Approved March 16, 1992
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

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

9:10 a.m./~~p.m.~~ on Wednesday, March 4, 1992 in room 423-S of the Capitol.

All members were present ~~except~~

Committee staff present: Raney Gilliland, Legislative Research
Jill Wolters, Revisor of Statutes Office
Pat Brunton, Committee Secretary

Conferees appearing before the committee: Dwight Haddock, Associated Milk Producers, Wichita
Harold Bailey, Mid America Dairymen, Inc.
Bill Wagner, Associated Milk Producers
Joe Lieber, Executive Vice President, Kansas Cooperative Council
Charles Davis, Jackson Ice Cream, Hutchinson

Hearings were opened on **HB 3046** - Kansas Dairy Stabilization Act.

A substitute bill for **HB 3046** was provided committee members. (Attachment 1).

Dwight Haddock, Associated Milk Producers, Wichita, appeared before the committee in support of **HB 3046.** Mr. Haddock explained to the committee how the plan would work for the dairymen in Kansas. (Attachment 2).

Harold Bailey, Mid America Dairymen, Inc., testified in support of **HB 3046.** He stated that to strengthen the financial condition of the dairymen would slow the exit of this industry from the state and thus help keep the industry alive in our rural communities. (Attachment 3).

Testimony supporting **HB 3046** from Myron Schmidt, President of the Board of Directors of the Kansas Division of Associated Milk Producers, Inc., was read by Bill Wagner. The testimony stated if the answer is NO to the dairy stabilization bill, the processing plants and the entire economy in Kansas will be severely jeopardized. (Attachment 4).

Joe Lieber, Kansas Cooperative Council, appeared before the committee in support of **HB 3046.** He informed the committee that if every commodity established a stabilization fund, American consumers would still have the least expensive and best quality food in the world. (Attachment 5).

Charles Davis, Jackson Ice Cream, testified in opposition to **HB 3046.** Mr. Davis provided the committee with a graph showing Class I Milk Price to Jackson Ice Cream from 1989 - 1992. (Attachment 6).

Meeting adjourned at 10:00 a.m.

Hearings on **HB 3046** will continue at noon or upon adjournment of the House today in room 423-S, State Capitol.

GUEST LIST

COMMITTEE: HOUSE AGRICULTURE   DATE: March 4, 1992

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Harold Bailey	4700 Tabor Valley Rd Manhattan	Mid America
Charles Davis	Hutchinson, Ks.	Jackson Ice Cream
Dwight Haddock	1801 So Sheridan, Ks	AMPI
Bill Wagner	R 1 Box 51 Liberty, Ks	AMPI
Melvin Brose	901 S Ks Topeka	Ks Board of Ag
Larry D. Woodson	Topeka	KBOA
Joe Lieber	Topeka	Ks-Co-op Council
Mike Beam	Topeka	Ks Livstk Assn.
John Wilson	Kansas City	Mid-America Dairymen
Michelle Lieater	Topeka	Ks Governmental Consulting
Russell A. Frey	Topeka	KUMA
Mike Jensen	Manhattan	Ks Pork Producers
Parry Wells	Topeka	KS Co-op Council
Al LeDoux	Holton	CKFO
Rebecca Rice	Topeka	Amoco Production
Kenneth M Wilke	Topeka	KSBA
W K Rhodes	McLouth	JF CO Dairyman-Commis

Substitute for HOUSE BILL NO. 3046

By Committee on Agriculture

AN ACT creating the dairy stabilization fund; relating to an assessment on milk products; amending K.S.A. 1991 Supp. 75-3170a and repealing the existing section.

New Section 1. (a) There is hereby levied an assessment of 2.25% upon the wholesale value of any milk product or dairy product for sale at retail in the state of Kansas, except that any milk products or dairy products bought using public moneys shall be exempt from such assessment. Annually, the secretary shall set the assessment at a rate of not more than 4%. The secretary shall not change the assessment rate, either to increase or reduce such rate, more than once a year. An increase shall not exceed .5% in any one year.

(b) Any dairy manufacturing plant, milk distributor, milk processor, or other person who sells milk products or dairy products at retail to the end consumer shall pay such assessment to the dairy stabilization fund, established pursuant to subsection (c).

(c) Such entity or person shall calculate the wholesale value of the milk products or dairy products on a monthly basis and remit the assessment to the secretary of the state board of agriculture. The secretary shall remit all moneys received in payment of such assessment to the state treasurer at least monthly. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount thereof in the state treasury. Twenty percent of that portion of each deposit shall be credited to the state general fund pursuant to K.S.A. 75-3170a, and amendments thereto, and the amount of the balance of each deposit which is derived from the assessment shall be credited to the dairy stabilization fund which is hereby created

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in the state treasury.

(d) All money so credited to the dairy stabilization fund shall be expended pursuant to section 2.

(e) All expenditures from such fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of the state board of agriculture or by a person or persons designated by the secretary.

(f) For any month, for which on the first day of the month, the balance of the dairy stabilization fund is $10,000,000, the secretary shall not impose or collect the assessment during such month.

