

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Joann Flower at 3:30 p.m. on March 8, 1999, in Room 423-S of the Capitol.

All members were present except:

Committee staff present: Raney Gilliland, Legislative Research Department
 Gordon Self, Revisor of Statutes
 Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

Doug Wareham, Kansas Grain & Feed Association and Kansas Fertilizer & Chemical Association
Leslie Kaufman, Assistant Director, Public Affairs Division, Kansas Farm Bureau
Jere White, Executive Director, KS Corn Growers Assn. and KS Grain Sorghum Producers Assn.
Mary Jane Stattelmann, Assistant Secretary, Kansas Department of Agriculture
Marty Vanier, Executive Director, Kansas Agriculture Alliance (written only)
Representative Sharon Schwartz
Mike Jensen, Executive Vice President, Kansas Pork Producers Council
Bill Fuller, Associate Director, Public Affairs Division, Kansas Farm Bureau
Kathy Olsen, Kansas Bankers Association

Others attending: See attached list

Chairperson Flower asked committee members to review the minutes of March 3. If there were corrections or additions, members were asked to contact the committee secretary or the minutes will stand approved as presented.

Hearing on SCR 1609 - Concurrent Resolution by Agriculture urging Congress to direct EPA to implement food quality protection act in a reasonable manner.

Chairperson Flower opened the hearing on **SCR 1609**.

Doug Wareham, Kansas Grain & Feed Association and Kansas Fertilizer & Chemical Association, appeared in support of **SCR 1609**. He said the Kansas agribusiness industry is very concerned about the way the 1996 Food Quality Protection Act is being implemented. He said that it appears EPA is using unrealistic, theoretical assumptions, rather than real world data. He fears that if FQPA implementation continues in this manner, without intervention from Congress, all pesticide uses will be jeopardized. (Attachment 1)

Leslie Kaufman, Assistant Director, Public Affairs Division, Kansas Farm Bureau, testified in support of **SCR 1609**. She reported that fair implementation of FQPA is at the top of Farm Bureau's to-do list. She said that EPA has failed to live up to its assurances to farmers and Congress that determination of the future of crop protection products would be based on sound science; instead, EPA has used exposure assumptions that are unfounded and unrealistic. (Attachment 2)

Jere White, Executive Director, Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association, testified in support of **SCR 1609**. He said that EPA is replacing science-based data with default assumptions that always will be excessively conservative. He believes that FQPA is workable if implementation is fair and based on sound data and if adequate time is allowed to find appropriate alternatives in cases where products are removed from the marketplace. (Attachment 3).

Mary Jane Stattelmann, Assistant Secretary, Kansas Department of Agriculture, appeared on behalf of Secretary Allie Devine in support of **SCR 1609**. She reported intense controversy over the approach EPA is taking with the reassessment process in regard to the use of default assumptions. She said it has become quite apparent that serious efforts need to be made by states to conduct surveys or otherwise collect detailed information on actual pesticide use in the state so that EPA can use this real world data to make decisions. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 3:30 p.m. on March 8, 1999.

Marty Vanier, Executive Director, Kansas Agricultural Alliance, submitted written testimony in support of **SCR 1609**, requesting Congress to direct the EPA to ensure the Food Quality Protection Act is implemented in a manner that utilizes sound science. (Attachment 5)

This concluded the hearing on **SCR 1609**.

Hearing on HB 2527 - State moneys, agricultural production loans.

Chairperson Flower opened the hearing on **HB 2527** and asked Raney Gilliland to brief the committee on the bill. He said that **HB 2527** would direct the Pooled Money Investment Board to establish an agricultural production loan program. He explained that state moneys would be made available to banks in the state at less than the market rate; those banks would then make agricultural production loans to eligible agricultural borrowers at a rate of interest no more than 3 percentage points above the state rate.

