Approved: 1-31-94
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson David Corbin at 10:00 a.m. on January 26, 1994 in Room 423-S of the Capitol.

All members were present except: Quorum was present

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

Conferees appearing before the committee:
Representative Bruce Larkin
Rick Hoffman, Seaboard Corporation
Sharon Schwartz, Kansas Pork Producers Council
Raye Sprague, LaHarpe, Ks
Vaugh Woolfe, Milton, KS
Daryl Holle, Kansas National Farmers Organization
Don Sailor, Erie, KS

Others attending: See attached list

The Chairperson called on Representative Larkin to testify on SB 554 - concerning agricultural corporations; relating to swine production facilities. He said Roger McEowen, Assistant Professor of Agricultural and Economics and Extension Specialist, Agricultural Law and Policy at Kansas State University, had to cancel his appointment to testify, because of the weather, and his testimony addressing the legal issues was faxed to the Chairperson, to be distributed (Attachment 1).

Representative Larkin testified in opposition to the bill. He opposed striking the language on page 5, (r), lines 15 - 27. He responded to several questions.

Rick Hoffman, Seaboard Corporation, introduced Jim Walker, Dave Watson and Rodney Orrell all who are corporation officers at Seaboard Corporation. Mr. Hoffman presentation slides showing the area of the United States where the most processing plants are located and a map showing the counties they would like to open up for corporation swine facilities. He stated they are interested in this area and located a processing plant there because it is an excellent location to grow hogs in, and is also, well suited for export to Mexico and Japan markets, and there is a sufficient supply of corn and milo needed for hog feed. If the Kansas Corporate Farming Laws restricting pork production are not revised they will located their production facilities in the other states surrounding their processing facility, and this would be a significant loss of economic development to the state of Kansas (Attachment 2). Mr. Hoffman responded to questions.

Sharon Schwartz, Kansas Pork Producers Council, testified in support of the legislation. She said her organization encourages the legislature to pass this legislation which would place Kansas on a competitive level with states that respect the swine industry for the business that it is, and allows them to have corporate form of structure for swine production, and engage in partnership through production contracts with whomever they choose (Attachment 3).

Raye Sprague testified that the legislation was of special interest nature and very dangerous for the independent producers of the State (Attachment 4).

Vaughn Woolf, President, Kansas Swine Growers Association testified small farmers would suffer if corporations cornered the market. They think corporations would exclude small farmers from markets, and even if they are able to produce hogs but no market is available to sell them they will go broke (Attachment 5).

Daryl Holle, Kansas National Farmers Organization, testified as a proponent, they think the independent producer is the best structure for the Kansas economy, and they recommended no change in the law (Attachment 6).

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 10:00 a.m. on January 26, 1994.

Don Sailor, Erie testified in opposition to the proposal. He said the proposed legislation has no provisions for the independent producers, and he saw the independent poultry producers go out of business in Arkansas when they had no market for they product.

Written information supporting the legislation from Marty Vanier, Kansas Agricultural Alliance (Attachment 7), and Jamie Clover Adams, Kansas Grain and Feed Association (Attachment 8), was distributed to the Committee.

Committee time expired, and the Chairperson Corbin announced the hearing would be continued on Tuesday, February 1. The meeting adjourned at 11:06 a.m.

The next meeting is scheduled for January 27, 1994.

GUEST LIST

COMMITTEE: Senate Agriculture DATE: 1-26-94

NAME	ADDRESS	ORGANIZATION
Rick Hoffman	9000 W 67 KC MO	Seaboard
Jim Allen	Topeka	Seaboard
JIM WALKER	MIRAM, Ks	"
David Watson	Guymon OK	Seaboard
Rodney Orrell	14000 Hayes Overland Park Ks	Seaboard
Bill R. Fuller	Manhattan	Kansas Farm Bureau
Rich McKee	Topeka	KS Livestock Assoc.
Ken Wilke	Topeka	Ks Dept of Ag.
Oren Holle	Bremen KS	National Farmers Org
Roy G. Niehues	Corning, Ks	KSGA
Tom Niehues	Goff Ks.	KSGA
Don Rempe	~~Corning~~ Corning Ks.	KSGA
Joe Lieber	Ks Co-op Council	Topeka
Libby Quaid		AP
Ron Cowboy		KDHE
J.C. Long	Topeka	UtiliCorp United
[illegible]	Washington D.C.	[illegible]
Gordon Schmidt	Rt-1 Inman Ks.	Water PACK.
VAUGHN WOOLF	Rt 1 Milton, Ks 67106	Ks. Swine Growers.
Darlene Woolf	~~214~~ Box 521 Cheney Ks. 67025	" "
JAMIE Clover Adams	Topeka	KGFA
Marty Vanier	Manhattan	KAA
Russ Frey	Topeka	KVMA

GUEST LIST

COMMITTEE: Senate Agriculture DATE: 1-26-94

NAME	ADDRESS	ORGANIZATION
Cliff Friesen	Meade, Ks	CMS Electric
Gary Dockham	Topeka	KEPCo
Kirk A Thompson	MEADE, KS	CMS Electric Coop.
Willynda Holmes	Liberal, Ks	legislature
Mike Jensen	Manhattan	KPPC
Bill Moeller	Springdale, Ark	Tyson Foods
Daryl Holle	Jansen, Ne	NFO
Arlan Holmes	Topeka, KS.	Division of Budget

Testimony before the Kansas Legislature
Senate Agriculture Committee
January 26, 1994

Thank you, Mr. Chairman and members of the committee. I am Roger A. McEowen, Assistant Professor of Agricultural Economics and Extension Specialist, Agricultural Law and Policy at Kansas State University. I am also a member of the Kansas and Nebraska Bar Associations. I am here today at your invitation to address the legal issues that are likely to arise if the legislature successfully passes a bill permitting contract swine production in the state of Kansas that is signed by the Governor. I am not here to address any of the associated economic, social or political issues surrounding the current debate in Kansas with respect to contract swine production nor to support or oppose any specific bill or piece of legislation.

While only two states, Kansas and Iowa, specifically prohibit contract swine production and, consequently, vertical integration in the packer industry, only one state that specifically permits contract swine production directly regulates the contracts between the individual producer and the processor. That state is Minnesota. Based upon problems that have risen in jurisdictions permitting the contract production of swine and poultry, I believe that it would be beneficial that if the Kansas legislature desires to permit contract production of swine in Kansas that it also consider the consequences of regulation of the contract itself.

In brief, some of the problems that have been observed in other jurisdictions with respect to the contract production of livestock include the requirement that individual producers be of a certain size in order to qualify for a contract production arrangement with a particular processor necessitating substantial capital improvements and, consequently, substantial financial outlays. This, in turn, leads to problems for producers when the processor is able to cancel or terminate the contract after the producer has invested substantial sums in improving the production facility. Contract swine production also raises a variety of legal issues with respect to the Uniform Commercial Code (UCC). These issues include the status of an individual producer as a merchant, situations involving

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notice of anticipatory breach and the measure of damages upon breach of a production contract.

