Approved: 3/17/93
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Vice- Chair Bob Mead at 3:30 p.m. on March 11, 1993 in Room 423-S of the Capitol.

All members were present except:
Representative George Dean
Representative Wanda Fuller

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:
Mike Jensen, Kansas Pork Producers
Mike Beam, Kansas Livestock Association
Warren Parker, Kansas Farm Bureau
Mike Torrey, Kansas Grain and Feed
Marty Vanier, Kansas Commercial Farm Organization
Rep. Don Rezac
Rep. Rex Crowell
Dan Nagengast, Kansas Rural Center
Bill Cravens, Sierra Club
George Hund
Rod Bigham, Jefferson County Pork Producers
Max Sprague
Cynthia Abbott, Audubon Council

Others attending: See attached list

Vice-Chairman Mead continued hearings on SB 336.

He welcomed Governor Finney to the committee and called on her to make a statement. She stated she was of the opinion that the issue of corporate hog farming would affect the state of Kansas more than any other issue. She asked the committee to proceed cautiously on this issue and to consider deferring any decision until more information on corporate farming could be obtained and to form a task force to study the issue more.

The Chair called the first conferee to give his testimony.

Mike Jensen, Kansas Pork Producers, who presented testimony listing the four issues SB 336 addresses along with industry facts and environmental impact information on corporate farming. (Attachment 1)

Mike Beam came before the committee in the absence of Dee Likes, Executive Vice President of the Kansas Livestock Association. Mr. Beam read from the written testimony of Mr. Likes, stating KLA supports the efforts of the Kansas Pork Producers Council to modify the Kansas Corporate Farming Law as it relates to swine production in our state. (Attachment 2)

The Chair next called on Warren Parker, Assistant Director, Public Affairs Division of the Kansas Farm Bureau. who presented testimony in support of the bill. He testified innovation, capital formation, expansion of grain and livestock operations, and new markets and opportunities for farm families can all be the results of the positive changes proposed in the Corporate Farm Law. (Attachment 3)

Mike Torrey , Kansas Grain and Feed Association, also spoke in support of the bill. He stated KGFA believes that this democracy was built on a foundation of free enterprise and it is not the role of government to keep people out of business through antiquated policy and government should not decide who can and who can not operate a business in the state of Kansas. (Attachment 4)

Marty Vanier, DVM, supported the bill on behalf of the Committee of Kansas Farm Organizations. She stated the Committee supports the relaxation of restrictions against corporate activity in swine production that is embodied in SB 336.(Attachment 5)

Representative Don Rezac rose in opposition to SB 336. He stated if corporate swine laws change, there will be a concentration of hogs to a non-populous area and concentration, such as in Russia, has not proved too effective. He further stated some business might need concentration , but the hog industry is not one of them and the producers of Kansas will produce these hogs if the profit is there. (Attachment 6)

Representative Rex Crowell told the committee his greatest concern was with total vertical integration and stated if the bill was amended to state that 50% of animals had to be bought outside of the total vertical integration he thought the bill should be acceptable to all sides.

Dan Nagengast, Executive Director of The Kansas Rural Center, Inc., urged the committee to help Kansas agriculture, and help Kansans, by respecting the restrictions placed on corporate agriculture. (Attachment 7)

Bill Cravens, Sierra Club, read the testimony of Jud Townley, a Sierra Club Volunteer. He voiced the opposition of the Sierra Club and asked the committee to extend a helping hand to protect rural economics, family farmers, fragile water supplies and other natural resources which are threatened by large-scale livestock facilities and to cast a vote against SB 336. (Attachment 8)

The next conferee to come before the committee in opposition to the bill was George Hund. He stressed that corporation farming was not only an emotional issue but an economic issue as well because it effects the livelihood of so many small farmers. (Attachment 9)

The Vice-Chair next called on Max Sprague, an independent producer from LaHarpe, Kansas. He stated the independent producers had lots of ideas, that with some refining, and a little encouragement from leaders and institutions of higher learning, could become tremendous alternatives to vertically integrated processors. (Attachment 10)

Rod Bigham was the next opponent to speak. He spoke on behalf of the Jefferson County Pork Producers and told the committee he believed that the agricultural sector and country is headed toward socialism due to bureaucratic regulations, giant farms and central control and asked the committee to maintain Kansas as a leader, not a follower and vote no on SB 336.(Attachment 11)

The last opponent was Cynthia Abbott from the Kansas Audubon Council. She stated the Audubon Council believes that Kansas is in the position of being able to look at the experience of other states and to select the best from among a variety of options and they do not believe that adopting a policy of encouraging corporate swine or dairy production is the most beneficial option available to the state and urged the committee to vote 'no' on SB 336. (Attachment 12)

Following questions from the committee to the conferees hearings were closed on SB 336.

The Vice-Chair then gave the committee the option of working SB 336 or to postpone until Tuesday, March 16th. Representative Donovan made a motion to work the bill on Tuesday, seconded by Representative Swall and the motion carried.

The meeting adjourned at 5:05 p.m.

The next meeting is scheduled for March 16, 1993.

GUEST LIST

COMMITTEE: Economic Development **DATE:** 3-11-93

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Marty Vanier	Manhattan	CKFO
Dave Toplikar	Lawrence	Lawrence Journal-World
Dan Nagengast	Auburn	Kansas Rural Center
R Bolden	Topeka	KHP
Jerry Martin	Salina	Farmer
Tom R. Tunnell	Topeka	Ks Grain & Feed Assn
Bill Craven	Topeka	Sierra Club
Pam Weeks	Topeka	KS Co-op Council
Mike Beam	Topeka	Ks. Livstk. Assn.
Mike Jensen	Manhattan	KPPC
[illegible]	Manhattan	KFB
Tim Stroda	Manhattan	KPPC
Eldon Thiessen	Topeka	KAS
Clem Becker	Centralia	KSGA
Don Becker	Centralia	KSGA
Lloyd Parsons	Leavenworth	NFO
Margarett Parsons	County	NFO
Russ Frey	Topeka	KJMA
Charles Rucker	Topeka	NASS
T.J BYRAM	Topeka	KSBA
Kara Ignasiewski	Topeka	NASS
Mike Torrey	"	KS. Grain & Feed Assn.
Cynthia [illegible]	Mayetta	Ks. Audubon Council
Scott R Phipps	R4 Abilene, Ks.	Independent Producer
David Heiens	R 4 Abilene	Mom & Pop Farmer 38
Betty A. Becker	Corning	Ks Swine Growers

GUEST LIST

COMMITTEE: ______________________ DATE: ______________________

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Roger D Barber	RR 1 Box 57	KS Swine Growers
Rep Don Rezac	Emmett	self
Rod Bigham	RT 2 Box 402 Meriden, KS 66429	

pork

KANSAS PORK PRODUCERS COUNCIL

2601 Farm Bureau Road • Manhattan, Kansas 66502 • 913/776-0442

Testimony in support of SB 336

Presented by

Mike Jensen, Executive Vice-President

Kansas Pork Producers Council

Background on SB336

The bill addresses four specific areas:

1. The easiest is the definition change of "swine confinement facility" to "swine production facility". This more accurately encompasses the industry.

2. The bill leaves intact the 1988 legislation prohibiting the swine production industry from utilizing any tax advantages. (IRB's, abatements and enterprise zones) This legislation does not affect the ability of a community from granting incentives to a processor.

3. Adds "swine production facility" to the exemptions for corporate ownership of land. These exemptions are currently available to feedlots, poultry and rabbits. This would allow operations such as DeKalb's (grandfathered in 1981 legislation) Plains, KS operation to expand in Kansas. More importantly it would allow Kansas producers the ability to use the corporate business structure to capitalize our own industry. A modern 500 sow operation requires a $1,000,000 investment for facilities and nearly half again that much for feed and livestock. While current Kansas "authorized farm corporations and limited liability agricultural companies" are being utilized, they are too restrictive to benefit our entire industry.

4. Deletes the "vertical integration" prohibition for pork processors which currently prohibits them from contracting in Kansas. Only Kansas and Iowa have such restrictions and ours is actually more restrictive. Current law allows Kansas producers to take advantage of production contracts, but not with processors (with the exception of Farmland Foods which is exempt). Seaboard in Guymon, OK is the most notable example in this case. Producers in Oklahoma, Texas and Colorado will have the ability to contract with Seaboard, but under current Kansas law our own producers cannot. This proposed deletion would give Kansas producers the ability to enter into a production contract with anyone they choose, including a processor or any entity that owns a processor.

March 11, 1993
Economic Development
Attachment 1

Industry Facts:

Kansas produces 2,500,000 market hogs annually, which have a $300,000,000 market value.

Since the 1981 legislative restrictions were implemented Kansas production has dropped approximately 40 % .

In that same time period, 60% of our operations closed.

Kansas exports nearly all its' swine to other states for processing.

In addition to trucking pigs farther (at $1.30 per mile), Kansas producers receive between $.58 to $3.85 per cwt. less than Iowa/Nebraska producers due to our lack of a major packer.

This equates to $1.45 per head in Northeast Kansas to $9.63 in Southwest Kansas (Today's market price is about $110 per head),

Kansas ranks 10th in the nation with 2.5% of the nation's production.

Kansas pigs consume $170,000,000 of Kansas grown grain.

Other input costs are (annually): $6 million for veterinary care, $7.3 million for utilities, $7.2 million in trucking (hog marketing only, no grain shipment), $6.1 million in interest, $27 million in construction and equipment and $15 million in supplies.

Kansas industry serves as direct source of nearly 1500 full time equivalent jobs, in addition there are accompanying jobs in the feed, equipment, trucking, veterinary, construction and utility sectors.

In 1992, 5700 Kansans' owned one pig, at some time during the year.

Of these 5700, approximately 600:

Represent nearly two-thirds of the production base of this state.

Have the equivalent size of 60 sows or more. (Approximately 1000 head marketed annually)

Net above $10,000 annually from swine.

Environmental Impacts:

Kansas (KDHE) has the most restrictive livestock permitting guidelines, policies and regulations in the entire midwest. All units above 300, total inventory, are required to have permits. Units above 2500 head are required to have a NPDES permit (EPA) which is a non discharge permit. This is more restrictive that any municipality. KDHE guidelines prohibit the operation of any unit where there is any type of odor or nuisance hazard to surrounding landowners. Our industry continues to adapt new technologies to most effectively utilize manure as a nutrient. Generally , the larger the unit size, the more effectively these management tools can be utilized. Kansas swine consume predominantly milo, traditionally a non-irrigated crop.

Impacts for the year 2000

The number of swine owners (5700) will continue to decline, irregardless of the passage of this legislation.

Unit sizes will continue to increase.

Kansas producers, with new access to capitol and the opportunity of any business operating structure they choose, could market nearly 4,000,000 swine.

This would effectively mean at least 1000 more jobs in the swine sector alone.

We can add value to an additional $100,000,000 of Kansas grain. This equates to up to 5000 FTE's in the grain production sector.

Have the potential to attract a major packing facility.

Allow Kansas producers the same business opportunities currently open to their peer producers in other states.

pork

KANSAS PORK PRODUCERS COUNCIL

2601 Farm Bureau Road • Manhattan, Kansas 66502 • 913/776-0442

KPPC Fact Sheet

The following information on the "contracting" issue is an abbreviated explanation on the differences between a production contract and a pricing agreement.

Production Contract

This is a business arrangement between two parties - the contractor and the contractee. In the pork industry, contractors vary including: independent producers, cooperatives and grain companies. In most states, packers and processors are also allowed to be contractors. This is not true in Kansas - a packer **cannot** be a contractor.

The contracts vary, but in general, the contractor supplies the feed, livestock, medication and technological assistance. The contractor is also responsible for the marketing of the finished product whether feeder pigs or finished hogs.

The contractee, in many cases an independent producer, is responsible for the land, labor and utilities. The contractee is paid by the contractor through an arrangement based on the contractee's efficiency.

Pricing Agreement

A pricing agreement is merely a business arrangement which states that a producer will deliver a pre-arranged number of hogs which fit into a certain category (weight, sex, etc.) on a pre-determined date for a pre-arranged price.

These agreements are legal across the United States. The proposed legislation would not affect this practice.

Kansas Livestock Association

6031 S.W. 37th Street • Topeka, Kansas 66614-5128 • Telephone: (913) 273-5115
FAX: (913) 273-3399
Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

STATEMENT
OF THE
KANSAS LIVESTOCK ASSOCIATION
TO THE
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
WITH RESPECT TO
CORPORATE FARMING LAW
RE: SWINE PRODUCTION
SB 336
Presented by
DEE LIKES
EXECUTIVE VICE PRESIDENT
Tuesday, March 9, 1993

Mr. Chairman and members of the committee, I am Dee Likes representing the Kansas Livestock Association. As most of you already know, KLA represents a broad range of farmers and ranchers across Kansas who are involved in literally every phase of red meat production . . . beef, pork and lamb. In addition, most KLA members produce grain, hay and other feedstuffs.

Our association has taken a very active part in the legislative deliberations concerning corporate farming for many years. We appear today in support of broadening the ability of corporations to engage in swine production in Kansas.

Over the past two decades the entire corporate farm issue has been reviewed by our association numerous times. Each time our association has overwhelmingly approved a position endorsing liberalization of the laws which restrict corporate farming. Philosophically, our members have confidence in the ability of the marketplace and free enterprise system to act as the best regulator of participants in our industry. We realize that corporate farming frequently becomes very emotional for some individuals. However, we believe this issue should be considered strictly from a business point of view. Realistically, there is no special magic about corporations or reason to fear their involvement in agriculture. Corporations shouldn't be restricted any differently than individuals. If individuals have rights to engage in certain business ventures and assume any form of business structure they choose, why should corporations, which are only a group of individual owners, be restricted? They are only a collection of individuals who shouldn't lose those rights because of a particular business structure.

March 11, 1993
Economic Development
Attachment 2

We believe the swine industry in Kansas would benefit from allowing corporations to engage in swine production. Kansas is obviously lagging behind other areas of the country; at least partially due to our restrictions on corporations. As a result, other states have benefited from investments in swine production facilities that could have located in Kansas. Furthermore, if there is any hope of attracting pork packing and processing facilities to locate in Kansas, swine production must increase dramatically. It is simply a business reality that packing and processing facilities are compelled by strong economic forces to locate in the proximity of large supplies of hogs.

Dr. Flinchbaugh's testimony in the House made one point which I feel is important to remember as you debate this issue. The Kansas legislature can have little impact on the future structure of the swine industry. You have heard about the trends for more integration, either contractual or complete ownership, in the swine industry. You have the ability to stifle any substantial growth of this industry within the borders of Kansas. If you choose to deny this corporate involvement, Kansas will most likely continue to loose market share and other states will benefit.

We realize there are groups and individuals who fear the entry of corporations into agriculture. There are those who, in their passion to preserve the "family farm" would like to "freeze" agriculture and isolate it from the natural evolutionary and economic forces which change all industries in our business system. We believe that would be a mistake. We realize change is uncomfortable for some, but to resist it instead of dealing with it in a realistic and rational way is tantamount to economic suicide, which is just about what's been happening to the swine production industry in Kansas.

KLA supports the efforts of the Kansas Pork Producers Council to modify the Kansas Corporate Farming Law as it relates to swine production in our state.

PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

RE: S.B. 336 - Amending the Corporate Farming Law

March 9, 1993
Topeka, Kansas

Presented by:
Warren Parker, Assistant Director
Public Affairs Division
Kansas Farm Bureau

Madam Chair and members of the Committee:

My name is Warren Parker, I am the Assistant Director of the Public Affairs Division at Kansas Farm Bureau. We appreciate this opportunity to testify on **S.B. 336** on behalf of our farm and ranch families who are members in each of the 105 County Farm Bureaus in Kansas.

Economic development for agriculture and for rural areas is of utmost importance. Bringing new capital into agriculture is essential. Our members recognize these facts. That is why our present Corporate Farm Law policy position was adopted by over 400 voting delegates to the Kansas Farm Bureau Annual Meeting last November.

Innovation, capital formation, expansion of grain and livestock operations, and new markets and opportunities for farm families can all be results of the positive changes proposed in the Corporate Farm Law. The majority of our members recognize that Kansas is not an island. The restrictions in Kansas on the organizational structure nder which pork pr..ducers must operate that .rive new producti facilities to other states do not protect Kansas producers. The sad truth is that Kansas and Kansas farmers lose ... lost opportunities for new grain markets, lost income from additional pork production, lost sales of feed and supplies, lost jobs, lost tax revenues and lower net hog prices because Kansas hog numbers are not attracting pork processing plants to this state.

Our members believe they can compete with and even benefit from farm corporations if the production playing field remains level. **S.B. 336** contains language which retains the level playing field concerning tax advantages. We ask as you deliberate **S.B. 336** that these provisions be protected.

Thank you for your time, I would be happy to attempt to answer any questions.

FARM BUREAU POLICY

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 oppose expansion of the Kansas Corporate Farm Law if expansion or amendment would provide economic incentives or tax advantages not available to family farmers.

KANSAS GRAIN AND FEED ASSOCIATION

STATEMENT OF THE

KANSAS GRAIN AND FEED ASSOCIATION

TO THE

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

REGARDING S.B. 336

MARCH 11, 1993

Members of the Committee, I am Michael Torrey, Director of Legislative and Regulatory Affairs for the Kansas Grain and Feed Association (KGFA). Our association's approximately 1000 member firms are involved in the handling, storage and processing of grain. We appreciate the opportunity today to express our support for changes in the Corporate Farm Law.

KGFA supports S.B. 336 which would allow corporations the same rights in Kansas relative to swine production as they currently have with beef, poultry and rabbit production. Kansas agriculture is in a global marketplace. Therefore, preventing corporate swine production in Kansas does not prevent it elsewhere and simply makes Kansas hogs less competitive by encouraging the establishment of swine processing and related industries in other states where there are more hogs produced.

Kansas needs the jobs and the revenue which will accompany increased hog numbers. More hogs will increase the feed grain demand, a plus for Kansas farmers and grain elevators.

March 11, 1993
Economic Development
Attachment 4

P.O. BOX 2429 • Topeka, KS 66601-2429 • (913) 234-0461 • FAX (913) 234-2930

Whether we like it or not, agriculture has seen many changes in the last 10 years. Fewer farms are producing more and it seems that this trend will continue. I represent a pro-business organization that has seen first hand the effects of changes in the Corporate Farming Law. For example in Southwest Kansas, in our opinion, the feed grain production would be less than it is today if the beef feedlot industry did not exist.

We also believe a change in the law would benefit our farmer customers. We believe changes in the Corporate Farm Law will open up new opportunities for farmers by allowing them to spread their risk through contract farming.

KGFA believes that this democracy was built on a foundation of free enterprise and it is not the role of government to keep people out of business through antiquated policy. Government should not decide who can and who can not operate a business in the state of Kansas.

I appreciate the opportunity to appear before you today and stand ready to answer questions you may have.

Committee of Kansas Farm Organizations

Marty Vanier, DVM
Legislative Agent
1728 Thomas Circle
Manhattan, Ks 66502
913/539-9506

STATEMENT OF THE

COMMITTEE OF KANSAS FARM ORGANIZATIONS

BEFORE THE

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

WANDA FULLER, CHAIRMAN

REGARDING SB 336

MARCH 9, 1993

The Committee of Kansas Farm Organizations (CKFO) 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 Committee supports the relaxation of restrictions against corporate activity in swine production that is embodied in SB 336.

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.

March 11, 1993
Economic Development
Attachment 5

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. CKFO does not believe either of the above conditions. The Committee 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 Committee of Kansas Farm Organizations, 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. CKFO 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.

.{EZAC LAND AND LIVEST(K
24430 Aiken Switch Road
Route 1, Box 45
Onaga, KS 66521
Office:(913)889-4514/Home:(913)535-2961

Senior Partner:
Don Rezac
12350 Ranch Road
Emmett, Kansas 66422-9711

Co-Partners:
Lance Rezac
Jay Rezac

TESTIMONY ON SB 336
HOUSE ECONOMIC DEVELOPMENT COMMITTEE
March 11, 1993

Mr. Vice Chairperson and members of the committee:

I am Don Rezac, Senior Partner of Rezac Land and Livestock of Onaga, Kansas. I am here to testify in oppostion of SB 336. Since this is the committee on economic development, I would like to make some comments on increasing corporate structure in the swine industry or maintaining what we have in Kansas now.

I am sure by now you have heard a lot about the contracting side of the swine industry. Keep in mind. when we started hearings on the corporate hog issue, hogs were $42 per 100 and yesterday the St. Joseph market was $46 per 100, so while we have been talking about this the market value of hogs has increased 10%. Under a contract situation, you wouldn't have this 10% value increase of the hogs in the state for the contract farmer producer. My experience in looking at contracts on hogs is they want me to do the work and make the investment and they make the profit on the hogs.

I would like to bring your attention to the Seaboard Pork Program. Attached are some information sheets on this.

Also, please note you have a copy of an article in the March Successful Farming magazine.

Also attached for your information is a sheet showing a survey done at the Farm Profit Conference which was held by WIBW in February.

March 11, 1993
Economic Development
Attachment 6

When you look at production figures, we have seen an increase in hog numbers in Kansas from 1986. In a ten-year low, in 1986 the number of swine produced in Kansas was 19,461,205 and 22,791,177 were produced in 1991. In 1980 with 23,401,728 hogs produced in Kansas, the market averaged $36.90 a hundred. In 1982 with 19,657,921 hogs in Kansas, the market averaged $51.50 a hundred. In 1992 with 22,791,177 hogs in Kansas, the market averaged $39.50 a hundred. Kansas-wide, nationwide when hogs are over-produced and the profit is gone, where will the corporations go? Consider what will happen if the profit goes out of the hog business and the corporations leave Kansas. What is a farmer that signed a contract with the corporation to do? Is this farmer left with a debt on the facilities he had to build? How can he enforce the contract? Is it going to cost an excessive amount to try to get the corporation to meet their committment in the contract?

You have heard a lot about the difference as to why it works in the beef industry, so why won't it work in the swine industry? The difference is we did not let the corporation own the grass for the beef cow. In the swine industry, if you allow corporations to own the hog from conception to slaughter, the corporates will control the market totally at some point in time. When corporations get enough contract production to control the market, they will slaughter their hogs when the consumer price in the supermarket is high and will only buy hogs from an individual farmer when the price is cheap. They, in essence, will kill the market for individual producers.

If corporate swine laws change, you will see a concentration of hogs to a non-populus area. Concentration has likely proven not real effective. They concentrated farming in Russia. It didn't work well in Russia with state farms. Now an educated nation doesn't have enough knowledge to produce its own food. They concentrated business in the World Trade Center. A bomb in the World Trade Center put a stop to business for awhile. Even in Wichita, when one business lays off workers, it is devestating to the Kansas economy. Some business may need concentration, but the hog industry is not one of them. The producers of Kansas will produce these hogs if the profit is there.

