

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on February 7, 2000, in Room 423-S of the Capitol.

All members were present except: Representative Faber - excused  
Representative Thimesch - excused

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

Conferees appearing before the committee:  
Carla Stovall, Attorney General, State of Kansas

Others attending: See attached list

Minutes of the January 31 meeting were distributed. Chairman Johnson asked members to notify the committee secretary of any corrections or additions prior to 5:00 p.m., February 8, or they will be considered approved as presented.

The Kansas Dairy Marketing Advisory Board submitted its annual report to the Senate and House Agriculture Committees. (Attachment 1) The Kansas Dairy Marketing Advisory Board recommends that the Kansas Legislature continue to monitor the following issues:

- Low prices to dairy farmers and impact on this important segment of Kansas agriculture of volatile prices;
- Congressional action on the Southern Dairy Compact; and the
- Effects and impacts of the implementation of the revised milk market order that includes Kansas.

Carla Stovall, Kansas Attorney General, updated the committee on the Kansas vs Colorado and the Kansas vs Nebraska water lawsuits. She reported that they just finished the damages phase of the Kansas vs Colorado lawsuit on January 28. Kansas presented damages based on expert testimony in four categories: 1) Cost of pumping that was necessary to replace the surface water flow, \$6.8 million; 2) Greater pumping costs resulting from having to pump from greater depths, \$6.6 million; 3) Crop losses, \$45 million; and 4) Secondary economic impact, \$3.7 million, for a total of \$62.1 million. Colorado maintains that they might owe us \$3 million, but would prefer to settle the case for an increase in water over the next 25 years. It is estimated the case will go to the Supreme Court later this year or in early 2001.

Attorney General Stovall reported that the Special Master's 45-page decision in the Kansas vs Nebraska case also came down on January 28, finding for Kansas that ground water pumping does affect the amount of water flow in the Republican River. The case now goes to the U.S. Supreme Court to accept or deny. If the case is accepted, the Special Master wants to be in trial on the liability issue within 5 years. The Attorney General said the lack of regulation and metering of water wells in Nebraska is making it difficult to quantify the loss of water to Kansas.

Commenting on the two anti-trust proposals dealing with the Packers and Stockyards Act (**HB 2712** and **SB 474**), Attorney General Stovall noted that at the current time the law doesn't allow any action by the Attorney General's office or County District Attorneys in that arena. It would take a statutory change for them to do anything under state law. She said her office will do whatever is directed by the Legislature, but that additional resources would be needed. Attorney General Stovall reported that her office supports the Governor's anti-trust proposal which is more comprehensive. The Governor's bill would give more

CONTINUATION SHEET

investigative powers; update the remedies; take away the criminal liability; increase penalties from \$100 per day, mandatory, to \$5,000 per day, permissible; and clean up other anti-trust language in the statutes. Again, she said the money issue needs to be addressed.

**Discussion and possible action on HB 2702 - Sales and property tax exemption for greenhouse machinery and equipment.**

Chairman Johnson opened discussion on **HB 2702**. Following much discussion, Representative Feuerborn suggested appointing a subcommittee to work out the necessary changes in the bill. Chairman Johnson appointed a subcommittee on **HB 2702** comprised of Representative Dahl, Chairman; Representative Weiland; and Representative Compton.

**Discussion and possible action on HCR 5005 -Concurrent Resolution urging Congress to remove or restrict the use of trade sanctions.**

Chairman Johnson opened discussion on **HCR 5005**. Representative Freeborn moved to recommend adoption of HCR 5005 and because the resolution is of a noncontroversial nature be placed on the consent calendar. Seconded by Representative O'Brien, the motion carried.

**Discussion and possible action on HCR 5050 - Concurrent Resolution urging Congress to pass legislation allowing state-inspected meat to be shipped interstate; increasing the number of poultry slaughtered.**

Chairman Johnson opened discussion on **HCR 5050**. Representative Larkin, seconded by Representative O'Brien, moved to recommend adoption of HCR 5050 and that it be placed on the consent calendar.

Representative Schwartz offered a substitute motion to remove the section of HCR 5050 to raise the number of poultry that can be slaughtered at home and offered for sale to consumers; thereby, emphasizing consideration for interstate shipment of state-inspected meat and meat products. Seconded by Representative Feuerborn, the motion carried.

Representative Schwartz moved to recommend adoption of HCR 5050 as amended. The motion was seconded by Representative Freeborn. Motion carried.

The meeting adjourned at 4:45 p.m. The next meeting is scheduled for February 9, 2000.



