

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman John Faber at 3:30 P.M. on February 6, 2007, in Room 241-N of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department
Jason Thompson, Revisor of Statutes
Florence Deeter, Committee Assistant

Conferees appearing before the committee:

Tracy Streeter, Director, Kansas Water Office
Steve Frost, State Conservation Commission
Sharon Falk, Groundwater Management, District 5
Mike Beam, Sr. Vice-President, Kansas Livestock Association
Tom Thompson, Kansas Chapter of the Sierra Club
Steve Swaffar, Director of Natural Resources, Kansas Farm Bureau
Mark Rude, Executive Director, Southwest Kansas Groundwater Management, District 3
Tom Bogner, Board Member, Southwest Kansas Groundwater Management, District 3
Mary Jane Stankiewicz, Kansas Grain and Feed Association, Kansas Agribusiness Retailers Association
Leslie Kaufman, Kansas Cooperative Council
Matt Johnson, Director of Feed Ingredient Procurement, Seaboard Farms
Mike Toner, Farmer, Longville, Kansas
Dana Peterson, Kansas Association of Wheat Growers

Others attending:

See attached list.

Hearing on HB 2184 - Conservation Reserve Enhancement Program

Tracy Streeter, Director, Kansas Water Office, a proponent of **HB 2184**, summarized his testimony stating that the Conservation Reserve Enhancement Program (CREP) is a voluntary, incentive-based program aimed at reducing water usage along the Arkansas River valley (Attachment 1). Funds for this initiative were appropriated by the 2006 Legislature and are held in reserve pending the decision of the 2007 Legislature. Additional money from the Kansas-Colorado-Arkansas lawsuit provides \$7.8 million; by law participants receive payment for land that has been placed in one or more of the conservation programs.

Mr. Streeter indicated that rental rates are set by various entities, including bankers, extension agents, landowners, and others with expertise and knowledge of the irrigation needs of the area affected. If the established rental rates are approved and are similar to the estimates provided, the program could generate \$155 million in federal funds over a fifteen year period. He also said that dryland farming is not presently an option in the farm bill. A Kansas State University study conducted to study the impact of taking 100,000 acres from irrigation production and planting grass showed a three percent reduction in agricultural economy; regionally, the study indicated a .1 to .2 percent reduction in economic activity as a result of CREP implementation.

Steve Frost, Water Conservation Programs Manager with the State Conservation Commission (SCC), brought information regarding the position of the upper Arkansas River in the CREP program (Attachment 2). The goal in managing the program is to conserve 150,000 acre feet of water per year. He stated that rules and regulations in the program need to be carefully delineated, and implementation of the program will involve the SCC in training Farm Service Agency personnel on how to process various applications. Because of the complexity of determining water rights, an additional position of an environmental scientist is needed to assist the Conservation Programs Manager in providing cost-effectiveness and efficiency in administering the program.

CONTINUATION SHEET

MINUTES OF THE House Agriculture and Natural Resources Committee at 3:30 P.M. on February 6, 2007, in Room 423-S of the Capitol.

Sharon Falk, Groundwater Management, District 5, spoke as a representative for the Middle Arkansas River Basin in reference to the importance of CREP programs being established in the central part of the state (Attachment 3). Members of the fifth district are concerned about ground water fluctuations because of the wildlife refuges located in the area. Also of concern is the economic impact on local communities and agribusinesses. She said that this program, in coordination with others available, could be very beneficial to the conservation of water usage in this area of Kansas.

Referring to written testimony from Dennis Dutton, President of the Water Protection Association of Central Kansas, Ms. Falk stated that CREP would retire some water rights and help contribute to greater stability of groundwater resources (Attachment 4).

Mike Beam, Sr. Vice President, Kansas Livestock Association, expressed the agency's position regarding the future of the beef cattle industry in relation to grain futures and available forage land (Attachment 5). A very high percentage of grain and hay is used annually to feed beef cattle. Producers are concerned about taking irrigated crop land out of production, when a large amount of grain is beginning to be used for ethanol production. Mr. Beam voiced support for the inclusion of CREP contracts to allow dryland farming.

Tom Thompson, Kansas Chapter of the Sierra Club, a proponent of **HB 2184**, said increased stream flow from the Upper Arkansas River Basin could benefit the ecological systems and recreational opportunities in the Cheyenne Bottoms area (Attachment 6). He said a 2001 national survey indicated a large number of wildlife watching days contributed over \$128 million in rural Kansas. Mr. Thompson stated further that for healthy habitat and more prolific wildlife, the Sierra Club advocates restoration of riparian areas and streams.

Steve Swaffar, Director of Natural Resources, Kansas Farm Bureau, acknowledged the need for slowing the process of aquifer decline and said the voluntary aspects of CREP could eliminate the need for regulatory action (Attachment 7). He said the federal funds gained from CREP and combined with state funds could be beneficial to eventual economic impacts. He advocated for local farmers and ranchers holding water rights to have opportunity for enrolling in the programs that benefit the needs of farming operations.

Mark Rude, Executive Director, Southwest Kansas Groundwater Management, District 3, spoke in favor of the proposals put forth in the CREP (Attachment 8). The issue of water supply in southwest Kansas is critical for commodities and new energy projects. Mr. Rude said that, while this is not a perfect plan, CREP is a cost effective program for Kansas.

Tom Bogner, Board Member, Southwest Kansas Groundwater Management, District 3, as a proponent he reiterated much of the same testimony as Mr. Rude (Attachment 9). He stated that groundwater management has been a priority issue in western Kansas for many years. The proposals in the CREP appear to have significant solutions to the usage of water along the Arkansas River.

Mary Jane Stankiewicz, Kansas Grain and Feed Association, Kansas Agribusiness Retailers Association, speaking in opposition to **HB 2184**, explained that the proposed savings of 149,000 acre feet of water is only a paper savings (Attachment 10). She stated the seeming water savings is negligible because there is lack of enforcement on water rights users. Ms. Stankiewicz cited statistics compiled from a study by Kansas State University showing an annual negative impact in loss of tax revenues and the number of years needed to recoup economically if CREP is used as the only option. She commented further saying only one county has enrolled in CREP and the local economy of about ten other counties could experience great loss of incomes.

Leslie Kaufman, Kansas Cooperative Council, spoke in opposition giving a position statement from the agricultural membership of the organization. She stated that some water conservation programs exist which can be supported; however, the Council supports a program that provides for transition to dryland farming (Attachment 11). Ms. Kaufman said that the economic loss cannot compare with the amount of water saved. She recommended several options be placed in the CREP proposal: continue active agricultural production; consideration of purchased water rights; prioritize of usage based on hydrologic benefit; and provide a high quality level of enforcement and monitoring of water usage in the entire CREP area.

Matt Johnson, Director of Feed Ingredient Procurement for Seaboard Farms, spoke in opposition to **HB 2184**,

CONTINUATION SHEET

MINUTES OF THE House Agriculture and Natural Resources Committee at 3:30 P.M. on February 6, 2007, in Room 423-S of the Capitol.

alluding to the fact that greatly reducing the number of production acres for a period of fifteen years does not bode well for the economy of this region (Attachment 12). He said Seaboard Farms would be required to pay more taxes, employees would be required to do the same, and the region would suffer a loss of \$400,000 annually. Mr. Johnson said 900,000 tons of feed is processed in Kansas facilities to feed the hogs raised at Seaboard Farms. Reducing acreage, which is proposed in CREP, will diminish the supply of Kansas grain, necessitating acquiring grain from other states. He stated further that rural communities may experience greater economic decline.

Mike Toner, a farmer from Longville, Kansas, spoke to members about the amount of money farmers and ranchers paid for equipment to pump water, but have never paid for the amount of water produced. He said taxpayers do not need to be paying the amount of money proposed in CREP to rescue farmers who use irrigation. Mr. Toner spoke extemporaneously and had no written testimony for the committee.

Tim Stroda, President, CEO, Kansas Pork Association, submitted written testimony in opposition to **HB 2184** (Attachment 13). His primary concern is the loss of grain production within the state; a secondary issue is in regard to the loss of property values within the Arkansas River Basin.

Tom Palace, Executive Director, Petroleum Marketers and Convenience Store Association of Kansas, submitted written testimony in opposition to **HB 2184** (Attachment 14). Mr. Palace advocated the inclusion of dryland farming to offset the negative economic impact CREP could cause.

Dana Peterson, Kansas Association of Wheat Growers, spoke from a neutral position, advocating a redirection of water regulation and allocation procedures to establish reliable conservation of water usage (Attachment 15). She said the complicated plan of voluntary enrollment in CREP needs careful consideration of decisions.

Rex Buchanan, Kansas Geological Survey, was asked to present information requested from a previous committee meeting.

The Chairman closed the hearing on **HB 2184**.

The Chairman requested Mr. Streeter bring the full CREP document to the committee.

The meeting adjourned at 5:50 p.m. The next meeting is scheduled for February 7, 2007.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: February 6, 2007

| NAME | REPRESENTING |
|-------------------------|---------------------------|
| Dennis T. We | |
| Michael J. Tom | |
| Dane Peterson | Ks Assoc of Wheat Growers |
| Matt Johnson | Seaboard Foods |
| Rollin Jennison | GMD #1 |
| David L. Pope | KDA |
| Don W. Hensure | KGS |
| Tina Alder | KDA |
| STEVE FROST | SLL |
| CV Cotsoradis | KDA |
| Rex Buchanan | Ks. Geological Survey |
| Mike Beam | Ks Livestock Assn. |
| Joe Fund | KWO |
| Tracy Streeter | KWO |
| Sharon Falk | COMOS |
| Kent Askren | KFB |
| Steve Swaffr | KFB |
| Kim Christensen | KWD |
| | |



K A N S A S

TRACY STREETER, DIRECTOR

KANSAS WATER OFFICE

KATHLEEN SEBELIUS, GOVERNOR

Testimony on House Bill 2184 Senate Natural Resources Committee

February 6, 2007

Chairperson Faber and members of the Committee, I am Tracy Streeter, Director of the Kansas Water Office (KWO). I appear before you this morning in support of House Bill 2184. HB 2184 authorizes the State of Kansas to enter into an agreement with US Department of Agriculture, Farm Services Agency (FSA), for the establishment of an Upper Arkansas River Conservation Reserve Enhancement Program (CREP). A CREP is a federal/state/local partnership to address natural resource issues of state and national importance. The goal of this CREP is to sustain the resources of the upper Arkansas River valley including the regional ground water supply. Reduction of water use along the Arkansas River valley will slow the stream flow declines and reduce the rate of aquifer declines. It will also mitigate water quality problems, and enhance wildlife habitat. The lessening stream flow and aquifer declines are serious challenges for our State. Water quality is also a serious concern; the Arkansas River is one of the most saline rivers in the nation when it enters Kansas.

The 2006 Legislature appropriated up to \$5 million in matching funds for the Upper Arkansas River CREP and placed those funds in a "lock box". The Legislature further instructed the Kansas Water Office and State Conservation Commission to prepare the CREP program for review and approval by the 2007 Legislature. Per those instructions, we have prepared and submitted to the FSA national office a well documented and comprehensive proposal for a CREP. It extends along the upper Arkansas River valley from the stateline downstream to just past Great Bend, where it intersects the Rattlesnake Creek River. The initial proposal was submitted in August, 2006. After FSA comments, we revised and resubmitted the proposal in December, 2006. The CREP proposal is available online at: www.kwo.org. During the development of the proposal, we've collaborated with other agencies and organizations, met with county commissioners, and held public meetings for input. We tried to incorporate the flexibilities requested, within the confines of the national CREP guidelines.

CREP is a voluntary, incentive based program. An irrigator who has acreage that lies within the CREP boundaries can apply to enroll those acres into a 14 or 15 year contract. During the life of the contract, the land must be put into one or more of the eight approved conservation practices. In cases of whole field enrollments, permanent cover consisting of native grasses would be planted based on current federal policy. The participant will receive a signup incentive payment from the State for every irrigated acre enrolled, plus assistance on plugging the associated irrigatio

the participant \$50 per acre for seeding, and an annual rental and maintenance payment for every year of the contract. Acres that are irrigated will receive irrigated rental rate payments; dryland acres will get dryland rental rate payments. On some select conservation practices, USDA will also pay the producer a signup incentive payment, a practice implementation payment, and/or a hydrology bonus payment.

A condition of acceptance into the program is the permanent dismissal of the water rights associated with the acres enrolled. There are both federal and state minimum use requirements for eligibility. Both the federal government and the State want to assure that there are real benefits that accrue to the area with the dismissal of a water right, that what is dismissed is a "wet" water right and not just on paper.

