAR LEGISLATION WOULD UNDULY TAX THEIR TRUST AND INTELLIGENCE.

AFTER ALL SUB-SECTION 15, PAGE 3 DOES LEAVE THE WIDE GATE OPEN FOR LEGAL MANIPULATION OF THE LAW. IT DOES NOT DEFINE WHAT A SWINE CONFINEMENT FACILITY FOR THE PURPOSE OF RAISING BREEDING STOCK ENCOMPASSES.

WOULD ONE HEAD OF SWINE OUT OF A HUNDRED OR OUT OF FIFTY, OR OUT OF FIVE HUNDRED, SOLD FOR BREEDING PURPOSES, QUALIFY A CORPORATE SWINE CONFINEMENT FACILITY AS LEGAL UNDER THIS ACT?

IF THE LEGISLATURE, IF THE GOVERNOR, IF THE STATE BOARD OF AGRICULTURE, IF KANSAS, INC. IS NOT WILLING TO STAND UP FOR A SWINE CENTER OF EXCELLENCE TO BENEFIT ALL PORK PRODUCERS OF THE STATE, THEN CERTAINLY DON'T EXPECT THEM TO CONSIDER ALLOWING ANYTHING THAT WILL OPEN THE STATE OF KANSAS UP TO A CORPORATE TAKE-OVER OF THEIR MEANS OF LIVELIHOOD.

HB-2368.DOC

Committee on Economic Development

House Bill 2368

I am John Balthrop a producer of Hampshire and Yorkshire hog breeding stock at Peabody Kansas. I have been in the seedstock business for thirty years, and my family for twenty years before that.

I have served as president of the Kansas Pork Producers, I am presently on the board of directors of the Hampshire Swine Registry and have served three years an president of that organization.

I present this bit of background information for you so that you will know that I am knowledgeable about the swine industry, and particularly about the seedstock industry.

I am greatly suprised to read House Bill 2368 and see that it would open the door to the production of cooperate hogs in Kansas; by trying to only allow the production of "hybrid" hogs. Hybrid hogs are only a glorified name for crossing two breeds or more, which is done by every good non seedstock producer in Kansas and the nation.

In paragraph 15 line 95 refers to developing, producing, and raising breeding swine. Ladies and gentlemen every good hog farm in Kansas that retains their own females is raising breeding swine; weather for their own use, to sell to their neighbors, or to other producers across the nation and the world.

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In line 96 the bill refers to a process of selective breeding and genetic improvement. My questions are who decides what selective breeding is and how it's done. Who determines weather their is genetic improvement?

In my many years of hog breeding I can tell sometimes their is no improvement. If this bill becomes law and we have a influx of large breeding companies who will say weather they fit the description of the bill? Who will monitor weather they sell a lot of breeding stock or are posing as a breeding stock company to only produce large numbers of hogs to be marketed for slaughter.

In line 98 the bill refers to the improved performance of farmers and livestock raisers. Not anyone in this room can guarantee this. No matter what the genetics, weather it be from my herd or anyone elses you can't really predict improved performance. If this bill passed who would see that each animal sold would have a E.B.V. or E.P.P.?

Ladies and gentlemen I am sure everyone of us here is in favor of economic developement, but cooperate hog farms whether breeding stock or market hogs are not the way to economic development in Kansas. We need development that will not use large amounts of water, pollute our air and possibly contaminate or pollute our ground water. We need to sell our clean air, our realitive good water, and our hard working industrious people. We don't need to fill our prairies and valleys with galvanized monuments that bring few jobs and

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much odor to Kansas.

I dare any of you to tell me you would like a 10,000 sow confinement unit across from your farm or within a mile of your town or community. We already have the capacity to produce hogs in Kansas that we can effectively market.

Ladies and gentlemen as I view these proposed changes to this cooperate farming bill, I see it as nothing more than a bill to allow DeKalb Swine Breeders to expand their Plains operations. DeKalb is competition to me and every other seed stock producer. DeKalb has always been quality competitor, I have no problems with them but the Attorney General said we couldn't just allow DeKalb to expand.

Whether it is right or wrong that is the law and we should live with it. We always know that all laws may not be fair, but life in general is not always fair.

We should all leave this bill here in committee and get serious about Economic Development. We need development that will add evaluation to our school districts, add quality jobs to our towns, and not leave galvanized monuments for us, and, use our water and pollute our air.

I thank you for allowing me to express my views about House Bill 2368.

Statement to the House Economic Committee on the Corporate Hog Farming Bill by LeRoy Bower, President Kansas National Farmers Organization, February 23, 1989.

I am LeRoy Bower, President of the Kansas National Farmers Organization. I live on a 700 acre diversified grain and cattle operation in Cherokee County Kansas near Pittsburg.

I am pleased to be able to testify against House Bill 2368. The Resolution that was passed by our 1988 State Convention states; Whereas: Corporate farming eliminates Kansas family farms, and the local business community. Be it resolved: Kansas NFO stands opposed to any liberalization of Corporate Farming Laws in Kansas.

First of all, members of the Economic Development Committee, let me say that Agriculture is the driving force behind Economic Development in the State. Kansas farmers are very much in favor of any development to futher increase the standard of living for betterment of life for Kansas residents. Agriculture has not generated the profit in the 1980's, that is why the States are scrambling for new economic development. If agriculture had had its fair share of the economy--I doubt if you would be holding this hearing or be in a position to sell Kansas for a potential company or industry.

It is the opinion of Kansas NFO that the entire economy of Kansas would be more stable if it contained a broad based number of diversified agriculture producers. Our rural communities would experience growth, local tax bases would grow and the consumers would benefit because of the signal sent to the small farming enterpreneurs. The Kansas NFO strongly approves of the idea of having many small businesses (farmers), rather than having a few large corporate farms who hire employees to run the farms. Our system of free markets and competition works much better when there are large numbers of buyers and sellers. Small businesses, like small farmers, create more new jobs and vitality in a community and economy. Our nation was built on a strong cultural foundation of agriculture and families.

I see the drive for a change in the law as being for economic development. About the only economic development you will have in this type of situation is the building or construction of the project. As with any location of the development--you will have communities fighting to get such a development. Without a doubt, a development can be an asset for the community. But

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what about the communities that lose because the markets for those products are no longer present. I say for hogs--It would be in the best interest of the citizens of Kansas and Businessmen of Kansas to have 40,000 farmers producing 1,000 to 3,000 head of hogs a year than it would be for 5 big AGRIA GIANTS producing million head each.

