

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Eugene Shore at 9:00 a.m. on January 26, 1994 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
Kay Johnson, Committee Secretary

Conferees appearing before the committee: Norbert Connor, National Farmers Organization
Delores Dalke, Mayor, Hillsboro, KS
Lyle Butler, Southwest Kansas Economic Development Coalition

Chairman Shore called the meeting to order and explained that committee members have a copy of the fiscal note for **HB 2584**, attachment #1, and written testimony in opposition to **HB 2584** submitted by Mark Reinhardt, Mid-America Dairyman, Inc, attachment #2.

Hearings continued for opponents on **HB 2584**: dairy production facilities allowed in certain counties; county option.

Norbert Connor, National Farmers Organization, attachment #3, asked the committee to oppose this bill or delay action for at least two years because of things now happening in the dairy industry. Mr. Connor outlined the computation of uniform price for milk, specifically pointing out the new class 3A. He stated the milk from any new dairies would end up in class 3A, which has the lowest price, thereby lowering the uniform blend price.

Hearings opened for proponents on **HB 2584**.

Delores Dalke, Mayor, Hillsboro, KS, attachment #4, said that Hillsboro is the home of an Associated Milk Producers, Inc. (AMPI) production plant and is one of the larger employers in Marion County. She is concerned about the reduction in dairy herds and number of milk producing cows. Currently, the local AMPI plant uses Kansas milk for only 29% of their production and imports 71%, which has added transportation costs. She supports this bill to make the necessary changes to allow investors or corporations to become involved in dairy production.

Representative Alldritt asked how changing current law to allow corporate dairies will affect the price dairies receive. Mrs. Dalke responded that larger dairies can probably produce milk at a lower cost. Also, we are not protecting family owned dairies now as we are already losing them, but milk production is growing rapidly in other states. Corporate dairies have people willing to invest in them and they seem to be making money. Kansas needs to catch up.

Discussion continued on **SB 72** as an option to raise dairy prices, how many dairy herds Kansas is losing per month, why dairy farmers are quitting and what their land is used for then, whether there is any guarantee that Hillsboro would get the milk if Kansas produced more, how Kansas utilizes the milk that is produced in Kansas and future plans for the AMPI Hillsboro plant to replace or renovate the plant.

Lyle Butler, Southwest Kansas Economic Development Coalition, attachment #5, talked about the technological changes in the dairy industry and how it has become hi-tech and ultra efficient. He visited California dairies to see if dairy farming should be pursued as economic development in southwest Kansas and concluded that Kansas has many benefits (climate, plentiful land, lower labor costs, competitively priced feed stuffs, etc.) to make Kansas a dairy state. A study done by K-State in 1992 indicates that large dairy

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 9:00 a.m. on January 26, 1994.

farms (2,000 to 4,000 head) will survive in Kansas because of technological changes. In visiting with two small Kansas dairy farmers, he found they would both welcome corporate dairies as that would make access to milk related services easier.

Representative Alldritt asked if all processors would move to southwest Kansas. Mr. Butler responded that processors in California are generally within 100 miles of the producers, but he doesn't expect Kansas processors to move. In talking to AMPI he found they may expand, but not move as long as they can get milk.

Representative Lloyd asked how Mr. Butler could respond to people's fears that the profits from a corporation would leave the community. Mr. Butler said his experience in California taught him otherwise. He found the dairy owners to be very concerned about quality of life and their community.

The meeting adjourned at 10:00am. The next meeting is scheduled for January 27, 1994.

STATE OF KANSAS



DIVISION OF THE BUDGET

Room 152-E

State Capitol Building

Topeka, Kansas 66612-1504

(913) 296-2436

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Joan Finney
Governor

Gloria M. Timmer
Director

January 24, 1994

The Honorable Eugene Shore, Chairperson
House Committee on Agriculture
Statehouse, Room 446-N
Topeka, Kansas 66612

Dear Representative Shore:

SUBJECT: Fiscal Note for HB 2584 by House Committee on
Agriculture

In accordance with KSA 75-3715a, the following fiscal note
concerning HB 2584 is respectfully submitted to your committee.