The maximum size of a CREP program is 100,000 acres. However, States may, and several do, have more than one CREP. The program is targeted to irrigated acres, but dryland corners with a whole field enrollment are also allowed. If this CREP is fully enrolled, the potential annual water savings are 148,500 acre-feet.

I am happy to report to the committee that we completed the negotiations with Farm Services Agency yesterday on the key issues. One big item was whether USDA would credit the cash Kansas identified as our match. A requirement of a CREP is that the federal government cannot pay more than 80% of the total program costs. The State and Local must pay at least 20% of the total costs, and half of that, or 10% of the total, must be cash payments. We have the \$5 million appropriated by the State Legislature in 2006 (pending approval of this legislation). We are also proposing well plugging assistance at \$120,000 per year for up to five years or \$600,000. And a State CREP coordinator is also required. Over the 15 years of the program we estimate a coordinator position will require \$1.3 million. That is \$6.9 million in new state dollars; most of that amount comes from one time money received in the Kansas v. Colorado Arkansas River Compact lawsuit damage award.

We were successfully able to have an additional \$7.8 million credited as cash towards this CREP. Most of this amount is also one time money from the Kansas v. Colorado Arkansas lawsuit damage award; money that by law must be used for conservation and efficiency projects within the area of economic damage from past Arkansas River compact violations. The projects proposed by the Arkansas River Steering Committee are consistent with the goal of the CREP.

The crediting of these efforts as part of the State contribution towards CREP provides a match that is sufficient for federal assistance which exceeds \$155 million (see attachment). All federal funds will be provided to CREP participants in the form of annual rental payments, cost-share for grass establishment and other incentive payments on selected practices.

The irrigated land rental rates are not yet established. Based in part on a survey of Ag Bankers and producers, we estimate rates that are in the \$100 – \$110 per acre range, with a higher rate for center pivot fields, and lower for fields in flood irrigation. The estimates from the Farm Service Agency are lower (see Table 3). The rates will be established by FSA organized teams in the CREP counties, which will include bankers, extension agents, realtors, farmers and others that aware of what the going cash rental rate is for irrigated land. Dryland rates have already been established for each county and soil type. The FSA annual maintenance fee payment is \$4/acre.

Within the CREP area, the state payments are based on whether the acres are tier one or tier two. Tier one acres are closer to the river, or have a higher wind erodibility and are unlikely to be successfully dryland farmed. Tier two acres are further from the river. The state will pay a one time upfront payment of \$62/irrigated acre in tier one, and \$35/irrigated acre in tier two.

One flexibility I heard from several groups is the desire to retire the water, but continue to dryland farm. Our current understanding is that under the current federal rules, that is not an option. However, there is some debate on that, and we are requesting a written clarification from USDA Secretary Mike Johanns. In the proposal and in our discussions with FSA it is noted that should dryland farming become an option under the 2007 federal Farm Bill, the Kansas CREP program would be subject to that new provision as well as any other new CREP provisions contained in the conservation title farming. Another flexibility included in the proposal is the future use of grasses planted under the program for cellulosic ethanol production.

There is significant concern related to the projected economic impact of implementing a CREP. The study entitled *Regional Economic Impacts of the Implementation of the CREP in the Kansas Upper Arkansas River Basin*, April 2006, by Dr Leatherman et al., KSU, relied upon 2003 data to estimate the economic impact assuming the program would be implemented proportionately across the 10 county area. The study estimated that the program would cause a three percent reduction to the direct agricultural economy and 0.10 – 0.20 percent reduction to the regional economy affected by CREP.

The study did not evaluate one significant factor - the potential impact of existing CRP acres in the area returning to crop production. There are over 300,000 acres with CRP contracts that will expire in 2, 3, 4 or 5 years. KSU ag economists predict that due to recent and projected future commodity prices, it is likely that up to 80 percent of expiring CRP contracts could return to crop production. Table 5 illustrates, by county, the current CRP contracts with expiration dates within the next five years.

To get an idea of what acres coming out of CRP might mean for the economy, I looked at the economic impacts of enrolling dryland sprinkler corners as contained in the KSU study. Table 6 lists the direct economic annual economic impact associated with CREP, including the dryland corners that may be enrolled and the potential revenue loss with that enrollment. Using that relationship, which indicates a loss of roughly \$500,000 with 15,000 acres of dryland corners enrolled into CREP, what would be the potential economic benefit of CRP acres coming back into enrollment? If 50% of the CRP acres expiring within the next five years returned to dryland crop production, that could provide crop production benefits of \$5.1 million annually. If, the number of acres returning to production is closer to 80% as indicated previously, the crop production return to the region would be approximately \$8.2 million annually.

In closing, the Upper Arkansas River CREP provides a very real opportunity to leverage a limited amount of one time money in State dollars with a substantial amount of federal assistance to address serious water level declines along the Arkansas River valley. The declines in this region are well documented. There is little doubt that without a voluntary, incentive based programs, irrigators and the regional economy, will be impacted with well yield loss and wells going dry as water levels continue to decline. CREP alone won't solve all the shortages, but it will help slow the decades of water declines. This is an important program towards assuring water for a viable western Kansas far into the future.

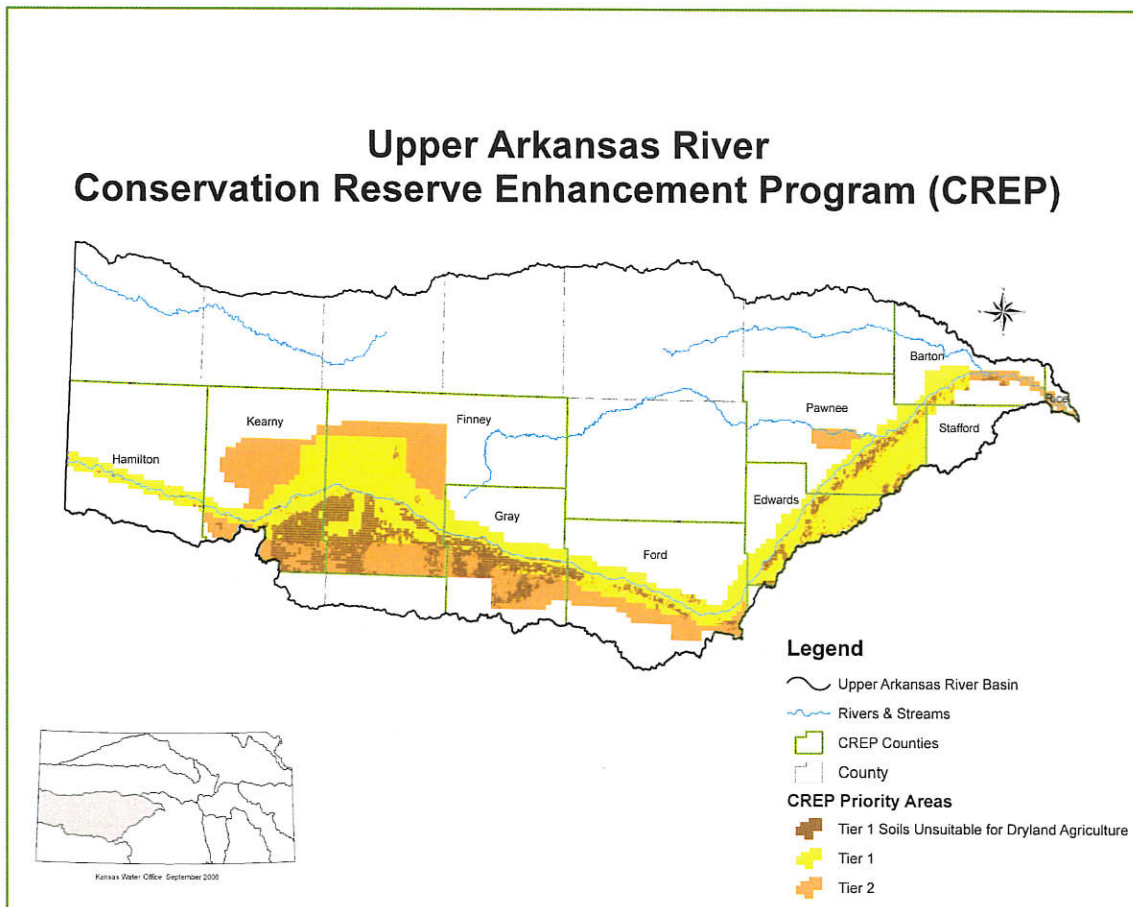
Thank you Chairman Faber for the opportunity to appear before you today. I will stand for questions at the appropriate time.

Key features on the proposed Upper Arkansas River Conservation Reserve Enhancement Program (as agreed to by Farm Service Agency, February 5, 2007)

Total Estimated Project Costs

Table 1: Estimate of total program costs.

| Source | Costs | NPV Costs |
|-------------------------------|----------------------|----------------------|
| Federal contributions | \$155,430,125 | \$113,042,930 |
| Non-federal contributions | | \$44,156,676 |
| Cash | \$14,717,347 | |
| Technical Assistance & InKind | \$29,439,329 | |
| Total Project Costs | \$199,586,801 | \$157,199,606 |



| Table 2 | State and Local | | Federal | |
|----------------------------------|--|---------------------|--------------------------------|----------------------|
| State & Local Cash | State SIP | \$5,000,000 | Rental (including maintenance) | \$109,054,093 |
| | SCC CREP Coordinator | \$1,305,000 | Incentives | \$161,212 |
| | KWO Wetland Bonus | \$360,000 | Cost-sharing | \$3,827,625 |
| | SCC CREP Well Plugging | \$600,000 | | |
| | SCC Tamarisk Control | \$750,000 | | |
| | Water Conservation Project Fund: aquifer recharge project | \$2,540,000 | | |
| | Water Conservation Project Fund: Surface Water Efficiency | \$4,050,000 | | |
| | SCC Cost Share | \$112,347 | | |
| | Cash subtotal | \$14,717,347 | Federal Cash Subtotal | \$113,042,930 |
| Tech Assistance | WCPF Project Manager | \$400,000 | | |
| | KDA, DWR | \$6,000,000 | | |
| | Kansas Geological Survey | \$1,530,000 | | |
| | Kansas Department of Wildlife and Parks | \$651,000 | | |
| | Conservation Districts | \$11,250 | | |
| | State TA subtotal | \$8,592,250 | | |
| State & Local In Kind | SCC Cost Share | \$8,178,210 | | |
| | Water Conservation Project Fund: Channel Projects | \$2,450,000 | | |
| | GMD #5: Water Rights Management in CREP Area | \$3,635,897 | | |
| | Groundwater Management District #5: Payments not to Irrigate | \$150,000 | | |
| | Groundwater Management District #3: Water Rights Management in CREP Area | \$4,500,000 | | |
| | KDHE Water Quality Monitoring | \$439,872 | | |
| | KWO Weather Modification and Tamarisk Recovery | \$1,485,300 | | |
| | GIS Projects and Data Collection | \$7,800 | | |
| | State In Kind subtotal | \$20,847,079 | | |
| Total | State & Local Cash | \$14,717,347 | | |
| | Technical Assistance | \$8,592,250 | | |
| | State & Local In Kind | \$20,847,079 | | |
| | State & Local Total | \$44,156,676 | Federal Payments | \$113,042,930 |

Table 3: Estimated and Proposed Irrigation Rental Rates.

| County CREP Area | FSA Estimates (county wide) | Proposed Flood Irrigation Rental Rate ¹ | Proposed Center Pivot Irrigation rental rate ¹ |
|------------------|-----------------------------|--|---|
| Hamilton | \$70 | \$95.00 | \$104.00 |
| Kearny | \$60 | \$90.00 | \$99.00 |
| Finney | \$80 | \$105.00 | \$116.00 |
| Gray | \$100 | \$100.00 | \$110.00 |
| Ford | \$100 | \$103.00 | \$113.00 |
| Edwards | \$100 | \$105.00 | \$115.00 |
| Pawnee | \$85 | \$100.00 | \$110.00 |
| Stafford | \$115 | \$112.00 | \$123.00 |
| Barton | \$90 | \$100.00 | \$110.00 |
| Rice | \$65 | \$90.00 | \$99.00 |

¹ Actual rates will be determined by FSA organized teams in CREP counties, and set by HUCs (Hydrologic Unit Codes) rather than county boundaries.