Let me briefly summarize the Minnesota statutory approach to regulating contract swine production arrangements. The Minnesota statutes amend the Minnesota packers and stockyards act by setting forth reporting requirements for packers and stockyard owners. Packers and stockyard owners are required to file an annual report with the state Commissioner of Agriculture and include in such report a copy of each contract that the packer has with a livestock producer and each arrangement that will become part of the contract that a packer has with a livestock producer for the purchase or contracting of livestock. In addition, packers with annual sales of over $10 million are required to maintain a separate account for transactions relating to different types of livestock (i.e. hogs, cattle or sheep). The account may be audited by the Commissioner of Agriculture at any time. Obviously, the statutory procedure is to establish a process whereby the state Department of Agriculture monitors the type and extent of contract feeding in the state of Minnesota.

The Minnesota statutes also directly regulate production contracts. The statutes specifically contain language providing for the resolution of contract disputes by either mediation or arbitration. In addition, when a producer is contractually required to make additional capital investments totaling $100,000 or more and having a useful life of five years or more, the packer is required to give six months written notice before cancelling or terminating the contract, and the producer must be reimbursed for damages incurred by investing in buildings and equipment made for purposes of meeting the minimum contract requirements. Relatedly, even if an individual producer breaches the terms of the contract, the packer must still give 90 days termination notice to the producer. Once the statutory 90 day notice is given, the producer has 60 days in which to correct the breach.

All swine production contracts in Minnesota are to be interpreted by the courts as including a statutory implied promise of good faith. In the absence of such an implied promise, the damaged party (typically the producer) may recover good faith damages, court costs and attorney fees. In addition, producers that make prepayments for agricultural production inputs may demand a letter of credit or bank guarantee from the provider of such inputs to insure their reimbursement in the event delivery is not made.

The Minnesota statutes also provide for a statutory lien for products produced by an agricultural producer. The lien is perfected on delivery of the agricultural commodity and is good for up to 20 days after such delivery. In addition, the lien may be extended by filing an extension within the 20 day period, but in no event can be extended beyond six months after filing. The lien has priority over all other liens and encumbrances in the commodity and extends to proceeds from the commodity, the proportionate share of the commodity, and products manufactured from the commodity.

It is my legal opinion that if the legislature deems contract swine production to be in the best interest of the state of Kansas, that some direct regulation of the production contracts themselves is necessary if the producer is to be protected. Furthermore, it is my legal opinion that the approach taken by the Minnesota legislature accomplishes that purpose. If the legislature deems direct regulation of the contracts themselves to be inappropriate, another method might be to require at least one of the contracting parties to a swine production contract to be either an individual farmer, a family farm corporation, an authorized farm corporation or any other type of corporate farming entity permitted under the Kansas statutes. It is my legal opinion that either approach would promote the family farm while eliminating market inequities between the processor and the individual producer.

Attached to this testimony is a copy of the pertinent Minnesota statutes for your review. I would be pleased to respond to your questions. Thank you, Mr. Chairman and members of the Committee.

Respectfully,

Roger A. McEowen, Esq.
Extension Specialist
Agricultural Law and Policy

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AGRICULTURAL CONTRACTS

17.90. Definitions

Subdivision 1. Applicability. The definitions in this section apply to sections 17.90 to 17.98.

Subd. 2. Agricultural commodity. "Agricultural commodity" means a material produced for use in or as food, feed, seed, or fiber and includes crops for fiber, food, oilseeds, seeds, livestock, livestock products, poultry, poultry products, and other products or by-products of the farm produced for the same or similar use.

Subd. 3. Contractor. "Contractor" means a person who in the ordinary course of business buys agricultural commodities grown or raised in this state or who contracts with a producer to grow or raise agricultural commodities in this state.

Subd. 4. Producer. "Producer" means a person who produces or causes to be produced an agricultural commodity in a quantity beyond the person's own family use and is able to transfer title to another or provides management, labor, machinery, facilities, or any other production input for the production of an agricultural commodity.

Laws 1990, c. 517, § 1.

17.91. Mediation; arbitration

A contract for an agricultural commodity between a contractor and a producer must contain language providing for resolution of contract disputes by either mediation or arbitration. If there is a contract dispute, either party may make a written request to the commissioner for mediation or arbitration services as specified in the contract, to facilitate resolution of the dispute.

Laws 1990, c. 517, § 2.

17.92. Recapture of capital investment required by an agricultural contract

Subdivision 1. Notice and damages to be paid. A contractor must not terminate or cancel a contract that requires a producer of agricultural commodities to make a capital investment in buildings or equipment that cost $100,000 or more and have a useful life of five or more years until:

(1) the producer has been given written notice of the intention to terminate or cancel the contract at least 180 days before the effective date of the termination or cancellation or as provided in subdivision 3; and

(2) the producer has been reimbursed for damages incurred by an investment in buildings or equipment that was made for the purpose of meeting minimum requirements of the contract.

Subd. 2. Notice when producer breaches contract. Except as provided in subdivision 3, if a producer fails to comply with the provisions of a contract that requires a capital investment subject to subdivision 1, a contractor may not terminate or cancel that contract until:

(1) the contractor has given written notice with all the reasons for the termination or cancellation at least 90 days before termination or cancellation or as provided in subdivision 3; and

(2) the recipient of the notice fails to correct the reasons stated for termination or cancellation in the notice within 60 days of receipt of the notice.

Subd. 3. Immediate effect of notice. The 180-day notice period under subdivision 1, clause (1), and the 90-day notice period and 60-day notice period under subdivision 2,

clauses (1) and (2), are waived and the contract may be canceled or terminated immediately if the alleged grounds for termination or cancellation are:

(1) voluntary abandonment of the contract relationship by the producer; or

(2) conviction of the producer of an offense directly related to the business conducted under the contract.

Laws 1990, c. 517, § 3.

17.93. Parent company responsibility for contracts of subsidiaries

Subdivision 1. Licensing. If a contractor is required to obtain a license to purchase agricultural commodities, the licensing authority may require the parent company of a licensee subsidiary to guarantee payment or contract performance as a condition of licensing.

Subd. 2. Parent company liability. If an agricultural contractor is the subsidiary of another corporation, partnership, or association, the parent corporation, partnership, or association is liable to a seller for the amount of any unpaid claim or contract performance claim if the contractor fails to pay or perform according to the terms of the contract.

Laws 1990, c. 517, § 4.

17.94. Implied promise of good faith

There is an implied promise of good faith as defined in section 336.1-201, subsection (19), by all parties in all agricultural contracts. In an action to recover damages, if the court finds that there has been a violation of this provision, damages, court costs, and attorney fees may be recovered.

Laws 1990, c. 517, § 5.

17.945. Rules

The commissioner may adopt rules to implement sections 17.90 to 17.98, including the prohibition of specific trade practices.

Laws 1990, c. 517, § 6.

17.95. Department of agriculture ombudsman

A position is created in the department of agriculture to provide information, investigate complaints arising from this chapter, and provide or facilitate dispute resolutions.

Laws 1990, c. 517, § 7.

17.97. Agricultural input prepayments

If a producer makes a prepayment for agricultural production inputs that include but are not limited to seed, feed, fertilizer, pesticides, or fuel for future delivery, the producer may demand a letter of credit or bank guarantee from the provider of the inputs to ensure reimbursement if delivery does not occur.

