

Approved: 2-4-94
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson David Corbin at 10:00 a.m. on February 1, 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
Lila McClafin, Committee Secretary

Conferees appearing before the committee:
Bill Fuller, Kansas Farm Bureau
Ivan Wyatt, Kansas Farmers Union
Dan Nagengast, Kansas Rural Center
Ted Barlow, Anderson, Erickson Dairies
Dwight Haddock,
Myron Schmidt, Dairy Producer

Others attending: See attached list

Chairperson Corbin continued the hearing from January 26, 1994, on SB 554 - amending the Corporate Farming Law to permit swine production facilities in Kansas unless electors in a county vote in opposition to allowing establishment of swine production facilities. A fiscal note for SB 554 was distributed. Chairperson Corbin called on Bill Fuller.

Bill Fuller, Kansas Farm Bureau supported SB 554. He said at their annual meeting in November 1993, their members voted to support changes in the Kansas Corporate Farm Law that will enhance economic opportunities for farm families, and for growth and expansion of grain and livestock operations. Farm Bureau insists a level playing field be maintained; and they believe there must be opportunities for existing pork producers (Attachment 1). He responded to questions.

Ivan Wyatt, Kansas Farmers Union, testified in opposition to SB 554. He stated they opposed the very narrow time frame to get the protest petitions signed and turned in (Attachment 2).

Dan Nagengast, Kansas Rural Center, opposed any easing of restrictions on Corporate Hog Production in Kansas (Attachment 3). He responded to questions.

Written testimony from the follow firms and individuals was distributed to the Committee:
Rich McKee, Executive Secretary, Kansas Livestock Association, supporting SB 554 (Attachment 4);
J. C. Long, UtiliCorp United and its Kansas Divisions, supporting SB 554 (Attachment 5);
Gina Bowman-Morrill, Farmland Industries, Inc., supporting SB 554 (Attachment 6);
Information distributed by Chairperson Corbin, Oklahoma packer seeks Kansas hogs law change, as published in the Kansas Farmer, January 1994 (Attachment 7);
Stephen Sathoff, opposing SB 554 (Attachment 8);
Randy Steeves, President, Exchange State Bank, St. Paul, Kansas opposing SB 554 (Attachment 9);
Joseph A. Smith, Erie, Kansas opposing SB 554 (Attachment 10);
Robert Campbell, Erie, Kansas opposing SB 554 (Attachment 11);
H. Wayne Wigger, General Manager, Producers Cooperative Association opposing SB 554 (Attachment 12);
Jack Whelan, St. Paul, Kansas, opposing SB 554 (Attachment 13);
Rodney A. Wallace, Erie, Kansas opposing SB 554 (Attachment 14);
Kenneth Whelan, St. Paul, Kansas opposing SB 554 (Attachment 15);
A petition with 159 names opposing SB 554 was submitted (Attachment 16).
Written testimony: William J. Craven, Kansas Sierra Club (Attachment 17)*.
The hearing on SB 554 was closed.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 10:00 a.m. on February 1, 1994.

Chairperson Corbin opened the Committee discussion on SB 72 - creating the dairy marketing advisory board; relating to the powers, duties, and functions thereof.

Staff distributed a paper outlining the bills (Attachment 17), and a balloon copy of the bill (Attachment 18).

Senator Karr suggested for the Committee's consideration, that the bill be amended to have a Sunset Clause, and the issue would be revisited in 2 or 3 years. Committee discussion followed, concern was expressed that a Sunset Clause might result in difficulty for dairy farmers to obtain loans. How would the success be measured? Do we have information to measure how it is working in these states.

Myron Schmidt responded to a question regarding Massachusetts, and he stated the producers in that state asked consumers to sign a petition supporting it, they were able to collect a lot of support, as consumers believe it has stabilized their milk prices.

Dwight Haddock stated some states have had this legislation in place for 20 to 30 years.

Ted Barlow stated they would like to wave the proposed legislation until they see the Supreme Court outcome of the case that is being challenged.

A motion was made by Senator Sallee to adopt the amendments as presented in balloon form. Senator Morris seconded the motion. A substitute motion was made by Senator Wisdom to conceptually amend the language in lines 17 - 19 on page 3, to clarify that in state and out of state producers are both included. Motion was seconded by Senator Morris. Motion Carried. The Chairperson called for a vote on the original motion. The motion carried. Senator Sallee moved the bill be passed as amended. Senator Morris seconded the motion. The motion failed.

The meeting adjourned.

The next meeting is scheduled for February 2, 1994.

GUEST LIST

COMMITTEE: Senate Agriculture

DATE: 2-1-94

NAME	ADDRESS	ORGANIZATION
TED Barlows	KANSAS CITY, KS	AE DAIRY
FRANCES KASTNER	TOPEKA	KS Food Dealers Assn
RICK HOFFMAN	KC	SEABOARD CORP.
Jim Allen	TOPEKA	Seaboard
Marshall Clark	TOPEKA	KEC
Lester Murphy	TOPEKA	KEC
Steve Montgomery	TOPEKA	Carson
George Wengert		Gov Office
Tom Bruno	TOPEKA	Allens Assoc.
Amber Pike	TOPEKA	KLA
DAN NAGENGAST	Whiting	Kansas Rural Center
Don Snodgrass	TOPEKA	KFDA
Helen Hook	Lyndon KS	KLA
Arlan Holmes	TOPEKA	Division of Budget
Kenneth M. Wilke	TOPEKA	KS Dept of Ag.
Kerry Loyd	Newton	KLA
Jam Lyons	Manhattan	KLA
Mike Jensen	Manhattan	KPPC
Jamie Clover Adams	TOPEKA	KGFA
Tim Brown	Wichita	AMPI
Russ Frey	TOPEKA	KUMA
Joe Rickabaugh	TOPEKA	KLD
Ray Sprague	LaHarpe	KSGA

GUEST LIST

COMMITTEE: Senate Agriculture

DATE: 2-1-94

NAME	ADDRESS	ORGANIZATION
Nathan Lee	COATS	KLA
Brent Meyers	Protection	KLA
Jamie Kirby	Larned	KLA
Jay Chittam	Durham	KLA
Ed Laugh	Shields	KLA
David J Thompson	Burlingame	KLA
Eloy Heim	Grove	KLA
Kelly A. Miller	ELLINWOOD	KLA
Kevin Robinson	Florence	KLA
Gerald Lutz	Garnett	KLA
Chad Schmidt	STERLING	KLA
Dennis Eden	Weld	KLA
Dale Dade	Sedan	KLA
Roger Juelter	Lincoln	KLA
MARK NIKKEL	MAPLE HILL	KLA
Mark Weigand	Ottawa	KLA
LARRY D. Woodson	Topeka	KDA
Joe Licber	Topeka	HS-Co-op Council
Gina Bowman-Morrill	KANSAS CITY, MO	FARMLAND
Bill Fuller	Manhattan	Kansas Farm Bureau
Lisa Coffey	Manhattan	Kansas Farm Bureau
Libby David		AP
Rich McKee	Topeka	KLA

GUEST LIST

COMMITTEE: Senate Agriculture

DATE: Feb 94

[illegible]



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON AGRICULTURE

RE: S.B. 554 - Amending the Corporate Farming Law to permit swine production facilities in Kansas unless electors in a county vote in opposition to allowing establishment of swine production facilities.

January 26, 1994
Topeka, Kansas

Presented by:
Bill Fuller, Assistant Director
Public Affairs Division
Kansas Farm Bureau

Chairman Corbin and members of the Committee:

My name is Bill Fuller. I am the Assistant Director of the Public Affairs Division of Kansas Farm Bureau. We certainly appreciate this opportunity to testify on S.B. 554 today.

The farm and ranch members of Farm Bureau recognize the need to expand the Corporate Farm Law to include pork production. Allowing corporate pork production will be good for the state of Kansas and good for Kansas agriculture. Benefits include: more jobs, expanded tax base, higher grain prices, improved livestock markets, new capital for agriculture and additional opportunities for farm families.

Support of corporate swine production is based upon policy adopted by the 426 Voting Delegates representing the 105 County Farm Bureau's at the 75th Annual Meeting of KFB in Wichita on November 20, 1993:

*Senate Ag. Co.
2-1-94
attachment 1*

KANSAS FARM BUREAU POLICY

Corporate Farm Law

AG-10

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

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

S.B. 554 contains a provision new to the issue of corporate hog farming. "New Section 1" (page 1, lines 14-43 and page 2, lines 1-3) allows citizens of any county, through a petition process and vote at the primary election, to disallow establishment of corporate swine production facilities. KFB policy does not contain the county option provision. In fact, Farm Bureau cannot support S.B. 554 unless the bill is amended to apply uniformly across the entire state.

A cornerstone in Farm Bureau's support of corporate pork production is the enhancement of opportunities for farm families who are now raising swine in Kansas. Does S.B. 554 allow existing pork producers the opportunity to access any processing plants that are expected to be constructed as a result of allowing corporate swine facilities to locate in Kansas? Will the independent pork producer have the opportunity to contract with new corporate entities in the

production of hogs? We believe these kinds of questions should be addressed. Perhaps some safeguard should be added to the legislation. At least there should be some assurances by the corporate entities. Assisting independent producers with marketing strategies could become an important function of the Marketing Division at the State Department of Agriculture.

Corporate entities for the production of pork must not be allowed any economic incentives or tax advantages which are not available to family farmers. A level playing field is crucial for Farm Bureau support.

In closing, allow me to summarize a few points:

1. Farm Bureau supports corporate pork production in Kansas;
2. Farm Bureau recommends S.B. 554 be amended for statewide application;
3. Farm Bureau insists a level playing field be maintained; and
4. Farm Bureau believes there must be opportunities for existing pork producers.

We will respond to any questions you may have. Thank you!

STATEMENT
OF
IVAN W. WYATT, PRESIDENT
KANSAS FARMERS UNION
ON

SENATE BILL 554
CORPORATE HOG BILL
BEFORE

SENATE COMMITTEE ON AGRICULTURE
FEBRUARY 1, 1994

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I AM IVAN WYATT,
PRESIDENT OF THE KANSAS FARMERS UNION.

BEFORE WE GO ANY FURTHER I HAVE TO ADDRESS NEW SECTION 1, PAGE
1, THE SO-CALLED COUNTY OPTION. IT'S NOVELTY IS NEW.

APPARENTLY IT EVEN THREW THE NEWS MEDIA OFF. THEY ARE
REPORTING, UNDER SB-554, COUNTIES COULD VOTE TO BRING IN THE
CORPORATE HOG IF THEY WANTED IT. SB-554 SAYS IT WILL BE UNLESS THEY
VOTE IT OUT, AND THEY HAVE ONLY A VERY NARROW WINDOW OF TIME TO DO
THAT.

I SUPPOSE IT WAS ACCIDENTAL THAT THE TIME OF THE PETITION
SIGNING IS ONE OF THE BUSIEST OF TIMES FOR AGRICULTURAL PRODUCERS,
ESPECIALLY FOR FAMILY DIVERSIFIED PRODUCERS.

I WOULDN'T THINK THAT THE AUGUST PRIMARY WAS CHOSEN BECAUSE
THAT IS THE ELECTION OF LOWEST VOTER PARTICIPATION.