Representative Sharon Schwartz appeared in support of **HB 2527**. She told the committee that her interest in introducing this bill was the fact that the farm economy is expected to weaken and it is difficult for those involved in production agriculture to access affordable capital. She said this legislation would establish a vehicle to allow any lender who can receive agricultural linked deposits from the state to provide low interest loans to agricultural businesses. (Attachment 6)

Mike Jensen, Executive Vice President, Kansas Pork Producers Council, testified in support of **HB 2527**. He stated that all of agriculture, and particularly the pork industry, has been devastated by low prices which have yielded net losses for most farms this year. He said that in a rapidly changing industry, the producers who cannot update to the latest technology will fall further behind in the race for efficiency. (Attachment 7)

Bill Fuller, Associate Director, Public Affairs Division, Kansas Farm Bureau, appeared in support of **HB 2527**. He reported that many farmers are stressed financially with low commodity prices and high production costs. He said we need credit programs that are mutually beneficial for farmers and lenders, programs that assist farmers and ranchers to maintain viable operations, and programs that will give lenders sufficient latitude to work with producers who have credit or debt difficulties. (Attachment 8)

Kathy Olsen presented written testimony from Chuck Stones, Director of Research, Kansas Bankers Association, in support of **HB 2527**. He stated that banks in Kansas are fully aware of the potential hard times and this bill appears to be one example of a concrete, practical way to help agricultural borrowers. He stated that this type of linked deposit arrangement was not new in Kansas, that banks used the 1986 loan program and would probably use the proposed loan program. (Attachment 9)

The hearing on **HB 2527** will be continued on March 15 when the director of investments for the Pooled Money Investment Board can be in attendance to answer committee questions. The committee also requested data from the 1986 loan program. It was noted on Page 1, line 21, of the bill that it should read "3 percentage points above the market rate."

Final action on SB 145 - Amendments to Kansas veterinary practice act.

Concern was expressed that this bill might prevent someone that is not a veterinarian from doing any type of veterinary work. Gary Reser and Dr. Dirk Hanson assured the committee that this was not the case, that this bill would only clean up language that already exists.

Representative Schwartz moved to pass SB 145. Seconded by Representative Johnson, the motion carried.

Final action on SB 65 - Commercial fertilizer inspection fees, pesticide use survey funding.

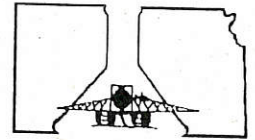
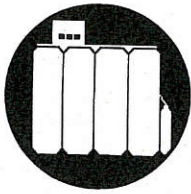
Representative Freeborn moved to pass SB 65. Seconded by Representative Johnson, the motion passed.

The meeting adjourned at 5:05 p.m. The next meeting is scheduled for March 10, 1999.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: March 8, 1999

NAME	REPRESENTING
<i>Mike Jensen</i>	<i>Ks Park Council</i>
<i>Mike Beam</i>	<i>Ks. Livestock Assn.</i>
<i>Bill Fuller</i>	<i>Kansas Farm Bureau</i>
<i>Kathy Olsen</i>	<i>Kansas Bankers Assn</i>
<i>Mary Jane Stattelmann</i>	<i>KS Dept of Agriculture</i>
<i>Jue White</i>	<i>KCGA - K6SPA</i>
<i>Doug Wareham</i>	<i>KOFA - KFCA</i>
<i>Gary Reser</i>	<i>Kan. Veterinary Med. Assn</i>
<i>DIRK HANSON NVM</i>	<i>Ks Bd of VETERINARY EXAMINERS</i>
<i>Scott Trapp</i>	<i>Leadership Russell Co.</i>
<i>Kelly P. Branum</i>	"
<i>MARTIN G. KERSCHEWEN</i>	<i>(FARMER) Guest - Rep. Thimosch</i>
<i>Lorraine Cole</i>	<i>Sea Gypow - Intern</i>
<i>Leslie Kaufman</i>	<i>Ks Farm Bureau</i>



STATEMENT OF THE
KANSAS GRAIN & FEED ASSOCIATION
AND THE
KANSAS FERTILIZER & CHEMICAL ASSOCIATION
BEFORE THE
HOUSE AGRICULTURE COMMITTEE
REP. JOANN FLOWER, CHAIR
REGARDING SCR 1609

3:30PM

MARCH 8, 1999

KGFA & KFCA MEMBERS ADVOCATE PUBLIC POLICIES THAT ADVANCE A SOUND ECONOMIC CLIMATE FOR AGRIBUSINESS TO GROW AND PROSPER SO THEY MAY CONTINUE THEIR INTREGAL ROLE IN PROVIDING KANSANS AND THE WORLD THE SAFEST, MOST ABUNDANT FOOD SUPPLY.