Laws 1990, c. 517, § 8.

17.98. Dairy marketing contracts excepted

Dairy marketing agreements between producers and purchasers of milk are not contracts for purposes of sections 17.90 to 17.98.

Laws 1990, c. 517, § 9.

31B.02. Definitions

Subdivision 1. Scope. The definitions in this section apply to this chapter.

Subd. 2. Commissioner. "Commissioner" means the commissioner of agriculture.

Subd. 3. Dealer. "Dealer" means a person, other than a market agency in the business of buying or selling livestock, either on the person's own account or as the employee or agent of the vendor or purchaser.

Subd. 4. Livestock. "Livestock" means live or dead cattle, sheep, swine, horses, mules, farmed cervidae, as defined in section 17.451, subdivision 2, llamas, as defined in section 17.455, subdivision 2, ratitae, as defined in section 17.453, subdivision 3, or goats.

Subd. 5. Livestock products. "Livestock products" means products and by-products other than meats and meat food products of the slaughtering and meat-packing industry derived in whole or in part from livestock.

Subd. 6. Market agency. "Market agency" means a person engaged in the business of (1) buying or selling livestock on a commission basis, or (2) furnishing stockyard services and includes a person who sells or offers for sale livestock located in this state by satellite video auction.

Subd. 7. Meat food products. "Meat food products" means edible products and by-products of the slaughtering and meat-packing industry.

Subd. 8. Packer. "Packer" means a person in the business of (1) buying livestock for purposes of slaughter, (2) manufacturing or preparing meats or meat food products for sale or shipment, or (3) marketing meats, meat food products, or livestock products in an unmanufactured form acting as a wholesale broker, dealer, or distributor.

Subd. 9. Stockyard. "Stockyard" means a place, establishment, or facility commonly known as a stockyard conducted, operated, or managed for profit or nonprofit as a public market for livestock producers, feeders, market agencies, and buyers, consisting of pens, or other enclosures, and their appurtenances, in which live cattle, sheep, swine, horses, mules, or goats are received, held, or kept for sale or shipment.

Subd. 10. Stockyard owner. "Stockyard owner" means a person in the business of conducting or operating a stockyard.

Subd. 11. Stockyard services. "Stockyard services" means services or facilities furnished at a stockyard in connection with the receiving, buying, or selling on a commission basis or otherwise, marketing, feeding, watering, holding, delivery, shipment, weighing, or handling of livestock.

Laws 1990, c. 530, § 21, eff. July 1, 1990. Amended by Laws 1993, c. 375, art. 9, § 11, eff. May 25, 1993.

Historical and Statutory Notes

1993 Legislation

The 1993 amendment in subd. 4 defining "livestock" included farmed cervidae, llamas, and ratitae.

31B.03. Reporting requirements

A packer, stockyard owner, market agency, and dealer and grain and feed businesses with livestock contracts shall file annually with the commissioner a copy of the annual report form of the federal packers and stockyards regulations filed with the federal packers and stockyards administration and any additional information that may be required on a form prescribed by the commissioner. The report and any additional information must be filed with the commissioner not later than April 15 following the end of the calendar year or, if the records are kept on a fiscal year basis, not later than 90 days after the close of the fiscal year.

The commissioner shall require: (1) a packer to annually complete a form showing the maximum capacity of each of the packer's packing plants; and (2) a copy of each contract a packer has entered into with a livestock producer and each agreement that will become part

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31B.03. Reporting requirements

A packer, stockyard owner, market agency, and dealer and grain and feed businesses with livestock contracts shall file annually with the commissioner a copy of the annual report form of the federal packers and stockyards regulations filed with the federal packers and stockyards administration and any additional information that may be required on a form prescribed by the commissioner. The report and any additional information must be filed with the commissioner not later than April 15 following the end of the calendar year or, if the records are kept on a fiscal year basis, not later than 90 days after the close of the fiscal year.

The commissioner shall require: (1) a packer to annually complete a form showing the maximum capacity of each of the packer's packing plants; and (2) a copy of each contract a packer has entered into with a livestock producer and each agreement that will become part of the contract that a packer has with a livestock producer for the purchase or contracting of livestock.

Laws 1990, c. 530, § 22, eff. July 1, 1990.

31B.04. Prompt payment for purchase of livestock

Subdivision 1. Kind of payment; time required. A packer, market agency, or dealer purchasing livestock shall, before the close of the next business day following the purchase of livestock and transfer of its possession, deliver to the seller or the seller's authorized representative the full amount of the purchase price. If a packer, market

agency, or dealer is purchasing livestock for slaughter, that person shall, before the close of the next business day following purchase of livestock and transfer of its possession, actually deliver at the point of transfer of possession to the seller or the seller's authorized representative a check or shall wire transfer funds to the seller's account for the full amount of the purchase price; or, in the case of a purchase on a carcass or "grade and yield" basis, the purchaser shall make payment by check at the point of transfer of possession or shall wire transfer funds to the seller's account for the full amount of the purchase price not later than the close of the first business day following determination of the purchase price. If the seller or a duly authorized representative is not present to receive payment at the point of transfer of possession, the packer, market agency, or dealer shall wire funds or place a check in the United States mail for the full amount of the purchase price properly addressed to the seller within the time limits specified in this section, and that action complies with the requirement for prompt payment.

Subd. 2. Waiver. Notwithstanding subdivision 1 and subject to terms and conditions the commissioner may prescribe, the parties to the purchase and sale of livestock may expressly agree in writing, before the purchase or sale, to effect payment in a manner other than that required in subdivision 1. The agreement must be disclosed in the records of the market agency or dealer selling the livestock, and in the purchaser's records and on the accounts or other documents issued by the purchaser relating to the transaction.

Subd. 3. Delay in payment or attempt to delay. Any delay or attempt to delay by a market agency, dealer, or packer purchasing livestock, the collection of funds under this section, or otherwise for the purpose of or resulting in extending the normal period of payment for the livestock is an "unfair practice" in violation of this chapter.

Laws 1990, c. 530, § 23, eff. July 1, 1990.

31B.05. Unfulfilled contract to buy livestock

A packer who has committed either orally or in writing to buy more livestock than the packer's plant can process and who cannot fulfill the commitment to the producer within 30 days of the delivery date of the contract is subject to denial, suspension, or revocation of the packer's license.

Laws 1990, c. 530, § 24, eff. July 1, 1990.

31B.06. Packer and processor accounting requirements

Hog, cattle, sheep, and dairy processors with annual sales greater than $10,000,000 are required to conduct all financial transactions relating to a contract feeding operation through a separate and exclusive bank account. This separate account is subject to audit and inspection at any reasonable time by the commissioner.

Grain and feed businesses with annual sales greater than $10,000,000 are required to conduct all financial transactions relating to contract feeding of hogs, cattle, sheep, or dairy cows through a separate and exclusive bank account. This separate account is subject to audit and inspection at any reasonable time by the commissioner.

Laws 1990, c. 530, § 25, eff. July 1, 1990.

