

Approved: 4-3-08  
Date

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on March 18, 2008 in Room 423-S of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department  
Jason Thompson, Office of Revisor of Statutes  
Matt Todd, Office of Revisor of Statutes  
Judy Seitz, Committee Assistant

Conferees appearing before the Committee:

Dana Peterson, Producer Policy Specialist, Kansas Association of Wheat Growers (KAWG) and Kansas Wheat Commission  
Brad Harrelson, State Director, Governmental Relations, Kansas Farm Bureau (KFB)

Others attending:

See attached list.

Chairman Taddiken noted that the Committee had a copy of a press release (Attachment 1) from the American Bakers Association (ABA) regarding a proposed wheat embargo. The press release also mentions balancing domestic and international customer needs. It also said that the United States Department of Agriculture (USDA) should give priority to the needs of the domestic food industry when supplies of wheat drop below the three-month stocks average. There was no one from the ABA to speak personally to the Committee.

Senator Morris stated that he cannot think of a worse idea than a wheat embargo. He said it took decades to recover from the last embargo.

Dana Peterson, Producer Policy Specialist, Kansas Association of Wheat Growers and Kansas Wheat Commission, spoke in opposition to a proposed wheat embargo (Attachment 2). She said that while wheat prices are at unprecedented highs, they are not a significant cause of food inflation, especially compared to increased energy costs. The KAWG asks for support of a free and open market system. Ms Peterson shared information from the Congressional Research Service (CRS) that the U.S. wheat production accounts for about 9%-10% of world production; but the United States is the world's leading wheat exporter with roughly a 25% share of annual world trade. Kansas produces 16% of the U.S. wheat production. She will provide copies of the complete CRS report for the Committee. She also asked that the Kansas legislature join the KAWG in asking the U.S. baking industry to support the use of biotechnology in order to meet the demands for wheat foods.

Ms. Peterson offered to stand for questions.

Brad Harrelson, State Director, Governmental Relations, Kansas Farm Bureau, appeared in opposition to a proposed wheat embargo. He said the policy of the Kansas Farm Bureau and American Farm Bureau would be in contradiction of the action plan proposed by the American Bakers Association in their press release. Mr. Harrelson said that the ABA's interest in limiting marketing options would not be in the best interest of the producers by limiting those opportunities to get the highest price for their wheat.

There were no questions for Mr. Harrelson.

Chairman Taddiken stated that markets have a way of taking care of themselves and can probably do a much better job than the government. The hearing and discussion on the proposed wheat embargo closed.

**Senate Substitute for HB 2860—Restrictions on the approval of an application for a permit to appropriate water submitted by any municipality**, was re-referred to this Committee from the floor last week.

CONTINUATION SHEET

MINUTES OF THE Senate Agriculture Committee at 8:30 a.m. on March 18, 2008 in Room 423-S of the Capitol.

Jason Thompson, Office of Revisor of Statutes, reviewed a proposed amendment to **Senate Substitute for HB 2860**. He said the amendment narrows the scope of the bill and now only concerns the public wholesale water supply district number 25. Committee of the whole added language that this law would sunset on June 30, 2010 and that a 2008 and 2009 interim committee be appointed to study and investigate the use of eminent domain in condemnation of water rights.

Lee Letourneau, Division of Water Resources, Kansas Department of Agriculture answered questions.

Senator Ostmeyer moved **Senate Substitute for HB 2860**, be amended to apply only to the public wholesale water supply district number 25, seconded by Senator Schmidt. Motion carried.

Senator Pine made a motion to pass **Senate Substitute for HB 2860** out favorably, as amended; seconded by Senator Bruce. Motion carried.

Meeting was adjourned.





# ABA News

Press Release from the American Bakers Association

www.americanbakers.org

**FOR IMMEDIATE RELEASE**

March 12, 2008

## **ABA Band of Bakers March on Washington, D.C. Announce Action Plan for Wheat Crisis**

Bakers and other allied groups joined forces in Washington, D.C., today to draw attention to record high wheat prices and tight supplies. "It is crucial that the White House, our elected representatives, and the Department of Agriculture hear first-hand how bakers and others wheat users, including consumers, are struggling with current market conditions. Wheat markets – and commodity markets in general – are behaving in ways that we have not seen before. We believe that extraordinary circumstances call for extraordinary measures," declared Robb MacKie, president and CEO of the American Bakers Association (ABA).

