

Approved: 2-24-93
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE

The meeting was called to order by Chairperson David Corbin at 10:00 a.m. on February 18, 1993 in Room 423-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: Bill Rhodes, McLouth
Myron Schmidt, Dairy Farmer, Newton
Brenda Enns
Joe Lieber, Kansas Cooperative Council
Larry Woodson, Board of Agriculture
Dwight Haddock, Director, Associated Milk Producers
Don Kuhlmann, Prairie Farm Dairy, Carlinville, Il.

Others attending: See attached list

The Chairman continued the hearing on SB 72 - concerning creating the dairy marketing advisory board; relating to the powers, duties and functions.

Bill Rhodes said he and his son operated a dairy in Jefferson County, and he talked about the economic impact the dairy industry has on his county and rural Kansas (Attachment 1).

Myron Schmidt said milk production is dropping by 3% on the average each year, and this legislation is necessary to stabilize the industry (Attachment 2). Mr. Schmidt distributed information regarding the commission in Maine (Attachment 3); Memorandum of Agreement New Jersey Department of Agriculture and USDA (Attachment 4); and an overview of the Pennsylvania Milk Marketing Board (Attachment 5).

Brenda Enns said she and her husband operate a dairy farm and this legislation would be very helpful to them in planning their business expenses.

Joe Lieber stated his organization has nearly 200,000 members in Kansas, and they support SB 72, without this legislation to stabilize the income of the milk producers the state will lose producers and it will affect the Kansas economy (Attachment 6).

Larry Woodson said they were testifying neither as a proponent or opponent but to provide information, but if the bill were enacted it would need some fine tuning (Attachment 7).

Dwight Haddock said this legislation is sorely needed by all Kansas dairy farmers to accomplish their objectives (Attachment 8).

Don Kuhlmann spoke in opposition to the proposed bill. He asked the committee to postpone any action until after a meeting set for March 9, in Washington, D.C. (Attachment 9). He distributed an article from the Hoard's Dairyman entitled "Industry bares its soul at forum". The article discussed what to expect of Washington, living with less government involvement in the dairy industry and getting people to buy more dairy products were chief topics at the U. S. Dairy Forum (Attachment 10).

Lyman L. Adams, Jr. and Sheila Leiker Page were not able to be present but their testimony supporting the bill was distributed (Attachment 11 and 12).

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 10:00 a.m. on February 18, 1993.

A letter in opposition from Robert Thiessen, Jackson Ice Cream Co., Inc. was distributed (Attachment 13)

There was a brief question and answer period. Mr. Kuhlmann stated the federal rules and regulations are in place now and they could be modify for the state. Mr. Woodson responded their agency has the capability to put the rules and regs. in place but they would need the staff to do it.

The next meeting is scheduled for February 19. The meeting adjourned at 10:55 a.m.

GUEST LIST

COMMITTEE: Senate Agriculture

DATE: Feb. 18, 1993

[illegible]

Rhodes Dairy Farm

—W. K. Rhodes—



TELE: 913-796-~~2880~~ 6341
RURAL ROUTE 2
MCLOUTH, KANSAS 66054

My name is Bill Rhodes. I live in Jefferson County which is just next door. I was born in the dairy business - in partnership with my father for many years then with my son the past 13 years. We have milked in the same location for the past 53 years.

I would like to talk a few minutes about the Kansas Dairy Industry. This is a highly-skilled, labor-intensive, medium to high capital-invested enterprise. We produce a highly perishable, high priority food. Most dairy farms are family owned and operated. In 1992, the number of operating dairy farms dropped to less than 1,000 in Kansas. We have approximately 95,000 dairy cows left in the state. In 1964, there were 285,000. Milk produced in Kansas was 1,230,000,000 pounds for a farm value of \$144,000,000.00. The impact on the Kansas economy (x5) comes to \$720,000,000.00.

The average investment per cow is \$3,000 or \$300,000 for a 100-cow dairy. This is for the "dairy" only. Average weekly labor input is 69 hours. (We start at 3:00 every day of the year.) This 69 hours is also for the "dairy" only. Most dairy people also do their own farming.

Since we are in such a labor-intensive business, we depend on milk-marketing agencies to market our milk.

Having also served as County Commissioner for the past four years, I have come to realize the economic impact the dairy industry has on the counties. We have no big ticket businesses that bring in revenue. We lost our last machinery business this past year due to the depressed state of agriculture. A 100-cow dairy that produces two million pounds of milk translates into a quarter of a million dollars and that means about one and one-quarter million dollar impact on the economy. This money is almost always spent in the home county, going for such things as feed, fertilizer, fuel, tires, hardware, equipment, interest on borrowed capital, property taxes, sales tax, insurance, health insurance and living expenses.

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Kansas is now a milk deficit state, producing only enough milk to serve the fluid sales. The rest is being imported. That means the equivalent of all the cheese, ice cream, yogurt, dried milk, etc., is being produced elsewhere to the benefit of other states. We have become the dumping ground for the Southwest while we continue to lose dairy farmers at an alarming rate.

The Federal milk marketing order could be terminated by the Secretary of Agriculture at any time, leaving producers and handlers of a highly perishable product without the stabilizing effect provided by the milk order that we have operated under for many years. Now most people in agriculture will agree that dairy farmers have always taken the lead in trying to control their own destiny. Some segments of agriculture have not and they have all but vanished in the state.

It is my hope that you will look favorably on creating the marketing advisory board.

Mr. Chairman and members, My name is Myron Schmidt. I am a dairy farmer with an operation located in Newton, Kansas. Also, I serve as Chairman of the Kansas Division Board of Associated Milk Producers, Inc. and as a Corporate Board member. AMPI is a dairy farmer owned milk marketing and manufacturing cooperative.

The situation in Kansas currently is that 1 billion 192 million (1,192,000,000) lbs. of milk are produced by dairy farmers in this State. This amount of milk will approximately, fill only the fluid requirements for Kansas residents. Milk to make all the manufactured products Kansans use must then be produced outside the State.

Kansas milk production and producer numbers have been in a significant decline since 1985. Milk production is dropping by 3% on the average each year. Producer numbers are declining by 8% on our annual average. Today versus a year ago we have 52 less producers producing 1 million (1,000,000) less pounds of milk.

There are several factors that have brought about this decline. But, I feel primarily this drop is occurring because of the instability producers are experiencing in the Kansas dairy industry, as well as the lack of dollars to effectively operate their farms. The wide and fast price swings that have been the lot of dairymen in recent years has taken its toll. No small business-type family farmer can budget to run their business in such volatile conditions.

If we are not successful in devising a Kansas dairy policy that brings some order to this process and stops the erosion of producers, I predict that we are going to find ourselves in the near future, with only a token dairy industry left in the State. The economies and producers of other states will be benefiting from the Kansas milk consumer dollars, while Kansas dairymen face extinction.

With some help and leadership from the Kansas Legislature, we can devise a State dairy policy that will be a win-win situation for producers and consumers alike. Producer production dollars will enhance the State economy through dollar-added value, while consumers will be guaranteed an ample, wholesome Kansas-produced milk supply.

Economic indicators tell us that for every dollar produced in this State by a Kansas dairy farmer, there is a \$6.00 multiplier. The 142 million dollars the Kansas dairy industry provides 852 million dollars to the State economy in its entirety shared by employer, feed, fertilizer, grain and hay dealers, equipment and hardware businesses, veterinary, banking, transportation and energy groups, churches, government entities and schools, to name a few. The list goes on regarding people who share in these dollars.

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It makes no sense for states like California, New Mexico, and Texas to syphon off those dollars that could be turning in Kansas as they produce milk that ultimately comes to Kansas markets. Given policies that provide stability to the industry with reasonable economic return on investment, Kansas dairy farm families will continue to work. Young people with the ambition to rear their families on the farm can make a lifestyle in dairy work. The industry can have a future in this State.

I respectfully request your assistance in developing a program that will work in the best interests of Kansas.

Agri-MarkMailing P.O. Box 5800
Address: Lawrence, MA 01842
508-689-4442

February 17, 1993

Mr. Richard Binder
Hayes, Kansas

Dear Mr. Binder:

As we discussed on the phone today, state milk pricing has been extremely successful in Maine. Maine has a five-member Milk Commission which meets monthly and oversees milk pricing. This arrangement has been in place for several decades and has survived several court challenges as well. Class I milk pricing in Maine tends to mirror the New England Federal Order price for competitive reasons, although some modifications are present.

In August 1991, Maine implemented a Dairy Stabilization Tax which essentially freezes the Class I price near \$16.00 per hundredweight (cwt.). Under this program, a vendor fee (or tax) is charged to milk handlers whenever the Class I price in the New England Federal Order falls below \$16.00 per cwt.

For example, a Class I price of \$14.70 would trigger a \$.03 per quart fee (or \$1.40 per cwt. since there are 46.3 quarts per cwt. of milk). The maximum fee is \$.05 per quart or \$2.33 per cwt. Since about half the milk produced in Maine is sold in fluid form as Class I milk, dairy farmers receive about half the Class I rate on a per cwt. basis. In the past 18 months, nearly \$4 million has been generated with dairy farmers receiving from about \$.20 to more than \$1.00 per cwt. per month, depending on the level of market prices.