(g) On the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the dairy stabilization fee fund, the amount of money certified by the pooled money investment board in accordance with this subsection. Prior to the 10th of each month, the pooled money investment board shall certify to the director of accounts and reports the amount of money equal to the proportionate amount of all the interest credited to the state general fund for the preceding period of time specified under this subsection, pursuant to K.S.A. 75-4210a, and amendments thereto, that is attributable to money in the dairy stabilization fee fund. Such amount of money shall be determined by the pooled money investment board based on:

(1) The average daily balance of moneys in the dairy stabilization fee fund during the period of time specified under this subsection as certified to the board by the director of accounts and reports; and

(2) the average interest rate on repurchase agreements of less than 30 days duration entered into by the pooled money investment board for that period of time. On or before the fifth day of the month for the preceding month, the director of accounts and reports shall certify to the pooled money investment board the average daily balance of moneys in the dairy

stabilization fee fund for the period of time specified under this subsection.

(h) The secretary or the secretary's designee is hereby authorized and empowered to:

(1) Examine any books and records which are kept by any person who is subject to this act and which pertain to any milk, milk products or dairy products or any fees required to be paid pursuant to this act;

(2) examine under oath or otherwise, any person whom the secretary may believe has knowledge concerning the unlawful operation of any business under this act; and

(3) issue subpoenas requiring the appearance of witnesses and the production of books, papers, reports and records, and to administer oaths under this act.

(i) This section shall be part of and supplemental to article 7 of chapter 65 of the Kansas Statutes Annotated, and amendments thereto.

New Sec. 2. (a) Annually, the secretary shall request of Kansas state university the cost of production study for milk. On July 1, the secretary shall use such study to determine a target price established at an amount between 85% and 90% of the actual price of production. This figure shall be the target price for the year.

(b) The secretary, on a monthly basis, shall compare the Minnesota and Wisconsin series price, published monthly by the United States department of agriculture, to the target price. If the Minnesota and Wisconsin series price is less than the target price, the secretary shall pay to milk producers the difference between the prices, based on the actual milk production of such milk producers, from the dairy stabilization fund. If the Minnesota and Wisconsin series price is greater than the target price, the secretary shall not disburse any funds for that month.

(c) This section shall be part of and supplemental to article 7 of chapter 65 of the Kansas Statutes Annotated, and amendments thereto.

Sec. 3. K.S.A. 1991 Supp. 75-3170a is hereby amended to read as follows: 75-3170a. (a) The 20% credit to the state general fund required by K.S.A. 1-204, 2-2609, 2-3008, 9-1703, 16-609, 16a-2-302, 17-1271, 17-2236, 17-5609, 17-5610, 17-5612, 17-5701, 20-1a02, 20-1a03, 34-102b, 44-324, 44-926, 47-820, 49-420, 55-155, 55-609, 55-711, 55-901, 58-2011, 58-3074, 65-6b10, 65-1718, 65-1817a, 65-2011, 65-2855, 65-2911, 65-4610, 66-1,155, 66-1503, 74-715, 74-1108, 74-1405, 74-1503, 74-1609, 74-2704, 74-3903, 74-5805, 74-7009, 74-7506, 75-1119b and 75-1308 and K.S.A. 1990 Supp. 55-176, 58-4107, 65-5413, 65-5513, 84-9-411, 84-9-413 and section ~~5-of-1991-Senate-Bill-No.-77~~ 1 and K.S.A. 1991 Supp. 2-3013, and acts amendatory of any of the foregoing including amendments by other sections of this act is to reimburse the state general fund for accounting, auditing, budgeting, legal, payroll, personnel and purchasing services, and any and all other state governmental services, which are performed on behalf of the state agency involved by other state agencies which receive appropriations from the state general fund to provide such services.

(b) Nothing in this act or in the sections amended by this act or referred to in subsection (a), shall be deemed to authorize remittances to be made less frequently than is authorized under K.S.A. 75-4215 and amendments thereto.

(c) Notwithstanding any provision of any statute referred to in or amended by this act or referred to in subsection (a), whenever in any fiscal year such 20% credit to the state general fund in relation to any particular fee fund is $200,000, in that fiscal year the 20% credit no longer shall apply to moneys received from sources applicable to such fee fund and for the remainder of such year the full 100% so received shall be credited to such fee fund, except as otherwise provided in subsection (d) or (f).

(d) Notwithstanding any provision of K.S.A. 2-2609 and 2-3008 and amendments thereto or any provision of any statute referred to in subsection (a), the 20% credit to the state general fund no longer shall apply to moneys received from sources applicable to the grain research and market development agencies funds, as specified for each such fund by this subsection, and for the remainder of a fiscal year the full 100% of the moneys so received shall be credited to the appropriate fund of such funds, whenever in any fiscal year:

(1) With respect to the Kansas wheat commission fund, such 20% credit to the state general fund in relation to such fund in that fiscal year is equal to that portion of $100,000 that bears the same proportion to $100,000 as the amount credited to the Kansas wheat commission fund during the preceding fiscal year bears to the total of the amounts credited to the Kansas wheat commission fund, the Kansas corn commission fund, the Kansas grain sorghum commission fund and the Kansas soybean commission fund during the preceding fiscal year;

(2) with respect to the Kansas corn commission fund, such 20% credit to the state general fund in relation to such fund in that fiscal year is equal to that portion of $100,000 that bears the same proportion to $100,000 as the amount credited to the Kansas corn commission fund during the preceding fiscal year bears to the total of the amounts credited to the Kansas wheat commission fund, the Kansas corn commission fund, the Kansas grain sorghum commission fund and the Kansas soybean commission fund during the preceding year;

