

Approved: 3-14-00  
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Steve Morris at 10:00 a.m. on March 9, 2000, in Room 423-S of the Capitol.

All members were present except:

Committee staff present:      Raney Gilliland, Legislative Research Department  
   Jill Wolters, Revisor of Statutes  
   Nancy Kippes, Committee Secretary

Conferees appearing before the committee:

Representative Daniel Thimesch  
Mary Jane Stattelmann, Assistant Secretary of Agriculture  
Mike Beam, Kansas Livestock Association  
Leslie Kaufman, Assistant Director, Public Policy Division, Kansas Farm Bureau

Others attending:      (See Attached)

Senator Huelskamp made a motion to approve the minutes of the March 8, 2000 meeting as corrected. Senator Stephens seconded. The motion carried.

Discussion on:

**HB 2527 - concerning state moneys; providing for agricultural production loans**

Revisor of Statutes Jill Wolters provided a review of Senator Huelskamp's proposal (Attachment 1). Discussion was had on several issues contained in the proposal.

Senator Huelskamp made a motion to amend his proposal into HB 2527 with an amendment to add to the proposal that "the classification of substandard or doubtful for agriculture production loan shall be determined by the designated loan committee of the financial institution" in place of "debt-to-asset ratio of 40% or greater". HB 2527 is to be modified to include language that was used when amended into SB 501 on the floor of the Senate. Senator Clark seconded. The motion carried.

Hearing on:

**HCR 5050 - urging U.S. Congress to pass legislation allowing state-inspected meat and meat products to be shipped interstate.**

Representative Thimesch testified in support of HCR 5050 urging the committee to adopt this resolution.

Mary Jane Stattelmann, Assistant Secretary of Agriculture, testified in support of HCR 5050 urging Congress to allow interstate shipment of state-inspected meat and poultry products (Attachment 2). She stated Kansas-inspected plants have proven to USDA reviewers that they can meet standards that are "equal to" the standards imposed upon federally inspected plants.

Mike Beam, Kansas Livestock Association, provided testimony in support of HCR 5050 (Attachment 3).

Leslie Kaufman, Assistant Director, Public Policy Division, Kansas Farm Bureau, gave supportive testimony on HCR 5050 inasmuch as state inspection programs meet or exceed federal inspection requirements (Attachment 4).

Senator Clark made a motion to pass favorably from committee HCR 5050. Senator Biggs seconded.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE, Room 423-S of the Capitol, 10:00 a.m., on March 9, 2000.

The motion carried.

Hearing on:

**SCR 1628 - urging President Clinton to appoint a permanent agricultural ambassador in the United States trade representative's office.**

Leslie Kaufman, Assistant Director, Public Policy Division, Kansas Farm Bureau, testified in support of **SCR 1628** (Attachment 4).

Senator Umbarger made a motion to pass favorably SCR 1628. Senator Clark seconded and the motion carried.

Hearing on:

**SCR 1626 - urging Congress to remove the executive branch's unilateral trade sanction authority on food and medicine**

Leslie Kaufman, Assistant Director, Public Policy Division, Kansas Farm Bureau, testified in support of **SCR 1626** (Attachment 4).

Senator Umbarger made a motion to pass favorably SCR 1626. Senator Clark seconded and the motion carried.

The next meeting will be March 14, 2000.

# SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: 3-9-00

NAME	REPRESENTING
Tom Brown	Farm Credit System
Mark Goodwin	Hein & Weir chd.
Leslie Kaufman	Ks Farm Bureau
Mary Jane Stattelman	KDA
<del>J. Truckenberry DVM</del>	KDA
David McLandless	KFB Capitol Experience
Ben Glass	KFB Capitol Experience
Lakeland Cole	Sen. Tyson - office
Glenn Filinger	KFB Capitol Experience
London Larson	KFB Capito Experience
Ashley Kallman	KFB Capitol Experience
Mistel Maricok	KFB Capitol Experience
Jachary Cordel	Farm Bureau
Carmen Wallace	Farm Bureau

SENATE SUBSTITUTE FOR SUBSTITUTE FOR HOUSE BILL NO. 2527

By Committee on Agriculture

AN ACT concerning taxation; relating to tax credits for agricultural production loans.