To my knowledge, the Maine vendor fee has not generated a single complaint from consumers, legislators, or even newspaper editors. In fact, most of the comments directed at the concept have been positive since it has resulted in extremely stable milk prices to the state's consumers. The law that implemented this pricing program will sunset this coming fall but there is widespread support among all groups to continue it into the future.

Other New England states have also had some success with state pricing although they have come to realize that a regional effort would best suit the relatively small geographic area of New England. To that end we are in the process of seeking approval for a Interstate Dairy Compact in the various state legislatures. Such a Compact has already been approved in Vermont and Maine, and is under consideration by legislatures in Massachusetts.

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Connecticut, Rhode Island, and New Hampshire. Once passed by all individual states, the Compact must be approved by the U.S. Congress. We have come to believe that any long-term solution to the dairy crisis must be accomplished on a local and regional basis since national solutions have remained out of reach for so long.

Most New England states have seen half their dairy farms go out of business in the past decade; parts of southern New England may already be below the "critical mass" of farms needed to keep local support services such as equipment/parts dealers, feed suppliers and others in business. Dairy farming is critical to the rural economy of New England and provides many benefits to the state that go beyond the value of milk and dairy cattle sold.

Those benefits include revenue (and tax) earning open space, tourism promotion, recreational uses (snow mobiling, cross country skiing, hunting), efficiency of ground water recharging and shaping the entire character of New England. It is not surprising that state and regional milk pricing efforts have been supported by environmental groups, sportsmen associations, wildlife foundations and consumer groups. One consumer group in Massachusetts collected over 10,000 signatures in support of the state's 400 dairy farms. All six New England governors (3 Republicans, 2 Democrats and 1 Independent) jointly went on record at the recent National Governor's Conference in Washington, D.C. in support of their state's efforts relative to milk pricing.

I hope this information has been helpful.

Sincerely,



Robert Wellington
Senior Vice President of
Economics, Communications,
& Legislative Affairs

February 17, 1993

TO: Bob Binder

FROM: Robert K. Plummer, Executive Director-Maine Milk Commission

SUBJECT: Maine Milk Commission

I.

The Maine Milk Commission is made up of 5 consumer members appointed by the Governor. The Commission sets minimum prices at producer, wholesale and Retail levels. The Maine Legislature first enacted the Milk Control Law in 1935. In 1975 the make up was changed from industry representatives to a consumer group. There are approximately 640 Maine producers and the monthly production is approximately 52 million pounds, approximately 1/2 the farmers produce 60% of production for the Maine market and come under the Commission's minimums. The other farmers and their milk production goes into the Boston market (Federal Milk Marketing Order #1).

The Commission has set premiums over and above Federal Order #1 minimums since September, 1987. This premium has ranged from a low of \$.10 to a high of \$1.90/cwt. Since November, 1990 the Commission has also recognized an increased cost of production premiums (Maine over Southern New England) on Class I, II and III of from \$.10 to \$.57/cwt.

II.

The Commission has administered the Maine Milk Pool since 1984. This is a program that redistributes the premium the Maine market producer received (approximately \$1.00/cwt.) over the producers on the Boston Market. This premium results because of a higher Class I Utilization (88-90%) on the Maine market compared to approximately only 50% on the Boston market. The Maine Milk Pool

pay out for January, 1993 is \$435,652.49 on 53,745,612 pounds to 630 producers at \$0.81/cwt. The base blend before the Pool distribution to Maine market farmers is \$12.97/cwt. (The Commission special premium adds another \$0.082/cwt. for Maine market farmers).

III.

A third program administered by the Commission is the Maine Dairy Farm Stabilization Act enacted August, 1991 and scheduled to sunset November, 1993 has returned over 3 million dollars to Maine farmers during the first 17 months. This is a fee of from \$.04 to \$.20 per gallon that must be paid by wholesalers or retailers that goes back to Maine farmers at 94%. Another 4% goes to the State WIC (Women, Infants and Children) Program. The final 2% is used to administer the act (Department of Agriculture, Bureau of Taxation, Attorney General).

In summary, the dairy industry in Maine has a degree of stabilization that is the envy of most of our southern neighbors because of the Commission, Pool, and Vendors Fee. The Maine milk consumers cost for milk in the supermarket is in the lowest quarter of the Nation as recorded by the monthly survey of the International Association of Milk Control Agencies. (IAMCA). Controls generally go against the nature of Maine people. Not all are happy with Maine's milk controls. However, I believe Maine's three programs compliment one other and provide an acceptable arrangement for farmers, processors, retailers and consumers.



State of New Jersey
DEPARTMENT OF AGRICULTURE
DIVISION OF DAIRY INDUSTRY
CN 332, TRENTON, N.J. 08625-0332

ARTHUR R. BROWN, JR.
SECRETARY

DHUN B. PATEL, Ph.D.
ACTING DIRECTOR

609-984-2511

February 17, 1993

Mr. Rick Binder
Hayes, Kansas


Dear Mr. Binder:

Under a Memorandum of Agreement New Jersey Department of Agriculture and USDA have agreed to operate two joint federal/state milk orders. This means that the New York / New Jersey Milk Marketing Order #2 which regulates producer milk sold to pool plants in North Jersey; and the Middle Atlantic Order #4 which regulates producer milk shipped to pool plants in South Jersey are jointly operated by the state of New Jersey and USDA. New York also have a similar agreement with USDA.

These agreements protect New Jersey dairy producers in the event that the federal milk market orders are voted out. For your information, a copy of the agreement is attached.

If you have any questions please feel free to contact me. Also, you may want to consult with the President of the International Association of Milk Control Agencies for assistance with promulgating your state order.

Sincerely,


V. G. Samuel
Acting Chief, Dairy Program

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*Original in M. M. office. This is
duplicate & only other copy*

CONFIRMATION OF A WORKING AGREEMENT, WITHIN
THE FRAMEWORK OF THE RESPECTIVE MEMORANDUMS
OF UNDERSTANDING BETWEEN THE SECRETARY AND
THE COMMISSIONER OF AGRICULTURE AND MARKETS
OF THE STATE OF NEW YORK DATED AUGUST 26, 1938,
AND BETWEEN THE SECRETARY AND THE DIRECTOR OF
THE OFFICE OF MILK INDUSTRY OF THE STATE OF
NEW JERSEY DATED JUNE 30, 1952, ARRIVED AT IN
A CONFERENCE HELD IN NEWARK, NEW JERSEY, ON
MAY 6, 1964, AND JULY 31, 1964

It is agreed that the Milk Marketing Orders Division is to act
in behalf of the three signatory agencies to supervise the discharge
of the market administrator's powers and duties and to communicate to
the market administrator the common policy decisions affecting order
management. It is further agreed that the Milk Marketing Orders
Division is to be the vehicle through which policy questions are to
be raised, resolved and communicated.

I. Administration

The three agencies are to jointly agree on the person to be
appointed as market administrator for each of the joint regulations.
Prior to appointment, agreement also is to be reached as to the
compensation the market administrator is to receive under his appoint-
ment by each agency and the appropriate amount of bond to be required
of him. The state agencies are to forward the formal appointment
papers to the Milk Marketing Orders Division which will forward all
three appointments (designations) to the market administrator and to
the other agencies. Changes in these designations will be handled
in the same manner. Designation of persons to serve as "Acting
Market Administrator" are to follow an identical procedure.

Appointments of consultants or any contracts for personal services, including research projects, involving expenditures in excess of \$2,500 are to be cleared by the three agencies.

Directives, or other communications involving revision of administrative practices, are to be forwarded to the market administrator by the Milk Marketing Orders Division with copies supplied to each of the other agencies. Instructions of a ministerial character now generally effective for all market administrators are to be furnished the state agencies and are to be understood to be applicable to administration of the New York-New Jersey milk order as well, except as revised through consultation and agreement. All reports which the market administrator may be directed to furnish and the states may desire shall be supplied all agencies simultaneously. Routine inquiries with respect to such reports will be forwarded directly to the market administrator with copies to the other agencies.

The Milk Marketing Orders Division is to arrange for the exchange of information and the scheduling of meetings of the three agencies for discussion and agreement on matters involving development or change in management policy.

II. Policy Matters

Under the agreements, provision is to be made for establishing identical regulatory provisions to the extent authorized by the respective Federal-State laws.

The Milk Marketing Orders Division, in discharging its responsibility as a clearing house, is to be sent all requests for hearings or changes

in orders received by the respective agencies. Such requests are then to be forwarded by the Division to the state agencies and the market administrator. Before action on any such request, the Milk Marketing Orders Division will inform and consult with the state agencies relative to such requests. The Milk Marketing Orders Division is to arrange for investigations of the merits of a proposal whenever such an investigation is considered necessary and furnish its conclusions to the state agencies. Arrangements for the formal hearing are to be cleared through the Milk Marketing Orders Division after mutual agreement has been reached as to the date of the hearing and the matters to be discussed at the hearing.

After the hearing is closed, the Milk Marketing Orders Division will initiate consultations or conferences to reach agreement on essential order provisions prior to the issuance of an order or amendment.

Periodically, or whenever requested by one of the state agencies, the Milk Marketing Orders Division will arrange for discussions with the state agencies and with the market administrator on current and prospective problems and policy matters and the manner in which the respective regulations are affecting the purposes of the basic legislation.

III. Policy Presentation

Public announcements with respect to important changes in administrative management and major changes in regulatory policy are to be agreed upon by each agency prior to announcement. Such


announcements, prior to release, are to be cleared through the Milk Marketing Orders Division and, after agreement by each agency, released as a joint announcement or as an identical announcement by each agency.

