

MINUTES

HOUSE COMMITTEE ON AGRICULTURE

December 2-3, 1993
Room 313-S -- Statehouse

Members Present

Representative Eugene Shore, Chairperson
Representative Steve Lloyd, Vice-Chairperson
Representative Don Rezac, Ranking Minority Member
Representative Richard Alldritt
Representative Bill Bryant
Representative Vernon Correll
Representative Joann Flower
Representative Joann Freeborn
Representative Fred Gatlin
Representative Greta Goodwin
Representative Jerry Henry
Representative Joe Kejr
Representative Doug Lawrence
Representative Laura McClure
Representative Melvin Neufeld
Representative Ted Powers
Representative Richard Reinhardt
Representative Jene Vickrey
Representative Galen Weiland

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Members Absent

Representative Joel Rutledge
Representative Forrest Swall

Staff Present

Raney Gilliland, Kansas Legislative Research Department
Jill Wolters, Revisor of Statute's Office
Lila McClaflin, Committee Secretary

Conferees

Gary Reser, Governor's Office
Rick Hoffman, Seaboard Corporation
Warren Parker, Kansas Farm Bureau, Manhattan
Vaughn Woolf, President, Kansas Swine Growers Association
Tom Giessel, Kansas Farmers Union, Larned
LeRoy Bower, Kansas National Farmers Organization, Pittsburg
Dan Nagengast, Kansas Rural Center, Whiting
Lloyd Helwig, Columbus
Dwight Haddock, Associated Milk Producers, Wichita
Norbert Connor, National Farmers Organization, St. Joseph, Missouri
Ron Allverson, Dairy Farmer, Centralia
Dennis Rodenbaugh, Syracuse
Joe Lieber, Kansas Cooperative Council

December 2, 1993 Morning Session

The meeting was called to order by the Chairperson Eugene Shore at 9:00 a.m., in Room 313-S of the Statehouse. Brief opening remarks were made by the Chairperson, and he announced the agenda for the morning would be to review and discuss proposed legislation dealing with the Kansas State Fair Board and also to possibly discuss the organization of the former Kansas State Board of Agriculture. Gary Reser from the Governor's Office was called on to respond to a letter the Chairperson had sent to the Governor requesting the Governor's recommendations regarding the issue.

Mr. Reser reported that the Governor received the letter and at this time legislation is being drafted that would establish a Kansas State Fair Board. He indicated that the details are still being worked out regarding the term for members and staggering of the terms. He stated that staff should receive the bill in the next few weeks, and that the Governor respectfully requests that the bill be considered early in the 1994 Session.

Chairperson Shore thanked Mr. Reser and told him if the bill came to the House Agriculture Committee it would be considered. He called on staff to review the proposed legislation that had been requested to be drafted at the previous meeting.

Staff reviewed the proposed bill regarding continuation of the State Fair Board, and pointed out the expiration date clause and why a clause was necessary regarding what constitutes a majority of the current members present to transact business.

The Chairperson reminded the Committee that in January plans are made and contracts are signed with vendors, and it is necessary to have a Board in place to take care of the Fair in the interim until new legislation could be enacted and put in place.

Representative Rezac stated he agreed with the concept, and it could always be repealed if other legislation was enacted. He stated that in the mean time something needed to be in place to allow for plans and contracts for the 1994 Fair.

Some discussion followed regarding the necessity of this legislation to insure a smooth running 1994 State Fair. A member of the Committee and former State Fair Board member stressed the importance of something being in place as quickly as possible after the 1994 Session convenes.

Responding to a question the Chairperson said he had visited with several of the current Board members and they had no problem with continuing to serve until legislation could be enacted and a new Board put in place.

The Chairperson ask for Committee action on the proposed bill, and that it be recommended for introduction and that it be prefiled. Representative Freeborn so moved. Representative Lloyd seconded the motion. Motion carried.

The Chairperson requested that this be included in the Committee report as a Committee recommendation.

The Chairperson turned attention to the proposed bill to restructure the organization of the Kansas State Board of Agriculture. A bill developed by Representative McClure had been drafted and, at Representative McClure's request, had been mailed to Committee members prior to the meeting.

Representative McClure moved the proposed bill be introduced. Representative Lloyd seconded the motion.

Committee discussion then followed. Representative McClure briefly explained the bill. The proposal would use the same districts used by the State School Board to elect a State Agriculture Board. One Board member would be elected from each district on a nonpartisan basis, and there would be no primary election. The new Board would be responsible for hiring the Secretary. A member of the Committee expressed concern with the proposed bill not providing for a primary election.

The Chairperson called for the question. The motion carried.

Staff was called on to explain how the interim committees were different this year than previous years. Staff explained how the Committee report would be drafted and what it would contain.

Representative Reinhardt moved the bill concerning the restructure of the State Board of Agriculture be prefiled, and that the Committee report reflect this action. The motion was seconded by Representative McClure. Motion carried.

The Chairperson stated that after lunch the Committee would hear testimony from some of the major players regarding legislation to amend the Kansas Corporate Farming Law, and from some of the people interested in investing their money in corporate hog farming in the state. The Chairperson announced the minutes from the meeting of October 27-28, 1993 had been distributed, and if no additions or corrections were brought to his attention by the closing of the meeting on December 3, they would stand approved as distributed.

The meeting recessed at 10:37 a.m.

Afternoon Session

The Chairperson reconvened the meeting at 1:40 p.m., and opened the hearings on the issue of amending the Kansas Corporate Farming Law to permit the operation of certain types of hog production facilities. He called on Rick Hoffman, Vice President-Finance, Seaboard Corporation.

Mr. Hoffman introduced the following representatives of Seaboard: Jim Walker, who oversees grain and transportation; Rodney Orrell, who oversees pork production; Dave Watson, who also oversees the production of hogs and is in charge of contracts, and Dave Becker, who is Seaboard's general counsel. Mr. Hoffman stated his company believes the southwest counties of Kansas are an ideal location for the growing and processing of hogs. He said the reason for wanting to locate in these counties was the sparse population; climate/environmental conditions; farm orientation of the work force; and sufficient availability of feed grains. He reviewed briefly the contractual arrangements and purchase agreements with producers in which Seaboard would enter. He addressed the present Corporate Farming Law as it pertains to hog production, and suggested proposed legislation to change Kansas law would spur economic development in southwest Kansas. He suggested if Kansas laws are not changed the operations will be located in one of the surrounding states, because his company will need production for their processing plant in Guymon, Oklahoma (Attachment 1).

Responding to questions Mr. Hoffman stated, Seaboard is going to have operations in the southwest states, and the merchants and bankers in that area are very interested in having their operation located in Kansas. He stated that for the Guymon, Oklahoma plant they want their hogs to come from a 150-mile radius. Mr. Hoffman called on the other officers of Seaboard to respond to questions. He stated that Seaboard will buy hogs from independent dealers if the cost is justified, and if the hogs are geographically located to be cost effective. However, he did indicate that transportation costs will be a major concern. Mr. Hoffman told the Committee that grain will be purchased from local producers whenever possible, but at times it will be purchased from elevators.

In response to another Committee member question, Mr. Hoffman stated that his company would be competing with the local elevators to purchase the grain and that the competition would probably increase the price of grain in that area of the state. He stated that some of the land now in the Conservation Reserve Program (CRP) would be put back into operation to grow milo. Mr. Hoffman stated that at the present they have farmers in Oklahoma and Colorado contracting to raise hogs.

Responding to concerns regarding the water usage, the Committee was told hog operations are not a heavy water user, if you compare it to irrigation for grain crops. Mr. Hoffman reiterated that his company needs the hog production and it would like to have it located in Kansas, because of the grain source available and because of its proximity to the export area. Mr. Hoffman told the Committee that additional markets for U.S. pork in the world market are continually opening, so much of this pork will be exported, but as pork products improve Seaboard expects the U.S. market to increase also. He stated there is a possibility in a few years that they would need another production plant in that area. In closing, Mr. Hoffman, thanked the Committee for their time. He said for economic development it would be very good for Kansas if the Legislature chose to work on the corporate hog issue and Seaboard would be glad to work with them. He stated his company did not oppose the entire state being included in any change made, but the 14 counties in southwest Kansas were their main concern.

Warren Parker, Kansas Farm Bureau, stated his organization recently concluded at their annual meeting that their policy remain consistent with last year. That policy was that if the Legislature takes action dealing with corporate farming, it should be structured very similar to 1993 S.B. 336.

Included with his testimony is Farm Bureau's policy position approved two weeks ago at their annual convention (Attachment 2).

Vaughn Woolf, President, Kansas Swine Growers Association, testified against changing the Corporate Farming Law in Kansas. He discussed why he thought Seaboard's contracts would deny the independent producers access to the market (Attachment 3).