816 SW Tyler, Topeka KS 66612 - 785-234-0461 - Fax: 785-234-2930

House Agriculture Committee
March 8, 1999

Attachment 1

Madam Chair and members of the House Agriculture Committee, I am Doug Wareham appearing today on behalf of both the Kansas Fertilizer and Chemical Association (KFCA) and the Kansas Grain and Feed Association (KGFA). KFCA's nearly 500 members are primarily plant nutrient and crop protection retail dealers with a proven record of supporting Kansas producers by providing the latest crop protection products and services available in today's rapidly changing agricultural industry. KGFA is comprised of 1150 member firms including country elevators -- both independent and cooperative -- terminal elevators, grain merchandisers and feed manufacturers all of which rely on the production of Kansas producers for the vital raw ingredients which make our grain and feed industry the envy of the world.

I appreciate the opportunity to appear today in support of S.C.R. 1609 and respectfully request positive action on this resolution. S.C.R. 1609 will send a direct message to the members of the Kansas Congressional Delegation and members of the Executive Branch in Washington D.C. regarding the U.S. Environmental Protection Agency's (EPA) implementation of the Food Quality Protection Act. The Kansas agribusiness industry is very concerned about the way the 1996 Food Quality Protection Act (FQPA) is being implemented. If not curtailed, new EPA regulations will have a major, lasting impact on Kansas and American agriculture and our ability to continue producing the world's most abundant, affordable and safest supplies of food and fiber.

Passed by Congress in 1996, the Food Quality Protection Act (FQPA) revamps existing U.S. pesticide regulations by requiring EPA to reassess risk assessments for all pesticides within 10 years. Therefore, EPA has the task of re-evaluating more than 9,000 pesticide uses for safety, with the first 3,000, including most organophosphate and carbamate insecticides, subject to an August 1999 deadline. Simply put, EPA is currently deciding which pesticides and pesticide uses will remain available and which will not.

Unfortunately, arguing that it must meet the short deadlines imposed by FQPA, it appears EPA is using unrealistic, theoretical assumptions, rather than real world data from farmers, businesses, public health officials and others about how pesticides are actually used to protect crops and in turn, protect us. If FQPA implementation continues in this manner, without intervention from Congress, virtually all pesticide and pesticide uses will be jeopardized. Whether it is insect damage to Kansas-grown crops, wormy apples in Washington State, or cockroaches in kitchens, Americans in every walk of life will be deprived the benefits of effective pest control.

The effort to raise awareness of the possible negative effects of FQPA implementation without sound science and reliable use data, is not only a cause of our organization, but of numerous agricultural organizations, states and even governmental associations. Last year, three states passed resolutions similar to the resolution before you today. Those states were Idaho, Michigan & Pennsylvania. Today, there are six additional states considering similar resolutions calling for Congress to intervene and ensure FQPA is implemented in a manner that protects our ability to produce abundant, safe and affordable food. Those states are North Carolina, North Dakota, Wyoming, Ohio, Georgia and Iowa. We have been informed that Governors in the states of New York, Florida and Washington have drafted letters to EPA calling for fair implementation of FQPA to ensure that valuable pesticides are not lost, threatening farm production, business operations and public services. And finally, both the National Governor's Association and National Association of State Departments of Agriculture have adopted policy positions similar to the components contained in Senate Concurrent Resolution 1609.