I CAN ONLY SAY, THIS SECTION SETS UP A VERY UNUSUAL PROCEDURE
OF PROTECTING COUNTY RIGHTS.

*Senate Ag. Co.
2-1-94
Attachment 2*

AGAIN WE SEE THE PROMOTERS OF THIS CORPORATE HOG BILL TRYING TO SELL IT AS AN "ECONOMIC DEVELOPMENT" SCHEME. SB-554 IS A PRIME EXAMPLE OF THE "TROJAN HORSE" THEORY. THIS BILL IN FACT SHOULD BE LABELED, "THE TROJAN HOG BILL".

THE PROPONENTS OF THE CORPORATE HOG ISSUE ARE TRYING TO SELL IT AS ECONOMIC ENHANCEMENT OF RURAL COMMUNITIES. ANY IN-DEPTH, UNBIASED OR COMPARISON STUDY WOULD SHOW IT OTHERWISE.

REFERRING TO THE TROJAN HOG BILL PART BEGINNING WITH SECTION 2, PAGE 2 LINE, LINE 4.

I THINK MOST EVERYONE UNDERSTANDS "PROCESSOR PRODUCTION CONTRACTS" THESE CONTRACTS MAKES THE PRODUCER VIRTUALLY A CAPTIVE OF THE HOLDER OF THE CONTRACT. IN THIS CASE THE PROCESSOR (SEABOARD), BECAUSE OF THE "COST PLUS" PAY-OUT OF THE CONTRACT ON A PER POUND OR PER PIECE GROSS COST PLUS BASIS, THAT RELATES DIRECTLY TO INVESTMENT COST, TAXES, FEED, LABOR ETC. ANYTHING THAT LOWERS THE COST OF ANY OF THESE COSTS FLOWS DIRECTLY TO, IN THIS CASE SEABOARD.

WE ALL HEARD THE SEABOARD SPOKESPERSON SAY ALL THE PRODUCTION WILL BE WITH "COST PLUS CONTRACTS."

THEREFORE, THE BOTTOM LINE IS, EVEN THOUGH SENATE BILL 554 HAS THE SO-CALLED PROHIBITION AGAINST THE USE OR BENEFIT OF "REVENUE BONDS" TO "THE CORPORATION," SECTION 2, LINE 4, PAGE 2; AND PROPERTY TAX EXEMPTION, ETC. SECTION 5, PAGE 8, LINE 26 FOR "AGRICULTURAL LAND" DEFINED ON LINE 5, PAGE 3 FOR "SWINE PRODUCTION FACILITY" PAGE 5, LINE 28 HELD BY THE "CORPORATION," THE PRODUCTION CONTRACTS ARE

SO CONSTRUED THAT ANY OF THESE TAX BREAKS, BENEFITS, ETC. WILL INDIRECTLY BE PASSED ON TO THE BENEFIT OF THE PROCESSING "CORPORATION," THAT PAYS FOR PRODUCTION ON A COST PLUS BASIS.

IN MANY IF NOT ALL CASES THE "CORPORATION" PROVIDES FOR THE FINANCING OF SUCH FACILITIES. THE ENCUMBRANCE SECURITY SECTION, OF THIS BILL, PAGE 6, LINE 8 THAT PROVIDES LEGAL TAKING AND OWNERSHIP OF THE FACILITY BY THE CORPORATION WOULD ALLOW THE CORPORATION TO TAKE LEGAL TITLE OF THE SWINE PRODUCTION FACILITY," AND NO DOUBT CONTINUE TO ENJOY ALL THE TAX BREAKS AND INCENTIVES PROVIDED IN THIS BILL.

SINCE THE PRODUCTION FACILITIES WE ARE SPEAKING OF HAVE VIRTUALLY NO OTHER USE, THERE WOULD BE VIRTUALLY NO RE-SALE VALUE EXCEPT TO THE PROCESSOR "CORPORATION," OR ANOTHER OF THEIR CONTRACT PRODUCERS.

NEITHER WOULD THERE BE ANOTHER MARKET FOR PRODUCTION OUT OF SUCH A FACILITY SINCE THE MARKET IN THE AREA WOULD BE DOMINATED BY THAT SINGLE "CORPORATE" PROCESSOR.

I SUSPECT THAT A CONTRACT PRODUCER WOULD FIND FINANCING FROM HIS HOME TOWN BANKER WOULD BE RATHER DIFFICULT ON SUCH PROPERTY THAT HAS SUCH A VERY LIMITED USE FOR THE BORROWER, OR THE LENDER IF THEY SHOULD HAVE TO TAKE OVER THE PROPERTY. THEREFORE, EVEN THOUGH THE TROJAN HOG BILL SAYS NO TAX BREAKS OR CREDITS ETC. FOR THE "CORPORATION," THAT "CORPORATION" IDENTIFIED ON PAGE 2, LINE 17 WOULD BE THE ULTIMATE BENEFACTOR OF THE TAX BREAKS, BONDS, ETC. BECAUSE OF THE INDIRECT FLOW THROUGH OF THE "COST PLUS CONTRACTS."

ESPECIALLY WHEN MAJOR PART OF THE BENEFITS PROVIDED WILL FLOW OUT OF THE COMMUNITY, OUT OF THE STATE INTO THE INTERNATIONAL COFFER.

IF YOU TALK TO COUNTY COMMISSIONERS THAT HAVE HAD SIMILAR LARGE FACILITIES, LOCATE IN THEIR COUNTIES EVEN THOUGH NOT AS MASSIVE AS THE PROPOSED SEABOARD, THEY WILL TELL YOU THE COUNTY ENDS UP PAYING OUT HUGE AMOUNTS OF TAX DOLLARS MAINTAINING AND OR BUILDING ROADS AND BRIDGES FOR THE LARGE TRUCKS, YET THE COUNTY RECEIVES VERY LITTLE ADDED TAX DOLLARS TO PROVIDE THESE ROADS, BRIDGES, ETC.

NONE OF THIS SOUNDS VERY VOTER OR TAXPAYER FRIENDLY.

WE DON'T WANT TO FORGET THIS BILL ELIMINATES THE "VERTICAL INTEGRATION" PROHIBITION PASSED ONLY A COUPLE OF YEARS AGO. HOW SOON WILL THERE BE A BILL TO ELIMINATE THE PROHIBITION OF TAX BREAKS, EXEMPTIONS, ETC., IF SB-554 BECOMES LAW.

WE ARE BACK TO WHERE WE BEGIN. THE HUGE MULTI NATIONAL CORPORATION CAN NOT COMPETE AGAINST THE INDEPENDENT WITHOUT A DIRECT OR INDIRECT TAX BREAK, LOWER INTEREST, AND NUMEROUS OTHER SUBSIDIES, SUCH AS SUBSIDISED GRAIN PRODUCTION.

THE DEBATE OF THIS ISSUE REMINDS ME MUCH OF THE DEBATE OF THE SEVENTIES AND EARLY EIGHTIES OVER WHETHER IT WAS A FINANCIALLY WISE DECISION TO BUILD THE HUGE GENERATING PLANT AT BURLINGTON. IN THE END THE CONSUMER LOST, KG & E WON.

RECENTLY, THE PRESIDENT OF THAT COMPANY WAS QUOTED AS SAYING, "IF THEY HAD IT TO DO OVER, WE WOULD NOT BUILD WOLF CREEK." WHEN THAT LEGISLATION WAS GOING THROUGH THE LEGISLATURE ANYONE WHO OPPOSED THAT LEGISLATION WAS DECLARED OUT OF TOUCH, AGAINST PROGRESS, AND DIDN'T UNDERSTAND THE ECONOMICS OF BIGNESS.

LAST YEAR THIS COUNTRY VOTED ON THE SO-CALLED "NAFTA FREE
TRADE."

HAS ANYONE CONSIDERED WHETHER THIS LEGISLATION IS NAFTA
COMPATIBLE? HAS ANYONE CONSIDERED HOW THE NAFTA RULES WILL EFFECT
GOVERNMENTAL UNITS GIVING TAX ADVANTAGES AND BENEFITS DIRECTLY OR
INDIRECTLY TO ANY PRODUCTION THAT IS INVOLVED IN MARKETS OF IMPORTS
OR EXPORTS? WE HEARD THE SEABOARD PERSON MENTION EXPORTS NUMEROUS
TIMES. INCIDENTLY THIS IS THE CORE ISSUE WITH THE
CANADIAN-U.S. WHEAT IMPORT DISPUTE AND THE SO-CALLED INDIRECT
SUBSIDY OF THE "CROW" FREIGHT RATE IN CANADA.

RECENTLY THERE WERE NEWS STORIES OUT OF MEXICO OF THE MEXICAN
CATTLEMEN DEMANDING OF THEIR PRESIDENT SALINAS, THAT HE PROHIBIT
UNDER THE NEW NAFTA THE IMPORT OF U.S. BEEF PRODUCED WITH GRAINS
THAT RECEIVE AN INDIRECT GOVERNMENT SUBSIDY IN THE PRODUCTION OF
GRAINS FED TO U.S. BEEF CATTLE.

WHEN YOU ASK SOME SUPPORTERS OF THIS LEGISLATION WHAT WILL
HAPPEN TO THE KANSAS RURAL COMMUNITY WHOSE EXISTENCE IS DEPENDENT ON
THE WHIM OF A TRANS-NATIONAL CORPORATIONS' POSSIBLE DECISION TO MOVE
THEIR OPERATIONS SOUTH TO MEXICO WHERE THERE ARE ADVANTAGES OF A
CLIMATE IS LESS SEVERE, ENVIRONMENTAL RULES NOT READILY ENFORCED,
WHERE WORKER SAFETY, AND RIGHTS ARE VIRTUALLY NON-EXISTANT, FRINGES
AND WAGES ARE LOWER AND A WORLD MARKET THAT WILL SOON BE AS EQUALLY
ACCESSIBLE TO THE THEM AS WE ARE. THEIR EXPRESSION IS USUALLY I
DON'T WANT TO THINK OF THAT, OR TALK ABOUT IT.

UNDER THE SITUATION OF THE RULES OF SO-CALLED "FREE TRADE", THE
ONLY WAY RURAL COMMUNITIES MAY BE ABLE TO SURVIVE ECONOMICALLY, OR
HAVE ANY SENSE OF CONTROL OF THEIR FUTURE, WILL BE TO USE LOCAL

INITIATIVE, LOCAL INVESTMENT, AND LOCAL CONTROL TO ASSURE THIS WON'T HAPPEN. THE PROFITS OF MARKETING, PROCESSING AND PRODUCTION, ALL THREE WILL HAVE TO BE RETAINED AS MUCH AS POSSIBLE IN THE COMMUNITY, IF THEY WISH TO MAINTAIN AN AMERICAN STANDARD OF LIVING.

THIS PROPOSED LEGISLATION (SB-554) WOULD ESTABLISH AN ECONOMIC BASE THAT COULD EASILY MOVE WITHOUT CONSCIENCE OR CONSEQUENCE. AN ECONOMIC BASE THAT HISTORY SHOWS EVENTUALLY DEVELOPS COMMUNITIES WITH DISEASE PROBLEMS, HIGHER CRIME RATES AND LOWER STANDARDS OF LIVING.