Responding to questions, Mr. Woolf said without a contract in hand he thought small producers would be denied access to the markets and credit, and if the laws were changed he thought eventually the only people growing large numbers of hogs would be those with a contract. He stated if there is a demand for the hogs he thought the hogs would be there. Therefore, his organization has met and it still is opposed to changing the Corporate Farming Law.

Tom Giessel, Vice-President, Kansas Farmers Union, Larned, was opposed to any changes in Corporate Farm Laws in the state. He thought the citizens were grossly short-changed when corporations are allowed to abuse the people, the environment, and natural resources. He believes the rural wealth comes from the family farms, as they are there for the long-term. In closing, he asked members of the Committee when considering whether to change the law to ask themselves, "What's in it for Kansas"? (Attachment 4).

He responded to questions regarding what he thought was wrong with contracting and getting started that way. Mr. Giessel stated that his basic opposition was that these people were hired hands not people in business for themselves, and he did not think corporations care about the communities the way that family farmers do.

LeRoy Bower, Kansas National Farmers Organization, suggested the citizens of the state be allowed to vote on the resolution that defines corporate limits. He stated that he supports the concepts embodied in 1993 HCR 5005 (Attachment 5).

The Chairperson asked Mr. Bower if he opposed Seaboard's recommendation to open up only the 14 counties in the southwestern part of the state? He restated he would prefer to have a statewide vote on the issue.

The Chairperson suggested that would result in farming decisions being made by the three largest counties in the state, and he did not think that was in the best interest of the farmers.

Dan Nagengast, Executive Director, The Kansas Rural Center, urged the Committee to help Kansas agriculture and Kansans by continuing the restrictions placed on corporate agriculture. He said he was concerned with reducing the acreage set aside for CRP, and expressed concern that if legislation was introduced to open up the 14 counties, that it be drafted to insure the markets are open for the independent producers (Attachment 6).

Responding to questions, Mr. Nagengast said you could protect the independents by writing into law for every hog they own the corporation would have to buy three from an independent producer. He cautioned the Committee that it needs to insure that taxpayers do not become responsible for any cleanup that might occur. He stated that he probably would support whatever the independent swine growers supported.

Lloyd Helwig, Columbus, Kansas, testified in opposition to corporate farming. He said they have corporate turkey operations in southeast Kansas and he did not think the community had benefitted from it (Attachment 7).

Written testimony was distributed from Scott Conder, Erie, Kansas. Mr. Conder's testimony stated he thought the Kansas Corporate Farming Law should not be changed (Attachment 8).

Written testimony from Marty Vanier, DVM, Kansas Agricultural Alliance, was distributed. Ms. Vanier's testimony stated her organization supports the relaxation of restrictions against corporate activity in swine production (Attachment 9).

The meeting recessed until 9:00 a.m., on December 3.

**December 3, 1993
Morning Session**

The Chairman reconvened the meeting at 9:05 a.m., and reminded the Committee if they had any additions or corrections to the minutes of the previous meeting, to please make them known before the adjournment of the meeting.

The Chairman then indicated that the Committee would take up the issue of amending the Kansas Corporate Farming Law to permit certain types of dairy production facilities to operate in the state. The Chairman then called on Dwight Haddock.

Dwight Haddock, Associated Milk Producers, testified in support of removing the restrictions on corporate dairy farming in Kansas. He said he thought the Legislature could assist in building the dairy industry to its full potential through a few good legislative actions and he requested that the Committee be willing to listen to the dairy industry in formulating legislation. He also hoped, the Committee would support the minimum price on dairy products' bill (Attachment 10).

He responded to questions, and stated that the Associated Milk Producers supported the legislation that passed last session. He said federal regulations and prices have forced the small dairies out of business. He also indicated that he was afraid Kansas would lose its dairy production plants if the milk production was not increased. Mr. Haddock stated that much of the milk is imported now to maintain production. He thought removing the restrictions on corporate-owned dairies would give the dairy industry another tool to work with, but he opposed opening it up to mega-corporations.

In closing Mr. Haddock stressed the necessity for farmers to belong to a co-op and stressed milk is different from other farm commodities as it is a perishable, and farmers need to have an immediate market for it.

The Chairman told Mr. Haddock that the legislation that passed the 1993 Session would have allowed large corporations to operate in the state. He recommended the dairy producers get together and decided what they would accept in a bill.

LeRoy Bower, President, Kansas National Farmers Organizations, testified in opposition to any liberalization of Corporate Farming Laws in Kansas. He again suggested Kansas should allow their citizens to vote on HCR 5005 (Attachment 11).

Norbert Connor, National Farmers Organization, St. Joseph, Missouri, testified that the present law be maintained and if a consideration of opening up the current law is necessary, that a decision be delayed for at least two years because of things which are happening in the dairy industry. He listed seven reasons (Attachment 12).

Responding to questions Mr. Connor stated that any increase in milk production may end up in the hands of the federal government which is not happening now. He briefly remarked on the hog production issue, and closing of one plant and opening of another in Missouri.

Ron Allverson, dairy farmer, Centralia, told the Committee he is very opposed to any change in the Corporate Farming Law which would impact dairy farming. He told of visiting with a person from Mexico who bought a bunch of grain bins in his area, and from their conversation he just could not see how corporate dairies would improve his community. He suggested the banning of the hormone BST in Kansas.

Dennis Rodenbaugh, Syracuse, testified in support of relaxing the Corporate Farming Law, and allowing dairy corporations in Kansas. He stated that he had worked with a group of people in southwest Kansas to set up the financing for a dairy and he discussed the problems he encountered during the process. He stated that allowing corporate dairies would be beneficial, and is needed in Kansas and especially in his part of the state for economic development. He questioned how much the Kansas taxpayers are willing to pay to keep the small dairies in business. He said southwest Kansas needs to have the law changed to save itself, rather than hopelessly watching while jobs are created in Oklahoma and Colorado.

Responding to questions, Mr. Rodenbaugh stated the Kansas Corporate Farming Law made it very difficult to get their dairy established in Kansas. He answered questions at length concerning the water issues in southwest Kansas. He stated some of the water issues needed to be looked at also, especially for his part of the state, but that was another issue.

Tom Giessel, Kansas Farmers Union, Larned, testified against allowing the 14 counties in southwest Kansas to be opened up for any corporate farming. He spoke against allowing BST to be injected in dairy cattle to increase milk production. He stated that if investors in southwest Kansas want to help with economic development, why not invest in the young individual farmers, as they will improve the economy and social structure of that part of the state better than a corporation will (Attachment 13).

Joe Lieber, Kansas Cooperative Council, testified that his organization supported the bill last year. He reminded the Committee that when you discuss dairy products, that you are talking about perishables, and it cannot be stored like grain. He thought it was very important to separate the issue of dairies and hogs, and suggested that two separate bills be introduced. He was not in favor of banning BST, as he had heard positive things about it. Mr. Lieber said he had asked Dwight Haddock to put together a glossary of terms concerning the dairy business, as he thought it would be helpful in understanding the dairy business.

Representative Reinhardt, a former dairyperson, commented on the necessity of dairy co-ops, and also stressed the product being a perishable, and said people need to understand this. He stated that dairy producers cannot just get up in the morning and wonder where they are going to sell their product.

He said the marketing orders have been with us for a long time, and they are complex, sometimes they work to our benefit at other times to our detriment.

The Committee recessed for lunch.

Afternoon Session

The Chairman reconvened the meeting at 1:30 p.m. He opened the discussion on the corporate farm issue. He stated there seemed to be some support for opening up southwestern Kansas with county option for the rest of the state.

A memorandum prepared by staff, that summarizes former and current corporate farming statutes in Kansas was distributed, and is on file in the Legislative Research Department.

Representative Powers spoke in support of introducing two separate bills, one for hog farming, and one for dairy farming. He stated that he thought perhaps it was time to support some of the ideas that had been suggested for some time.

Representative Alldritt stated he would probably not support a bill allowing just the 14 counties in southwest Kansas to have corporate farming, but he probably would support some corporate farm changes. He would like to visit with his constituents regarding this issue at town meetings and get their thoughts on what they would support.

The Chairman stated he thought it was interesting that Mr. Rodenbaugh testified they were able to find a way to do what they wanted to do. He stated that it was probably not the best way and it cost them more money, but it accomplished what they wanted.

Representative Lawrence expressed concern with carving out part of the state, however, he thought it already was carved up, because of agreements with markets in Nebraska and Missouri. He thought it was difficult to discuss the issue without a bill and knowing what the language in the bill would be.