The Kansas agribusiness industry supports reasonable, science based regulations that protect food safety in addition to its availability and affordability. What we cannot support and hope Congress will not allow is the Environmental Protection Agency to rush to judgement without all the facts. This committee has already heard testimony on Senate Bill 65 that would enable the Kansas Secretary of Agriculture to initiate a much needed pesticide use survey to gather those facts. We support the use of real world data and hope the adoption of this resolution will send a clear message to Congress and the Executive Branch in Washington, D.C. that Kansans will accept nothing less.

Thank you for the opportunity to appear in support of S.C.R. 1609 and I am happy to respond to any questions at this time.



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON AGRICULTURE

RE: SCR 1609 – Urges Congress to direct the Environmental Protection Agency when implementing Food Quality Protection Act to use sound science and conduct oversight hearings.

**February 4, 1999
Topeka, Kansas**

**Prepared by:
Leslie J. Kaufman, Assistant Director
Public Affairs Division
Kansas Farm Bureau**

Chair Flower and members of the House Committee on Agriculture, the goal of American farmers is to provide the world with safe, wholesome and affordable food and fiber. This is what the world expects. This is what the world needs.

My name is Leslie Kaufman. I am the Assistant Director of the Public Affairs Division for Kansas Farm Bureau. We appreciate this opportunity to express our strong support for SCR 1609.

The resolution urges the U.S. Congress to:

- ◆ Direct the Environmental Protection Agency (EPA) to immediately initiate appropriate administrative rulemaking;
- ◆ Direct the EPA to subject the policies and standards it intends to apply in evaluating pesticide tolerances to public notice and comment;

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Attachment 2*

- ◆ Require the EPA to use sound science and real-world data in establishing realistic models for evaluating risks;
- ◆ Direct EPA to implement the Food Quality Protection Act (FQPA) in a manner that will not disrupt agricultural production nor negatively impact the availability, diversity and affordability of food; and,
- ◆ Conduct oversight hearings to ensure that actions by EPA are consistent with FQPA provisions and Congressional intent.

When Congress passed the FQPA in 1996, agriculture was relieved that the unreasonable, outdated, decades-old Delaney clause was repealed. Gone were the days of a "zero-risk" standard to determine the safety of agriculture chemicals, or so we thought.

Fair implementation of FQPA is at the top of Farm Bureau's to-do list. EPA assured farmers and Congress that determination of the future of crop protection products would be based on sound science, that newer and safer products would be created and approved and that the process to meet these ends would be open. These many assurances have not been upheld. The EPA has failed to live up to its part of the FQPA bargain.

Under pressure from Farm Bureau and other agriculture and related groups, Vice President Al Gore earlier this year ordered EPA and the USDA to cooperate on FQPA implementation. The order created the Tolerance Reassessment Advisory Committee (TRAC), a panel of representatives from government, industry and affected publics. Farm Bureau lobbied for and was given a seat at the TRAC table.

TRAC members met five times last year and are scheduled to hold at least two more meetings this year. Along the way, EPA released 16 so-called preliminary risk assessments of organophosphate-based crop protection products. This is the first step in EPA's plan to eliminate the availability and use of these products. Farm Bureau believes this would be disastrous for American agriculture.

This year's TRAC meetings are expected to focus on the scientific principals behind the decisions to revoke or redefine crop protection chemical uses, with one whole meeting dedicated to discussing the cumulative risk assessments of products. The catch is in the data gathering --- EPA has used exposure assumptions that are unfounded and unrealistic. In determining the initial risk assessments released so far, the agency has assumed that producers spray 100 percent of the allowable rate of the chemical on 100 percent of the crop at every possible opportunity allowed by the chemical's labeling. Ask any farmer if this is they way they do business. The answer will be a resounding , "No!"

The threat from EPA to the livelihood of the agriculture producer is real. FQPA is on a collision course with the American farmer. If left unchecked, FQPA will impose major regulatory decisions without realistic or reliable information to back them up. The statute will abandon safe, proven crop protection products without any substitutes for producers to fall back on. The loss of those chemicals would jeopardize existing integrated pest management programs. Loss of reliable products will force countless producers out of business and spur the demand for imported food.

We respectfully encourage you to approve SCR 1609. It is important to the agriculture producer, the consumer, the Kansas economy and the entire United States.