(3) with respect to the Kansas grain sorghum commission fund, such 20% credit to the state general fund in relation to such fund in that fiscal year is equal to that portion of $100,000 that bears the same proportion to $100,000 as the amount credited to the Kansas grain sorghum commission fund during the preceding fiscal year bears to the total of the amounts credited to the Kansas wheat commission fund, the Kansas corn commission fund, the Kansas grain sorghum commission fund and the Kansas soybean commission fund during the preceding fiscal year; and

(4) with respect to the Kansas soybean commission fund, such 20% credit to the state general fund in relation to such fund in

that fiscal year is equal to that portion of $100,000 that bears the same proportion to $100,000 as the amount credited to the Kansas soybean commission fund during the preceding fiscal year bears to the total of the amounts credited to the Kansas wheat commission fund, the Kansas corn commission fund, the Kansas grain sorghum commission fund and the Kansas soybean commission fund during the preceding fiscal year.

(e) As used in this section, "grain research and market development agencies" means the Kansas wheat commission, the Kansas corn commission, the Kansas grain sorghum commission and the Kansas soybean commission. Such agencies have been created to fund appropriate research projects; to conduct campaigns of development, education and publicity; and to find new markets or maintain existing markets for commodities and products made from those commodities, among their other duties. Such grain research and market development agencies shall be funded by an assessment collected from the grower at the time of the sale of such commodity by the first purchaser. The assessment shall be sent to the proper grain research and market development agency.

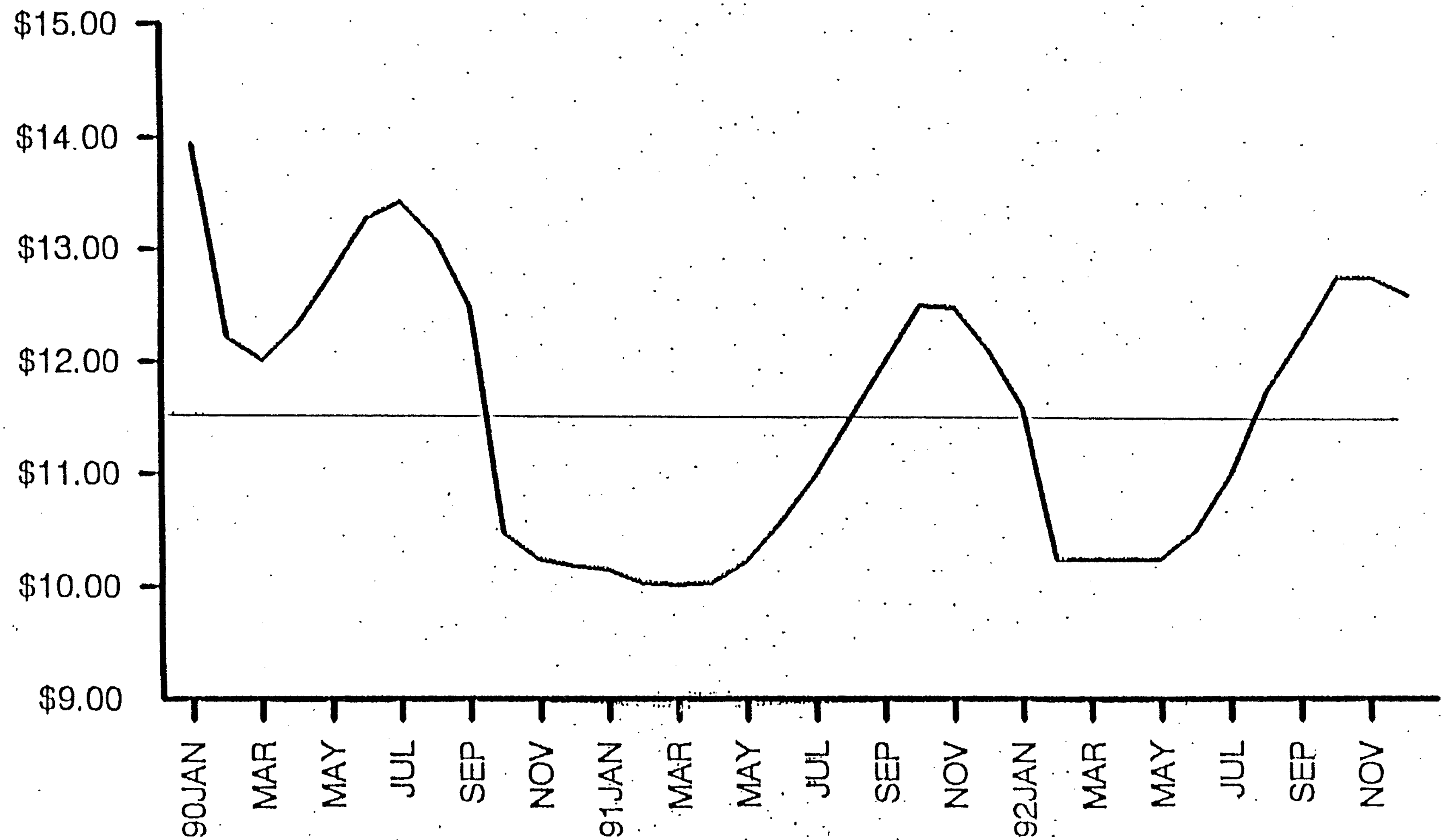
~~(f)-(1)--Through-June-30,-1993,-notwithstanding-any-provision of--any--statute--referred--to-in-subsection-(a),-whenever-in-any fiscal-year-such-20%-credit-to-the-state-general-fund-in-relation to-the-Kansas-sheep-commission-fund-is--$8,000,--in--that--fiscal year-the-20%-credit-no-longer-shall-apply-to-moneys-received-from sources--applicable--to--such--fund-and-for-the-remainder-of-such year-the-full-100%-so-received-shall-be-credited-to-such-fund.~~