SEABOARD CORPORATION

Quick Facts:

General Description:	A diversified agribusiness and transportation company engaged domestically in poultry, pork and lamb processing, commodity merchandising, baking, shipping and produce storage and distribution. Present corporation is a successor to a company founded in 1928.
Headquarters:	Shawnee Mission, Kansas
Service Areas:	More than 50 corporate and subsidiary entities in the United States, Africa, South America, Central America and the Caribbean.
President/CEO:	H. H. Bresky
Employment:	10,970 employees worldwide (1991)
Net Sales:	\$875,000,000 (1991) \$354,062,000 (1987)
Total Assets:	\$458,045,000 (1991) \$306,898,000 (1987)
Earnings Per Share:	\$14.28 (1991) \$3.15 (1987)
Operations:	Poultry Processing (top 10 processors of ready-to-cook chicken) Pork Processing (top 15 in U.S.) Lamb Processing (top 5 in U.S.) Production and Processing (shrimp, salmon, emlons, strawberries, cucumbers) Flour Milling Animal Feed Production Polypropylene and Cotton Bag Manufacturing Manufacturing Electrical Power Production Shipping (top 5 in containerized cargo ocean liner shipping in Caribbean)

SEABOARD FARMS OF OKLAHOMA, INC. PORK PROCESSING FACILITY

Quick Facts:

General Description:	At full capacity, the plant will produce a variety of processed pork products for retail, foodservice and export customers, including primary cuts of fresh pork and further processed meats such as bacon, hams, cold cuts and other pork products.
Location:	Guymon, Oklahoma (Oklahoma Panhandle)
Groundbreaking:	December 17, 1992
Opening:	1994
Plant Investment:	Total plant cost in excess of $50 million.
School Taxes:	Seaboard has committed to pay $175,000 annually to the Guymon School District for a minimum of 25 years.
Employees:	Estimated 700 jobs in phase 1. Potential to add additional 700 by the end of 1998.
Payroll:	$13 million annually, phase 1. Potential $27 million annually after 1998.
Sales:	At full capacity, gross sales in excess of $700 million.
Capacity:	Phase 1, 8,000 head-per-day. Phase 2, 16,000 head-per-day.

wp:350005

SEABOARD'S PORK PROGRAM
By Dave Watson
Seaboard Corporation

1. **Contract Grow/Finish Agreement**

-An owner operator who has land, access to capital, and labor.

-Building design, specs, and type of equipment specified by Seaboard.

-Producer furnishes buildings, lagoons and land for effluent disposal.

-Producer is responsible for all operating expenses excluding feed, medication and transportation cost.

-Seaboard Farms will provide both classroom and on-the-farm training.

-Producer is an independent contractor.

-Seaboard is responsible for supplying feeder pigs, feed, medication, transportation and vet service.

-Producer compensation is based on a payment per pound of gain plus a feed efficiency incentive.
-Average results = \$5,000 - \$6,000 per building per year.
-Poor results = \$3,500 per building per year.
-Excellent results = \$9,000 per building per year.

-Investment per building approximately \$135,000 (includes well, road and lagoons).
Labor requirement of 1-1.5 hours per day per building.
Prefer 3 building complexes.

-Contract length is 10 years with renewal option.

-Will not be available in Kansas.

2. **Lease Back Agreement**

-Building design, material specs and type of equipment used controlled by Seaboard.

-Lessor constructs buildings, provides adequate land for effluent disposal.

-Lessor constructs roads, lagoons, wells.

-Seaboard leases for an initial period of 10 years with an option to renew for up to 10 additional years.

-The rent provided for in the lease will be a net-net return to lessor for the term of the lease, free of any expenses including real estate taxes, personal property taxes, liability insurance, hazard insurance, repairs and maintenance, labor, utilities, etc.

-Will favor complexes of 9 buildings that are within 20 miles of the feed mill location. Minimum number of 3 buildings per site.

-Approximate investment in a 9 building complex of \$1.2 million excluding land.

-Fits the needs of an investor who has land and access to capital and desires a fixed return on his investment.

-Effluent value in the range of \$900-\$1500 per building per year.

-Effluent application can be responsibility of Seaboard or Lessor.

-Will not be available in Kansas.

3. **Shared Risk Marketing Agreements**

-Provides down side price risk protection.

-Producer is an independent operator who is responsible for all the investment, operating costs, and management of a farrow to finish operation.

-Minimum contract size is 20,000 hogs per year.

-Hog quality must meet specific carcass specifications.

-Contract length is up to 7 years.

4. **Open Market Purchases**

-Seaboard will purchase approximately 1 million hogs per year from independent operators based on a competitive bid basis.

5. **Hog Production Timetable**

-Construct 4 - 2400 sow feeder pig production farms in Texas County in 1993.

-Will start 1200 sow outdoor feeder pig farm in spring of 1993.

-Will need 72 grow/finish buildings by the end of 1993.

-Will start contacting all interest grow/finish producers in March of 1993.

Betsy Freese
BUSINESS

I RECEIVED A CALL a few weeks ago from a farmer who wouldn't identify himself. "You've written a lot about hog contracting," he began. "I have a story you should hear and your readers should hear. But I can't give you my name or address."

Normally, we don't publish letters that are not signed; anonymous sources are suspect or, at the least, spineless. But this caller was sincere, and he had good reason not to identify himself. I'll let him tell you his story. I've changed the name of the hog contractor to Acme.

Two years ago I signed a contract to produce feeder pigs for Acme. Before I signed the contract I took it to a lawyer, and he said, "Don't sign this." He said the contract was all in favor of Acme. "There are lots of loopholes. They can hold back a dollar for this and a dollar for that if production is not what they think it should be," he explained.

Here's one farmer who signed away his livelihood on a paper contract

But I was a grain farmer, not a hog farmer, and I chose to believe Acme. They said they'd teach me everything I needed to know. Actually, I think they preferred to get someone who didn't know much about the hog business, someone who would go for the pie in the sky.

They promised to furnish top-producing sows and the latest technology. They said I should be able to get 20 pigs per sow per year on my outdoor unit. I never really believed 20 was possible, but they said producers were getting that in England. They said a guy trained in England was going to be on my farm two days a week. At the beginning he was; then they fired him. Now I am down here by myself.

I have 300 sows outside in insulated huts made of plywood and metal. I was promised an outdoor line of sows. As it turns out, the company producing the sows doesn't even recommend them for outdoor units. The sows aren't mothers. The boars Acme sends me weigh only 240 lbs. and are not used to being outside. We can't get anything bred.

The contract says Acme is supposed to provide veterinary services, but I've had to beg for pharmaceuticals. I had abortions on 60 sows, and Acme wouldn't approve a vet call. On top of that, feed quality has always been a problem.

I'm not even getting 16 pigs per sow per year, which is the minimum they expect. In the winter, we wean an average of five pigs a litter. Acme is supposed to pay me $14 for each feeder pig produced. I'm not getting that because my production is not what they want.

I was told by Acme that for a $30,000 investment in fences, waterers and huts, I could set up this system. I've spent twice that, and now they want me to build a nursery for the pigs.

The contract says if I don't meet minimum production, Acme can pull the sows out. I've offered to try anything to make it work. They invited me to buy the sows from them, but I don't have the money. I called the chairman of Acme to talk to him about the situation, and he said, "I thought that wouldn't work, those sows in an outdoor system."

Two other farmers in my area built units for Acme, one with 300 sows and one with 600, all outside. We are all in the same dilemma. We thought we were dealing with friends. Now the company acts like farmers are its enemy. They're the boss. I don't want to be their employee.

The only reason Acme hasn't bankrupted me is the bad publicity it will cause. They told me not to talk to my neighbors about the problem. They've threatened that if I talk to anyone—an Extension agent, a journalist, a lawyer—they will pull the hogs. If they pull the hogs, I'll invite you down with a camera, because I'll have nothing to lose at that point.

I am telling you my story because Acme is trying to work this same deal right now with farmers over in Oklahoma. I think it's morally wrong for me not to say anything.

I HAVEN'T HEARD back from this farmer, so I assume he is still producing hogs for Acme. There are always two sides to every story—I'm guessing this guy made every management mistake in the book with these contract sows. His biggest mistake was ignoring his lawyer. At this point, the only help I can give him is peace of mind that his story has been published. Perhaps someone will heed this man who signed away his livelihood on a paper contract. SF

Betsy Freese

Betsy Freese, Senior Livestock Editor

CONTENTS

580 RADIO
WIBW

BOX 119 TOPEKA, KANSAS 66601 (913) 272-3456

2/11/93 FOR IMMEDIATE RELEASE

RESULTS OF A VOLUNTARY SURVEY CONDUCTED THIS WEEK BY WIBW RADIO INDICATE THAT 80% OF EASTERN KANSAS FARMERS POLLED ARE OPPOSED TO ANY CHANGES IN THE CURRENT STRUCTURE OF THE STATE BOARD OF AGRICULTURE. THE SURVEY, CONDUCTED DURING THE WIBW RADIO FARM PROFIT CONFERENCE IN TOPEKA ON WEDNESDAY, ALSO SHOWS THE MAJORITY OF PRODUCERS (54%) ARE OPPOSED TO A BILL THAT WOULD RELAX CURRENT STATE RESTRICTIONS ON CORPORATE SWINE PRODUCTION WHILE 32% FAVOR THE BILL.

ON NATIONAL ISSUES, 71% OF THE PRODUCERS RESPONDING TO THE POLL SAID THAT IF THE U-S-D-A BUDGET MUST BE CUT BY THE CLINTON ADMINISTRATION THOSE CUTS SHOULD BE MADE IN OFFICES AND SERVICES. ONLY 13% FAVORED A CUT IN FARM PRICE SUPPORTS.

OTHER HIGHLIGHTS OF THE SURVEY.....61% OF THE FARMERS AND RANCHERS RESPONDING SAID THEY FEEL THE CONSERVATION RESERVE PROGRAM (C-R-P) SHOULD BE EXTENDED BEYOND THE CURRENT CONTRACT PERIOD........25% WERE OPPOSED TO AN EXTENSION OF THE C-R-P.

ON THE SUBJECT OF THE PROPOSED NORTH AMERICA FREE TRADE AGREEMENT BETWEEN THE U.S., CANADA AND MEXICO, 47% OF THE PRODUCERS SURVEYED SAID THEY WERE IN FAVOR OF THE AGREEMENT BASED ON WHAT THEY KNOW ABOUT THE PROPOSAL....34% WERE OPPOSED AND 19% WERE UNDECIDED. MANY OF THOSE WHO SAID THEY WERE IN FAVOR OF N-A-F-T-A QUALIFIED THEIR SUPPORT ON THE CONDITION SUCH AN AGREEMENT WOULD INCLUDE SAFEGUARDS TO PROTECT AMERICAN CONSUMERS AND THE ENVIRONMENT.

APPROXIMATELY 200 OF THE NEARLY 450 PEOPLE ATTENDING THE FARM PROFIT '93 CONFERENCE PARTICIPATED IN THE VOLUNTARY SURVEY. ALL OF THE RESPONDENTS WERE DIRECTLY INVOLVED IN AGRICULTURAL PRODUCTION.

(NOTE: CREDIT AS WIBW RADIO FARM SURVEY)

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# of pages ▸ 1	
To Don Rezac	From Kathy Patton
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The Kansas Rural Center, Inc.

304 Pratt Street
Whiting, Kansas 66552

Phone: (913) 873-3431

Testimony Concerning Corporate Hog Production
Dan Nagengast, Executive Director
March 10, 1993

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.

I believe we have testified five or six times on this issue this session, both in the House and Senate. When testimony began, before the actual session, proponents of lifting the restrictions on corporate hog production argued that it was needed in order to attract a packing plant to Kansas. I've appended an article from the most recent Successful Farming magazine which reviews a recent study commissioned by the National Pork Producers Council. You will notice the headline reads "Giant Packers Bad For Hogs And Consumers". We have requested copies of the original study and will make them available. Thus we have the proponents arguing for legislation that will make possible something they no longer think is a good idea. We need to ask if the assumption that this legislation will bring a plant is even true. Pork processing capacity is about 20% in excess of what is needed.

Leaving that point aside, proponents of the change cite North Carolina as an example of a bellwether state for corporate agriculture. They rarely, if ever, cite the examples of Nebraska and Iowa where corporate restrictions are the toughest. One method for you to evaluate who is right in all of this is to look at which scenario explains a broad array of facts. The proponents argue that we live in a world where only North Carolina exists. Advocates of family farming say look closely at North Carolina, and look closely at Nebraska and Iowa. North Carolina has increased hog production, but with drastically fewer farmers sharing in the wealth. North Carolina also has lower prices, which is what this whole thing started up over. Nebraska and Iowa have increased hog numbers, continue to process the largest share of hogs, have lower attrition rates of hog farmers and tend to pay higher prices to hog farmers. The evidence is there that corporate farming restrictions have helped the hog industry in Iowa and Nebraska.

At present, we have a growing hog industry in Kansas. There are about 5,700 hog producers, up by 100 since the last statistical period. These producers are small and medium-sized family farmers or family farm corporations. They are rooted in their communities. They buy there inputs locally. They get their loans locally. They work to make their communities a better place to live. The most sensible way for them to add value to their crops is to walk them off the farm in the form of livestock. Going against their interests and along with the wishes of a few large producers will have only one effect. It will not create any new economic activity. Rather it will force small and beginning producers out of business in one area and replace it with other business elsewhere. Trading family-farm based agriculture for the corporate model is a bad tradeoff.

> A wide collection of sociological studies reveal that as self-employment in agriculture is replaced by hired labor, the socioeconomic conditions within the community deteriorate. These impacts are: a decline in the rural population; greater income inequality; reduced standards of living; less community services; less democratic political participation; lower community social participation and integration; decreased retail trade; environmental pollution and energy depletion; and greater unemployment (Labao 1990).

From the Goldschmidt studies of Dinuba and Arvin, California in the 1940's (updated in 1977), to the FmHA studies in the mid-60's, and continuing on into Kansas studies of the changing structure in agriculture done in 1982, and at Kansas State University by Cornelia and Jan Flora in 1985, Nebraska studies in the 80's, and other recent studies done in California, everyone agrees that increased concentration in agriculture is bad for rural economies, rural communities, the environment, and the citizens who are displaced. **The original reasons for the restrictions on corporate agriculture are more valid today, than they were when they were passed.** The farmers and main street business owners that go out of business because of a shift favoring the corporate model of food production will not move to the areas where the livestock will concentrate and be slaughtered. There will be an influx of people willing to accept low-paying jobs and trailer-park life. As farms and businesses go off the tax rolls, smaller communities start to die and cities start to swell.

The Macrosocial Accounting Project at UC-Davis focused research on 85 diverse towns in the Central Valley region over an 8 year period. Dean MacCannel, researcher at the project 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 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.

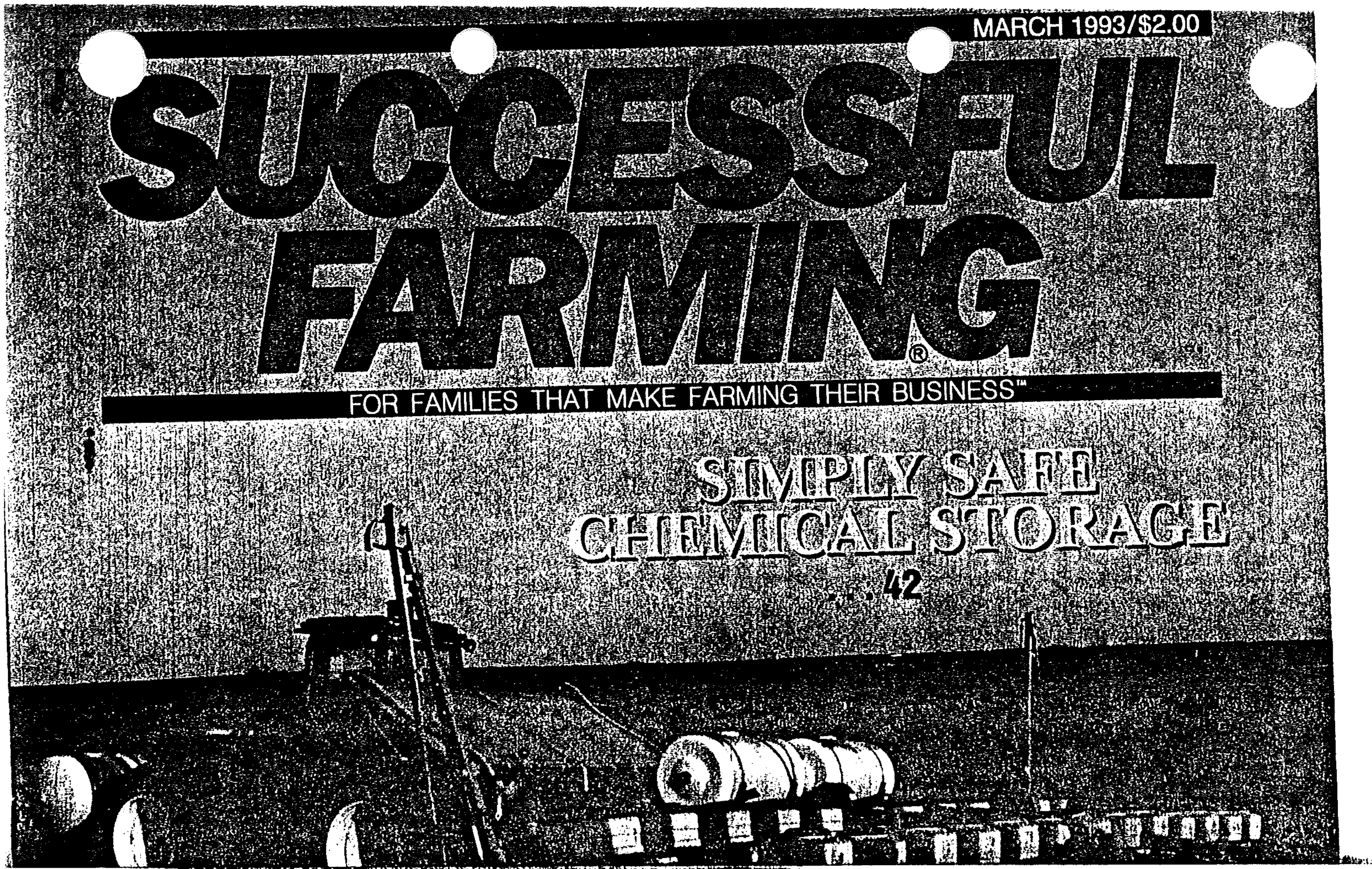
3. Whose Food Shall We Eat? "A Perspective on the Effect of Corporate Involvement in Agriculture", Interfaith Rural Life Committee, January 1990.

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.



GIANT PACKERS BAD FOR HOGS AND CONSUMERS

The meat industry that survives the 1990s will be very different than it is today, says Alister Pease, a consultant to the National Pork Producers Council (NPPC). Pease, who has worked for many agribusiness firms in Europe and the U.S., recently finished a study sponsored by the NPPC entitled "Where is the U.S. Pork Chain Going?"

"The pork chain today is completely commodity oriented, and this is misery for everyone—the packer, the farmer, even the hog," says Pease. "It's going to take a different kind of packing plant to survive the '90s."

The huge packers are only marginally profitable, he says. "Farmers think they can get more money out of packers and they can't." The packers' profit, or lack of it, represents only about 1% of the retail price of pork, says Pease.

Packers fail to realize that producing a superior product for which consumers will pay more is more important than marginal reductions in packing costs, he says. "It's absolute nonsense that when a ham or loin comes out of a packing plant, nobody knows who produced it.

"Farmers have to go further down the chain toward the consumer. Producers can change pork into what the consumer wants; packers can only spoil it." For this reason, Pease envisions smaller processing plants and even federally inspected lockers becoming more popular.

No reason for huge plants

A look at history tells why giant packers got started 100 years ago, but not why they've stayed around, says Pease. "The huge plants started when producers had to get live hogs to the city where the people were. There's no reason to do that now." The only economy of scale in packing is in the processing of blood, rendering products and bones, he says.

It will be difficult for big packers to ever eliminate pre-stunning stress, he says. "You can't line up 1,000 hogs an hour for the kill floor without stress."

Pease, who has worked for a breeding stock company and managed a packer plant, says factors affecting eating quality of pork are genetics, feeding, slaughter stress (handling) and rapid cooling. ■

NATIONAL AG DAY IS MARCH 20

The 21 million men and women who provide food and fiber for America will be honored during National Agriculture Week (March 14–20, 1993) and National Agriculture Day (March 20, 1993).

The 20th anniversary theme, "American Agriculture—Growing Better Every Day," conveys the message that American agriculture is a progressive, forward-thinking industry that continuously strives to improve its methods and better respond to consumer needs.

"We tend to take for granted the very industry that puts food on our table, clothes on our back and shelter over our head each day," says Keith Nelson, chairman of the Agriculture Council of America, which coordinates the celebration. "National Agriculture Week provides an opportunity for all Americans to take a moment and reflect upon the many ways agriculture touches their lives."

If you would like to order National Agriculture Day posters, activity kits or fact cards, call the Agriculture Council of America at 202/682-9200. ■

SIERRA CLUB

Kansas Chapter

Sierra Club Testimony on Pork Production Exemption
to Limited Liability Agricultural Corporations Statute

Jud Townley, Sierra Club Volunteer
March 8, 1993
House Economic Development Committee
S.B. 336

Thank you, Mr. Chairman, for giving the 3,000 members of the Kansas Sierra Club an opportunity to voice their opposition to proposed changes in this statute.

Proponents of this measure, didn't talk about water resources, energy conservation, or controlling feedlot runoff. They didn't talk about odor control, which when it comes to giant pig feedlots, is a major issue. Instead they said that giant pork production facilities are inevitable, and that the Kansas legislature shouldn't even try to stop it. I heard them invoke time and again the cliche that this bill is simply a matter of "leveling the playing field."

Earlier this year, we heard a lot from the proponents about how "bigger is better." When economists, like K-State's Barry Flinchbaugh, talk about bigger being better, they admittedly ignore the social and environmental costs. Those costs are external to their equations, so they ignore them. Economists are uncomfortable in valuing the future, so they discount the costs that are absorbed by the next generation of farmers and consumers. What is the cost of a ton of topsoil eroded away by careless management practices? What is the cost of a fishkill caused by nitrate poisoning from feedlot runoff? These are not merely hypothetical questions. These are the exact sorts of questions you should be asking as you debate this bill.