Thank you!



TESTIMONY

TO: Kansas House Committee on Agriculture
FROM: Jere White, Executive Director
DATE: 4 March 1999
SUBJECT: SCR 1609

The Kansas Corn Growers Association and Kansas Grain Sorghum Producers wish to submit this testimony in support of SCR 1609, a resolution concerning the implementation of the Food Quality Protection Act. Kansas has a long history of implementing new and innovative programs in agriculture. Working with university researchers, regulators, and product registrants, we have successfully met the challenge of balancing pest control programs with concerns for food safety, environmental quality and an economically viable agriculture. Kansas corn and grain sorghum farmers invest significant dollars each year to support research that will allow us to continue to meet these challenges.

Improper implementation of the Food Quality Protection Act will create challenges for growers and regulators alike. The US EPA is seriously lacking in appropriate data to determine tolerances for many common tools in production agriculture. Organophosphate and carbamate insecticides are the first class of chemicals under scrutiny. Growers welcome a science-based approach that uses real world data. Unfortunately, this type of data, when not already in the EPA's hands, is being replaced with default assumptions that always will be excessively conservative. Losing valuable products to theoretical risk will jeopardize Kansas and US farm production. In fact, the US EPA has a long history of not getting new data and studies reviewed when they are in fact already in the Agency's hands.

Such was the case last year when the US EPA turned down a request for a Section 18 application from Kansas to use propazine on grain sorghum. The US EPA concluded that in a given area, 100 % of the cattle

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www.ksgains.com/corn • jwhite@kanza.net



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Attachment 3*

could eat a diet of only grain sorghum that was 100% treated with propazine at 100% of maximum label rate. Children in the area could eat a diet of 100% milk and beef, with 100% coming from the same cattle. Also, other triazine herbicides, like atrazine, are registered for grain sorghum, so you had to add that exposure to the risk cup. The FQPA Risk Cup “runneth” over. In fact, no beef or dairy animal ever eats a diet of 100% anything, and of course children aren’t likely to either. Even if they could, 100% of the crop would never be treated. It is all somewhat academic when you realize that triazine residues, including propazine have never been detected in market basket surveys of real food...meat or milk. As to adding atrazine and propazine together, it sounds reasonable, other than you would never use both products. Propazine would replace atrazine 100% in grain sorghum on the treated acres. It is also more expensive and would only be used in certain soil conditions to reduce plant injury or facilitate crop rotation. Why did US EPA get this issue so wrong? It was not because the data didn’t exist. In fact it was in the hands of the Agency all the time, along with literally thousands of other submissions of data representing millions of dollars of research. Yes, US EPA needs to obtain sound data for the proper implementation of FQPA. But also they must use that data that is in their possession, as well as at USDA.

As the EPA works to implement FQPA, we urge that:

- (1) Real pesticide use data should be used when making risk assessment decisions on pesticides. Assumptions of pesticide use based on labels are not a realistic approach. For many crops real pesticide use and residue data exist, but if not, it should be collected in order to arrive at realistic risk assessment decisions.
- (2) Adequate time is allowed to find appropriate alternatives in cases where products are removed from the marketplace. Input from growers should be carefully weighed in these decisions since they are the ones that will need to transition to alternatives should products be lost.
- (3) Implementation proceeds under transparent policies.

We believe that FQPA is workable if implementation is fair and based on sound science, not political science. We ask this committee pass favorably SCR 1609 and request implementation in a fashion consistent with the intent of Congress. FQPA will then, and only then, serve the nation in providing a continued safe abundant supply of food and fiber.