In addition to the above, all agencies are to be kept advised of the status of litigation, enforcement action, administrative hearings under Order No. 2 and to keep each other informed on matters of significance to the operation of the joint orders.

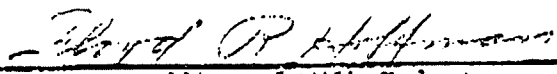
Signed by:



Administrator, Agricultural Marketing Service



Commissioner, Department of Agriculture and
Markets, State of New York



Director, Office of Milk Industry
State of New Jersey

Dated: July 31, 1964

PENNSYLVANIA MILK MARKETING BOARDAN OVERVIEW

Agriculture is Pennsylvania's largest industry. Dairy products are the largest component of the agriculture industry. In addition to its economic importance, the production, transportation, processing, manufacturing, storage, distribution and sale of milk affect the health and welfare of the citizens of the Commonwealth. The Legislature has enacted a comprehensive series of laws to provide stability to one of Pennsylvania's most important industries.

The primary statute regulating the economic aspects of the dairy industry is the Milk Marketing Law ("Law"). The Law established the Pennsylvania Milk Marketing Board ("Board") as an independent administrative agency. The Law empowers the Board to license various classes of dealers, milk haulers, testers, and weigher/samplers. The Law mandates that milk be sold by weight and that a butterfat test be performed on all milk bought or received by a milk dealer or sold or delivered to stores or consumers. These tests assure that Pennsylvania dairy farmers, also known as "producers", are paid based upon the quality and quantity of milk produced. Additionally, the Board is required to establish prices based on all conditions affecting the milk industry including the amount necessary to provide a reasonable return to the producer. The Board's price setting authority extends to wholesale and retail pricing as well as producer pricing.

The Board also administers the Milk Producers' Security Act ("Security Act"). The Security Act requires that dealers and handlers make prompt payment for milk purchased from farmers and cooperatives. The Security Act also requires that milk dealers post payment bonds and make payments to the Milk Producers' Security Fund ("Security Fund"). Dairy farmers who are not paid for milk sold to a dealer may make a claim against the bond and Security Fund. The Security Act is intended to protect producers and cooperatives against loss of payment for milk because of defaults by milk purchasers.

The "Milk Marketing Fee Act" establishes the funding mechanism for the Board. Funding is generated primarily through fees charged for licenses, certificates, and activities relating to the milk industry.

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The most visible beneficiaries of milk industry regulation are dairy farmers and consumers. Dairy farmers receive an established price for milk sold. This price is intended to provide dairy farmers with a reasonable profit. Dairy farmers also are assured of prompt payment for milk purchased, and payment based upon the quality and quantity of milk produced. Consumers, on the other hand, are guaranteed a constant supply of pure, wholesome milk products reasonably priced. All citizens of the Commonwealth reap the economic and health benefits associated with economic stability in the dairy industry.

Testimony on SB 72
Senate Agriculture Committee
February 16, 1993
Prepared by Joe Lieber
Kansas Cooperative Council

Mr. Chairman and members of the Committee, I'm Joe Lieber, Executive Vice President of the Kansas Cooperative Council. The Council has a membership of nearly 200 cooperatives, which have a combined membership of nearly 200,000 Kansans.

We are here in support of SB 72 for the following reasons:

1. If Kansas does have to establish a milk marketing order it will help insure that we will continue to have milk produced in Kansas.
2. If we don't have some means to stabilize the income of our milk producers we will lose our dairy producers, which means we will have to import milk from other states which will be an increase in cost to the consumers in the state.
3. Agriculture and dairy production are an important part of the state's economy and rural Kansas' economy. With the loss of production in the state it will affect all of us and especially our rural communities.

For these reasons we support SB 72.

Thank you.

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SENATE BILL NO. 72

SENATE AGRICULTURE COMMITTEE

February 16, 1993

Mr. Chairman, members of the Senate Agriculture Committee, my name is Larry D. Woodson, Director of the Division of Inspections, Kansas State Board of Agriculture, I am here to testify on Senate Bill No. 72.

Kansas has seen only a small change in the total number of dairy cows in the last few years (Table 1). The largest drop in this study was recognized between 1986 and 1987. The total number of Manufacturing Grade producers has seen the largest decrease, nearly 73%, since 1986 (Table 2). The total number of Grade "A" producers has decreased, yet the percentage of decrease is only 20% since 1986 (Table 3). Although the number of dairies in Kansas have dropped, the annual milk production has remained relatively constant with the biggest decrease estimated to be in 1993 (Table 4). The annual milk prices for Kansas have been as high as \$14.16/100 weight in 1990 to a low of \$10.80/100 weight in 1991. The immediate drop in price in 1991 as compared to the 1990 prices is reflected in the graphs. Table 4 shows a slight increase in the total milk production for Kansas. The U.S. also increased its total milk production causing the Minnesota-Wisconsin prices to drop as supply was greater than demand. The following year, the total number of Kansas dairy cows and dairy producers decreased more dramatically than the previous year.

The trends for the Kansas Dairy Industry will continue to be affected by increasing productivity as well as consumers demand for milk products. A recent issue of Economic Review, "The Quiet Revolution in the U.S. Food Market", revealed the food consumption gains and losses as a percentage of change from 1976-78 to 1986-88. Yogurt had the sixth largest increase with a 89.4% change. Cheese had the tenth largest increase of 46%. However, whole milk consumption had the second largest decrease of 33.8%, second only to veal at 46.1%. Nonfat dry milk had the sixth largest decrease in food consumption of 23.2%. Although these numbers show many changes in consumer's preference, more in-depth research will be required to make any predictions or estimations as to the future of the Kansas Dairy Industry.

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This leads me into the comments I have concerning Senate Bill No. 72. The function of the bill is to create a dairy advisory board whose primary function is to develop and issue rules and regulations for a state milk marketing order. This must be in concert with existing federal orders and with similar authorities in other states. This order is to assist farmers in developing steady dependable markets and help correct conditions of price instability and needless fluctuation of price.

There are problems associated with this bill. Kansas has a considerable amount of milk that moves in and out of the state with very few processors in the state. The order will set Class I, II and III prices which the federal order also sets. It may be possible the state order could set Class I prices for an extended time which would stabilize the dairyman's price and keep the price for the consumer constant.

The Board of Agriculture will be responsible for auditing the handler's books and records and the market research necessary for administration of the orders. The distribution of funds will be accomplished between the processors and associations. A system and a fund will have to be put in place for the advisory board to collect expenses for the administration of the order. A question arises if the state receives 20% of this expense as is collected for other fee funds in the state.

The legality of the order must be resolved which will determine who is under the order, considering the many processors outside the State of Kansas.

The thirty day time element set to establish a hearing is short. The sixty day provision for the board to issue a decision regarding the proposed state milk marketing order may be too short a time frame for good judgement.

The advisory board has authority to make rules and regulations but who will be given the responsibility for the actual writing of them. It will take a lot of work in promulgating the rules and regulations.

With me this morning is Mr. Brose, our dairy commissioner and Mr. Wilke, our chief counsel. We will attempt to answer any questions that the committee may have.

Kansas Dairy Industry Trends

1986 - 1993

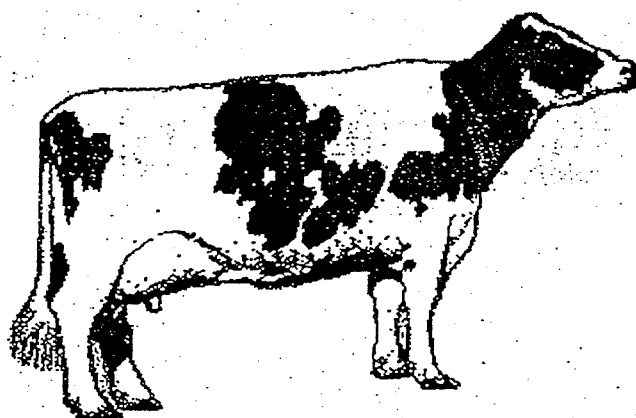
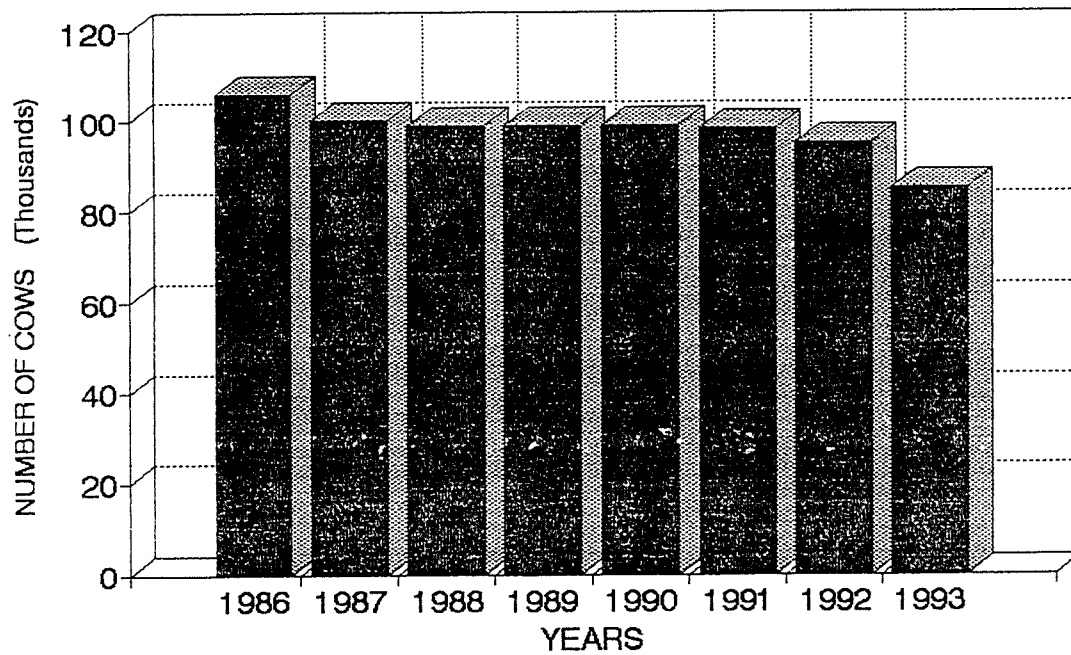