THERE ARE ALTERNATIVES TO HAVING A TRANSNATIONAL CORPORATION BASED IN EUROPE, OR AFRICA, OR WHERE EVER, CONTROLLING THE LIFE OR DEATH DECISIONS OF OUR RURAL SOCIETY.

IN KANSAS WE HAVE THE EXAMPLE OF THE PRODUCER-PROCESSOR-MARKETING WHITE WHEAT CO-OP. THE NORTH DAKOTANS ARE RE-INVENTING THE COMMUNITY CO-OP WITH THEIR PASTA AND SUGAR CO-OPS.

YEARS AGO, THE CANADIANS TOOK THE U.S. COMMUNITY CO-OP CONCEPT WE USED TO BUILD THE THOUSANDS OF COMMUNITY FUNDED CO-OP ELEVATORS THROUGHOUT THE STATE, MANY ARE STILL EVIDENT TODAY IN ALMOST EVERY RURAL TOWN OF KANSAS. THE CANADIANS BUILT THEIR DAIRY, PORK, POULTRY, EGG, BEEF INDUSTRY ON THAT COMMUNITY CO-OP CONCEPT RIGHT INTO TODAY'S MODERN WORLD OF PRODUCTION AND MARKETING.

WHEN YOU DRIVE THROUGH RURAL CANADIAN TOWNS, YOU DON'T SEE DEAD OR DYING DOWNTOWN BUSINESSES. YOU SEE PROSPEROUS LOOKING DIVERSIFIED FARMING OPERATIONS. YOU SEE MANY MORE YOUNG FARM FAMILIES, BUSY SCHOOLS AND CHURCHES. YOU HEARD MS. SPRAGUE WEDNESDAY (1-26-94) SPEAK OF THE USE OF COMPETITIVE ELECTRONIC

MARKETING OF PORK IN CANADA THAT HAS RESULTED IN A DECLINE IN THE
VERTICALLY INTEGRATED PRODUCTION OF PORK, AND AN INCREASE IN
PRODUCTION OF PORK BY INDEPENDENT PRODUCERS.

WHEN IN JAPAN A COUPLE YEARS AGO I SAW A SIMILAR SUCCESSFUL
MARKETING SYSTEM IN USE THERE FOR THEIR INDEPENDENT MEAT PRODUCERS.

I THINK WE ARE BEGINNING TO SEE A RECOGNITION OF ALTERNATIVES
TO THE MIND SET THAT ONLY AN OUTSIDE CORPORATION IS THE ANSWER.

TODAY, K-STATE HAS DEDICATED THIS AFTERNOON TO STUDYING AND
HEARING FROM THE CANADIANS ABOUT THEIR SUCCESSFUL PRODUCTION AND
MARKETING OF PORK IN CANADA. I THINK YOU WOULD HAVE TO SAY
SUCCESSFULLY, BECAUSE ACCORDING TO THE CANADIAN CENSUS THE OVER-ALL
AVERAGE AGE OF THE CANADIAN FARMER IS 47 YEARS OF AGE, AND IN THE
MORE DIVERSIFIED AREAS, OF PORK, POULTRY, ETC. PRODUCTION, THAT AGE
IS ABOUT 40 YEARS OF AGE.

THE QUESTION BEFORE US SHOULD BE BROADER THAN SIMPLY, DO WE
WANT TO GIVE TAX BREAKS AND ASSORTED ADVANTAGES TO A LARGE FOREIGN
INVESTOR SO THEY PROSPER AT OUR EXPENSE, AND CONTROL OF OUR FUTURE,
OR SHOULD OUR GOAL BE TO BUILD RURAL ECONOMIES THAT SERVE RURAL
COMMUNITIES.

WE ARE TOLD TODAY IN THE ECONOMIC WORLD, THE FUTURE OF AMERICA
INTO THE NEXT CENTURY IS NOT WITH THE LARGE TRANS-NATIONAL GIANTS,
BUT RATHER WITH THE MEDIUM AND SMALLER ENTREPRENEUR TYPE BUSINESSES,
BUSINESSES THAT CAN RESPOND MORE QUICKLY TO THE EVER CHANGING
MARKET, RATHER THAN WITH THE TRANS-NATIONAL GIANT ATTEMPTING TO LOCK
IN AND DOMINATE THE MARKET. THIS RELATES BACK AGAIN TO WOLF CREEK.

THIS IS THE WORK IN THE ROAD. YOU MEMBERS OF THIS COMMITTEE HAVE THAT DECISION TO MAKE.

IF YOU CHOOSE TO MAKE KANSAS AGRICULTURE INTO A CORPORATE MAQUILADORA ZONE, THEN WE SHOULD BEGIN TO DECIDE WHO WILL TURN THE LAST LIGHT OFF IN RURAL KANSAS.

IF HOWEVER YOU CHOOSE NOT TO GO DOWN THAT ROAD, THEN THERE CAN BE THE EXCITING OPPORTUNITIES FOR OUR COMMUNITIES, OF OUR UNIVERSITIES, OF GOVERNORS, AND THE PEOPLE, TO BEGIN THE CHALLENGE OF TURNING THE LIGHTS BACK ON IN OUR RURAL TOWNS, THE CHALLENGE OF RE-INVENTING AND REBUILDING THE ECONOMIES OF OUR RURAL COMMUNITIES.

IT IS REALLY DISCERNING OF CHARACTER THOUGH WHEN I HEAR LOCAL CO-OP MANAGERS, DIRECTORS, ETC., DECLARE THAT WE HAVE TO HAVE A "BIG DADDY" CORPORATION TO DO THE THINGS THAT NEED TO BE DONE IN OUR COMMUNITIES, BECAUSE THEY BELIEVE FARMERS AND THE RURAL TOWN PEOPLE ARE UNABLE, OR INCAPABLE OF CARRYING OUT THESE DIFFICULT TASKS.

IT IS TIME SOMEONE TAPPED THEIR MIND, AND REMINDED THEM, THEY HAVE THE JOB THEY HAVE TODAY BECAUSE THOSE FARMERS OF YESTERDAY DID THEN WHAT WE SHOULD BE DOING TODAY; THEY RAISED THE MONEY AND BUILT THEIR OWN ELEVATOR. THAT ELEVATOR THAT IN TURN ENHANCED THEIR COMMUNITY ECONOMICALLY, THAT TODAY PROVIDES THEM THE EMPLOYMENT AND BENEFITS THEY ENJOY TODAY. WHAT A SHAME TO WITNESS SUCH A TRANSIENT REGARD OR MENTALLY OF THEIR OWN BEING.

WONDER, COULD DR. FLINCHBAUGH HAVE SOLD HIS "INEVITABLE" PHILOSOPHY BACK THEN TO THOSE PEOPLE? KANSAS STATE UNIVERSITY PRESIDENT JOHN WEFALD RECENTLY STATED, "HISTORY IS NOT IRREVERSIBLE AND WE CAN MAKE A DIFFERENCE. COMMUNITIES DO NOT HAVE TO FADE INTO

OBLIVION, BUT THEY MUST AGGRESSIVELY SEIZE CONTROL OVER THEIR OWN DESTINY.

IN CONCLUSION, A FEW WORDS FROM KANSAS INC.'S "A KANSAS VISION", PLANNING FOR ECONOMIC DEVELOPMENT COMMUNITIES. "DON'T LOOK FOR QUICK FIXES, OR ONE OR TWO INITIATIVES THAT WILL SAVE YOUR COMMUNITY. 'THE OLD WAY' OF DOING ECONOMIC DEVELOPMENT IS OBSOLETE, AND DON'T MESS WITH FOOT-LOOSE COMPANIES THAT ARE PRONE TO RELOCATE."

TWO ALTERNATIVE THOUGHTS TO THE, "IT IS, INEVITABLE, KANSAS PEOPLE ARE INCAPABLE."

MOST, IF NOT ALL OF YOU MEMBERS ARE PROBABLY INVOLVED IN SOME SORT OF BUSINESS. I ASK YOU, HOW MANY OF YOU WOULD MAKE A LONG TERM DECISION BASED ON LIMITED INFORMATION PROMOTORS TELL YOU IS ONLY PART OF THE OVER-ALL STORY OF THE PROSPECTUS. WOULD YOU NOT WANT THE ENTIRE PICTURE? WOULD YOU NOT LOOK AT SUCCESSFUL ALTERNATIVES?

SHOULD NOT THE SAME CARE BE TAKEN WHEN MAKING DECISIONS WITH THE PEOPLE OF KANSAS' BUSINESS.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, THANK YOU.

THE KANSAS RURAL CENTER

P.O. BOX 133
WHITING, KS 66552
(913) 873-3431

TESTIMONY CONCERNING THE LOOSENING OF RESTRICTIONS ON CORPORATE HOG PRODUCTION

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

The Kansas Rural Center continues to oppose any easing of restrictions on Corporate Hog Production in Kansas.

Corporations wishing to purchase hogs in Kansas may do so through existing contracting provisions. It would be wise, however, to implement legislative protections in contracting which would benefit the independent hog producers.

Corporations are interested in owning hogs, because feeding livestock carries the chance of greater profits, and at less risk, than cash grain production. Feeding livestock is the primary means by which independent farmers can add value to their grain production. Were packing plants allowed to own their own hogs, independent producers would not be able to sell their animals. Farming would become less profitable, and the trend towards the disappearance of the family-owned farm would accelerate.

We continue to urge the legislature to look at the successes of Nebraska and Iowa in promoting a family farm-based agriculture economy. We also urge thorough study of the economic and social consequences of a factory-farm based economy.

Senate Ag. Co.
2-1-94

attachment 3
3-1

THE KANSAS RURAL CENTER

**P.O. BOX 133
WHITING, KS 66552
(913) 873-3431**

TESTIMONY CONCERNING THE LOOSENING OF RESTRICTIONS ON CORPORATE HOG PRODUCTION

THE KANSAS RURAL CENTER IS A PRIVATE, NON-PROFIT ORGANIZATION THAT PROMOTES THE LONG TERM HEALTH OF THE LAND AND ITS PEOPLE THROUGH EDUCATION, RESEARCH, AND ADVOCACY. THE RURAL CENTER CULTIVATES GRASS ROOT SUPPORT FOR PUBLIC POLICIES THAT ENCOURAGE FAMILY FARMING AND STEWARDSHIP OF SOIL AND WATER. THE CENTER IS COMMITTED TO ECONOMICALLY VIABLE, ENVIRONMENTALLY SOUND, AND SOCIALLY SUSTAINABLE RURAL CULTURE.

WE'VE COME A LONG WAY FROM PROTECTING FAMILY FARMS AGAINST MARKET CONCENTRATION BY LARGE VERTICALLY INTEGRATED CORPORATE ENTERPRISES. NOW FAMILY FARMS SEEM TO BE THE STUMBLING BLOCK TO CORPORATE AGRICULTURE. ASK YOURSELVES IF THAT IS WHAT YOUR CONSTITUENCIES REALLY WANT.

BY ALLOWING SEABOARD TO OWN LAND AND HOGS, IN EFFECT WE WOULD BE LIMITING COMPETITION FOR HOGS IN KANSAS. ALL KANSAS HOGS FOR THE GUYMAN PLANT WOULD BE COMING FROM SW KANSAS, AND EVENTUALLY THEY ALL MAY BE OWNED BY SEABOARD. SEABOARD NEEDS KANSAS' FARMERS AT THIS POINT BECAUSE THEY NEED KANSAS HOGS.