STATE OF KANSAS

BILL GRAVES, GOVERNOR
Alice A. Devine, Secretary of Agriculture
901 S. Kansas Avenue
Topeka, Kansas 66612-1280
(913) 296-3558
FAX: (913) 296-8389



KANSAS DEPARTMENT OF AGRICULTURE

TESTIMONY
TO THE

HOUSE AGRICULTURE COMMITTEE

MARCH 8, 1999

BY

MARY JANE STATTELMAN
ASSISTANT SECRETARY OF AGRICULTURE

SCR 1609

Good morning, I appear before you on behalf of Secretary Allie Devine in support of SCR 1609. The Food Quality Protection Act (P.L. 104-170) received unanimous approval by Congress and was signed into law by President Clinton in August of 1996. The law was an attempt to resolve inconsistencies in the country's two main pesticide statutes - the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) and the Federal Food, Drug and Cosmetic Act. Prior to passage, much of the congressional debate was focused on one principal issue. This was how to deal with the pre-existing Delaney Clause in light of scientific advances concerning tolerance to potential carcinogens in food.

Under FIFRA, EPA registers and regulates pesticides to prevent unreasonable adverse effects on human health or the environment. FQPA directs the agency to reassess all of the nation's pesticides using more data and taking more factors into account. When approving a "food use" for a pesticide, EPA under FIFRA must first establish a "tolerance", the acceptable amount of exposure to pesticide residue on food. The tolerance is the level of residue that a person could be exposed to every day for 70 years without showing adverse effects. The acceptable exposure level is termed the "risk cup".

Before 1996, the risk cup was filled only with pesticide residues from food. Under FQPA, EPA must also include non-dietary exposure in the risk cup. Some examples would be potential exposures from water by drinking or taking a shower, exposures from working in the lawn or taking a walk in the park, or exposures within the household. In addition, prior to 1996, the risk cup was filled only with residues of a single pesticide. Under FQPA, pesticides having a common "mechanism of toxicity" must be included in a single risk cup. FQPA also mandates that EPA complete reassessment of tolerances within 10 years. This means that EPA has 10 years to reassess approximately 10,000 chemicals. EPA has decided to start by looking at the organic

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Attachment 4*

phosphate (OP) and carbamate classes of insecticides. One-third of all pesticides are in these two groups.

There is at present a very intense controversy ongoing over the approach EPA is taking with the reassessment process, especially in regards to the use of default assumptions. The Environmental Working Group, the Natural Resources Defense Council and some other environmental advocacy groups are saying that EPA already has more information than it needs to ban the pesticides and the agency is protecting corporations and industries to the detriment of vulnerable children. Farm organizations, grower associations and chemical manufactures are saying the EPA is in such a rush to do assessments that the agency is misusing default assumptions (worst case scenario's) rather than hard data and by doing so will end up outlawing many if not most pesticides. For example, if Tilt Fungicide is registered for use on wheat on Kansas can EPA legitimately presume that all wheat acreage in Kansas is treated annually at maximum rate.

On April 8, 1998, Vice-President Al Gore issued a directive to EPA and USDA to involve interested parties in FQPA implementation. To that end, in May, 1998 EPA created a 50 member EPA-USDA Tolerance Reassessment Advisory Committee (TRAC). US Department of Agriculture Secretary Dan Glickman appointed Secretary Devine to serve as one of the members.

Whether EPA can gather all the data it needs and to what extent it can rely on default assumptions remains to be seen. However, it is a near-certainty that EPA will eventually outlaw some of the OPs. It has also become quite apparent that serious efforts need to be made by states to conduct surveys or otherwise collect detailed information on actual pesticide use in the state so that they can use this real world data to make these decisions. Therefore, KDA urges your support of SCR 1609.



KANSAS AGRICULTURAL ALLIANCE

**STATEMENT
OF THE
KANSAS AGRICULTURAL ALLIANCE
ON
SCR 1609
BEFORE THE
HOUSE AGRICULTURE COMMITTEE
JOANN FLOWER, CHAIRMAN
MARCH 8, 1999**

Chairman Flower and members of the House Agriculture Committee. The Kansas Agricultural Alliance is a coalition of statewide agricultural organizations that represents a broad spectrum of Kansas agriculture, including grain and livestock producers, input suppliers, agribusinesses and professions.

The Alliance supports SCR 1609.