If corporations sell you on an idea that they provide a good market for feed grains in the area. Better find out what they determined as a good market? If its 5 or 10 cents a bushel, then its kind of like a needle in the hay stack. Markets are usually based from the Chicago Board of Trade. I live about 100 miles from the center of the heavy poultry operations in Northwest Arkansas and Southwest Missouri and about 35 miles from the National Farms feedlot at Parsons. Even with those markets the grain farmers are still having a tough time. What I have learned from the NFO's Bargaining is that Corporations do not compete against one another. They only compete for their market share. They usually have areas that they buy in and stay out of the areas of their competator.

Farmers are at the mercy of Corporate America. It use to be that there were companies just in meat packing or just in grain handling or just in retailing and now, We have the AGRIA GIANTS involved in the whole arena of seed production, grain farming, grain handling, livestock feeding operations and the slaughter plants.

Any liberlization of the Corporate Farming Laws in Kansas would result in a concentration and centralization of power and capital. We can look to the poultry industry where you have an increased concentration of ownership and control of the food production system by Agribusiness firms. As these firms increase their control, farmers continue to lose their role as major decision makers. We know this hearing is mainly because of H.B. 2368 which pertains to the expansion of the DeKalb breeding stock units in Southwest Kansas. However, we feel an opening up of the laws in Kansas would be a step in the wrong direction.

The real question is, Who's going to own the Land? Corporate take over of Agriculture will reduce this Nation to a two class system, The Rich and The Poor. We are constantly told by the Leaders of other Nations, We have the best system in the World. We are the envy of the World. So, I ask? Why change it?

Corporate Agriculture is organized for one thing and that is to make money.

Have you asked yourselves, about the socialogical issues that this brings about?

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

What I pledge to you is that the grass roots farmers I represent favor strong rural communities. They favor a strong farm corporate law. They oppose H.B. 2368. I would encourage the committee to hold hearings on two House Bills 2289 and 2257.

THANK YOU,

LeRoy Bower, President
Kansas NFO
R.R. # 5, Box 529
Pittsburg, Ks. 66762
316 643 5391

First of all, I wouldlike to thank you for the opportunity to speak before the Economic Development Committee, about the House Bill #2368. My name is Bryan Schulz and I'm from Thayer. I reside in Wilson County on 158 acres with my wife Kim, a son Kyle, and a daughter, KyAnne. I am a seedstock producer from the southeastern part of the state. I would like for you to try to visualize yourselves as being in my shoes when considering your decision on this bill.

I agree we need economic development in this great state, but I also believe that if we let corporations in Kansas raise breeding stock, it will do more harm than good! This state can not afford to lose any more farmers, especially the younger generation, like myself. If this bill is passed that is exactly what will happen.

The corporations will have more selection and they will be able to underprice the small farmers until we will have to finally go out of business. Be honest with yourselves when making your decision, because this will happen. Just like when the family owned grocery and hardware stores, in the small communities, try to compete with Consumers, Dillons, Walmart, and others. The family owned stores just can not compete with the larger stores, therefore being forced to go out of business. This is what is going to happen to the individual breeders, the larger corporations have better prices and better selection, so they will be more likely running the individual breeders out of business.

I do not make a lot of money selling breeding stock yet-but I love what I am doing and I am seeing my family be raised on the farm, just like I have always wanted to do. The money we do make, we spend all we can locally, so that the tax dollars stay here in our area. I doubt very much

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that the corporate Breeding Companies will keep their tax dollars in the area, let alone in the state.

Again I thank you for the opportunity to plead my case in front of you today. I hope you have the picture as to what the passing of this bill will do to my business and to my family's way of life. In closing, I have heard this all my life and I am sure most of you have too-- the family farmers are the backbone of our country-- I want to be one of those farmers for years to come. Won't you please give me a chance?

Thank you.

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Presentation to Economic Development Committee

by

Raebern Nelson

Hogs are one of the few farm commodities that are still priced by supply and demand. The current price of a hog is approximately $42/CWT. At this price many producers are making a small profit and some producers are showing a slight loss. This low price for hogs tells us that pork production is equal to or above the demand for pork. Allowing for the expansion of corporate hog farms would add to a pork supply which is already exceeding the demand. If Kansas were to allow corporate hog farms to expand the supply of hogs would intially increase in Kansas but then the supply-demand equation would then balance itself. The supply of hogs would have to decrease to the level of demand for pork. It is my opinion that this decrease in supply would come from the smaller producers already producing pork here in Kansas. The reason that this would occur is that large hog producers recieve a premium of $2 to $4 per hundred weight for their hogs because they are able to deliver large numbers of hogs on a weekly or even daily basis. This puts them in a position thats allows them to make a $2 to $4 per hundred weight profit when the smaller producer is breaking even or loosing money. The corporate hog farm is content with the $2 to $4 per hundred weight profit so they do not reduce production of hogs to lower the supply and may even increase hog production. The smaller producer is unable to produce hogs at a break-even price or at a loss so he is forced to quit the hog business. Kansas then ends up with the same number of hogs only concentrated in a few areas. One large corporate hog farm with 1000 sows does not have near the multiplier effect on the Kansas economy as the ten 100 sow operations it replaced. Allowing expansion of corporate hog farming in Kansas will only redistribute the hog numbers in Kansas. This will boost the ecomony in a very few areas in Kansas, but greatly harm the economy in many other areas of Kansas.

Bill Hawes, an executive for National Farms, has been quoted as saying "In ten years one hundred farms will produce all the hogs in the United States." Do we want corporate farms with this type of attitude to produce hogs in Kansas? Without a doubt changing our laws to allow corporate hog farm expansion will result in a net loss to our economy. Lets support the swine industry which we already have in Kansas.

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Madam Chairman
and
Members of the Economic Development Committee:

In response to your recommendation to change the law governing the production of breeding swine in the state of Kansas, I feel that with a relaxing of the current law it would impose an unfair disadvantage to our current seed stock producers. Companies with other outside entities could operate breeding facilities at a loss if say their seed corn business was thriving. Private individuals trying to compete in this type of business climate, simply would not be able to survive.