DOES ANYONE THINK EXPENSIVE NEW HOG FACTORIES ARE GOING TO BE OWNED AND FINANCED BY KANSAS FARMERS? THIS WILL FURTHER DISOWN RURAL PEOPLE FROM THE ONE TRUE OPPORTUNITY FOR A LIVELIHOOD IN SMALL TOWNS? FOR EXAMPLE, A NEW 60,000 ANIMAL FACILITY IN NORTHCENTRAL OKLAHOMA IS BEING FINANCED BY MIDWEST SECURITY LIFE, A WISCONSIN-BASED INSURANCE COMPANY; NORTH DAKOTA BASIN PETROLEUM SERVICES INC.; AND A GERMAN CITIZEN.

THERE ARE REPORTS OF INCREASING DISSATISFACTION WITH THE ENVIRONMENTAL PROBLEMS CAUSED BY FACTORY FARMS. EASTERN COLORADO HAS HAD CONFLICT OVER BASS BROTHERS OPERATIONS. NORTH CAROLINA HAS HAD PROBLEMS WITH ITS OPERATIONS.

SHOULD THESE MEGA-FACILITIES FAIL, TAXPAYERS NEED PROTECTION FROM THE RECLAMATION COSTS OF ENVIRONMENTAL CLEANUP. "ENVIRONMENTAL COSTS CAN NO LONGER BE EXTERNALIZED WHEN IT COMES TO LARGE SCALE AGRIBUSINESS."

Oklahoma law change clears path for 60,000-head hog facility

Last year, the Oklahoma Legislature exempted swine production from the state's corporate farm law. This year, a 60,000-head hog confinement facility is moving in.

The factory farm is being constructed in an area of northcentral Oklahoma where the water table has never been recorded lower than 10 feet. Its manure earthen holding basins are going to be sited on a parcel that is under water two or three years out of 10. Essentially, millions of gallons of liquid manure will be placed directly into the groundwater table.

Pat Moery, a neighboring farmer, says he was never able to see the Cimarron River from his farmhouse. Now he can. Cochino Farms, the builder of the massive hog facility, has torn down trees and leveled sand hills that used to block his view. The leveling is being done so the manure can be pumped from the lagoons into a center-pivot irrigation system that will spray it on fields at the massive dose of 400 pounds of nitrogen per acre. (A 120-bushel corn crop requires approximately 120 pounds of nitrogen per acre.)

Cochino Farms, based in Franklin, Ky., bought the land from lenders who acquired it through foreclosure. This huge operation requires a huge amount of cash, which is being provided by three investors: Midwest Security Life, a Wisconsin-based insurance company; North Dakota Basin Petroleum Services Inc.; and a German citizen.

Let Midwest Security Life know what you think about its financing of factory farms by writing or calling Pres. Ron Hauser, MSL, 115 Fifth Ave. S., LaCrosse, WI 54601, (608) 783-7130.

"No ray of sunshine is ever lost, but the green which it awakens into existence needs time to sprout, and it is not always granted for the sower to see the harvest. All work that is worth anything is done in faith."

—Albert Schweitzer

Chippewa County approves largest hog confinement facility yet

Board takes steps to protect itself from environmental liability

Efforts by supporters of LSP and other participants involved in the Factory Farm Awareness Campaign to convince the Chippewa County Board of Commissioners to deny an area farmer permission to construct a 3,600 hog finishing facility failed in September. If constructed, the facility will be the largest hog operation in the county and the first of its kind.

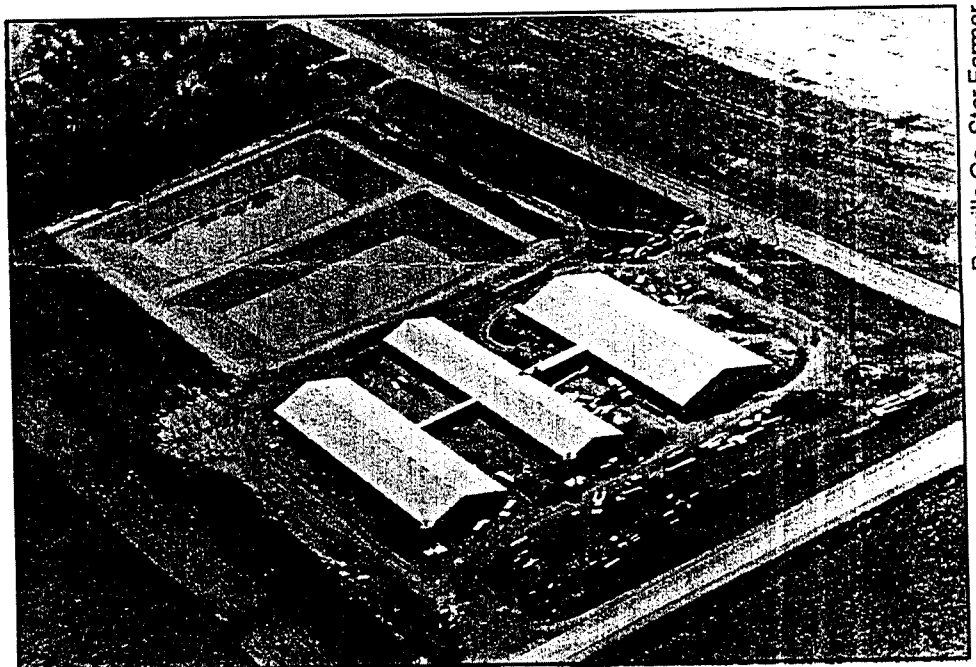
However, the board did set down 10 conditions that must be agreed to by the owner. Several of these are designed to prevent water contamination and environmental damage from the huge earthen manure storage basins that are an essential element of every large-scale hog confinement facility.

Many agricultural counties in the Midwest are facing the encroachment

of large-scale hog confinement facilities. Critics charge these operations pose serious environmental and socio-economic threats to local farmers and taxpayers. The move toward large-scale factory farms is being driven by vertical integration in the meatpacking industry. Large cooperatives such as Harvest States and Farmland Industries also are fueling this trend by offering to finance facilities and to provide feeder pigs, feed and manure management services to "investors" wishing to set up a factory farm system.

Already other counties are examining Chippewa County's 10 conditions and the large co-ops that want to finance these huge hog shops are carefully studying what liabilities they may

HOGS, Continued on page 6



Large-scale earthen storage basins like these in Renville County, Minn. pose significant environmental threats to the air and water quality of rural areas. Some county governments are taking steps to protect the taxpayers from environmental liability.

Renville Co. Star Farmer

Environmental costs can no longer be externalized

HOGS, Continued from page 3

incur under those rules.

Here are several of the Chippewa County conditions:

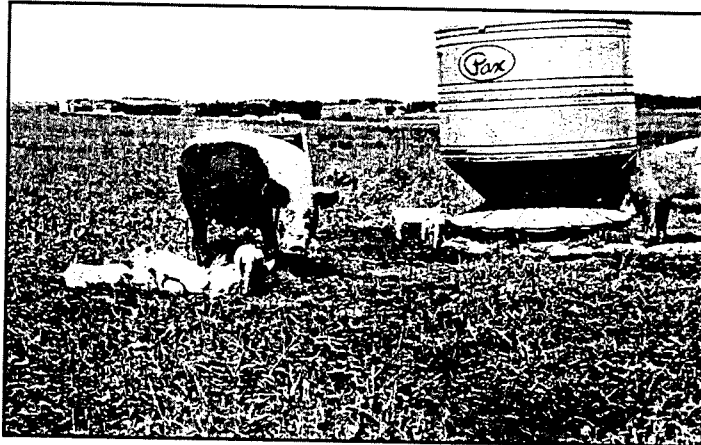
- **Water testing** — The county required that a monitoring pipe be installed on the drain tiling discharge system surrounding the earthen basin. Regular water testing must be conducted by an independent testing firm: quarterly for the first year and twice a year thereafter in the months of May and October.
- **Windbreaks** — In an attempt to minimize the odors from the manure storage basins, the county required the landowner to plant a windbreak around the lagoon.
- **Abandonment Prevention** — Initially, the commissioners stipulated that the proposed factory farm can be sold only as a contiguous 160-acre property, meaning the 10-acre portion dedicated to hog production and the earthen storage basin could not be sold separately, and any sale must be approved by the county board. The action was designed to protect the county from receiving the 10-acre portion and its liabilities without the benefit of the other property, should the operation meet with financial and/or environmental difficulties.

However, this condition was met with much opposition by the local Harvest States Cooperative. Representatives of Harvest States expressed great concern over the precedent such a

condition would set. The Co-op has plans for helping to set up other factory farms in the county and the 160-acre provision in the Abandonment Prevention condition would have made it very difficult for other operations to obtain financing.

Responding to political pressure from Harvest States and local bankers, the commissioners held a public hearing to reconsider the controversial condition.

After lengthy debate, the commissioners decided to amend the condition to include another (far less restrictive) option for the facility in question. The condition now requires the landowner to pledge to pay 1/2 cent per gallon of manure storage capacity (in this case that amounts to \$8,000) to be used for clean up costs should the operation fall into the county's hands due to financial or environmental difficulty.



Happy hogs thrive on their farrowing pasture at Dennis and Sue Rabe's farm. A Sustainable Farming Association field day there in September drew 45 people.

"To build a sustainable society will require nothing less than speaking our minds in wholesome, creative and responsible ways, moving power from Washington and Topeka back closer to the land, to communities. I think it requires an explicit declaration, at least to ourselves, that we have joined the fight and that our lives' work is laid out before us in a fundamentally different way than if we had not joined the fight."

—Wes Jackson
Altars of Unhewn Stone

"Although the condition was weakened considerably, at least the commissioners did not completely abandon the idea that taxpayers need to be protected from reclamation costs," stated Patrick Moore, LSP organizer with the Factory Farm Awareness Campaign. "Instead the commissioners chose to recognize the fact that environmental costs can no longer be externalized when it comes to large scale agribusiness."

It remains to be seen whether or not Chippewa County will now incorporate these conditions for this particular factory farm into the county's comprehensive zoning ordinance. Like many others in the Minnesota River Valley, Chippewa County is in the process of reviewing and possibly rewriting its feedlot ordinance to deal with issues raised by the advance of factory farms across the state.

For more information write Factory Farm Awareness Campaign, c/o LSP, 103 W. Nichols Ave., Montevideo, MN 56265. □

June Redig

Contract Hog Production

Here are some of the many factors that need to be considered before entering into a contract to produce hogs.

There has been a growing interest in contracting the production of hogs in some areas in recent years. Contracting may allow a producer to reduce his capital requirements and risk (income, production, market price); returns are more stable; little operating capital is required; cash flow may be improved; and fuller use of available labor and facilities is possible.

By contracting, though, a producer loses managerial control; a limit is set on returns; facility use is not guaranteed; hogs may be commingled, exposing them to increased disease problems; and returns may not be adequate to cover facility costs and eventual facility replacement costs.

While production contracts reduce price risks, they can reduce profit potential over time. Though losses are reduced during low price periods, profits may be cut during high price periods.

Most contracts are for either producing feeder pigs or finishing feeder pigs to market weight.