TABLE 1

KANSAS DAIRY COW NUMBERS

1986	106,000
1987	100,000
1988	99,000
1989	99,000
1990	99,000
1991	98,000
1992	95,000
1993	85,000

KANSAS DAIRY INSPECTION-KSBA-JUNE 1993

**KANSAS DAIRY COW NUMBERS
(1986 BASE)**

NUMBER OF COWS

TABLE 2

MANUFACTURING GRADE PRODUCERS	
KANSAS NUMBERS	
1986	583
1987	477
1988	423
1989	353
1990	316
1991	265
1992	216
1993	187

KANSAS DAIRY INSPECTION-KSBA-JUNE 1993

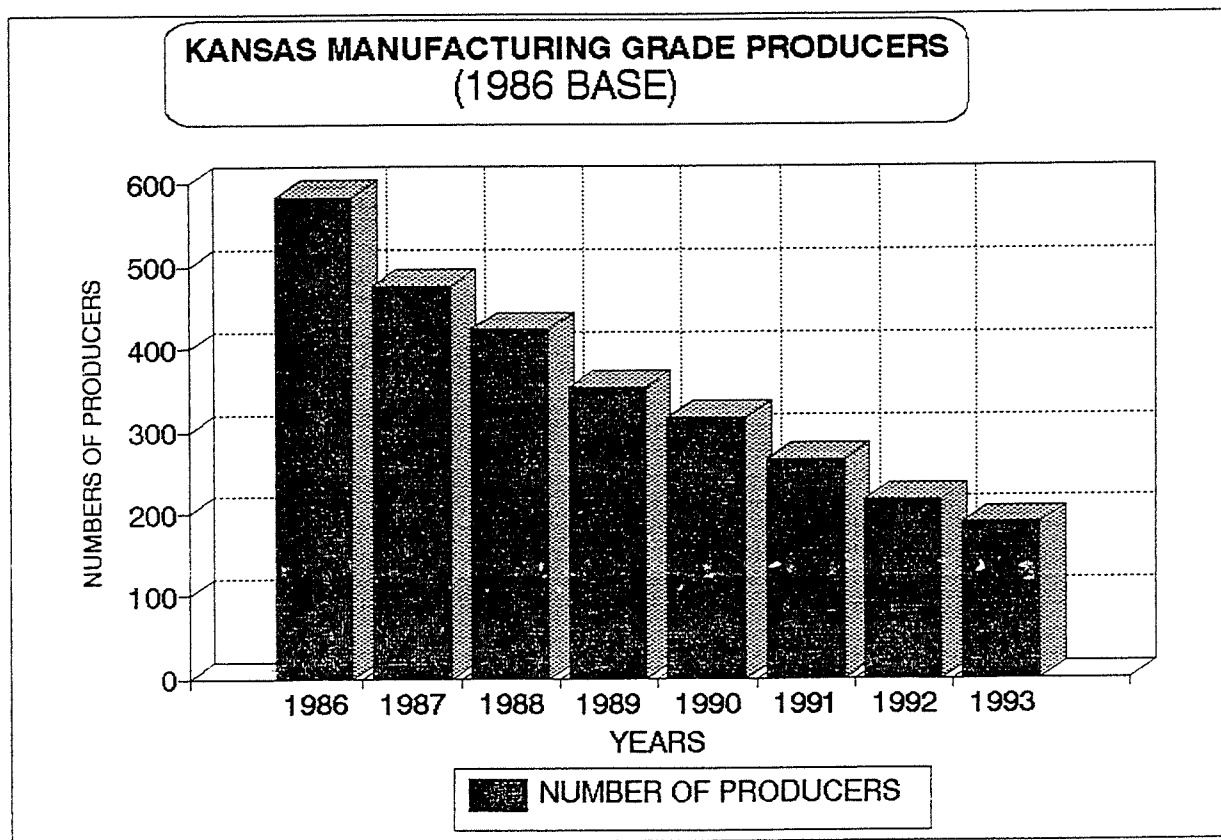


TABLE 3

GRADE "A" PRODUCERS	
KANSAS NUMBERS	
1986	1,311
1987	1,202
1988	1,149
1989	1,124
1990	1,101
1991	1,097
1992	1,050
1993	1,013

KANSAS DAIRY INSPECTION-KSBA-JUNE 1993

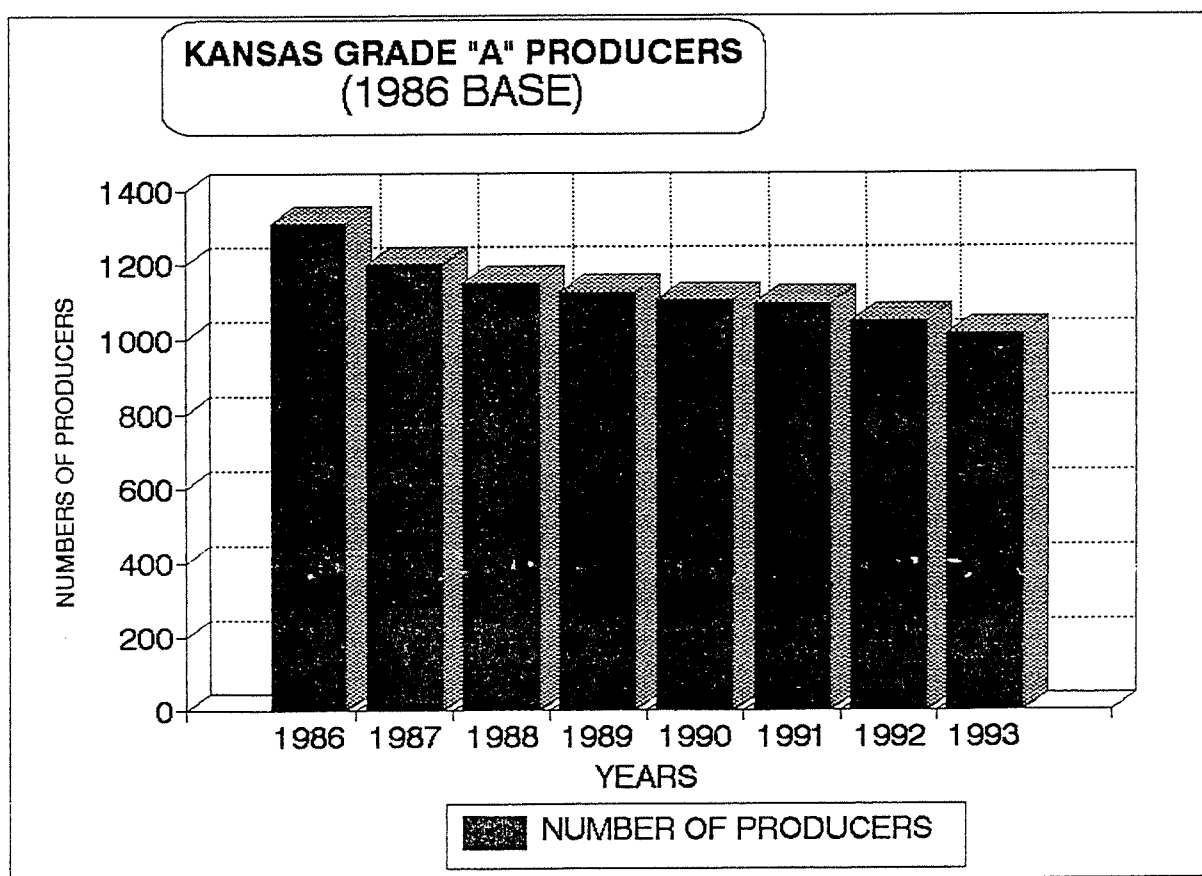


TABLE 4

ANNUAL MILK PRODUCTION-KANSAS

(in millions of pounds)

1986	1300
1987	1275
1988	1280
1989	1270
1990	1183
1991	1192
1992	1191
1993	1180 (estimate)