I want to make it clear that the Sierra Club is aware that Kansas unfortunately has lost a segment of its pork producers, just as it has lost a segment of its family farmers. But those losses can't be regained by this proposal. Instead, this bill would virtually guarantee further losses in the number of family farmers, including those involved in pork production in Kansas.

<u>Environmental Effects.</u>

We ask you to extend a helping hand to protect rural economics, family farmers, fragile water supplies, and other natural resources which are threatened by large-scale livestock facilities.

Liberal, Kansas' National Beef Packing plant is a classic example. There, according to a recent book by Al Krebs, one of four groundwater wells has been found to be contaminated, with the company facing potentially expensive cleanup operations.

March 11, 1993
Economic Development
Attachment 8

Pork producers have similar problems. After National Farms built its facility in Nebraska which was supposed to raise 350,000 hogs each year, it had to face the issue of what to do with its waste. The company decided to install sprinkler irrigation systems, which would pump slurry over corn fields.

No one really knows the full environmental costs of such a strategy, but National Farms neighbors knew—or smelled—a problem as the slurry was applied to fields. They filed suit asking the company to figure out some other way to dispose of the waste. The company argued that if it couldn't dispose of waste this way, it would be shut down. The court didn't order the business shut down, but it did order the company to pay one couple $125,000 for the loss of satisfaction in their home.

There have been other examples. In South Dakota, plans for a 20,000 head/year facility eight miles from the state capital were blocked by farmers who protested the feared water pollution, the damage to recreational fishing, and decreasing property values.

In Michigan, the fear of corporate hog farming because of odor, groundwater pollution, and other environmental issues has been a long-standing fight. A senior state environmental official called the question "the hottest environmental issue in the state."

Finally, as a similar measure was considered earlier this session in the House Ag committee, we heard a lot about North Carolina. You were told that North Carolina is the model for corporate pork production, and well it might be. But it is not a model which we should import into Kansas. The Sierra Club has received some material it requested from the North Carolina Department of Environment, Health, and Natural Resources. Our legislative coordinator, Bill Craven, spoke to the head of the division of environmental management who said that if we adopt the North Carolina model, Kansas should go into it with our eyes open. It is not all roses.

The Sierra Club also received a consultant's report which is highly critical of the large volume swine production industry in that state. The consultant says that North Carolina's agricultural lobby "has been successful in maintaining environmental compliance standards at lower levels than any other public or private entity in the State of North Carolina."

The consultant notes that the public is "angry and frustrated" because North Carolina is targeted as a waste dumping ground, and the public is concerned about water quality and groundwater contamination.

There was recently a briefing to the House Energy and Natural Resources committee from the Kansas Department of Health and Environment. The feedlot permitting program here is way behind. Industry only contributes $22,000 of the $400,000 which is needed to fund the program, and for feedlots of under 1,000 animals, only about 10 percent of them have permits. To get caught up, KDHE estimates the program will need 17 full time employees within 5 years.

Ask yourself if we want to expose the state to another expansion of feedlots when we can't keep up with those we have?

I also received from North Carolina some newspaper clippings in which area farmers are complaining about the stench from corporate hog feedlots. County commissioners are considering moratoriums on hog feedlots because of the failure to control odor, and residents are complaining that the quality of life is being destroyed.

<u>Corporate farming is not sustainable.</u>

Corporate farming brings nothing to Kansas citizens except short-term employment, and there is no certainty that these jobs are the kind we try to create. There is no indication whatsoever that corporate farming is, in the long-term, sustainable.

I use the term sustainable agriculture to refer to systems in which agriculture is ecologically sound, economically viable, and socially just. Such a system is productive in both the short and long-terms while enhancing our environment, our food quality, and our health.

Corporate farming is like lots of other major businesses. They go where they can do the most for their stockholders, at the cheapest price. There is no way the legislature can require these company's to become good corporate citizens, or to support Main Street businesses.

Kansas people are the farmers in Kansas, not corporations with offices in glassed-in citadels. It is Kansas farmers who the legislature should be trying to help. Farmers are hurt by federal programs which oversubsidize corporate farms while at the same time, real farmers have been unable to achieve increases in minimum prices for many products. Farmers and consumers have little influence on commodity pricing policies or agribusiness boards such as the Kansas State Board of Agriculture.

<u>The corporate farming approach.</u>

Corporate hog production envisions contractual arrangements in which a company contracts with a farmer for farrowing or finishing hogs. It also envisions arrangements in which these same companies are involved in all, or almost all, of every aspect of pork production.

Under a typical swine contract operation, the contractor supplies the hogs, feed, and management to a grower who supplies the labor and the facilities. Under the bill presented here today, however, the corporation would be able to own the land, and all that would be necessary is to employ hired hands. This bill is therefore a frontal assault on family-owned hog farms in Kansas.

Rather than encouraging a sense of community, corporate farming leads to the further breakdown of rural society. The values in rural life, once the backbone of our larger society, are lost. Farmers are turned into hourly workers, not much different than piece workers in a factory. Small farms contribute to this state's social mix far more. Small farm communities support businesses and retail trade. Small farm communities spend more money for household supplies and building equipment. Schools, churches, newspapers, parks, and civic organizations survive in towns with a broad-based family farm economy. There is no evidence that corporate agribusiness shares those values or makes the same sort of contributions.

Conclusion.

If you think this bill represents wise public policy, the least that should be required is an environmental and social assessment conducted by KDHE, and paid for by the applicant, before any corporate hog production facility is allowed in this state. Also, the written approval of the county commission should be required. There should be an opportunity for public comment and even public hearings at both the state and the county level. The legislation should spell out in detail exactly what factors should be looked at. At a minimum, these would be the quality of the jobs created, the supply of water and energy, odor control, wastewater management, manure supply and control, and measures for enforcing these regulations.

If we regulated location of these new pork production facilities, required them to account to their neighbors for reduced property values, regulated where they could be located and the size of the operation, imposed guidelines for labor and health benefits, strictly regulated waste water disposal and storage, and factored in the safety and health of area residents, I wonder if corporate pork production facilities would seem so attractive to the agribusiness interests who appeared before you yesterday? If Kansas is going to adopt this bill, we urge you to incorporate these limitations.

Some try to stir up trouble between environmental groups and farmers. But there is considerable common ground between Kansas' environmental groups and farmers, far more than there is between the environmental community and large-scale agribusiness. This issue is one in which the Sierra Club hopes the legislature reaches conclusions which support family farmers and the environment. Family farmers are generally better stewards of their land and water resources.

Thank you for considering the Sierra Club's views on this important issue.

My name is George Hund. I am a diversified farmer from Paxico. Farming is the greatest life I know. It is the most enjoyable occupation there must be Everybody likes to watch the flowers bloom, and to watch the animals grow. Besides educating, farming gives an interior satisfaction, a peace of mind and a love of God.

My father, who raised a family of eight said, "Hogs are the mortgage lifter." Perhaps cattle would have been the mortgage lifter too had the forces of greed not been so active. I am the only one of two farmers in WB county that full feeds cattle. I have only one buyer. There is <u>no</u> competition. It doesn't make the commercial feeder out West any difference if he only makes $5 per head so long as he has thousands in #.

Surly the only benefit this law would help are those who already have. Is not the responsibility of the government of this great state to help <u>all</u> the people? Would not this law help <u>only</u> the small few who already have so much? Please allow me to stress that this is not only an emotional issue, it is an economic issue as well because it effects the livelihood of so many small farmers.

Here in Kansas, we still trust in God.
Scripture has it that:

> "HE HATH FILLED THE HUNGARY WITH GOOD THINGS
> AND THE RICH HE HAS SENT EMPTY AWAY"

Let us ask our God who is the source of all good to guide us in our decisions.

THANK YOU

Max Sprague
Independent Producer
La Harpe, Kansas 66751
(316)439-5595

Members of the committee:

I appreciate the opportunity to testify on Senate Bill 336. My wife and I along with our two daughters operate a 125 sow farrow to finish operation in Allen County. I have an Associates Degree in Farm and Ranch Management from Northeast Oklahoma A & M and a Bachelor's Degree in Animal Science and Industry from Kansas State University. I also lack only a few hours having a minor in Economics from K-State. We are members in our local swine organization and also in the newly formed Kansas Swine Growers Association. From the influx of memberships to the new group it becomes apparent that many producers are not pleased with the representation that KPPC has shown them. KPPC states that they represent the majority of pork producers within the state with their 1992 membership of 800 producers in the state. The state statistics show that there are over 5600 producers in the state. Let's see 800 divided by 5600 comes up to 14.3 percent, quite a ways from being a majority don't you think?

Jobs and economic development seem to be the major force behind changing our law to allow corporate swine production in our state. If this is allowed, benefits of jobs, increased tax base, improved grain prices are severely limited to the area of where these production sites are located. On the other hand, when swine production is in the hands of the independent producer these benefits are spread across the state with independent producers purchasing inputs from their local communities and businesses. Local elevators, machinery dealers, banks, grocery stores, lumber yards, etc. all benefit from and derive a part of their living from the independent agriculture producers in their area. The biggest share of these businesses and the ag producers keep their profits within the community thus enhancing the local economy while corporations ship their profits back to their out-of-state headquarters.

Everybody acknowledges that they would like to see increased swine production within the state but no one wants to address how this can be done with what the state of Kansas already has in place with its independent producers. Possible ways that this can be accomplished are as follows:
1. Have our state board of agriculture along with our institutions of higher learning provide family farm hog producers with group and cooperative marketing assistance to aid the development of more competitive markets, assist producers with the development of group marketing strategies, informal pooling arrangements, collective marketing and bargaining, and cooperative marketing programs.

2. Assist producers with innovative financial arrangements for swine production expansion and research on lower cost livestock production systems rather than pursue economic strategies that pit communities and regions against each other. Reducing the cost per sow for housing facilities would be an attractive way to bring in new producers and allow small producers to expand. These types of programs are such that should already be in place with our check-off dollars.

The independent producers have lots of ideas, that with some refining, and a little encouragement from leaders like yourself and our institutions of higher learning, could become tremendous alternatives to vertically integrated processors.

Changing the Kansas corporate law will not guarantee that we would attract a packer processor or increase our swine production in the state or that it would remain here. The recent so-called loss of Seabord's packing plant was not due to Kansas restrictions. Contact Seaboard official Rick Hoffman as others have and ask them why they went to Guymon, OK. They went because of an existing building and all the "give aways" they were offered. By the way, if my sources are correct, that existing building was an old beef packing plant that was run out of business when the IBP plant went into Garden City. In truth, Seaboard prefers that Kansas law stay the way it is because it keeps them from having to compete with conglomerate monopoly packers like IBP, ConAgra, and Excel. Kansas law does not restrict contract feeding or forward market contracting to a packer for those who prefer a more stable income.

What happens when our nation becomes dependent on a corporate food supply? When these few companies control the pricing, quality, and supply through vertical integration I would think that anybody who buys their meat at the grocery store or supermarket would be a little nervous.

What you will be saying if you pass this bill is " I don't believe in you and your ability to produce pork". We, the Kansas pork producers are rooted here. Our fate is cast with our communities in which we live and support. We are the ones who should be given the opportunity to increase the production of pork in Kansas.

OPINION PAGE

By Bill Fleming

If hog farming eventually is taken over by huge corporations, family-style operations won't be the only victims.

Add to the list businesses up and down Main Street in thousands of small towns. In fact, the entire structure of rural American may be at stake!

I admit that sounds pretty strong. But it all boils down to jobs and dollars – especially to where jobs are located.

Let me first emphasize I'm not talking about total jobs. If we raise 90 million head of hogs in the U.S. every year, it probably will take about the same number of workers – whether those hogs are raised by a dozen corporate giants in 200 units or by 90,000 independent family operations marketing 1,000 or more hogs a year.

But job location is another matter. The real question is this: Is it better to have those jobs scattered across thousands of rural small towns – or should all of the jobs be concentrated in a handful of communities?

Today, survival of small-town America is hanging by a very slender thread. The declining count of farm families threatens to turn communities of 500-1,500 people into ghost towns.

It's easy to figure out what has happened. Fifty years ago, an "average" farm family could probably handle 160 acres of row crops, plus a couple milk cows, a few pigs and a small laying flock. Today, the same farm family, with huge tractors and combines, can easily handle 1,000 acres of corn and soybeans.

At this point, let me set an arbitrary figure. In most cases, those small towns rely on the folks living within seven miles of the community to provide the business that keeps the town alive. (If you don't like seven miles, pick your own figure.) But seven miles means an average of 14 miles between towns. In eastern states, that figure is probably high. In the West, it's low.

A circle of seven miles around the town calculates to nearly 154 square miles or 98,000 acres.

If you accept my 160-acre figure, that means it took over 600 farm families to farm the land a half-century ago. And the town itself probably included another 200 families. So 800 families kept the local grocery stores, filling stations, restaurants and drug stores in business. Eight hundred families meant a decent-sized school. And it meant churches, 4-H clubs, a Memorial Day parade and a whole lot of institutions we took for granted.

If huge corporations raise all the hogs – it may be a death sentence for thousands of small towns!

But, in 1992 it only takes 98 families to farm that acreage – not enough to keep most of those businesses going.

It's the beginning of a vicious cycle. As the number of farm families goes down, fewer businesses survive and that means fewer people living in the town. The whole shrinking process becomes almost impossible to turn around.

The problem is not restricted to towns with 800 or 1,000 people. The same spiral is chipping away at larger towns with populations of 5,000 to 10,000. Today, even the traditional "county seat" offers a lot less support for the farming community than it did 20 years ago.

It boils down to this: The small towns of America cannot survive in a cash grain economy. It takes the jobs and the extra income of livestock production to keep them alive.

If all hog production winds up in the hands of a few corporations – and they choose to follow the National Farms example of hammering together units with 20,000 sows in one community – there will be maybe 250 communities across the U.S. that will think they have tapped a gold mine with all of those extra jobs.

But thousands of towns, left with only cash grain farmers, will wither. Not only will local businesses gradually close their doors, but – except for the 100 or so families left on the land – the most promising young people will leave.

But, if there are highly skilled jobs available, the majority of the young people will gladly retain their "membership" in the community where they grew up.

Given that choice, you would expect to see small-town businessmen working hard to attract new livestock operations into their communities. Or working to help existing farmers expand.

But all too often, they ignore possible jobs in agriculture. "We need a couple of factories" is the all-too-common cry. Community leaders will offer tax breaks, float municipal bond issues, line up financing and do whatever else is needed to bring in a manufacturer hiring 20 laborers. But will they offer the same breaks and the same assistance to 20 pork producers who would provide an equal number of jobs by expanding their operations?

You know the answer to that question as well as I do! Too often, the local pork producer is strictly on his own!

Jobs are only part of the picture. The pork producer has added value to the products being sold from that community. Which brings the most money into the community – eight bushels of corn sold for $2.50 a bushel ($20) or the same eight bushels of corn used to raise a market hog that brings $100 or more?

The struggle between giant corporate units and independent family hog farms is not something Main Street can walk away from. The impact on rural values in America is way too important to be left to chance. ◇

RETURN TO THE JUNGLE

The Impact of Meatpacking Concentration on Consumers, Workers, and Communities

A Western Organization of Resource Councils Factsheet **March, 1992**

In 1906, Upton Sinclair published his expose of the meatpacking industry, *The Jungle*, and galvanized public opinion against the horrendously filthy and dangerous conditions that were the norm of the day. The nation demanded that something be done to curb the monopoly power of the "Big Five" meatpacking companies. Over the next twenty years, the market power of these meatpacking companies and their unsanitary and unsafe meatpacking plants were a continuing scandal, and a major driving force for laws protecting consumers, workers, and small businesses from the abuses of monopoly power.

For seventy years these laws ensured Americans a safe food supply and a free and competitive market. Today, consumers are once again threatened by a giant meatpacking monopoly because of lax enforcement of antitrust laws in the 1980's.

Monopoly overcharges by meatpacking companies may have cost consumers billions of dollars over the last ten years, and the cost could be much higher in the future. Monopolization of the meat industry has hidden costs as well — lower quality food for consumers, lower food safety standards causing increased illnesses, declining wages for workers in one of the most dangerous industries in America, environmental costs, and underpayments to family farmers and ranchers who raise livestock for slaughter and processing by meatpacking companies.

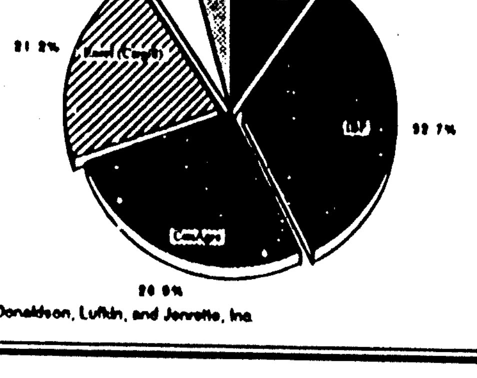
Cornering the Market

Meatpacking companies buy cattle, hogs, sheep, and poultry, slaughter the animals, and process carcasses into cuts of meat for delivery to supermarkets, restaurants, and meat wholesalers. Increased productivity and technological innovations in the industry have cut the cost of processing meat substantially in the last ten years. But the benefits of lower meatpacking costs were not shared with consumers, workers, or farmers by the large packing companies.

The market power of these companies — their potential to gain monopoly profits — is commonly measured by the *concentration* of the industry. In the meat industry, concentration is normally measured by shares of total U.S. cattle, hog, lamb, and poultry slaughter.

In 1988, three corporations—IBP, ConAgra, and Excel—accounted for 70% of the U.S. fed cattle slaughter. These three controlled an estimated 80% of the fed cattle slaughter in 1991. The market power of the "Big Three" far surpasses that of the original Beef Trust in the early 1900's. The lamb industry is as concentrated as the beef industry. Economists predict the pork industry will be as highly concentrated by 1995.

In 1991 Three Companies Controlled Over 80% of all the Beef in the U.S.



Source Donaldson, Lufkin, and Jenrette, Inc.

It's Only Money

Lack of competition in the meatpacking industry gives packers monopoly power to charge consumers higher prices than if they operated in a competitive market. The total costs of monopoly power to consumers are hard to measure, but recent studies and estimates should give consumers pause:

- As retail beef prices rose in the 1980's, the producer's share of the consumer's dollar has fallen by ten percent. The difference between what ranchers received for their beef and what retailers charged for that same beef reached an all time high in 1991.
- Iowa State economist John Helmuth estimates that monopoly power may have cost consumers as much as **five billion dollars** over the last ten years in higher meat prices. Helmuth also says farmers and ranchers may have lost **eight billion dollars** in lower prices for livestock over the same period.

As serious as these costs are, consumers have yet to see the full potential of the meatpacking monopoly to raise meat prices. As with any monopoly, meatpackers are likely to use their power first to drive out and keep out competition. Ironically, this means that in the short run, meatpacking companies may use their market power to keep meat prices *low* and livestock prices *high*, in order to increase costs and decrease revenues for their competitors.

The food industry's power to overcharge consumers depends upon market power from high levels of concentration, or the power of advertising, or both. The major beefpackers are only beginning to market beef with their own brand names, such as ConAgra's "Healthy Choice™" lean ground beef, which costs an extra eighty cents or more per pound than unbranded lean ground beef. If packers succeed in marketing and advertising branded meat products, Purdue University economist John Connor has estimated it would add $300 million per year to meat prices.

Any further concentration in the meatpacking industry would mean even greater costs to consumers. "If we do get two companies controlling 80% of the market," says Dr. Connor, "we'll see packer profit rates similar to what we have now in the breakfast cereal industry—a 25 percent rate of return after taxes, instead of 16 percent." Those profits, of course, will come out of consumers' pockets.

"Three Mile Island" Chicken

Since the first meatpacking monopoly was broken up in the 1920's, federal law has guaranteed U.S. consumers the safest food supply in the world. But the changes in the meat industry are threatening the safety of the American food supply. Huge new livestock slaughtering and meat processing plants depend on moving more and more cattle, hog, and poultry carcasses through the "disassembly" lines in the plants at a faster and faster rate. These increasing line speeds result in more meat being contaminated during processing, and more damaged and diseased meat going through undetected. The problems of increased contamination are compounded by cutbacks in federal inspection.

"It's not fair to expect consumers to behave as if they're decontaminating Three Mile Island when all they want to do is cook their Sunday dinner."

-- Kenneth Blaylock, President of the meat inspectors' union.

A proposed "streamlined inspection system," or SIS, would take day to day inspection authority away from federal inspectors and give it to employees hired—and fired—by the packing plants they are supposed to police. SIS would reduce inspection for only the largest plants, regardless of their inspection record. Chicken has been inspected under a form of SIS since 1983. Federal food inspectors, consumer groups, and ranchers have united to block the expansion of SIS into beef and pork.

USDA established a demonstration program with four beef "pilot plants" using the SIS system in 1988, and these plants continue to operate under SIS inspection. Reduced inspection costs give these plants an unfair advantage in the market and allow meat which would not have passed traditional inspection to be sold with the USDA stamp of approval.

Under current SIS inspection procedures, 58 to 100 percent of all chickens leaving processing plants are contaminated with salmonella. Contaminated chicken is responsible for anywhere from ten percent to 50 percent of the two million cases of salmonella poisoning—two thousand of them fatal—in the United States each year. Salmonella and Listeria-caused illnesses, the leading meat safety problems, add nearly five billion dollars to U.S. health care costs each year.

Microbes, Your Food, and You

Infections caused by contaminated food have been known since ancient times. Today, as many as ten million Americans may experience food poisoning every year. Most of the cases are not serious, and are shrugged off as "upset stomach" or "the flu" after symptoms subside in two to five days. But tens of thousands of people are hospitalized and more than 2,000 people die from food-borne diseases every year. These diseases affect the very young and very old most severely, as well as people with immune systems depressed due to disease, cancer treatment, or organ transplants.

The most common food poisoning bacteria are Staphylococcus, Streptococcus, Salmonella, E. coli, Yersinia and Shigella. Two other types of bacteria, Clostridium perfringens and Listeria monocytogenes, were recently discovered to cause food poisoning. The symptoms of bacterial food poisoning are similar in most cases, and usually include diarrhea, nausea, and abdominal cramps. Many of these organisms also cause vomiting. The main difference between the different diseases is the intensity and duration of the symptoms.

Listeria has caused a great deal of concern recently because of its ability to grow at the temperatures normally found in most refrigerators. Listeria can cause miscarriages and stillbirths in pregnant women and meningitis in infants.

Meat and other food products usually become infected with bacteria due to improper handling in the factory, restaurant, and at home. To prevent infections in your home, do not allow raw meat or fluid from raw meat to come in contact with other food, always wash utensils before using them on other food, and always cook meat thoroughly, using a meat thermometer inserted in the thickest part of the meat, until the internal temperature of the meat reaches 170°F for beef and pork or 180°F for chicken.