A typical feeder pig contract will usually contain the following provisions. The producer provides the facilities, labor, veterinary costs, utilities, and bedding. The contractor provides breeding animals, feed, breeding schedule, transportation, marketing, and management. Pigs are removed at 40 to 50 pounds. Producer payment is based on the number of sows farrowed or number of pigs produced—for example, \$14 per 45 pound pig produced, plus 10¢ for each pound over 45 pounds.

Feeder pig finishing programs include a number of types.

Flat fee based on beginning weight and weight gain. The feeder provides facilities, labor, utilities, bedding, and insurance. The contracting firm provides pigs, feed, veterinary service and medi-

cation, transportation, and management. Payment is based on the average in-weight and the sale weight per head. The in-payment might, for example, be \$5 for a 30 pound pig, \$4 for a 50 pound pig, etc. The out-payment might be based on market weight minus 50 pounds times 2.5¢. In some contracts there is an intermediate payment after 60 or 80 days. Deductions may be made for death loss or feed required beyond a specified base amount and for unsalable hogs. There could be a premium for low death loss or unusually good feed conversion.

Flat fee based on days on feed. The feeder provides facilities, equipment, and labor. The contractor provides pigs, feed, veterinary, medicine, and marketing costs. Payment, for example, may be 7¢ per day, with a monthly payment.

Guaranteed cost per pound of gain or per head. The feeder guarantees the cost of gain. Death loss and feed conversion may be variables for a bonus or deduction. Such a contract can be risky for the feeder, since there is normally no control over the quality or health of the incoming pigs.

Profit sharing with conditional profit guarantee. A feed dealer or cooperative purchases the pigs and enters into an agreement with the producer, who is expected to provide suitable facilities, labor, and insurance and necessary heat, electricity, water, and bedding. The contractor determines the ration, recommends a management program, and sets up a "feeder contract agreement account." All other expenses such as feed, veterinary, and the cost of feeders are charged to this account.

Hogs are either forward contracted or hedged when purchased, and the contracting firm makes the decision on when and where the hogs will be marketed. The feeder and contractor share

equally any profit. The feeder is guaranteed a specified minimum amount based on the percentage of purchased pigs that are marketed. For example, if 97% of the hogs are marketed, the minimum guarantee might be \$5 per head; but if only 93% are marketed, the guarantee may be only \$1 per head.

Directed feeding. This can be fashioned in a couple of ways. A cooperative or other firm provides some management direction and assistance in obtaining financing and pigs and in forward pricing market hogs. The feeder receives the profit. The contractor is primarily interested in maintaining feed sales.

Or a firm provides the capital for purchase of feeder pigs, holds the promissory note for the cost of feeder pigs, directs the feeding program, and requires forward pricing of market hogs. The feeder provides all inputs, except for the feed and feed services. The producer retains all net returns after payment for the pigs and other costs.

TEAM Program (Total Economic and Animal Management). This approach attempts to integrate good production and risk management techniques into a program for producers and their local lender, feed supplier, and veterinarian. The producer and lender act as co-leaders, and other parties involved include the feed supplier, veterinarian, and a marketing specialist.

The producer owns the pigs and pays for all inputs. He must follow a prescribed production management and health program and a price risk management program. The lender receives normal interest on capital provided, the feed supplier receives the normal feed markup, and the veterinarian receives a specified payment for a basic health management program. The producer receives whatever profit is made.

When evaluating a contract, keep in mind the amount of risk that your operation can absorb or that you are willing to assume. There are three kinds of risks. If you wish to minimize your market risk, you will want a contract that provides primarily fixed or flat payments for hog production. In this case, the contractor essentially assumes all market risks. Production efficiency clauses such as feed efficiency and death loss determine how production risks are shared. The producer assumes most of the production risk when a contract provides a low flat payment, and most payments are in the form of bonus clauses. Income risk is determined through your ability to obtain a payment that is sufficient to cover your management and labor and have sufficient funds left over to replace facilities.

A projection of costs, return, and expected profit from a contract arrangement is necessary before entering the agreement, particularly if bonuses are involved. A comparison of contracts has shown that returns and profit can vary dramatically between contracts. Bonus clauses can cause considerable variability. Many contracts may call for a death loss and feed efficiency levels that many producers are unable to achieve.

Further, consider the fact that many of the factors that determine a producer's ability to meet certain standards are controlled by the contractor, including the quality of the feeder pigs delivered, the medication allowed, and even the weight at which the hogs are marketed. If hogs are marketed at 220 pounds, for example, it will be easier to achieve a certain level of feed efficiency than if the hogs are held to weights of 260 or 280 pounds. The heavier the finish weight, the lower the feed efficiency will be.

Be realistic when evaluating bonus clauses. If you have your own production information, use it. Set levels that are attainable.

Many contract terms need to be understood and considered. Here are a few of them.

Where a contract calls for the contractor to deliver pigs to the producer for finishing, timing of the delivery is important. Some contractors may delay delivery while waiting for higher prices to fulfill marketing commitments. But such delays can mean empty facilities and may impair a producer's earnings.

Market value of a pig or hog is immaterial to a producer who is under a specified payment contract, but it is very important if he is under a profit sharing agreement. The contract should require the contractor to provide the producer with paperwork on the purchase price and the sale of pigs raised under the contract. Without this information the producer is not able to verify that he was correctly compensated.

A producer may have no control over the health and quality of pigs delivered to his farm under some contracts. However, he has a stake in them, especially if part of his payment will be based on death loss and feed efficiency.

Death losses definitely affect a producer's earnings, especially if part of his payment is based on holding these losses to a specified level. Some contracts have discounts if death loss is greater than a specified level. Yet it may be difficult to determine whether the death loss was caused by the contractor or the producer.

One approach may be to have an outsider act as an arbitrator. But instead of bringing in an arbitrator for each death loss, an alternative might be to create an assumption that the death losses shortly after delivery of the pigs are the result of their condition rather than the practices of the producer. So a contract might read that the producer will not bear the financial responsibility for death losses occurring so many days after delivery unless the contractor can prove that the losses were caused by the producer.

Here's a check list of things that should be considered before entering into a contract.

- Have a written legal contract that is specific on all details of the arrangement. The rights and responsibilities of everyone involved should be defined. Consider the reputation of the contractor.

- Know who must pay or provide each input. As we have indicated, the contractor usually pays for feeder pigs, feed, medicine and veterinary service, transportation in and out, and any marketing costs. The producer provides the facilities and upkeep, water, electricity, bedding, labor, and liability and loss insurance.

- Be leery of contracts that base payment on things out of a producer's control. For example, feed conversion bonuses or death loss docks may be determined more by initial health of the pigs, type of feed, and weather than by the producer's management.

- Understand who is in charge. Is the contractor's field person your boss or consultant? What decisions can you make? How much control will you give up? What access to facilities does the field person have?

- Keep track of your labor and costs, including utilities, building, equipment, repairs, and insurance.

- Know when and how payment is made at placement and marketing. Is it every so many weeks or when a group of hogs is sold?

- What are the legal obligations and their implications? Will you be required to build or remodel facilities to meet the contractor's specification? Do you have assurance that the buildings will be kept full? What are the contract termination provisions?

- What are the contract provisions for quality of pigs that are to be fed? Can you choose the pigs that you feed? Can you reject poor pigs? Can you forgo any death loss dock if you sort out pigs that you feel won't perform well or survive?

- Know what quality feed and ration will be used. If you are paid on feed conversion, you need to know the quality of the feed.

- Are there lien considerations? Be sure you are first in line if the contractor should go bankrupt.



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Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

STATEMENT
OF THE
KANSAS LIVESTOCK ASSOCIATION
TO THE
SENATE COMMITTEE ON AGRICULTURE
SENATOR DAVE CORBIN CHAIRMAN
WITH RESPECT TO
CORPORATE FARMING LAW
RE: SWINE PRODUCTION
SB ~~475~~ 554

Presented by
RICH MCKEE
EXECUTIVE SECRETARY
FEEDLOT DIVISION
Monday, February 22, 1993

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

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

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

We believe the swine industry in Kansas would benefit from allowing corporations to engage in swine production. Kansas is obviously lagging

*Senate Ag Co
2-1-94
attachment 4
A-4-1*

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

I'm reminded how fortunate we are that such corporate restrictions have not included the beef sector. We have a strong and viable beef industry in Kansas. It's benefited our farm and ranch families, stimulated economic development in many rural areas, and grown to be a major business for this state. I'm certain this growth would not have occurred if our law prohibited corporate involvement in the beef business.

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

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

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



UTILICORP UNITED

820 Quincy Street, Suite 220
Topeka, KS 66612
913-232-2812
FAX: 913-232-4536

J.C. Long
Manager, Governmental Affairs
Kansas Operations

To: Senator David Corbin, Chairman
Members of the Senate Agriculture and Small Business Committee

From: J. C. Long, UtiliCorp United and its Kansas Divisions
Kansas Public Service
Missouri Public Service
Peoples Natural Gas
WestPlains Energy

Mr. Chairman and members of the committee:

UtiliCorp United and its Kansas Divisions support giving corporations the opportunity to engage in the business of producing and exporting agricultural products. We believe that Kansas and more specifically Western Kansas must be allowed to grow and expand and we believe that this is best accomplished by creating jobs and economic expansion in the agricultural sector through changes in the corporate farming laws as this bill would do if passed.

UtiliCorp United supports legislation that will bring new commerce and industry to Kansas, new commerce and industry that will create jobs and additional job possibilities for its citizens. We are concerned that unless Kansas realizes its role and its potential in the agricultural sector of the economy -- this window of opportunity that has presented itself to this state will close and once again jobs will not be created and quite possibly jobs will even be lost in Western Kansas.

Opening the corporate farming law in Kansas will create an avenue for our citizens, our unemployed and our farmers to stay home, find work and sell their products.

Senate Ag. Co
2-1-94

attachment 5



Farmland Industries, Inc.

Post Office Box 7305
Kansas City, Missouri 64116-0005
Telephone: 816 459-6000
Facsimile: 816 459-6979

The Honorable David R. Corbin
Kansas State Senate
State Capitol
Topeka, KS 66612

February 1, 1994

Dear Senator Corbin:

On behalf of the farmer-owned Farmland cooperative system, we support Senate Bill 554, legislation which will provide greater opportunities for Kansas hog producers. During the last five to six years, we have observed the trends in hog production changing quickly in the South, as well as some surrounding states. Changing the Kansas Corporate Farm Law will allow producers to have more flexibility in meeting these new industry trends.

We believe that the most important step the Kansas Legislative can make in enhancing the livelihoods of Kansas hog producers and enhancing rural economic development is through passage of SB 554.

Thank you for your consideration.

Sincerely,

Gina Bowman-Morrill
Manager
Government Relations

Senate Ag Co
2-1-94
- Attachment 6

Oklahoma packer seeks Kansas hogs...law change

BY HANK ERNST

Resistance to changes in the Kansas corporate farming law prompted the Seaboard Corporation to propose a regional exemption to the law. Views differ on its merits.

Wanted: Hogs. Not just 100, nor 1,000, but 4 million head. That's the expected annual slaughter capacity of the Seaboard Packing Plant in Guyman, Okla., when it's fully operational. Guyman is in the Oklahoma panhandle south of Liberal. Planned start-up will be the spring of 1995, with initial processing of 2 million head annually. Within two to three years, another shift would be added, doubling the number of hogs slaughtered.