Representative Lawrence moved to introduce two bills one for the dairy industry and one for the hog industry, and they would permit corporate ownership of hog production facilities and dairy farms in the 14 counties that were designated by Seaboard Corporation. He stated that in all other counties, it would be by county option. The motion was seconded by Representative Gatlin.

Discussion followed.

Representative Rezac stated he had never supported the corporate farming concept, but if it was a good idea for farming he thought it should be for the whole state. He stressed the importance of protecting the independent producers and the independent market. He thought if that could be done it would be easier for him to support it.

Chairman Shore said he was not sure legislation could be drafted to protect the independent producers. He thought it made as much sense to draw a line around the 14 counties as it did to draw a line at the Oklahoma and Colorado borders.

Staff was asked to review an amendment to H.B. 2069 that Representative Reinhardt had offered last session, and for clarification regarding how the contracts with the corporations work. Staff stated under present law, Kansas farmers cannot contract with Seaboard Corporation to feed hogs if the hogs are owned by Seaboard.

Representative Lawrence stated in all of the testimony he had heard, he could not recall anyone other than the Farmers Union being against corporate farming in the 14 counties designated.

Representative Gatlin stated these 14 counties do not have hogs now so it will not impact the independent owners. He stated that the change could be tried and if it does not work, the Legislature can come back and change it.

Representative Bryant agreed and stated by designating these counties it gives the Legislature a place to start talking. He suggested by keeping corporate farming out of the state we have to compete with them across the state line. He stated that the state had the prohibition on corporate operations and that has not kept the people on the farm.

Representative Rezac was asked to discuss how opening up the 14 counties in southwest Kansas would shut down the independent producers. He explained what he thought could happen.

Discussion followed on Seaboard being allowed to own the hogs. Representative Lloyd pointed out Seaboard had testified they would not own the hogs if they did not have to, and he thought contracting should be an option available. He thought it might be helpful to help young farmers get started.

Representative Goodwin questioned if Mr. Rodenbaugh was interested in corporate hog farming. The Chairperson stated his primary interest was dairy, but he had said he also would support changes that would permit corporate operations involving hog production.

The Chairman called for the question. The bill would be sponsored by the Committee and be introduced at the beginning of the 1994 Session. The motion carried.

Staff announced if members of the Committee wanted the information in their packets they should take it, otherwise it would be recycled, and also that the minutes of this meeting would be mailed to members.

Chairman Shore said if there were no objections he would work with staff to draft the Committee Report. He thanked the Committee members for their attention and the meeting adjourned at 2:18 p.m.

Prepared by Raney Gilliland

Approved by Committee on:

January 3, 1994

(Date)

RURAL ECONOMIC DEVELOPMENT PROPOSAL

Testimony by Rick Hoffman, Vice President-Finance
Seaboard Corporation

To: The Honorable Chairman Shore and Members of the House
Agriculture Committee

I. Introduction

Seaboard Corporation is a diversified international agribusiness and transportation company, domestically, the Company is engaged in poultry and pork production and processing, lamb processing, commodity merchandising, baking, flour milling, shipping and produce storage and distribution. Overseas, Seaboard engages in fruit, vegetable and shrimp production and processing, flour milling, animal feed production, polypropylene bag manufacturing and electric power production.

Seaboard is presently undertaking the development of a pork processing plant in the panhandle of Oklahoma in Guymon, Oklahoma.

Seaboard's main corporate offices are located in Merriam, Kansas.

II. Southwest United States is Ideal Location for the Hog Production and Pork Industries.

We believe the ideal location to grow and process hogs to produce pork is the Southwestern United States, including Southwest Kansas, because of the following:

1) Sparse Population. Because of the sparse population in Southwest Kansas and the surrounding area, there is sufficient land available to grow hogs and to provide adequate space between hog production operations so that there is no significant accumulation of odors.

2) Climate/Environmental Conditions. The climate in Southwest Kansas includes the characteristics of low rainfall and low humidity--ideal growing conditions for raising hogs. Moreover, because of the low rainfall in this region, there is minimal risk of runoff of effluent into rivers and streams. This low rainfall, coupled with very deep ground water tables in Southwest Kansas, also make the possibility of ground water contamination unlikely. Any potentially negative environmental impact is also diminished by the sufficient availability of crops to irrigate and use the effluent as a fertilizer, thus disposing of the effluent in a natural and an environmentally sound manner, while providing a significant resource for the growing of the crops.

3) Farm Orientation of the Work Force. The work force in Southwest Kansas is primarily agriculture and agriculture

related, thus, making the hog production industry a natural industry for this region.

4) Sufficient Availability of Feed Grains. There is a sufficient supply of feed grains, ie. corn and milo, in Southwest Kansas and the surrounding area to use as feed for hogs. Approximately 40 million bushels of grain will be consumed to grow the four million hogs to be processed at the Guyman processing plant when it is operating at full capacity with two shifts.

III. Seaboard's Investment in Pork Production in the Southwest.

It is because of the foregoing described characteristics which make the Southwestern part of the United States the ideal place to produce hogs and because of the proximity of Southwestern United States to export markets in Mexico and Asia that Seaboard is undertaking the development of a pork processing plant located in Guymon, Oklahoma. It is anticipated that processing operations will begin in the spring of 1995 and will initially involve the processing of two million hogs per year. After a start-up period of between two and three years, it is anticipated that the processing plant will operate two shifts, processing four million hogs per year. Seaboard's investment in the processing plant alone is estimated to total in excess of \$60 million. Aggregate capital investment of approximately \$400 million over the next four to five years will be required in order to produce the four million hogs needed by the Guymon processing plant.

IV. Inadequate Supply of Hogs in Areas Surrounding Guymon.

There is presently an inadequate supply of hogs in the area surrounding the Guymon processing plant in order to furnish the hogs necessary for its operation. Accordingly, Seaboard is currently undertaking a campaign to procure an adequate supply of hogs to operate the Guymon processing plant, while retaining some control over the genetics of a significant portion of the hogs which are produced so that a higher quality of hog will be produced to the mutual benefit of the hog producer and the processor.

Seaboard does not believe that its total needs for hogs at the Guymon processing plant will be met by individual farmers in Kansas for several reasons. First, the processing plant is scheduled to begin operations in the spring of 1995. In order to produce hogs which will be ready for slaughter when processing operations begin, it is necessary that construction of hog production facilities begin very soon. We do not believe individual farmers will act this quickly. Second, large scale hog production requires a tremendous capital investment. Third, the sparse population in Southwest Kansas does not provide a sufficient pool of potential hog producers in order to produce a significant portion of the hog needs of the processing plant. Finally, individual farmers may also be inhibited from entering

the hog production business because of the lack of competition among pork processors to purchase the hogs produced. Attached as Exhibits are a map depicting the location and size of the slaughter facilities in the United States and a map of the State of Kansas depicting the hog production in each county in the state. For the above reasons, it is unlikely that sufficient individual Kansas farmers will enter the hog production business to provide the hog needs of the Guymon processing plant.

V. Techniques to be Utilized to Obtain the Necessary Supply of Hogs

Seaboard is utilizing a variety of techniques in order to ensure that there will be an adequate supply of hogs to meet the needs of the Guymon processing plant. These include the following:

1) Open Market Hogs. Seaboard hopes to retain a significant portion of the hog needs of the processing plant pursuant to open market purchases of hogs from individual producers.

2) Contractual Arrangements and Purchase Agreements With Producers. Seaboard anticipates procuring hogs pursuant to contracts with third party producers - both corporations and individuals. Many of the contracts will be ordinary purchase contracts. Seaboard will also enter into contracts whereby corporations and individuals agree to operate farrowing operations with sows owned by Seaboard and/or agree to operate finishing operations with hogs owned by Seaboard.

3) Company Owned Facilities. Seaboard itself intends to invest the capital to produce approximately 25% of the hogs needed to operate the processing plant at full capacity.

VI. Hog Production Prohibitions Under Present Kansas Law.

The present law in Kansas prohibits from occurring in the State of Kansas most of the tremendous investments which must be made in hog production facilities in order to produce the hogs which are needed by the Guymon processing plant. Under the Kansas Corporate Farming Statute, Seaboard is prohibited from owning land and hog production facilities in Kansas because it is a corporation. Moreover, because Seaboard is a pork processor, it is also prohibited from entering into any contractual arrangements pursuant to which it owns sows which are bred to produce hogs or from owning hogs which are being finished by farmers in Kansas under contract with Seaboard. In addition, the corporations with which Seaboard has contracted and is proposing to contract will likewise be prohibited under the present law from locating their hog production facilities in the State of Kansas. Accordingly, if the present law continues in effect, none of the significant investment which Seaboard intends to invest in hog production facilities and feed mills or which other corporations are anticipated to invest in hog production

facilities will be incurred or utilized to spur economic development in Kansas. The Guymon processing plant is a reality and the investment in hog production will occur, if not in Kansas, in the States of Oklahoma, Texas and Colorado which do not have laws restricting the raising of hogs by corporations and pork processors. This is tragic for the State of Kansas, for Seaboard Corporation as a corporate citizen of the State of Kansas, for the individual farmers in this area which would experience enhanced demand for corn and milo and for a work force with technical expertise in hog production, and for the construction workers, suppliers and store owners which would benefit from the tremendous investment and economic activity created.