Table 4: Example Payment to a Producer for estimated range on Irrigated Rental Rate.

| Finney County Center Pivot 160 Whole Field (CP2) | Annual Rental (15 Years) Plus \$4 Maintenance Fee | Seeding Cost Share | State Incentive Payment | Total |
|---|--|---------------------------|--------------------------------|---|
| 130 Acres Irrigated | \$80-\$116/acre + \$4 | \$50/acre | \$62.00 | Year 1 on 160 acres: \$27,980- \$32,660 |
| 30 Acres Dryland corners | \$29.33/acre + \$4 | \$50/acre | None | |
| Years 2-14 of Program | Acre rental + Maintenance \$\$ | n/a | n/a | 15 Year Total: \$194,858 - \$265,058 |

Table 5: Conservation Reserve Enhancement Program (CRP) Enrollment.

| | Projected CREP Acres | 2 Yr. Acres | 3 Yr. Acres | 4 Yr. Acres | 5 Yr. Acres | Total |
|--------------|----------------------|---------------|---------------|---------------|---------------|----------------|
| Hamilton | 3,610 | 3,248 | 27,715 | 24,573 | 65,774 | 121,310 |
| Kearny | 19,050 | 9,817 | 17,223 | 9,374 | 7,359 | 43,772 |
| Finney | 29,220 | 13,047 | 13,026 | 3,565 | 2,314 | 31,952 |
| Gray | 12,060 | 527 | 3,173 | 2,906 | 1,986 | 8,592 |
| Ford | 12,690 | 5,041 | 8,307 | 2,998 | 3,783 | 20,130 |
| Edwards | 8,070 | 953 | 10,238 | 7,245 | 2,800 | 21,237 |
| Pawnee | 10,880 | 10,689 | 6,305 | 2,689 | 1,463 | 21,145 |
| Barton | 3,820 | 666 | 3,050 | 1,612 | 2,476 | 7,805 |
| Stafford | 160 | 113 | 3,160 | 7,162 | 6,497 | 16,931 |
| Rice | 440 | 91 | 3,037 | 3,819 | 571 | 7,518 |
| Total | 100,000 | 44,191 | 95,234 | 65,944 | 95,022 | 300,391 |

Table 6: Direct Annual Economic Impact Associated with CREP and Return to Dryland Farming, from Regional Economic Impacts of Implementation of the Conservation Reserve Enhancement Program in the Kansas Upper Arkansas River Basin, by John Leatherman, et al, April 2006, Kansas State University (p. 14).

| County | Number of PDIV | Total Revenue | Irrigated Revenue | Dryland Revenue | Pasture Revenue | Irrigated Acres | Dryland Acres | Future Revenue |
|--------------|----------------|-----------------------|-----------------------|--------------------|------------------|-----------------|---------------|--------------------|
| Barton | 13 | (\$328,594) | (\$321,329) | (\$14,177) | \$6,912 | 1,351 | 238 | \$57,729 |
| Edwards | 49 | (\$1,384,708) | (\$1,368,619) | (\$50,015) | \$33,926 | 6,629 | 1,170 | \$212,086 |
| Finney | 147 | (\$5,006,429) | (\$5,002,825) | (\$118,422) | \$114,818 | 22,435 | 3,960 | \$536,372 |
| Ford | 49 | (\$1,461,201) | (\$1,448,390) | (\$49,508) | \$36,697 | 7,170 | 1,266 | \$223,205 |
| Gray | 26 | (\$854,644) | (\$849,552) | (\$24,841) | \$19,749 | 3,859 | 681 | \$112,010 |
| Hamilton | 54 | (\$1,947,044) | (\$1,942,787) | (\$70,320) | \$66,063 | 12,909 | 2,278 | \$369,856 |
| Kearny | 38 | (\$1,807,243) | (\$1,820,010) | (\$69,056) | \$81,824 | 15,988 | 2,822 | \$414,851 |
| Pawnee | 117 | (\$2,639,789) | (\$2,597,175) | (\$117,312) | \$74,698 | 14,596 | 2,576 | \$564,664 |
| Rice | 1 | (\$38,982) | (\$38,111) | (\$1,719) | \$848 | 166 | 29 | \$7,054 |
| Stafford | 0 | \$0 | \$0 | \$0 | \$0 | 0 | 0 | \$0 |
| Total | 494 | (\$15,468,632) | (\$15,388,797) | (\$515,370) | \$435,535 | 85,103 | 15,020 | \$2,497,826 |



2/6/07
Ag HB 2184

Greg A. Foley, Executive Director

KANSAS
State Conservation Commission

Kathleen Sebelius, Governor

**Testimony on HB 2184
relating to establishment of the**

**Upper Arkansas River Conservation Reserve Enhancement Program
presented to**

**House Committee on Agriculture and Natural Resources
by**

**Steven K. Frost
Water Conservation Programs Manager
State Conservation Commission**

February 6, 2007

Chairman Faber and Associate Committee Members,

Thank You for the opportunity to provide testimony on HB 2184. I appear before you today to discuss State Conservation Commission (SCC) implementation roles and responsibilities regarding the Upper Arkansas River Conservation Reserve Enhancement Program (UAR CREP).

House Bill 2184 proposes "AN ACT concerning water; providing for establishment of an upper Arkansas river conservation reserve enhancement program." According to H.B. 2184 language, the UAR CREP would be executed according to "an agreement between the state of Kansas and the farm service agency" (FSA). The CREP program would be established jointly by the Kansas Water Office and the State Conservation Commission (SCC). Once established, the responsibility for implementation and administration of the program would reside with SCC.

As an offspring of USDA's very successful Conservation Reserve Program (CRP), the UAR CREP proposes a voluntary program for agricultural landowners which targets additional focus on achieving specific resource management benefits. This unique USDA / SCC partnership would allow landowners to receive incentive payments for setting aside irrigated land for soil and water conservation. Through the CREP, farmers can receive annual rental payments and cost-share assistance to voluntarily dismiss water rights and establish long term resource conserving covers on eligible land. Practices such as conversion to native vegetation would be eligible with a contract period of 15 years. **The management goal of the program is to conserve about 150,000 acre-feet of water per year in the basin.** With a state match of 20% and a federal match of 80%, **up to 100,000 acres could be enrolled in this program.**

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HS AGRICULTURE AND NATURAL
RESOURCES COMMITTEE
2-6-2007
ATTACHMENT 2

The significant size and scope of this proposed program warrants serious consideration regarding administrative implementation. In addition to the \$5 Million which has been designated (lock-boxed) by the Legislature as direct contributions in the form of state incentive payments, SCC is also proposing to contribute an additional \$600,000 for well plugging activities, \$750,000 for tamarisk control projects, and \$1,305,000 for coordination personnel over the 15 year life of the program.

The fundamental mechanism for achieving the consumptive use reduction objective of the CREP is to secure the dismissal of as many available water rights with the most appropriated quantities as is possible. Not all water rights will be qualified; in fact, only water rights which have been used in 3 of the last 5 years (2001 to 2005), and those which have reported at least 50% of their authorized quantities during that time, will be eligible for participation. In its role as statewide coordinator for the program, the SCC will be responsible for evaluating and screening all of the CREP applications for enrollment. If approved, the SCC must verify the dismissal of the water right and provide initial oversight and financial assistance to achieve a proper decommissioning and legal status of the well - plugging, capping, conversion to domestic, etc.

Because water rights in Kansas are just inherently complicated, and because of the considerable number of water rights which could potentially be involved, this undertaking will require support personnel. FSA requirements outline that the state sponsor will provide a CREP coordinator for program implementation. SCC understands the need for an additional Environmental Scientist position to work closely with FSA and assist the SCC's Water Conservation Programs Manager with effective coordination.

In order to achieve the most optimum results expected, the SCC will be assisting with a great deal of training at FSA and other state / local agency offices. Support personnel at the state and county levels must be informed of how to receive and process these extra-ordinary "CRP" applications. In order to make knowledgeable decisions about participation, producers must have at least one or several opportunities to learn about the CREP and how they might be affected - whether they choose to individually participate or not.

Finally, in order to provide the most streamlined implementation possible, the SCC staff must develop and adopt a comprehensive set of agency rules and regulations on the program. This will require careful anticipation, deliberation, and crafting.

In conclusion, the State Conservation Commission stands prepared to fulfill its roles and responsibilities of implementing the Kansas State Water Plan projects which the Legislature deems timely and necessary. We support the committee's consideration of a state funded component of a federal program to provide enhanced conservation benefits to this very important area of our state, and if directed to do so, we will work diligently to provide the most efficient, cost-effective, and advantageous program possible.

Mr. Chairman, I would again like to thank you for the opportunity to provide testimony on HB 2184, and I will gladly stand for any questions at the pleasure of the committee.

Comments to:
Agriculture and Natural Resources Committee
Concerning HB 2184
February 6, 2007

Chairperson Faber and committee members, thank you for the opportunity to present our thoughts today in support of HB 2184. As representative for the Groundwater Management District Number Five, I would like to convey our support for the establishment of the Conservation Reserve Enhancement Program within the Upper Arkansas River Basin and why this program is important to our members in the central part of the state. This program will help us reach the objectives outlined in the State Water Plan where goals are set to reduce water use in the basin to reach sustainable yield.

The Middle Arkansas River Basin has been the subject of debate for a number of years as an area where water use reductions appear to be necessary. Stream flow and ground water fluctuations are continuously debated and methods of how to reach the goals are subject of controversy. Lack of and/or loss of stream flow is a concern to down stream users throughout this area of the state and is of concern to state agencies. There are two major wildlife refuges in this area that depend on these water resources. They also bring economic diversity to this area of the state.

There is considerable debate on this program relative to the potential impact to the local economies and agri-businesses. There is fear that there will be an impact to the county tax revenue, local businesses, federal payments to out of state landowners, and other economic concerns. However, we feel that the development of voluntary programs such as the CREP and other incentive based programs versus restricting individual water right owner's water use is more receptive to most producers. There is also the issue of administrative costs. For every water right purchased or retired, it is one less that must be administered by state agencies thus saving state tax dollars.

We do support the allowance of dryland farming in the CREP area to help offset any economic impact. We feel participation would be greater with this option.

Other states are developing these programs to address their water resource issues. I am sure they weighed the benefits with the negatives. It is my understanding they are productive programs.

Again, this area of the state continues to be an area where stream/aquifer issues and the reduction of water use are of utmost importance to the state. The CREP will give us another tool to address these issues.

In closing, we ask that you support this voluntary, incentive based program. Thank you for considering this testimony and I would be happy to answer any questions as needed.

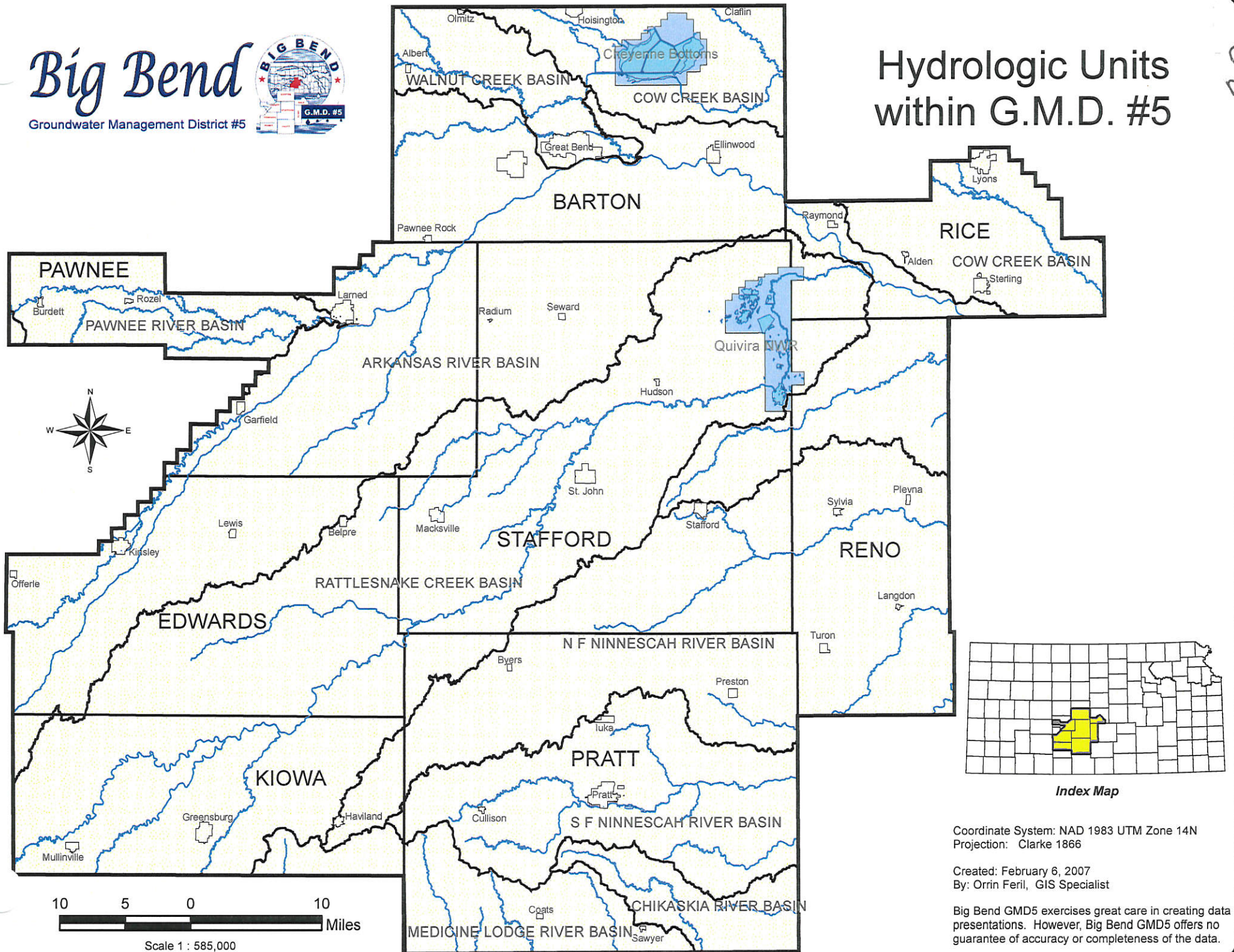
Respectively Submitted by:
Sharon Falk, Manager
Big Bend Groundwater Management District No. Five

Big Bend

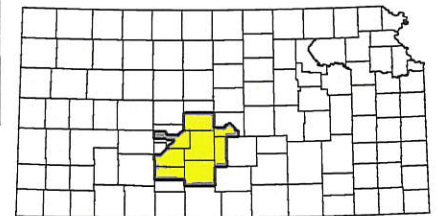
Groundwater Management District #5



Hydrologic Units within G.M.D. #5



Scale 1 : 585,000



Index Map

Coordinate System: NAD 1983 UTM Zone 14N
Projection: Clarke 1866

Created: February 6, 2007
By: Orrin Feril, GIS Specialist

Big Bend GMD5 exercises great care in creating data presentations. However, Big Bend GMD5 offers no guarantee of accuracy or completeness of the data.