The ABA outlined a plan focusing on three key areas to alleviate the current crisis:

- **Increasing flexibility for the Conservation Reserve Program (CRP).**
  - ABA estimates that as much as one-third of the farm land idled through the CRP could be returned to production without sacrificing environmental goals.
  - ABA strongly supports a proposal from House Agriculture Committee Chairman Peterson for a seven million acre decrease in the CRP.
  - ABA continues to urge U.S. Department of Agriculture (USDA) to exercise its authority to waive penalties for farmers seeking an early release from CRP contracts.
  
- **Balancing Food and Fuel Needs.**
  - ABA supports developing energy efficient alternatives and alternative fuel research (cellulosic ethanol and biodiesel); however, these policies must be balanced with the needs of traditional agriculture to ensure a reliable food supply for our nation.
  - ABA supports the requirement in the 2007 energy bill that gives the Environmental Protection Agency, in consultation with USDA and the Energy Department, authority to waive yearly renewable fuel standard requirements if they would "severely harm the economy of a state, region or the US" or if domestic supplies are not adequate to meet the standards.
  - Trading independence from foreign oil for dependence on foreign sources of basic food is not in the best security interests of the country.

*Senate Agriculture Committee  
3-18-08*

*Attachment 1*

- **Balancing Domestic and International Customer Needs.**
  - USDA should give priority to the needs of the domestic food industry when supplies of wheat drop below the three-month stocks average.
  - ABA supports instituting a requirement for USDA to periodically evaluate the impact of the renewable fuels program on the nation's commodity supply and recommend adjustments to the Renewable Fuels Standard (RFS) as necessary.

“There is no single fix for the current crisis, just as there is no quick fix,” stated David Brown, vice president procurement, Sara Lee Corp. and chairman of the ABA Commodity Task Force. “However, we strongly believe that implementation of these actions will send important, positive signals to the marketplace at a time when it is critically needed.”

Other groups represented at the press conference were: Bakery Industry Suppliers Association (BEMA), Independent Bakers Association (IBA), Retail Bakers Association (RBA), and Snack Food Association (SFA).

ABA is the Washington, DC-based trade association that has been the voice of the wholesale baking industry since 1897. ABA has a long and dedicated history of representing the interests of the wholesale baking industry before the U.S. Congress, federal agencies, state legislatures and international regulatory authorities. ABA represents approximately 80 percent of the wholesale bakeries in the U.S. and their suppliers.

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*Leaders in the adoption of profitable innovations for wheat*

**Testimony on American Bakers Association's proposed wheat embargo  
To Senate Committee on Agriculture  
Tuesday, March 18, 2008  
By Dana Peterson, Kansas Association of Wheat Growers**

Chairman Taddiken, and members of the committee, thank you for this opportunity to testify on the request from the American Bakers Association for a wheat embargo. Recent price increases for wheat have an impact on many industries, bakers included. Both export restrictions and penalty-free early-outs from CRP have been advocated by bakers' groups, with the American Bakers Association holding a fly-in on March 12<sup>th</sup> in Washington on the issue.

Additionally, our Kansas Wheat office and our national groups have been talking to reporters in recent months about the wheat price issue, explaining the market forces at work and the impact the price-run up has on farmers. Many producers sold into the market well below the record highs seen on the exchanges, and all producers must be concerned about the increased volatility in the market and rapidly rising crop input costs. Wheat industry staff members have also stressed in public statements that while wheat prices are at unprecedented highs, they are not a significant cause of food inflation, especially compared to increased energy costs.

On average, each American consumes about 200 lbs., or 3.3 bushels, of wheat each year; at \$12, wheat costs would equal 10 cents per day for the average consumer. Similarly, on average, a bushel of wheat makes about 70 one-pound loaves of bread; at \$12 per bushel, wheat accounts for about 17 cents of the cost of a loaf.

A recent Congressional Research Service report on the subject provides more information about the causes and likely effects of higher wheat prices. It is available at:  
<http://www.wheatworld.org/pdf/CRS%20on%20Wheat%20Prices.pdf>

Our national organizations issued a statement last week reiterating wheat producers' opposition to any government interference in wheat exports and to early releases of land from the Conservation Reserve Program (CRP) without contractual penalties. The statement from NAWG CEO Daren Coppock and USW President Alan Tracy said, in full:

"U.S. bakers are in Washington, D.C., today sharing their concerns about domestic wheat supplies and prices. They are calling on the government to intervene in the wheat market, saying their call to action 'will send important, positive signals to the marketplace at a time when it is critically needed.'