In reading over House Bill 2368, I see loop holes that would permit any corporation to own or lease land to operate a swine facility. Most anyone who is in the swine business today is in a selective breeding and genetic improvement process. This loosely written paragraph would simply mean that large corporations such as Cargill or National Farms would be able to legally raise hogs in Kansas because they also practice a selective breeding and genetic improvement program.

What takes place when a state has a relaxed corporate law? For example, North Carolina produces four percent of our nation's hogs and over the last ten years has retained steady hog numbers. Dramatic changes, however, have occurred to hog producers. From 1978 to 1982 North Carolina lost 40 percent of its hog

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farmers, more than any of the states with corporate farm laws. Now hog producers carry the names of Murphy, Carroll Foods, Tyson and Cargill. It is estimated that for every six or seven farmers that go out of business, one local business goes under.

The sparsely populated area of Plains, Kansas seemingly has painted a rather rosy picture of the prosperity it is witnessing through the existence of a breeding company there. The question that of uppermost importance is, does the legislature want to jeopardize the existence of all the existing pork producers in Kansas just so a small area can prosper? I think this would be a very unwise action.

If the people of Kansas wish to open up the existing laws concerning corporate breeding herds or corporate farming in any phase, why not put the issue on the public ballot and settle this issue for once and for all. This seems to me to be the most fair and democratic solution to the question.

In closing, I would like to present to the Economic Development Committee a petition of names from our town of Erie, Kansas containing names of business owners, lawyers, bankers, doctors, etc. who are satisfied with the patronage given them from the local family farms. Thank you.

Don Sailors
Route 1, Box 170
Erie, Kansas 66733

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Byron de Freese/Rt. 1 Princeton, KS 66078
Testimony/House Economic Development Committee
February 23,1989

Although I am here to testify against HB 2368, I should also like to include in my remarks some of the vision that I have for economic development in Kansas because I think that it is unfair to categorize those of us who are against this legislation as being against improved economic conditions in our state, and I think that it is incumbent on all of us who oppose to come forward with positive suggestions that offer both a healthy, environmentally sound economy and good quality of life to all Kansans.

I believe that economic development which provides opportunities for our children to reach their full potential, to remain or to attain membership in the middle class, and to be thoughtful members of their communities is best both for our children and for this state.

This vision of economic development would best be served by developing a first class educational system in Kansas and benefiting from the resulting economic spinoff. We simply have to spend more money on education--especially in our university system and spend that money in areas of the system that point toward a future with high paying, quality jobs rather than a past or present of low paying jobs in a factory farming system. The cornerstone of economic development in Kansas has to be a first class educational system, not corporate hogs.

If excellence in education is a powerful impetus for growth in a modern economy, then it stands to reason that any segment of an economy which is in long term decline probably has been inadequately served by the sectors of the educational system responsible for generating workable and ecologically sound technologies in that particular area. This lack of useful support and meaningful research by the Animal Science Department at KSU has certainly been true in the case of the middle-sized hog farmer.

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Byron de Freese/Rt. 1 Princeton, KS 66078
Testimony/House Economic Development Committee
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Our home area has seen the decline of the traditional small business economy in both city and farm. This traditional economy has been replaced by a convenience and discount store economy. We have added many new jobs in Franklin County the last few years, most of them near or at minimum wage, and yet with this economic "growth and development" we still have grinding poverty. How is it possible to have so much economic activity in a community and so much local poverty at the same time? The social effects of the continuing poverty can be seen on the streets, in the courts, in families, and in the high school students working long hours at minimum wage jobs; in a community that, because of a lack of meaningful economic opportunity, sends so many of its best and brightest away with each graduation of the local high schools, never to return. And with the loss of these young people comes an appalling leadership vacuum in both the small towns and in the rural communities. We not only send away our children, but also our money as out-of-state businesses export profits from their activities to places far from the prairies of Kansas.

On February 15, 1988, during testimony on corporate farming before the Select Committee on Agriculture and Livestock, an official of National Farms testified that he paid starting employees $4.75 an hour. Can a family of four stay in the middle class at four dollars an hour? How can we make an industry that pays this sort of wage the flagship of state economic development?

What we really have in corporate hog farming is not economic growth but an economic shifting or moving of production from independent producers to corporate ownership with corporate profits often leaving the state and an increase in relatively low paying jobs at the expense of middle sized independent producers who are being driven from an increasingly uneven playing field. This is economic relocation--not economic development. Corporate hog farming is going to take a lot of small cuts out of many already suffering rural areas to provide low wage farm factories for other areas. Economic growth means creating something new--not moving production from one place to another.

The demand for pork is what economists term an inelastic demand--which means that it is like the demand for refrigerators--each family will only buy so much or so many no matter how attractive the product or how cheap the price. When corporations make the hogs, family farmers have to go, and the changes that this economic relocation will make in the rural areas will closely resemble the changes that the convenience and discount stores have already made.

When you discuss the economic development of an area, you are also talking about its social and political development because economic development and the social structure are heads and tails of the same coin.

Independent hog farmers are being driven out of business not because they cannot produce efficiently but because of political decisions (or lack of political decisions) that have resulted in a small group of companies gaining substantial control over significant areas of the swine industry, the feed industry and the packing industry. One particular inequality was discussed in an article in the September 9, 1988, issue of "Forbes" magazine where it was suggested by a corporate hog leader that it made sense for packers to deal with large suppliers because an assured supply of hogs enabled the packers to bargain harder with the smaller producers. The fact is that larger producers receive more for their product than the small or middle sized producer.

Last week Don Kile, owner of Sheldon's Equipment in Ottawa, called to ask me if I had decided to buy the set of rear tractor tires I had priced several days before. He said that he was selling his stock of large tractor tires and that the tires (on which he had given me a very good price) would be gone by noon the next day. Seven months of poor hog prices had its effect and I didn't buy the tires, but this story illustrates the interdependence of the local businessman and the local producer. It is in his interest for me to survive and it is in my best interest for him to stay in business. My sale alone would not have saved his tire business, but a prosperous local ag economy built on independent producers would have.