~~(2)--On-and-after-July-1,-1993,-the-provision--of--subsection (c)-shall-apply-to-the-Kansas-sheep-commission-fund.~~

Sec. 4. K.S.A. 1991 Supp. 75-3170a is hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the Kansas register.

Minnesota - Wisconsin Price Series
1990 - 1992 (est.)



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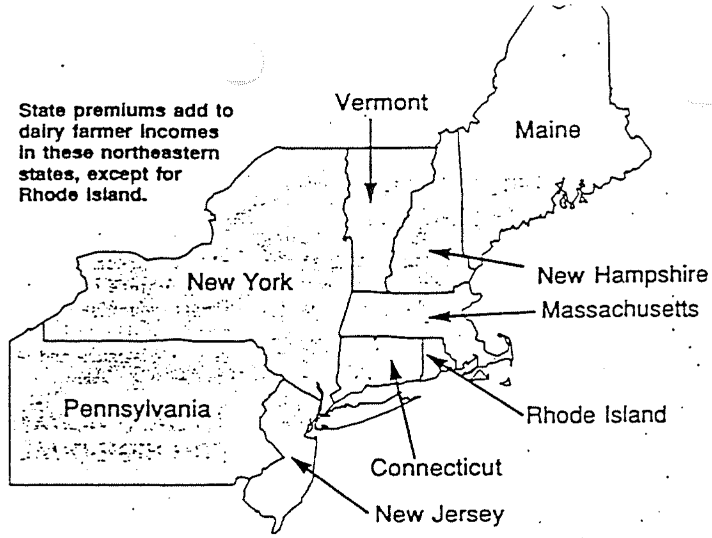
H DS DAIRYMAN
Founded in 1885



Northeast shores up milk prices with state premiums

by Lorraine S. Merrill

NORTHEASTERN state governments took unprecedented action after farm milk prices crashed. Five New England states (Rhode Island is the exception), New York, Pennsylvania and New Jersey put together a patchwork of partially coordinated programs to obtain over-order premiums for dairy farmers.

Pennsylvania and Maine already had state-ordered premiums in effect before the economic crisis in dairying. Other states used existing milk regulatory authority or passed new, emergency legislation to address the dairy crisis. New laws in Vermont, New Hampshire and Connecticut were geared to pricing action taken by neighboring states.

The strength and swiftness of the political response in urban northeastern states surprised many. "It came about primarily because of the acute recession affecting all the economies of the northeastern states," suggests New Hampshire Commissioner of Agriculture, Steve Taylor. "There was a hunger in the political community for actions we might take in individual states to address economic distress in the northeast."

New York Commissioner of Agriculture and Markets, Richard McGuire, agrees. Political leaders were persuaded when they saw that the collapse of farm milk prices was taking $250 million to $300 million out of New York's hard-pressed economy in 1991. Adding appeal for states struggling with budget deficits, the state pricing programs required no appropriations.

The commissioners and secretaries of agriculture for the northeast states first met to discuss the dairy crisis at a "summit meeting" in February 1991. The states continue to work together. At an August meeting in Albany, N.Y., Jack Kelley, Massachusetts Department of Food and Agriculture noted, "This is Reagan's 'New Federalism,' that's why we're sitting here."

From $1.05 to $2 . . .

Dairy farmers have received state-mandated over-order premiums of $1.05 to $2 on Class I (fluid) milk since June. Producer payments vary with Class I utilization for each state, even when Class I premiums are identical. For June milk, a Class I premium of $1.39 got Vermont dairymen 46 cents per hundredweight in their milk checks, while New Hampshire's higher fluid use netted 78 cents a hundredweight. Most state premiums will phase out as federal order prices rise.

Maine farmers, producing for the Maine market, received nearly $2 in Maine-Milk-Commission-mandated premiums for June milk. Maine farmers shipping to the Boston federal order market were paid about 50 cents less. On top of those premiums, Maine producers began to benefit in August from a new "vendor's fee" program on milk sales.

Implementation of state-ordered premiums has not been without problems. Legal challenges were filed by milk dealers in New York and New Jersey, and compliance problems cropped up in areas of New Jersey and New York. The same controversies over 'level playing fields' for dealers and the Class I market carrying all the over-order burden that plagued the RCMA (Regional Cooperative Marketing Agency) over-order pricing effort now beset the state efforts.

"Achieving a 'delicate balance' that improves producer income without losing markets is a challenge," Taylor observed. "We have to be careful not to disadvantage our processing industry."

$14.50 Class I floor . . .