Be it enacted...

Section 1. (a) On and after the effective date of this act and prior to July 1, 2004, a state bank or national banking association which extends or renews an agricultural production loan under the provisions of this act to an eligible agricultural borrower at an interest rate which is at least one whole percentage point less than the prime interest rate then specified by the bank on such loans with equivalent collateral, and a state bank or national banking association which reduces the rate of interest being charged on any outstanding agricultural production loan to an eligible agricultural borrower by at least one whole percentage point shall receive a credit against its tax liability pursuant to K.S.A. 79-1106 et seq., for taxable years commencing after December 31, 1999, to the extent hereinafter provided. Such tax credit shall be allowed for such interest rate reductions upon agricultural production loans having a total principal amount not exceeding 15% of the amount of such loans reflected in the bank's report of condition filed with the federal deposit insurance corporation as of December 31, 1999.

(b) For the purposes of this section, the term "eligible agricultural borrower" means any person, limited agricultural partnership, limited liability agricultural company or family farm corporation, as defined in K.S.A. 17-5903, and amendments thereto, located in the state of Kansas: (1) having an agricultural production loan which has been classified as substandard or doubtful by any banking regulator, the farm credit administration or a district farm credit system institution which is subject to review by the farm credit administration; or (2) who has a debt-to-asset ratio of 40% or greater.

(c) An interest rate reduction may be applied under the provisions of this section only when the eligible borrower can be reasonably expected to service the principal and interest for the term of such person's loan.

(d) The total credit against tax liability shall be the amount by which the interest income to the state bank or national banking association on and after the effective date of this act and prior to July 1, 2004, has been reduced on such loans because of such reductions in rates of interest, except that the credit allowed as a result of an interest rate reduction on any one agricultural production loan shall not exceed an amount equal to 3% per annum on the unpaid principal balance of the loan. The tax credit allowed for any taxable year shall not exceed 1/5 of the total tax credit of the bank allowed under this act. Unused tax credit shall be carried forward as a credit to the bank's tax liability in each subsequent taxable year and shall then be taken into account, subject to the limitation that the credit in any one taxable year may not exceed 1/5 of the total tax credit.

Sec. 2. (a) On and after the effective date of this act and prior to July 1, 2004, any production credit association or agricultural credit association chartered by the farm credit administration under the federal farm credit act, as amended (12 U.S.C. 2001 et seq.), which extends or renews an agricultural production loan under the provisions of this act to an eligible

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*Attachment 1*

agricultural borrower at an interest rate which is at least one whole percentage point less than the lowest rate at which the association is making agricultural production loans to agricultural loan customers with equivalent collateral, and any such association which reduces the rate of interest being charged on any outstanding agricultural production loan to an eligible agricultural borrower by at least one whole percentage point shall receive a credit against its income tax liability pursuant to article 32 of chapter 79 of the Kansas Statutes Annotated, for taxable years commencing after December 31, 1999, to the extent hereinafter provided. Such tax credit shall be allowed for such interest rate reductions by an association upon agricultural production loans having a total principal amount not exceeding 15% of the amount of such loans reflected in the association's report filed with the farm credit administration for calendar year 1999.

(b) For the purposes of this section, the term "eligible agricultural borrower" means any person, limited agricultural partnership, limited liability agricultural company or family farm corporation, as defined in K.S.A. 17-5903, and amendments thereto, located in the state of Kansas: (1) having an agricultural production loan which has been classified as substandard or doubtful by any banking regulator, the farm credit administration or a district farm credit system institution which is subject to review by the farm credit administration; or (2) who has a debt-to-asset ratio of 40% or greater.

(c) An interest rate reduction may be applied under the provisions of this section only when the eligible borrower can be reasonably expected to service the principal and interest of such person's loan.