The United States has long been able to produce an abundant, safe, stable and inexpensive food supply in large part due to the efficiency of the American agriculture community. A major component of this efficiency is the appropriate use of a wide array of pesticides. The Food Quality Protection Act of 1996 sought to assure the continued availability of pesticides by instituting changes in the risk assessment process used by EPA. The changes required the use of "real world" data to generate reliable and accurate information on the many uses of different types of pesticides and required the risk assessment and tolerance setting processes to be open and transparent. If these processes are performed in such a way that inaccurate information leads to restriction of valuable pesticides the damage to the American food supply from disruptions in pest management programs would be significant. These disruptions would have a direct economic effect on Kansas farmers and ranchers.

The Kansas Agricultural Alliance joins with its individual members here today to urge you to support SCR 1609 requesting Congress to direct the Environmental Protection Agency to ensure the Food Quality Protection Act is implemented in a manner that utilizes sound science.

*House Agriculture Committee
March 8, 1999
Attachment 5*

SHARON SCHWARTZ
REPRESENTATIVE, 106TH DISTRICT
GEARY, MARSHALL, REPUBLIC,
RILEY, AND WASHINGTON COUNTIES
2051 20TH ROAD
WASHINGTON, KANSAS 66968
(785) 325-2568

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

STATE CAPITOL
ROOM 110-S
TOPEKA, KANSAS 66612-1504
(785) 296-7632
1-800-432-3924

COMMITTEE ASSIGNMENTS
MEMBER: HOUSE APPROPRIATIONS
HOUSE AGRICULTURE &
NATURAL RESOURCES BUDGET
HOUSE AGRICULTURE
HOUSE ENVIRONMENT

H.B. 2527

Madam Chairwoman and Committee members,

I appear today in support of H.B. 2527. This legislation would establish a vehicle to allow any lender who can receive agricultural linked deposits from the state to provide low interest loans to agricultural businesses. The rate of interest would not be more than 3% above the current market rate.

The pooled money investment board will provide state moneys at a rate of interest which is less than the market rate. This rate will be determined by the pooled money investment board. Current law allows that when moneys are available for investments, the director of investments may invest in loans pursuant to legislative mandates. Not more than the 10% of state moneys or \$80 million of the state moneys may be invested.

The pooled money investment board will define the procedures including the eligible agricultural borrower.

My interest in asking for this bill to be introduced comes from the fact that the farm economy is expected to weaken even greater in 99. 1998 has been a year of hardship for many parts of rural America. Farm incomes are expected to fall with commodity prices expecting to remain weak and grow weaker. Today it is difficult for those involved in production agriculture to access affordable capital.

This program will provide bankers a vehicle through which they can provide affordable credit to farmers during a critical time in Kansas agriculture.

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Attachment 6*

March 8, 1999

Testimony to House Agriculture Committee

Support of House Bill 2527

**Prepared by Mike Jensen, Executive Vice President
Kansas Pork Producers Council**



Madam Chair and members of the committee, I am Mike Jensen. I serve as Executive Vice President of the Kansas Pork Producers Council. Our organization represents the majority of pork production operations across Kansas. Our organization supports House Bill 2527.

As the committee is well aware, all of agriculture has been devastated by low prices which have yielded net losses for most farms this year. In particular, the pork industry has recently experienced prices below the Depression era. Pork producers have literally lost decades of equity in their farms.

In the short term, many producers are using retirement funds and money set aside for their children's college tuitions to pay the bills. They have postponed or abandoned any updates or modernizations of their swine facilities. This may very well be the long-term downfall of their business.

In a rapidly changing industry, the pork producers who cannot update to the latest technology will fall further behind in the race for efficiency. Although even the most efficient farms have also lost money in the last few months, they will be the first to return to profitability when the market corrects.

Kansas pork producers understand this dilemma and are actively looking for avenues to stay competitive while keeping the banker happy. Right now, our producers are trudging through a long, dark tunnel. Any assistance the state can provide would send a much-needed ray of light into that tunnel.