Our business was started by my wife and me in 1965 with a zero net worth and has been successful. I am not going to ask you to listen to a story of despair and debt because the farm we bought in 1966 is paid for and the one we bought in 1972 is also. We started from little, took risks and made profits. I would like to think that our modest success was in the best sense of the American economic tradition. But today the playing field has changed. In our personal business, we stand at a junction in the road. To make a long term commitment to the hog business we need to spend a substantial sum of money on new equipment, and as business people we are not going to make that investment in the face of an anti-small business environment. At the present, we employ two people full time and two people part time in addition to my wife and me. If we elect to terminate our hog business, several hundred thousand dollars will be removed from the local agricultural economy. Our departure won't cause the immediate end of any local business, but it will hurt, especially at the Richmond Co-op where we are one of the larger accounts--business that they cannot easily pick up elsewhere.

The decision as to whether people like me will raise the hogs or whether large corporations will is a political decision because politics will determine the rules by which the economic game is played. I think that the interests of the people of this state are best served by competition and by having choices. I worry that in some areas of our state when people say that they are going to the store, they may end up meaning "the" one and only store. Kansas communities are best served by having more than one store and by having a mixed agricultural economy which includes strong independent producers.

Let us set our goals higher--to a future based on a high quality educational system creating a highly skilled work force and high quality, good paying jobs.

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Locally owned family farms contribute to the local community by retaining profits and business within the local economy. These family farmers provide additionally to our local schools, churches and civic organizations. We support tightening the Kansas corporate farm law to protect our family farm base.

NAME	ADDRESS	TOWN	STATE
Dan Dailors	R1 Box 170	Erie	Ks
[illegible]	P.O. Box 81	[illegible]	Ks.
Duke Wagaloff	119 S Main	Erie Ks.	Manager of Erie [illegible]
[illegible]	Rt. 2 121 S. Main	Erie, Ks	Owner Richey Rexall Drug Store
Cynthia A. [illegible]	Rt 1, Box 93A,	Erie, KS.	Branch Manager - Mid Am. Fed. S+L.
John Napato	205 N. Lincoln	Erie, KS	Ass't Supt.
[illegible] Simmons	322 N Webster	Erie	Barber Shop owner
[illegible]	1606 Linwood	Parsons, KS	UPS
[illegible]	[illegible]	[illegible]	[illegible]
Richard L. Hines	Box 67, 301 S. Main	Erie,	Kansas
[illegible]	[illegible]	Erie Ks	66733
Judy Shouse	321 N Webster	Erie, KS	66733
John Edwards	R. 1 Box 187	Erie Ks	66733 Chief operator
Martha Dicey	RR Galesburg Ks		Secretary farm owner
[illegible]	Box 341 St. Paul, KS		Mngr. Beachner Grain
Bill [illegible]	MANAGER ROOSTERS THRIFTWAY	ERIE, KS.	525 STATE
[illegible] Simmons	Owner Erie Auto Parts	Erie Ks.	RR2 Box 9
Paul H. Beard	Rt 2 Box 172	Erie, KS	owner Beard Propane Co.
David McGowen	owner Dave's Tire + Auto Shop	Erie, KS	
[illegible]	owner Kerr McGee	Erie KS	
W. W. Holland [illegible]		Erie, Kansas	
Ray [illegible]	P.O. Box 215	ERIE	KS
[illegible]	310 N. Grant	Erie	KS

Pres Home State Bank, Erie

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Louis W Thomps— 209 N. Lincoln, Erie Ks Owner operator Apco Service
Charles McClenning 121 So. Main owner Erie Market
St Paul Family Store
Dale Owen 306 S. Grant owner Owen Motor Co
Chev - Olds - Geo
Ed Toland Consolidated Oil Chanute, Ks.
Kim Holcom Manager Erie Express 429 N Main Erie,
Roger Kensinger, Erie Record, 317 S. Main, Erie, Kas.
John S. Smith DVM P.O. Box 177 Erie, Ks VETERINARIAN
John A Collins 325 N. main Erie Kans Mayor of Erie
Jack B Collins 325 N Main Erie Ks. New Meth Clan
Leah M Kensinger PO Box 156 Erie Ks.

I am Steve Cranor from rural Chetopa, KS.
Congressmen, I am here to address House bill 2368.

I. I am an owner/operator of an independent family-owned seed stock farm. I am proud of my heritage of being from a small family-owned farm. I see corporations as a threat to rural America and the family farm.

II. Family-owned farms contribute to the local economy.

A. Many varied business prosper from the family-owned farm.

1. Merchants, schools and even the tax base, prosper from local ownership.

III. It is very hard to compete against corporations because of their advantages of size, profile and the vast difference in the amount of promotion a corporation can afford, compared to a small family-owned seed stock farm.

IV. I have read several farm publications defining House Bill 2368 as the developing, producing, or raising of 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 producers.

Gentlemen, if anyone believes corporate breeding farms will improve performance of swine herds of producers, I have a bridge in Brooklyn I would like to sell to them.

I believe I can, and do produce a genetically superior product. I sell my seed stock at cheaper price to the commercial producer which in turn allows him a greater margin for profit, also with a more personal service.

I urge you to help keep ownership of seed stock farms in the hands of the owner/operator like myself on family-owned farms. Please do not allow the family farm heritage which Kansas is known and recognized for, fall by the wayside and be pushed out by corporate giants. Let's let Chetopa, KS and the whole great state of Kansas be the winner, not Dekalb, Illinois.

House Eco Devo Committee
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Dale Foo

TESTIMONY -- ECONOMIC DEVELOPMENT COMMITTEE HEARINGS - February 23, 1989

Thank you for this opportunity. I'm here today on behalf of the Kansas Ecumenical Ministries Interfaith Rural Life Committee. The Committee met Feb. 13 & 14 and reaffirmed their support of the Resolution which is attached to this statement. I would draw your attention to the first paragraph of the resolution which reads "The Interfaith Rural Life Committee affirms that the Kansas Corporate Farm Law should, at a minimum remain unchanged, or be strengthened to prevent further vertical integration of livestock production." The resolution goes on to lift up some principles to be considered in setting just public policy around this issue. It finishes with a statement spelling out who the Interfaith Rural Life Committee is and its purpose. It is important to point out that this statement comes from the committee and has not been voted on by the member denominations. However, several of the member denominations have resolutions which are very similar in purpose and intent. For example, the United Methodist Church at its General Conference in St. Louis last April approved a resolution entitled "U.S. Agriculture and Rural Communities in Crisis" which includes the following statements urging churches to consider:

A. "Agressively research corporate ownership of agriculture and its effects upon life in rural areas and advocate necessary responses based upon the findings of the research."[1)]

B. "Discourage concentration in ownership and control of land and money and move toward land reforms that broaden ownership of land by all persons."[2)]

C. "Unless we change basic directions, we are not just in a period of transition; we are headed for disaster for all the nations. Some basic directions that must be changed: The movement toward investor-owned land in increasingly larger corporate units; the separation of ownership, management and labor."[3)]

The resolution finishes with three ethical guides:

1. Is it just?
2. Is is participatory?
3. Is it sustainable?

The matter of legislation and public policy relating to corporate farming is a justice issue as evidenced by these statements from the resolution. Other denominations have passed similar resolutions. The decisions you make this year will set the course for Kansas for a number of decades ahead.