VII. Proposed Legislation to Spur Rural Economic Development.

In order to spur economic development with respect to hog production in Southwest Kansas, Seaboard proposes that the Kansas statutes be amended to remove in 14 counties located in Southwest Kansas - Hamilton, Kearny, Finney, Hodgman, Stanton, Grant, Haskell, Gray, Ford, Morton, Stevens, Seward, Mead, and Clark, the provisions of the Kansas Corporate Farming Statute (K.S.A. 17-5902 et seq.) prohibiting corporations from owning land and operating swine production facilities and prohibiting processors of pork from contracting for the production of hogs owned by the processor or from owning hogs in Kansas. This legislation would also allow any other counties in the state which desire to remove the restrictions in their county to do so by passing an ordinance or resolution making the legislation applicable in their county.

Seaboard is not requesting or seeking any governmental grants or assistance in conjunction with the proposed legislation, excluding industrial revenue bonds to finance any feed mills which are constructed in Kansas.

VIII. Why Only Southwest Kansas?

The factors inhibiting hog production in Southwest Kansas are unique to this area. As shown on the first Exhibit attached hereto, there are numerous pork processing plants in Iowa and Eastern Nebraska. Because of the demand for hogs in these areas, it is economically feasible for individual farmers in Northeast Kansas to produce hogs for sale into these markets. It is simply not economically efficient to transport hogs from the Southwest part of the state into these markets. Thus, as illustrated on the second Exhibit attached hereto the tremendous investment to produce hogs has been made by farmers in the Northeast portion of the State of Kansas where numerous hogs are produced, contrary to the Southwest portion of the state where very few hogs are produced. Because there are so many pork processors competing for a limited supply of hogs, individual farmers in the Northeast part of the state have made the necessary investment to produce hogs. Similar investment will not be made by very many individual farmers in Kansas without the proposed legislation for the various reasons discussed above. With the proposed

legislation, numerous Kansas farmers are likely to enter the hog production business pursuant to contracts with Seaboard to farrow or finish hogs. The interest of Kansas farmers in doing so has been tremendous.

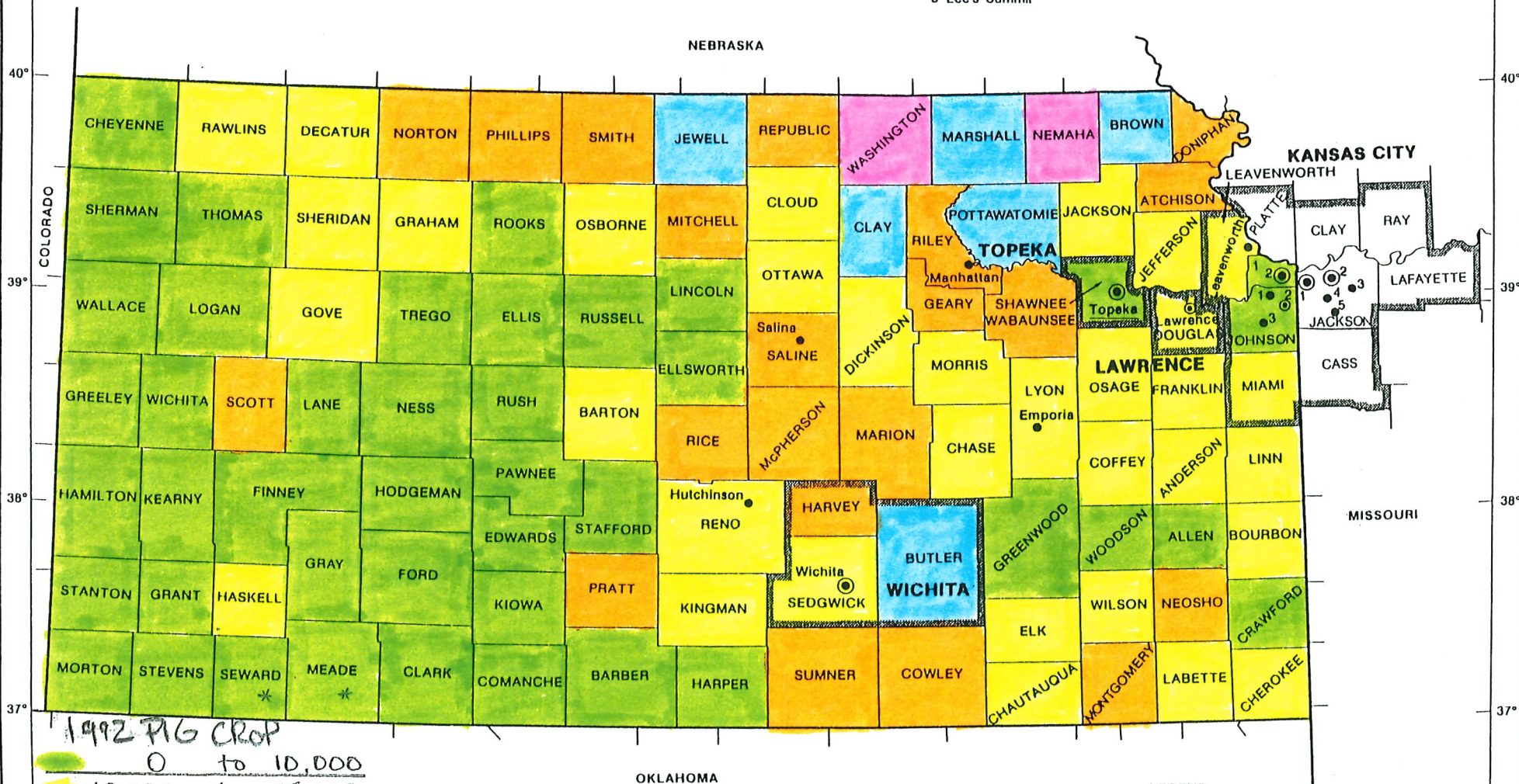
Accordingly, the practicalities of the marketplace and the location of the processing plants in the United States makes the needs of the Northeast part of the State of Kansas very different from that of the Southwest part. The proposed legislation recognizes the different situations faced by the counties located in Northeast Kansas and the counties located in Southwest Kansas. The proposed legislation would allow Southwest Kansas to participate in the hog production industry in the same manner in which Northeast Kansas presently participates. In the event there are counties in addition to the 14 named counties which desire to take advantage of the proposed legislation, those counties could make the legislation applicable in their county. Thus the proposed legislation is the best of both worlds for the State of Kansas, allowing hog production to be undertaken in the traditional manner in the Northeast portion of the state while removing the inhibitions from being engaged in the hog production business in the Southwest portion of the state and in any other counties which so desire.

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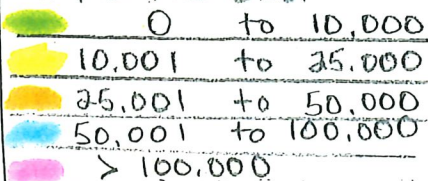


KEY

KANSAS	MISSOURI
JOHNSON COUNTY	JACKSON COUNTY
1 Shawnee	1 Kansas City
2 Overland Park	2 Independence
3 Olathe	3 Blue Springs
	4 Raytown
	5 Lee's Summit



1992 PIG CROP



0 20 40 60 80 100 Miles



* Excludes Dakota units

U.S. Department of Commerce

LEGEND

- Metropolitan statistical area (MSA)
- Place of 100,000 or more inhabitants
- Place of 50,000 to 100,000 inhabitants
- Place of 25,000 to 50,000 inhabitants
- MSA central city of fewer than 25,000 inhabitants

State capital underlined

All political boundaries are as of January 1, 1990

BUREAU OF THE CENSUS



PUBLIC POLICY STATEMENT

HOUSE AGRICULTURE COMMITTEE

Re: Corporate Farm Issue

December 2, 1993

Topeka, Kansas

Presented by:

Warren Parker, Assistant Director

Public Affairs Division

Kansas Farm Bureau

Chairman Shore and members of the Committee:

My name is Warren Parker, I am the Assistant Director of Public Affairs for Kansas Farm Bureau. We appreciate this opportunity to testify on behalf of our farmer and rancher members in each of the 105 counties in Kansas.