KANSAS DAIRY INSPECTION-KSBA-1993

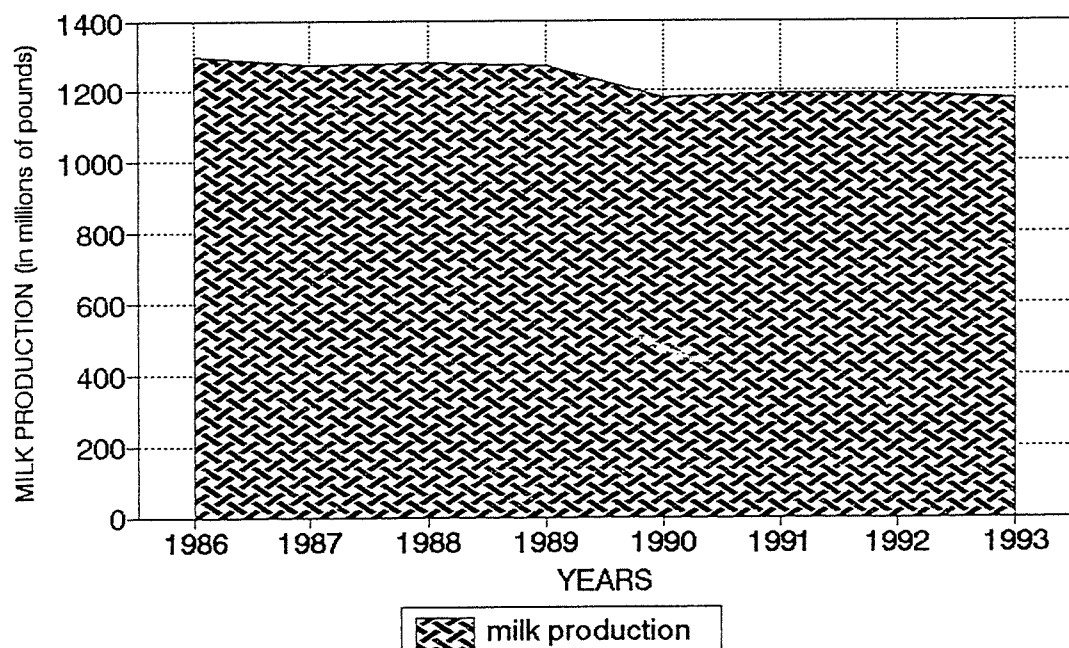
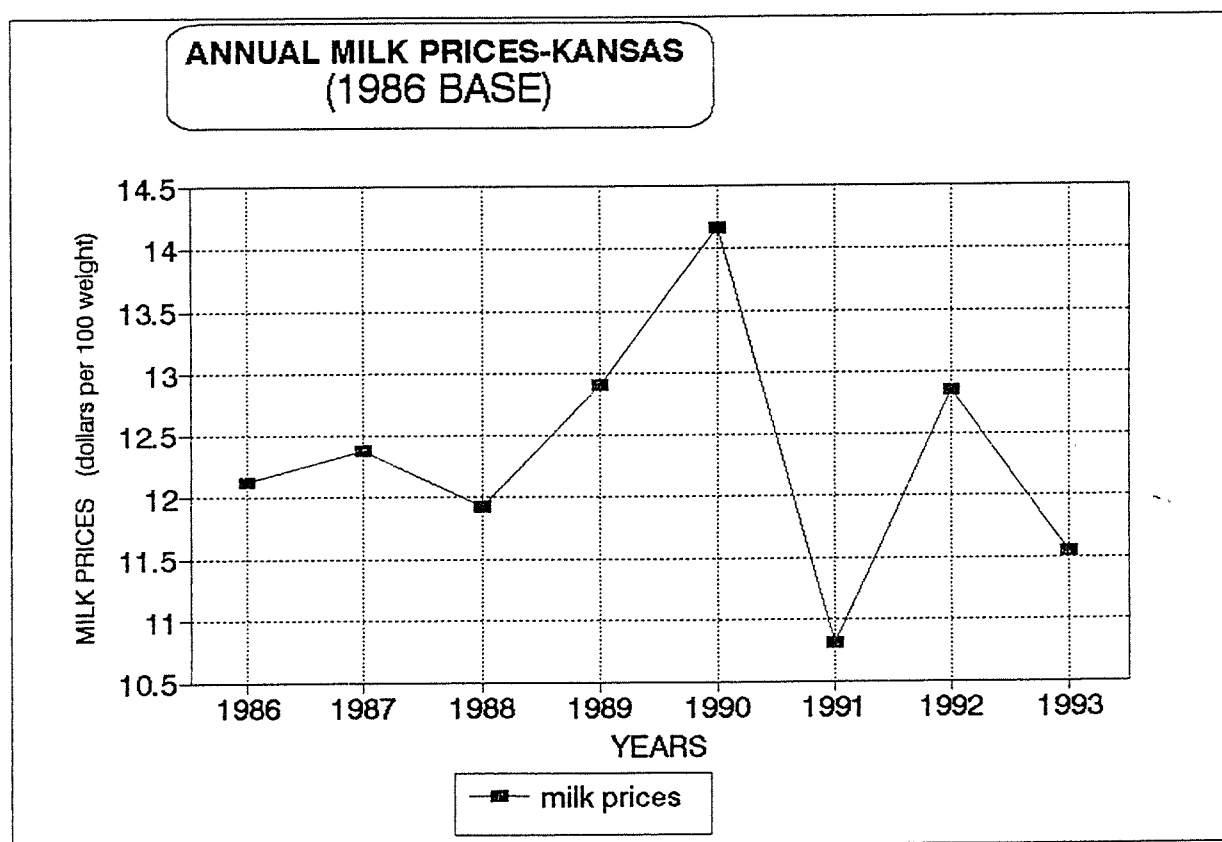
ANNUAL MILK PRODUCTION-KANSAS
(1986 BASE)

TABLE 5

ANNUAL MILK PRICES-KANSAS

(dollars per 100 weight)	
1986	\$12.12
1987	\$12.37
1988	\$11.92
1989	\$12.90
1990	\$14.16
1991	\$10.80
1992	\$12.85
1993	\$11.55 (estimate)

KANSAS DAIRY INSPECTION-KSBA-JUNE 1993



My name is Dwight Haddock. I am employed by Associated Milk Producers, Inc., Southern Region, as Manager of the Kansas Division. I have served in this capacity for three years and in total have worked in the Dairy Industry for 35 years. I am a Kansas resident and my home address is 516 Martha, Mulvane, Kansas 67110.

My appearance before this committee today is to encourage you to pass and forward to the full Senate, enabling legislation permitting the institution of a State Milk Marketing Order in Kansas. This legislation is sorely needed by all Kansas dairy farmers to accomplish these objectives:

1. To provide a price minimizing further exit of dairy farmers from the industry;
2. To provide a vehicle that has the capability of responding more quickly to the needs of dairy farmers and the market;, and

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attachment 88.1

3. To provide stability in supplies of milk for the consuming public in Kansas.

Currently the major consuming centers (population centers) in Kansas are included in either Federal Milk Marketing Order No. 1065, Greater Kansas City, or Federal Milk Marketing order No. 1106, Southwest Plains. In recent years due to increased pressure of reviewing every document issued by the government in Washington, greater difficulty has resulted in obtaining timely favorable decisions from USDA. Perhaps, we are overdue in looking for a different approach to milk regulation. We believe the enabling legislation before us to be one of the best alternatives offered for Kansas dairy farmers, the consuming public of Kansas and the handlers who will be regulated under the resulting market order.

Although brief, this summarizes the position of AMPI regarding enabling state legislation. We request a favorable vote on the issue and I will be glad to respond to any questions you may have. Thank you for the opportunity to appear here today.

entered by Don Kuhlmann

KANSAS SENATE AGRICULTURE COMMITTEE HEARING
FEBRUARY 16, 1993
SENATE BILL NO. 72
STATEMENT IN OPPOSITION - PRAIRIE FARMS DAIRY, INC.

My name is Cleve Lewis. I am a spokesman for Prairie Farms Dairy, Inc., whose corporate offices are in Carlinville, Illinois. Prairie Farms is a milk cooperative with producer members in several states.

We operate several dairy operations in Illinois, Indiana, and Missouri. Included in these are fluid milk, ice cream, frozen novelties, and cultured product plants.

In addition, we are equal partners in a joint venture effort with Mid-America Dairymen, Inc., with plants in Wichita, Springfield, and Kansas City, Missouri, two plants in Arkansas, two in Nebraska and two in Iowa.

Since we are a milk cooperative, we are deeply concerned for the welfare of all dairy farmers; however, we don't believe that state milk orders are the solution to the problem.

Prairie Farms request that the Senate Ag Committee postpone any actions on Senate Bill No. 72 until the entire industry has had a chance to review the ramification of such a Law. State orders are a national issue and a meeting has been set up for March 9, 1993, in Washington D.C. with major cooperatives including AMPI and Mid-Am and several major processors. This meeting should identify whether the Federal Milk Orders are in jeopardy and whether State Orders are the proper replacement. This is a total dairy industry concern and a hastily concocted proposal which contains many legal and administrative flaws is worst than no order. State Orders have a terrible track record.

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I attended a meeting on January 15 at the Board of Agriculture Board Room and was impressed with the concern shown by the State of Kansas for their dairy farmers. I think it is important to review the STATEMENT OF CONDITIONS (see Appendix A) that prefaced Senate Bill No. 72. I have included these and have "highlighted" several of them to discuss.

With respect to the decline in the number of producers in the state, it should be pointed out that most all states are experiencing the same problem. As far as instability in prices, most of this can be blamed on (1) reduced federal support pricing and (2) a tremendous surplus of milk.