Although chicken contamination has received the most publicity, increased line speeds have also jeopardized safety and compromised inspection in the other meat industries:

- Under SIS-C (C for Cattle), only three of every 1,000 beef carcasses would be checked for contamination (as opposed to 100% today).
- The percentage of unwholesome beef which got past inspectors increased from two percent under traditional inspection to 24 percent in pilot tests of the streamlined inspection system. Company inspectors approved meat products contaminated with manure, hair, hide, metal, chewing tobacco, and cactus thorns. USDA tags marking unsafe meat were removed and the meat sold despite its condition.
- USDA and company inspectors have been physically harassed or fired for condemning unsafe meat or calling attention to unsafe or unsanitary conditions.

Consumers count on the USDA label as a sign of the safety and quality of their food. With current meat processing methods and line speeds, USDA inspectors can't hope to keep up. In the case of chicken, USDA advises consumers to treat all chicken as if it were contaminated—to wear rubber gloves, and sterilize surfaces that contact raw chicken.

Meatpacking and Workers

Monopolization of the meatpacking industry has other costs which should concern consumers. Concentration in meatpacking has come at the expense of packinghouse workers. Since the industry began to consolidate, real wages (after adjustment for inflation) have been cut by 28 percent across the board, and as much as 50 percent in some plants. More than one packing plant was closed, sold to another packer, and reopened with wages cut thirty percent or more.

> *"There I was trying to make a living with my hands. And I'm losing the use of them on account of it."*
>
> –Willie Sue Johnson, 59 year old former packing plant employee.

At least one-third of all packinghouse workers suffer job-induced injuries each year, making meatpacking one of the most dangerous occupations, more dangerous than mining or construction. The injury rate for meatpacking is three times higher than the average for all manufacturing industries. In 1988, meatpacker employees missed 357 days of work for every 100 workers due to job related injuries. A General Accounting Office study from the same year found conditions in the meat processing industry approach those in nineteenth century sweatshops.

The Occupational Health and Safety Administration found that two out of three workers at IBP's Dakota City packing plant suffered trauma injuries over a three month period. Many of these injuries were repetitive strain injuries, of which *carpal tunnel syndrome* is most widely known. In carpal tunnel syndrome, the tissues in the wrist swell and pinch the nerves leading to the hands. If not diagnosed and treated early, the nerves are permanently damaged and the individual's hands are crippled for life. As many as 25,000 meatpacking employees may suffer from these disorders.

Meatpacking And Communities

Twenty eight percent of meatpacking jobs in the U.S. disappeared between 1972 and 1987. This decline in employment accompanied a mass movement of packing plants from urban to rural areas. Rural areas offer cheap land, water, and labor, as well as lax enforcement of regulations and millions of dollars in government "economic development" incentives.

The pool of local workers is usually quickly exhausted when a plant moves to a rural area. Turnover rates are very high, with an average of 80 percent of all meatpacking jobs changing hands each year. According to the *Wall Street Journal*, IBP, one the biggest meatpackers in the country, had to recruit employees from "the nation's most desperate pockets of unemployment." Even so, at one IBP plant in Iowa, annual employee turnover was nearly 100 percent.

Many of the workers in the meatpacking industry are recruited in Hispanic and Southeast Asian neighborhoods where poverty is rampant. These workers are especially vulnerable because they are not given safety instruction in their native languages. Many new workers travel hundreds of miles to small towns where no one speaks their language with literally nothing but the clothes on their back. They arrive with little or no money, needing a place to live, medical care, and other basic necessities. Rural communities usually lack the resources to cope with the added burden on schools, housing, hospitals, law enforcement, and social services.

Meatpacking and the Environment

Concentration in the meatpacking industry has had environmental costs. Confined poultry and hog raising facilities and huge cattle feedlots have turned animal wastes from an agricultural resource (fertilizer) into a hazardous waste disposal problem of monumental proportions. The Alabama chicken industry alone generates about three billion pounds of nitrate-laden manure, more than all the farmers in the state could possibly use as fertilizer.

Over the last thirty years the production of meat has become increasingly divorced from crop production. In 1962, over sixty percent of beef cattle were fattened by small farmer-feeders who raised less than one thousand head per year. They grew the grain they fed to their cattle and used the livestock manure to fertilize the grain.

Subsidies designed to keep farm prices low have contributed to the development of the meat monopoly. Federal agricultural policy has depressed grain prices to the point where it costs less to *buy* grain to feed livestock than to *grow* it, so the small farmer-feeder cannot compete. In recent years, major grain trading companies such as Cargill and Continental have become major cattle feeders. By 1989, over fifty percent of beef cattle were fattened in feedlots holding 16,000 or more cattle. Hog and chicken production have undergone similar changes.

Low prices and industry concentration have eliminated the possibility of integrating family farm crop and livestock feeding and other sustainable farm practices. Management decisions that were formerly made in the ranch kitchen are now made in corporate boardrooms. These decisions make it difficult for farmers and ranchers who want to preserve the land for the next generation to use environmentally sustainable practices. To survive, they must postpone adopting these practices until more profitable times arrive. The result is that the environment is as exploited as consumers and workers.

"If a system [of agriculture] doesn't return enough income for a farmer to stay in business, it isn't sustainable."

–William Lockeretz,
Tufts University
School of Nutrition

Meatpacking Concentration and You

Consumers who think about the consequences of their purchasing decisions should be concerned about these impacts of monopolization of the meatpacking industry.

An article in the magazine *Southern Exposure* concluded, "those of us who buy chicken in supermarkets and restaurants must hold the industry accountable for the sickening way it mistreats our communities, chicken farmers, poultry workers, and consumers." A U.S. Catholic Bishop's statement recently declared, "Consumer responsibility calls for a conversion to an attentive attitude about how their food consumption choices affect farmers, farm workers, the poor, and corporate policies and practices."

The large meatpacking companies can underpay family farmers and ranchers for their livestock, just as they can overcharge consumers for meat they buy. Consolidation of meatpacking and livestock feeding has accelerated the trend towards corporate factory farms and away from family farms and may lower the safety of America's food supply.

Ultimately, only public pressure will force adequate enforcement of the antitrust laws and break up the big meatpackers. A century ago, blatant abuse of power by the "Big Five" meatpackers led to the passage of the first antitrust laws. Today, a new "Meat Trust" needs a new generation of "trustbusters" to ensure fair competition in the marketplace and a safe and secure food supply.

What you can do

- *Tell your Senators and Representatives to strengthen, not weaken, the nation's food inspection system.
- *Ask your State Attorney General to support the Justice Department's current anti-trust investigation of the meat industry.
- *Join your state WORC group and get involved in our campaign to bust the meat trust. Join the fight to restore competition to the meat industry, safe food to our dinner tables, and prosperity to rural communities. Ask us for more information about the meatpacking monopoly, or for ways to protect yourself from unfair meat prices and unsafe food while helping family farmers, workers, and the environment.

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Western Colorado Congress
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303-249-1978

Dakota Rural Action
Box 549
Brookings, SD 57006
605-697-5204

For more information about the meat monopoly and what can be done about it, these publications and materials for further reading are available from WORC.

Farm to Market Review, Quarterly, 1 yr. subscription $20.00
Facing up to Monopoly: Antitrust Policy and the Meat Industry. June, 1990, 12 pgs., $5.00.
Where's the Meat: Tracking Changes in the Livestock Feeding and Packing Industry in the West. July 1991, 14 pgs., $5.00.
Corporate Profiles: The Big Three. (4 pgs., free)
The Meat Trust. (4 pgs., free)
Monopoly Power in the Beef Industry. (2 pgs., free)
Monopoly Power in the Pork Industry. (2 pgs., free)
Monopoly Power in the Lamb Industry. (2 pgs., free)

RECYCLED PAPER

The Meat Trust

A Western Organization of Resource Councils Factsheet

March 1990

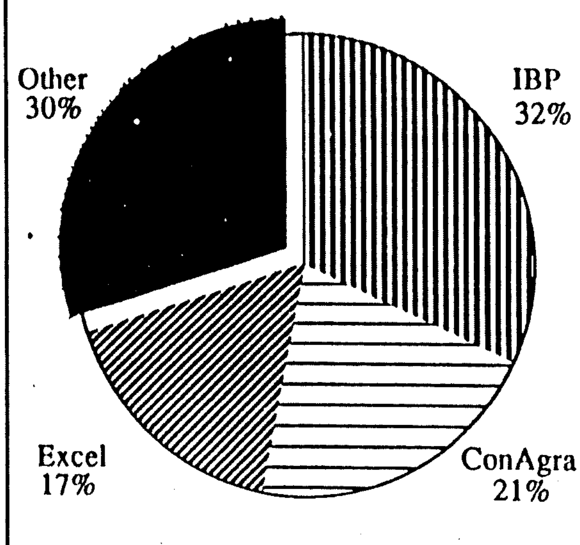
A New Meat Trust in the Making

"When a few large firms buy, slaughter and sell the meat products from most of the livestock produced by farmers, those few firms are in a position to control the price they pay for livestock, control the quality of meat produced, and control the price of meat products they sell . . .such firms are motivated to pay the lowest possible price for farmers' livestock, produce the minimum quality meat product the consumers will accept, and charge the highest possible price for the meat products they sell." (John Helmuth, Iowa State University)

Concentration is a measure of monopoly power in an industry which describes the share of production accounted for by the top firms (the combined market share of the top four firms is commonly used). In the meat industries, concentration is normally measured by percentage shares of livestock slaughter totals. Concentration in the cattle industry has increased rapidly in the past few years.

In 1982, the top four meatpackers slaughtered 45% of all U.S. fed cattle. **In 1988, three corporations — IBP, ConAgra, and Excel (Cargill) — accounted for 70% of the U.S. fed cattle slaughter. Given current expansion plans it is estimated that they will control 80% of the fed cattle slaughter in** 1990. The concentration of the Big Three surpasses that of the original beef trust in the early 1900s. Mergers and buyouts have gone unchecked by antitrust laws. In regional markets the Big Three can command upwards of 95% of the fed cattle supplies. Fewer buyers for livestock result in lower prices paid to livestock producers. In order to ensure a steady supply of cattle to their packing plants, the Big Three are forward contracting with commercial feedlots (buying fed cattle to be delivered at a specified future date) and putting cattle on feed themselves. This reduces the number of cattle which are sold on the open market, making price discovery difficult and giving the packers greater control over price setting.

Market shares: Beef 1988



(based on % of slaughter)

Source: Meat & Poultry, August, 1989

Three companies controlled 70% of all U.S. fed cattle slaughtering in 1988.

The Big Three are increasing their control over the entire food industry.

"I buy my feed from ConAgra, my mineral salt from Cargill, sell my calves to Continental Grain and buy meat in the supermarket from IBP" (Bill Gillin, Forsyth, Montana, rancher).

IBP, ConAgra and Cargill are also the top three pork processors; ConAgra is the largest lamb processor, second largest poultry processor, largest seafood processor and the largest flour miller; Cargill controls one-quarter of the world's grain trade and is the country's number one egg producer, number two soybean crusher and flour miller, and number three corn miller. Each of the firms is aggressively expanding production.

The monopoly control which these firms exercise has serious implications for producers, consumers, and their communities:

Increased concentration means reduced prices to ranchers for livestock.

• "When concentration crosses...50 to 60 percent, there is a statistically significant relationship between that and lower prices paid to producers" (John Connor, Purdue University, in the Des Moines Register, 7 November 1988). A University of Wisconsin study showed that cattle prices are 10 to 23 cents per hundredweight lower for every 10 percent increase in concentration in a given market. IBP's presence in a regional market costs producers 44 cents per hundredweight.

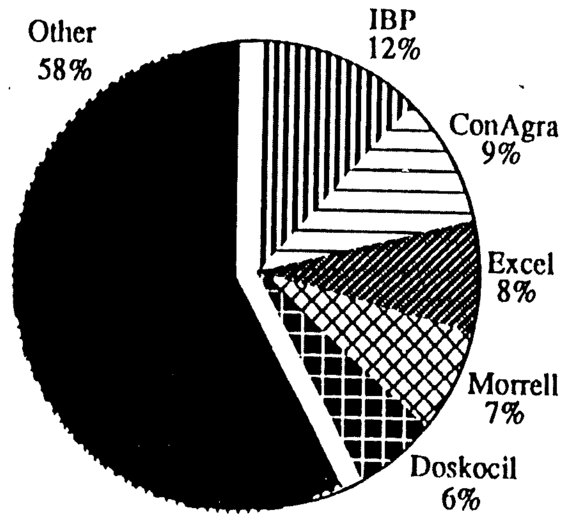
• The Big Three can influence prices by tying up cattle supplies through forward contracting, marketing arrangements and feeding their own cattle. Fewer cattle are left to be sold on the open market, making price discovery difficult for ranchers and farmer-feeders. If one, two or three of the big packers are off the market in a given day, prices are depressed due to the lower demand.

• The major packers are moving to replace the traditional method of determining cattle costs through average cash prices — in which prices are 'discovered' on the open market — with a 'grade-and-yield' system in which the packer charges the supplier based on the quality of individual carcasses (which is determined by the packer). This would allow the packers greater control over the setting of live cattle prices. As Northern Plains Resource Council rancher Gilles Stockton argues, "only the meat monopoly will know what the market price really is and producers will only be able to guess. This will allow the meat monopoly a lot of opportunity to manipulate the market."

• As concentration increases, producers and feeders are left with fewer buyers for their cattle. "As a rancher I want as many bidders in the audience as I can generate when I sell livestock. The more competition there is for livestock, the more price stability there will be and the less temptation for collusion" (Colorado Agriculture Commissioner Peter Decker, Denver Post, 15 January 1989).

• When cattle supplies increase in the next few years, the lower prices dictated by the larger cattle supply will be compounded by the power of a few meatpackers to 'pick-and-choose' from regional cattle markets. In many local markets, only one or two buyers are bidding for cattle, further limiting competition and influencing prices in the corporations' favor.

Market shares: Pork 1988



(based on % of slaughter)

Source: Denver Post, January 15, 1989

Just five companies controlled 42% of the U.S. hog slaughter in 1988. The share of the Big Three is expected to rise to 60-70% within four years.

Increased concentration means higher prices for consumers.

• Purdue University economist John Connor states that once the Big Three begin to advertise their own brands heavily, retail prices will rise well above what they would have been in a competitive market. Cargill (Excel) is starting to market brand-name beef. IBP and ConAgra are sure to follow.

• Greater control over the beef, pork, lamb and poultry industries by the same firms means that consumers will have little choice between companies at the meat counter. Beef processors don't need to be as concerned about holding down retail beef prices to compete with other meats and poultry when they are also pork, lamb and poultry producers.

• A House Committee on Small Business report in 1980 found that between 1965 and 1978 "the oligopoly of meatpackers had annually inflated the retail price of beef by an average of 25.1 cents, thereby accounting for 30% of all meat price increases during the period." Concentration has more than doubled since then.

Increased concentration has serious environmental and community impacts.

"We're being carved up, piece by piece. When decisions on this ranch are taken out of the ranch kitchen and put in corporate boardrooms, this rangeland suffers" (Gilles Stockton, rancher, Grassrange, Montana).

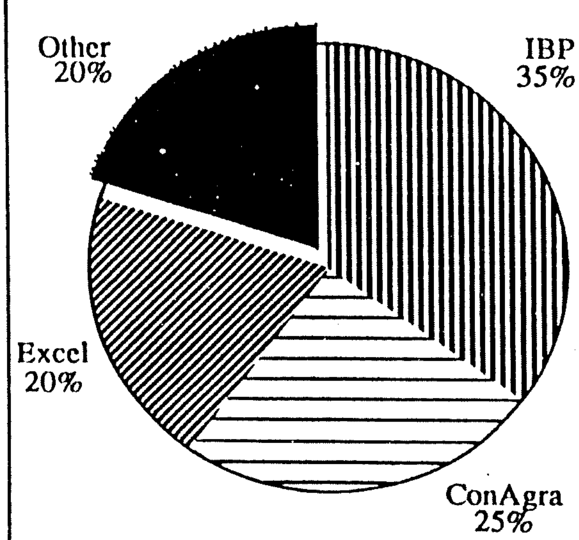
• Concentrated livestock production eliminates the possibility of integrating livestock and crop production and turns livestock manure from a natural fertilizer (replacing chemicals) into a huge waste disposal problem, contaminating water supplies and creating noxious odors. This further reduces options for family farmers seeking to make a living on the land.

• If current trends towards increased concentration of livestock feeding and meatpacking continue, the vast majority of livestock will be fed in a few large feedlots and slaughtered in a few large plants. In recent years Montana has lost 1,100 jobs as small beef and pork packers have been forced out of business. Iowa lost 9,000 meatpacking jobs in the 1980s. Between 1977 and 1986, Colorado lost 1,200 meatpacking jobs.

Why have concentration and vertical integration increased?

•Technological change. IBP revolutionized the industry in the 1960's with the production of boxed beef on high-volume 'disassembly' lines. Meatpackers had traditionally sold meat to breakers, wholesalers and retailers in carcass form. By cutting a carcass into primal and subprimal cuts, the meatpacker was able to command more of the value added to the product. Boxed beef also reduced production and transportation costs, forcing competitors to follow suit and leaving many of them behind. IBP, ConAgra and Cargill are highly-capitalized firms able to invest millions into new plants and equipment.

Market shares: Beef 1990



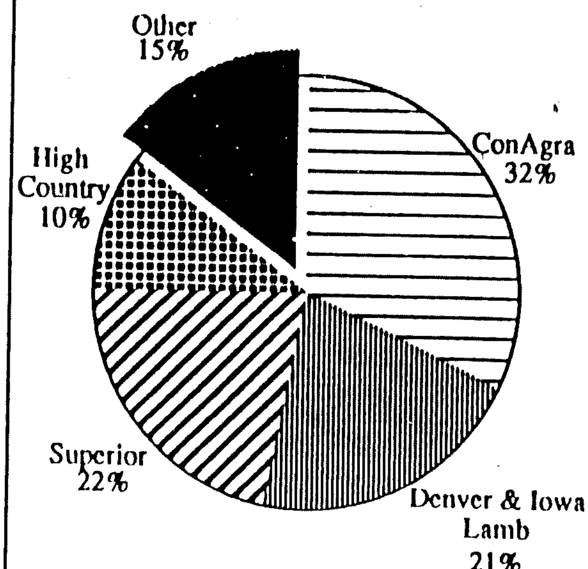
(based on projected % of slaughter)

Source: Estimate based on Beef Today, January, 1989, and Meat & Poultry, August 1989.

Four of every five fed cattle slaughtered in the U.S. in 1990 will be processed by the Big Three.

• **Low wages.** Meatpacking workers are among the most exploited in American industry. The Big Three have dramatically reduced workers' wages. Before the 1980's most meatpacking workers were covered by master contracts with the United Food and Commercial Workers (UFCW), which provided uniform wages and cost of living allowances throughout the industry. This decade has seen an all-out assault by meatpacking plants against their workers, who have been forced to absorb wage freezes and major cutbacks. In 1983, for example, Wilson Foods slashed wages by 40%, from $10.69/hour to $6.50/hour. At the John Morrell plant in Sioux Falls, South Dakota, the base wage rate has been cut to $8.00/hour, a $3.75 decline since 1982. Workers in IBP's Finney County, Kansas plant receive about $5.82/hour. Unskilled workers are being hired in greater numbers as the packers seek ways to reduce the skills required on the production line. Low wages combined with high accident rates have resulted in a high turnover of workers throughout the industry. All this in an industry with the highest accident rate of any in the U.S. Unsafe working conditions, low wages and increased profits all come together in the big packing plants.

Market Shares: Lamb 1990



(Based on percent of slaughter)

Source: WORC estimate based on data from the Packers and Stockyards Administration and the American Sheep Industry Association.

The top four companies control an estimated 85% of all U.S. lamb slaughter.

• **Weak enforcement of antitrust laws.** Antitrust laws — including the Sherman and Clayton Antitrust Acts and the Packers and Stockyards Act of 1921 — were designed to prevent a few large corporations from gaining control of meatpacking and other industries. Today, it can be argued that forward contracting, packer feeding and discriminatory pricing practices violate Sec. 202 of the Packers and Stockyards Act and Sec. 3 of the Clayton Act. Also, most mergers and acquisitions by the big packers violate the Sherman Act and Sec. 7 of the Clayton Act by reducing competition. Despite these developments, antitrust laws have been weakly enforced in recent decades. Mergers and buyouts which reduce competition have been allowed to proceed unchecked.

•**Federal 'cheap grain' policy.** Concentration in cattle feeding and beef packing has also been fueled by low grain prices. The cost of raising corn and other feed is about twice the market price set by the 1985 Farm Bill. It is no coincidence that Cargill and ConAgra combine grain trading and cattle feeding. By integrating feeding and processing, grain companies capture the profit from their competitive advantage in grain handling. They have the grain from elevator to market, whether it's sold as seed, flour, chicken, pork or steak.

It is clear that Congress will not take action to restore competition to the meat industry unless people make their voices heard. Congress needs to hear our discontent with the corporate takeover of the American food production system.

What you can do:

Join your state WORC group and get involved in our campaign to bust the meat trust. Join the fight to restore competition to the meat industry and revitalize our rural communities.