Seaboard is interested in providing pork for a worldwide market, particularly Mexico and Japan. An increase in per capita pork consumption in the United States also is anticipated.

Surrounding states—Texas, Oklahoma, Colorado, New Mexico and Kansas, don't now produce that many hogs within a reasonable distance of the plant. A radius of 150 miles has been suggested by company officials, but that initially may prove impractical.

Doubting that existing pork producers in those states could gear up in time to meet the plant's needs, Seaboard has taken the initiative. The company has under construction in Oklahoma and Colorado its own facilities to generate 500,000 head of feeder pigs. About 60 percent of the hogs will come from Oklahoma; 40 percent from Colorado. By controlling the production, they'll control the genetics and type of hogs and final pork product desired.

Initially, only one agreement has been reached with any major producer of feeder pigs. The firm, which can provide 200,000 head, has operations in Texas and Oklahoma. Other arrangements have been made with a number of individuals.

Overall, Seaboard's aggregate capital investment is expected to be about \$400 million over the next four to five years. Seaboard's investment in the processing plant alone is estimated to be more than \$60 million. In December, the corporation was in the process of borrowing

\$100 million from insurance companies.

Seaboard would like to be able to finish hogs in Kansas. However, their plans are blocked by the state's corporate farming law which prevents corporations, other than family farm corporations, from owning land or facilities to produce hogs. Packing plants may own hogs, but only 30 days prior to slaughter. Exempted from the corporate farming law are farm cooperatives.

Legislation to exempt a 14-county area in southwestern Kansas from the law is now under consideration by the Legislature. The concept for the bill originated in testimony by Rick Hoffman, Seaboard's vice-president of finance, at a hearing in December. Counties included are Hamilton, Kearney, Finney, Hodgman, Stanton, Grant, Haskell, Gary, Ford, Morton, Stevens, Seward, Mead and Clark. In addition to the 14 principal counties, other Kansas counties could, at their option, opt for an

exemption to the law.

Seaboard is no stranger to efforts to alter the Kansas corporate farm law. In 1983, the company and DeKalb Genetics, a marketer of swine breeding stock, sought a change in the law. Since then, other attempts to change the law have been made, but Seaboard has not been involved again until now.

Based on Seaboard's best guess of what it could contract, Hoffman projected that 25 percent of the hogs slaughtered at the plant would be produced by the company in company owned facilities, 25 to 50 percent would be raised under contract and 25 percent or more would be bought on the open market.

Hog production of that volume means a lot of grain, some 40 million bushels, according to Hoffman's figures. Increased demand would put upward pressure on grain prices, a plus for southwestern Kansas grain farmers.

Plans are to do business with farmers and grain elevators, alike. The grain would be bought at harvest. And, once grain needs were satisfied, Seaboard would be out of the market.

While Seaboard doesn't want any financial incentives or tax breaks for its pork production plans, it would like to see industrial revenue bonds (IRBs) issued to help finance construction of additional feed mills. Seaboard views the feed milling capacity in southwest Kansas as inadequate.

A variety of contracts would be available from Seaboard. One, would be based on cost plus a margin of profit. Another would be for a given amount per pound of pork. Some contracts are for 10 years. On the poultry side of Seaboard's business, contracts have been written for up to 30 years.

Seaboard has a good reputation for its contracts. As Hoffman said, "Canceling a contract with a grower because of a disagreement is not smart business."

What is Seaboard?

Seaboard is a diversified international agribusiness and transportation company. Domestically, the company produces and processes poultry and pork. It's also involved in lamb processing, commodity merchandising, baking, flour milling, shipping and produce storage and distribution. Overseas, Seaboard engages in fruit, vegetable and shrimp production and processing. Other ventures include flour milling, animal feed production, polypropylene bag manufacturing and electric power production. Its corporate offices are located in Merriam, Kan. The firm's stock is traded on the American Stock Exchange.

*Senate Ag 2-1-94
Attachment 7*

Observations of a Missouri Hog Farmer

When Premium Standard Farms came to Missouri from Iowa, their intentions were to establish a 10,000 sow confinement hog production enterprise. It didn't seem like very much later that their intentions were raised to a 20,000 sow unit. Now it seems that they have settled on 50,000 sows. I'm sure it was always understood that they would produce their own feed, which they are doing, but we had hoped they would add to the production base to help maintain our slaughter and packing capacity on a more local basis. Now it is clear that Premium Standard will be building their own packing plant and slaughtering only their own production. Now one can't help but wonder what Premium Standard Farms is doing for ("to") the Missouri Hog Industry.

Tyson Foods has bought, renovated, modernized, added to, and is operating the old Wilson Packing Plant at Marshall Mo. Several country Buying Stations went along with the plant when Tyson bought it. One of these buying stations is close to me. Tyson made it very clear that they were going to be very serious about buying hogs in the area and the Monfort Buying Station just down the road had a very difficult time generating any type of competitive bid. Many days we were getting \$1-\$2 over St. Louis top locally.. Sound pretty good, ask me what our situation is now. Monfort is closed, the local Tyson Buying Station will close on Jan. 28, 1994 since they are getting enough hogs delivered direct to the plant since Monfort has closed.

To add fuel to the fire and keep the kettle boiling we hear that Continental Grain is building a 20,000 sow operation and even our own beloved MFA is trying to get into the contracting picture. Murphy Farms can't make enough money in North Carolina so they are coming to Missouri also. Representative Phil Tate, passed an amendment to Governor Carnahan's

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Attachment 8

economic stimulus package in the waning moments of the 93 session. This amendment exempts the 3 counties that Premium Standard Farm operates in from the Missouri Corporate Farming Law. Then Representative Tate tells the Mo. Pork Producers Board of Directors in July 93 that this was not done for Premium Standard Farms. In Jan. 1994 Representative Tate announces that a bill will be introduced to the Missouri legislature to repeal the Mo. Corporate farming law and that he will not support this bill, but that the time has come to start the discussion. It seems to me that the discussion is already started and Premium Standard is way out front.

Some people in the Mo. Swine Industry say that our situation is dynamic. I think we can also make a case for saying that the situation is scary. Large Corporate Hog Farms have been flaunted as the deciding factor in maintaining a strong, stable production base. This production base would be the deciding factor for packers looking to remain, expand, or relocate to Missouri. Even though this production base has been coming to Missouri, the packing industry has deteriorated.

Stephen Smith



EXCHANGE STATE BANK

ST. PAUL, KANSAS 66771



BOX 188

316-449-2225

Economic Development House Committee

March 9, 1993

Re: H.B. 2069

Members of the Economic Development House Committee:

We, at Exchange State Bank, would like to express our opposition to the Corporate Hog Farming Bill HB-2069. As a small rural bank in southeast Kansas we are involved in agricultural lending and do business with many small family farmers. Needless to say some of those farm customers are involved in hog production, and it is distressing to us that our state legislature is considering legislation that may in fact threaten their very existence. We have all seen what corporate farming has done to the poultry business throughout the country. It has virtually eliminated the individual producer unless they are interested in contracting directly with corporate interests who now control poultry industry and the market structure.

We can visualize the very same thing happening to the swine industry in the State of Kansas if corporate hog farming is to become a reality.

We recognize the temptation being promoted by the corporate interests. The promised job creation and tax receipts is certainly tempting, however, we would be willing to bet that most of the large corporate interests will be searching for tax abatements and other quirks as consideration for locating in specific areas. We would also note the majority of the job creation will be minimum wage jobs and we already have enough of those in southeast Kansas.

We would also remind you that most of our small family farmers in Kansas have lived here all their lives and have paid property taxes and income tax in the state throughout their adult lives.

We've already displaced too many of our small family farmers in the state of Kansas, we think eventually to the detriment of the state. We ask that you consider the impact of your actions on individuals and their families who have made a significant contribution to the state of Kansas their entire life by making Kansas one of the most productive and progressive agricultural states in the nation.

We trust in your ability to do what is right.

Respectfully yours,

Randy Steeves
President

Senate Ag Co
2-1-94
Attachment 9

House Agriculture Committee,

Being from a small rural community relying mostly on agriculture to sustain the local economy, I request your consideration in keeping corporate hog farming from being a part of Kansas. Too many native Kansans are already leaving the family farms for the suburban communities because of the struggled life of our farm families. Allowing corporate hog farming would only expand the necessity of this movement.

My family has raised hogs all my life and have been involved in businesses directly associated with the livestock industry. In other words, directly dependant on the family livestock business. Currently, we are operating with 80-100 sows in a farrow to finish program. This includes my brother and my three sons. The boys are all teenagers and involved in many other activities, but yet enjoy the farm life and values. My wife was raised in a small town not aware of the rewards and experiences of new born animals. Also, we have adopted a daughter who immensely enjoys the early morning chore trips to see the newborn animals. I mention all this because I believe corporate hog farming would destroy our family life and values we now enjoy as a family.

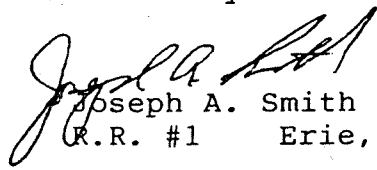
Although we have employment off the farm, it is only out of necessity. I hope to always be involved in the rural life. My job also sheds much light on the rural and farming woes. The small communities are suffering already because of the farm problems in the '80s. Especially small towns where elderly people have retired and moved to be close with their families and friends. These communities are history if corporate farming kills the family farms.

I find it simply amazing that corporate farming be considered an alternative at a time Kansans need to be Kansans. We are all here because we like the rural atmosphere. Our government is offering several programs and looking at others to get young farmers started. Why? Because there are no incentives to remain on the farm. Corporate hog farming seems to be a complete reversal of the government's efforts to enhance family farming.

I feel corporate hog farming would threaten many rural communities and farms involved in the swine industry today. The effect could be very similar to the Walmart effect on Main Street in your home town.

Please reconsider what your constituents want! Remember, we are all still in Kansas because of what it has to offer - A GREAT RURAL HEALTHY FAMILY LIFE.

Thank you for the opportunity to discuss my views and opinion regarding this issue.


Joseph A. Smith
R.R. #1 Erie, Kansas
Senate ag Co
2-1-94
attachment 10

KANSAS SWINE GROWERS ASSOCIATION
Area Pork Producers

To whom it may concern:

We are against corporate pork production in our area because our present small non-corporation pork producers are land owners and diversified farmers paying local taxes supporting our local county functions.

Our local (non-corporate) pork producers purchase items from the local community, therefore, helping to stimulate our local economy vs corporations that set up national purchasing of most needed items out of the local economy.

Please keep our local pork producers stimulating our local economy.

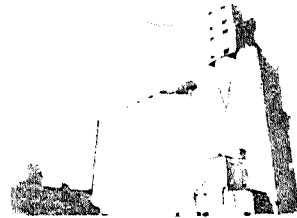
Robert Campbell
Esie, Kansas

Senate Ag. Co
2-1-94
attachment 11



PRODUCERS COOPERATIVE ASSOCIATION

P.O. BOX 323
GIRARD, KANSAS 66743
316-724-8241



Established in 1948

February 3, 1993

Committee on Agriculture
Topeka, Kansas

Gentlemen:

We are concerned about corporate hog farms where such farms would eliminate or seriously affect the profits of current hog operations in this area. We provide many services to these operations. Not only do we sell them feed but also fuel, tires, and many other supplies.