Dale L. Fooshee
Pres. Elect, Kansas Interfaith Rural Life Committee

1) page 20 - Book of Resolutions of the United Methodist Church 1988
2) page 91 - Book of Resolutions of the United Methodist Church 1988
3) page 95 - Book of Resolutions of the United Methodist Church 1988

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KANSAS ECUMENICAL MINISTRIES
INTERFAITH RURAL LIFE COMMITTEE

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

RESOLUTION

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

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

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

1) Sustains and creates farming opportunities for young, beginning and foreclosed-upon farmers. Policy must be examined to determine whether or not it provides legal, market or tax incentives that favor large agribusiness corporations and absentee ownership of farm land over the rights and accessibility of farm families to economic opportunities. Policies should not discourage and displace farm family owned and operated enterprises.

2) Promotes stewardship of the environment and the finite natural resources of God's creation. Concentration of livestock production raises questions about safe waste disposal, access to and use of water, and environmental contamination. These are issues which will affect the quality of life and economic opportunities available to future generations of Kansans.

3) Promotes the viability and vitality of community life across Kansas. Locally owned and widely dispersed businesses and farms have been, and continue to be, the foundation of Kansas rural communities. Livestock production concentrated in one area or county often means the loss of production and economic vitality that normally occurs in numerous counties across the State. Kansas communities will be enhanced by economic

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

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

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

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

INTERFAITH RURAL LIFE COMMITTEE
Post Office Box 713
Hays, KS 67601-0713

Resolution on Corporate Farming

Gil Jacobsen IRLC Hays, KS
Herb Jangen IRLC Hillsboro, KS
Patrick T. Cannon HC Interfaith Ministries Wichita
Annabel Bizjanie Church Women United State Board Emporia
Jerry Zacker IRLC Galva, KS
Jim Thiessen ELCA Wichita KS
Joyce D. Jolly IRLC Presbytery of S. KS Freeport, KS
M. Russell Jolly 1st Presbyterian Church (IRLC) Freeport, KS
Jim Galley IRLC Mulvane, K
Bob Chambers ~~Interested~~ Concerned Individual Newton Kansas
Robert J. Kasper, Hunger Consortium Tonganoxie, KS
Raymond Regier IRLC-Mennonite Moundridge, KS
Madelyn Kubein IRLC and Church Women United McPherson
[illegible] Larned, KS
Dale F. Fooshee IRLC United Methodist Church
Maxine M. Fangrel IRLC KS East Conf., United Meth. Church
G. David Stewart, IRLC, American Baptist Chs, Manhattan
Robert M. Fleenor United Methodist minister - chairperson Hunger.
Darrell Huddleston, Regional Director, Heifer Project International
Deborah L. Swank, IRLC United Methodist Church, Chanute, Ks
David L. Mayeyoh Director Church World Service/CROP Topeka
C. Arnold Cole CHR Presbyterian Church USA Topeka
Joyce W. Jurgensmann IRLC Northern Kansas Presbyterian Church U.S.A. Clay Center
Alvin A. Brunnges IRLC Lutheran Church - Missouri Synod, Oakley
Marjorie Strom Hunger Consortium. Dwight, Ks
Karen Young IRLC, American Baptist Churches, Scott City
Gilbert Smith HUNGER CONSORTIUM, NEWTON

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

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RESOLUTION ON CORPORATE FARMING

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

Heinz Janzen
Interfaith Rural Life Committee
Hillsboro, KS

Patrick Cameron
Inter-faith Ministries
Wichita, KS

Anabel Byjani
State Board Church Women United
Emporia, KS

Jerry Zanker
Interfaith Rural Life Committee
Galva, KS

Jim Munson
Evangelical Lutheran Church of America
Wichita, KS

Joyce D. Jolly
Interfaith Rural Life Committee
Freeport, KS

M. Russell Jolly
Interfaith Rural Life Committee
Freeport, KS

Jim Godbey
Interfaith Rural Life Committee
Mullinville, KS

Bob Chambers
Concerned Individual
Newton, KS

Robert J. Kasper
Hunger Consortium
Tonganoxie, KS

Raymond Regier
Interfaith Rural Life Committee
Moundridge, KS

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

Jim Henry
Interfaith Rural Life Committee
Longford, KS

Dale L. Fooshee
Rural Life Advocate United
Methodist Church

Minnie M.Finger
Interfaith Rural Life Committee
KS. East Conf. UMC

A. David Stewart
Interfaith Rural Life Committee
American Baptist Church
Manhattan, KS

Robert M. Fleenor, Chairperson
Hunger Consortium
Clay Center, KS

Darrell Huddleston, Regional Director
Heifer Project International

Deborah L. Swank
Interfaith Rural Life Committee
Cherokee, KS

Daniel L. Nagengast, Director
Church World Service/CROP
Topeka, KS

E. Donald Close
Hunger Consortium
Presbyterian Church USA
Topeka, KS

*Titles for identification purposes only

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George W. Sanneman
Interfaith Rural Life Committee
Northern Kansas Presbyterian Church USA
Clay Center, KS

Alan J. Bruenger
Interfaith Rural Life Committee
Lutheran Church - Missouri Synod
Oakley, KS

Malcolm Strom
Hunger Consortium
Dwight, KS

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

Delbert Smith
Hunger Consortium
Newton, KS

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

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

*Titles for identification purposes only

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KEITH F. DEVENNEY
WILLIAM M. KELLEY
BOBBY L. WHITTEN

MARJORIE DAVIS
COUNTY CLERK

OFFICE OF COUNTY COMMISSIONERS

GEARY COUNTY
JUNCTION CITY, KANSAS 66441
913-238-4300

Representative Baker
House of Representatives
Topeka, Kansas

Dear Representative Baker:

I'd like to introduce my self, Keith F. Devenney, County Commissioner, Farmer, Hogs "Farrow to Finish" operation. I also plant Soybeans, wheat and Milo. "My Interests" quote one in a bill being introduced through your Comittee in regard to Kansas Corporate Farm Law.