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Meatpacking, Labor and Communities
Antitrust Laws and Legislative Options

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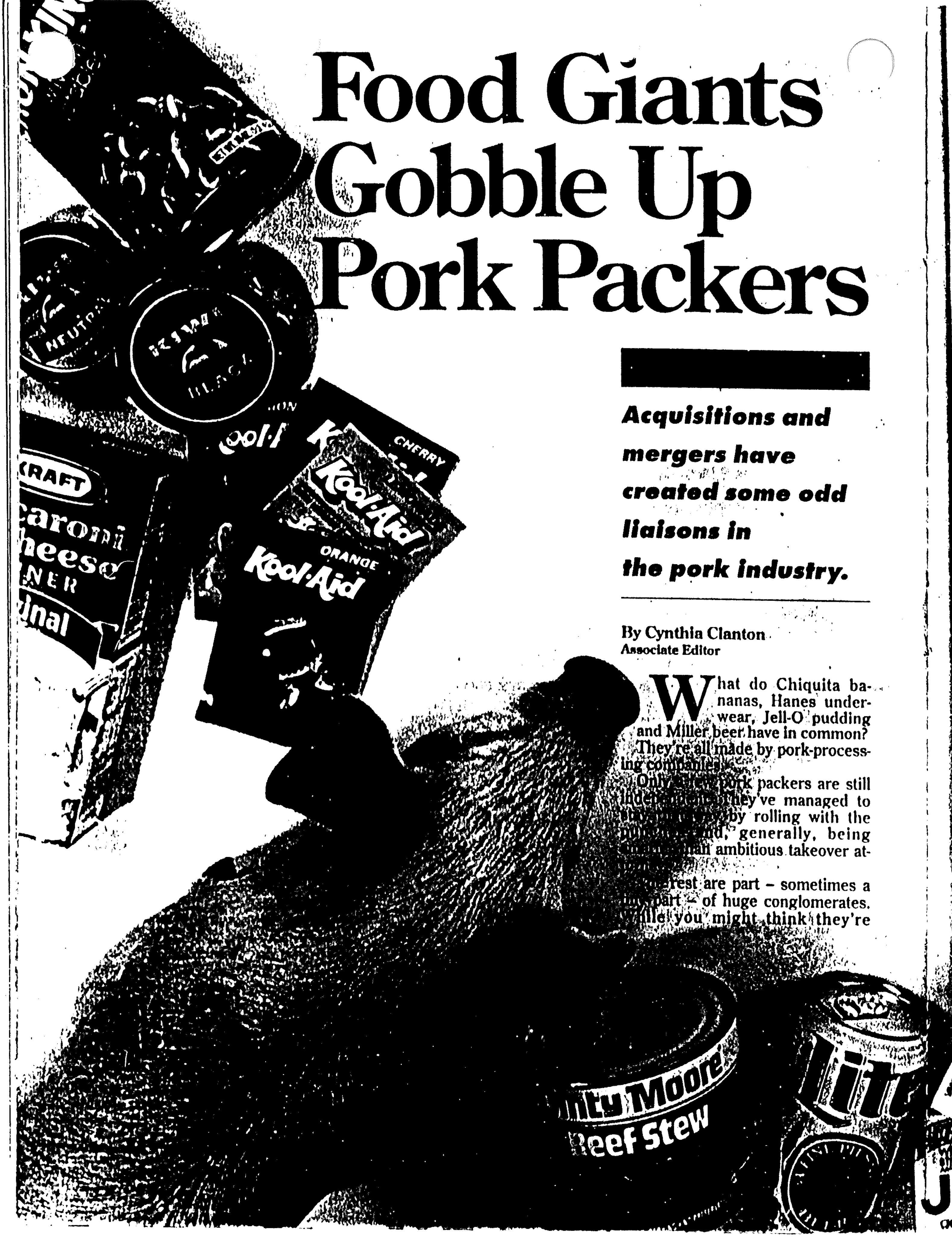


Acquisitions and mergers have created some odd liaisons in the pork industry.

By Cynthia Clanton
Associate Editor

What do Chiquita bananas, Hanes underwear, Jell-O pudding and Miller beer have in common? They're all made by pork-processing companies.

Only a few pork packers are still [illegible] they've managed to [illegible] by rolling with the [illegible]d, generally, being [illegible] ambitious takeover at-[illegible]

[illegible] rest are part – sometimes a [illegible] part – of huge conglomerates. [illegible]ile you might think they're

Oscar Mayer is part of the largest U.S. food company, the second largest in the world.

Tyson sells poultry products in Mexico, Canada, the Far East, Japan, the Soviet Union and Romania. In the most recent annual report, company chairman Don Tyson promised beef and pork products will be next.

Several small, but well-known, meat companies have been thrown together to make **Sara Lee Corp.** the second largest seller of packaged meats: Jimmy Dean, Kahn's, Hillshire Farm, Bryan Foods, Rudy's Farm, Bil Mar Foods (Mr. Turkey), Seitz Foods and Hygrade.

But Sara Lee is more than bologna. While 58% of its $11.6 billion in 1990 sales came from food operations (bakery products and packaged meats, plus coffees, teas and packaged nuts sold in Europe and the PYA/Monarch foodservice business), the rest was thanks to consumer products such as Hanes and L'eggs hosiery, Hanes underwear, Champion sweatsuits and T-shirts, Isotoner gloves and Kiwi shoe polish.

Sara Lee has 100,000 employees in at least 30 countries.

Geo. A. Hormel & Co., a solid old-time meat packer that has changed with the times, has managed to stay independent for a solid century. Hormel's still growing, thanks in part to forays into the poultry and fish arenas.

Since 1983, Hormel has acquired Jennie-O Foods Inc. (a Midwestern turkey processor now gone national), Farm Fresh Catfish Company (farm-raised catfish) and Chicken by George (marinated chicken products).

Hormel also owns a Wisconsin firm that makes natural and artifical casings for sausages, international and foodservice divisions that sell SPAM luncheon meat and other products in the U.S., the Philipines, Japan and Europe, and a catalog subsidiary that markets specialty food and cooking items by mail order. Hormel registered $2.7 billion in sales in fiscal 1990 and has 8,300 employees.

When Philip Morris merged Kraft and General Foods in 1989, it created the largest food company in the U.S. and the second largest in the world. **Oscar Mayer Foods Corp.** is part of that division.

According to Philip Morris' 1990 annual report, about 51% of its $51.2 billion in total sales came from Kraft General Foods (including Minute Rice, Kraft, Maxwell House, Kool-Aid and Jell-O brands), 40% from its tobacco division (Marlboro, Benson & Hedges, Virginia Slims) and 8% from Miller Brewing Company (Miller, Milwaukee's Best, Sharp's). Revenues from Oscar Mayer (Oscar Mayer meats, Louis Rich turkey products, Louis Kemp seafoods and Claussen pickles) were $2.5 billion.

Philip Morris markets its products in Europe, Asia and Latin America. At least 35% of its sales are made outside the U.S.

John Morrell & Co. is part of Chiquita Brands International, a company with $4.3 billion in sales last year and 46,000 employees all over the world. Chiquita also owns the Dinner Bell and Kretschmar labels. Morrell products are sold in the U.S. under John Morrell and Mosey's banners, plus several regional names.

As you'd expect, Chiquita's biggest business is fresh and processed fruits and vegetables like bananas, melons, tomatoes and broccoli. It also ships refrigerated beef and pork into Japan, Taiwan, Korea, the Far East, Canada, Mexico, Poland, Yugoslavia and Switzerland.

Half of Chiquita's 1990 sales were credited to prepared foods, which included meat products, processed fruits and vegetables, and consumer-packaged foods sold in Latin America.

Smithfield Foods Inc. hasn't strayed far from its traditional strong suit: ham, bacon and other processed pork products. Acquiring a few hand-picked brands has bolstered Smithfield's position: Gwaltney, Patrick Cudahy, Esskay and Mash's.

Smithfield has limited its need for Midwestern hogs by hitching up with Carroll's Foods and other large Southeastern hog producers. In fiscal 1991, 8% of the hogs it bought came through Carroll's ($48 million worth, which saved Smithfield $7.4 million in raw materials costs, according to its annual report) and 29% through long-term contracts with independent producers. Only 10% of the hogs it used were bought in the Midwest.

Last April, the Smithfield-Carroll's partnership had 24,000 sows on 24 farms in Virginia and North Carolina. Since May, the partnership has owned the exclusive U.S. franchise for National Pig Development Company breeding stock (a U.K. company). ◇

d , to be shoved to the back burner by much-bigger operations, the truth is that many are blessed with all the high-powered marketing, financing and management their parent companies can offer. That special attention may make them stronger over the long haul.

We thought it would be interesting to dig into who owns what in the pork packing and processing industry. Here's what we found:

ConAgra Inc., the largest U.S. meat company, is home to the remnants of Swift Independent Packing Co. and Armour Foods. Monfort Inc. is owned by ConAgra, as are beef processor E.A. Miller Inc. and ham manufacturer Cook Family Foods Ltd. In fiscal 1991, ConAgra generated almost $20 billion in sales – 77% of that from prepared foods.

ConAgra didn't even own a red meat company 10 years ago. Last year it produced 700,000 fed cattle, 3.8 billion lb. of beef products and 1.8 billion lb. of pork products. ConAgra controls 40% of the U.S. lamb market, is the second largest poultry processor in the U.S., the country's largest flour miller and a major producer of farm-raised fish and seafood.

Since 1986, ConAgra has acquired RJR Nabisco, flour mills from International Multifoods, Pillsbury's grain merchandising business, the Australian company Elders' malt and wool business and half its beef business, and Golden Valley Microwave Foods, a supplier of potato products.

But the 1990 purchase of Beatrice topped them all. It made ConAgra the second biggest U.S. food company with control over brand names like Banquet, Hunt's, La Choy, Morton, Orville Redenbacher's, Peter Pan, Swiss Miss and Wesson. ConAgra is also in foodservice, serving hotels and restaurants as far afield as Moscow and Singapore.

What's more, ConAgra "dabbles" in commodity futures, fertilizers and herbicides, livestock feeds (Formax, Ponderosa), pet accessories (Sergeant's), home sewing supplies (Singer), truck leasing, financing and insurance. It employs 55,000 people in 25 countries.

From 1981 until a few weeks ago, **IBP Inc.** was owned by Occidental Petroleum Corp., one of the world's biggest energy suppliers. That changed in October, when Occidental dumped the remaining 51% of IBP on the market.

The company that was born Iowa Beef Packers in 1960 now owns 11 beef plants and six hog plants with 27,000 employees. IBP claims to control 32% of the U.S. fed-cattle market and 19% of the hog market and was the seventh largest food processor in the world in 1989.

Of IBP's $10.2 billion in sales in fiscal 1990, 65% came from boxed beef and 19% from pork. Export sales represented almost 10% of the total.

Excel Corp., which owns two pork and 10 beef slaughtering and processing plants, is part of Cargill. Because Cargill is privately owned, we don't know much about its financial depth, although $5.5 billion in sales were attributed to Excel's red meat businesses in 1990.

Excel recently added Emge Packing Co., as well as Walnut Grove Products and Farr Better Feeds, two regional feed manufacturers. Cargill has owned Nutrena Feeds since 1945 and operates more than 60 feed and pet food manufacturing facilities. It also custom-feeds cattle through Caprock Industries and has been in the poultry business for 25 years.

Most of Cargill's products are sold to food manufacturers, as wholesale products or through its foodservice division. Besides pork and beef (Excel and Del Pero Mondon brands), Cargill produces turkey, chicken, eggs, salt, coffee, flour, shrimp, corn syrup and starch, cocoa, vegetable oil, soy protein and peanuts.

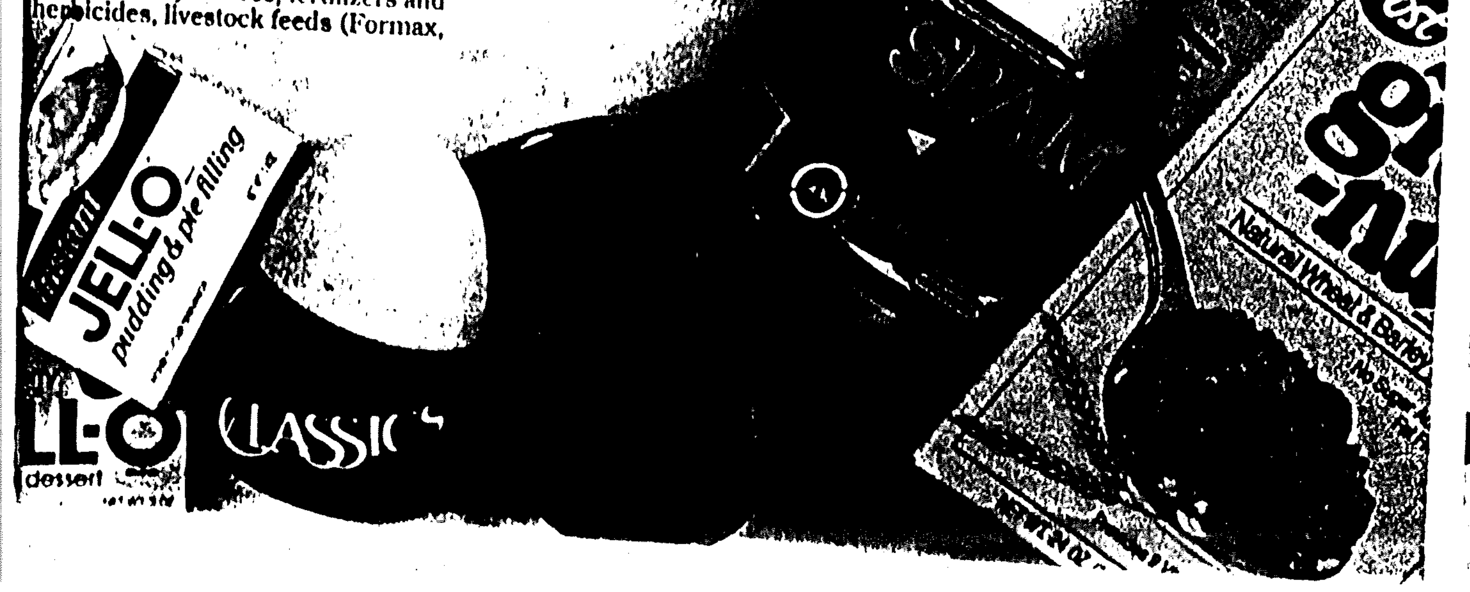
The 125-year-old company also runs a brokerage house, an equipment leasing corporation and a research and analysis service. Cargill has more than 57,000 employees in 57 countries.

Buying Holly Farms last year launched Tyson Foods into beef and pork processing.

Buying Holly Farms last year made **Tyson Foods Inc.** the world's largest poultry producer and processor. Perhaps more importantly, Holly subsidiaries – Harker's, Henry House and Quik-to-Fix – launched Tyson into beef and pork processing.

Before Holly, Tyson was already one of the largest farrow-to-finish producers in the U.S. Now all its hogs go to Henry House for processing.

Last year, almost 70% of Tyson's $3.8 billion in sales were credited to value-added poultry products, 13% to red meat products and 2% to swine production. Almost all Tyson products are poultry-related, although prepared dinners, microwavable children's meals and tortillas are also on the list. Company executives say Tyson-branded pork and beef retail products are on their way.



In the latest 12 months only one main sector—fin...cial services—beat its five-year average return on equity.

By Warren Midgett

Which industry had the highest five-year return on equity? The recession-resistant food, drink and tobacco group, which chalked up a 20% return.

For the median firm in this survey, latest 12-month return on equity fell to 9.9% from 12.1% last year. Financial services was the only industry in which the latest 12-month return exceeded the five-year average.

Latest 12-month earnings fell 5.9% for the median survey firm. The worst-performing industries: construction, where profits were off 88%, and travel, where the median company went from a profit to a deficit position.

Especially in a recession—when companies slash prices in order to maintain cash flow—sales growth may not translate into higher profits. For example, the median retailer's sales increased 7.7% while profits fell 5.9%.

	Profitability					Growth						Sales	Net Income	Profit margin
	Return on equity					Sales			Earnings per share					
Company	rank	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	rank	5-year average %	latest 12 mos %	rank	5-year average %	latest 12 mos %	latest 12 mos $mil	latest 12 mos $mil	latest 12 mos %
Food, drink & tobacco (62)	1	20.0	17.0	12.4	30.6	14	10.6	7.0	1	14.8	7.4	2,029	79	3.8
Food processors (43)		19.4	17.1	13.1	27.1		10.0	5.3		14.6	8.9	1,397	74	3.9
Beverages (9)		18.1	21.2	10.0	30.4		10.9	7.1		11.8	0.1	4,038	146	5.6
Tobacco (10)		20.6	14.8	11.2	43.1		14.1	16.1		14.9	16.3	2,037	161	2.2
Consumer nondurables (53)	2	18.0	13.6	9.4	32.4	5	12.3	7.6	5	10.8	10.3	919	45	3.7
Personal products (21)		18.2	14.3	12.5	29.2		11.8	9.3		12.4	14.9	1,559	68	5.3
Apparel & shoes (18)		20.1	13.7	9.4	31.9		14.0	7.8		14.1	12.0	850	30	3.4
Textiles (7)		9.9	8.8	5.4	34.3		12.6	1.7		-11.2	-43.8	632	15	2.0
Photography & toys (7)		12.4	9.2	7.0	33.9		6.2	5.4		NM	-9.0	1,536	65	3.5
Health (52)	3	17.9	16.9	14.2	18.9	4	12.5	10.8	2	14.7	18.5	1,780	90	6.5
Drugs (20)		22.3	29.2	23.0	12.8		11.4	12.4		16.2	19.0	4,328	533	14.2
Health care services (14)		17.3	16.5	13.9	31.4		21.2	17.5		11.6	25.3	1,214	33	3.0
Medical supplies (18)		16.8	14.9	11.4	18.9		14.8	8.3		6.4	9.7	1,105	65	6.5
Chemicals (52)	4	16.7	13.0	9.4	30.8	6	12.2	4.0	3	13.9	-11.1	1,200	67	4.9
Diversified (16)		15.2	4.8	4.6	30.4		9.1	2.1		13.1	-32.2	2,911	60	2.5
Specialized (36)		18.6	15.5	12.1	30.8		12.7	4.6		13.9	-0.4	1,011	69	6.5
Entertainment & Information (47)	5	15.4	8.4	7.6	31.6	12	11.0	0.7	12	-0.7	-22.6	1,291	25	3.8
Broadcasting & cable (9)		def	def	2.8	84.7		29.1	8.0		NM	D-D	1,442	-105	-5.3
Movies (9)		18.3	3.9	6.9	33.5		21.0	5.1		14.9	-89.1	784	8	1.5
Publishing (24)		16.4	9.4	7.6	22.1		7.7	-1.1		-4.6	-18.3	1,337	28	4.8
Advertising (5)		16.6	17.7	14.0	24.4		11.3	6.5		12.7	0.8	1,184	19	2.8
Business services & supplies (56)	6	14.8	10.3	9.0	31.4	7	11.7	2.6	7	8.5	-10.1	731	26	2.7
Business services (20)		15.2	13.2	11.0	26.3		12.2	5.1		14.3	-5.5	628	16	2.4
Business supplies (22)		12.8	8.2	8.3	23.6		9.1	-0.6		-6.0	-13.6	765	23	3.3
Industrial services (10)		15.0	7.3	5.6	40.3		16.3	3.2		-12.7	-43.0	1,031	34	2.1
Environmental & waste (4)		18.7	12.4	10.5	38.0		25.8	24.2		21.5	9.8	742	37	5.1
Forest products & packaging (30)	7	14.4	5.5	4.3	33.3	9	11.6	-1.8	4	12.6	-48.1	1,562	47	2.9
Paper & lumber (18)		15.1	4.6	4.0	34.5		11.7	-4.2		18.0	-59.2	1,792	59	2.6
Packaging (12)		14.2	8.3	8.2	31.7		10.7	3.7		8.1	-13.9	939	24	3.4
Food distribution (47)	8	14.2	12.0	10.0	39.7	8	11.6	3.5	6	9.0	7.0	1,465	27	1.2
Supermarkets & convenience (29)		13.9	12.0	10.0	41.3		10.2	2.7		6.8	0.5	1,478	13	1.2
Food wholesalers (9)		13.0	13.0	9.5	37.8		10.7	2.8		4.6	8.0	2,337	18	0.9
Restaurant chains (9)		15.1	11.4	11.5	32.0		13.0	6.4		16.7	27.0	973	28	4.1
Retailing (93)	9	14.0	10.5	9.3	32.4	2	13.5	7.7	11	4.5	-5.9	1,079	24	2.2
Department stores (10)		12.1	8.0	6.3	41.9		7.3	1.9		-1.5	-27.8	2,333	78	2.2
Apparel (16)		18.4	13.8	10.9	28.6		16.2	9.2		3.0	-0.5	1,288	26	2.7
Consumer electronics (8)		14.1	11.6	10.2	14.4		33.1	15.7		NM	-30.0	786	13	1.7
Drug & discount (27)		13.7	12.3	9.0	38.0		11.5	5.3		5.8	14.8	1,466	18	2.2
Home improvement (5)		11.9	7.8	7.5	21.6		25.3	11.8		NM	-26.1	2,681	27	1.7

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. def: Deficit. NM: Not meaningful. For further explanation, see page 95.

