

Approved Feb. 11, 1992
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE

The meeting was called to order by Representative Lee Hamm at
Chairperson

9:06 a.m./~~p.m.~~ on Thursday, February 6, 1992 in room 423-S of the Capitol.

All members were present except: Representatives Garner, Wisdom, Bryant, Crumbaker, Heinemann and Mollenkamp. (all were excused)

Committee staff present: Lynne Holt, Legislative Research
Pat Brunton, Committee Secretary

Conferees appearing before the committee: Walter R. Woods, Director
Cooperative Extension Service
Kansas State University

Richard D. Wootton
Associate Director of Extension
Kansas State University

Don Cress
Extension Specialist
Member, Department of Entomology
Kansas State University

Pat Murphy
Acting Assistant Director
Agriculture and Natural Resource Programs
Kansas State University

Randall A. Higgins
Extension State Leader
Department of Entomology
Kansas State University

Marc A. Johnson, Professor
Head, Department of Agricultural Economics
Kansas State University

Walter R. Woods, Director, Cooperative Extension Service, informed the committee that this report on the Kansas Cooperative Extension Service will address three related issues--Food Safety and Livestock and Crop Protection. He stated the Extension's strength lies in its ability to identify and redirect resources to emerging issues to help Kansans prepare for economic and social change. He further stated that to improve the quality of life and economic well-being of Kansans of all ages and walks of life, Extension programs are issue driven, organized by specialist teams, and targeted to relevant need.

Richard D. Wootton, Associate Director of Extension, informed the committee that the future in Kansas depends, in part, on its people being well prepared to face critical social, economic and environmental issues. Educational programs organized by the Cooperative Extension Service at Kansas State University will play a major role in meeting this need.

Don Cress, Extension Pesticide Coordinator, Kansas State University, appeared before the committee to report on food safety. Extension food safety and quality programs address food safety concerns throughout the food system from production to consumption. Programming areas include: 1) safe food production, 2) food quality assurance and marketing, 3) safe food handling, and 4) improved risk communication. In addition,

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE

room 423-S, Statehouse, at 9:06 a.m. ~~pm~~ on Thursday, February 6, 1992.

KSU Extension specialists provide leadership to the Extension Service-USDA Food Safety and Quality Implementation Team which is responsible for developing and implementing the national food safety strategic plan.

Pat Murphy, Assistant Director of Agriculture, Kansas State University, reported on livestock protection as an educational program. He stated successful health programs for livestock require an understanding of farm, ranch, and feedlot management practice and familiarity with new vaccines, health management strategies, and industry problems. Extension specialists work closely with farmer feeders, feedlot personnel, and on the kill floor to observe actual practice, monitor problems, and shape relevant educational programs.

Randall A. Higgins, Extension State Leader, Department of Entomology, Kansas State University, reported on crop protection. Seven KSU departments (agronomy, entomology, plant pathology, grain science and industry, agricultural engineering, agricultural economics, and horticulture and forestry) cooperate in formulating pest management strategies to protect field crops. In addition, these units interact with state and federal agencies, producer groups, and commercial businesses. To cope with outbreaks of new diseases and insect pests, Extension pest management and crop protection plans must be immediately adaptable. These developments require a major reevaluation of pest management approaches at least annually and underscore the need for strong Extension and research components if pest management guidelines and programs are to be accurate, up-to-date, cost-efficient, and environmentally sound.

The report on Food Safety and Livestock and Crop Protection is on file in its entirety in the Legislative Research Department, Room 545-N, State Capitol.

Marc Johnson, Professor and Head of the Department of Agricultural Economics, Kansas State University, gave testimony on the state of the Kansas Agricultural Economy. He stated that agricultural economics deals with the management, marketing, finance and policy aspects of farm businesses and agribusinesses. He stated that today's agricultural conditions include a mild recession, a moderate inflation rate, a much smaller debt burden, stagnant to rising farm asset and collateral values (except for cattle), a farm policy which encourages exports and very low grain stocks. He further stated agriculture is not headed for another disaster. The good signs for 1992 include stronger wheat prices, lower interest rates, stabilizing cattle prices and firming land values. (Attachment 1).

A question and answer period followed the presentations.

The meeting adjourned at 9:55 a.m. The next meeting of the House Agriculture Committee will be held on Tuesday, February 11, 1992, in room 423-S, State Capitol.