This issue, of course, was before the legislature last year. At that time our organization testified in favor of the bill (S.B. 336) which passed the legislature. Our members, some of whom testified before this committee, believed that they could compete and benefit from changes in the Corporate Farm Law, as long as there were not economic or tax advantages provided corporate entities that were not also available to family farmers.

Our members have just concluded their annual meeting where policy positions are set for the year. Our policy was updated to include dairy operations. Other than that change our policy remains consistent with last year. There were over 430 delegates at that meeting,

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representing approximately 45,000 farmer and rancher families. There was no opposition to the new policy position.

Our belief is, that if you choose to take action on a bill dealing with Corporate Farming, that it should be structured very similar to last year's **S.B. 336**, which took into consideration the legitimate concerns of farmers and ranchers, and provided for enhanced economic opportunities for farm families, as well as for growth and expansion of grain and livestock operations.

Included in this testimony is our policy position which was approved just two weeks ago. We thank you for the time to express the views of our farmer and rancher members. That concludes my testimony, and I would be happy to attempt to answer any questions.

Corporate Farm Law

AG-10

Kansas needs to be responsive and innovative in capital formation for agriculture and economic development in agriculture. we support changes in the Kansas Corporate Farm Law that will enhance economic opportunities for farm families, and for growth and expansion of grain and livestock operations.

We support expansion of the Kansas Corporate Farm law to include corporate dairy and swine production, provided such expansion, amendment or change of law does not give economic incentives or tax advantages to corporate entities which are not available to family farmers.

KANSAS SWINE GROWERS ASSOCIATION

Promoting the swine industry and rural communities through family farming

Vaughn Woolf
President, Kansas Swine Growers Association
Rt. 1 Box 45
Milton, KS 67106
(316) 542-3747

December 2, 1993

Thank you for this opportunity to address the committee. My name is Vaughn Woolf. I am President of the Kansas Swine Growers Association. My wife, Lynn, and I own and operate a 350-sow farrowing operation twenty miles southwest of Wichita.

Once again we are debating the idea of allowing corporations to own hogs in Kansas. Last year we talked until we were blue in the face and half of the swine industry was mad at the other half. But basic questions remain.

First, will independent producers survive and prosper in a state that allows corporations to own and process their own hogs? The Kansas Swine Growers Association believes the answer is a definite no. The reason has to do with open access to markets. We all know that it doesn't matter how efficiently you produce a product, you will go broke if you can't sell it.

With Seaboard intending to ignore independent producers and own hogs themselves, they will flood the market with an additional 4 million head produced annually -- 4 million head that had been produced by independent growers. Unless pork consumption increases dramatically, prices will plummet nationwide. That additional 4 million head processed will force existing packers to scramble for market share. With independent producers already on unstable ground, most likely these packers will turn to contracting as well to guarantee themselves a steady supply of hogs.

Seaboard may say that they will guarantee access to independents. But without plans for a buying station network to collect independents' hogs, individuals will have to be able to deliver a large amount of hogs on a regular basis. This means existing independents will have to get bigger. But what banker is going to loan money for expansion to an independent when he could loan it to a producer with a guaranteed contract?

Contracting will not revive rural Kansas's economy as Seaboard would have you believe. As an economics student in graduate school at K-State, I was taught that the rewards you reap from your business are directly tied to the amount of risk you are willing to take. Investments in swine facilities is a risk independent producers have been taking.

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KANSAS SWINE GROWERS ASSOCIATION

Promoting the swine industry and rural communities through family farming

Contract feeding of hogs does lower a few of the risks. The contractor doesn't have to worry about genetics, nutrition, and marketing -- what many independents enjoy the most. The farmer does provide for labor, utilities and repairs. But he also provides much more. He is forced to undertake a huge financial investment to meet the building requirements of the corporation. And if the contract isn't renewed, he is stuck with empty buildings that still must be paid for. The contractor is also solely responsible for environmental concerns.

What the contract provides is a per-pig payment. According to the K-State Extension publication on contract hog production, a farmer can expect to net only \$1.05/pig contracted. This is with an investment in buildings and equipment of \$158.50/pig. So much for economic development.

Seaboard would have you believe that not only are they providing opportunities for Kansas farmers, but that contracting is the wave of the future. They say they must own their own hogs to guarantee a quality animal. Yet, Seaboard has never made public their vision of a quality hog -- a hog that may be in an independent's herd right now.

They also say they can produce that animal more efficiently than an independent. But University of Nebraska and University of Illinois studies have shown that efficiency is not tied to size. They say that what is important to profitability is the managerial talent of the individual managers. So why is Seaboard looking at contracting hogs in an area where there are currently few experienced producers?

The Kansas Swine Growers Association hopes this is the last time this issue will be debated. We feel this committee's time would be better spent working with existing independent businesses rather than sacrificing them in order to provide cheap labor for the Seaboard corporation.

STATEMENT PRESENTED TO
THE KANSAS HOUSE AGRICULTURAL COMMITTEE

ON

THURSDAY, DECEMBER 2, 1993

BY

TOM GIESSEL, VICE-PRESIDENT, KANSAS FARMERS UNION

GOOD AFTERNOON. MY NAME IS TOM GIESSEL. I AM A FARMER-STOCKMAN FROM PAWNEE COUNTY INVOLVED IN A FAMILY PARTNERSHIP WITH MY BROTHER AND OUR FAMILIES. I ALSO SERVE AS VICE-PRESIDENT OF THE KANSAS FARMERS UNION. OUR ORGANIZATION WANTS TO MAKE IT PERFECTLY CLEAR THAT WE ARE OPPOSED TO ANY CHANGES IN CORPORATE FARM LAW IN THE STATE.

THE RECENT PASSAGE OF NAFTA BY CONGRESS HAS ELEVATED OUR CONCERNS. WE BELIEVE THE RAMIFICATIONS OF THIS POORLY NEGOTIATED TREATY WILL HAVE FAR REACHING IMPLICATIONS TO ALL IN AGRICULTURE AND VERY LITTLE OF IT WILL BE POSITIVE FOR OUR ECONOMY AND OUR SOCIETY. FOOD SAFETY, THE ENVIRONMENT AND CONSUMER CONFIDENCE ARE ALL AT RISK. COUPLED WITH THIS WILL BE A TREND THAT DIMINISHES THE ENTREPRENEURIAL OPPORTUNITIES, IF NOT THE SPIRIT, OF MANY YOUNG AND TALENTED KANSANS. BY WEAKENING THE CORPORATE FARM LAWS OF THIS STATE, WE ONLY ACCELERATE THE DEMISE OF OUR RURAL TOWNS AND FAMILY FARMS.

ONE OF THE CONSIDERATIONS, IN THE "CORPORATIZING" OF KANSAS, HAS BEEN ESTABLISHING A COUNTY OPTION OF ALLOWING THE ESTABLISHMENT OF "CORPORATE AG ZONES".

THIS COULD BE COMPARED TO THE MEXICAN MAQUILADORA TRADE ZONE. THE ONLY BENEFIT TO THIS ZONE WAS JOBS, LOW PAYING JOBS, AND THE IMPROMISING OF THE LOCAL ENVIRONMENT.

THERE ARE THOSE SO-CALLED "ECONOMIC DEVELOPMENT GROUPS" WHO BELIEVE THAT WE ARE ONLY INTERESTED IN JOBS. THE THOUGHT OF LOCAL

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COUNTRY.

I BELIEVE THIS STATE NEEDS LEADERS THAT WANT TO BUILD ON THE STATE STRENGTHS, NOT EXPLOIT THEM FOR FOREIGN INVESTORS. KANSAS NEEDS TO BUILD ON THE STRENGTH OF THE PEOPLE, WHO WANT TO BE PRIVATE ENTREPRENEURS.

I BELIEVE THE KANSAS YOUTH IS TIRED OF BEING SIMPLY A CORPORATE EMPLOYEE. MOST KANSANS HAVE BIGGER DREAMS THAN THAT, EVEN THOUGH SOME AG LEADERS INDICATE IT WOULD BE GREAT IF OUR YOUTH COULD BECOME CORPORATE EMPLOYEES. THOSE WHO WANT TO BE CORPORATE EMPLOYEES CAN FIND THAT OPPORTUNITY IN THE CITIES. ONLY IN THE RURAL COUNTIES OF KANSAS CAN THEY BECOME TRUE INDEPENDENT ENTREPRENEURS.

KANSAS HAS MORE TO OFFER, SO WE DON'T HAVE TO SHOVEL OUT TAXPAYER DOLLARS TO ENTICE THE FOREIGN CORPORATION TO EXPLOIT US. SURELY, WE AS A PEOPLE ARE EQUAL TO THE PEOPLE OF NORTH DAKOTA WHO HAVE SET OUT TO BUILD THEIR OWN OPPORTUNITIES AND FUTURES.