HB 2584 would allow for corporate dairy farming in Kansas. Current law prohibits corporations from owning or leasing dairy operations. HB 2584 would allow corporations or limited liability companies to own or lease dairy production facilities in 14 counties or in any county that would vote to allow corporate dairy production facilities to be established in the county. Under the bill, a dairy production facility would be defined as the land, structures, and related equipment used for housing, breeding, raising, feeding, or milking dairy cows.

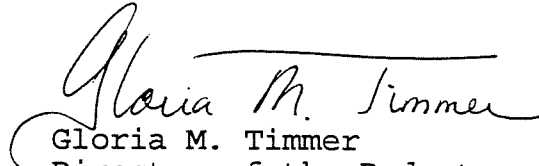
HB 2584 would require 14 counties to allow for the establishment of corporate dairy production facilities. The 14 counties are as follows: Clark, Finney, Ford, Grant, Gray, Hamilton, Haskell, Hodgeman, Kearney, Meade, Norton, Seward, Stanton, and Stevens. HB 2584 would permit the board of county commissioners of all other counties, allowed by resolution or required by petition, to submit to the qualified electors of the county at any state general election a proposition to permit dairy production facilities to be established in the county. If a majority of the votes cast and counted are in favor of the proposition, dairy production facilities would be allowed to be established in the county.

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Minimal state and local fiscal impact is anticipated upon passage of this act. There could be a slight, but unmeasurable, increase in both local property taxes and in state income and sales taxes. This impact would depend on the number of corporate facilities that would locate in Kansas, how many people they would employ, and the profitability of the operations.

Sincerely,


Gloria M. Timmer
Director of the Budget

cc: Ron Thornburg, Secretary of State's Office
Don Jacka, Agriculture

2584.fn



MID-AMERICA DAIRYMEN, INC.

KANSAS CITY DIVISION • 8600 N.W. 107TH TERRACE • KANSAS CITY, MISSOURI 64153 • AREA CODE 816-891-7424

January 25, 1994

The Honorable Eugene Shore, Chairperson
House Agriculture Committee
Kansas State House
Topeka, KS 66612

Dear Representative Shore,

I am writing to you and the committee in opposition to House Bill number 2584 concerning corporate dairy production facilities.

Mid-America Dairymen is owned by the dairymen who market their milk through this member owned cooperative. Though operating in 16 states, Mid-Am originated in Kansas, and approximately 600 of our 9,000 member dairy farmers live in Kansas.

Our members have a long standing resolution against corporations owning farm land or engaging in farming (with the exception of farm family corporations and trusts). Attached is a copy of that resolution that has been reviewed and retained yearly for the past number of years.

Thank you for considering the views of the Kansas Dairy Industry in making this decision, and we urge you to vote no on House Bill 2584.

Sincerely,

MID-AMERICA DAIRYMEN, INC.

Mark Reinhardt
Manager, Kansas City Division

MR/kh

HOUSE AGRICULTURE
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Attachment #2

13. INVESTMENT IN FARM LAND BY NON-FARM CORPORATIONS. We recommend that Mid-America Dairyman Inc. give continued support to the concept of the family farm, and support legislative action wherever needed prohibiting non-farm limited partnerships, non-profit organizations, trusts and corporations, both domestic and foreign (except farm family corporations and trusts), from engaging in the business of farming, and prohibiting banks and investment companies from acquiring farm lands for investments in the establishment of corporate employee profit sharing and pension plan trusts, or from participation in the Federal Farm programs.

We oppose the use of tax increment financing at the state and local levels by non-farm corporations and non-farm limited partnerships or trusts for commercial agricultural purposes.

We recommend that Mid-America Dairyman Inc. oppose ownership of farm land within the United States by any non-resident foreign person or corporation. We further support the policy whereby foreigners who own more than one acre of U.S. farm land or earn more than a thousand dollars from any plot of U.S. land, must report their holdings to the government under new rules of the Department of Agriculture. We support the law requiring aliens acquiring land in the United States to report such purchases.

We recommend tax treatment for land owned by foreigners under local State and Federal laws at a rate not more favorable than the tax treatment for land owned by U.S. citizens.

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

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

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

Kansas now has Ei ghty five thousand dairy cows on present dairy farms.

NFO would strongly oppose a company such as Mastock, with is an Ireland based corporation which moved in to South Carolina several years ago with plans to set up 4 dairy farms with 10,000 cows on each farm.