TESTIMONY

on

"The State of the Kansas Agricultural Economy"

to the

Committees on Agriculture

of the

Kansas State Senate

and the

Kansas State House of Representatives

February 6, 1992

HS. AG.
2-6-92
ATTACHMENT 1

Testimony on
The State of the Kansas Agricultural Economy

My name is Dr. Marc A. Johnson, Professor and Head of the Department of Agricultural Economics at Kansas State University. Agricultural economics deals with the management, marketing, finance and policy aspects of farm businesses and agribusinesses, and serves as the Dean of Agriculture's liaison with the six, nonprofit Farm Management Associations. These associations maintain close contact with more than 2,500 Kansas farm families to assist with financial record-keeping, farm management education and consultation, and data gathering on the state of the farm economy. The latest news presented here is based on conversations with association fieldmen and data from the U.S. Department of Agriculture and the Federal Reserve System.

Kansas farm income in 1991 was less than the relatively strong level of 1990. Some worry about a return to the rampant farm and bank failures of the early 1980s. But today's farm economy does not resemble that of the earlier period. Problems of the early 1980s largely were caused by deep recession, a policy to control wild inflation, a huge farm debt burden, collapsing farm asset and collateral values and a farm policy which prevented grain exports and built large grain surpluses. Today's conditions include a mild recession, a moderate inflation rate, a much smaller debt burden, stagnant to rising farm asset and collateral values (except for cattle), a farm policy which encourages exports and very low grain stocks. In the early 1980s, agriculture was caught in a federal policy morass which provided little flexibility to remedy. Today, income problems stem from recession we are coming out of, drought and livestock overproduction. Agriculture has a much better chance to bounce back quickly due to market forces than was true in the early 1980s. We are not headed for another disaster.

Wheat, feed grain and soybean prices have suffered from lower demand. Strong foreign production, slower foreign economic growth and a stronger dollar in foreign exchange have trimmed exports these past two years. Although food use does not respond greatly to recession, the rate of growth in food consumption is the lowest since 1983. Foreign economic health will continue to flounder into 1992, but food aid prospects have given buoyance to wheat prices. Unfortunately, most farmers sold wheat at low summer prices. Low inventories and less than favorable growing conditions give grain prices and incomes a favorable outlook for those with a crop next year.

The drop in cattle and hog prices chiefly is an oversupply problem. Livestock prices are more susceptible to recessions than are grain prices. But after a long reluctance to increase supply, cattlemen have relaxed their constraints, the supply of beef is growing and prices are falling in a normal response. Hog prices typically cycle every 3-4 years due to supply fluctuation and the industry found itself on the low end of the cycle in 1991. As the meat moves through the market, the industry will adjust production and prices will come back.

Regionally, the best farm income positions are in far western Kansas (Figure 1). Drought was not much of a problem, summer cropping conditions were good and early cattle marketings and the use of futures markets moderated the effect of the drop in cattle prices. Net incomes are expected to be about like those in 1990. In the eastern two-thirds to three-quarters of the state, net farm income is down substantially. Dry weather conditions for both wheat and summer crops resulted in low production to be sold at low prices. Livestock income was lower due to falling cattle and hog prices; protection with futures markets is less likely to be used on smaller farm operations. There is some increase in farm failures although the number is not large.

Those who have been struggling these last 5 years to get back into a sound financial position are in trouble again.

The effect of 1991 income and drought on farm financial viability will be revealed in 1992. Farms are entering 1992 with low grain and feed inventories and lower livestock equity. So, balance sheets typically are lower than in February, 1991. The good signs for 1992 include stronger wheat prices, lower interest rates, stabilizing cattle prices and firming land values. Bankers are caught between a brighter outlook for future farm income and stricter bank regulators looking at today's balance sheet and 1991 incomes. With more normal weather and market trends which are already establishing themselves, 1992 farm income will top last year's, but probably will not match the 1990 level of farm income.

FIGURE 1. Annual Net Farm Income Averages of Association Farms, 1981-1991.**

<u>Year</u>	<u>Northwest</u>	<u>Southwest</u>	<u>North Central</u>	<u>South Central</u>	<u>Northeast</u>	<u>Southeast</u>
1991*	\$35,000	\$39,000	\$21,000	\$24,000	\$27,000	\$24,000
1990	35,000	39,635	42,491	25,695	40,428	36,100
1989	24,237	23,739	19,333	12,729	31,047	38,291
1988	62,177	58,427	40,727	38,716	41,498	57,076
1987	48,658	39,006	40,459	30,387	41,351	46,714
1986	13,719	10,342	21,211	17,414	21,437	18,808
1985	373	10,846	6,149	6,693	4,266	370
1984	10,977	27,690	2,719	8,003	-2,006	666
1983	26,214	27,666	9,491	17,387	671	6,005
1982	6,485	15,701	15,402	16,714	4,795	11,511
1981	-21,025	-12,490	-3,889	6,111	10,312	2,696

* Estimate

**Source: Kansas Farm Management Association databank. These income figures do not represent average income of all Kansas farms. Year to year changes do serve as a reliable index of proportional change in farm incomes.