Company	Profitability: Return on equity rank	5-year average %	latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	Growth: Sales rank	5-year average %	latest 12 mos %	Earnings per share rank	5-year average %	latest 12 mos %	Sales latest 12 mos $mil	Net income latest 12 mos $mil	latest 12 mos %
Home shopping (8)		8.5	10.6	12.3	62.1		14.3	8.8		14.1	10.2	766	24	2.1
Specialty retailers (19)		15.7	11.1	8.7	31.2		19.8	9.3		8.2	-5.2	796	22	3.4
Metals (36)	10	13.2	3.7	3.7	31.2	13	10.7	-5.7	8	7.5	-66.9	1,025	27	1.8
Steel (21)		11.6	0.5	2.8	27.8		8.0	-7.6		NM	-73.7	879	1	0.3
Nonferrous metals (15)		16.0	5.0	5.0	31.5		12.9	-5.1		21.2	-65.1	2,296	80	2.6
Computers & communications (88)	11	13.2	9.4	7.4	25.0	1	14.3	4.5	16	-13.6	-19.1	1,223	40	4.0
Major systems (26)		8.2	4.6	6.3	8.8		15.3	2.0		-22.2	-50.0	1,407	34	3.2
Peripherals & equipment (34)		10.0	8.3	7.6	20.8		17.2	4.2		NM	-18.1	827	11	2.4
Software (6)		26.6	10.2	9.0	3.0		47.2	13.9		NM	-29.5	912	82	6.8
Telecommunications (22)		13.9	12.8	7.5	34.2		5.5	5.0		4.6	-6.0	8,016	418	7.5
Capital goods (57)	12	13.2	7.5	7.2	28.9	11	11.3	-0.8	9	7.1	-29.8	1,193	30	2.8
Electrical equipment (15)		18.4	14.2	8.4	37.4		8.9	1.7		9.4	-37.1	1,163	35	3.0
Heavy equipment (14)		11.1	0.6	5.1	41.5		11.7	-3.0		13.3	P-D	1,317	-2	0.0
Other industrial equipment (28)		12.0	10.1	8.5	24.9		11.7	0.7		6.6	-12.3	1,058	33	2.9
Electric utilities (79)	13	12.4	12.2	7.0	40.4	20	3.2	3.7	14	-11.7	1.7	1,509	134	10.1
Northeast (23)		11.5	11.6	7.0	42.3		3.6	3.8		-11.0	1.4	1,528	168	8.6
North central (26)		12.8	12.3	6.8	39.8		1.5	3.8		-12.1	0.4	1,108	112	10.6
Southeast (10)		13.6	12.9	7.5	38.5		4.0	2.1		2.2	6.7	2,374	211	11.9
South central (8)		12.2	11.2	7.1	41.8		0.3	4.6		NM	2.4	2,325	129	10.3
Western (12)		10.1	12.1	7.1	42.3		4.9	5.0		NM	15.7	1,308	127	9.2
Aerospace & defense (37)	14	12.2	9.4	7.6	32.8	19	6.8	2.2	17	-18.7	1.5	1,919	42	2.3
Insurance (66)	15	12.1	10.7	9.9	19.5	15	9.6	5.4	10	4.9	1.3	1,476	109	5.1
Diversified (20)		12.1	10.1	9.6	14.8		7.8	5.9		-0.1	5.7	3,173	222	4.7
Life & health (18)		10.4	10.8	9.0	22.8		9.0	9.3		2.6	5.6	1,265	80	5.3
Property & casualty (24)		15.0	13.0	10.6	18.0		10.8	3.9		10.0	0.3	1,476	73	4.9
Brokerage (4)		20.5	18.1	16.3	26.2		10.3	7.7		8.1	-3.9	940	41	5.2
Financial services (112)	16	11.1	12.0	8.7	27.2	10	11.3	0.1	19	NM	0.8	1,656	88	5.6
Multinational banks (10)		2.8	8.2	7.2	43.0		9.0	-10.5		NM	D-P	7,215	286	4.2
Regional banks (62)		13.8	12.2	9.9	20.8		13.8	0.3		NM	-2.7	1,360	93	7.1
Thrift institutions (19)		0.7	7.7	5.8	30.0		6.5	-9.4		NM	P-D	882	14	2.7
Brokerage & commodity (8)		10.5	16.4	12.0	39.9		9.1	4.8		-8.8	40.6	2,726	125	5.1
Lease & finance (13)		18.1	15.6	8.1	65.5		14.2	6.8		15.1	16.8	3,428	143	7.8
Consumer durables (67)	17	11.0	4.3	5.3	34.5	16	9.4	-2.3	18	NM	-51.1	1,300	15	1.1
Automobiles & trucks (8)		9.9	def	1.2	46.4		8.6	-6.3		NM	P-D	29,902	-140	-1.7
Automotive parts (29)		12.0	4.3	5.3	34.3		8.4	-2.1		NM	-36.5	960	14	1.5
Appliances (10)		8.0	4.2	5.5	43.5		12.9	0.2		NM	-62.2	2,135	16	0.9
Home furnishings (13)		13.9	6.4	6.1	33.1		12.2	-0.7		-19.0	-29.5	1,085	26	2.6
Recreation equipment (7)		10.0	def	def	16.6		4.3	-14.1		NM	P-D	896	-15	-1.3
Transport (21)	18	10.8	9.9	6.7	36.8	17	8.8	4.3	13	-6.7	2.9	2,308	38	2.3
Railroads (8)		10.6	8.9	6.5	34.8		1.6	-1.8		-6.2	-6.5	3,859	58	6.0
Trucking & shipping (8)		8.2	9.6	7.0	38.6		13.7	5.0		NM	P-D	1,555	33	2.0
Air freight (5)		12.3	13.0	11.1	32.0		20.5	7.6		16.4	5.1	1,325	19	2.2
Energy (77)	19	10.7	9.6	7.2	37.7	21	-4.2	6.0	19	NM	-4.7	1,810	62	3.5
International oils (6)		12.0	13.2	9.7	21.3		NM	13.2		NM	28.3	49,573	2,030	4.6
Other energy (32)		9.6	9.5	7.3	37.5		3.3	9.0		NM	-21.7	2,070	51	2.5
Oilfield services (6)		8.4	9.3	8.9	24.0		-1.7	16.6		NM	18.4	3,809	148	3.3
Gas producers & pipeliners (9)		5.9	9.0	6.2	46.0		-8.3	6.0		NM	-0.6	2,028	110	3.5
Gas distributors (14)		12.3	10.8	7.1	39.1		-4.7	-3.2		-13.0	-4.6	967	44	4.9
Integrated gas (10)		8.2	9.2	6.1	37.8		-5.2	2.3		NM	-5.2	1,652	55	4.0
Construction (41)	20	9.6	0.8	3.5	39.5	18	8.6	-8.2	15	-11.7	-87.8	718	1	0.1
Commercial builders (12)		9.1	8.3	7.0	24.6		6.2	-1.2		13.6	-7.1	1,006	18	2.0
Residential builders (8)		10.7	4.7	4.7	40.2		8.0	-15.9		7.0	-63.8	837	14	1.3
Cement & gypsum (9)		11.7	def	1.0	31.8		8.9	-7.9		-4.1	P-D	512	-16	-1.6
Other materials (12)		5.7	def	1.0	51.4		9.6	-11.0		NM	P-D	513	-7	-0.6
Travel (17)	21	9.4	0.2	2.3	50.4	3	12.6	9.0	19	NM	P-D	1,436	1	0.1
Airlines (8)		7.3	def	def	45.7		18.3	9.7		NM	P-D	6,031	-242	-2.7
Hotels & gaming (9)		17.0	8.9	6.6	54.5		8.8	6.8		-4.3	-19.5	1,019	27	0.0
All-industry medians		13.2	9.9	7.6	32.4		11.3	3.7		4.5	-5.9	1,436	40	2.9

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. def: Deficit. NM: Not meaningful. For further explanation, see page 95.

Profits keep rolling in for these companies. But now even food processors are taking heat from the regulators.

By Edward Giltenan

Cigarettes and alcoholic beverages are perennials on the regulators' hit list. Now packaged-food makers are taking their lumps. Last year a newly vigilant Food & Drug Administration cracked down on brand-name manufacturers for misleading labeling. For example, Procter & Gamble had to remove the word "fresh" from its Citrus Hill Fresh Choice orange juice after the FDA found it was made from concentrate.

But the trouble hasn't slowed down the inexorable forward march of the food processors on our list. They reported latest 12-month return on equity of 17%, nearly double the all-industry median in this survey. Even in a recession, people have to eat. The big question: How much will the slow erosion of brand loyalty eat into the margins of the big players? No one knows for sure. But any drop in domestic margins should be partly offset by the growing demand for American brand names abroad, particularly in Western Europe and Asia.

With the ascension of Michael Miles to the chairmanship of Philip Morris, can there be any doubt that the U.S. tobacco industry has reached full maturity? Miles, formerly head of the company's Kraft General Foods unit, is the first top gun in Philip Morris' 144-year history not to have risen out of the tobacco ranks. Its food businesses now make up half of Philip Morris' $50 billion in sales.

Smoking has been on the decline for years, but cigarettes are so cheap to make that the margins are unbeatable. Philip Morris still gets around two-thirds of its profits

Food, drink & tobacco

Company	Profitability: Return on equity 5-year average %	Return on equity latest 12 mos %	Return on capital latest 12 mos %	Debt/capital %	Growth: Sales 5-year average %	Sales latest 12 mos %	Earnings per share 5-year average %	Earnings per share latest 12 mos %	Sales latest 12 mos $mil	Net Income latest 12 mos $mil	Profit margin latest 12 mos %
Food processors											
General Mills	52.3	42.6	23.7	27.6	8.8	9.6	24.2	21.7	7,330	485	6.6
Ralston Purina	38.1	36.9	17.2	53.7	6.3	3.9	2.5	3.4	7,376	392	5.3
Smithfield Foods - 3,t. of Murphy Farms	35.2	35.4	26.9	23.5	NM	10.5	21.5	98.5	1,071	30	2.8
Kellogg	34.9	31.3	23.5	1.3	12.0	16.3	12.4	32.4	5,705	596	10.5
Wm Wrigley Jr	31.4	31.2	30.6	0.0	12.4	4.4	25.1	11.5	1,132	126	11.1
CPC International	27.7	22.2	15.3	27.5	5.5	10.9	24.4	0.2	6,165	364	5.9
HJ Heinz	27.2	30.7	22.3	9.1	9.0	6.4	14.5	29.3	6,588	679	10.3
Tyson Foods	26.2	21.6	10.4	44.7	23.4	2.5	21.1	16.0	3,922	145	3.7
Michael Foods	25.6	17.7	10.5	31.7	29.7	7.3	29.5	9.0	452	21	4.6
Quaker Oats	24.8†	24.1	14.1	22.5	12.0	7.4	11.5	19.6	5,521	245	4.4
Gerber Products	24.2	28.7	22.1	24.0	5.1	1.3	33.3	15.6	1,186	119	10.0
McCormick & Co	24.1	20.3	14.4	33.5	8.7	8.7	34.6	21.7	1,397	76	5.5
ConAgra - Monfort	23.4	17.8	15.1	48.3	24.9	27.3	16.0	8.9	20,343	322	1.6
Savannah Foods	23.1	20.2	15.2	22.7	15.2	2.4	31.3	-13.6	1,222	42	3.4
Thorn Apple Valley	22.4	59.1	38.8	25.6	5.3	12.2	NM	500.0+	811	21	2.6
Universal Foods	21.3	22.3	17.6	32.6	6.7	-0.5	28.5	11.8	834	58	6.9
Lance	21.3	17.1	15.4	0.0	5.0	0.9	8.3	-14.8	447	40	8.9
Sara Lee - Bryan Foods	20.7	24.3	15.1	20.5	9.1	4.2	16.8	44.2	12,421	692	5.6
Dean Foods	20.5	18.9	14.6	24.6	11.2	4.5	13.2	13.8	2,171	74	3.4
Hershey Foods	20.0	15.3	12.2	17.4	5.1	6.3	14.4	-14.9	2,798	191	6.8
JM Smucker	19.4	17.2	16.4	2.0	12.3	7.1	16.2	5.8	464	32	6.9
Unilever NV	19.0	15.0	11.1	18.5	11.4	7.8	19.4	3.2	42,180	1,822	4.3
Imperial Holly	17.0	15.7	11.7	31.9	30.7	-2.2	NM	6.2	710	21	3.0
Chiquita Brands Intl	16.6	15.9	12.5	44.4	6.3	7.0	22.8	17.5	4,523	122	2.7
Geo A Hormel	16.4	16.9	15.5	4.2	6.8	5.8	17.7	11.9	2,836	86	3.1
Pilgrim's Pride	15.3	12.0	7.5	51.2	17.3	9.2	NM	-21.7	787	12	1.6
Flowers Industries	15.3	11.1	8.6	31.8	3.0	-0.3	NM	-28.1	828	23	2.8
Lancaster Colony	14.8	16.3	12.8	26.5	4.1	-0.5	34.2	50.0	504	23	4.6
Dole	14.8	13.3	7.9	30.8	13.8	5.3	31.1	-0.5	3,190	124	3.9
WLR Foods	14.8	7.2	6.5	13.2	7.7	-1.4	NM	-49.2	493	8	1.7

D-D: Deficit to deficit. D-P: Deficit to profit. P-D: Profit to deficit. D-Z: Deficit to zero. def: Deficit. NA: Not available. NE: Negative equity. NM: Not meaningful. *Four-year average. †Three-year average. For further explanation, see page 95.

Sources: Forbes; Value Line Data Base Service via Lotus CD Investment.

Rod Bigham, President
Jefferson County Pork Producers
Meriden, KS 66512 913/484-2680

March 1993

Members of the committee:

Thank you for allowing me to share my views on Senate Bill 336. I am here as a spokesperson for the Jefferson County Pork Producers 90% of whom oppose passage of this bill. I hope to be brief, but there are many, many items and testimony to cover, some of which are attached to the back of this testimony.

We have been in opposition of <u>many</u> changes in the corporate farm laws in Kansas since the heated debate began about five years ago. I have <u>listened</u> to <u>both</u> sides of the issue and have read <u>every</u> page of testimony on HB 2069 and HB 5005, some of it two or three times.

From these pages the proponents call the opponents "backward, cannot face reality, dreamers, members of the family farm syndrome mentality" or even "losers". Yet, if you look at the credentials of many of the opponents, you will find they are graduates of state universities, bankers, veterinarians and producers of successful operations and businesses. Backwards? NO! DREAMERS? Maybe. They dream of trying to preserve a heritage of husbandry of the land and of their families that 98% of the people in this country will never know. I believe that as people get away from the land and all connected to it, they lose some of their common sense or "touch with reality".

I got my own healthy dose of reality 9 1/2 years ago when my father was killed in a tragic car accident 9 days before Christmas. I had my livestock to take care of, a plumbing business and over 900 households to worry about on two rural water districts. I felt as if the whole world had dumped on my shoulders. But, thanks to help from friends and family I made it through the next spring, have expanded and forged ahead.

Before my father was buried, there was at least one larger individual operator "visiting" my landlords trying to take <u>advantage</u> of the situation. I suppose some in the business world call this a business opportunity! I call it parasitic! Thankfully, I had good landlords. However, the same cannot be said for many operations in America today. The larger gobble up the smaller for many varied reasons and have hurt small business and communities. This is what is wrong in the real world today. I wonder how many of the "parasites" would have done what the so called "loosers" did?

Believe it or not, the <u>wealth</u> of a nation comes from its land and the people connected to it. They are not interested <u>only</u> in the almighty dollar as the "numbers crunchers" of big business are. Enough of dreaming!

The KPPC has been described, in their testimony, as representing all producers of pork in the state. Kansas Farmer in its Mid-February 1993 issue says that the KPPC is "leading the charge" to get the laws changed. Let's look at the facts:

According to statistics, there are 5700 pork producers in the state. Many of these are small, some as small as 1 ~~am~~ pig. Of this number, there are 800 dues paying members of the KPPC. We have gone from being against corporate operations, to a neutral stance, to allowing corporate growth if there is a level playing field with funding of a swine technology center at Kansas State University. The KPPC, the government of the State of Kansas and the United States of America are supposed to provide a democratic process i.e. one person -- one vote.

Eight hundred out of five thousand seven hundred hardly represents a majority. Of the 800 dues paying members, around 600 have 50 sows or more. I fall in the later group. As stated earlier, 90% of the Jefferson County Pork Producers do not support SB 336. However, due to reorganization of the Kansas Pork Producers Council, we only have one delegate "market share" vote. We feel that we are not alone in our views and there have been many who have dropped their membership as a protest vote. The past presidents from Tim Rose to the president elect, Roy Henry, support the law change. They have supported it even when the House bill did not have the amendments regarding tax incentives and nowhere is there to be found in SB 336 funding for the Swine Tech Center. Is it any wonder there has been a drop in membership of a proud and viable organization and the birth of a new swine organizaion!

Maybe we (the opponents) are "out of touch with reality". Therefore, the lack of these items in the bill or "representative representation" or lack thereof, shows that the KPPC does not truly represent all facets of the pork industry and should not be seen as "leading the charge".

We realize that the push for the change in this law is about jobs and economic development. I would like to borrow a phrase here from an auctioneer from St. Mary's who stated many times at his auctions in the 80's to "study your lesson"!

Some have argued that Liberal lost the packing plant because of our existing law. Reality is that it had to do with dollars. The <u>taxpayers</u> of Oklahoma are paying for this plant by the tens of millions of dollars in incentives Seaboard received. I think Kansans got the milk, but did not have to buy the cow. A Seward County Commissioner and a Bank IV banker from Liberal seem to believe that since this plant and DEKALB are just a stone's throw away from Kansas, that Kansas has missed out on all economic benefits. The truth is, by their own graph, that Guyman will draw from a radius of 350 miles! Let's see, I think by my backwards thinking, that 60 miles is somewhat less than 350 miles.

Let's take a lesson from Economics 101. If corporations produce too much product or demand is not present, they are forced to slow down or shut down the factory. Proponents, however, believe that since hogs are $38 - $46/cwt and margins are small, that we should produce more, so we can make less. I am not scared of "competition" from the corporate hog. I can raise pigs cheaper than they can, but why should I eventually be forced to take less for each pig? It is argued that we need to do this in order to gain more market share as the poultry industry has done. But what has happened to the individual since this fallacy was developed? He has virtually disappeared. Is this what the state of Kansas actually wants? What has happened to the small towns since there are less producers in an area with fewer dollars to spend?

Another favorite argument is that Kansas cannot remain an island or that "everyone is doing it". Didn't we use that argument when we were juveniles and don't we now hear that as parents? I believe Kansas needs to remain the stern parent and continue to say NO! Why? Because I believe that we are on the cutting edge of a reversal of current trends. The states that have "been there" are passing stricter laws. North Carolina is one example.

Let me give some other examples:

Bill Fleming of National Hog Farmer states: "it is better to have jobs scattered amony many towns rather than a few". (Concentration of wealth).

Town and counties line up to give out incentives for factories, even very small ones, but the local pork producer is on his own.

Terry Coffey of Murphy Farms (page 44 of Kansas Farmer March 1993) states that being big does not guarantee success.

Success leads to growth and a constantly improving competitive position. Murphy Farms has also begun splitting up its huge units and are beginning to expand into smaller units in 3 other states.

Allister Pease, consultant to NPPC (page 33 Successful Farming March 1993) envisions smaller processing plants and federally inspected lockers becoming more popular. He states that producers can change pork into what the consumer wants; packers can only spoil it.

Dale Hendrickson, Indiana veterinarian (Hogs Today page 2) "By the year 2000 forty hog producers will produce 50% of the hogs in this country."

Betsy Freese (Successful Farming March 1993) the sad story of a hog contractor. Promised "pie in the sky" but got "mud in his face!"

Time Magazine Fall 1993 told of contract poultry producers who "rocked the boat" with Tyson. They were shipped sick poultry received less money for the finished product etc.

Pork (December 1992) Contracting. Big outfits really want growers who have little experience in raising hogs so they can train on their own.

Rod Bigham - Fall 1979 - Interview with Cargill. After interviewer found out I was a farmer with experience and some common sense, did not want me.

Conclusion: Corporations seem to want robots or mindless zombies to control and do the dirty work for them. I ask you - is this the kind of people Kansas wants in an industry for the sake of a few dollars?

I hope you read Kathy Collmer of Minneapolis, Kansas - Statistics of Garden City, Kansas "I think the same can be said for Dodge City. This is not economic developement, but economic economic destruction of previous quality of life".

Here are a few suggestions that the Kansas Economic Development should look at and even promote and also some of the problems associated with big growth:

A. Promote producers grouping together as a CO-OP for purchasing, marketing, construction of smaller joint facilities etc. Roy Henry, Proponent & KPPC President Elect states that group marketings have increased their price by $5.00. Other producers in the east central part of the state are also doing this and getting $2/cwt more.

B. Loans or incentives for producers who are beginning.

C. Promote more smaller packing houses and quality meat.

D. Do NOT go overboard on regulation and stifle our growth.

E. Encourage local development and preservation of jobs instead of the concept of bigness. NFO states - "Vertical organization NOT vertical Integration". Their programs have been successful for their farmers. Also, please read Ivan Wyatts from Kansas Farmers Union.

F. Promote a friendly agricultural banking atmosphere where being a farmer is not a dirty word!

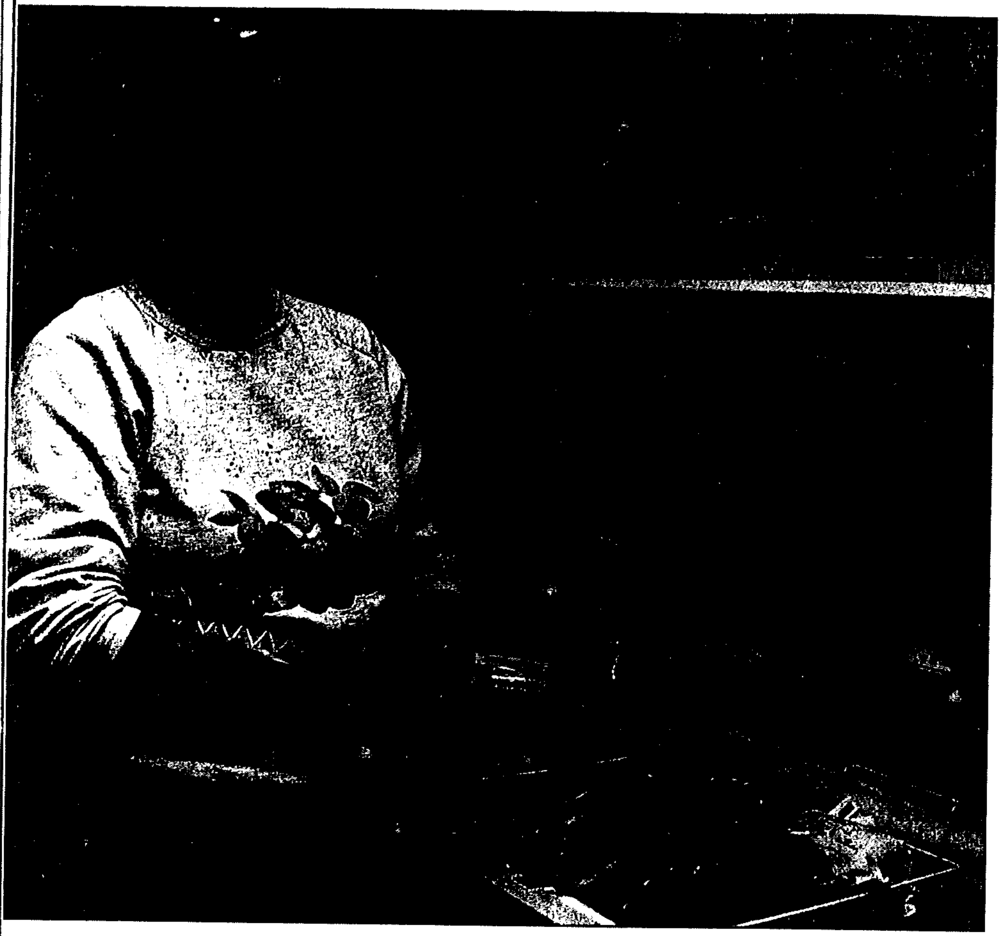
I believe that our agricultural sector and country is headed toward socialism due to bureaucratic regulation, giant farms and central control. Russia failed. Will we?

In closing, I hope I have "studied my lesson" and that you will study yours. Let's maintain Kansas as a leader, not a follower.

Vote NO on SB 336.

Thank you.

Lone Pine Farms leans on pork



Carolyn and Lloyd Wulfkuhle, Lecompton, add value to the quality hogs they raise on their farm by selling pork with a reputation for leanness.

BY JOAN L. ISTAS

Producing quality pork is the key to the success of Lone Pine Farms, Lecompton. An added ingredient is Carolyn Wulfkuhle's willingnesss to share information and recipes about pork.

Lean pork is drawing rural and urban people alike to Carolyn and Lloyd Wulfkuhle's farm near Lecompton.