New York and the New England states set a floor price ($14.50 per hundredweight for Class I milk effective in New York from August through July 1992), so the premium decreases as the market price rises. New York's Class I utilization is about 38 percent. Commissioner McGuire expected federal order Class I prices to exceed the floor by November. "We will be pricing milk through September and October," he predicted, "and then we may not be pricing again until April or May."

Northeast dairy and agricultural leaders are not enthusiastic about the concept of state-by-state milk pricing. The effort is viewed as a band-aid response to inaction and inadequate policy at the federal level.

"I'm not in favor of state-by-state solutions," McGuire commented. "The whole situation has got to be addressed — not piecemeal, but as a total pricing mechanism."

McGuire favors national policy to increase the price of manufacturing milk, without automatically raising the price of Class I milk. Because manufactured products compete in a national market, states are constrained from pricing manufacturing milk. "That's where the price increase ought to be and where it would hurt the consumer least," he said.

New York's Commissioner has acted under two laws: The Rogers-Allen Act passed in the 1930's but never before used and emergency legislation passed this spring to permit swifter action. Under Rogers-Allen, producers can petition the commissioner to hold hearings and a producer referendum on milk pricing.

McGuire's emergency order included compensatory payments by dealers buying milk outside the state for sale in New York. Producers vote on amending the permanent order to include compensatory payments after hearings early this fall. The compensatory payment provision has been challenged in two lawsuits filed in federal court by Farmland Dairies and by several others, including Labatt's Tuscan Farms and Lehigh Valley.

Loss of the compensatory payment provision would likely end New York's pricing program, and, with it, New England's. Some dealers, especially in the New York City market, would have competitive advantages.

"We have no problem whatsoever in New England," Commissioner McGuire reported. "They've adjusted, so it's a level playing field. But, on the other side, it is not an equal playing field from Pennsylvania."

The New England states coordinated their programs with New York, always the key to milk pricing in the region. But Pennsylvania's longer established program works differently, and not all producers are covered. The Pennsylvania Milk Marketing Board sets prices on fluid milk sold within the state "from the cow to the consumer" explains John Pierce, secretary of the Pennsylvania board.

But Pennsylvania milk sold into Federal Order 2 (New York-New Jersey market) is a gap that worries McGuire, cooperative leaders and producers. RCMA executive director, Carmen Ross, expressed concern that "Pennsylvania farmers may be used to break the New York price."

Unlike Pennsylvania's program, the New York and New England Class I premiums are blended on a state utilization basis, so all producers get some premium.

$1.05 since 1988 drought . . .

Pennsylvania has had a fluid premium of $1.05 since the 1988 drought. It was extended for wet and dry weather and boosted temporarily to $1.35 during the Kuwait oil crisis. The premium was extended again this spring to June 1992, for reasons of economic hardship in the dairy industry. The board may raise the premium in response to the severe drought in Pennsylvania.

Like Pennsylvania, New Jersey's premium is $1.05, and dealers can count existing premiums. Vin Samuel, active chief of the New Jersey Department of Agriculture Dairy Bureau, reports problems with dealer compliance in Northern New Jersey where cooperative membership is low. The New Jersey Farm Bureau has asked the attorney general to look into the practices of the state's large dairies.

Samuel attributed the problems to Canadian brewer Labatt's flexing its concentrated East Coast market power. "Southern New Jersey has had no compliance problems because nearly all producers belong to Atlantic Cooperative," he says.

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THE KANSAS DAIRY PRICE STABILIZATION PROJECT

BACKGROUND

In the fall of 1990, producer milk prices crashed, losing nearly 30% of their value when compared with the previous year. By the spring of 1991, the full effect of these disastrous price cuts had worked their way through the milk pricing system, having a dramatic negative impact on all dairy farmers.

The spring of 1991 saw dairy farmers in the streets across much of the U.S. picketing in front of Congressional offices and cooperative and proprietary plants.

The situation in Kansas was similar, with highly publicized milk dumpings and demonstrations by producers, including agonized cries for help to their milk marketing organizations, their representatives in Congress and state legislators, all the while striking out at the retail dairy marketing system, accusing grocers and milk processors of price gouging and profiteering at the expense of consumers and dairy farmers.

As prices rose seasonally and with dairy interests pursuing national legislation to correct the problems, the pressure in the country eased somewhat.

CURRENT SITUATION

In November of 1991, the national legislative initiative failed, primarily a result of its being perceived as too little, too late, with no long-term prospects for price stability or significant improvement.

Milk prices have begun to slip seasonally, and we anticipate a significant drop between now and the spring of 1992.

OUTLOOK

From a current price level of $12.10, we anticipate by February of 1992 the M&W series price will be in the $10.25 range and will stagnate there through May of 1992. History indicates that this $10.25 level is significantly below the cost of production in the state.

Thus the whole process will continue to force large numbers of dairy farmers out of business in Kansas, leading to severe economic disruptions in the rural communities where they live. It will also lead to extremely volatile milk prices for consumers over much of the year, and will leave us facing the severe unrest we had to deal with in the spring of 1991.

ACTION PLAN

It is the intention of Mid-America Dairymen, Inc. and Associated Milk Producers, Inc. to pursue a dairy price stabilization effort on an emergency basis in the Kansas State Legislature in January of 1992. The initiative would:

1. Establish a target price formula based on the M&W for all milk produced in Kansas. For purposes of this discussion we are using a target price of $11.50 per cwt.