Instead of inventing the "wheel" so to speak I'm sending you some material that I've gathered over the years. I would hope you would read this and keep it in mind as you review both sides of the issue.

If you have any question, please feel free to contact me. In closing I'd like say the Kansas Pork Producers do not supporting this Legislation.

Sincerely,
Keith F. Devenney
RR #2 Box 73
J.C. Ks. 66441

P.S. Copies enclosed for your other members.

House Eco Devo Committee
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• BOARD MEETS 9:00 A.M. EACH MONDAY •

HISTORY OF THE KANSAS CORPORATE FARM LAW

Between 1890 and 1931 corporations could be organized for the "encouragement of agriculture and horticulture." The climate of those years was to encourage and empower corporations to grow. Shortages of labor began to be nullified as technology emerged in the 1920's establishing some major grain farm corporations in Kansas.

In 1931 one of the nation's first farm corporate laws was established in Kansas. The law prevented any corporation from producing seven restricted commodities: wheat, corn, barley, oats, rye, potatoes, or milk. No restrictions were placed on other agricultural products. No "grandfathering" provisions were mentioned. A state supreme case two years later forced two of the major grain corporations to divest themselves.

By 1949 an exemption was made for coal mining corporations to produce these commodities on strip mined land. This exemption continues consistently to this present day.

1965 brought some significant changes and complicated the law with exemptions. Grain sorghum was added to the restricted list of commodities. However corporations could for the first time since the 1930's produce these eight commodities provided they stayed within the following limitations: a) less than eleven stockholders, b) all the stockholders were individuals or trustees, c) incorporators were Kansans, d) 5,000 acres, e) none of the stockholders were a stockholder of another corporation producing any of these commodities. This is the first time for the 5,000 acre limitation.

1973 brought a requirement for all corporations engaged in agriculture and horticulture to provide information through an annual report .

CHANGES BROUGHT BY THE 1981 LEGISLATURE ...

1981 changed our corporate farming law more than any year since 1931. This legislation is the parent of our current coporate farm law. Later changes are more of a technical nature.

The 5,000 acre limitation was removed in 1981. The differentiation between the eight restricted commodities and most other agricultural products was dropped. Therefore our corporate farm law applied more equally to all commodities with the exception of alfalfa, forestry products, sod and feedlot livestock.

New definitions of corporate arrangements were made and then exempted. These include "limited corporate partnership," "corporate partnership," "family farm corporation" and "authorized farm corporation." Definitions of "family trust," "authorized trust" and "testamentary trust" were given and then given opportunities to engage in farming. Exisiting corporations that would have become eligible by this act were "grandfathered" in provided they do not expand their acreage. Existing but violating corporations under the old law were given a "grace" period of till 1991 to get in compliance. A big exemption was made for corporations to engage in feedlot operations

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without any restrictions. Corporations can own land that is used for educational, research and experimental purposes. A penalty for violators is defined for the first time; a maximum of $50,000.

The law does for the first time place corporate restrictions on such commodities as soybeans and cow-calf operations. The new law also began to restrict large trust funds. Some argue that this law begins to restrict limited corporate partnerships while the earlier law didn't.

LEGISLATIVE CHANGES AFTER 1981 ...

The legislature in 1983 modified the annual reports filed by corporations holding agricultural land. There was also a change in the definition of a limited corporate partnership.

The 1984 legislature attempted but failed to exempt many-stockholder foreign corporations from raising breeding hogs for sale.

1986 brought an exemption for a newly defined "limited agricultural partnership". A "limited partnership" was defined and then was grandfathered in. Changes in the act appear to forgive any unconvicted past violators of the pre-1981 corporate farm law as long as they are in compliance by 1991.

1987 brought exemptions for poultry and rabbits. An attempt to also completely exempt hog production from any corporate restriction once again failed.

ECONOMIES OF SIZE AND TAX INCENTIVES

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

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

A Kansas Business Review article in 1982 summarized that crop farms exhausted most economies of size at 300 to 600 acres and one or two operators. Maximum efficiencies in dairy farming were at herd sizes as small as 40-50 cows. Beef feedlot operations received no substantial economies of scale beyond the 1,500-5,000 head capacity.

It must also be noted that some of the major incentives for large scale farm operations are artifical. Farming has been a lucrative tax shelter investment for high-tax bracket investors that wish to "farm the tax code." Likewise the incentive for incorporation is often not for reasons of efficiency but for tax reasons and limited liabilities. The New York Times reported in 1978 that only 3% of all farms received almost half of the total benefits from tax and credit policies. The 80's ushered in new tax inducements of investment credits and accelerated depreciations. Now 27% of United States' farmland is owned by non-farm investors. While the medium-sized farmer farms to earn a living, his competitor may be farming the tax code.

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

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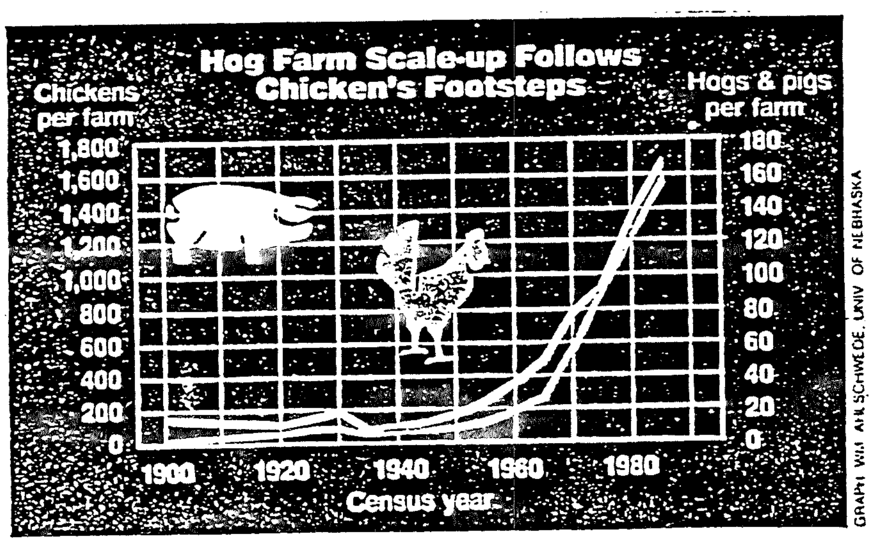
HOG AND CHICKEN FACTORIES?