February 6, 2007

House Agriculture and Natural Resources Committee
Testimony on House Bill 2184 – Proponent

Chairman Faber and Committee Members,

We apologize that we cannot be here in person today to testify in person for House Bill 2184. We thank you for the courtesy of allowing this written testimony.

The Water Protection Association of Central Kansas is a grass roots organization made up of producers who are involved in irrigated agriculture. Our membership is primarily in the west central counties of Edwards, Kiowa, Pawnee, Barton, Stafford, Rice, and Pratt. For the last 15 years we have been working to achieve water supply-water use stability in our area through water conservation efforts and interaction with all interested parties in the area. One of the primary basins we serve is the Middle-Arkansas Basin from west of Kinsley northeast to east of Great Bend along the Arkansas River.

This area has been the focus of a Middle Arkansas Basin Management Plan whereby we are seeking to reduce water use enough to stabilize the groundwater withdrawals and promote the recovery of the flows in the Arkansas River. Our producers have an important part to play in reducing water use. However, it is very difficult to producers to accomplish all of the water use reductions required. We need help in the form of programs from the Federal and State government to accomplish this stability. This legislation for the Conservation Reserve Enhancement Program for the Upper Arkansas would retire water rights in the area covered by the Middle Arkansas Basin Management Plan, and thus contribute very favorably to the long term stability of our groundwater resources and help prevent regulatory actions from the state of Kansas.

There are those who say that we should not take water rights out of production because producers who participate would no longer buy seed, fertilizer and other inputs, and would not have grain or fiber to sell off these acres. We can say without hesitation that the amount lost here is miniscule in comparison with the amount of crops and fiber lost if the State of Kansas chooses to regulate each and every one of our producers to the point where they can no longer raise profitable grain and fiber. In addition, every bushel of corn and alfalfa that we can no longer grow will be grown in Nebraska, Iowa or other surrounding states.

We urge you to support House Bill 2184. The opportunity to receive Federal dollars to help solve our over-appropriation problems in these areas of Kansas is one that we should enthusiastically support.

Dennis Dutton, President
Board of Directors



Since 1894

TESTIMONY

To: House Agricultural and Natural Resources Committee
Representative John Faber, Chairperson

From: Mike Beam, Sr. Vice President
Kansas Livestock Association

Date: February 6, 2007

Subject: HB 2184 – Establishing a Conservation Reserve Enhancement Program in Kansas.

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 5,000 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry... including seed stock, cow-calf and stocker cattle production, cattle feeding, grazing land management and diversified farming operations. Kansas ranked second nationally with 6.65 million cattle on ranches and in feed yards as of January 1, 2006. The state's beef industry consumes 72% of the corn, 16% of the soybeans, and 60% of the hay grown in Kansas.

The Kansas Livestock Association (KLA) is a proponent of a state-federal partnership to establish a Conservation Reserve Enhancement Program (CREP) in the High Plains aquifer.

You'll note in my introductory paragraph the beef cattle industry of our state has much at stake with the future availability of grain and forage. At no time in recent history have beef producers expressed more concern and anxiety about the price and availability of corn and hay. Taking productive irrigated crop land out of production, as more demand from ethanol production increases daily, has stimulated considerable discussion and soul searching by our policy committee deliberations.

Despite these concerns, however, KLA remains supportive of the use of a CREP to address a critical issue facing many water right holders and business interests that benefit from a long-term supply of ground water.

HS AGRICULTURE AND NATURAL
RESOURCES COMMITTEE
2-6-2007
ATTACHMENT 5

Purpose of the Upper Arkansas River CREP:

The proposal, as presented by the Kansas Water Office lists the following benefits, goals, or purposes for the proposal authorized by HB 2184:

- Reduce irrigation demands
- Slow the aquifer decline
- Mitigate the spread of saline waters into the aquifer
- Restore stream and riparian health

These are all benefits worthy of consideration by this legislature. We'd like to add another benefit. A targeted CREP provides significant resources for water right holders facing a reduction and/or constraint of their water use by state regulatory actions.

Why KLA supports a CREP:

When we look at the future of irrigation in the high plains, we cannot ignore or dismiss the challenges in the High Plains aquifer. Many areas are over appropriated and ground water is being pumped at rate faster than it is recharged. The Division of Water Resources continues to receive complaints of water right impairments. In several instances, irrigators, water right holders, and Groundwater Management Districts are developing and advancing initiatives to reduce consumptive use on hopes of avoiding the designation of an Intensive Groundwater Use Control Area.

In June 2006 the Chief Engineer issued an order initiating proceedings to amend the 1981 designation of the intensive groundwater control use control area (IGUCA) in the Pawnee Valley to the Pawnee Buckner watershed area just west of Larned, Kansas. Water right holders in other areas are fearful they too will be faced with an IGUCA order in the near future.

One tool to address the over appropriated issue is the purchase of water rights, on a voluntary and targeted basis. The Kansas legislature has considered and approved water right purchase tools (Water Transition Assistance Program in 2006) previously, but we believe the state is unlikely to appropriate the level of funds for this purpose that are available with a state-federal matching CREP.

Suggestions for advancing a CREP in Kansas:

We encourage this committee to support a CREP and consider further targeting by prioritizing the retirement of water rights to (1) areas identified by the state as having an impact on interstate compliance, (2) portions of the Arkansas River where impairment actions are pending, or likely to occur, (3) basins or sub-basins where an IGUCA order has been issued, or proposed. Furthermore, we believe it is imperative the CREP include a mechanism to amend CREP contracts and allow dry land farming if subsequent changes at the federal level allow such practices.

We appreciate this committee's consideration of our suggestions and offer to work with the legislature to pass authorizing CREP legislation during the 2007 session.

Thank you!

**Testimony for the House Agriculture and
Natural Resources Committee
February 6, 2007
Supporting H. B. 2184**

Chairman Faber and Honorable Members of the Committee:

My name is Tom Thompson and I represent the Kansas Chapter of the Sierra Club. I am here to support H. B. 2184.

H. B. 2184 provides for a conservation reserve enhancement program in the Upper Arkansas River Basin to be established by the state conservation commission and the Kansas Water Office. It is limited to enrolling 100,000 acres over the next 5 years.

With the purpose of creating a joint Federal and State program with the purpose of decreasing water usage, the Sierra Club hopes that the health of the Arkansas River and its tributaries will benefit. The limited number of acres being taken out of production should have a negligible impact on farm production but could have a significant impact on the health Upper Arkansas River Basin. Increased stream flow could benefit the ecological and recreational viability of the area around Cheyenne Bottoms. Additional practices proposed including field borders, filter strips, riparian forest buffers and wetland restoration could have a positive impact.

With this program, farmers, ranchers and other landowners will be better able to re-establish the health of the Arkansas River and to provide better habitat in many areas. Hunters and bird watchers would be attracted helping to provide additional commercial opportunities to the area. A 2001 national survey estimated there were 2.4 million days of wildlife watching activities in Kansas annually. These wildlife watchers reportedly spent over \$128 million much of it in rural Kansas.

The Sierra Club joins a number of other groups including the Nature Conservancy, the Arkansas River Coalition, Pheasants Forever, The Kansas Forest Service and others in supporting H. B. 2184. The Sierra Club hopes that by restoring the health of riparian areas and streams that the quality of life for all Kansans will be improved. It hopes that citizens will be able to enjoy the benefits of healthier habitat and more prolific wildlife.

If we don't begin to protect the ground and surface waters of Kansas now, what are going to do when they are gone.

Thank you for this opportunity and your time.

Sincerely
Tom Thompson
Sierra Club

Kansas Farm Bureau
POLICY STATEMENT

House Agriculture and Natural Resources Committee

**HB 2184 an act concerning water, establishment of the upper
Arkansas river conservation reserve enhancement program**

February 6, 2007

Submitted by:

Steve M. Swaffar

Director of Natural Resources

Chairman Faber and members of the committee, thank you for this opportunity to provide testimony today on House Bill 2184 creating the Kansas CREP program. I am Steve Swaffar, Director of Natural Resources for the Kansas Farm Bureau. KFB stands in support for HB 2184.

Irrigated crop production from the High Plains aquifer is in jeopardy from declining water levels in the aquifer; and that is a trend that we believe will not change. Our members recognize this trend and adopted policy this fall in support of a CREP in Kansas. KFB believes CREP can help slow the process of aquifer decline by permanently retiring water rights; allowing irrigated production to be extended for a longer period of time in the region, just on fewer acres. KFB also believes a voluntary program like CREP may reduce the need for regulatory or court ordered action.

CREP can help cushion the economic losses to the region. Although there are forecasted economic impacts from implementation of the CREP program, they may be far less severe than allowing the water to simply be used until it's gone, or the more likely scenario of regulatory actions to restrict water use by the Division of Water Resources. It only makes sense to our members to infuse some money into the economy to soften the eventual economic impacts. No other program available today offers the opportunity to leverage state funds into federal funds like CREP. This money will be spent somewhere in the country, why not Kansas?

We also see CREP as an opportunity for water rights holders to make a decision about the property right they control. Since CREP is a voluntary program, water rights holders would have the opportunity to make the decision to enroll if CREP fits the needs of their operation now and in the future. They can weigh all of the factors that impact them like commodity and input prices, productivity of the well, the likelihood of regulation of their water right, future generation's abilities and desire to continue farming with irrigation, and others. Clearly CREP will not be for everyone, but shouldn't those individuals holding the water rights have the opportunity to make that decision?

KFB understands there are potential negative impacts of CREP and that some view CREP as leading to economic disaster, we don't hold that same opinion. We believe CREP is an opportunity for local farmers and ranchers to be a part of the solution to declining water levels while at the same time helping delay or avoid regulation, and bring some recovery of losses to the economy. Thank you for this opportunity to provide testimony. We urge the committee to vote favorably on HB 2184.

Testimony in support of HB 2184
House Agriculture and Natural Resources Committee
February 6, 2006, Room 241-N

By Mark Rude, Executive Director,
Southwest Kansas Groundwater Management District No. 3

Chairman Faber and members of the committee, thank you for the opportunity to appear before you in support of HB 2184. My name is Mark Rude, and I am the Executive Director of the Southwest Kansas Groundwater Management District No. 3 (GMD3).

Significant change is occurring with the groundwater supplies in the proposed CREP area and the set-up is both exciting and sobering. The exciting changes come from the growing economic value of the water we use in the Southwest Kansas. The price outlook for commodities is strong and major new energy projects for ethanol, bio-diesel and coal fired electric power generation are being built or under development. The water rights purchased for the proposed Sunflower Power Plants, for example, may come from 207 sand hill pivots to be retired from irrigation and the historic consumption converted to the new use. Additional acquisitions for that project are occurring. But the change is sobering because we know the water consumption is far from sustainable. Nearly half of the acres irrigated annually in Kansas are in Southwest Kansas; about 1.5 million acres. Annual use has averaged nearly 2 million acre feet in GMD3. With very little recharge back to the aquifers in GMD3, some groundwater areas included in the CREP area are 20 times over appropriated if sustainability is the standard.