This kind of increased milk production ,we feel, present milk producers do need or want.

So, I respectfully ask that you do not provide the possibilty of this to happen. We recommend that you maintain the present Law that the State of K ansas has on dairy farms has at this time.

If you w ould still consider opening up this possibility, th en I request that you delay such a decision for at least 2years because of 7 things now happening in the dairy industry .

These 7reasons are listed as follows:

No.1 NAFTA

No.2 BST

No. 3 Marketing Agency in common

No. 4 3 A Price

No. 5 New Mexico milk producers

No. 6 Senate Bill No..72

No. 7 Present milk price and jobs

Supply and demand is in balance at this time in the dairy Industry. Infact, the only purchase that the Federal Government has made under the CCC program since October 1 1993 is about 450,000 lbs. of powderd milk which is like finding a neddle in a very, very l arge hay stack. A brief explanation of these reasons follows.

SOUTHWEST PLAINS MARKETING AREA
DECEMBER 1993
COMPUTATION OF UNIFORM PRICE

	POUNDS	PRICE AT 3.5%	VALUE
GROSS CLASS 1 UTILIZATION	132,336,231		
LESS - OTHER SOURCE	53,346		
LESS - OPENING INVENTORY	8,831,675		
LESS - OVERAGE	41		
CLASS 1 PRODUCER MILK 40.39%	123,451,169	\$15.23	\$18,801,613.05
GROSS CLASS 2 UTILIZATION	48,764,065		
LESS - OTHER SOURCE	5,550,004		
LESS - OPENING INVENTORY	1,237,430		
LESS - OVERAGE			
CLASS 2 PRODUCER MILK 13.73%	41,976,631	\$12.95	\$ 5,435,973.72
GROSS CLASS 3 UTILIZATION	130,362,972		
LESS - OTHER SOURCE	15,554,093		
LESS - OPENING INVENTORY	9,797,397		
LESS - OVERAGE	1,356		
CLASS 3 PRODUCER MILK 34.36%	105,010,126	\$12.51	\$13,136,766.76
GROSS CLASS 3A UTILIZATION	41,928,308		
LESS - OTHER SOURCE	6,683,704		
LESS - OPENING INVENTORY	33,871		
LESS - OVERAGE			
CLASS 3A PRODUCER MILK 11.52%	35,210,733	\$10.73	\$3,778,111.65
COMBINED VALUES OF ALL HANDLERS	305,648,659		\$41,152,465.18
ADD - VALUE OF OVERAGE			946.83
LESS - VALUE IN TRANSIT INVENTORY			1,147.30
ADD - RECLASSIFICATION CHARGE			4,114.93
ADD - VALUE NONFMP RECLASSIFIED			
ADD - VALUE APPLICABLE OTHER SOURCE			
TOTAL CLASSIFIED POUNDS & OVERALL VALUE	305,648,659		\$41,156,379.64
ADD - LOCATION ADJ. DIFF CL 1 & PROD			792,880.69
ADD - 1/2 PRODUCER SETTLEMENT FUND			148,718.95
TOTAL POUNDS OF MILK POOLED AND VALUE	305,648,659	\$13.773324	\$42,097,979.28
TOTAL POUNDS OF BUTTERFAT IN MILK POOLED	11,524,130		
	3.770 %		
LESS - PRODUCER SETTLEMENT FUND RESERVE		.043324	132,418.44
UNIFORM BLEND PRICE 3.5% . . .			
ZONE I		\$13.73	\$41,965,560.84

UNIFORM PRICES ARE SUBJECT TO LOCATION AND THE
FOLLOWING ZONE PRICE ADJUSTMENTS

- ZONE I 0 (OKLAHOMA CITY, NORMAN, CHANDLER, TUTTLE, OK, FORT SMITH, AR)
- ZONE II + 23 CENTS
- ZONE III - 18 CENTS (TULSA, ENID, OK)
- ZONE IV - 47 CENTS (WICHITA, HUTCHINSON, KS)
- ZONE V - 27 CENTS
- ZONE VI - 22 CENTS (BENTONVILLE, FAYETTEVILLE, SILOAM SPRINGS, AR)
- ZONE VII - 58 CENTS (SPRINGFIELD, LEBANON, MO)