We do not envision a termination of the Federal Milk Order Program. It has been around for nearly sixty years and has served the industry fairly well.

With respect to a more favorable pricing system, it has been our experience that when prices go up so does production. We anticipate the following, if prices are raised to dairy farmers and the cost to processors: (1) Processors in Kansas cannot compete outside of Kansas, and (2) milk production will increase. When the production does increase (unless there are increases in Class I sales), the overall utilization will decline resulting in lower pay prices to dairy farmers due to the amount of milk going into the lower priced classes (Class II and Class III)

The attempt to establish state orders have run head on with court challenges. We have several examples, but the newest State

Order to be attempted is in the State of Minnesota.

(see Appendix B) This background pretty well makes our case for opposing Senate Bill No. 72. Kansas only needs to call their fellow Legislators and find out that State Orders are big mistakes. It is ironic that the same cooperatives that proposed the Minnesota State Order are the same coops that now are requesting that the Law be suspended. Some of these same coops are the ones that are proposing a similar order for Kansas.

To address some of the Legal and Interstate Commerce Concerns a State Order must have in place the costly administrative ability to track the following transactions:

1. Kansas producer milk to a Kansas processor with sales in and out of Kansas.
2. Out-of-state producer milk to a Kansas processor with sales in and out of Kansas.
3. Kansas producer milk to an out-of-state processor with sales in and out of Kansas.
4. Out-of-state producer milk to an out-of-state processor with sales in Kansas.

Needless to say - a costly and administrative nightmare. After six months, the proponents will be back to the Kansas Legislature to suspend the various provisions of the Law just as is happening in Minnesota as we speak.

In closing, Prairie Farms opposes^S Senate Bill NO. 72 on the basis that such a Law:

1. Will force costly legal challenges.

2. Will cost Dairy Farmer and Processors Class I sales to other states and thus lower income to dairy farmers.
3. Will cause high administrative costs to be passed onto consumers or taxpayers.
4. Will cause many public relation problems between dairy farmers and processors.

The dairy industry is meeting March 9, 1993 to discuss possible solutions - lets wait and discuss our mutual concerns and work together to develop a program that is beneficial to all concerned, dairy farmers, dairy processors and consumers. Waiting will save us all a lot of time.

We thank you for this opportunity to voice our opposition to Senate Bill NO. 72.

P.S. Appendix C attached for your review.

APPENDIX A

KANSAS STATE MILK MARKETING ACT OF 1993

STATEMENT OF CONDITIONS:

The Dairy Industry of Kansas includes two major elements: (1) Dairy farmers that produce raw milk and (2) Dairy processors (hereafter referred to as handlers) that receive milk from dairy farmers and process it into a multitude of dairy products for distribution to consumers.

In recent years, there has been a noticeable and alarming decline in the number of dairy farmers in the State of Kansas. Instability in milk prices to dairy farmers have contributed to their decline.

Currently most milk in Kansas is marketed under terms of the Federal Milk Marketing Order Program administered by the U. S. Department of Agriculture. For several reasons there is need to enact legislation in Kansas to provide for a possible alternative system of marketing milk.

(1) The Federal Order Program could be terminated by the U. S. Secretary of Agriculture at any time, leaving producers and handlers of a highly perishable product without the stabilizing effects provided by the milk orders that have operated in Kansas for many years; and

(2) There may be need to establish a more favorable pricing system applicable to milk sales in Kansas to create a more stable milk market and assure consumers of a steady and dependable supply of high quality dairy products; and

(3) Milk marketing conditions change frequently, giving rise to the need for expedited changes in milk marketing regulations applicable within the State.

Besides contributing greatly to the nutritional well being of the citizens of Kansas, the farm value of milk and cream in Kansas is estimated to be over \$150 million annually. The dairy industry employs thousands of people all along the production and marketing channel, involving farmers, haulers, milk processors and delivery personnel. Others in the feed, supply, chemical, fertilizer, equipment and packaging fields, etc., are employed to service the dairy industry. The total milk and related service payrolls are in the hundreds of millions of dollars annually.

Therefore, need exists for the Legislature to enact this legislation to maintain and improve the value of agricultural assets which assist the economic structure of communities throughout the State.



PROPOSAL TO AMEND THE MINNESOTA MILK PRICING LAW

Background

1. The Minnesota milk pricing law passed last year was intended to levy a premium on all Grade A milk processed into Class I (fluid milk) products within the state. Several assumptions supported the adoption of the law:
 - a) The state mandated premium would apply to all out of state Grade A milk processed into Class I products in Minnesota.
 - b) Negotiated Class I premiums paid by fluid milk processors in surrounding states would be equal to or greater than the state mandated premium in Minnesota, thereby enabling Minnesota Class I processors to compete.
 - c) The state mandated premium would represent new money for Minnesota dairy farmers that could not be obtained any other way.
2. One by one these assumptions have proved to be faulty.
 - a) Minnesota Class I processors and a Wisconsin cooperative challenged the constitutionality of the Minnesota law as it applied to out of state milk and won. Now the state law applies only to Grade A milk originating in Minnesota and processed in Minnesota.
 - b) January 1993 was the first month for which a state mandated premium applied. The amount was a modest \$.16 per hundredweight of Class I milk. Negotiated premiums in surrounding states did not rise to reflect the state mandated premium.
 - c) There were two consequences of the above developments, neither of which was anticipated at the time the law was passed:
 - i) The competitive position of Minnesota Class I processors deteriorated by \$.16 per hundredweight relative to their competitors in surrounding states.

APPENDIX B (CONT)

Page 2

- ii) Out of state Grade A milk became a cheaper source of supply for Minnesota Class I processors, forcing them to seek more out of state milk and less Minnesota milk in order to remain competitive.
- d) The majority of cooperatives supplying Minnesota Class I processors formed the Upper Midwest Marketing Agency (UMMA), a marketing agency in common (authorized under the Capper Volstead Act 7 U.S.C. 291), last fall to jointly market Grade A milk in bulk. These cooperatives represent more than 65 percent of the Grade A milk produced in Minnesota.
- e) UMMA was successful in establishing Class I premiums that averaged \$1.09 per hundredweight in 1992. This is substantially more than the state law would have required in 1992 or will require in 1993.
- f) UMMA operates a "pool" or equalization fund that collects Class I premium dollars from member cooperatives and redistributes them on the basis of the volume of producer milk represented by each organization. Costs of servicing Class I processors is also recognized in the UMMA pool.
- g) Other suppliers in Minnesota, and suppliers in surrounding states, followed the UMMA over-order premiums up and down, so Minnesota Class I processors who were customers of UMMA, did not suffer a disadvantage relative to their in and out of state competitors.
- h) As a result of all suppliers in Minnesota and surrounding states charging higher over-order premiums on Class I milk, all Minnesota Grade A dairy farmers represented by these suppliers benefited from the extra revenue.
- i) The state mandated premium for February is \$.66 per hundredweight.
- j) Due to the disruption of the state program caused by the successful lawsuit and the consequent preference for out of state milk, UMMA decided to reduce its over-order premium on Minnesota milk sold to Class I processors in February to \$.56 compared to a premium of \$1.22 on out of state milk. In effect, the state mandated premium takes away the first \$.66 per hundredweight that would otherwise have been paid to UMMA. Thus, the state program no longer will represent any new money for Minnesota dairy farmers.

APPENDIX C

STATE ORDERS - LIFE STORY
Story Teller - Donald L. Kullmann

Once upon a time, there was this little State Order...

1. Dairy Coops and Dairy Farmers feel that the Federal Government is not giving the proper pricing.
2. Pressure is put on coops to do something locally.
3. Someone has a dream that individual states can make laws which can lead them into the promise land.
4. Various coops propose a State Order to appease their dairy farmers.
5. The dairy industry is made aware of the proposal and attempts to point out the problem of state orders:
 - a. unconstitutional,
 - b. can raise prices to consumers,
 - c. can cause lost Class I sales to state dairy farmers,
 - d. will reduce income to state dairy farmers,
 - e. administrative nightmare.
6. Coops find a sympathizing State Representative and Senator to sponsor bill.
7. Battles are fought within the legislative halls between farmers and processors.
8. If law is passed, court battles occur including injunctions.
9. After a few months dairy farmers and their coops find that the state order is not working as envisioned.
10. Coops go to the State Legislature and request that certain provisions be suspended.
11. The modified program becomes an administrative nightmare.
12. The coops go ^{To} the State Legislature and request the state order be terminated.

Bottom Line!

1. Dairy farmers are worse off.
2. Many hours and dollars were expended.
3. Coops and processors were forced to be adversaries and relationships were forever tarnished.
4. No one lives happily every after.



Industry bares its soul at forum

What to expect out of Washington, living with less government involvement in the dairy industry and getting people to buy more dairy products were chief topics at the U.S. Dairy Forum.

by Hoard's Dairyman staff

Presented by Don Kuhlmann

CONFESIONS of a self-proclaimed traditional industry going through transition in a rapidly changing world," could have been the theme of U.S. Dairy Forum held last month in Tucson, Ariz. Sponsored by the International Dairy Foods Association, whose members are the country's milk bottlers and cheese and butter makers, the annual summit brings together the processor and producer sides of the business in "bare-soul" sessions that focus on industry concerns from cow to consumer.