2. The price stabilization initiative would be funded by a two and one-half percent assessment on the wholesale value of all dairy products sold at retail within the state of Kansas. The assessment would be collected by the dealer/wholesaler/processors and remitted to a dedicated fund established by legislation.

ACTION PLAN, Continued

3. When the M&W series price fell below the targeted price of $11.50 for any given month, the stabilization fund would write a check to individual dairy producers for the difference during that month.

   Example:

   Target price of $11.50 - M&W of $11.00 = difference of $.50 x milk marketed for the month. The average dairyman in Kansas produces 792 cwt. per month x $.50 = $396.00 stabilization payment for that month.

4. The fund would be reviewed and adjusted annually as appropriate to prevent any shortfall or excessive surplus from developing at the expense of consumers and producers.

Dairy Stabilization Project

Licensee:
Dealer, Processor and Wholesaler

Calculates % of Wholesale Value of All Dairy Products Destined for Final Sale at Retail

All State and Federal Institutional Sales are Exempt

Licensee Remits to Dairy Stabilization Fund

State Ag. Dept. Determines Target Price

M&W Price Falls Below Target Price

Dairy Stabilization Fund
Pays All Milk Producers in the State

Target $11.50 - M&W $11.00 = $0.50 per cwt.
Stabilization payment

M&W Above Target Price, No Payment

Annual review to insure adequate but not excessive amounts in the fund

Kansas

1990 Per Capita Consumption, Expenditures

	Units	Unit Cost	Per Capita Cost	Adjusted Per Capita Cost
Fluid Milk (gal.)	19.8	$1.87	$37.03	$38.00
Butter (lb.)	4.3	1.52	$6.54	$6.72
Am. Cheese (lb.)	11.1	2.37	$26.32	$27.02
Other Cheese (lb.)	13.4	2.80	$37.47	$38.46
Cottage Cheese (lb.)	3.4	0.99	$3.35	$3.44
Ice Cream (gal.)	3.5	4.91	$17.20	$17.65
Ice Milk (gal.)	1.7	3.83	$6.50	$6.67
NFDM (lb.)	3.2	1.28	$4.08	$4.19
Total			$138.50	$142.15

Kansas Population	2,492,000
Kansas expenditures on dairy products	$345,131,035
Dairy stabilization assessment rate	2.27%
Dairy stabilization receipts	$7,850,400
Kansas annual milk production	1,238,890,831
Annual per cwt. return	0.63

M–W and Kansas Milk Production: 1992 (est.)

	M–W	Target Price	Diff.	Production	Allocation of Receipts
Jan	$10.40	$11.50	–1.10	104,185,068	$1,146,036
Feb	10.25	11.50	–1.25	97,198,608	$1,214,983
Mar	10.25	11.50	–1.25	108,418,284	$1,355,229
Apr	10.25	11.50	–1.25	103,040,360	$1,288,005
May	10.25	11.50	–1.25	106,082,260	$1,326,028
June	10.50	11.50	–1.00	100,895,020	$1,008,950
July	11.00	11.50	–0.50	102,233,988	$511,170
Aug	11.75	11.50	0.25	100,713,780	$0
Sep	12.25	11.50	0.75	97,078,500	$0
Oct	12.75	11.50	1.25	106,709,900	$0
Nov	12.75	11.50	1.25	103,182,300	$0
Dec	12.60	11.50	1.10	109,152,763	$0
Total				1,238,890,831	$7,850,400

MID-AMERICA DAIRYMEN INC.

HAROLD BAILEY, DIRECTOR • 4700 TABOR VALLEY ROAD, MANHATTAN, KS 66502 • 913-539-4831

March 5, 1992

Representative Hamm, Representative Rezac and members of the House Ag. Committee. I thank you for the opportunity to appear before you this morning to seek your support for HOUSE BILL No. 3046, relating to the Kansas dairy stabilization fund.

I am here as a concerned Dairy Farmer as well as a board member of Mid-America Dairymen. I milk about 90 cows on my farm near Manhattan.

By supporting the concept of the Dairy stabilization fund it would help eliminate the extremely low prices that are experienced in the Spring of each year.

To strengthen the financial condition of the Dairyman would slow the exit of this industry from the state and thus help keep the industry alive in our rural communities.

By assuring large enough milk production we will be able to preserve the processing facilities that now exist in our state.

Thank you

Hs. Ag.
3-4-92
Attachment 3

Chairman Hamm, members of the Ag Committee.

I would like to introduce myself...I am Myron Schmidt, President of the Board of Directors of the Kansas Division of Associated Milk Producers, Inc. I am here to testify in behalf of the Dairy Stabilization Bill.

Some time ago on display at the National Archives in Washington, D.C. a 70 year old poster quoted President Woodrow Wilson as saying "The National economy depends on the output of the miner and the farmer." Have 70 years changed that? Seventy years has changed a lot of things but it has not changed the basic requirement that people have to have food to eat in order to survive.

Because food is such a necessity there are more negative remarks made about the cost of it than anything else. Food purchased in the United States however, requires less of the disposable dollar than anywhere in the world.