"The parallels between chicken and hog expansion are obvious," says Bill Ahlschwede, University of Nebraska Extension swine specialist, when he estimates 10 broiler frims control 80% of U.S. production. Farm Journal, December, 1985.

Fewer than 250 operations the size of the 16,000-sow National Farms' O'Neill, Nebraska could potentially supply the U.S. with it current pork needs. Farm Journal, December, 1985.

"We've picked a trend, a leading edge, of what we believe is a transition from individual farmer production to the large, commercial production of hogs ... My feeling is the hog industry has passed a treshold. They have solved enough of the problems of confinement production that the hog industry will inevitably take the same path as the production of chickens." Bill Haw, president of National Farms, Farm Journal, October, 1984.

"The swine farming sector is at a critical stage ... (Hog) producers have little or no control over the `profit chain' and the prices they receive ... (These) problems are similar to those experienced by poultry farmers during the 1950's, 60's and 70's ... acceptance of (`vertical integration' and `contract production') soon overcame the major deficiencies then being experienced by poultry farmers." A study prepared by Developmental International for the Kansas Legislature, 1988.



HOG FARM SHAKE-OUT CONTINUES

Number of farms with inventories of . . .	1978	1984	% change
1-99 hogs & pigs	495,770	321,602	-35%
100-499	113,193	84,178	-26%
500+	23,397	25,900	+11%
ALL OPERATIONS WITH HOGS	632,360	431,680	-32%

SOURCE: DEC. 1 HOGS & PIGS REPORTS

Source for chart and graph: Farm Journal, December, 1985.

CORPORATE FARM LAW STATES VERSUS THE REST OF THE CONTINENTAL STATES

This issue paper compares eight states with major corporate restrictions with the remaining 40 continental states in terms of hog and cattle prices during the year of 1983 which is the last year USDA has the relevant information for comparison.

Kenneth Krause in the USDA publication identified eight states with major corporate farm law restrictions during the early eighties (Corporate Farming: Importance, Incentives, and State Restrictions, 1983). Those states are Iowa, Kansas, Minnesota, Missouri, North Dakota, Oklahoma, South Dakota and Wisconsin. Livestock data and prices were taken from USDA's Livestock and Meat Statistics, 1983.

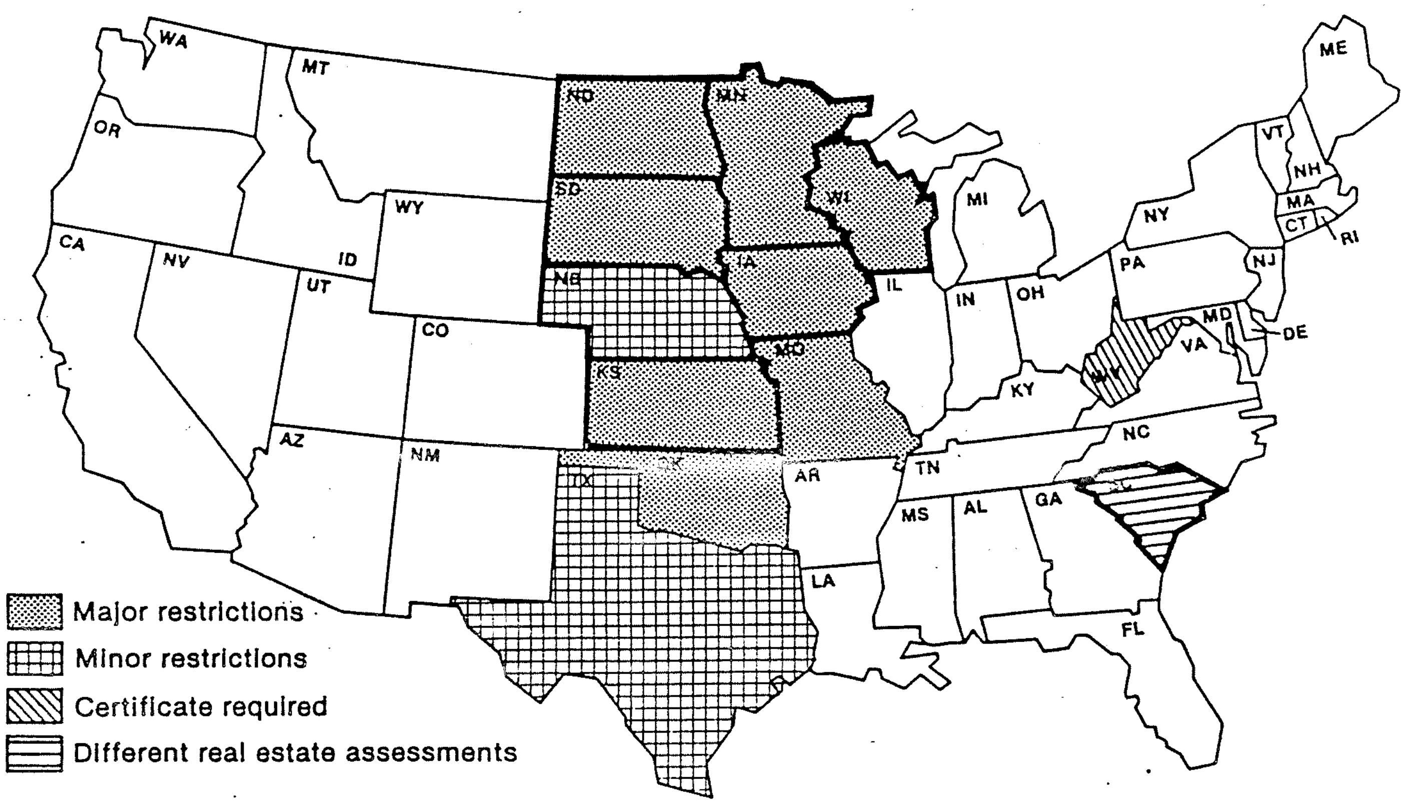
HOG PRICES

These eight states produce 50% of the nation's pork production. Together these eight states on a weighted basis (total value of production divided by total pork production) averaged $0.04/cwt. higher than the rest of the nation ($46.71 vs. $46.67/cwt.).