Middle Ground Opportunity. If we want to mitigate the potential slippery slope of water management through the courts or rapid consumption to extinction, this program is the shot we have at that target. Under this proposal, for about \$32 of leveraged damage funds, we can save one acre foot annually. This is a very cost effective program for

Kansas. If we don't get this kind of tool implemented and reduce the rate of decline, we risk having additional impairment complaints, dissatisfaction over the continued declining water supply and risk handing over to the courts the job of water management. The proposed CREP has been thoughtfully developed with input by all of the water agencies and strong agreement by FSA for the present proposal. Kansas has a clean shot at a \$154 million water conservation program using just \$5 million of the damage funds from the area. This is a "Bird in the Hand" type of opportunity to address this critical need for the future of the water supply. It's not perfect. We should continue the work to ease the restrictions on dryland cropping for participating fields. There is now strong agreement between the State and FSA. And significant changes could send the process back to square one.

Much of the land in the target area is sand hill fields that have no dryland alternative other than grass and is the most difficult land for water right owners to transition to less water consumption; the soils can not store the needed moisture for dryland crops. We need this program as an option for those producers to get off the consumption treadmill if they so choose, and enhance the future supply for other existing and future projects.

. HB 2184 is a good tool for Kansas and seems to fit well in the proposed area as an important step in the right. Thank you for the opportunity to speak today and I will readily stand for questions at the appropriate time.

Testimony in support of HB 2184
House Agriculture and Natural Resources Committee
February 6, 2006, Room 241-N

By **Thomas Bogner**, Chairman, Research and Development Committee
Southwest Kansas Groundwater Management District No. 3

Chairman Faber and members of the committee, thank you for the opportunity to appear before you in support of HB 2184. My name is Tom Bogner, and I am a Board Member of the Southwest Kansas Groundwater Management District No. 3 (GMD3).

The Southwest Kansas Groundwater Management District No. 3 (GMD3) has been around for 31 years and I have served multiple terms on the Board of Directors. I have served as a past President of the Board and served on the Kansas Water Authority chairing their Ogallala Aquifer Management Committee. I farm in Northwest Ford County and have irrigated from the Ogallala for many years.

We have worked long and hard to develop water conservation tools that would reduce our consumption rate in a way that was not regulatory and was generally accepted by the community. This has been a priority issue on everyone's mind for years. The proposed CREP appears to be a significant opportunity to address the issue of water supply along the Arkansas River. The Upper Ark first was under an appropriation moratorium in 1977 and later became an IGUCA at the request of GMD3. That is a lot of time to look for this kind of program. I believe the proposed CREP along the Ark River IGUCA is a good area to start this type of program. HB 2184 is a good tool for Kansas and an important step in the right direction to preserve water for the future needs.

Thank you for the opportunity to speak today and I will readily stand for questions at the appropriate time.

Thomas R. Bogner

Kansas Grain & Feed Association

Kansas Agribusiness Retailers Association



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Topeka, Kansas 66612

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TESTIMONY BEFORE THE HOUSE AGRICULTURE AND NATURAL RESOURCES COMMITTEE FEBRUARY 6, 2007 HB 2184 - CONSERVATION RESERVE ENHANCEMENT PROGRAM

Good afternoon, Chairman Faber and members of the House Agriculture and Natural Resources Committee. I am Mary Jane Stankiewicz, Vice President and General Counsel for the Kansas Grain and Feed Association and the Kansas Agribusiness Retailers Association. KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in the state of Kansas. KGFA's membership includes over 950 Kansas business locations and represents 99% of the commercially licensed grain storage in the state. KARA's membership includes over 700 agribusiness firms that are primarily retail facilities that supply fertilizers, crop protection chemicals, seed, petroleum products and agronomic expertise to Kansas farmers. KARA's membership base also includes ag-chemical and equipment manufacturing firms, distribution firms and various other businesses associated with the retail crop production industry.

There are basically 3 main reasons that the state and the proponents have given you as reasons for passing SB 123. These reasons are:

- Save water and extend the use of the aquifer
- Assist in transitioning farmers out of irrigation and in doing so, the loss of income from ag production would be offset by crep payments.
- Need to do something to save water and enacting a crep is the best answer

The following is an overview of these issues and an explanation of why these reasons are not valid.

Water: The main purpose of this bill has been stated to be to save water and extend the life of the aquifer. However this program will not achieve this goal. While the state says that the program is estimated to save 149,000 acre feet, this is only a paper saving. What I mean by this is that the state is claiming an automatic savings when a water right is forfeited, however, the reality is the water from the retired water right can be used by the other surrounding water right users.

In the proposed crep area there are approximately 6000 water rights (see attached map). As you can see, these water rights are literally stacked on top of each other. The state has said they are planning on retiring 600 water rights. Randomly retiring water rights will not save water. This is especially true since there is no enforcement or monitoring planned by the state. Think about 10 straws in one glass of water, if you remove 1 straw the rest of the people drink the water- there is no savings, just a reallocation to the remaining people. Some people say that the straw example does not apply because water moves slowly, however in this area, the water rights are basically on top of each other like the map shows so there is no necessity to travel any distance at all.

Furthermore there will not be any water savings because there is little to

no enforcement of the water issues that need to be addressed, such as:

- the meters are not required to be sealed therefore anyone can tamper or shut off these meters without the owner or the division of water resources knowing of this action;
- there is no law against increasing your pumping if you are below your allocated amount. Therefore I can pump my neighbors forfeited water without penalty unless I go over my authorized quantity. However, since this area is only using 42% of their authorized amount, there is little chance anyone will ever go over their authorized amount even if they are utilizing their neighbor's water.

While the state may hope that there will be water savings, this will just not be achieved because of the significant number of water rights in the proposed area and the lack of enforcement on the remaining water right users.

Revenue The proponents will say that the money received by producers will help the area. However, the reality is actually the opposite. Last year, KSU did an economic impact study regarding the economic impact a crep would have on this 10 county area. The bottom line was KSU concluded that the proposed crep program would result in the following;

- annual \$15m negative impact
- Decrease of household income by 10 percent
- Loss of tax revenues in the amount of \$400,000
- 120 job losses
- Take 30-40 years to rebound from the crep program

These numbers are very scary to any community but especially to some of the western Kansas cities that already have a declining population base and are working hard just to maintain. The worse part is that these numbers should probably be worse since KSU estimated only 10 percent of the payments would leave the area. We think this number is too low because currently 40 percent of ag land in Kansas is in a landlord tenant situation. Therefore, we think the right leakage number is somewhere between 10-40 percent which would cause the negative economic numbers to increase.

Crep is Not the Only Option and is Definitely not the Best Option; While we recognize that you want to help and do something to address the issue however, please think twice before putting money behind this program. There are other options which might actually save water and benefit the affected area in western Kansas. Just to be clear, the "affected area" in the Kansas v. Colorado lawsuit is only the area west of Garden City. The proposed crep area is much larger and broader than the actually "affected area".

There is also a group of individuals that comprise the Arkansas River Negotiating Committee. This committee consists of a number of individuals that are from that area, the chief engineer and other agency personnel that are charged with the duty of determining potential projects that will save and improve water issues in the affected area. These projects vary from channel modification to enhancing the aquifer recharge to lining the canal and alternate delivery system. You have other options that will save water, benefit the affected area and do not devastate the local economy. The only drawback to these programs is that do not have large matching funds attached to them.

Local Support: If this program was really as great and beneficial wouldn't you have expected to see the affected counties signing up for support? Well in this situation there has only been one county that has supported the crep program. I think a number

of counties and their citizens worry about the the increase tax burden and the heavy economic burden they will need to bear for the benefit of a few.

Regulation will Occur even with CREP: According to the chief engineer at the Kansas Water Congress meeting in August of 2006, CREP will not solve the water shortage problem. If the program cannot solve the problem then it is definitely incumbent upon you to weigh and balance the pros and cons of this program, especially in light of the fact that you have other options that will address the problems without negatively impacting the economy.

Conclusion: I would urge you not to be so blinded by the large amount of federal dollars to miss the following issues:

- This program proposes to spend \$200m with the money going to only a maximum of 600 people
- KSU's study shows the program will devastate the local economy of at least 10 counties.
- Why would we want to spend money just to lose more money and devastate a number of local economies for at least 30-40 years on a program that does not have the necessary regulatory or enforcement measures to ensure water savings?

You have other options that can be funded that will probably save more water.

We urge you to not pass HB 2184 and instead focus your support on programs that actually save water and do not wreck the local economy.

I appreciate your time and attention and I will be happy to stand for questions at the appropriate time.

4-17-06
H. Ag Budget
subcmte

Regional Economic Impacts of Implementation
of the
Conservation Reserve Enhancement Program
in the
Kansas Upper Arkansas River Basin

John Leatherman, Ph.D.
Associate Professor

Bill Golden, Ph.D.
Consultant

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April 2006

FINAL INTERIM REPORT

Funding for this project was provided by the Kansas Water Office

Final Interim Report

Regional Economic Impacts of Implementation of the Conservation Reserve Enhancement Program in the Kansas Upper Arkansas River Basin

Executive Summary

This study estimated the potential economic impacts associated with implementation of the Conservation Reserve Enhancement Program (CREP) in the Kansas Upper Arkansas River Basin. The analysis assumed approximately 85,000 acres of irrigated land and 15,000 acres of dryland were enrolled. Following 15 years of program participation, the CREP acreage was assumed to return to combined dryland agricultural production/pasture land with irrigation water rights permanently retired.

Acreage enrollment in the CREP was projected based on land productivity and hydrologic characteristics. Associated production values were estimated using an eight-year average value of production by crop type. CRP payment schedules were then used to calculate estimates of new household income associated with CREP payments. Finally, values were calculated to estimate an amount of new recreation spending for lease hunting on fallowed lands.

Under the CREP program, it was estimated that the annual value of agricultural production would decline by about \$15.6 million (2003\$), regional household income would increase by about \$6.5 million each year, and recreation-related businesses would annually capture an additional \$285,000. This makes the total direct impact of the CREP program an annual reduction of about \$8.7 million (2003\$) annually for the 15 years of the program. For perspective, the output reduction represents about 3.0 percent of the total value of all agricultural crops production in the 10-county region.

Following the term of the CREP it was assumed the land would return to a combination of dryland agricultural production and pasture and generate approximately \$2.5 million in productive value to the region. The net annual value of agricultural production, however, was assumed to decline by about \$13.4 million (2003\$). The relatively greater impact post-CREP is due to the loss of the CREP household income payments, and is measured against the irrigated agriculture production values of the 2003 base year. The output reduction represents about 2.6 percent of the total value of all agricultural crops production in the 10-county region.

These direct economic impacts were applied to an economic model of the 10-county regional economy called a Social Accounting Matrix (SAM). The SAM can be used to estimate the indirect economic effects of an event or policy.

Direct + Indirect
Impact is
\$14.8 m/yr

Under the scenario of CREP implementation, the combined direct and indirect impact to regional economic output were estimated to be a decline by about \$14.8 million (2003\$) annually. That value of activity is closely tied to about 119 jobs. Using a very broad measure of household income associated with regional productive activity, household economic welfare was projected to decline by about \$7.7 million (2003\$) annually.

Under the post-CREP scenario of the permanent conversion of irrigated cropland to dryland/pasture, regional economic output would decline by about \$17.4 million (2003\$) annually. That value of activity is closely tied to about 165 jobs. Regional household income was projected to decline by about \$9.3 million (2003\$) annually. For perspective, these are in a range of about 0.1 percent to 0.2 percent of total regional activity, depending on the impact indicator considered.

If the changes in regional economic activity into perpetuity are amortized over the 15-year period of the CREP, the overall impact of the program from its inception into perpetuity can be characterized as a single estimate of the change in regional economic output. The annualized reduction in output equals \$24,922,029 (the impact of the CREP plus production reductions into perpetuity) to be paid in 15 annual installments, or a one-time equivalent payment of \$258,682,139 (2003\$).

Applying the assumption that the economy will adjust to changes over time requires a dynamic perspective to overlay the static model output. Absent any directly applicable guidelines to be found in the

Final Interim Report

empirical literature, a consensus forecast was generated by the research team. Application of the economic adjustment assumption resulted in a 36 percent overall reduction to \$164,717,276 from \$258,682,139. Also, if the total cost of the program were to be amortized over the 15 years of its existence, the annual cost would be \$24,922,029 with no economic adjustment and only \$15,869,239 if economic adjustments occur like those suggested as plausible.