IN CONCLUSION, THE TIME IS NOW FOR RURAL COMMUNITIES TO STAND UP AND BE COUNTED. FOR TOO LONG, WE HAVE BEEN LOOKING FOR ANSWERS IN ALL THE WRONG PLACES. SUCCESS AND STRENGTH DO NOT COME FROM OUTSIDE MONEY OR CORPORATIONS. THEY COME FROM OPPORTUNITIES THAT ARISE BY BLENDING THE WISE AND EFFICIENT USE OF OUR RESOURCES. THESE RESOURCES INCLUDE THE NATURAL RESOURCES THIS STATE IS BLESSED WITH, IN COMBINATION WITH THE HUMAN RESOURCES. IT IS THIS COMBINATION THAT LEADS TO TRUE ECONOMIC AND SOCIAL WEALTH. AS KANSANS, WE ARE GROSSLY SHORT-CHANGED, IN MORE WAYS THAN ONE, WHEN WE ALLOW NAMELESS, FACELESS, CONSCIOUSLESS AND GREEDY CORPORATIONS TO ABUSE OUR PEOPLE, ENVIRONMENT AND NATURAL RESOURCES.

THANK YOU.



Collective Bargaining
FOR AGRICULTURE

KANSAS NATIONAL FARMERS ORGANIZATION

LEROY BOWER, PRESIDENT

R. # 5, Box 388

Pittsburg, Ks. 66762

316 643 5391

HOUSE AGRICULTURE COMMITTEE HEARING

CORPORATE HOG & DAIRY FARMING

December 2, 1993

I am LeRoy Bower, President of Kansas NFO. I live in Cherokee County near Pittsburg. My farm is diversified, growing Wheat, Corn, Milo, Soybeans and Feeder Cattle.

Our Organization represents Farmers and Ranchers in the Market Place through our National Collective Bargaining program. Only Farmers and Ranchers with agriculture production can be members. The Resolution that was passed by our 1992 State Convention states; "Whereas; Corporate farming eliminates Kansas family farms, and the local business community. Be it Resolved; Kansas NFO stands opposed to any liberalization of Corporate Farming Laws in Kansas."

Any liberalization of the Corporate Farming Laws in Kansas would result in a concentration and centralization of power and capital. It would give a message to the **AGRI-GIANT CORPORATES** --Come to Kansas to **RAPE** the Kansas Farmer, its Land, its Infra-Structure, its Family Structure Business, and its Environment. We can look to the poultry industry, where you have an increase concentration of ownership and control of the food production system by **AGRI-GIANTS**. As these firms increase their control, farmers continue to lose their role as major decision makers. If restrictions are removed and corporate farming is allowed, then profits from such entities, would be removed from communities. True some communities would benefit during construction and developement of facilities only, but at the expense (or loss) of many communities.

Corporations do not compete against one another. They only compete for their market share. They usually have areas that they buy in and stay out of the areas of their competitor. Farmers are at the mercy of Corporate America. It use to be that there were companies just in meat packing or just in grain handling or just in retailing and now, We have the **AGRI-GIANTS** involved in the whole arena of seed production, grain farming, grain handling, livestock feeding operations and the slaughter plants.

It is the opinion of Kansas NFO that the entire economy of Kansas would be more stable if it contained a broad based number of diversified agriculture producers. Our rural communities could experience growth, local tax bases would grow and the consumers would benefit because of a signal sent to the small farming entrepreneurs. The Kansas NFO strongly approves of the idea of having many small businesses (farmers), rather than having a few large corporate farms who hire employees to run the farms. Our system of free markets and competition works much better when there are large numbers of buyers and sellers. Small businesses, like small farmers, create more new jobs and vitality in a community and economy. Our nation was built on a strong cultural foundation of agriculture and families.

Why should States have restrictions on Corporate Farming? The enforcement of Anti-Trust laws in the last few years have been ignored. When Monopolies exists, such as Utilities, States have Regulatory Commissions that deal with rates charged to customers, salary of workers, managers and officers and profits of Companies. In this case, nothing exist in Kansas today.

Remember, the 1980's were a decade of business mergers, concentrations and takeovers. Who were the winners in that decade? Consumers or purveyors of greed? Will it be in everyone's best interest for farming to go the same way?

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When We think of Thomas Jefferson's words; "The small landholders are the most precious part of the State," for "they are tied to their country and wedded to its liberty and interests by the most lasting bonds," We think of positive "work ethic" values -- that Kansas even today courts potential industry with.

The real question is, Who's going to own the Land? Corporate take over of Agriculture will reduce this nation to a two class system, The Rich and The Poor. We are constantly told by the Leaders of other Nations, We have the best system in the World. We are the envy of the World.

In closing, Kansas should move beyond this issue by letting citizens vote on a resolution that defines corporate limits, enforces anti-trust legislation, and supports local farming (like HCR5005).

The Kansas Rural Center

P.O. Box 133
Whiting, KS 66552

(913) 873-3431

Testimony Concerning Corporate Hog Production
Dan Nagengast, Executive Director
Dec. 2, 1993

Mr. Chairman, members of the committee.

The Kansas Rural Center is a private, non-profit organization that promotes the long term health of the land and its people through education, research and advocacy. The Rural Center cultivates grassroots support for public policies that encourage family farming and stewardship of soil and water. The Center is committed to economically viable, environmentally sound, and socially sustainable rural culture.

We are advocates of family farming. The restrictions on corporate hog production are designed to preserve farming opportunities. They were written in response to corporate intrusion into the hog industry. At the time the statute was written, it was taken for granted that a corporate hog industry would signal the end of the family hog operation in Kansas. What was true then, is still true today. Profits from a factory farm system will replace farmer livelihoods.

North Carolina is often cited as a bellwether state for corporate agriculture. Nebraska and Iowa, with the toughest corporate restrictions are also bellwethers. Nebraska and Iowa continue to have good hog numbers, continue to process the largest share of hogs and, most importantly, **have lower attrition rates of hog farmers**. Corporate farming restrictions have helped the hog industry in Iowa and Nebraska, because they have helped family farmers, not out of state corporations.

Some argue that laxer restrictions will bring jobs, and indeed, corporations will need to hire a few employees, but at the expense of thousands of family farmers. At present, the locus of hog production is in eastern Kansas. Are we prepared to sacrifice those livelihoods for a much smaller number of ill-paying jobs in western Kansas? If so, what will be the results? As farms and business go off the tax rolls, smaller communities start to die. The Macrosocial Accounting Project at UC-Davis focused research on 85 diverse towns in the Central Valley region over an 8 year period. It noted:

"As farm size and absentee ownership increase, we have found depressed median family incomes, high levels of poverty, low education levels, social and economic inequality between ethnic groups, etc., associated with land and capital concentration in

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agriculture....Communities that are surrounded by farms that are larger than can be operated by a family unit have a bi-modal income distribution with a few wealthy elites, a majority of poor laborers, and virtually no middle class."

At present we have an agriculture rooted in rural communities by people, not corporate fictions. People pay their taxes, they like to raise their kids there, they go to church and support mainstreet, and they vote. Maybe the most troubling aspect of legislation like this, which will snip family farmers off and deracinate agriculture from rural culture, is that we will be left with agriculture on wheels. You can move it anywhere. Look at the concentrated milk industry in California which can move at a whim if it decides it will get a better deal elsewhere. At the very least, it can use the threat of moving to get what it wants.

We urge you to help Kansas agriculture, and help Kansans, by respecting the restrictions placed on corporate agriculture.

RESOURCES

1. The Changing Structure of the Kansas Farm, by Rich Sexton and John Cita, Kansas Business Review, Summer 1982.
2. Locality and Inequality: Farm and Industry Structure and Socioeconomic Conditions, by Linda Lobao, State University of New York Press, 1990.
3. Whose Food Shall We Eat? "A Perspective on the Effect of Corporate Involvement in Agriculture", Interfaith Rural Life Committee, January 1990.
4. As You Sow: Three Studies In The Social Consequences of Agribusiness, by Walter Goldschmidt, Copy right 1947, 1978.
5. Agriculture and Community Change in the U.S.: The Congressional Research Reports, edited by Louis E. Swanson, 1988. This book contains a chapter written by the Floras.
6. Hog Tied: A Primer on Concentration and Integration in the U.S. Hog Industry, published by Prairie Fire Rural Action, February 1993.
7. Shattered Promises: The Plight of Non-English Speaking Workers in Iowa's Meatpacking Industry, Prairie Fire Rural Action, Second Printing, April 1992.

I am Lloyd Helwig of Cherokee County Kansas. I have a farrow to finish pork operation and beef cow enterprise on our family farm.

I feel obligated to express my opposition to corporate farming. I do not feel it is good for family, community, state, or country.