"While the U.S. wheat industry understands the concerns of bakers and other flour users who have not forward contracted to meet their flour needs, we must respectfully disagree. The fact is U.S. wheat production far exceeds domestic demand. Half of our

annual production is purchased by countries that cannot grow enough for their own people and many wheat producers depend almost entirely on overseas customers.

“We believe even a temporary market disruption could dramatically undermine the economic incentive to produce more wheat. That may signal some farmers to plant other crops this spring. And farmers who can only grow wheat or sell exclusively into export markets would be needlessly penalized at a time when their production costs are rising dramatically. Some of our loyal importers would begin seeking alternatives to the supplier they have come to rely on.

“Previous cycles have proven that global wheat production will assuredly expand in response to higher prices and evidence of that is already being seen. The International Grains Council recently forecast that the world is likely to produce a record 642 million metric tons of wheat in the coming year if there are no serious weather problems. U.S. winter wheat plantings are up by seven percent compared to 2007.

“The bakers have also suggested that Conservation Reserve Program (CRP) acres should be released from their contracts to provide more productive land to address supply issues. U.S. wheat producers believe in the sanctity of contracts. When CRP contracts are up for renewal, landowners will be able to make a choice between renewing CRP contracts and bringing those acres back into production in the market environment that exists at that time.

“The U.S. wheat industry publicly and wholeheartedly supports fair and open trade of wheat throughout the world and shares the U.S. Department of Agriculture’s commitment to making agriculture even stronger by expanding market opportunities at home and abroad. That is exactly what wheat producers—and the millers, bakers and consumers they supply—need today and tomorrow.”

Biotechnology is one tool that will allow us to produce more wheat to meet this increased demand. Other food ingredients, which are derived from soybeans or corn such as syrup, flour, meal, and oil, have been used by the domestic baking industry for years with no proven negative health implications.

Kansas Wheat, USW and NAWG have been working jointly and diligently on this subject with Joe Kejr, Brookville, Kan. serving as the joint committee chairman. Our joint outline for “The Road Forward” focuses on communicating with international customers, elected and agency officials as well as joining efforts with producers from Australia and Canada. According to USW Chairman Ron Suppes, Dighton, Kan., we have two major areas of the world that are staunchly against biotech products, portions of Asia and Europe. We know that Korea has started buying some biotech products for animal feed and some EU countries are buying corn from Brazil, who readily plants biotech corn. Finally, we are pleased to report increased communication with Japan buyers to allow a tolerance level for biotech products.



*Leaders in the adoption of profitable innovations for wheat*

Additionally, our national domestic wheat food advocacy organization, the Wheat Foods Council, has recently released its biotechnology statement. WFC membership includes many domestic users of wheat. It is as follows:

"It is the position of the WFC that modern biotechnology in the food industry is a tool that can increase food product quality, safety, nutrition and manufacturing with increased production and efficiency of agricultural practices to meet a growing food demand domestically and abroad.

For hundreds of years, plant breeders have improved plants and agriculture to produce a safe, abundant supply of better-tasting and more nutritious foods. Using an increasing knowledge and understanding of all living things, researchers are now able to more precisely and efficiently identify, isolate and transfer select traits to valuable plants. Products developed using these modern biotechnology techniques can enable farmers to safely grow and harvest food using fewer natural resources and chemicals. The U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), the World Health Organization (WHO), numerous other regulatory bodies and academic experts strongly agree that current comprehensive studies and methods of testing ensure that biotechnology foods are safe, nutritious and wholesome as any other foods."

Mr. Chairman and committee members, as you heard from wheat breeder Allan Fritz last week, wheat is the "least poorly adapted crop to Kansas." As the Wheat State, we ask you to support a free and open market system, the sanctity of contracts between the federal government and landowners and allow economics to deliver the proper signals for ag products. Additionally, wheat producers formally ask that the Kansas Legislature join us in asking the U.S. baking industry to formally support the use of biotechnology in the production of wheat so that we can continue to meet the demand for wheat foods.

Thank you for the opportunity to testify and I would stand for questions at the appropriate time.