CHAPTER 1572
DEPARTMENT OF AGRICULTURE
AGRICULTURAL CONTRACTS

1572.0010 DEFINITIONS.

Subpart 1. Scope. The definitions in this part apply to parts 1572.0010 to 1572.0050.

Subp. 2. Arbitration. "Arbitration" means a process by which the parties to a dispute submit their differences to the judgment of an impartial party. The arbitrator's role is to hear the parties' arguments and issue a decision or grant an award, resolving the dispute.

Subp. 3. Commissioner. "Commissioner" means the commissioner of agriculture or a designee.

Subp. 4. Contract. "Contract" means a legally enforceable agreement between two or more parties. Contract includes a written commodity contract signed by all parties. If the parties have not signed a written commodity contract, contract includes an invoice, purchase order, memorandum, or confirmation of sale unless the terms of the document have been objected to by a party to the proposed agreement within ten days of receipt of the document by the objecting party. Contract does not include a grain scale ticket.

Subp. 5. Mediation. "Mediation" means a process by which parties to a dispute jointly explore and resolve all or a part of their differences with the assistance of a neutral person. The mediator's role is to assist the parties in resolving the dispute. The mediator has no authority to impose a settlement.

Statutory Authority: *MS s 17.945*

History: *15 SR 1924*

1572.0020 MEDIATION AND ARBITRATION.

Subpart 1. Procedure. If mediation or arbitration services are requested, the commissioner may refer the parties to outside mediation or arbitration services or conduct the services within the department of agriculture. Mediation and arbitration activities of the commissioner must be conducted according to the Uniform Arbitration Act in Minnesota Statutes, sections 572.08 to 572.30, and the Minnesota Civil Mediation Act in Minnesota Statutes, sections 572.31 to 572.40.

Mediation or arbitration services provided by the commissioner under this part must be provided according to the terms of the contract between the parties. In addition, the commissioner shall require the providers of any outside mediation or arbitration services to which the commissioner refers the parties to conduct arbitration or mediation proceedings according to the terms of the contract between the parties.

Subp. 2. Limitations. The commissioner may not accept a request under subpart 1 if the contract governing the dispute between the parties contains an arbitration or mediation clause, and if:

A. mediation or arbitration procedures have started before a mediator or arbitrator who has been appointed in accordance with the contract or who otherwise is agreeable to the parties; or

B. whether or not mediation or arbitration has started, the arbitration or mediation clause or terms adopted under it contains a mechanism for designating a mediator or arbitrator the parties are legally obligated to use under the Uniform Arbitration Act or the Minnesota Civil Mediation Act, whichever is appropriate.

Subp. 3. No review. The commissioner shall not review decisions made under a mediation or arbitration proceeding between a contractor and a producer, or otherwise provide services under subpart 1 relative to a matter that was disputed in the arbitration or mediation proceedings.

Subp. 4. Findings. The findings and order of an arbitrator under this part are prima facie evidence of the matters contained in them.

Subp. 5. Seed. If arbitration is required in a contract for seed, as defined in Minnesota Statutes, section 21.81, subdivisions 3, 8, and 32, the arbitration procedure in items A to C applies.

A. A notice in the following form, or equivalent language must be part of a seed contract:

"Arbitration is required as a precondition of maintaining certain legal actions, counterclaims, or defenses against a seller of seed for damages for the failure of seed for planting to produce or perform as represented by a seed tag or label."

B. The commissioner shall appoint an arbitration council composed of five members and five alternate members. One member and one alternate must be appointed upon the recommendation of each of the following:

(1) the dean and director of the College of Agriculture, University of Minnesota;

(2) the director of the Minnesota Agricultural Experiment Station;

(3) the president of the Minnesota Crop Improvement Association;

(4) the president of a farm organization designated by the commissioner; and

(5) the commissioner.

An alternate member may serve only in the absence of the member for whom the person is an alternate.

The council shall select a chair and a secretary from its membership. The chair shall conduct meetings and deliberations of the council and direct all of its other activities. The secretary shall keep accurate records of all meetings and deliberations and perform other duties for the council as the chair may direct.

The purpose of the council is to conduct arbitration as provided in this part. The council may be called into session by or at the direction of the commissioner or upon direction of its chair to consider matters referred to it by the commissioner or the chair in accordance with this part.

C. Procedures:

(1) A buyer may invoke arbitration by filing a sworn complaint with the commissioner. The buyer shall serve a copy of the complaint upon the seller by certified mail. Except in case of seed that has not been planted, the claims must be filed within a time that permits effective inspection of the plants under field conditions.

(2) Within 15 days after receipt of a copy of the complaint, the seller shall file with the commissioner an answer to the complaint and serve a copy of the answer upon the buyer by certified mail.

(3) The commissioner shall refer the complaint and answer to the council for investigation, findings, and recommendations.

(4) Upon referral of a complaint for investigation the council shall make a prompt and full investigation of the matters complained of and report its findings and recommendations to the commissioner within 60 days of the referral or a later date as the parties may determine.

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(5) The report of the council must include findings of fact and recommendations as to costs, if any.

(6) In the course of its investigation, the council or any of its members may examine the buyer and the seller on all matters the council considers relevant; may grow to production a representative sample of the seed through the facilities of the commissioner or a designated university under the commissioner's supervision if considered necessary; and may hold informal hearings at a time and place the council chair may direct upon a reasonable notice to all parties.

(7) The council may delegate all or any part of an investigation to one or more of its members. Any delegated investigation must be summarized in writing and considered by the council in its report.

(8) After the council has made its report, the commissioner shall promptly transmit the report by certified mail to all the parties.

(9) All expenses of the arbitration, including required travel and other expenses of the council, must be borne equally by the parties, unless the council, in the award, assesses the expenses or any part of them against a specified party or parties.

Subp. 6. **Clause required.** Contract mediation or arbitration clauses are required in contracts signed by Minnesota producers.

Subp. 7. **Sample copies of contracts.** A contractor using a written commodity contract must submit to the commissioner a sample copy of each contract offered to producers. Schedules of prices and charges need not be included. Contract samples must be submitted to the commissioner and made available to producers at least 30 days before the contract crops are planted or the contract livestock is placed in the producer's facility.

Subp. 8. **Effective date.** Minnesota Statutes, section 17.91, applies only to contracts signed after August 1, 1990.

Statutory Authority: *MS s 17.945*

History: *15 SR 1924*

1572.0030 RECAPTURE OF LARGE CAPITAL INVESTMENT.

Subpart 1. **Provision required; definitions.** A producer may recover damages under Minnesota Statutes, section 17.92, subdivision 1, clause (2), only if the producer has a written contractual obligation to provide a capital improvement of $100,000 or more.

If a contract states in writing that a producer must make a large capital investment in order to fulfill the contract, the contract must contain a provision allowing the producer to recover through mutual agreement, litigation, or other legal process a portion of that investment if the contract is terminated or canceled prematurely. "Termination" and "cancellation" do not include expiration of the contract. "Large capital investment" means a capital investment that costs $100,000 or more and has a useful life of five years or more. Minnesota Statutes, section 17.92, applies only to contracts that are signed after August 1, 1990.