Families benefit from working together and learning from one another. Farms can be passed down from one generation to another. I do not have many years left in farming for it to affect me as much, but I have 2 sons who will not get a chance to experience independent ownership if corporations take over.

How can a community be better if the working capital of the individual farmers is taken out of the communities by the large corporations based in large cities. Turkeys and pigs are not the same, but in my county the corporate turkeys are coming in fast. Because of the heavy semi-traffic to the turkey farms, the roads are giving away. It takes more of my taxes to repair and rebuild what the corporate trucks destroy. A selling point for corporate turkey farms is a market for the grain raised in our county. I don't know of even one farmer who has sold even one load of grain to the turkey corporation. I asked one turkey grower how business was, and he told me he had only one flock now. The corporation could not provide him more birds. Their reason: the birds were not laying. Do you think his bank payments are less or that the corporation made up the difference? The farmers are at the mercy of the corporations.

If corporations are good for the state why are they all leaving Arkansas and Carolina and coming to Missouri, Kansas, and Oklahoma? The corporations skim the cream off the top and then leave the area.

This country was founded on individualism. Why take it away from us? Life is more hectic now than in the past. I don't think that is much progress. If corporations are so good, why do they have to work so hard to sell their idea?

Thank-you.

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Scott Conder
Rt 2 Box 64A
Erie, KS 66733

MEMBERS OF THE HOUSE AG. COMMITTEE

I'm Scott Conder from Erie, Kansas which is in Neosho County. I'm 19 years old. My father and I are partners in a small farrow to finish operation which runs 30 sows. We also have a diversified cropping operation.

We have plans to expand but we don't feel that we can do this with the possibility of corporate hog farms.

You say it is better for us smaller producers because we'll have closer markets. That will only last till the corporation is producing enough of its own hogs to fill the plant.

I believe the Kansas law is just fine as it is and should be left alone. Our forefathers made this country, let us keep a good thing going with what they started.

Thank you for your time.

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KANSAS AGRICULTURAL ALLIANCE

STATEMENT OF THE
KANSAS AGRICULTURAL ALLIANCE
BEFORE THE
HOUSE AGRICULTURAL COMMITTEE
EUGENE SHORE, CHAIRMAN
REGARDING CORPORATE FARMING
DECEMBER 2, 1993

The Kansas Agricultural Alliance (KAA) is a coalition of 26 agribusiness organizations that spans the entire spectrum of Kansas agriculture, including crop, livestock and horticultural production, input suppliers, allied industries and professions.

The Alliance supports the relaxation of restrictions against corporate activity in swine production.

To remain competitive, pork processors have attempted to control costs and optimize production by developing constantly available supplies of uniformly high-quality animals to process. One method is through production contracts.

Evidence suggests that processors will engage in various forms of production or contractual arrangements depending on circumstances. The circumstances may include the number of hogs available, the producer's cost of production, the genetics of the animals or the amount of financial risk the producer wishes to take on.

There are those that suggest that the only result of allowing corporate activity in swine production is the destruction of the family farm. This implies two conditions: 1) that the corporations cannot or will not make intelligent business decisions concerning their source of hogs for processing; and 2) that independent swine producers in Kansas do not have the skills or desire to provide the hogs required by processors. KAA does not believe either of the above conditions. The Alliance does believe that independent, family-farm-based swine producers have the skills and desire necessary to provide pork processors with the type and numbers of market hogs they need.

To remain competitive each family farm must market its hogs in a fashion that is most advantageous to it. By supporting the relaxation of the restrictions in the corporate farming statute that hamper corporate activities in swine production, this committee can provide swine producers with additional marketing options, whether they be market contracts or any variation of production contracts. This increased economic activity will not only strengthen the swine industry, but will also strengthen the financial position of many family farms. And just as beef producers did before them, swine producers will be able to take advantage of the services available to them through the Cooperative Extension Service and the Kansas State Board of Agriculture to learn about the various methods of marketing swine and determining which method is best for each individual operation.

The Kansas Agricultural Alliance, recognizing the importance of the family farm, is concerned that swine producers in the state are being placed at a competitive disadvantage with swine producers in surrounding states. KAA is asking this committee to help secure the future of independent family farmers by providing them with every possible opportunity to sell their hogs in a thriving market.

Thank you for the opportunity to speak to you today. I would be pleased to answer any questions you may have.

DECEMBER 3, 1993

GOOD MORNING! CHAIRMAN SHORE AND MEMBERS OF THE HOUSE AG COMMITTEE. I WOULD LIKE TO INTRODUCE MYSELF....I AM DWIGHT HADDOCK, MANAGER OF THE KANSAS DIVISION OF ASSOCIATED MILK PRODUCERS, INC. I AM HERE TO VISIT WITH YOU ABOUT THE PROPOSED REMOVAL OF THE RESTRICTIONS UPON CORPORATE DAIRY FARMING WITHIN THE STATE OF KANSAS.

IT IS QUITE DIFFICULT TO PROMOTE OR DENOUNCE A BILL UNTIL THE CONTENT OF WHAT IS BEING PROPOSED CAN BE THOROUGHLY UNDERSTOOD BY THE DAIRY FARMERS I REPRESENT. WE FEEL THAT WE SHOULD APPROACH ANY CHANGE WITH AN OPEN MIND, AND UNDERSTAND THAT MOST CHANGES, WHEN PROPERLY HANDLED, CAN BE GOOD FOR ALL PARTIES INVOLVED. DUE TO THE FACT THAT WE ARE A GRASS-ROOTS ORGANIZATION, ANY POLICIES OR RESOLUTIONS MUST BE APPROVED BY OUR MEMBERSHIP. OUR ANNUAL MEETING IS TO BE DECEMBER 16-17, AND I WOULD LIKE TO TAKE THE PRESENT SUGGESTED BILL BACK TO OUR RESOLUTION COMMITTEE FOR STUDY. THEY COULD THEN DETERMINE IF THIS BILL IS SOMETHING THAT WOULD BE GOOD FOR THE DAIRY INDUSTRY OF KANSAS.

THE LAST THREE TO FOUR YEARS, WE HAVE BEEN LOSING DAIRIES IN THE STATE OF KANSAS AT THE RATE OF 100-125 PER YEAR. WE STARTED IN JANUARY OF THIS YEAR WITH A TOTAL OF 1,222 AND AS

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OF OCTOBER 31, WE HAVE A TOTAL OF 1,099 DAIRIES REMAINING IN KANSAS. THROUGH THE FIRST TEN MONTHS OF THIS YEAR, WE HAVE LOST A TOTAL OF 120 DAIRIES, AGAIN. IN PAST YEARS, WE HAVE BEEN ABLE TO MAINTAIN PRODUCTION LEVELS CLOSE TO WHAT WE HAD IN PREVIOUS YEARS. THIS IS NOT SO IN 1993. PRODUCTION IN KANSAS FOR JANUARY WAS 91,117,869 POUNDS. IN SEPTEMBER, PRODUCTION DROPPED TO 76,308,803. THIS REPRESENTS A DROP OF 14,809,066 POUNDS OF MILK PER MONTH. PUTTING IT ON A PERCENTAGE BASIS THIS REPRESENTS A LOSS OF 16%.

AS A YOUNG BOY GROWING UP IN KANSAS, I WAS ALWAYS PROUD OF THE DAIRY INDUSTRY AND THE STABILITY IT GAVE THE SMALLER COMMUNITIES IN THE STATE, THE HIGHWAY I GREW UP ON HAD TEN DAIRIES BETWEEN OUR HOME AND TOWN. GRANTED, TIMES HAVE CHANGED. BUT THIS IS AN INDUSTRY THAT HAS A LOT TO OFFER OUR STATE IN HELPING MAINTAIN THE RURAL COMMUNITIES WHICH ARE SUCH A PROUD PART OF OUR HERITAGE. WITHOUT FURTHER RESEARCH AND KNOWLEDGE OF THE POSSIBLE LIMITATIONS PROPOSED IN THIS BILL, IT WOULD BE IMPOSSIBLE AND PRESUMPTIOUS FOR ANYONE TO COME OUT FOR OR AGAINST SUCH A CHANGE IN THE WAY THE DAIRY INDUSTRY OPERATES IN THIS STATE. I DO FEEL THAT THE STATE GOVERNMENT CAN ASSIST IN MANY WAYS TO HELP BUILD THE DAIRY INDUSTRY BACK UP TO ITS FULL POTENTIAL, THROUGH A FEW GOOD LEGISLATIVE ACTIONS. I DO REQUEST THAT YOU BE WILLING TO LISTEN TO THE DAIRY INDUSTRY, WHEN FORMULATING THIS BILL AND BE OPEN MINDED ENOUGH TO COOPERATE WITH US ON ANY OTHER LEGISLATION WE MIGHT PROPOSE AT A LATER DATE.