CATTLE PRICES

These eight states produce 35% of the nation's fed cattle. Together these eight corporate farm law states on a similar weighted basis averaged $0.96/cwt. than the remaining 40 states ($55.30 vs. $54.34/cwt.).

States with Corporate Farming Statutes, 1981



States outlined in bold changed their corporate farm laws between 1978 and 1981.

Corporate Farming: Importance, Incentives, and State Restrictions, USDA, 1983.

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CORPORATE FARM LAWS OF VARIOUS STATES

KANSAS

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

NEBRASKA

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

IOWA

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

NORTH DAKOTA

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

SOCIOLOGICAL IMPACTS OF LARGE FARMS ON BUSINESS AND RURAL COMMUNITIES

Sociological studies overwhelmingly agree that it is the medium-sized farmer that contributes far more to the health of the local community in terms of economic stimulation, civic involvement and the creation of jobs. Cornelia and Jan Flora conclude in one of their studies "retention of medium-sized farms lead to greater community vitality than the growth of very large farms in the small grain and livestock areas of the western half of the United States."

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

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

It is estimated that for every six or seven farmers that go out of business, one local business also goes under. Larry Swanson, a Nebraska demographer, studied 27 remote counties between 1950-1980 and estimated that every 10% loss in farm population resulted in 15% loss in retail businesses, school enrollment and labor supply. Also farm corporations owned by out-of-state corporations allow earned profits to leave the community to be enjoyed by the absentee owners. The future of such a corporation within the community hangs upon the possibility that a more attractive labor or economic situation can be found elsewhere.

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A 1967 study of 190,000 farm families using supervised credit of the FHA showed they grossed $3.2 billion and spent all of it locally. The agency's administrator said before a subcommittee "the managers of large-scale corporation farms deal directly with the wholesalers or even the manufacturers of the products they need ... In an area where corporation farms dominate there is no place for the village farm supply dealer, the co-op grain elevator, the small banker. You simply cannot have corporation farms and small business enterprises cheek and jowl. On the other hand, where family farms thrive, small businesses flourish, too."

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

RESOLUTION NO. 2-1-88 A

WHEREAS, corporate hog farming in Kansas is being discussed by Kansas Legislature: and

WHEREAS, it has been determined that corporate hog farming in Kansas would be of no economic benefit to Geary County, but in fact would have an adverse effect on local industry and local business in Geary County.

IT IS NOW RESOLVED BY Geary County Board of County Commissioners that corporate hog farming laws in Kansas should be restructured so that Farmer, Attorneys, Corporate and State Officials know what is permissible.

1. That this restructuring protects the family farm.

2. That it assures small and medium sized farms against legal, market and tax advantages of large corporations.

3. That steps are taken to prohibit large meat packers from ownership in feed lots and grain companies from ownership in farm land.

4. That more significent steps be taken for the protection of the family farming base in Kansas, which in turn would also benefit the consumer.

5. That the County Commissioners of Geary County, Kansas, oppose the present legislation that would allow corporate farming in Kansas.

6. That in fact Kansas Legislature should examine and change present law. So that the law would prohibit all non-family farm corporations in Kansas.

Approved this 1 day of February, 1988.

Keith J. Sweeney

Tim Kelley

Bobby J. Whitten

Attest:

Marjorie Davis
County Clerk

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President Tim Rose
Kansas Pork Producers Council

February 11, 1988

Dear President Rose,

This is in response to your letter of January 20, 1988. Topic, Corporate Farming issue.

The people I have talked to in the hog business and local business people, do not support the concept of letting corporations in any of our agriculture production activities or ownership of land in Kansas. Why let Corporations in production and marketing of hog industry and not in all facets of our agriculture industry?

Once you open the door on the hog industry for corporations, it will certainly grow like a cancer, and spread throughout all our industries. It is an emotional issue, as well as an economical and political one. In fact this Country was built on all three issues. If one is to save and preserve the Family Farm concept, as well as rural Kansas, as we all know it. All these issues will have to be dealt with. It should also be noted that individual rights and freedom also be considered.

The direction I hope the Pork Producers Council would take, would be a tougher and more positive one, lets get on the offensive not always on the defensive. Lets change the Law so that it would prohibit all non-family farm corporations in Kansas. This would not only put corporations on notice, that we're ready to play Hard Ball, but would be a positive step to preserve the family farm.

The history of this country of ours was preceived by, so called "Red Necks" who sincerely believed in individual rights and freedom, we need to also dedicate ourselves to that end.

If the so called "fellow pork producers" are corporations, I fail to see the fellowship. They would in fact, if the opportunity presents itself, run over us like a "Steam Roller".

Just take a look at the chicken industry, first they just wanted the egg then they took the "whole chicken", cannot we learn from past history lessons?

It can certainly be determined that corporate hog farming in Kansas would be of no economic benefit to rural Kansas, but in fact would have an adverse effect on hog industry and local businesses in rural areas of Kansas.

The information dissemination you refer to as "Center of Technology for Swine", in fact should be available to us now through Kansas State University's research and development programs for the family farmer.

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If we continue the approach that you suggest it will in my opinion only speed up the process of Corporations taking over the hog industry in Kansas, we need to stop them, not fuel their efforts.

Enclosed are some of the resolutions being sent to our legislator's " against Corporate Hog Farming". I can assure you that these are just a sample, being sent.

"Lets unite our efforts for Family Hog Producers and Rural Kansas"

Sincerely,
Keith F. Devenney
Keith F. Devenney
Pork Producer and Member

Rep. Baker.
This letter along with a lot of Hog Producers changed the Kansas Pork Producers Assoc. Boards' Position. They no longer support any changes.
Thanks.
Keith F Devenney

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