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
DAIRY DIVISION

SOUTHWEST PLAINS MARKETING AREA
Federal Order No. 106

918-742-0415

P.O. BOX 701440
TULSA, OK 74170-1440

List of Handlers whose Reports were Included in the
Minimum Price Computation for December 1993

1. Associated Milk Producers, Inc.	2/ 3/	Arlington, Texas
2. Associated Milk Producers, Inc.	1/	Hillsboro, Kansas
3. Associated Milk Producers, Inc.	1/	Tulsa, Oklahoma
4. Associated Milk Producers, Inc.	1/	Oklahoma City, Oklahoma
5. Borden, Inc.		Oklahoma City, Oklahoma
6. Braum, W.H., Inc.		Tuttle, Oklahoma
7. College of the Ozarks		Point Lookout, Missouri
8. Farm Fresh, Inc.		Chandler, Oklahoma
9. Gilt Edge Farms, Inc.		Norman, Oklahoma
10. Hiland Dairy Company		Fayetteville, Arkansas
11. Hiland Dairy Company		Fort Smith, Arkansas
12. Hiland Dairy Company		Springfield, Missouri
13. Jackson Ice Cream Company, Inc.		Hutchinson, Kansas
14. Kraft General Foods, Inc.	1/	Bentonville, Arkansas
15. Meadow Gold Dairy, Inc.		Tulsa, Oklahoma
16. Mid-America Dairywomen, Inc.	1/	Cabool, Missouri
17. Mid-America Dairywomen, Inc.	1/	Lebanon, Missouri
18. Mid-America Dairywomen, Inc.	1/ 3/	Springfield, Missouri
19. Southern Milk Sales, Inc.	2/ 3/	Montgomery, Alabama
20. Steffen Dairy Foods Co., Inc.		Wichita, Kansas
1/ Handler Pursuant to Section 1106.9 (a)		
2/ Handler Pursuant to Section 1106.9 (b)		
3/ Handler Pursuant to Section 1106.9 (c)		

List of Producer-Handlers Distributing Milk in the
Southwest Plains Marketing Area

1. Nature's Best Dairy	El Reno, Oklahoma
2. Schicke Farms Dairy	Independence, Kansas
3. Swan Brothers Dairy	Claremore, Oklahoma

List of Partially-Regulated Distributing Handlers in the
Southwest Plains Marketing Area

1. Kohler Mix Specialty, Inc.	White Bear Lake, Minnesota
2. Ryan Milk Company	Murray, Kentucky
3. Specialty Foods	Sulphur Springs, Texas

City of Hillsboro

118 East Grand • P.O. Box N
Hillsboro, Kansas 67063
Phone: (316) 947-3162
Fax: (316) 947-3482

Hillsboro, located in Marion County, is the home of an Associated Milk Producers, Inc. production plant. This plant manufactures ice cream, the best known brand being Baskin-Robbins, and cheese, of which a large part is sold to Kraft. This plant employs 105 employees and is one of the larger employers in Hillsboro and Marion County.

We are quite concerned about the reduction in dairy herds and numbers of milk producing cows which is occurring in Marion County as well as the State of Kansas. Marion County has seen a reduction in the past decade with an acceleration in the past year as follows:

<u>Jan. 1, 1983</u>	<u>Jan. 1, 1993</u>	<u>Jan. 1, 1994</u>
72 Herds	60 Herds	54 Herds
5,400 Cows	4,520 Cows	4,250 Cows

This past year's loss alone indicates an annual loss as follows:

270 cows at ave. co. production of 18,671 lbs/milk year equals 5,041,170 lbs. of milk produced. This equals 50,411.7 CWTs of milk at an average price of \$11.54/CWT equals a value of \$581,751.00 value of milk loss. Using a multiplier effect of 5 of each \$1.00 of Ag. Products produced equals an annual economic loss of \$2,908,755.09 to the county.

Presently the local AMPI plant is using Kansas milk for 29% of their production. The balance, or 71%, has to be imported from Texas, New Mexico and Oklahoma at considerable transportation costs to the final product.

We are very concerned about the future of our local AMPI plant and the employees that work there. The economic loss of 105 jobs to our community would be even more devastating than the loss of income from the loss of dairy cows.

We must look to the future and allow Kansas to be part of the overall future of agriculture. We must make the necessary changes to allow investors to become part of the future of dairy production in the State of Kansas.