Not surprisingly, what to expect out of a new administration and a changed Congress was on the minds of those who attended. Some sessions focused on the Clinton team's plans for stimulating the economy and the impact of deficit reduction schemes and continued deregulation of the dairy industry.

The Clinton Administration will put top priority on deficit reduction, but will not meet its promise of cutting the deficit in half by the next election, according to one panel of political insiders. In fact, the panel believed that wrestling with the deficit and conflicts overseas will divert the Administration's attention from resolving some issues that affect the industry such as trade talks, farm bill approval and further deregulation.

Expect budget cuts . . .

all of agriculture, including the dairy industry, is very vulnerable to stiff budget cuts, according to the panel of Washington watchers. "Agriculture is going to have to contribute to deficit reduction," said Bob Young, a food policy analyst at the University of Missouri. Citing expected farm commodity program costs of \$17 billion for fiscal 1993, compared to \$15 billion last year, Young said that many new members of Congress are cost conscious, and the new head of the Office of Management and Budget, Leon Panetta, had a history of backing budget cuts as a congressman in California.

Young reminded the audience that dairy program costs have dropped to about \$200 million, which he said was "small potatoes" in terms of the budget picture. "But," said Young, "(dairy) can't be overlooked. We should expect across-the-board cuts and possibly more assessments."

Expect a broader focus from Mike Espy, the (at that time) nominee for Ag Secretary," added Young, who thought the former Mississippi congressman would be more concerned about the well-being of rural areas and less concerned about "production" agriculture.

Look for Harold Volkmer to be more pro-processor and more protectionist as head of the House's new livestock subcommittee," said Washington attorney Max Berry, who specializes in agricultural trade policy. "Volkmer will listen to the dairy industry if it comes to Washington with a unified voice," he said. Berry warned, though, that Congress

has become even more "urban" and is going to be in a "money-saving mood." "We'll have success with (favorable) agricultural legislation in subcommittee and committee, but we'll have a difficult time in full Congress," he predicted.



Berry

"Expect to see less government in agriculture . . . more deregulation," added Berry, addressing one of the main topics at the forum, our industry's "love-hate" relationship with government regulation. Concepts of deregulation among those at the forum included altering or eliminating federal orders, lowering or eliminating the price support system and eliminating federal and state standards of identity for dairy products and the impact any of this deregulation would have on the structure of the dairy industry.

"It is wrong for dairymen to expect the price support programs to be increased and bail us out," said Gary Korsmeier of the California Milk Producers Association. "I'm not against it (a price support), but we just can't count on it."

Citing the need for some government regulation, Gary Hanman, CEO of Mid-America Dairymen, a Missouri-based co-op, said "Because of milk's unique nature, we must have stability in supplies and prices . . . consumers don't want volatility of prices, nor do processors, distributors or retailers, and farmers can't live with it."

He added that price volatility usually meant higher, long-term retail prices because price increases get passed on to consumers, but price cuts don't.

Speaking in support of essentially eliminating government involvement in agriculture was Dan Oliver, spokesman for Citizens for a Sound Economy and a former USDA legal counsel. He raised the ire of many in the audience when he claimed that existing ag regulations have caused a "massive transfer of wealth from taxpayers and consumers to farmers."

If there were fewer federal regulations in the industry, Mid-Am's Hanman suggested that states would get involved to provide stable milk supplies and prices. But, Ron Knutsen, a Texas A&M dairy economist, added that the "feds" would get back into the regulation business because of interstate commerce concerns.

"Yes, federal milk marketing orders will still be here in five years," predicted Hanman. "But, they will need some modernizing." Hanman said that the federal order system must respond much more rapidly to changes in the dairy industry. He suggested that, if federal orders were eliminated, co-ops and handlers would reestablish classified pricing themselves . . . pricing based on milk's use.

On the issue of standards of identity for dairy products, Gary San Filippo of Alta-Dena Dairy in

California said that processors "feel victimized." "Processors are their own worst enemy," he said, "allowing the standards to stay in place so they don't have to eliminate them. Standards, label dairy products, tell what they are and stand for and sell them."



San Filippo

Some speakers at the forum also took a shot at the industry's packaging tradition. "We need to give milk a new look," said Don Herr of Johanna Dairies, Flemington, N.J., during a session on promotion and marketing.

"Isn't it ironic that we sell milk in the same container that you buy windshield washer solution," added Tom Camerlino, representing Western Dairymen Cooperative.

Referring to United Dairy Industry Association promotion and advertising efforts, Camerlino said, "We're going after the fluid milk drinker . . . it's more efficient to get people to drink more milk than it is to get new milk drinkers."

But how the dairy industry is being out-advertised was pointed out by Dick Waller of Santee Dairies, a Los Angeles bottler. "Milk has a 17 percent share of the non-alcoholic beverage market but spends only 4 percent of the ad dollars. Soft drinks, however, have 40 percent of the beverage market but spend 50 percent of the ad dollars."

Being more consumer-driven was a key vital strategy at the forum. Per capita consumption of fluid milk has dropped from 35 gallons in 1970 to less than 25 gallons now, but speakers thought the industry had the ability to turn around consumption trends.

More promotion coming?

More promotion dollars for fluid milk are available if U.S. milk processors agree to a month assessment of 20 cents a hundredweight of fluid milk they handle.

A referendum among processors on whether to raise the assessment may come as early as this spring and could result in about \$50 million for a milk promotion campaign. To complement dairy farm promotions, it would be aimed at new drinkers and groups of people that tend to drink milk at a certain age.

These were just some of the main issues expressed by representatives of both processors and dairymen at the forum. While it is the purpose of the forum to develop industry policy and marketing strategies, it provides a arena for a much-needed exchange of ideas, problems, frustrations and aspirations.

One oft-repeated theme of this year's forum was the need for stronger relationships between dairy farmers and those who sell their products to consumers.

*Don K. - 2-18-93
attachment 10*

SENATE AG COMMITTEE TESTIMONY

BY

LYMAN L. ADAMS, JR.
GENERAL MANAGER
COOPERATIVE GRAIN & SUPPLY
HILLSBORO, KANSAS

MEMBERS OF SENATE AG COMMITTEE,

I APPRECIATE THE OPPORTUNITY TO COME BEFORE YOU AND VISIT ABOUT THE DAIRY INDUSTRY. MY NAME IS LYMAN L. ADAMS, JR. AND I HAVE BEEN THE GENERAL MANAGER OF COOPERATIVE GRAIN & SUPPLY FOR THE PAST SEVEN YEARS. COOPERATIVE GRAIN & SUPPLY HAS LOCATIONS IN 5 COMMUNITIES--HILLSBORO, MARION, LEHIGH, CANTON, AND CANADA. THESE LOCATIONS ARE IN MARION AND MCPHERSON COUNTIES. IN ADDITION TO BEING GENERAL MANAGER OF A LOCAL COOP, I AM ALSO A MEMBER OF THE BOARD OF DIRECTORS OF FARMLAND INDUSTRIES, INC.

I AM HERE TODAY TO SPEAK TO YOU REPRESENTING COOPERATIVE GRAIN AND SUPPLY, AND THE HILLSBORO COMMUNITY AND AM NOT HERE IN ANY CAPACITY FOR FARMLAND INDUSTRIES, INC.

THE DAIRY INDUSTRY IS A VITAL INDUSTRY FOR MARION COUNTY AND THE STATE OF KANSAS. AMERICAN MILK PRODUCERS, INC. HAS A PLANT IN HILLSBORO THAT EMPLOYS APPROXIMATELY 103 PEOPLE. THIS IS AN IMPORTANT ECONOMIC FACTOR TO THE HILLSBORO COMMUNITY. IN ADDITION, THERE ARE 46 DHIA DAIRIES IN MARION COUNTY ALONE. THESE DAIRIES RANGE IN SIZE FROM 25 TO 250 COWS.

WITH THE GOVERNMENT PROGRAM CHANGING RAPIDLY, IT IS IMPORTANT FOR THE STATE OF KANSAS TO LOOK AT ALL ALTERNATIVES TO KEEP THE DAIRY INDUSTRY STRONG IN THE STATE. I RECENTLY HAD A VISIT WITH A YOUNG DAIRY PRODUCER, WHO EXPRESSED CONCERNS ABOUT BEING ABLE TO STAY IN DAIRYING. THIS SHOULD BE A CONCERN TO ALL OF KANSAS. I AM CONCERNED ABOUT THE FACT THAT IT SEEMS THAT THERE ARE FEWER DAIRIES AROUND AND THAT THERE ARE FEWER AND FEWER YOUNG PEOPLE TO KEEP THE DAIRIES GOING. WHERE IS THE NEXT GENERATION OF DAIRY PRODUCERS GOING TO COME FROM?

WHY SHOULD ALL OF US BE CONCERNED? BECAUSE IN MARION COUNTY ALONE, THESE 45 DAIRIES PROVIDE JOBS AND PURCHASE INPUTS FOR THEIR PRODUCTION AND EVERYDAY LIVING NEEDS. THEIR EXISTENCE IS HIGHLY IMPORTANT TO THE VIABILITY OF OUR COMMUNITIES.

MORE SPECIFICALLY, AS A DIRECT SUPPLIER OF FEED, FERTILIZER, AND OTHER INPUTS, THE SUCCESS OF OUR BUSINESS AND THE 55 EMPLOYEES INVOLVED IS LINKED TO THE SURVIVAL AND STABILITY OF OUR DAIRY PRODUCER.