# **Report of the Kansas Dairy Marketing Advisory Board**

## **Presented to the Senate and House Agriculture Committees of the 2000 Kansas Legislature**

**February 1, 2000**

Changes and challenges facing the Kansas dairy industry in the decade of the 1990s led the Kansas Legislature to create a Dairy Marketing Advisory Board in 1994. This board reports annually to the Senate and House agriculture committees.

Members of the board are designated as two representatives of dairy producers, one representative of dairy processors, one consumer, and the Secretary of Agriculture or his or her designee. Currently serving are Dennis Metz, a dairy producer from Wellington; Elaine Sauerwein, consumer representative from Newton; and Greg Krissek, representing the Kansas Secretary of Agriculture. Two positions, one representing producers and one representing processors, are not filled at this time.

### **The Kansas Dairy Industry**

The value of dairy products sold in Kansas in 1997 was 2.7 percent of the state's total agricultural production. In 1997, according to the Census of Agriculture, there were 1,466 farms with 82,080 cows; in 1992 there were 2,165 farms with 85,132 cows. The Kansas Department of Agriculture's dairy inspection program currently has 680 farms permitted to sell grade A or manufacturing grade milk commercially. Again in 1999, Kansas milk production continued to increase even as the number of farms decreased. October-December production, for instance, was up nearly 11 percent from that period in 1998. The numbers of large operations have increased and the smaller herd size farms have decreased. Kansas has two major bottling plants with no change in handling capacity from last year. A large volume of raw milk from Kansas is transported out-of-state for processing. It then returns as pasteurized milk and dairy products to be sold to Kansas consumers.

### **1999 Legislative Action on a Southern Dairy Interstate Compact**

Last year's legislature took action which will allow the Kansas Secretary of Agriculture to seek to enter into a southern dairy interstate compact if it should be determined this would be to the benefit of Kansas producers.

Despite a court challenge, the Northeast Dairy Interstate Compact has been extended by two years and appears to be providing a safety net for member states' dairy farmers. The Kansas Dairy Association supports the Northeast Compact and the establishment of a Southern Interstate Compact.

House Agriculture Committee  
February 7, 2000  
Attachment 1

## **Federal Milk Marketing Orders**

The 1996 federal farm bill mandated reform of the milk marketing orders. Under the mandate, the implementation of the new Federal Milk Marketing Orders began Jan. 1, 2000, reducing the number of orders from 31 to 11, with most of this state now in the Central Milk Order Number 32.

Under the reformed system, producer payments are based on a uniform or blend price per hundredweight which is determined by pricing milk according to its end usage. Instead of three categories, now four classes of milk usage exist. They are Class I, which includes most fluid milk uses; Class II, which includes semifluid and "soft" manufactured products, such as 'half and half,' cottage cheese and yogurt; Class III, which includes hard cheeses; and Class IV, which includes butter and milk powder products. The reformed orders also call for producer milk marketings to be tested for all priced components (protein, butterfat and other solids), as well as an adjustment based on the individual producer's dairy somatic cell count level. The milk market administrator has said that for January through November 1999, reforms resulted in higher prices to producers than the old orders in all cases except Class II milk.

The federal legislation also requires USDA to conduct a hearing to reconsider the Class III and Class IV milk prices with the resulting pricing formulas to be implemented by January 1, 2001. USDA also is to establish a dairy forward pricing pilot program.

Nemaha County has been selected for the Options Pilot Program (OPP) by USDA. County training meetings for producers will likely be in late spring or early summer 2000.

### **Current Prices and Federal Assistance**

Current prices have left the dairy industry again questioning the future. The federal minimum price of milk has been lowered to \$9.63 per hundredweight, a decline of more than \$6 since September and the lowest prices since 1978.

USDA has recently announced another \$125 million in direct payments to dairy farmers through the Farm Service Agency.

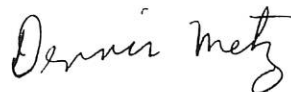
### **Suggestions to the Legislature**

The Kansas Dairy Marketing Advisory Board respectfully recommends to the Kansas Legislature that it continue to monitor these issues.

- Low prices to dairy farmers and impact on this important segment of Kansas agriculture of volatile prices.
- Congressional action on the Southern Dairy Compact.
- Effects and impacts of the implementation of the revised milk market order that includes Kansas.

The Dairy Marketing Advisory Board stands ready to appear before the Senate and House Agricultural Committees, if appropriate, to discuss these ongoing issues and any recent developments.

Sincerely Submitted,



Dennis Metz



Elaine Sauerwein



Greg Krissek