It should be acknowledged that these long-term impact estimates are associated with a degree of uncertainty. While properly calculated and appropriately reported, there is nonetheless reason to believe that they may overestimate the long-term economic response within the regional economy by some amount. There is anecdotal evidence that the regional economy adjusts in response to CRP enrollment such that the negative impact is lessened by some degree over time. At present, however, no research-based guidelines have been identified that would permit the application of a "decay function" to the impacts. Thus, the estimates of long-term impact reported here should be considered tentative and subject to change should additional information be identified.

Further, it should be acknowledged that these impacts could further be mitigated by the fact that more than 300,000 acres in the 10-county region currently enrolled in the CRP program will be coming out of contract in the next five years. Uncertainty regarding the future of the CRP program and the ultimate disposition of these acres preclude incorporating consideration of them in this analysis. But, any of this acreage returning to agricultural production would represent a positive economic stimulus.

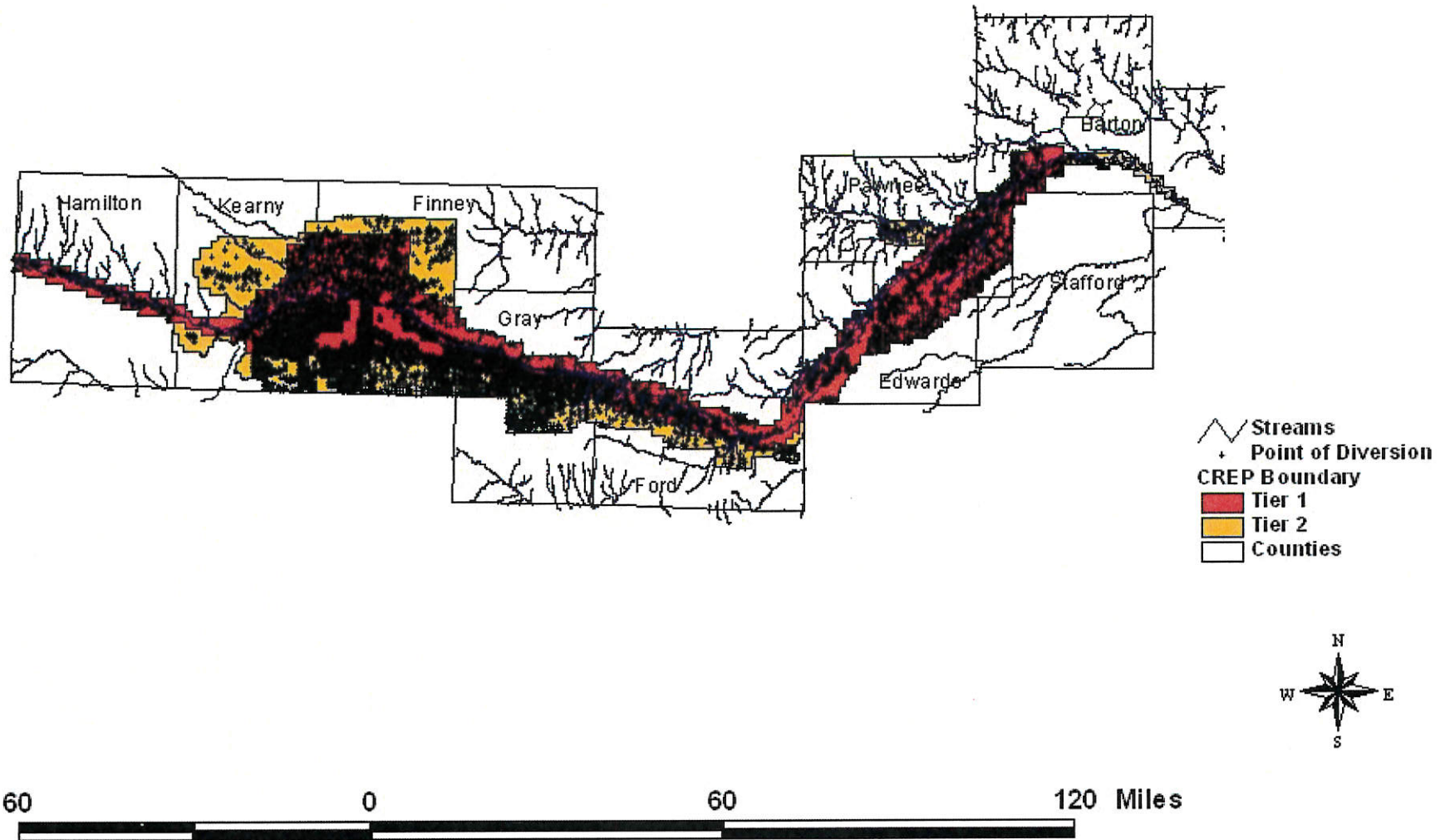
The analysis of changes in county property tax revenue associated with the adjustments to assessed valuation under dryland conditions suggested that total regional county property tax revenue would decline by about \$400,000 (2003\$) in perpetuity. Pawnee County would experience the largest property tax loss. A more general tax impact analysis based on the published data use to construct the regional social accounts estimated that combined federal, state, and local revenue collections would decline by about \$900,000 (2003\$) annually.

A simple sensitivity analysis was incorporated in the research to acknowledge that general trends in irrigated agriculture in Western Kansas are trending lower due to a declining water supply. While a specific estimate of the decline due to diminishing water supplies in the CREP region was beyond the scope of this analysis, it is underway there as it is elsewhere. As such, for each one percent decline in irrigated agriculture, whether due to water availability, energy costs, land retirement, or other reason, regional output declines by about \$2 million and total income declines by about \$1 million. This level of activity is closely linked to about 20 jobs.

Finally, there have been questions about the potential impact of near- and long-term increases in energy prices. For example, K-State economists estimate that in 2004 and 2005, escalating fuel prices have increased costs for irrigated production in western Kansas in excess of \$110 million dollars in all of western Kansas. A review of available research provided general indications of producer responses to energy prices. The review concluded that producers are forced by economic conditions to generally continue with current management schemes and accept lower profits in response to higher energy costs. In general, irrigated acreage, crop choice, and water usage patterns will change for only producers on marginal land or those with credit constraints. In this environment, CREP may represent an expected positive net present value alternative that would enhance participation. In the long-run, if energy costs remain high, producers will make management decisions to lower this cost (e.g., negotiate lower rents, adopt technology and farming systems that reduce fuel usage).

An investigation of the notion of altering the size of the program, e.g. 35 or 50 percent of the presumed total acres enrolled, suggested that the production response curve becomes almost linear after about 35,000 acres. Therefore, the direct economic impacts could be proportioned between 35 and 100 percent. The SAM model used to estimate the indirect economic impacts does incorporate an assumption of linearity. Therefore, it would be appropriate to scale the overall impacts of the CREP program between 35,000 and 100,000 acres. Below 35,000 acres, the impact would be less than the relative percentage change and new direct economic impact estimates would need to be estimated.

Conservation Reserve Enhancement Program





Kansas Cooperative Council

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The Mission of the Kansas Cooperative Council is to promote, support and advance the interests and understanding of agricultural, utility, credit and consumer cooperatives and their members through legislation and regulatory efforts, education and public relations.

House Committee on Agriculture & Natural Resources

February 6, 2007

Topeka, Kansas

HB 2184 – Enabling the Establishment of the Upper Arkansas River Conservation Reserve Enhancement Program (CREP).

Thank you Chairman Faber and members of the House Agriculture & Natural Resources Committee, for the opportunity to comment today in opposition to HB 2184 and share our concerns regarding the establishment of the Upper Arkansas River CREP.

I am Leslie Kaufman and I serve the Kansas Cooperative Council as Executive Director. The Kansas Cooperative Council represents all forms of cooperative businesses across the state -- agricultural, utility, credit, financial and consumer cooperatives. Approximately half of our membership is involved in agriculture/farm supply and marketing.

As most of you know, our association has supported water conservation programs, like last year's Water Right Transition Assistance Program (WTAP) or an EQIP program (USDA Environmental Quality Incentive Program), which provides for continued agriculture/dryland crop production. These programs provide financial assistance for the conversion from irrigated agriculture to dryland farming.

I think it is important to note that the EQIP program, like the federal components of the CREP program, does not require the permanent retirement of a water right, just suspension of irrigation during the term of the program contract. Under the Ark River CREP proposal, the requirement that water rights be permanently retired is a component the state is negotiating into the agreement with USDA as a condition of their participation in the program.

Although water conservation programs exist that we can support, we have strongly opposed certain initiatives that dictate land use applications rather than simply targeting water consumption. These sentiments are expressed in our policy language on irrigation transition programs:

Irrigation Transition

*Programs designed to encourage irrigation transitions must include an economic analysis, which evaluates the impacts on the local community, businesses and tax base. **This Council supports a program that provides for transition to dryland farming.***

The Kansas Cooperative Council opposes the establishment of a Conservation Reserve Enhancement Program in Kansas until dryland farming is allowable on CREP acres. The Council is extremely concerned with the economic impacts the proposed Ark River CREP will have on the local and regional economies in the ten included counties and the resulting long-term viability of that region of our state. We urge the legislature to refrain from funding CREP and encourage the development of a totally different water conservation program for that region.

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The KCC Board of Directors believes this issue is of critical interest to our membership. We will continue to be actively involved in monitoring, lobbying and educating our members, legislators and others as to the impacts irrigation transition programs may have. We actively support economic studies that provide additional information on the potential outcomes various transition programs can have.

Our farm and ag supply cooperatives know first-hand what happens to their business, their community and their local economy when large acreages of cropland are idled under the Conservation Reserve Program (CRP) program. We have expressed our concerns with the continued expansion of the CRP program to reach beyond the original intent of addressing highly erodible lands to focus on a widening arena of environmental concerns.

As you probably know, this CREP is a specialized CRP program so enrolled land can not be used for agricultural production. But, the proposed Ark River CREP area has a vast amount of land that will not meet the federal CRP erodibility index in order to be eligible for participation. So, special rules have been created under the federal CRP program to allow non-highly erodible land to be enrolled.

The state technical committee of the USDA Farm Service Agency in Kansas has created a special Conservation Priority Area (CPA) to facilitate enrollment of the Ark River corridor. Total CPA acreage in the state is limited, so other priority areas had to be redrawn or shrunk to create the CREP CPA. One of the areas that was substantially reduced was the Cheney Lake CPA. This priority area was earlier implemented to help reduce run-off into the lake. I have included an old CPA map and the new map showing CPA areas and changes.

The economic impacts are not just a factor cooperatives consider. There is growing concern about the economic implications CREP will have on the 10-county implementation area. It is not just agribusiness that is troubled by the economic projections outlined in the analysis performed by K-State's Agriculture Economics department. The projected impacts are sobering.

In short, the state and federal government want to partner together to spend roughly \$200 million to negatively impact 10 counties in southwest Kansas to the tune nearly a \$15 million loss per year for the 15 years of the program and beyond. The KSU study estimates the region will need more than 30 years to recover from CREP.

Some might argue that the economic loss is worth it because of the quantity of water we will save. The state has authorized approximately 6,100 water rights in the proposed CREP area. They project 600, maybe 650, rights will be purchased under CREP. So, if we "ballpark" the numbers, that's about 1 in 10 that could be purchased. But, that does not mean that all the water being used under that right will be "unused" once enrolled in the program. There are many factors that will lead to continued use of various amounts of that "purchased" right and reduce the "bang for our buck" in terms of water savings:

- Rights are enrolled on a first-come, first-serve basis rather than hydrologic benefit;
- Producers know their wells and those with limited pumping capability will likely be the first to sign up;
- Producers will be paid by land acre associated with the water right rather than the historic water usage on that right or current well capacity;
- Some wells will be converted to domestic use
- Mandating cover grasses/trees ignores the fact that certain cover practice will consume roughly the same amount of water as certain crop, thus reducing the potential for greatest water savings with the least amount of negative economic impact.
- Some points of diversion are close enough that shutting down one well is like taking out one straw in a glass. The water will still get slurped-up by the remaining straws.