Producers receiving notice under Minnesota Statutes, section 17.92, subdivision 2, are not eligible for recaptured damages if the producer has committed a material breach of the contract. The damages to be determined under Minnesota Statutes, section 17.92, subdivision 1, do not include payment for the reasonable useful life of an asset that extends beyond the term of the contract.

Subp. 2. **Bond or letter of credit.** A contractor may terminate a contract if the contractor secures a bond or irrevocable letter of credit in a sufficient amount to cover the probable claim if the damages the producer is entitled to under Minnesota Statutes, section 17.92, subdivision 1, clause (2) have not been received within 180 days after notice of intent to terminate has been given.

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Subp. 3. **Relationship to production cycle.** If the 180- or 90-day notice periods expire before the end of a production cycle, the contract will not terminate until the end of that production cycle. A contractor may terminate a contract at the end of a production cycle that occurs before the end of the 180- or 90-day notice period has expired if the producer agrees to the termination.

Statutory Authority: *MS s 17.945*

History: *15 SR 1924*

1572.0040 PARENT COMPANY LIABILITY.

A corporation, partnership, sole proprietorship, or association that through ownership of capital stock, cumulative voting rights, voting trust agreements, or any other plan, agreement, or device, owns more than 50 percent of the common or preferred stock entitled to vote for directors of a subsidiary corporation or provides more than 50 percent of the management or control of a subsidiary is liable to a seller of agricultural commodities for any unpaid claim or contract performance claim of that subsidiary.

Statutory Authority: *MS s 17.945*

History: *15 SR 1924*

1572.0045 UNFAIR TRADE PRACTICES.

Subpart 1. **Prohibited conduct.** Unfair trade practices prohibited under parts 1572.0010 to 1572.0050 include conduct prohibited by United States Code, title 7, sections 499a to 499s, the Perishable Agricultural Commodities Act, the rules promulgated thereunder, Code of Federal Regulations, title 7, part 46, United States Code, title 7, section 181 et seq., the Packers and Stockyards Act and the rules promulgated thereunder, Code of Federal Regulations, title 7, part 201, et seq.

Subp. 2. **Federal preemption.** If federal and state regulation are identical, federal jurisdiction and enforcement control unless the federal authority decides not to enforce the regulation.

Statutory Authority: *MS s 17.945*

History: *15 SR 1924*

1572.0050 DAIRY MARKETING AGREEMENTS.

A dairy marketing agreement must contain a clause allowing either party to give the other party 30 days prior written notice of intent to terminate the agreement.

Statutory Authority: *MS s 17.945*

History: *15 SR 1924*

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SEABOARD
CORPORATION

RURAL ECONOMIC DEVELOPMENT PROPOSAL

Testimony by Rick Hoffman, Vice President - Finance
Seaboard Corporation

To: The Honorable Chairman Corbin and Members of the Senate Agriculture Committee

Seaboard Corporation is a diversified international agribusiness and transportation company. Domestically, Seaboard is engaged in poultry and pork production and processing, lamb processing, commodity merchandising, baking, flour milling, shipping and produce storage and distribution. Overseas, Seaboard engages primarily in fruit, vegetable and shrimp production and processing, flour milling and animal feed production. Seaboard's main corporate offices are located in Merriam, Kansas.

As you are probably aware, Seaboard is currently building a pork processing plant in Guymon, Oklahoma which will be capable of processing 4 million hogs per year. This plant is scheduled to commence processing operations in 1995.

Currently, there's not an adequate supply of hogs in the area directly surrounding Guymon in order to economically operate the plant at full capacity. (Attached is a map which shows hog production in the State of Kansas.) An aggregate capital investment of approximately $300 - $400 million will be expended on new facilities during the next 4 to 5 years to produce the hogs that are needed.

This capital investment and the hogs for the processing plant will come from several sources.

1. Open Market Hogs. Seaboard hopes to buy a large portion of the hogs in the open market from individual producers.

2. Contractual Arrangements and Purchase Agreements with Producers.
   Contracts will be signed with individuals and/or corporations. They will be for farrowing, finishing and farrow to finish. And they will be on a market basis, cost plus and/or fee arrangement.

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

Senate Ag Co
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9000 West 67th Street • P.O. Box 2972 • Shawnee Mission, Kansas 66201 • PHONE: 913-676-8800 FAX: 913-676-8872 / TELEX: 209513 SAMC UR

Construction of some of the company-owned facilities and some facilities for contract hogs has already commenced in Colorado and Oklahoma.

In order to produce the hogs that are necessary when processing operations in Guymon begin in 1995, it's necessary that all construction of production facilities commence as soon as possible. Present laws in Kansas would prohibit much of the investment in hog production facilities. If present Kansas laws are not changed, this investment will be lost to the states of Oklahoma, Colorado and Texas, which do not have corporate farming restrictions.

Seaboard believes that an area in the Southwestern U.S., including the panhandle of Texas, Oklahoma, Eastern Colorado and Western Kansas is ideal for hog production and processing. The climate, including low rainfall and low humidity, is favorable for hog production. Low rainfall plus deep groundwater and an abundance of unpopulated land and irrigated crops minimizes the environmental concerns sometimes associated with hog production. Plus, the area has a sufficient supply of corn and milo needed for hog feed. Our plant in the panhandle of Oklahoma is also well suited for exports to Mexico and Japan.

We believe the Kansas corporate farming laws are artificially restricting pork production in the State of Kansas and, as a result, Kansas presently has declining hog numbers and no pork processing plants. This has led to a significant loss of economic development in the state of Kansas, and, if the law remains intact, significant future economic development will be lost.

Considering only Seaboard's project, removal of the state laws prohibiting corporate farming would have a significant impact on economic development, including better returns for Kansas grain farmers, a significant direct investment in pork production facilities and related economic activity and up to 750 new jobs would be created. This doesn't include the benefit to the construction industry and the indirect multiplier impact on jobs and investment.

The need for hogs at the Guymon processing plant cannot be met by individual farmers in Kansas for several reasons. There are not enough hogs produced regionally now. As the processing plant is scheduled to begin operations in 1995, the timing is much too soon for the market to react quickly enough. Also, large scale hog production requires tremendous capital investment, which will be difficult to finance even with contracting and corporate involvement.