2601 Farm Bureau Road • Manhattan, Kansas 66502 • 785/776-0442
FAX 785/776-9897 • E-mail: KPPC@flinthills.com

*House Agriculture Committee
March 8, 1999
Attachment 7*



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON AGRICULTURE

RE: HB 2527 – Establishing a low interest agricultural production loan program.

**March 8, 1999
Topeka Kansas**

**Prepared by:
Bill R. Fuller, Associate Director
Public Affairs Division
Kansas Farm Bureau**

Chair Flower and members of the House Committee on Agriculture, we certainly appreciate this opportunity to express support for establishing a program to provide low interest production loans for eligible agricultural borrowers.

My name is Bill Fuller. I serve as the Associate Director of the Public Affairs Division for Kansas Farm Bureau.

Kansas Farm Bureau member-adopted policy includes these statements:

- ◆ ***“Producers need a variety of credit sources at the lowest possible interest rates.”***
- ◆ ***“Farmers and ranchers need a variety of credit facilities to finance operating and ownership expenses.”***
- ◆ ***“We believe special programs should be designed at federal and state levels to specifically deal with credit and financing problems of young farmers and ranchers who are trying to get established.”***

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Attachment 8*

HB 2527 directs the Pooled Money Investment Board to establish an agricultural production loan program. Banks receiving state moneys under the agricultural production loan program shall provide agricultural production loans to eligible agricultural borrowers at a rate of interest which is not more than 3 percent above the market rate as determined under K.S.A. 75-4237.

KFB was instrumental in developing and supporting an "interest buy-down" program enacted by the 1986 Kansas Legislature. This program provided a tax incentive to banks and Production Credit Associations for reducing rates of interest on agricultural production loans. This interest buy-down program was enacted to assist farmers in surviving an economic crisis that, as you recall, drove many producers off of the farm. We recognized then, as we do now, that in difficult times neither farmers nor lenders will succeed by themselves if the other fails. We need credit programs that are mutually beneficial for farmers and lenders, programs that assist farmers and ranchers to maintain viable operations, and programs that will give lenders sufficient latitude to work with producers who have credit or debt difficulties.

Again today, many farmers are stressed financially in these times of low commodity prices and high production costs. Unfortunately, we may be approaching another time in history where a number of farmers are fighting for survival. In fact, Governor Bill Graves in his fifth State of the State address pointed out, "All of Kansas should be concerned with the plight of the men and women in agriculture and oil sectors of the economy. Kansas farmers and stockmen are the best in the world, yet their reward has been the collapse of value for their products in the market place."

We appreciate this opportunity to support HB 2527 that would establish a low interest agricultural loan program. We will respond to any questions you may have.

Thank you!

Kansas Bankers Association

800 SW Jackson, Suite 1500

Topeka, KS 66612

785-232-3444 Fax - 785-232-3484 kbacs@ink.org

3-8-99

TO: House Agriculture Committee
FROM: Chuck Stones, Director of Research

RE: HB 2527

Madam Chair and Members of the Committee,

The Kansas Bankers Association appreciates the opportunity to submit written testimony in support of HB 2527. I apologize for not appearing in person, but we have a conflicting hearing.

The banks of Kansas are fully aware of the potential hard times ahead in the agriculture sector of our state. In fact, Jim Maag, the Executive Vice President of the KBA, is currently serving on the Task Force on 21st Century Ag Banking. A task force established by the American Bankers Association to come up with some concrete, practical solutions to help ag borrowers. HB 2527 appears to be one example of a concrete, practical way to help ag borrowers.

This type of "linked deposit" arrangement is not new in Kansas. A similar program was established when Governor Finney was the State Treasurer. Banks used the program then and, if it is rules and regs are established to make the program usable, I assume banks will use it again. While this will not solve the problems in the ag sector, we view it as a win, win, win, win situation. The Legislature wins for seeking and finding helpful ways of dealing with problems in the state, the State Treasurer wins by administrating the program, the banks win by using the program, but most importantly the farmer wins by getting a break when he or she most needs it.

We thank you for allowing us to provide input, and we urge your favorable action.

*House Agriculture Committee
March 8, 1999
Attachment 9*