Depending on your viewpoint about CREP, the water situation in southwest Kansas and what you think should be done with the money from the Kansas v. Colorado lawsuit, you can probably find a reason to fault the CREP proposal:

- 1) If you think all the Kansas v. Colorado settlement should go to the directly impacted area, this program spreads that money further east than the lawsuit area.
- 2) If you think the Kansas v. Colorado money in the statewide pool should be used outside the impacted area, this program diverts a good portion of that funding back to that area. Thus ignoring needs in northwest Kansas along the Prairie Dog, an issue of compliance with the Republican River Compact. It side-steps contamination issues in southeast Kansas in the Ozark aquifer.
- 3) If you are concerned about measurable results, this program does not strengthen enforcement mechanisms. We have not employed sealed meters to track water usage and other tighter oversight options. Without adequate monitoring, measuring and enforcement, the hope for water savings potential is diminished.
- 4) If you are concerned about preserving rural Kansas, the KSU economic projections indicate a depressed economic scenario under the CREP;
- 5) If you are concerned about food and fuel security, this program takes 100,000 acres of land completely out of production in an area that has historically been a heavy grain producing region.
- 6) If you believe that plant science and biotechnology will enable us to produce crops with less water, this program closes the door for that option for 15 years (if not into perpetuity depending on soil type).
- 7) If you are concerned that marginal rights will be purchased, this program does not evaluate the hydrologic benefit of a right for any priority or premium
- 8) If you are concerned with state sponsored programs that decrease the local tax base, this program results in lower ag property valuations.
- 9) If you are concerned about CRP artificially inflating the price of land and forcing increased competition for tillable acres, this program will significantly expand idled acreages.
- 10) If you are concerned with payment "leakage" out of the proposed CREP counties, this program will fund the pursuits of many "absentee landowner"

Much has been said about implementing the CREP to extend the life of the aquifer. CREP is portrayed as the premier "tool in the toolbox" to produce large-scale water savings. Yet, safe guards are not in place to ensure that the water savings is real and not just paper.

So, what can we do to implement a meaningful water conservation program? We have options. Options that can produce real water savings. Options that mitigate economic impacts on the region. Options that will allow southwest Kansas to retain the vitality it has now. What should such a program encompass:

- The ability to continue active agricultural production – cropping, grazing, haying, etc.;
- The purchase and permanent retirement of a water right and/or the permanent buy-down and retirement of a portion of a water right;
- Prioritization based on hydrologic benefit; and
- Quality enforcement and monitoring of water usage in the entire CREP area

With these components as the mainstays of a water conservation program, we can maintain the economic viability of the region while making meaningfully efforts to reduce consumption.

Thank you.

KANSAS CONSERVATION PRIORITY AREAS

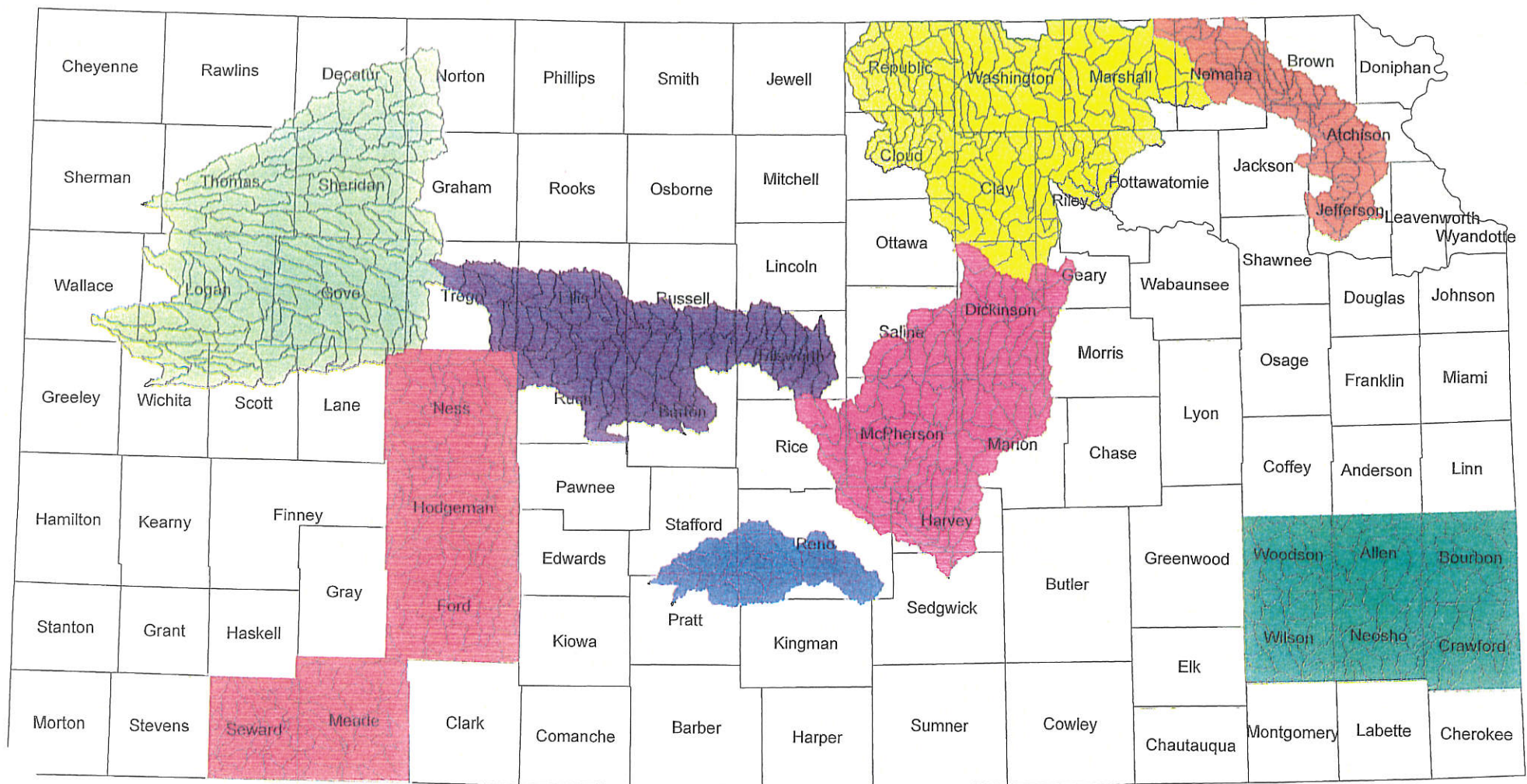
Proposed by the Kansas Farm Service Agency

11-17-06

11-17

Existing Areas

- | | |
|---|---|
| <ul style="list-style-type: none"> CPA 1- Lesser Prairie Chicken CPA 2- Bob White & T and E Recovery CPA 3- Bob White & Perry CPA 4- Tuttle Creek & Milford | <ul style="list-style-type: none"> CPA 5- Greater Prairie Chicken CPA 6- Bob White & Cheney CPA 7- Pheasant & Kanopolis CPA 8- Pheasant & Northwest KS Reservoir Protection |
|---|---|



Recommendation of Tech Creek

Acreage Limit 9,659,940.01 -- Total 9,658,558.16 -- Difference 1,381.85

11-5

Wildlife Shortgrass Prairie Reservoir & Protection Area
3,029,199.34 ac

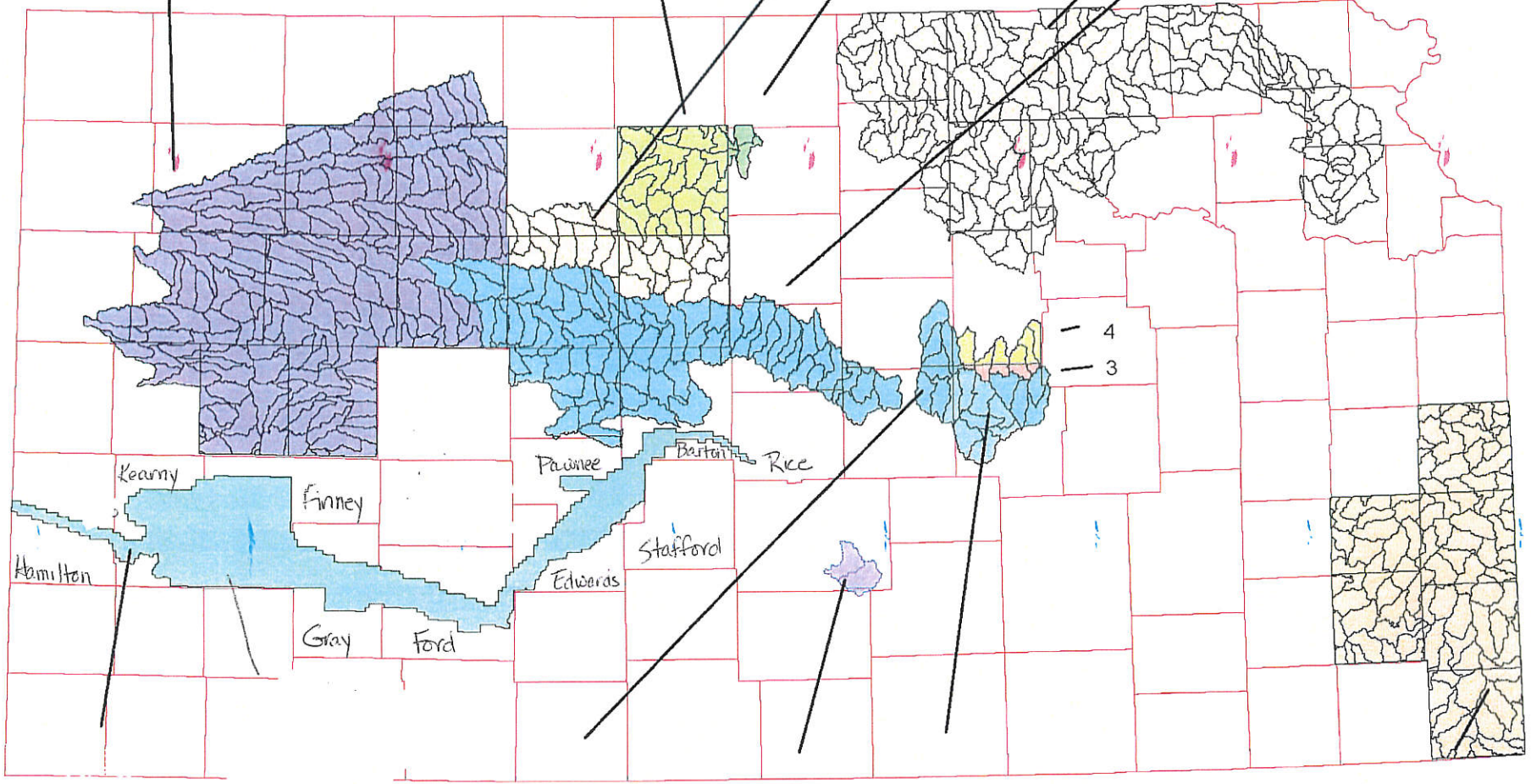
Greater Prairie Chicken and Glenn Elder
300,485.45 ac

Kanopolis Lake
254,413.73 ac

Mitchell
31,556.94 ac

Reservoir Watershed
2,069,681.01 ac Tuttle and Milford

1,150,916.57 ac Kanopolis



CREP
1,198,020.01 ac

Greater Prairie Chicken
259,496.69 ac

Cheney Lake
51,333.72 ac

Marion Watershed
144,782.42 ac

Quail Initiative
1,091,230.26 ac

- Recommendations:
- 1-HUC 10 contains 143,348.14 acres NOT INCLUDED
 - 2-HUC 20 contains 207,832.28 acres NOT INCLUDED
 - 3-Upper Tier Marion 23,305.01 acres INCLUDED
 - 4-Lower Tier Dickinson 54,137.01 acres INCLUDED
 - 5-Dickinson next north Tier 107,826.04 acres NOT INCLUDED

October 26, 2006

**TESTIMONY BEFORE THE
HOUSE AGRICULTURE AND NATURAL RESOURCE
COMMITTEE REGARDING HB 2184
FEBRUARY 6, 2007**

Good morning Chairperson Faber and members of the House Agriculture and Natural Resource Committee. I am Matt Johnson from Hugoton, KS. I am the Director of Feed Ingredient Procurement for Seaboard Foods, and I appear before you in opposition to HB 2184.

First, let me explain a little about Seaboard Foods' presence in Kansas, and why we are extremely interested in the issue of the retirement of water rights in western Kansas and the idling of 100,000 acres.

Seaboard Foods is an integrated food company which means we are involved in breeding, farrowing, finishing, and processing hogs to provide quality pork products to all levels of the food industry, domestic and abroad. A good portion of our hog facilities are located in western Kansas where we raise 1.6 million head out of a total of 3.9 million head produced annually by our Company. Part of our integrated business, involves company owned feedmills, 2 of which are located in Hugoton and Leoti. By having our own feed mill operations, we are able to manufacture the proper feed rations to ensure the healthy and consistent growth in our hogs, which results in a pork product consumers can trust and enjoy.