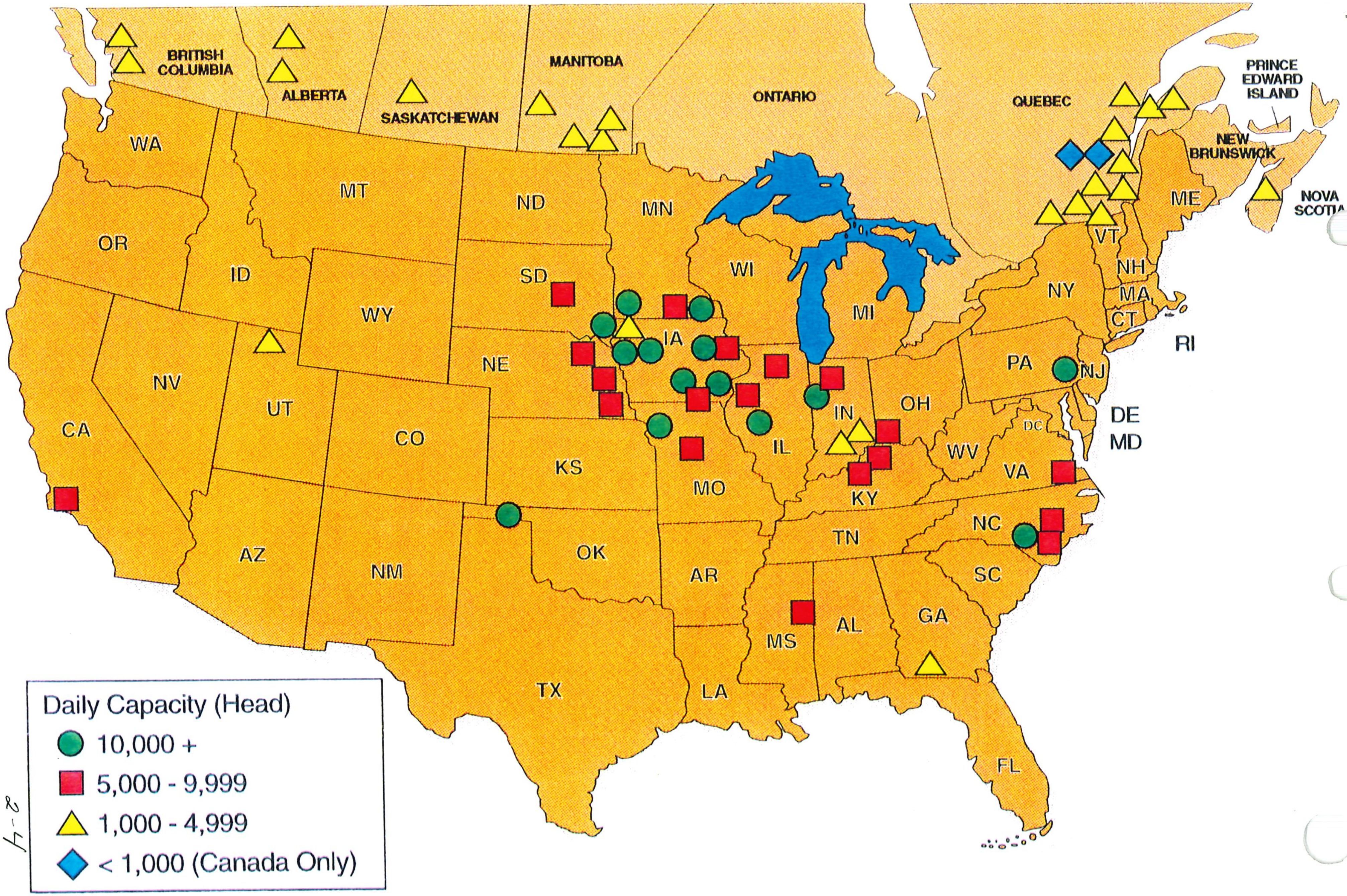
In order to spur economic development with respect to hog production in Kansas, Seaboard is proposing that the Kansas statutes be amended to remove the restrictions prohibiting corporations from owning agricultural land for swine production and removing the hog production restrictions on processors. The legislation that Seaboard is supporting would allow counties the option to have the corporate land ownership restrictions remain in place. The legislation would also provide for a protest petition such that 10% of the persons voting in the county at the last preceding general election could require that the issue be put to a vote in their county. Otherwise, the legislation would become effective. Due to our tight time schedules, we are hopeful that this legislation would become effective on April 1, 1994.

The proposed legislation specifically prohibits the issuance of revenue bonds for hog production facilities and prohibits cities and counties from granting any exemptions from ad valorem taxes with respect to any hog production facilities on agricultural land owned or operated by a corporation. We have no problem with these provisions.

As a corporate citizen of the state of Kansas, we hope that this legislation will become law for the benefit of economic development in the rural areas of Kansas.

Thank you for your time.

U.S. AND CANADIAN HOG SLAUGHTER FACILITIES



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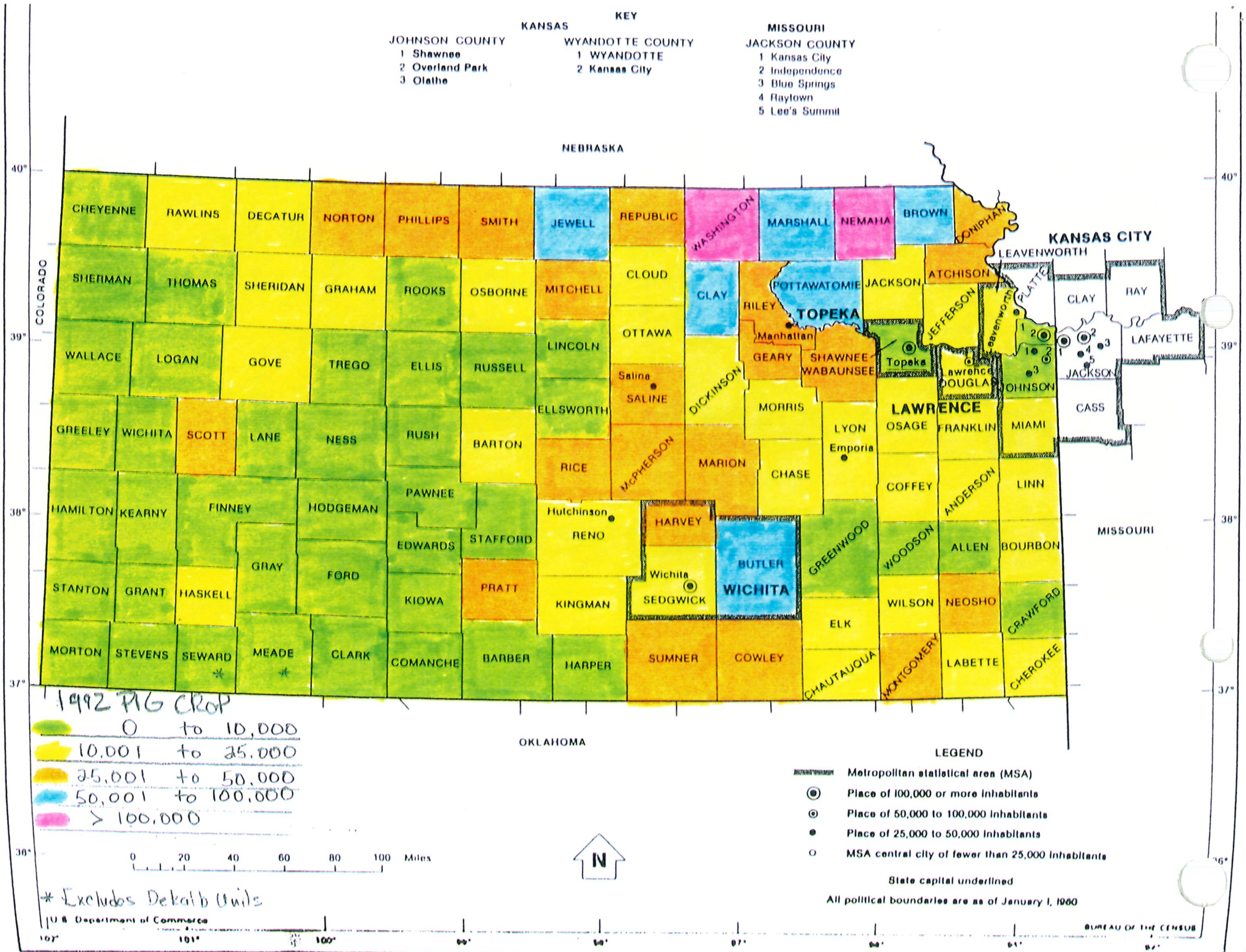
KEY
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1 Shawnee
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2 Independence
3 Blue Springs
4 Raytown
5 Lee's Summit
NEBRASKA
COLORADO
OKLAHOMA
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TOPEKA
LAWRENCE
WICHITA
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LEGEND
Metropolitan statistical area (MSA)
Place of 100,000 or more inhabitants
Place of 50,000 to 100,000 inhabitants
Place of 25,000 to 50,000 inhabitants
MSA central city of fewer than 25,000 inhabitants
State capital underlined
All political boundaries are as of January 1, 1980
* Excludes Dekalb Units
U.S. Department of Commerce
BUREAU OF THE CENSUS
...aries are as defined on August 18, 1986