Dairy farm families have provided the U.S. consumer, day in and day out, in every city across the country with a dependable supply of fresh milk and dairy products at a reasonable price. When we have market stability, dairy farmers have made continuous gains in productivity, holding milk and dairy product prices consistently below increases in the consumer price index and all other food indexes.

The typical U.S. worker today earns the money needed to make purchases like milk, butter and ice cream in less than half the time required 25 years ago. Over the past 25 years, increases in dairy product prices have stayed consistently below the general inflation rate and index for all foods.

Why do the people in this country have the benefit of the largest supply of food at the cheapest price, and the best quality anywhere in the world? The answer is simple. It is the farmers pride, dedication and a work ethic that states "as long as I can pay my bills I will continue to farm".

The farmer is not concerned about the almighty dollar beyond cost of production. His main interest is in how many pounds of milk he can get per cow per year, or how many bushels of wheat will he get per acre, or the rate of gain on a steer. This productivity has become the consumers gain today, but may be his loss tommorrow.

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So, what do I mean by this statement? The lack of food today in Russia is the result of what happened in the early 1900's. The farmers in Russia, mainly in the Ukraine area, were wealthly. They were aggressive in food production and operating factories to manufacture machinery for themselves. Because of greed and jealousy in the country toward the wealthly farmers, they decided to emigrate from Russia to Canada, U.S., and Old Mexico. Those that stayed behind were slaughtered or imprisoned. Russia then went to collective farming and tried to operate these farms like factories. Russia is an excellent example of what not to do, and yet the U.S. is going in the same direction....larger and fewer farms.

Although the farmers in the U.S. are not being imprisoned or slaughtered they are being driven out of business due to economics.

For more than 30 years, farmers have been told to increase the size of their farms and become more efficient. The average dairy farm in the U.S. has 70 cows which each average about 14,000 lbs. of milk per year. This means that the average farm is producing enough milk to supply 1,340 people with one quart of milk each day of the year.

Lets look at some statistics in Kansas. In 1950 there were 2,700 commercial dairies in Kansas. Today there are less than 1,300 commercial dairies. Dairy farmers have exited at a rate of 38 per year. Because of drastic milk prices last year we lost 112 dairies in Kansas. These losses have contributed a great deal to the shut down of small grain elevators, banks, implement dealers and main street businesses in small town USA.

President Wilson was correct 70 years ago when he stated that we cannot live without the farmer. We can live without the ballplayer. We do live in a recreational oriented society today. If an abundance of food is not available and the consumer has to spend more of his disposable dollar for food, recreation will not be as important.

As Russia drove out their farmers, they lost not only those farmers but the knowledge the next generation would provide. The same is true in the U.S. today. It will take Russia two generations to rebuild their skills. We still have those skilled farmers. Lets try to save what we have left.

Sixty-five years ago, Secretary of Agriculture Henry Wallace made two points in his report to the President that are as valid today as they were then. The following was taken from the 1921 yearbook of Agriculture.....and I quote: "Any circumstances which depress agriculture, making it impossible to exchange products of the farm for products of the factory on a fairly normal basis, make for closed factories and unemployment in industries. The energy and the intelligence with which the farmer works, the number of hours he works, the cost he incurs in producing crops...none of these is considered in determining the price."

If farmers received prices which would give them an income equal to those of similar ability in the nonfarm sector, they would be able to hire more of the people who have only their labor to sell. They might hire them directly on their farms. They might hire them indirectly by purchasing the results of their labor, whether as a product or a service.

Although we have an abundance of food today, will this be true tommorrow. An abundance of food is no excuse to pay the farmer less than cost of production. The farmer needs to receive a fair price for his products, if the economy is to remain strong and people have jobs.

And so, I, in testifying on behalf of the dairy farmer in Kansas, strongly encourage you to endorse the dairy stabilization bill. You must answer these questions. Is the dairy farmer important in Kansas? Is food important to your children and their children? Is industry important in Kansas to create jobs?

Today we have only four major milk processing plants in Kansas. AMPI Hillsboro, Mid-America Sabetha, Jackson in Hutchinson and Mid-America Steffens in Wichita. Food Barn in Kansas City, Kansas and Zarda Ice Cream in Kansas City, Kansas process about 117 million pounds of milk a month.

If your answer is NO to the Dairy Stabilization Bill you will severely jeopardize the processing plants and the entire economy in Kansas.

Very early in the history of the U.S. 90% of the people lived on small farms and were mostly self-sufficient at providing food for themselves. Today, the numbers are more than reversed. Only 600,000 commmercial farms supply 90% of the food needs for our population of 250 million. This means, therefore, that most of the population owns no land on which to grow their own food. This being the fact, will farmers in the U.S. provide the food or will it be imported, a dangerous situation for any country.

Even though I produced milk at below cost of production in the last couple of years it still gives me great satisfaction to know that I am providing 1,340 people one quart of milk every day for a year. I am asking you to show the dairymen of Kansas your appreciation for what they are doing for the economy of Kansas by endorsing the Dairy Stabilization Bill.

Thank You.

Testimony on HB 3046
House Agriculture Committee
March 4, 1992
Prepared by Joe Lieber
Kansas Cooperative Council

Mr. Chairman and members of the Committee, for the record, I'm Joe Lieber, Executive Vice President of the Kansas Cooperative Council. The Council has a membership of nearly 200 cooperatives which have a combined membership of nearly 200,000 Kansas farmers and ranchers.