These producers are a significant part of our business. The loss of a large segment of our customer base would affect the profitability of our organization.

Our company is economically important to this community. We employ from 45 to 50 people. These people require support and create additional employment in the community through services which they and their families require. Also, many of our customers come to town to do business with us and while they are here do business with other business firms in town.

We are a full service farm supply company which manufactures feed, soymeal and soyoil, merchandises grain, sells fertilizer, fuels, tires, oil, and other farm supplies, and provides other related services for our producer members.

Yours truly,

H. Wayne Wigger
General Manager

Senate Ag Co
2-1-94
Attachment 12

: Corporate Swine Production

Members of the Committee:

My name is Jack Whelan. I am a farmer/pork producer from St. Paul Kansas. Swine production has been a consistent part of my farming business since it was established in 1957. I attribute my success in farming largely to this pork production. My operation consists of a 150 sow, farrow-to-finish process.

I am opposed to corporate swine production. I am sure testimony has been presented on the many negative aspects of this issue. I will not address facts and figures, but rather how I see it would affect my community and myself.

I cannot compete with large scale corporations in my business. Although I am an efficient producer, corporations have advantages that are not available to me. Large volume purchase of feed, supplies and equipment combined with higher market prices give them a significant edge. This only serves to encourage more building and more production, which decreases market demand and prices. Within a short period of time, my market will be limited to the rock bottom prices I can get at the local stock yards.

I purchase thousands of dollars worth of feed from a nearby feed store every month. I buy equipment and supplies locally. My profits support local businesses. I bank and shop within the community. If my business suffers financially, rural Southeast Kansas suffers financially.

As undoubtedly all medium sized family farmers have, I have contributed socially to rural Kansas. I have a wife and three children. Two of whom have chosen to remain in this community, to work, raise their children and contribute both socially and economically to rural Kansas. My son is employed in an agriculture associated business.

The financial stability of rural communities is centered around agriculture. If the income of some 5,700 Kansas hog farmers is devastated by large corporations, rural Kansas will suffer. It is estimated that for every 6 or 7 farmers who go out of business, one local business closes. If large corporations move into pork production, it may appear to benefit some communities, but it certainly will be at the expense of many others.

Thank you for the opportunity to voice my strong opposition to corporate pork production.

Jack Whelan
Rt. 1 Box 25
St. Paul, Kansas 66771

Senate Ag Co
2-1-94
attachment 13

February 4, 1994

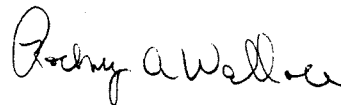
To Whom It May Concern:

Being a manager for a local business, I am concerned about the recent push to allow corporations to start hog production in Kansas. I feel most of my customers who raise hogs will not be able to compete on a level playing field. And, without business of these customers it will be harder for me to stay in business.

Even though I work for a corporation, it is hard enough to compete with other corporations that are vertically integrated. From the information that I am getting it is vertically integrated corporations that want to start hog production in Kansas. This will put a great stress on our local farmers and would eventually hit my business.

I would ask this committee not to allow this to happen to our great state.

Sincerely,



Rodney A. Wallace
204 East 4th
Erie, Kansas 66733

Senate Ag Co
2-1-94
Attachment 14

To: Agriculture Committee

I am sure if hog corporations are allowed in Kansas they will force all family farm producers out of business. The small town businesses will be hurt due to losing the local business of hog farmers. Corporations will not buy anything locally. They will ship it in from out of state which will raise Kansas unemployment.

The only way a young farmer could raise hogs with the proposed corporate hog farming would be on contract with the corporation for a starvation wage. The young farmer and the family farmers will be forced to invest a large sum of money to purchase buildings and equipment, sign a loose nit contract favoring the corporation, and can be cancelled if something did not go right and put us in bankruptcy.

I used to raise chickens. Now since the small chicken farmers were forced out by corporate chicken farming I have no market for chickens. Please vote against corporate hogs as they will doom the family farm in Ks.

Kenneth Whelan
St Paul Ks
Hog Farmer

Senate Ag Co
2-1-94

attachment 15

To: Agriculture Committee

We are opposed to Corporate Hog Farming.

Please save the family farm - vote against this bill.

Kenneth Whelan St Paul KS - Clara Whelan, St Paul, KS.

Steven O'Toole Girard KS

Suom, O'Jogea, Girard, KS.

My friend, Patrick Smith to Linda Smith St Paul
Head David - Walnut, KS - Rick Smith St. Paul
KS.

Mary David - Walnut, KS - Gregory Brangard Galesburg
Leonard Westhoff Walnut, KS - Lori Brangard Galesburg

Wendy Reust - R.O. Box 113 Erie, KS

Eric Allen - 218 North Lincoln Erie KS.

William McClintock 604. South Grand Erie

George C Lockwood RR. 3 Parsons KS.

Pamela Lockwood RR. 3 Parsons, KS

Paul Rice - 1111 N. 9th, PA 2

Steve Shorter S. Chetopa KS.

Carol Kading S. Chetopa KS.

Debbie Whelan RR1 Box 2. St Paul KS

Don Whelan RR1 Box 2 St Paul KS

Alan H Miller RR 2 Box 179 Parsons Kansas

Cyndi Wilson 1425 Stevens Parsons, KS.

Joe Ludwig 1425 Stevens Parsons KS.

Nancy Koper 1912 Stevens Parsons KS.

Herman Ludwig R3 Parsons KS

Dorthea Ludwig R3 Parsons KS

Senate Ag. 6.1
2-1-94

attachment 16
16-1

Robert W. Light 1315 Stevens, Parsons Line.
 Eliseo Chuy 2110 Crawford Parsons, KS 67357
 James B. Schibi RT2 Box 92 Parsons, KS 67357
 Margaret Schibi RR2 Box 102 Parsons, KS 67357
 Carol Schibi RR2 Box 102 Parsons, KS 67357
 GAD → D.M. KSWMT4
 Mary E. Schibi RT2 Box 92 Parsons, KS 67357
 Karen M. Salsbery 3700 E. Lincoln Wichita, KS. 67218
 Jim Quack 1100 S. 13th Parsons KS
 Jim Hinman 1921 Appleton Parsons KS 67357
 Mickey Herman 1921 Appleton Parsons KS 67357
 Jim L. Lewis 1100 S. 13th Apt 2 Parsons KS 67357
 Ron McClelland 3514 Morgan Parsons KS 67357
 Susan McClelland " " Parsons, KS 67357
 Ron McDaniel 1603 Felix Parsons KS 67357
 Jeanne McDaniel 1603 Felix Parsons KS 67357
 Jerry Cooper P.O. Box 33 St. Paul KS 66771
 Steve Weiskell 1331 Chess Parsons, Kansas 67357
 Rosanna Weiskell 1331 Chess Parsons, KS. 67357
 David Lehr Box 97 J Parsons, KS 67357
 Cathy Schibi 2224 Washington Parsons, KS. 67357
 William N. Schneickert 310 Village Dr. Parsons KS 67357
 Renee Kennedy 1708 Dirr Parsons, KS 67357
 Marie L. Moore 6715 Crawford Parsons, KS. 67357
 Margaret A. Schneickert 310 Village Dr. Parsons, KS. 67357
 John A. Carls 116 N. 16th Parsons KS 67357
 Chris Day 116 N. 16th Parsons, KS 67357
 Roger Thompson 820 N 17th Parsons 67357 ②
 16-2

Paula R Perry
Brent Cruse
Ernest R Perry
Joe Munding
J. W. Wiley
Melinda Halsey
Vickie Willey
Sherry St. John
Michael Munday
John Simmons
Travis Keat
Brian Cluisa
Regina Stevens
John Montine
Dave Smith
Jan Helms
Dave Keating
Teresa Robinson
L. A. Salsbery
Mary Alice Walker
Lynn C. Doherty
Stacy Markley
Zack L. L. L.
Don Dillinger
Gary Volmer
Gerry Volmer
Julie Brown
Ken Auber

Parsons, Ks.
Parsons Mo.
Parsons Ks.
Parsons, Ks.
" "
Pittsburg, Ks
Parsons Ks.
" "
PARSONS, Ks 1814 STEVENS
" 1301 Grand
Parsons, Ks,
Parsons Ks
Parsons, Ks. 1610 Crawford
Parsons Ks, 1417 Thornton
PARSONS, Ks
Parsons, Ks
Altamont, Ks
H. Clanta St.
Newton, Ks
Grand Prairie K. 75051
Parson, Ks
McClene Ks
Parson Ks,
St. Paul, Ks.
St. Paul Ks.
St. Paul, Ks.
Erie, Ks.
Erie Ks

Charles Fox	Walnut Ks.
Bob Barger	Eric Ks.
Karen Barger	Eric, Ks
Christopher Dulin	Walnut Ks
Lawrence B. Smith	St. Paul Ks
Straight Winter	St Paul Ks
Timothy D. Ward	St Paul Ks.
Camille Lerley	St Paul Ks.
Kimberly Walter	St Paul Ks
Todd Morris	Walnut Ks
Paul E. White	Walnut Ks
Fony Anderson	Walnut, Ks
Crissy Salzman	Grand, Ks.
Larry Ent	Radley, Ks
Blane Ridings	Radley, Ks
Roger Fox	Monte Carlo Ks
Oran	Walnut Ks
Benny Mott	Eric, Ks.
Lisa Knebelick	LaHarpe, Ks
Mike McCoy	Calistoga, Ks
Bill Dunn	St. Paul Ks
Butch Bag	Walnut Ks.
Jerry Joe	Walnut Ks.
Marcia McCoy	Dallasburg, Ks
Starla Hall	St. Paul, Ks.
Jennifer McCoy	St. Paul Ks
Vern Smith	Hegler Ks.

Mary McArthur	St Paul Kns
Sahag Landuth	Walnut, Kans
Sally Smith	Chanute Kansas
Jamara Smith	Hepler, Ks.
Freda M. Allen	St. Paul Ks.
Arthur Vance	Walnut Ks.
Marla Kurbogtrick	Walnut KS
Philip Bush	Chanute KS
Clara Frost	St. Paul Ks.
Betty Whiting	Walnut Kans.
Mary DeBorja	St. Paul, Kans.
Deborah Sexton	Rt 2 Box 96, Girard, Ks.
Tracy Lyman	Eric, Ks.
Betty Deenan	St. Paul Kansas
Cecilia Johnson	Parson, Ks
Janice Forst	St Paul Ks
Mary Gula	Parson, Ks.
Velma Hoffman	Hepler, Ks
Barbara Eck	Eric, Ks.
Ted Ham	Girard, Ks.
Jerese Swygford	Girard, Ks.
Dorinda Hoover	St. Paul Ks.
Karen McDelland	Girard Ks.
Diana Low	McLure, Ks.
Helen Schettler	Walnut, Kansas

Mary McDonald
Janice Norris
Mistell Pauls
Brenda Oster
Gathered Bessie
Dana Coonrod
Kim Knott
Aimee Peck
Shellie Dalton
~~Karen Bennett~~
Belle Billington
Ray Mince
Karen Billington
Jan Jaczwinot
Scott Hollenbeck
Patricia Martin
Christy Schoenhofen
Cathy Loring
Billy Meier
Dennice Sales
Jeff Ardunick
Sharon Clark
Mike Myers
Marian Schoenhofen
Karen Lierke
Victoria Chesnut
Marcia Bartholomew
Dani Harp

Pittsburg, KS.
Walnut, KS
St Paul, KS
Erie, KS
Erie, KS
St. Paul, KS.
Erie KS
Erie, KS
South Mound, KS.
~~South Mound~~
~~St Paul~~, KS
McCune, KS.
Parsons Texas
McCune KS.
St. Paul, KS.
Erie, KS.
Walnut, KS
St. Paul, KS
Walnut KS.
Erie, KS
Pittsburg, KS.
Pittsburg, KS
Erie, KS
St Paul, KS.
Erie, KS.
Parsons, KS.
Parsons, KS
Parsons, KS
Erie KS

6

d. Make recommendations to the acting secretary on amendments to an order.

e. Employ personnel.