Respectfully Submitted,

Delores Dalke, Mayor
City of Hillsboro, Kansas

January 26, 1994

HOUSE AGRICULTURE
1-26-94
Attachment #4

SOUTHWEST KANSAS ECONOMIC DEVELOPMENT COALITION

Testimony On HB 2584
House Agriculture Committee
January 26, 1994

Dear Mr. Chairman, members of the committee. I am Lyle Butler, President/CEO of the Dodge City Economic Development Corporation and Dodge City Chamber of Commerce. I am here today representing the Southwest Kansas Economic Development Coalition. This coalition represents a majority of the southwest Kansas counties listed in HB 2584. The Southwest Kansas Economic Development Coalition strongly supports HB 2584 and encourages its passage.

In the early eighties, agriculture experts from within and outside of Kansas told farmers and rural communities that to survive in the years ahead old agricultural practices and methods must change. In most cases these changes would be drastic. The southwest Kansas agricultural community was not overly enthusiastic about these proclaimed changes. But our family farms and rural communities also did not want to continue to experience the decline of the economy in their small rural communities. One by one, area by area, changes were made. Farms became larger, new technology replaced old methods. Farming became a hi-tech industry with sound, strong management. In addition, "added value" became more than a college term. It became a principle of growth and development. Feedyards and meat packing facilities, both corporate and private, were recruited. What followed has proven to be a new and revitalized agricultural economy in southwest Kansas.

We support dairy and hog corporate farming because our past experience tells us that we must continue to apply new methods to enhance "added value" to our natural resources. Yes, we have a strong desire to provide our farmers with strong local markets to sell their grains at premium prices, provide our farmers with the opportunities to breed and raise feeder stock, to bring new agricultural related service companies to our area, increase population, fill empty buildings and stores on Main Street and most importantly, increase our farmer's personal income and tax base. We believe very strongly in a prosperous Kansas rural economy.

Speaking on today's issue before you . . . our community and southwest Kansas have been actively recruiting dairies for the past three years. Today, we feel that the new technology and other changes that have occurred in the dairy industry nationwide can now be successfully and economically developed in southwest Kansas and other regions of the state.

I have personally been to Chino Valley in California where much of the focus on our dairy recruitment has been since 1991. Most of these dairies are actually looking at expansion to other states rather than relocation out of California. Although all the dairies will eventually have to leave parts of Chino Valley because of the Los Angeles urban spread.

It is interesting to note that the California Dairies have targeted several sites to relocate or expand. These areas include northern California, Idaho, SE New Mexico and just recently southwest Kansas. Today, we now have two 2000 head California dairies under construction. Why are these dairies interested in our state? In most cases, it's the same reasons why the

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cattle industry has prospered in our state.

Specific reasons why dairies are looking at southwest Kansas include; a climate that is mostly mild and dry, which means less stress on the animals, less disease and greater longevity; our land is plentiful and prices are attractive, unlike California that now has land prices approaching \$200,000 an acre and homes surrounding the dairies in Chino Valley; our banking industry is understanding and supportive of dairies because of the long-term relationship with the cattle industry.

Other benefits of Kansas are plentiful and competitively priced feed stuffs, especially in central and western Kansas. Lower labor costs and two competitive milk cooperatives are still other reasons Kansas can make a comeback as a dairy state.

Specific economic advantages for dairy development include; new jobs for rural communities (50 or more jobs for large dairies); maintaining our current milk and cheese plants in Kansas; new processing plants could develop; the creation of expanded feed purchases from local farmers; newly developed dairies will need bovine vets, accountants, nutrition consultants and other support services.

In visiting with out-of-state dairies, they have two concerns about our state. The first is our sometimes blustery north winds in the winter. This problem can be resolved by building proper shelter and cold dairy barns.

The second concern is the law surrounding corporate farming. Although this would not prevent dairies from expanding to our state, it makes the move more complicated. But you, as legislators, have the power to make the changes to our corporate farming laws to help economic growth in our rural Kansas communities.

Many communities across the state have benefitted from the exemption of cattle, poultry and rabbits from our corporate farming law. Now is the time to allow other rural Kansas communities to benefit from the economic benefits of dairy development. In this effort, we ask you to support HB 2584.