Collective Bargaining
FOR AGRICULTURE

KANSAS NATIONAL FARMERS ORGANIZATION

LEROY BOWER, PRESIDENT

R. # 5, Box 388

Pittsburg, Ks. 66762

316 643 5391

HOUSE AGRICULTURE COMMITTEE HEARING

CORPORATE HOG & DAIRY FARMING

December 2, 1993

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When We think of Thomas Jefferson's words; "The small landholders are the most precious part of the State," for "they are tied to their country and wedded to its liberty and interests by the most lasting bonds," We think of positive "work ethic" values -- that Kansas even today courts potential industry with.

The real question is, Who's going to own the Land? Corporate take over of Agriculture will reduce this nation to a two class system, The Rich and The Poor. We are constantly told by the Leaders of other Nations, We have the best system in the World. We are the envy of the World.

In closing, Kansas should move beyond this issue by letting citizens vote on a resolution that defines corporate limits, enforces anti-trust legislation, and supports local farming (like HCR5005).

My name is Norbert Conner. I'm from St. Joseph MO., and I am a Dairy representative of National Farmers Organization. I work with Dairy Farms in Nebraska, Missouri, And Kansas.

I want to make it clear from the start that NFO is not opposed to the Family Corporations or Corporations that are not totally integrated, but we are very opposed to open up opening up any milk production by corporations that can control milk from the dairy farm to the grocery store, and own the product all the way; such as the way Tyson Food are doing in poultry and are also rapidly expanding themselves with hogs.

On a recent phone call to Ed Call of Kansas State University, he informed me that Kansas has 992 Grade A dairy farms and that two brothers from California are about to start milking 2,000 cows in Seward Co. at Liberal Ks. NFO has no problem with this operation.

Kansas now has 85,000 dairy cows on their present dairy farms and the NFO would strongly oppose to a company such as Mastock, which is an Ireland based corporation that moved into South Carolina several years ago with plans to set up four dairy farms with 10,000 cows on each farm.

We feel, that the present milk producers don't need or want, in this kind of increased milk production.

So, I respectfully ask that you do not provide the possibility of this to happen. We recommend that you maintain the present Law, with what the State of Kansas has already on dairy farms at this present time.

If you would still consider opening up this possibility, then I request that you delay such a decision for at least 2 yrs., because of 7 things now happening in the dairy industries today.

These 7 reasons are as listed:

1. NAFTA
2. BST - 15 percent increase if all dairy farmers adopted the vaccine.
3. Marketing Agency in common
4. 3A Price
5. New Mexico milk producers
6. Senate Bill No. 72
7. Present milk price and job availability.

Supply and demand is in balance at this time in the Dairy Industry. Infact, the only purchase that the Federal Government has made under the CCC program since October 1, 1993 is about 450,000 lbs. of powdered milk, which is like finding a needle in a very large hay stack.

House Ag Co
12-3-93
attachment 12

STATEMENT PRESENTED TO
THE KANSAS HOUSE AGRICULTURE COMMITTEE
ON

FRIDAY, DECEMBER 3, 1993

BY

TOM GIESSEL, VICE-PRESIDENT, KANSAS FARMERS UNION

GOOD MORNING. MY NAME IS TOM GIESSEL. I AM A FARMER-STOCKMAN FROM LARNED, KANSAS. I AM CURRENTLY SERVING AS VICE-PRESIDENT OF THE KANSAS FARMERS UNION. OUR ORGANIZATION WOULD LIKE TO GO ON RECORD TODAY AS BEING OPPOSED TO CHANGES IN KANSAS LAW ALLOWING CORPORATE DAIRIES TO OPERATE IN THE STATE.

DAIRY PRODUCERS ARE A VERY SPECIAL BREED. VERY FEW SEGMENTS OF AGRICULTURE HAVE DAILY DEMANDS PLACED UPON THEM LIKE THOSE WHO MILK COWS. I HAVE THE DEEPEST RESPECT FOR THE INDIVIDUALS WHO EMBRACE SUCH DIVERSE VALUES. IT IS A COMMITMENT MATCHED BY A VERY FEW.

AMERICA'S DAIRYMEN ARE FACING MANY CHALLENGES THAT TEST THEIR VALUES. CHRONICALLY LOW MILK PRICES HAVE BEEN THE CASE FOR SOME TIME. WITH THE RECENT APPROVAL OF BST, PRODUCERS NOW HAVE TO DECIDE IF THEY WANT TO PUMP THEIR ANIMALS FULL OF HORMONES TO SQUEEZE OUT THE EXTRA PRODUCTION IN AN ATTEMPT TO MAKE ENDS MEET. THERE ARE CONFLICTING REPORTS ON THE EFFECTS OF BST ON BOTH THE ANIMAL AND THE CONSUMING PUBLIC. WILL CORPORATE MILK FACTORIES EVEN PONDER THE THOUGHT? I DON'T THINK THAT WILL BE THE CASE. WILL FAMILY FARMS NEED TO COMPROMISE THEIR VALUES AND JUDGEMENT WITH REGARD TO BST AND FOOD SAFETY? MAYBE. IT IS FAIR? NO.

IT HAS BEEN RUMORED THAT CERTAIN COMMUNITIES ARE PONDERING IRB'S TO HELP ESTABLISH LARGE, CORPORATE DAIRIES. DOES THIS REALLY

MAKE ANY SENSE? IF THIS IS A GOOD POLICY, WHY DON'T WE DO IT FOR AN INDIVIDUAL AS OPPOSED TO A CORPORATION? I HAVE NEVER UNDERSTOOD WHY WE SHOULD PAY FOR UNFAIR COMPETITION WHICH SIPHONS MONEY OUT OF A COMMUNITY WHILE, AT THE SAME TIME, TRY TO DESTROY SMALL LOCAL BUSINESSES (I.E., FAMILY FARMS) THAT HAVE AND WOULD CONTINUE TO CONTRIBUTE TO THE WHOLE OF THE COMMUNITY. THE THOUGHT SHOULDN'T EVEN CROSS OUR MIND.

I BELIEVE THERE IS A MOVEMENT STARTING IN THIS COUNTRY THAT IS PICKING UP MOMENTUM DAY BY DAY. WITH THE PASSAGE OF THE NORTH AMERICAN FREE TRADE AGREEMENT, THE CONCERNS OF THE ENVIRONMENT AND FOOD SAFETY ARE BEING HEIGHTENED. THE CONSUMER WILL DICTATE WHAT THE PRODUCER NEEDS TO DO IN ORDER TO SUCCEED. DAIRY PRODUCTS WILL BE THE FOCAL POINT TO START WITH. MILK FROM COWS INJECTED WITH BST COULD WELL BE MET WITH RESISTANCE. BUT UNDER CURRENT LAW, IT CANNOT BE LABELED AS SUCH. IT COULD PROVE TO BE DETRIMENTAL TO ALL PRODUCERS. WHY SHOULD WE SUBJECT OUR GOOD, HARD WORKING DAIRYMEN TO ANY OF THIS?

IN CONCLUSION, WE NEED TO BE REMINDED THAT WE SUPPOSEDLY HAVE A MILK SURPLUS IN THIS COUNTRY. WHY SHOULD WE USE TAXPAYER MONEY TO ENCOURAGE CORPORATE DAIRIES TO ADD TO THE SURPLUS? WHY SHOULD WE TURN OUR BACKS ON FAMILY FARMS THAT ARE DOING A WONDERFUL JOB OF PROVIDING A GOOD AND WHOLESOME PRODUCT? LET'S TURN THE CORNER AND STOP UNDERCUTTING OUR FAMILY FARMERS AND START STICKING UP FOR WHAT IS NOT ONLY RIGHT AND FAIR FOR THE FARMER, BUT WHAT WILL MAKE OUR RURAL COMMUNITIES GROW, BOTH ECONOMICALLY AND SOCIALLY. WE WILL SUCCEED IF WE ALLOW OPPORTUNITY FOR THE NEXT GENERATION BY PROVIDING THEM WITH THE OPPORTUNITY TO ESTABLISH A BUSINESS AND BE OWNER-OPERATORS OF THAT BUSINESS, NOT HIRED HANDS. I HAVE ALWAYS SAID, I

WOULD MUCH RATHER HAVE A NEIGHBOR THAN A HIRED HAND. PLEASE LOOK
UPON THIS CONCEPT OF ECONOMIC DEVELOPMENT THROUGH CORPORATE
AGRICULTURE FOR WHAT IT REALLY IS -- AN ECONOMIC AND SOCIAL DEATH
WISH FOR RURAL AMERICA.

THANK YOU.