(d) The total credit against tax liability shall be the amount by which the interest income to the association on and after the effective date of this act and prior to July 1, 2004, has been reduced on such loans because of such reductions in rates of interest, except that the credit allowed as a result of an interest rate reduction on any one agricultural production loan shall not exceed an amount equal to 3% per annum on the unpaid principal balance of the loan. The tax credit allowed for any taxable year shall not exceed 1/5 of the total tax credit of the association allowed under this act. Unused tax credit shall be carried forward as a credit to the association's tax liability in each subsequent taxable year and shall then be taken into account, subject to the limitation that the credit in any one taxable year may not exceed 1/5 of the total tax credit.

(e) Any taxpayer who qualified for and claimed credit under this section prior to its amendment by this act shall continue to be subject to this section as in effect at the time the taxpayer qualified for such credits for the entire period for which the credits were claimed.

Sec. 3. Any state bank, national banking association or production credit association or agricultural credit association chartered by the farm credit administration under the federal farm credit act, as amended (12 U.S.C. 2001 et seq.), who claims a tax credit pursuant to this act shall not use any funds from an agricultural production loan deposit, invested pursuant to 2000 Senate Bill No. 501, for agricultural production loans to qualify for the tax credit pursuant to this act.

Sec. 4. This act shall take effect and be in force from and after its publication in the Kansas register.

STATE OF KANSAS

BILL GRAVES, GOVERNOR  
Jamie Clover Adams, Secretary of Agriculture  
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KANSAS DEPARTMENT OF AGRICULTURE

Senate Agriculture Committee

March 9, 2000

Testimony Regarding HCR 5050

**Mary Jane Stattelman, Assistant Secretary of Agriculture**

Good morning Chairman Morris and members of the Senate Agriculture Committee. I appear today in support of this effort urging Congress to allow interstate shipment of state-inspected meat and poultry products.

State-inspected plants in Kansas, and across the nation, have proven to USDA reviewers that they can meet standards that are "equal to" the standards imposed upon federally inspected plants. Therefore, it is only fair that our plant owners be permitted to market their products anywhere in the United States.

The Department has encouraged the Kansas Congressional delegation and USDA Secretary Glickman to enact legislation permitting interstate shipment of state-inspected meat and poultry products. USDA has introduced S. 1988, which would permit interstate shipment of state-inspected products. A hearing on this bill is scheduled for later this month. I met with our Congressional delegation staff to relay the importance of this issue to our state-inspected plants. While we will continue to take every opportunity to convey our sentiment on this issue, as well as work through our national professional organizations to reach this goal, we strongly urge each of you to contact your Senator to urge the passage of interstate shipment of meat.

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*3-9-00*  
*Attachment 2*

I support interstate shipment of state-inspected products because I believe our plants are producing products that are every bit as "equal to" the products produced by federally inspected plants. Also, I believe our state meat inspection program is doing a good job to ensure that only wholesome products are entering commerce.

I am concerned, however, with the section of the resolution relating to increasing the poultry exemption from 1,000 to 3,000 (lines 29-30; 36-38). The resolution states that the number of poultry that can be slaughtered without inspection needs to be increased to meet current consumer demand. The Department has not received consumer requests for an increase in the exemption, but we have received requests from producers who would like to slaughter more poultry without being under inspection. In Kansas, the slaughter of 3,000 chickens, or other poultry, is a fairly significant business. It is unclear why a producer would not want to be fully inspected, especially if interstate shipment passes. At least then they would be prepared to meet the potential of selling to more consumers. As we have previously stated to this Committee, it is hard to argue from a food safety standpoint that Kansans are well served by raising the exemption of uninspected animals that can be offered for sale to the consumers of our state.

I appreciate the opportunity to appear before you in support of interstate shipment of state-inspected meat. If you have questions, I will gladly answer them at the appropriate time.



*Since 1894*

To: The Senate Agriculture Committee  
Senator Stephen Morris, Chairman

Fr: Mike Beam, Executive Secretary, Cow-Calf/Stocker Division

Re: Support of HCR - Interstate Shipment of State Inspected

Date: March 9, 2000

For nearly 20 years the Kansas Livestock Association (KLA) has supported federal legislation allowing state inspected meat processing plants to ship their products interstate. We continue to support this change and consequently support this provision of HCR 5050.