The Wulfkuhles, who sell pork under the name of Lone Pine Farms, boast that their meat is 90 percent lean. "You don't have any fat in the skillet when you finish cooking it," Carolyn says.

Pork chops are trimmed before they're sold so there is little outside fat and the hogs from which the pork is processed are genetically selected to have limited internal fat. The bacon they sell displays wide bands of meat.

Neighbors launched the Wulfkuhle's meat business five to six years ago when they asked to buy some of the farm's sausage. For awhile, they wholesaled pork to four IGA stores; today all meat is sold from a room in their farm home.

Their original product line of two items, sausage and ground pork, has grown at customer demand. Country smoked products as well as fresh pork now are sold.

Customers can buy bacon by the slice or in cubes. Sausage links and patties, pork and bacon pork patties are offered for customer convenience. Value added products, Kielbasa and bratwurst, are available.

And, of course, boneless loin and shoulder roasts, ham, pork steak, spare ribs, pork cutlets, ground pork, pork chops and hocks also are sold.

The Wulfkuhle's main goal is to offer customers a lean, quality pork product.

Lone Pine Farms pork receives 10 percent more for meat than animals sold live. Hogs for Lone Pine Farms are raised by the Wulfkuhles and slaughtered at 240 to 260 pounds. "At that weight our hogs are at their leanest and give us a nice, pretty loineye," Carolyn explains.

Hogs primarily are York breeding with some Duroc, Hampshire and Chester White. Davis Custom Meats, Overbrook, slaughters and vacuum packs the meat.

Although vacuum packaging costs more than freezer wrap, Carolyn says it's worth it. The customer can see the meat and it keeps longer at the customer's home.

Meat is sold within a month after it is processed; otherwise it is offered as a sale item. Little liver is sold and usually it is given to charities.

People come to Lone Pine Farms from Wamego, Dover and Kansas City. People who visit relatives in the Lecompton area from Michigan, Indiana, Colorado and even Hawaii stock up on Lone Pine Farms meat to take home with them.

Business has grown every year since Lone Pine Farms opened. Twenty hogs are slaughtered per month today with that number jumping to 80 head for the Christidays.

Pine Farms offers gift baskets that are filled to customers' specifications. More than 400 gift baskets were sold in the 1992 Christmas holidays and 300 were sold in 1991. As many as 52 gift baskets were sold in one day during the 1992 Christmas holidays. Gift baskets of pork also are popular for Easter.

Lone Pine Farms is open from 9 a.m. to 6 p.m Tuesday through Saturday except during the Christmas holidays when hours are expanded to seven days a week.

"We advertise our hours; otherwise we'd find ourselves here 24 hours a day," Carolyn explains.

While lean pork is the primary selling point for Lone Pine Farm products, Carolyn believes the one-on-one relationship she offers customers and listening to customers increase sales.

Like their farming operation, weather affects Lone Pine Farms' business. Few people drive their cars down the gravel road in muddy weather.

To increase Lone Pine Farms' business, the Wulfkuhles are considering building a shop just off the paved road that is near the farm. That shop would offer crafts as well as lean pork.

That might mean a lifestyle change for Carolyn. She also manages the family's farrow-to-finish swine operation, keeps the books for the family farm and helps sell chemicals, seed and fertilizer as well as co-managing Lone Pine Farms. But, she says, she enjoys meeting people through Lone Pine Farms. It also gives her the opportunity to teach people about eating a lean, nutritious pork product. ❑

Cooking with Carolyn

"How do you cook it? Do you have recipes?" buyers often ask Carolyn Wulfkuhle. And the long-time pork producer always is ready to answer both requests.

The recipes Carolyn dishes out with the pork she sells from three 23-cubic foot chest freezers often are developed in her own kitchen.

Cooking is a natural talent for her, learned from her mother, the late Mildred Kampschroeder, who also enjoyed cooking. Carolyn remembers, as a young girl of 9, learning to cook out of necessity when her mother was bedridden.

"My sister and I love to cook," Carolyn says. "My daughter (Rita Lesser) is a home economics teacher. Our two sons like to cook. Even Lloyd (her husband) likes to cook, although he probably won't admit it."

To Carolyn, cooking is relaxing. "I especially like the satisfaction I get out of creating something," she explains.

From Carolyn's kitchen have come recipes such as the one for skewer pork that combine Keilbasa (Polish) sausage with broccoli, carrots and cauliflower for a complete meal. Her daughter developed the breakfast pizza recipe that is popular with customers.

Stop by Lone Pine Farms and she'll be glad to share the recipes.—*By Joan L. Istas*

GIANT PACKERS BAD FOR HOGS AND CONSUMERS

The meat industry that survives the 1990s will be very different than it is today, says Alister Pease, a consultant to the National Pork Producers Council (NPPC). Pease, who has worked for many agribusiness firms in Europe and the U.S., recently finished a study sponsored by the NPPC entitled "Where is the U.S. Pork Chain Going?"

"The pork chain today is completely commodity oriented, and this is misery for everyone—the packer, the farmer, even the hog," says Pease. "It's going to take a different kind of packing plant to survive the '90s."

The huge packers are only marginally profitable, he says. "Farmers think they can get more money out of packers and they can't." The packers' profit, or lack of it, represents only about 1% of the retail price of pork, says Pease.

Packers fail to realize that producing a superior product for which consumers will pay more is more important than marginal reductions in packing costs, he says. "It's absolute nonsense that when a ham or loin comes out of a packing plant, nobody knows who produced it.

"Farmers have to go further down the chain toward the consumer. Producers can change pork into what the consumer wants; packers can only spoil it." For this reason, Pease envisions smaller processing plants and even federally inspected lockers becoming more popular.

No reason for huge plants

A look at history tells why giant packers got started 100 years ago, but not why they've stayed around, says Pease. "The huge plants started when producers had to get live hogs to the city where the people were. There's no reason to do that now." The only economy of scale in packing is in the processing of blood, rendering products and bones, he says.

It will be difficult for big packers to ever eliminate pre-stunning stress, he says. "You can't line up 1,000 hogs an hour for the kill floor without stress."

Pease, who has worked for a breeding stock company and managed a packer plant, says factors affecting eating quality of pork are genetics, feeding, slaughter stress (handling) and rapid cooling. ■

NATIONAL AG DAY IS MARCH 20

The 21 million men and women who provide food and fiber for America will be honored during National Agriculture Week (March 14–20, 1993) and National Agriculture Day (March 20, 1993).

The 20th anniversary theme, "American Agriculture—Growing Better Every Day," conveys the message that American agriculture is a progressive, forward-thinking industry that continuously strives to improve its methods and better respond to consumer needs.

"We tend to take for granted the very industry that puts food on our table, clothes on our back and shelter over our head each day," says Keith Nelson, chairman of the Agriculture Council of America, which coordinates the celebration. "National Agriculture Week provides an opportunity for all Americans to take a moment and reflect upon the many ways agriculture touches their lives."

If you would like to order National Agriculture Day posters, activity kits or fact cards, call the Agriculture Council of America at 202/682-9200. ■

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Member IPC Livestock Publications Council

PIGS AND PORK

Get involved

■ Credit the Illinois Pork Producers Association with use of a quote from Plato: "The price men pay for not being interested in politics is to be governed by one less than themselves."

That bit of wisdom appears in a brochure used to solicit unrestricted revenue. In this case, the money is for strengthening pork's presence in Washington, D.C., and Springfield, Ill.

You think about things like this after sitting in on state environmental discussions. As we report on page 26, North Carolinians are being urged to become pro-active on the environmental front. They do plan to be, with help from a paid consultant.

This is one example of where a pork producer needs to get involved in public policy these days. Other issues, many of which pork groups are hard at work on, include meat safety and quality, consumption levels, animal welfare, and industry structure.

Expect needs to grow. Michael Boehlje, ag economics professor at Purdue University, says, "Issues associated with animal agriculture are likely to rise to a much higher level on the policy agenda in the future."

Writing in a recent Purdue Agricultural Economics Report, Boehlje explains that policy issues related to animal agriculture have typically been debated separately from farm policy. Livestock producers haven't been major players in policy debates. They've prided themselves on independence from government programs.

But that's changing. Boehlje says animal agriculture is going to face increased governmental regulation and intervention. He thinks livestock producers should contribute to development of agricultural policy.

You could be doing this with some strange bedfellows. As Boehlje points out, animal rights issues, for example, impact the medical profession, scientific community, hunters and pet owners. You can't afford to be naive about policy-making with a broad mix of interests like this.

Boehlje also believes animal agricultural policy will be more complex to formulate than crop policy. A single piece of legislation may not be enough. Or, you will have to deal with more than one government agency, or at different levels.

Bottom line: "The challenge is almost overwhelming," says Boehlje.

But pork producers have proven they can work together. Look at where demand for pork is today! We're confident pork producers can and will step forward to help shape animal agriculture policy as well.

Too big to answer

■ It was near the end of a hog health discussion at the recent Indiana Pork Conference. Four veterinarians each had taken turns at questions presented by the audience.

Then one of the vets introduced a subject that no one seemed prepared to answer.

"I'm concerned about big pork producers," said Dale Hendrickson, Farmland, Ind., veterinarian and hog breeder. "By the year 2000, 40 hog producers will produce one half the hogs in this country. I believe the most efficient hog producers still are family farms. But if hogs stay 40¢ for the next 10 years, not many of you will be in the business."

There was no need for a question mark. Many in the audience already had added one in terms of what could happen on their individual farms.

Hendrickson continued: "Four North Carolina producers added 70,000 sows two years ago. Last summer they only put in 40,000." He'd talked to a concrete firm with contracts to build seven 3,500-sow units. He'd calculated that 12 North Carolina producers soon will each have over 50,000 sows.

"What I'm really concerned about is family hog farmers," says Hendrickson. Someone asked him what he'd do about hog farm bigness. He only shook his head.

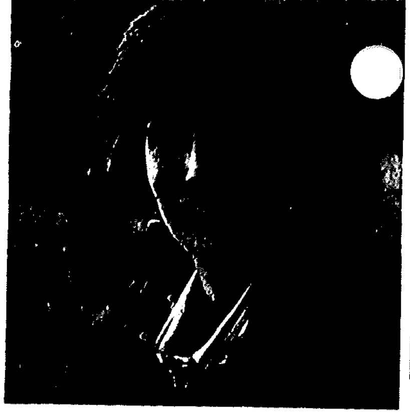
Good riddance!

■ You're getting rid of brucellosis on hog farms. Five states now report no infection. As of last December, 11 of 18 states in Class A status had fewer than five quarantined herds.

Eradication experts say this means that a year from now, there could be five new "free" states. Two years from now, only eight states could remain in the education program.

Push!

John Russell
Editor



BUSINESS

I RECEIVED A CALL a few weeks ago from a farmer who wouldn't identify himself. "You've written a lot about hog contracting," he began. "I have a story you should hear and your readers should hear. But I can't give you my name or address."

Normally, we don't publish letters that are not signed; anonymous sources are suspect or, at the least, spineless. But this caller was sincere, and he had good reason not to identify himself. I'll let him tell you his story. I've changed the name of the hog contractor to Acme.

Two years ago I signed a contract to produce feeder pigs for Acme. Before I signed the contract I took it to a lawyer, and he said, "Don't sign this." He said the contract was all in favor of Acme. "There are lots of loopholes. They can hold back a dollar for this and a dollar for that if production is not what they think it should be," he explained.

Here's one farmer who signed away his livelihood on a paper contract

But I was a grain farmer, not a hog farmer, and I chose to believe Acme. They said they'd teach me everything I needed to know. Actually, I think they preferred to get someone who didn't know much about the hog business, someone who would go for the pie in the sky.

They promised to furnish top-producing sows and the latest technology. They said I should be able to get 20 pigs per sow per year on my outdoor unit. I never really believed 20 was possible, but they said producers were getting that in England. They said a guy trained in England was going to be on my farm two days a week. At the beginning he was; then they fired him. Now I am down here by myself.

I have 300 sows outside in insulated huts made of plywood and metal. I was promised an outdoor line of sows. As it turns out, the company producing the sows doesn't even recommend them for outdoor units. The sows aren't mothers. The boars Acme sends me weigh only 240 lbs. and are not used to being outside. We can't get anything bred.

The contract says Acme is supposed to provide veterinary services, but I've had to beg for pharmaceuticals. I had abortions on 60 sows, and Acme wouldn't approve a vet call. On top of that, feed quality has always been a problem.

I'm not even getting 16 pigs per sow per year, which is the minimum they expect. In the winter, we wean an average of five pigs a litter. Acme is supposed to pay me $14 for each feeder pig produced. I'm not getting that because my production is not what they want.

I was told by Acme that for a $30,000 investment in fences, waterers and huts, I could set up this system. I've spent twice that, and now they want me to build a nursery for the pigs.

The contract says if I don't meet minimum production, Acme can pull the sows out. I've offered to try anything to make it work. They invited me to buy the sows from them, but I don't have the money. I called the chairman of Acme to talk to him about the situation, and he said, "I thought that wouldn't work, those sows in an outdoor system."

Two other farmers in my area built units for Acme, one with 300 sows and one with 600, all outside. We are all in the same dilemma. We thought we were dealing with friends. Now the company acts like farmers are its enemy. They're the boss. I don't want to be their employee.

The only reason Acme hasn't bankrupted me is the bad publicity it will cause. They told me not to talk to my neighbors about the problem. They've threatened that if I talk to anyone—an Extension agent, a journalist, a lawyer—they will pull the hogs. If they pull the hogs, I'll invite you down with a camera, because I'll have nothing to lose at that point.

I am telling you my story because Acme is trying to work this same deal right now with farmers over in Oklahoma. I think it's morally wrong for me not to say anything.

I HAVEN'T HEARD back from this farmer, so I assume he is still producing hogs for Acme. There are always two sides to every story—I'm guessing this guy made every management mistake in the book with these contract sows. His biggest mistake was ignoring his lawyer. At this point, the only help I can give him is peace of mind that his story has been published. Perhaps someone will heed this man who signed away his livelihood on a paper contract. SF

Betsy Freese

Betsy Freese, Senior Livestock Editor

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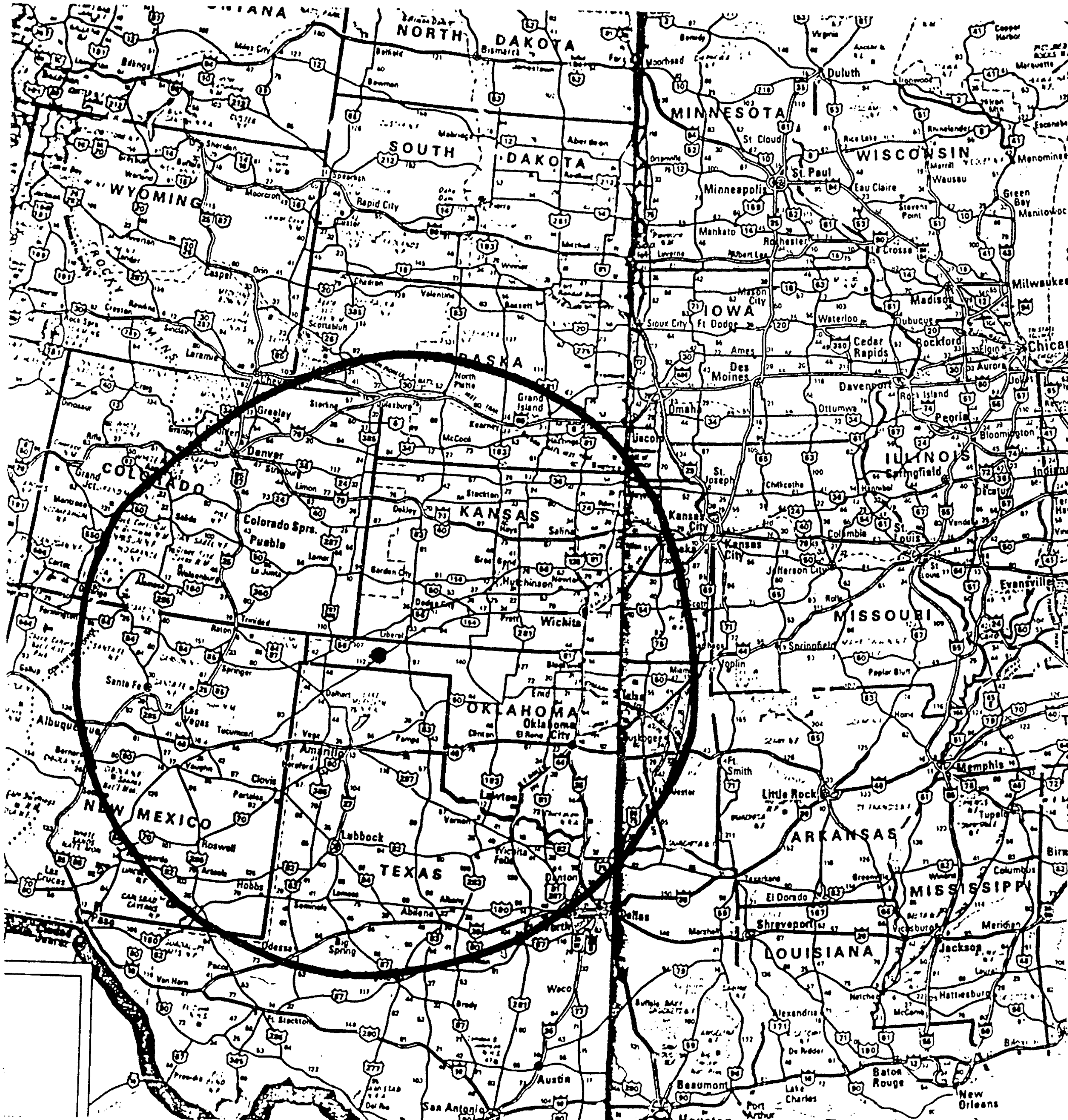
350 mile radius Seaboard would pull hogs from.



Statement to the House Agriculture Committee

February 5, 1993

by Kathy Collmer, Minneapolis, Kansas

My husband and I farm in Ottawa County in north central Kansas. Although we do not raise hogs ourselves, I have a very deep concern about how corporate hog farming will hurt all rural Kansans. We need only look at the experience of other states that have allowed corporate farming to see what a disaster it would be.

The simple fact is: Corporate farming drives smaller, independent producers out of business. From 1985 to 1991, as corporations took over more and more of the hog production in this country, the U.S. lost 35.2% of its hog producers. Kansas fairly well followed the national average, losing 32.5% of its hog farmers during that time. But consider this: North Carolina, one of the first states to allow corporate hog farming and now the #1 corporate hog-producing state in the nation, lost a whopping 51.1% of its hog farmers! In other words, North Carolina, where corporate farms dominate hog production, lost hog farmers at a rate 45% higher than the national average. Compare that to Nebraska, which has the toughest <u>anti</u>-corporate farming restrictions in the country. During the same time period, 1985-1991, Nebraska lost only 10.7% of its hog farmers--less than a third of the national average.[1]

We need strict anti-corporate farm laws if independent farmers--and the rural communities that they support--are to survive. A study by a senior economist on Congress' Joint Economic Committee[2] shows that if we project the current trend lines, there will be no farmers left in America by the year 2020! While we are unlikely to hit absolute zero, this gives you an idea of the direction we're headed.

Of course, the people who are pushing corporate farming don't <u>say</u> they're out to destroy farm families, and a lot of them genuinely don't realize that that's what they're doing. What they say is that they're going to "create jobs." Let's stop and think a minute about what <u>kind</u> of jobs they're talking about. What kind of work would <u>you</u> prefer? Would you rather own and manage your own farm--which means working at a variety of tasks, being your own boss and running your own business--or would you rather work at a hazardous job in a corporate hog factory with low pay, no control, no ownership, poor benefits, and high risks to your health and safety?

And what does it do to a community when it becomes dependent on these kinds of jobs? We don't have to look any further than Garden City, Kansas. A report in the Kansas Business Review documents the tremendous problems Garden City is dealing with as a result of the expansion of the meatpacking industry there.[3] After the IBP and ConAgra plants opened up in the early 1980s, Garden City's population grew by a third in only five years, largely because of the Latinos and Southeast Asian immigrants who moved in to fill these low-wage jobs.

Normally, you'd expect that the increase in the local payroll would increase demand for goods and services, which would translate into greater profits for local businesses and the creation of additional jobs through the multiplier effect. But that only works if the jobs pay decent wages. A large increase in low-wage jobs has the adverse effect of creating additional demand for social services such as food banks and welfare payments, since even full-time wages from very low-paid jobs fail to lift families over the poverty line. The schools in Garden City have not been able to expand fast enough to accommodate all the new immigrants--in addition, they need extra funds for bilingual education and other social services. There have been housing shortages and huge strains on the health care system.

Basing economic growth on low-wage industries does not help spur the economy. Instead, a low-wage job creation strategy reduces relative income level. Finney County's per capita income has in fact declined relative to the rest of the state. Living conditions have deteriorated and municipal resources are inadequate to cope with the problems. The housing shortage resulted in construction of a huge mobile home park which by 1988 contained nearly one-tenth of the total population of Garden City. The mobile homes can not be added to the city's tax base, yet the residents still require tax-funded services such as schools and fire and police protection.

During the 1980s, as the packing plants expanded and more and more newcomers moved into the city to work there, violent crimes in the county nearly doubled. Confirmed cases of child abuse more than tripled. The admissions rate from the county to the Larned State Hospital for psychiatric and alcohol-related care more than quadrupled. In 1987, the county had the second highest birth rate in the state, yet it was the only county in Kansas in which less than 50 percent of women received adequate prenatal care. One fourth of the women who gave birth at the county's only hospital had received no prenatal care whatsoever.

While Garden City may be an extreme case, it nevertheless is a good illustration of what happens when communities base their economies on low-wage jobs. Demand for tax-funded social services increases even while the tax base itself is shrinking. The tax base shrinks even more when communities and states attract corporations by giving them outright gifts of millions of dollars in grants, tax abatements and income tax credits. The hog-processing plant in Guymon, Oklahoma, is soaking the city of Guymon and the state of Oklahoma for tens of millions of dollars in the form of wastewater-treatment facilities, highway improvements, sales tax revenues, state income tax credits and an ad valorem tax abatement for 25 years.

All of us farmers out here are taxpayers too. We don't want to see our hard-earned tax money going to the very corporations that are putting us out of business! Beyond that, all the taxpayers of Kansas suffer when we give free handouts to corporations that then turn around and ship their profits out of the state. Worse yet, what's to keep a corporate hog facility from taking advantage of tax abatements until the abatement period expires--after ten years, or whatever--then packing up and moving someplace else--wherever some other state or community will offer them free incentives? That seems especially likely if we're talking about southwestern Kansas, where the water supply from the Ogallala Aquifer will be considerably depleted a decade from now. The packers already out there use between 400 and 450 gallons of water per head of cattle slaughtered and processed.[3] The figures will be on the same order of magnitude for hogs.