However, to properly feed all the hogs throughout their life cycle, our feedmills must produce 1.7 million tons of animal feed company wide annually of which 900,000 tons is made at the Kansas facilities. This amount of feed is equivalent to a consumption of 40 million bushels of grain annually, of which 22 million bushels are used at the Leoti and Hugoton facilities alone. Seaboard purchases a significant amount of this grain from local farmers along with a large portion originating within the state of Kansas for feedmills located in Oklahoma. Therefore, we are very

concerned the proposed Conservation Reserve Enhancement Program will take 100,000 acres out of production, most of which are currently in corn and milo production. This would be the equivalent of 20 million bushels of corn if all of the acres were corn, which they are not. This amount would almost be 6% of the 2006 Kansas corn crop. Currently, under any CRP program, this land cannot be dryland farmed. To change this rule would require a change in the upcoming Farm Bill, and there is no guarantee that this change will occur, therefore, this land could remain idle and out of production for 15 years.

The idling of this land becomes one of increased concern as the grain based ethanol industry expands in Kansas and surrounding states. The increased demand for corn from the ethanol industry in the western cornbelt will reduce the amount of surplus grain that is able to be imported by rail or truck from other regions of Kansas and surrounding states. Thus it is more important that Kansas becomes self sufficient in meeting the demand for grain from the Kansas livestock and energy sectors. This program makes self sufficiency more challenging.

While we recognize the decline of the water table in western Kansas, we do not think idling 100,000 acres for 15 years is the appropriate answer. This is especially true since the proposed program does not have any mechanisms in place to ensure that water is actually saved for the future. The proposed program leaves the amount of monitoring or enforcement of water usage by the neighboring 10 county region in question. Without some additional oversight and monitoring of surrounding wells, the retired water may just be reallocated to the nearest neighbor instead of actual conservation.

Before the state implements this program, we urge you to think about the impact on the rural communities if this acreage is removed from production. We currently employ 560 people in our Kansas facilities with another 660 employees living in Kansas but working at Seaboard facilities in surrounding states. The CREP program would cause us not only to pay more in taxes, it would also raise the taxes for all of our employees to make up for the tax loss of approximately \$400,000/annually this region would incur.

Seaboard has worked hard to be a good neighbor and strives to make western Kansas communities better for our employees to live. As with most employers, hiring good employees is always a concern, thus it is important

to have attractive western Kansas communities for our employees to live. One specific way Seaboard has worked to improve a community has been in Leoti. When Seaboard expanded in Wichita County we pledged the Wichita County school district \$450,000 over 10 years to be used on computers. We are proud to be in rural Kansas, but these areas are facing some serious economic challenges in the near future, and we fear this program could cause a significant reduction in the quality of life in some of our rural communities.

In conclusion, we must be good stewards of water, but we are in the business of producing food to feed the world which requires significant amounts of grain. At a time when the USDA is estimating that the United States needs to increase the planted corn acres by at least six million acres, we do not think it is prudent or wise to retire and idle 100,000 acres in the heart of an agricultural area, especially when the water savings is questionable, and the economic harm is estimated to be significant to rural communities.

Thank you for listening to our concerns about SB 123. I urge you to vote no on SB 123. I will be happy to stand for questions at the appropriate time.

February 6, 2007

Written Testimony to
House Agriculture and Natural Resources Committee
On House Bill 2184



Presented on behalf of the Kansas Pork Association
By Tim Stroda
President-CEO

Chairman Faber and members of the Committee, I am Tim Stroda. I represent the members of the Kansas Pork Association.

Our principle concern with House Bill 2184 is the loss of grain production in the state.

In 2007, Kansas pork operations will utilize over 30 million bushels of corn and milo. It will also take eight million bushels of soybeans to produce the soybean meal our industry uses to balance the nutritional needs of the pigs. To remain competitive, our members need these feedstuffs to be grown as close as possible to the operations.

In just the past few months, the demand for grain has grown dramatically due to the expanding ethanol industry. This has driven the price of corn and milo to very exciting levels for the grain farmer. However, our members have seen their cost of production rise about 25 percent in just a few months.

For the pork industry, this is a very troubling time to be taking a large number of acres completely out of production. While the members of the KPA are strong supporters of conservation, we believe water usage can be reduced without the complete discontinuation of grain production.

A secondary issue is the loss of property value within the region. Under this legislation, the businesses that stay in production in the region essentially get penalized with an increase in taxes. Unless a pork producer has decided to exit the industry, he will not be enrolling acres in this program. The business simply can't afford the loss of grain production.

For our members, this program raises our cost of production through higher grain prices and tax increases.

The KPA urges you to vote no on House Bill 2184. I will be happy to provide answers to questions at the appropriate time.

**2601 Farm Bureau Road • Manhattan, Kansas 66502 • 785/776-0442 • FAX 785/776-9897
e-mail: kpa@kspork.org • www.kspork.org**

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Kansas Pork Industry Facts



Kansas pork producers help feed the world

- There are 1,500 hog farms in Kansas. Of these operations, 310 produce over 95% of the state's pork.
- Kansas is the number 9 state in hog and pig inventory producing about 2.80 percent of the nation's total.
- In 2006, Kansas producers sold 3,169,928 market hogs, feeder pigs and seedstock with a gross market value of \$390,012,065. These hogs produced over 500,000,000 pounds of The Other White Meat® which helps feed millions of people in the U.S. and abroad.

Pork industry important to Kansas economy

Kansas pork operations consume over 30 million bushels of grain. Primarily, these operations utilize Kansas-grown milo and corn. At January 2007 prices, Kansas pork producers will spend over \$120,000,000 on milo and corn this year

Kansas pork operations also consume the equivalent of over eight million bushels of soybeans through soybean products. At January 2007 prices, Kansas pork producers will spend over \$39,000,000 on soybean meal this year.

Kansas pork producers support suppliers of goods and services to their businesses. A short list of vendors include:

Feed suppliers - grain and nutritional supplements.

Construction - includes new building and maintenance.

Labor - as with any business, growth means increased labor needs.

Supplies - pork producers utilize mainstreet businesses for a vast array of items ranging from veterinary supplies to office supplies.

Equipment - pork producers utilize specialty equipment for many tasks including nutrient management.

Utilities - gas, propane and electric.

Trucking - producers utilize trucking to bring grain to the farm as well as hauling hogs to market.

Services - pork producers utilize many services along mainstreet including financial, medical, accounting, insurance, legal, engineering, and veterinary.

Tim Stroda • President-CEO • Kansas Pork Association
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Memo To: House Agriculture and Natural Resources Committee
From: Thomas M. Palace
Date: February 6, 2007
Re: Written Comments on HB 2184

Mr. Chairman and members of House Agriculture and Natural Resources Committee:

My name is Tom Palace. I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 300 independent Kansas petroleum distribution companies and convenience store owners throughout Kansas.

We appreciate to offer comments regarding HB 2184.

The implementation of the Conservation Reserve Enhancement Program (CREP) will take approximately 100,000 acres of land out of use, 85% of which is irrigated farm land, for 15 years. After 15 years (or when the program ends), land can then be used for dryland agricultural production with irrigation rights being permanently retired.

We are concerned with the economic loss to businesses in the 10 county project. This program will take land out of crop production for 15 years. The Kansas State University study that was completed in April 2006, states that under the CREP program, "it is estimated that the annual value of agricultural production would decline by about \$15 million." The study also, states that there will be a 9.3% decrease in household income, loss of tax revenues of approximately \$400,000, and approximately 120 jobs. These are all reasons why PMCA does not support HB 2184.

The economic loss to the people impacted by this program appears to be significant. Although we are uncertain as to whether losses that petroleum distributors might sustain have been accounted for in the KSU study, we are concerned that by taking this land out of farming use, our members will experience a negative financial impact due to CREP. Our members supply fuel to many of the local, farmers as well as the local Cooperatives that will be impacted by CREP.

While we recognize the state is making efforts to conserve water by retiring water rights for 600 land owners, the negative economic impact, as reported by the KSU study, will be a significant loss for the 10 counties impacted this program. I've been told that if the acreage impacted by CREP could be dryland farmed, the financial impact would not be as great. But statutory constraints do not allow this option.

Petroleum Marketers and Convenience Store Association of Kansas
115 SE 7th • Topeka, KS 66603
PO Box 678 • Topeka, KS 66601-0678
785-233-9655 • Fax: 785-354-4374

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If implementation of CREP does become a reality, we urge this committee to make a strong push at the Congressional level to allow dryland farming to offset the negative economic impact that CREP causes.

Thank You



KANSAS ASSOCIATION OF WHEAT GROWERS

217 Southwind Pl • Manhattan, KS 66502 • (785) 587-0007 • FAX (785) 539-8946

To: House Agriculture and Natural Resources Committee
 From: Dana Peterson, Producer Policy Specialist
 Date: February 6, 2007
 Subject: Testimony on HB 2184 – Establishment of upper Arkansas river conservation reserve enhancement program

Chairman Faber and committee members, thank you for the opportunity to submit neutral testimony on behalf of the Kansas Association of Wheat Growers (KAWG). KAWG policy states that we support *voluntary* irrigation conservation and retirement efforts. Likewise we support enforcement of *existing* water regulations and the use of money acquired from successful litigation of natural resource disputes for conservation programs that are open to producers throughout the state.

The proposed plan, administered by the state conservation commission, would reduce withdrawal demands on the high plains aquifer, improve water quality, protect public water supplies and enhance wildlife habitat. However, by enrolling 85,000 acres of irrigated farm ground (about 530 irrigated circles at 160 acres), this plan would also draw down the economic activity in the region at an estimated \$8.7 million. This plan partners federal dollars with state dollars. The state dollars would pay a one-time payment for the permanent retirement of the water right and the federal dollars would be delivered over the 15 years of the required CRP contracts.

This plan allows producers to voluntarily make their own individual decision based on the program offerings. With the depleting resources in this area, we commend the agencies involved in bringing forth a program that allows producers the opportunity to come forward for conservation. According to the KDA Division of Water Resources there have been Kansans who voluntarily dismissed their water rights in the past few years.

| Year | Number of files dismissed (voluntarily) |
|------|---|
| 2004 | 106 |
| 2005 | 84 |
| 2006 | 48 |

Courtesy of Jessica Lynn, Kansas Department of Agriculture, Division of Water Resources, 2-5-07

However, the utilization of these Colorado water litigation funds will be seen as precedence, as we may potentially have funds delivered from similar litigation with other states. Will other regions of the state be privy to similar programs in the future? KAWG supports programs that are open to producers throughout the state.

Furthermore, KAWG policy states that we support existing water regulations. Does this program undermine existing water regulation and allocation procedures? It is evident that this watershed is over-allocated and as Kansans we must determine a plan that will redirect this area toward a sustainable usage level. A first step to getting the most bang out of our buck with this redirection, would be to deliver to producers a solid and reliable conservation and retirement program the first time around.

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Secondly, the plan also requires that the land be enrolled into contracts similar to the federal CRP. As approximately 300,000 acres of CRP in this region potentially come out over the near term, producers must weigh their options with the current commodity markets. Given that the acres coming out of CRP contracts were under dryland contracts, it might be assumed that they would return to dryland crop production, possibly wheat production. Offering 14 or 15-year contracts further complicate this decision; typical CRP contracts are for 10 years. Kansas wheat growers and their organizations are committed to bringing innovation and technology to fruition in those 15 years. What do you think the likelihood is that producers and landowners will to lock up their options for 15 years?

Additionally, CRP is up for debate this year as we reauthorize federal agriculture programs. With the Bush administration's efforts with regard to renewal energy incentives, there could be substantial changes to the CRP program. Even though CRP was developed as a production control program, we believe it should evolve into more of a true conservation program for our natural resources. Just last week Secretary Johannes announced their proposal, which includes allowing portions of CRP acres to be harvested. Additionally, we heard Congressman Moran indicate that the administration could allow dryland production on land in this CREP program. Within all this talk, do Kansans have proven evidence that this will be the case for our CREP program?

As we speak of conserving our resources, I would like to note that in order to utilize these federal dollars in this plan, the Upper Arkansas River was named as a Conservation Priority Area (CPA) by the USDA Farm Service Agency State Technical Committee. This designation enables enrollment of lands into the CRP that don't meet erodibility standards. This process removed this CPA designation from these counties: Cherokee, Linn, Sedgwick, Reno, Rice, McPherson, Saline, Dickinson, Geary, Stafford, Pratt, Meade, Seward, Ford, Hodgeman, Ness, Scott and Lane. The options available to producers across the state have already been impacted.

Some may recall the educational process that agriculture producers undergo when the federal agriculture programs change. With past changes, this has involved significant time and resources from our extension and government agency personnel. The development of this program has involved substantial commitment from both state and federal agency personnel. With limited state resources, it is important to have a solid program to deliver to producers the first time around.

Both the state and federal components of this voluntary plan are complicated and intertwined. Given the rate of enrollments in the Nebraska CREP, I urge you to take adequate time to fully consider the final development and administration of this precedence-setting plan. Let's make sure and get it right for Kansans the first time around.

Dana Peterson, Producer Policy Specialist
Kansas Association of Wheat Growers
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