State inspected plant operators have continually expressed their frustration to us about their inability to ship their goods across state lines. This is especially frustrating to plants located near our states' borders that may be a stone's throw away from new marketing opportunities.

Today, several of these small plants have developed specialty products. The current federal law, however, substantially restricts their ability to expand markets and grow their businesses. In most situations these plants are located in rural communities. These communities could certainly benefit from a thriving and growing local packing plant/processor who is innovative and aggressive in their product development and marketing efforts.

Unfortunately, the state line is the high hurdle that keeps the state inspected plants from becoming more successful.

I'm encouraged by news from Washington D.C. that legislation lifting the interstate shipment ban is scheduled for mark-up this spring. This bill, S. 1988, is sponsored by Senator Tom Daschle (D-SD) and twelve others. Senator Sam Brownback is one of these sponsors.

In closing, we support HCR 5050 and S. 1988. Thank you for considering this resolution and for your support on this issue.

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*3-9-00*  
*Attachment 3*





# PUBLIC POLICY STATEMENT

## SENATE COMMITTEE ON AGRICULTURE

**RE: HCR 5050 – Authorizing the interstate shipment of state inspected meat.**

**SCR 1626 – Urging removal of the executive branch’s unilateral trade sanction authority on food and medicine.**

**SCR 1628 – Urging the appointment of a permanent agricultural ambassador within the U.S. Trade Representative's office.**

**Prepared by:  
Leslie Kaufman, Assistant Director  
Public Policy Division  
Kansas Farm Bureau**

Chairman Morris and members of the Senate Committee on Agriculture, thank you for the opportunity to appear today and share with you Farm Bureau’s support for HCR 5050, SCR 1626 and SCR 1628. I am Leslie Kaufman. I serve as the Assistant Director of Public Policy for Kansas Farm Bureau.

### HCR 5050

Farm Bureau strongly supports the state Meat and Poultry Inspection Program administered by the Kansas Department of Agriculture. The state inspection program meets a vital need in supporting local meat processing facilities and ensuring the safety of our state’s food supply. This program benefits all consumers and should be supported with State General Fund appropriations.

As you know, state inspection programs must meet or exceed federal inspection requirements. Thus, it makes little sense to exclude state-inspected meat from interstate markets. State-inspected meat should be allowed to move in interstate commerce. This policy position was re-affirmed this past November by our voting delegates at the 81<sup>st</sup> Annual Meeting of Kansas Farm Bureau. Our American Farm

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attachment 4*

Bureau Policy also supports the interstate shipment of meat inspected under a state program that is equal to the federal program and approved by USDA.

It is extremely important to open interstate markets to producers and processors who prefer the state inspection system. We encourage the committee to act favorably on HCR 5050.

#### **SCR 1626**

Our farmers want to farm for the market. We favor market-oriented agriculture. The 1996 Farm Bill, Freedom to Farm, envisioned a move away from government control toward a more market-driven agriculture industry. Our farmer and rancher members are living up to their end of the bargain and producing for a domestic and global market place. The federal government has, in our opinion, failed to fully live up to their end of the bargain in terms of eliminating trade barriers. These barriers, including sanctions on food and agricultural products, have a stifling effect on the agriculture industry.

We believe all agriculture products should be exempt from all embargoes and unilateral sanctions except in case of armed conflict. Should a trade embargo or restrictions be declared under such circumstances, the embargo should apply to all trade, technology and exchanges. An embargo should not be declared without the consent of Congress.

We encourage this committee and the full legislature to consider favorably SCR 1626 and its message that the executive branch's unilateral trade sanction authority over food must be restricted.

#### **SCR 1628**

International trade is of vital importance to our farm economy. As noted earlier, our farmer and rancher members produce for global markets. The Secretary of the U.S. Department of Agriculture and the U.S. Trade Representative (USTR), and their respective offices, play vital roles in matters concerning trade. Farm Bureau supports the establishment of a permanent ambassador for agriculture within the U.S.T.R.'s office. This should help ensure agriculture interests are advanced and protected in trade matters. As such, we respectfully request you recommend SCR 1628 favorable for passage. Thank you.