It is our understanding that HB 3046 establishes a Dairy Stabilization Fund that will help dairy producers to stay on the farm.

The Fund is paid for by charging milk processors and wholesalers 2.25 percent on their sales.

This could increase the price of a $2 gallon of milk by 2.5 cents, if the processors pass the cost on to the consumer.

We feel this is a small cost to consumers to insure that Kansas continues to have dairy farmers.

The Stabilization Fund will be regulated by the State Department of Agriculture. Any cost incurred by the Department will be paid for out of the Fund.

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HB 3046 is a win-win situation. The milk producers can survive and consumers can be assured that they have fresh, quality dairy products.

While visiting with a fellow legislator about HB 3046 he asked what would happen if the cattle people, the wheat growers, or other commodities wanted to do the same thing - would I favor that?

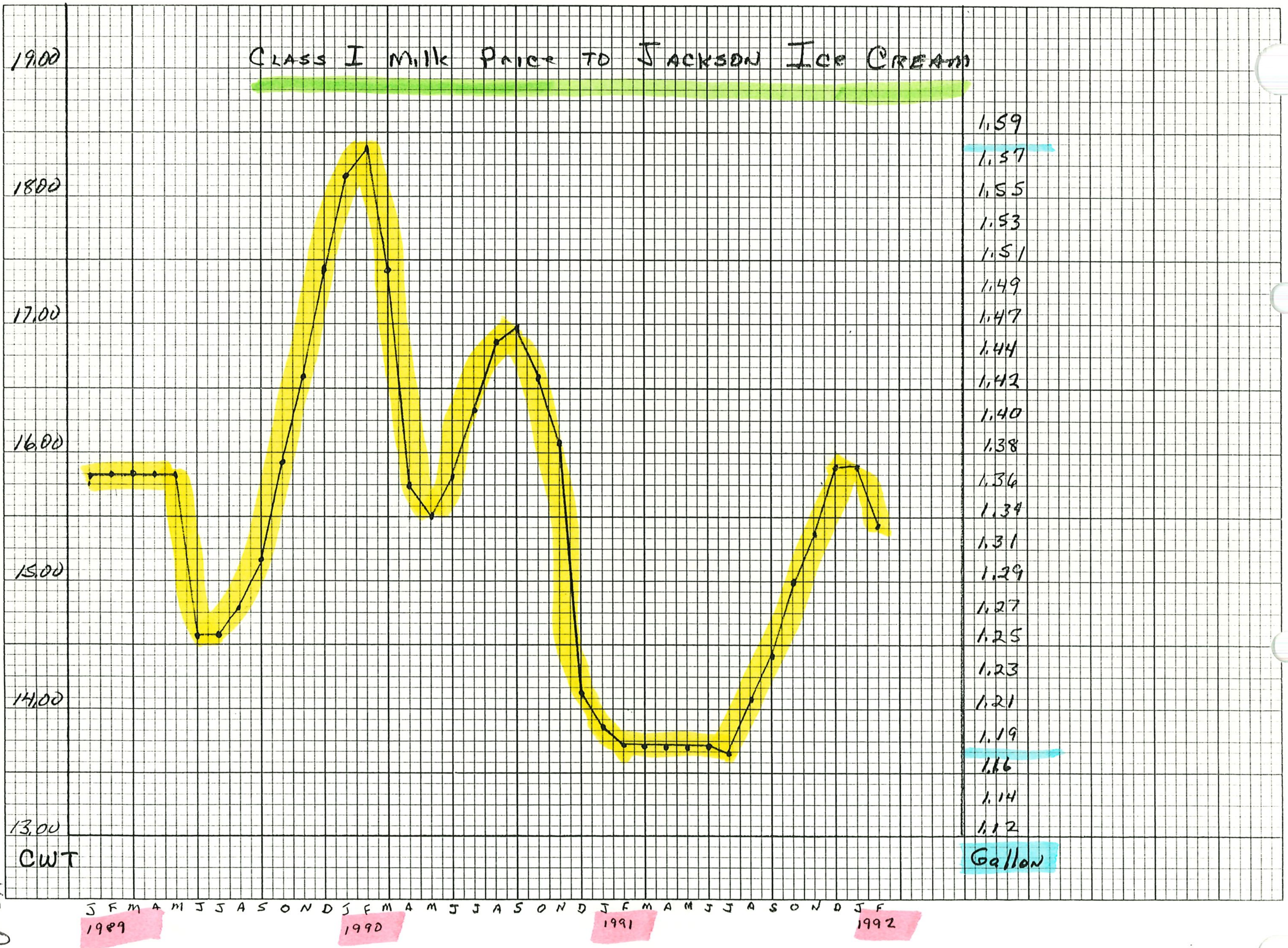
Since I was caught off guard I was not sure how to answer the question, but I think I answered it with a yes. Now that I have taken time to think about it I'm sure the answer is yes.

If every commodity established a stabilization fund American consumers would still have the least expensive and best quality food in the world.

I don't apologize nor should members of the committee apologize for establishing funds that will insure Kansas producers the ability to stay on their farms.

HB 3046 does this and that is why the Kansas Cooperative Council supports it.

Thank you for your time and I will attempt to answer any questions.



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Attachment 6