I URGE YOU TO EXAMINE WHAT THE DAIRY INDUSTRY IS PROPOSING AND EXAMINE THE PROPOSAL TO SEE IF IT WILL HELP SUSTAIN THE DAIRY INDUSTRY IN KANSAS.

THANK YOU FOR THIS OPPORTUNITY TO VISIT WITH YOU.

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TESTIMONY IN SUPPORT OF DAIRY LEGISLATION
ESTABLISHING A KANSAS MARKET ORDER

MY NAME IS SHEILA LEIKER PAGE, AND I RESIDE ON A FARM FIVE AND ONE-HALF MILES SOUTH OF VICTORIA, IN ELLIS COUNTY. FOR THE PAST 17 YEARS I HAVE BEEN EMPLOYED AS A DAIRY SUPERVISOR FOR EAST PLAINS DAIRY HERD IMPROVEMENT ASSOCIATION. DHIA IS AN OPTIONAL COMPUTERIZED DAIRY MANAGEMENT PROGRAM OFFERED TO DAIRY FARMERS ACROSS THE STATE, WORKING IN COOPERATION WITH THE EXTENSION SERVICE AT KANSAS STATE UNIVERSITY. EAST PLAINS DHIA ENCOMPASSES DAIRY HERDS MAINLY IN THE COUNTIES OF ELLIS, ROOKS, RUSSELL RUSH, AND TREGO. I AM ALSO EMPLOYED BY THE STATE DHIA ASSOCIATION AND HAVE TRAVELED ACROSS THE STATE AS A CHECK TESTER AND HAVE ALSO TRAINED SUPERVISORS WHEN NEEDED, AND PRESENTLY SERVE AS PRESIDENT OF THE KS. DHIA SUPERVISORS ASSOCIATION. MY LATE HUSBAND AND I DID OWN AND OPERATE A DAIRY HERD IN ELLIS COUNTY UNTIL HIS DEATH IN 1979. AFTER DISPERSING OUR DAIRY HERD AT THAT TIME, I CONSIDERED MYSELF MOST FORTUNATE TO BE ABLE TO MAINTAIN THE SAME LIFESTYLE FOR MYSELF AND MY THREE CHILDREN. THE EXTRA INCOME EARNED FROM MY EMPLOYMENT AS A DAIRY SUPERVISOR MADE THIS POSSIBLE.

WHILE I ENJOY MY JOB AND THE CONTACT I'VE HAD WITH THE DAIRYMAN LOCALLY AND ACROSS THE STATE, I'VE ALSO SEEN FIRSTHAND THE

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STRUGGLE TO MAINTAIN THEIR FAMILY DAIRY OPERATIONS. DAIRY FARMERS READILY ACCEPT THE 365 DAY ROUTINE AND THE INTENSIVE DEDICATED WORK SCHEDULE NEEDED TO MAKE A DAIRY OPERATION PROFITABLE, BUT THEY HAVE ALSO BEEN FACED WITH MILK PRICE FLUCTUATIONS BEYOND THEIR CONTROL WHICH HAS NARROWED THEIR MARGIN OF PROFIT CONSIDERABLY. THE PAST SEVERAL YEARS HAVE BEEN A CRITICAL PERIOD FOR THE DAIRY INDUSTRY IN OUR STATE. ONLY THE DEDICATED AND EFFICIENT MANAGERS HAVE BEEN ABLE TO MAINTAIN A MARGIN OF PROFIT.

AT THE PRESENT TIME OUR LOCAL ASSOCIATION CONSISTS OF 24 HERDS WITH AN APPROXIMATE TOTAL OF 1,400 COWS. IN THE PAST SEVERAL YEARS, WE HAVE LOST 8 HERDS, TOTALING 475 MILK COWS. WHILE THIS MAY NOT SEEM TO BE OF ANY GREAT SIGNIFICANCE TO THOSE NOT INVOLVED IN THE DAIRY INDUSTRY ON A DAILY BASIS, FACT AND FIGURES COMPILED BY ELLIS COUNTY EXTENSION AGENT, JOE WARY INDICATE WHY WE SHOULD ALL BE CONCERNED ABOUT THE DEMISE OF THE LOCAL DAIRY INDUSTRY IN THIS STATE. AND HOW DEEPLY IT AFFECTS THE OVERALL ECONOMY OF OUR LOCAL COMMUNITIES.

AN AVERAGE COW PRODUCES 17,000 POUNDS OF MILK EACH YEAR. WITH MILK PRICES AT 12 CENTS PER POUND, EACH COW CONTRIBUTES \$2,040 ANNUALLY TO OUR LOCAL ECONOMY FOR A TOTAL OF \$969,000. SINCE EACH AGRICULTURAL DOLLAR IS CIRCULATED AN AVERAGE OF SEVEN TIMES, OUR AREA HAS JUST EXPERIENCED THE EQUIVALENCE OF LOSING A

PAGE 3 - SUPPORT OF ESTABLISHING KS. MARKT ORDER - SLP

6.8 MILLION DOLLAR INDUSTRY. IF THE LOCAL REMAINING DAIRIES IN OUR RURAL COMMUNITIES ACROSS THE STATE ARE NOT ABLE TO MAINTAIN A MARGIN OF PROFIT THAT ALLOWS THEM TO STAY IN BUSINESS, THE NEGATIVE ECONOMIC IMPACT TO OUR RURAL COMMUNITIES WILL BE MUCH GREATER. WHILE THE ABOVE FACT AND FIGURES EFFECT OUR LOCAL COMMUNITY, THIS IS A TREND THAT IS STATEWIDE. DAVID SUKUP, EXEC. SECRETARY, KS. DHIA, MANHATTAN, KS., STATED THAT THE TOTAL NUMBER OF COWS ON TEST IN KANSAS IN 1988 TOTALED 50,010 COWS. TOTAL COWS ON TEST AT THE END OF 1992 TOTALED 45,685, OR A LOSS OF 4,325 COWS ON TEST.

WHEN A CROP FARMER LOSES HIS GROUND SOMEONE ELSE IS ALWAYS WAITING TO TAKE OVER THAT GROUND AND PRODUCE FROM IT. WHEN A DAIRY FARMER LOSES THEIR DAIRY, IN ALMOST ALL CASES, IT IS LOST FOREVER. THIS STATE'S DAIRY INDUSTRY IS A VITAL PART OF OUR AGRICULTURAL PRODUCTION AND OUR LOCAL ECONOMY.

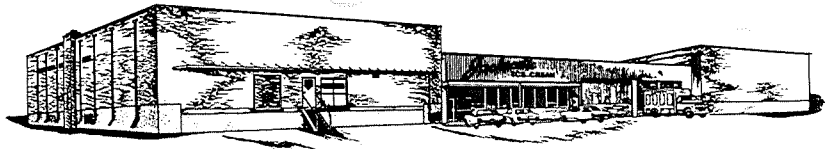
FOR ALL OF THE ECONOMIC REASONS STATED ABOVE, THE DAIRY PRODUCERS REQUEST YOUR SUPPORT FOR UPCOMING DAIRY LEGISLATION ESTABLISHING A KANSAS MARKET ORDER. THE ECONOMY OF EVERY SMALL COMMUNITY DEPENDS ON THE STRENGTH OF AGRICULTURE FOR ITS SUPPORT AND EXISTENCE.

THANK YOU FOR YOUR ATTENTION TO THIS MATTER.

SUBMITTED BY:
SHEILA LEIKER PAGE
646A PFEIFER AVENUE
VICTORIA, KANSAS 67671



2600 East Fourth, P.O. Box 1386, Hutchinson, KS 67504-1386
(316) 663-1244



February 15, 1993

Senator David Corbin
Kansas State Capitol
Topeka, KS 66612

Dear Senator Corbin:

I am writing to you in opposition to Senate Bill #72.

The bill, we believe, will create a bureaucratic nightmare. We also feel that it will create problems with the inter-state shipment of milk products. I would also point out that many of the bills passed in other states, further regulating the cost of milk, have run into legal difficulties.

Although we believe that there needs to be changes in the raw milk pricing system, this is not the method we feel will accomplish this. Changing the federal milk market system would apply to all regulated milk production and not discriminate against any one state or processor.

At Jackson Ice Cream, we purchase Kansas produced raw milk thru AMPI. We use a high portion of our receipts for Class I use (fluid bottled milk). The difference between what we pay for Class I and what the farmer gets is substantial. The disposition of these monies is up to the cooperative. Most of our Class I margins are used in the process called "pooling". Additional high costs for milk is not good for the consumer and that will ultimately effect the producer.

Please give serious consideration to the impact this will have on inter-state competition and increased cost of milk to the consumer.

Some comments on the bill as written:

1. Three producer representatives makes it a 50% one sided vote and three votes makes a legal quorum.
2. Six votes could create a tie.
3. Monthly meetings would be time consuming and costly to the participants.

At this time, an identical bill in Missouri is being delayed due to a scheduled meeting in March in Washington DC between the cooperatives and the Milk Industry Foundation.

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Please accept these few comments in lieu of my being there in person. A conflict keeps me from attending. I would like to be there in person to participate in this process.

Thank you for your considerations.

Sincerely,

JACKSON ICE CREAM CO., INC.


Robert Thiessen

RT/1h

cc: Senator Dave Kerr
Representative Mike O'Neal