To close, I'd like to cite a statement from Mark Drabenstott, an economist and vice-president of the Federal Reserve Bank of Kansas City.[4] In a speech last year to the Iowa Agricultural Bankers Association, he said that the shift to larger and larger farming operations will widen the gap between the "haves" and the "have-nots" in rural America. Speaking as a rural Kansan, a consumer, a taxpayer, and an active member of my own community, I must tell you that we simply cannot afford to let that gap get any wider.

Thank you.

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Statement

of

Ivan W. Wyatt, President

Kansas Farmers Union

on

The Issue of Development of Kansas Corporate-Contract Pork Production

before

The House Committee on Agriculture

January 15, 1993

C O N.

Mr. Chairman, Members of the Committee:

Again, it is obvious by the interests of the independent pork producers of the state they are a viable part of Kansas agriculture. These are the fiber of Kansas agriculture. They are taxpayers that have come to speak for themselves, no paid spokesperson or high priced lobbists speak for them.

I realize there is a smaller well-financied and well-promoted group that claims to speak for all pork producers of the state. I say well-financed and well-promoted because they receive funds from a government mandated check off, and assistance from K-State personel. At their annual meeting a considerable number of K-State personel were in attendance. I have noticed at some state sponsored (funded) meetings KPPC members were charged a lessor entry fee than the independent non-member pork producers.

However this is not uncommon, we now see many commodity groups being dominated through assistance in funding, orchestrated by non-producers, as they attempt to set themselves up as spokesperson for all producers of that particular commodity, this includes state funded commissions, advocating political positions on issues.

Over the years, we have witnessed taxpayer funded faulty studies used to argue for one particular side of an issue, such as that of corporate investors looking for a "hand out".

Since this is an economic issue that can have a major impact on rural communities, it is time we take a realistic look at the issue of Rural Economic Development in Kansas. We hear much rhetoric on this issue but little else. That is why I present to this committee the Farmers Union call For Development of Economic Communities, an alternative to corporate nomination of the marketing of our rural resources.

A Call For Development of Economic Communities

According to a recent report circulating in state governmental circles, Kansas is anti-business. Contributors to that study were the Kansas State Board of Agriculture and the Kansas State University, Department of Agriculture Economics.

No doubt this study reflects much of the "flawed" O'Day Study that the Board of Agriculture perpetuated upon the agricultural community a few years ago.

Claims were made that the lagging development of meat packing facilities in Kansas is due to an anti-business climate in Kansas. Such statements indicate the tendency of these two groups to put the economic cart before the horse.

This tendency among "bureaucratic experts and economists" is to view economic development, in this case meat processing and marketing, as a means to build a creature of a size of scale that establishes monopolistic control over the procurement and retailing of a product, yet hides many inherit inefficiencies of a monopoly.

An example of this is their reference to the concentration of beef processing in a localized area of the state. A system that leads to the control of price discovery of a resource of a multi-state area, that allows the major portion of the profits generated from the processing and marketing to be transferred far from the source of production and processing, while it loads many of the related social and infrastructure costs upon the host taxpaying community.

A system similar to that of international colonialism. A system that leaves large masses of third world nation's population living in an environment of poverty and disease.

For the past decade, there has been a growing acknowledgment of the need for an economic solution to the economic decline of the state's many rural communities.

The contributors to the above mentioned study indicate that anyone who may support an alternative to their thought process are "anti-business". They indicate that we must look only to large absentee conglomerate corporate development of the processing and/or marketing of the state's major agricultural production.

One could well reverse that assumption and say, anyone, including the contributors to this study, who support large corporate control of the states processing and marketing of its major agricultural resources are "anti-Kansas". Anti-Kansas because their proposals lead to the rapid removal of capital profits from the state, leaving only exploited, low paying labor employment opportunities, and the decimation of a competitive marketing system.

There are alternatives to be found for the financing of competitive marketing and processing facilities. Alternatives other than a corporate welfare handout of state funds and local government "free-bees" of utility costs, taxes and reappraisal giveaways.

One has to ask, where is all this corporate efficiency we hear about, if the first thing they have to ask for is a massive taxpayer hand out? Ask the independent producer do we give them a hand out? No, they go to a banker, they pay interest, support, schools, local and state government. They are tax-payers - not tax takers.

Is it not ironic, because the Kansas taxpayer, would not more than double the amount of a corporate welfare hand out to the alien seaboard corporation, the people of Kansas are now labeled "anti-business" by those who live off the taxpayer dollar, the State Board of Agriculture, and Kansas State University Department of Agriculture Economics who shared input in the new report circulating state governmental circles.

It is time we take a look at the people who have brought new meaning to the word efficiency, the Japanese.

Recently, while in Japan I witnessed community joint ventures that provided "dispersed, economic development". An economic development program that provides not only local employment opportunities, but also avoids monstrous environmental problems, and provides a competitive marketing system for local resources, (non-monopolistic for those who may have forgotten what competitive marketing means). An Economic Development System that is a locally operated joint venture, of local and outside capital, including producer and consumer investors, assisted with local and state governmental cooperation. In this case we saw a pork processing plant that not only provides a local slaughtering facility, but provides a competitive auction facility for the local producer's production after it is slaughtered.

Similar proposals have been made for local manufacturing development in Kansas, yet, these proposals have been totally ignored, more accurantly opposed, in many of the states agricultural circles.

The Japanese plants are a "multi-county" community effort capable of slaughtering up to 1300 head of hogs a day.

Because the Japanese are not now, and realize they will never be, self-sufficient in pork and other agricultural production, they are very much interested in discussing similar community sized, producer-consumer joint ventures with local Kansas communities, local investors, including local producer investments.

Nebraska has a 12 year success story of developing a local market built on being a dependable supplier of quality, consistency and flexibility.

It is a given that conglomerate corporate livestock operations and processing don't create new markets. They soak up independent packer business by eliminating or curtailing the competitive marketing system for the independent and farmer feeder of livestock.

Nebraska is a proven example that states don't have to go, hat-in-hand, bribing the conglomerate, transnational corporations to thrive as a national leader in cattle and hog production. The Nebraska success stories make a lie of this recent "warmed-over" study, that would have us believe that we as a state have to bow to the "corporate investors" threats of coercion. It is a success story that says we should be investing taxpayer time and money in a study developing our own economic communities, instead of turning our rural communities into colonies of an absentee conglomerate.

It is time the Kansas State Board of Agriculture and the Kansas State University Department of Agricultural Economics cease acting as "point" persons for large, conglomerate, corporate exploitation of Kansas resources, while at the same time using Kansas taxpayer funds to drive our independent producers out of business.

If these state funded institutions would focus a fraction of their time and state funds on developing "economic communities" in Kansas, Kansas could in a few years lead the way in state-to-state exports to consumers in foreign countries. These are markets that would not only generate a more fair return for Kansas resources through a competitive marketing system but would also assure food deficient nations a reliable source of quality food they must have.

Early in my statement, I referred to the colonization of third-world countries by large corporations, and the resulting poverty and misery of their people. We don't have to look to foreign third-world nations for examples of colonization. A recent story in the Wall Street Journal brought this issue much closer to home. Three or four decades ago, there were communities in this country that provided, for their people, hospitals, schools and a viable infrastructure. However, their state government overlooked the fact they were allowing the profits of their natural resources to be carted off to the benefit of institutions and businesses far removed from their community sources of labor and resources.

Today, amid poverty, disease and deteriating schools, these people now have to turn to desperate efforts to survive. Today, these peoples' only means of survival are to go on welfare, or to "work like mules, cultivating marijuana" in the hills.

R.B. Campbell, Chairman of the Hyden Citizens Bank, was quoted in the Wall Street Journal as saying "when he encounters state troopers on a mission to eradicate the marijuana cultivation....", he tells them, "you're destroying our bank". Then he adds, "I'm kidding of course".

But it is no joke what marijuana, the states biggest cash crop, means to Kentucky, particularly in the Appalachian mountain area. A discount store owner in nearby Stinnett was quoted as saying monthly sales rise by $20,000 at marijuana harvest time. This is the result of opportunities lost.

Yet, here we are, not considering our states marketing opportunities, but rather deliberating legislation on how we can bribe foreign corporations to deprive the independent entrepreneurs of our pork industry the opportunity to build and enhance economic opportunities in our rural communities.

If such a scheme was contrived to divert state funds to an individual within the state in such a manner, there would, rightfully so, be a hue and cry for criminal investigations. Yet, when such a scheme is contrived, by employees of the state, to propose a glorified raid on the states treasury, transfering taxpayer dollars to an out-of-state foreign corporation would, these "Rocking Chair Economic Developers" call it progress.

That's the bottom line. How do we define progress? Do we encourage a progressive, individualistic competitive agriculture in Kansas, or do we set in our "rocking chairs" satisfied with an agricultural community made up of corporate dependent, captive piece workers, and call it "progress"? Or should we call it taxpayer funded, "corporate socialism?"

Thank You

Ivan W. Wyatt

pork
KANSAS PORK PRODUCERS COUNCIL
2601 Farm Bureau Road • Manhattan, Kansas 66502 • 913/776-0442

Mr. Chairman members of the committee, I am Mike Jensen, Executive Vice-president of the Kansas Pork Producers Council.

I would like to briefly address several, questions which have arisen during previous testimony.

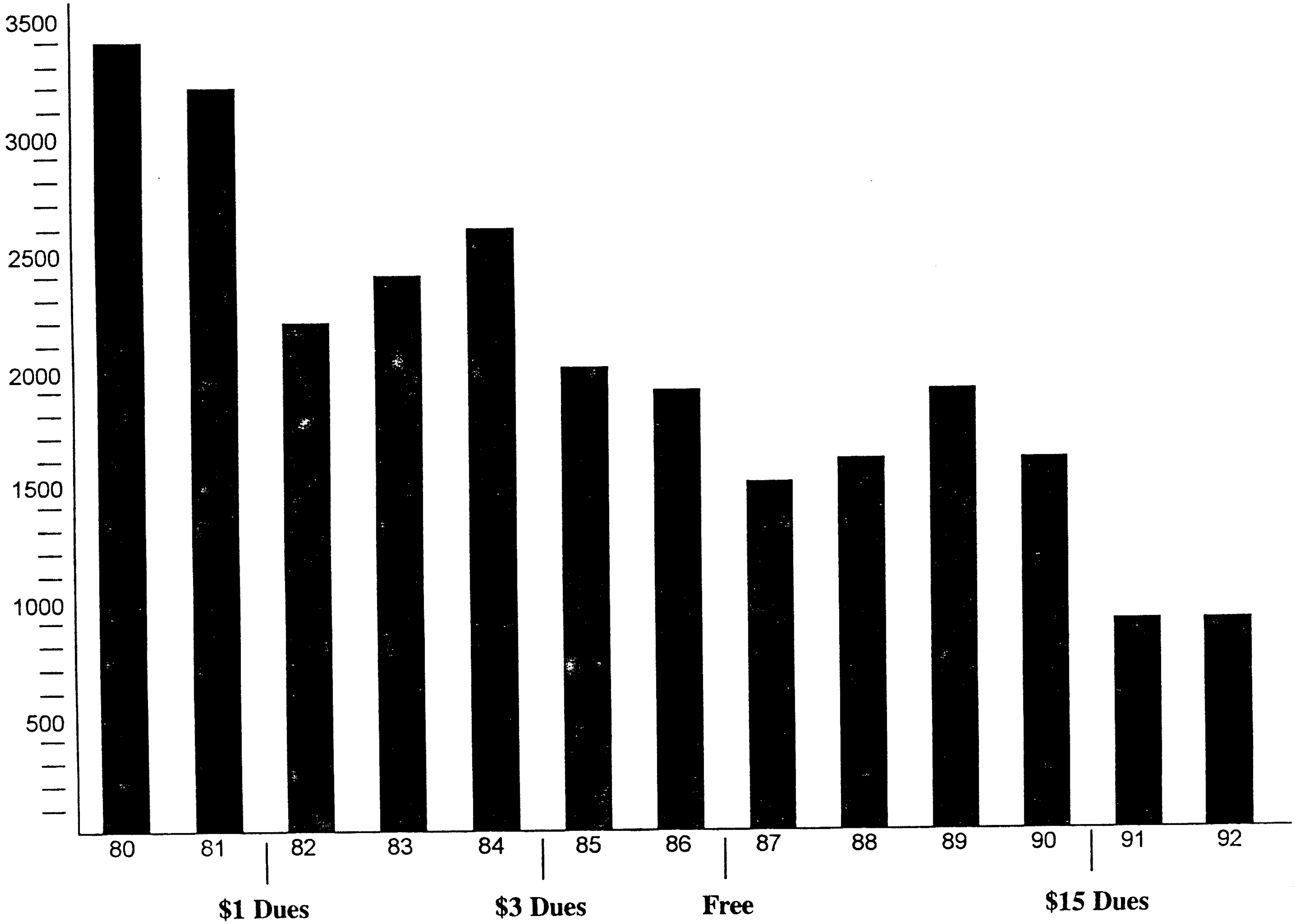
The KPPC serves two distinct and separate functions under the same association title. First, we serve as the official state contractor of the National Pork Board to administrate and implement checkoff funded programs. The checkoff, which was initially voluntary became mandatory with passage of the 1985 Farm Bill. In a producer referendum held in 1988, the program was officially approved. I am proud to say that Kansas not only had one of the lowest refund rates but also approved the checkoff with a 80% margin. This was one of the highest of the major pork production states. The current rate of the checkoff investment is .35% or 35 cents per $100 gross market value. Of this money, 27% is returned to Kansas to fund our checkoff activities. The <u>only</u> usage of these funds, by law, are for <u>Promotion, Consumer Information and Research.</u> The oversight for the usage of funds includes producers in Kansas, producers who are members of the National Pork Board, the USDA and the Secretary of Agriculture. I can assure you, that absolutely none of these checkoff funds in any way support our activities in the public policy arena.

The second function the KPPC serves is our membership as a dues-funded organization. We serve our member's needs in the area of communications, regulatory and legislative affairs, member services and national issues.

Our membership is generally comprised of diversified operations and specialized pork production operations. Very little of our membership base would be inclusive of hobby type operations. Some concerns have been voiced regarding our membership and its changes over the years. If I could reference you to the accompanying graph, I will explain our dues and membership numbers.

I want to close with a philosophy as to the goals of our association. We have a mission statement that ends with " to increase the opportunity for profit, autonomous of size". Our members feel that we need to address the changes that are occurring nationally and worldwide in the industry. Our delegate's decisions are based on what is best for the Kansas industry. We, the KPPC, represent the overwhelming majority of the Kansas pork industry, both in production and the number of people employed full- time in the pork sector. It is in the best interests of membership that we act in support of this legislation.

KPPC Membership



Corporate Hog Production in Kansas

Testimony by Roy Henry
President-Elect
Kansas Pork Producers Council

Corporate hog production in Kansas becomes either an emotional issue or a dollars and cents issue. Emotionally, I would have to oppose it because, superficially, the word corporation appears to endanger a concept more American than the bald eagle--namely, the family farm. For years, we have tried to define the family farm, but we only seem to come up with "any that is the size of mine or smaller."

Since I am here as a proponent of corporate hog production, I will not attempt to address the emotional issue. Instead, I wish to present some of the financial considerations. I speak as a "family farmer" (living, working on a farm producing crops and livestock) and as a "corporate farmer". Our family business, Henrys Limited, is incorporated, and while nobody calls me CEO, I guess that defines my job.

Hog production in the United States is one of the few agricultural commodities which have not been subsidized by the government. In the swine industry, the basic laws of supply and demand have been allowed to work--a factor which has made that industry one of the more profitable agricultural pursuits.

Henrys Limited was established in 1974. To show the steady growth it has experienced, a history of stock valuation follows:

1975 . .	$100.00	1981 . .	464.61	1987 . .	923.00
1976 . .	226.30	1982 . .	558.09	1988 . .	1,354.30
1977 . .	264.84	1983 . .	714.51	1989 . .	1,547.67
1978 . .	335.13	1984 . .	833.50	1990 . .	1,676.87
1979 . .	510.35	1985 . .	903.44	1991 . .	1,940.26
1980 . .	434.93	1986 . .	730.00	1992 . .	1,204.00

Stock evaluations are made on the first of January each year. Hog prices and labor costs have varied throughout the period: labor costs have always increased, and hog prices have fluctuated. In 1975, labor costs were $14.50/hog and hog prices averaged $49.71/cwt. In 1992, labor was $20.00/hog and prices averaged $49.35/cwt. Similar prices and costs can be available to the self-employed, individual farmer dedicated to serious hog production. The same technological advances, including those in genetics and nutrition, are there for all to use.

In the past year, we have sold approximately 5,000 gilts to be used for reproduction. These gilts will generate about 100,000 animals for slaughter per year. Of these 5,000 gilts, only 500 stayed in Kansas, and these will generate about 10,000 pigs per year. Of all the gilts sold, only 750 were going into pre-existing facilities; the other 4,250 went to new farms.

In other words, a high percentage of our gilts went to start new farms, none of which were in Kansas. Wherever they are raised, these pigs will affect the total meat supply. I realize that everyone doesn't sell breeding stock, and point out that we have been in this area of production for only one year (1992). However, all of our 1993 production is already sold, so, if you want to buy a gilt from us, your animal is not even conceived. This gilt demand is greater than normal throughout the seedstock industry, but we contemplate a continuation of the demand from our farm. Reasons get lengthy, but I'll explain further or answer questions, if you wish.

Another major trend in the hog industry is the packer/producer response to the very valid consumer demand for lean meat. Fat is no longer desirable in the diet, and the consumer is paying more for higher quality. For example, there is as much as $25.00 difference in retail value between two pigs, each weighing 230 pounds at slaughter (the normal live weight). The packer, understandably, wants to buy only the high-quality pig.

Two principal factors determine pig quality: genetics and nutrition. We are particularly fortunate in Kansas in the nutrition expertise furnished by Kansas State University. However, without growth in the swine industry, we will suffer from KSU's inability to maintain this unbiased source of information which serves us so well. Data would be available, of course, from the feed companies and the seedstock companies, but we have experienced unreliability in these sources.

I sell slaughter hogs for 15 other producers in our area, basically controlling the marketing of 40,000 pigs/year. Packers have called to tell me of their specific desires in the areas of genetics and nutrition. This is an area where both large and small producers will have to adapt to technology to receive a higher value per carcass. We will see a time when the packers will discount the poor-quality pig enough to say, "If you don't adapt to modern technology, you will make no money."

As said before, advantages in genetics and nutrition are now generally available to all -- whatever the size of production. By group marketing, as we do, some producers claim as much as $5.00/head more than by individual marketing. However, there are those who refuse to take even such a step, wanting to control all decisions at whatever expense. This is what I call the "family farm" syndrome.

Protectionism by legislation would probably hurt the very farmers it set out to help. In such an event, packers will distance themselves from Kansas, technology won't be as available as now, expert help will be further away, and yes, jobs and markets (grain, building materials, equipment, etc.) will diminish.

I fail to see that this situation is much different from ones faced in the past: school unification led to the closing of one-room and other small schools, the demise of Mom and Pop groceries followed large food chains (with local ownership or franchise) and Wal-Marts -- the list goes on and on.

Our times are changing, as they always do. This doesn't mean we have to like the change, but we should at least understand the facts backing up our choice of paths. To an extent, we can control our future. Only history will tell accurately the wisdom of your decision in the matter of corporate farming. Good luck!

Kansas Audubon Council

House Economic Development Committee
Testimony on SB 336

Mr. Chairman, members of the committee, my name is Cynthia Abbott. I am the at-large delegate to the Kansas Audubon Council and I live in Mayetta, Kansas. I want to thank you for the opportunity to appear before you today to share comments on SB 336 on behalf of the Council.

Audubon members in Kansas are mostly non-farmers, although we do have a number of members who actively farm or ranch in the state. One of the bits of data that was brought to light during testimony taken on HB 2069 in the House Ag Committee was that the entrance of corporate swine production facilities into the state would mean a net loss of jobs to the economy, and that most of those jobs would be lost by family farmers and small businesses in rural communities.

The Audubon Council is interested in this issue because we care about the stewardship of natural resources, pollution prevention, sustainability of family farms, and we have concern about the decline of rural populations. We believe there is a need to protect and foster those aspects and qualities that are the core of the values associated with rural life and family farms in particular.

While it is difficult to precisely quantify, it is commonly held that these family farms, whose existence is threatened by this bill, are more attuned ecologically to their surroundings and engender a spirit of stewardship of the land and water resources. Protecting our land and water resources from pollution not only makes good environmental sense it also makes good economic sense. Large quantities of water unfit for ordinary use by people or animals serves no one.

Family farms also have a real connection to and interdependence with other local businesses in their communities. They have a stake in keeping other local businesses viable: gas stations, groceries, banks, feed and farm suppliers, implement dealers etc. There is a legitimate concern that few if any of the profits made by the large multinational corporations will stay in the community. It is likely that these profits will be siphoned off to corporate headquarters to be dispersed to shareholders who for the most part care little about the societal impacts of their investments.

Your decision on SB 336 will of necessity take a myriad of issues into consideration. It clearly is not a simple matter of economics alone. You are being asked to consider job creation in certain areas vs. job loss across a large part of the state. Additionally, you also will need to consider the

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Economic Development
Attachment 12

kinds of jobs that will be created and for whom. Are they the kind of jobs that provide a high standard of living and benefits for the workers? What additional costs have been incurred by communities and counties which are home to large cattle feeding and packing operations? Because of low wages, have these places had to subsidize business by providing health care to the workers? While there may have been rapid increases in the population of some of these counties, what has been the overall effect on the health and well being of their children?

Finney County, for instance, has one of the highest proportions of children per total population, but it is the county with the lowest percentage of women who received early prenatal care in 1990 (56.68%). It has been widely recognized that providing preventive prenatal care saves spending money later on costly medical services. Children whose mothers have early prenatal care are more likely to be born healthy. [A Road Map for Our Future: Kansas Kids Count Data Book; KS Action for Children, Inc., 1993]. Is corporate swine or dairy operations the kind of economic development that the state should be promoting?

The Audubon Council believes that Kansas is in the position of being able to look at the experience of other states and to select the best from among a variety of options. We believe it makes the most sense to select the option that is most beneficial to the state as a whole. We hope you will agree that an option that supports family farms and in so doing keeps a basis of support for rural communities is the best alternative. We do not believe that adopting a policy of encouraging corporate swine or dairy production is the most beneficial option available to the state. We urge you to vote no on SB 336.