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KANSAS PORK PRODUC[...] COUNCIL
KPPC
Serving Since 1956

Testimony by Sharon Schwartz
President of the Kansas Pork Producers Council

My name is Sharon Schwartz. I am a pork producer from Washington, Kansas. It is my pleasure to testify before you today on behalf of the members of the Kansas Pork Producers Council. Our statewide membership represents the majority of the hog production base in Kansas.

We support the principles outlined in Senate Bill 554. Specifically, the opportunity of swine producers in Kansas to utilize the corporate form of business structure as well as the ability of Kansas producers to take advantage of production contracts.

We have spoken on numerous occasions concerning the decline of the Kansas swine industry and I will not dwell on that point. The effect of 13 years of "protectionist" legislation for the Kansas producer has spoken for me. In addition, our efforts in 1988 which resulted in the prohibition of processors from contracting did not result in a nationwide groundswell of change, but rather a further decline in both our processing and production capacity. In fact, we now have not only the most stringent of anti-processor\contractor laws; but also, one of the most dramatic declines of hog production among the major hog-producing states.

Today, I encourage you to pass this legislation which places Kansas on a competitive level with states that respect the swine industry for the business that it is. Specifically, pork producers need two tools to meet the challenges of the future. The first is the unrestricted ability to use the corporate form of business structure for swine production. We must also have the ability to engage in a partnership through production contracts with whomever we choose, without the intervention of government.

We appreciate your work on this matter and hope that once and for all we can do something positive for Kansas, the pork industry and rural Kansans.

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1-26-94
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2601 Farm Bureau Road • Manhattan, Kansas 66502 • 913/776-0442 • FAX 913/776-9897

Testimony to Senate Agriculture Committee
Concerning SB 554

Testimony
given by:

Raye Sprague, Secretary KSGA

Good Morning!

My name is Raye Sprague. I am currently serving as the Secretary of the Kansas Swine Growers Association. We are a growing organization with many concerns, only one of which is corporate control of the food industry.

It is of public knowledge that this was the first issue that the Kansas Swine Growers faced as an organization last year. Its continued growth throughout the year gives me confidence that I can speak on this subject for the majority of the members. The fact that we surveyed the entire membership during the summer of last year and asked their opinion of this issue and how they would like to see us proceed should we need to also lets me speak on behalf of the group.

A few points I would like to make.

1. Kansas could benefit from developing its pork industry.

2. We are living in a time of change and growth must occur or decay will set in. If you aren't moving forward, you are going backward.

3. This type of "Economic Development" could create jobs.

4. Some bordering states have reversed earlier bans on vertically integrated operations.

HOWEVER:

1. Is this the best way to benefit all the producers in the state or is this legislation something that will benefit only the few that have the resources to expand or build new facilities?

2. We must embrace change and enhancement of the pork industry in Kansas if we want to remain in the marketplace. The members of the KSGA are well aware of these changes and are prepared to adapt to them. We don't however feel it is necessary to put independent producers in jeopardy to the benefit of a few. We can and are competing on the grounds of quality and efficiency but without access to a marketplace we will not survive.

3. The jobs that this type of "Economic Development" would create will be few and of little help to those already here in Kansas. Historically corporate facilities import their own employees for management positions leaving only the low paying labor intensive jobs for local hire. I know some of the employees at the Murphy Operation that has begun production south of Nevada, Mo. This information comes from those employees. There does continue to be some local hiring there to work on the continued expansion of this operation but they can already see the end to their employment. This creates an unstable workplace with high employee turnover.

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4. Yes, some bordering states have reversed their decision on

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orate activity in the livestock industry however, others have nc Iowa is still the number one hog producing state yet they do not allow packers to own their own hogs. Nebraska is currently number four in the nation and they do not allow corporate ownership of land or livestock. What are they doing that we couldn't do?

I feel that this legislation is not only of a "Special Interest" nature but also very dangerous for the state of Kansas and its independent producers. If this were just an issue of whether Seaboard could own and raise hogs in Southwest Kansas it would not likely effect those in other parts of the state but this legislation will open the whole state to operations like Murphy Farms, Cargill, Premium Standard, and the like who have no intention of going to Southwest Kansas several hundred miles from their processing facilities. These types of operations own their own feed mills, truck lines, and in most cases have some ties with a financial institution. I would be happy to share a video with anyone who would like to see what intensive livestock operations can do to the environment and communities where they are located. Just to see how these operations are managed and run will turn your stomach. The corporate and contract operations claim to be a part time venture. This will show how things are done on a part time basis.

I would like to leave you with a segment taken from "Hog Industry Insider", Feedstuffs, July 20, 1992.

Canada has a mandatory electronic auction and this has helped introduce a certain level of stability into the industry which should prevent further loss of producers. Rolan Soucy of the Canadian Meat Council has said that the electronic auction has lessened the price differential between US and Canadian hog prices and has slowed down the loss of producers. In fact Soucy says, there is now a trend away from integration. For example, 10 years ago in Quebec, 80 percent of hogs were owned outright or contract fed by feed companies. Independent producers now are in the majority. According to Soucy, the 2 year old electronic auction precludes packers from giving advantages to large volume suppliers.

I do not suggest that this example could be implemented in Kansas without support from other states and the producers in those states, but the fact remains that they faced a tough problem and they found a solution that could benefit all producers and actually reversed the trend of integration.

Thank you,

Raye Sprague

Raye Sprague.

KANSAS SWINE GROWERS ASSOCIATION

Promoting the swine industry and rural communities through family farming

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

January 26, 1994

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

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

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

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

Seaboard may say that they will guarantee access to independents but add that they will do so only when it is "cost justified." Does this mean that independent producers may have access on every other Monday? Or maybe only when Seaboard is running a bit short on hogs. Without plans for a buying station network to collect independents' hogs, individuals will have to be able to deliver a large amount of hogs on a regular basis. This means existing independents will have to get bigger. But what banker is going to loan money for expansion to an independent when he could loan it to a producer with a guaranteed contract?

Much has been said about grain the corporate owned hogs will consume. True, it may cause a bit of an increase in price-per-bushel of milo and corn that is grown in Kansas. However, as soon as it is cheaper to haul grain in from Nebraska, Iowa

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or even Canada, it will be done, and Kansas grain will go unused until the price falls.

Independent producers across the country have used livestock as a way to add value to the grain they produce. As a contract producer, this option would be lost. The corporation you now work for will provide you with feed that they own and processed at their feed mills. While it may be a savings in labor, any value you have added to the grain goes not in your pockets, but your corporate employer.

How many jobs will corporate hogs produce? Seaboard desires that each individual contractor finish hogs for them in units of 18 buildings. This would amount to about 45,000 hogs annually. If Kansas produces 50% of Seaboard's needs each year, this would amount to 45 jobs by 1997.

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

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

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

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

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

January 26, 1994

SENATOR CORBIN, MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to address you.

This testimony is presented on behalf of Kansas National Farmers Organization. I am Daryl Holle, a pork producer, NFO member, and Area Marketing Representative for NFO.

The pork industry is changing its historical structure permanently and rapidly. Producers are leaving the business in large numbers while the number of hogs produced is increasing. At the same time, the state of Kansas is in need of economic expansion. So, a legitimate question is: "Who should produce the pork in Kansas?"

A trend toward larger producers is firmly in place. To date most producers are still independent entrepreneurs. At the other end of the spectrum, the ten largest hog companies in the U.S. produce close to 15% of all the pork.

As you know, a large pork plant is being built in Guymon, Oklahoma, that will have the capacity to process all hogs produced in Texas, Oklahoma, Colorado, New Mexico, and Kansas combined plus an additional 250,000. It is, therefore, obvious that Kansas will increase its hog production.

What is the best way to do this, and what should be the state's role? There is a strong move to amend Kansas law to allow what is commonly called "corporate hog production." I have asked well over 100 people including strong proponents of corporate production this question: "In what way would production of 100,000 hogs in your home county be better for your county and town if produced by 1-5 large companies as opposed to 50 locally owned independent producers?" Without exception, it is agreed that it would not be better, but they say "it is inevitable."

We recognize that under current law in Kansas, new corporate production will develop in Oklahoma and other states instead. We also know, however, from daily contact in marketing with many pork packers, that one of the primary reasons packers enter production is to assure themselves a stable supply of hogs. We have also been told by most packers that they will buy from <u>whoever</u> will provide the quality, quantity, and consistency that they require to maximize their margins.

Pork producers in the state of Kansas have a unique opportunity to provide that quality, quantity, and consistency by establishing a marketing network of independent producers that live in the community, spend their money there, are involved in community affairs, support schools and churches, and foster independent business activity in their community, county, and state. Through the joint effort of Kansas Department of Agriculture, the Governor's office, Kansas State University, Kansas Extension, Kansas Swine Growers Association, National Farmers Organization, Kansas Pork Producers Council, and possibly others, we in Kansas can and should take this approach rather than simply be "against" or "for" corporate farming and leave it at that.

So, in summary, if the independent producer is the best structure for the Kansas economy, let's establish it as policy and mindset. We DON'T need a change in the law.

Daryl Holle, Kansas NFO

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KANSAS AGRICULTURAL ALLIANCE

STATEMENT OF THE

KANSAS AGRICULTURAL ALLIANCE

BEFORE THE

SENATE AGRICULTURE COMMITTEE

DAVID CORBIN, CHAIRMAN

REGARDING SB 554

JANUARY 26, 1994

The Kansas Agricultural Alliance (KAA), formerly known as the Committee of Kansas Farm Organizations, is a coalition of 29 agribusiness organizations that spans the entire spectrum of Kansas agriculture, including crop, livestock and horticultural production, input suppliers, allied industries and professions.

The Alliance supports the relaxation of restrictions against corporate activity in swine production embodied in SB 554.

A unique opportunity has presented itself to Kansas pork producers. One major pork processor is building a new processing plant that will have a major impact on the agricultural economy of southwest Kansas, while another processor surveys prospects in southeast Kansas. The new plant is located near southwest Kansas, in part, because pork production in Kansas has unused capacity and, therefore, the ability to expand.

To control costs and optimize production pork processors try to develop constantly available supplies of uniformly high-quality animals to process by engaging in various forms of production or contractual arrangements. The processor in southwest Kansas, in an attempt to maintain a constant supply of hogs into the plant, has stated that it will raise some of the hogs necessary and obtain the rest from Kansas pork producers.

KAA sees this opportunity as having several advantages for the Kansas pork industry and the Kansas economy:

1. Kansas pork production can expand
--current producers will be strengthened by the additional market and the competition that it will bring for their hogs
--additional producers will be needed to meet the demand. This

Marty Vanier, DVM ◆ Legislative Agent
1728 Thomas Circle ◆ Manhattan, Kansas 66502 ◆ (913) 539-9506

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will allow more young producers to remain in agriculture and stay on the farm.

2. Rural communities and economies will be strengthened by
--capital investment in new facilities, either corporate or private
--more farm families remaining in the community and supporting the community economy by buying goods and services.
--increased employment on farms, in farm-related businesses and in the community at large.
--increased sales benefitting input suppliers and grain farmers
--an expanding tax base

3. Environment will be protected
--facilities with over 300 head must have a permit and be inspected by KDHE. The larger the facility the stricter the standards that must be met.

The members of the Kansas Agricultural Alliance hope you will allow the pork producers of Kansas to take advantage of this opportunity.

KANSAS GRAIN AND FEED ASSOCIATION

STATEMENT OF

KANSAS GRAIN AND FEED ASSOCIATION

TO THE SENATE AGRICULTURE COMMITTEE

SENATOR DAVID CORBIN, CHAIR

REGARDING S.B. 554

JANUARY 26, 1994

Mr. Chairman and Members of the Committee, the attached statement is submitted on behalf of the more than 1200 members the Kansas Grain and Feed Association (KGFA) involved in the transportation, warehousing and merchandising of grain, as well as feed manufacturing. We continue to support expanding the corporate farming law to treat swine production in the same manner as beef, poultry and rabbit production.

However, we would add one observation. This move to open the corporate farming law is driven by the marketplace and consumers demand for a lean and consistent pork product. Vertical integration in corporate swine production should not displace current hogs in the marketplace because they are being grown for a specific destination and a specific consumer product. The success of a lean and consistent product could also increase consumption of pork and thereby benefit all swine producers.

If you have any questions, you may contact Jamie Clover Adams, Director of Legislative and Regulatory Affairs for KGFA.

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KANSAS GRAIN AND FEED ASSOCIATION

STATEMENT OF THE

KANSAS GRAIN AND FEED ASSOCIATION

TO THE

SENATE AGRICULTURE COMMITTEE

SEN. DAVE CORBIN, CHAIRMAN

REGARDING S.B. 336

FEBRUARY 22, 1993

Mr. Chairman and 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.

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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.