Section 7. a. Handlers may seek review of an order by filing a written request with the board. Board shall issue a decision which shall be final.

b. Regulated handlers may challenge the legality of any provision of the order, provided administrative review by the board first.

Section 8. In fixing the prices, the board shall consider the competitive prices of milk delivered on a regular basis from various sources to certain locations, the cost of production, general economics of the industry and the general economy of the state. After the initial establishment of orders, the board shall make necessary adjustments in prices to reflect changing market conditions to bring market stability.

Section 9. a. Handlers shall:

1. Make reports as established by the board;

2. Maintain records and make such records available to the board.

b. Information shall be confidential and not public record.

Section 10. Each order issued by the board shall require the handler to pay a pro rata share of the cost of administration. (The balloon amendment strikes that provision and provides that 4% of the funds collected would be credited to the WIC program and an annual percentage fee would pay for the costs to the state of administering and providing support staff for the program. Funds collected means the difference between the price established by the federal milk marketing order and the state milk marketing order.

Jill Wolters
Assistant Revisor
January 24, 1994

Senate Ag. Co
2-1-94
attachment 17

Section 1. a. Creates the dairy marketing advisory board, within the department of agriculture.

b. Members appointed by the governor, confirmed by the Senate. Board consists of 6 members (5 members in balloon amendment) as follows: 2 dairy farmers, 2 milk handlers (1 in balloon amendment), 1 consumer member and the acting secretary of agriculture.

c. Members will serve for three year terms, initial terms staggered. Three members establishes a quorum. Members may be removed for cause.

d. No compensation for members except expenses.

Section 2. a. The board may issue and amend milk marketing orders. The board may contract with existing federal milk order authorities and establish coadministrative arrangements with other states.

b. Establishes that milk marketing orders may cover all or parts of the state. Orders may also contain parts of existing federal orders.

Section 3. Within 30 days of receiving a proposed milk marketing order, the board shall conduct a public hearing to receive evidence of the need for an order. Within 60 days (30 days in the balloon amendment), The board will issue a decision concerning the order. If the order is recommended by the board, it is submitted to the producers for approval or disapproval. Co-ops can vote in blocks for producers. (This provision is stricken in the balloon amendment.) If a majority of producers approve, the order shall become effective the following month. The board may establish rules and regulations to conduct the elections.

Section 4. An order will be terminated whenever requested by a majority of producers.

Section 5. Orders shall contain the following terms:

a. Classify milk purchased by use; fix minimum prices for each use; establishing time frames in which to pay.

b. Establish a system to pay producers and co-ops.

c. Orders applicable to milk marketed in KS shall not prohibit or limit marketing of milk anywhere else.

d. Orders may contain provisions for pricing all class I packaged fluid milk distributed on routes in KS regardless of the location of the processing plant.

e. & f. Any term or condition incidental to and not inconsistent with the act are deemed necessary by the board.

Section 6. The board has the authority to:

a. Administer orders in KS in accordance with the terms and provisions.

b. Adopt rules and regulations.

c. Receive, investigate and report to the acting secretary violations of any order.

SENATE BILL No. 72

By Committee on Agriculture

1-22

8 AN ACT creating the dairy marketing advisory board; relating to
9 the powers, duties and functions thereof; relating to milk mar-
10 keting orders.

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. (a) There is hereby created the dairy marketing ad-
14 visory board. The board shall be within the state ~~board~~ of agriculture. department

15 (b) The members of the dairy marketing advisory board shall be
16 appointed by the governor and subject to confirmation by the senate
17 as provided in K.S.A. 75-4315b, and amendments thereto. The board five
18 shall consist of ~~six~~ members, of such, two members shall be dairy one member
19 farmers; ~~two members~~ shall represent the milk handlers of the state; ~~one of which shall represent milk cooperatives and processors;~~
20 ~~one of which shall represent milk cooperatives and processors;~~ one acting
21 member shall be a consumer of milk; and one member shall be the
22 secretary of the state ~~board~~ of agriculture or the secretary's designee. The Kansas dairy association may make nominations to the
23 governor for consideration as appointments to the dairy
24 marketing advisory board.

25 (c) Members of the board shall serve for three year terms, but
26 of the first ~~six~~ members appointed, two shall serve for one year, department
27 two shall serve for two years, and ~~two~~ shall serve for three years. five
28 ~~One half of the~~ members shall constitute a quorum. Vacancies on one
29 the board shall be filled in the same manner as original appointments
30 are made. The board may remove any of the boards' members for
31 cause after hearing. Three

32 (d) Members of the board shall receive no compensation for such
33 members' services, but may be reimbursed for actual and necessary
34 expenses incurred by such members in the performance of such
35 members' duties ~~from the state general fund~~.

36 Sec. 2. (a) The dairy marketing advisory board shall be respon-
37 sible for the issuance and amendment of state milk marketing orders,
38 and the general administration of such orders. In order to perform
39 such duties the board may contract with existing federal milk order
40 authorities and execute coadministrative arrangements with similar
41 authorities in other states.

42 (b) Milk marketing orders issued by the state of Kansas may be
43 made applicable to all or portions of the state and may contain
provisions of existing federal milk orders then effective, and such
orders may contain provisions to create more orderly marketing con-

Senate Ag Co
2-1-94

Attachment 18
18-1

ATT 18

1 ditions in the dairy industry of this state.

2 Sec. 3. Within 30 days of the receipt of a proposed milk mar-
3 keting order applicable to all or part of this state, the dairy marketing
4 advisory board shall conduct a public hearing for the purpose of
5 receiving evidence as to the necessity for such order or any specific
6 provisions thereof. Within ~~60~~ days after the close of such hearing,
7 the board shall issue a decision regarding the proposed state milk
8 marketing order. If an order is recommended by the board, the
9 order shall be submitted to producers residing in this state for such
10 producers' approval or, disapproval. ~~In assessing such approval or~~
11 ~~disapproval, cooperative associations may vote in blocks on behalf of~~
12 ~~such associations' members who are Kansas producers.~~ If a majority
13 of the producers approve issuance of the proposed order, the order
14 shall become effective on the first of the month following the ap-
15 proval. The board may promulgate rules and regulations relating to
16 the conduct and canvassing of such elections and procedures re-
17 garding proposed amendments. If a majority of the producers ap-
18 prove any amendment, such amendment shall become effective on
19 the first of the month following the approval.

20 Sec. 4. A state milk marketing order shall be terminated when-
21 ever requested by a majority of the producers subject to the order.
22 The procedure to terminate such order shall be established by rules
23 and regulations.

24 Sec. 5. Milk marketing orders issued for Kansas shall contain
25 one or more of the following terms and conditions:

26 (a) Classify milk purchased from producers or associations of pro-
27 ducers in accordance with the form in which, or the purpose for
28 which, such milk is used; by fixing minimum prices for each such
29 use classification which all handlers shall pay; and by stating the
30 time when such payments shall be made. Such prices shall be uni-
31 form as to all handlers subject only to adjustments for the market
32 or area of distribution of packaged fluid milk products and the lo-
33 cations at which delivery of such milk is made to handlers. Milk
34 classification and pricing may be accomplished on the basis of skim
35 and butterfat or other components, provided such system is uniform
36 among handlers;

37 (b) providing a system of payment to producers and cooperatives
38 that reflects the market-wide usages of milk. Such payments shall
39 be uniform among producers and cooperatives on behalf of such
40 cooperatives' member producers, subject to plant locations of milk
41 so received. Nothing contained in this section shall be construed to
42 prevent a cooperative marketing association engaged in making col-
43 lective sales or marketing of milk or milk products for member

1 producers, from blending the net proceeds of all of the associations'
2 sales in all markets in all use classifications, and making distributions
3 thereof to the associations' producers in accordance with the contract
4 between the association and such associations producers. The asso-
5 ciation shall not sell milk or milk products to any handler for use
6 in any market at prices less than that fixed for handlers regulated
7 in any market;

8 (c) marketing orders applicable to milk marketed in Kansas shall
9 not prohibit or in any manner limit the marketing of milk or milk
10 products which are produced in any other production area of the
11 United States;

12 (d) Kansas milk marketing orders may contain provisions for pric-
13 ing all class I packaged fluid milk distributed on routes in Kansas
14 regardless of the location of the plant processing such milk. Such
15 regulation shall be uniform in price among handlers as to various
16 areas of competition, regardless of the location of the processing
17 plants. Such orders shall provide for transferring the value of class
18 I packaged fluid milk sales in Kansas that originate from out of state
19 plants back to the raw milk suppliers of such plant. Failure of any
20 out of state plant to furnish information to the dairy marketing ad-
21 visory board in Kansas which is necessary to achieve such monetary
22 transfer shall constitute a basis for including such funds in the Kansas
23 producer price computation;

24 (e) Providing:

25 (1) Except as to producers for whom such marketing services are
26 being rendered by a cooperative marketing association, for market
27 information to producers and for the verification of weights, sampling,
28 and testing of milk purchased from producers, and for making ap-
29 propriate deductions therefor from payments to producers; and

30 (2) for assurance of, and security for, the payment by handlers
31 for milk purchased from producers and cooperatives;

32 (f) any term or condition incidental to and not inconsistent with
33 the aforementioned terms and conditions which are deemed nec-
34 essary by the dairy marketing advisory board to effectuate the other
35 provisions of each order.

36 Sec. 6. The dairy marketing advisory board shall have authority
37 to:

38 (a) Administer any orders issued in Kansas in accordance with
39 the terms and provisions;

40 (b) make rules and regulations necessary to effectuate the terms
41 and provisions of each order;

42 (c) receive, investigate and report to the secretary of the state acting
43 board of agriculture concerning violations of any order's provisions; department

(d) make recommendations to the secretary of the state ~~board~~ of acting department of agriculture on amendments to any order; and

(e) employ or contract with the appropriate personnel to carry out the board's responsibilities.

Sec. 7. (a) Handlers subject to regulation by any state milk order issued by the dairy marketing advisory board may seek review of such regulation by filing a written request with the board. The dairy marketing advisory board shall issue a decision on such request which shall be final, if issued in accordance with law.

(b) Regulated handlers may challenge the legality of any provision of a Kansas milk marketing order, provided administrative review has first been sought with the dairy marketing advisory board.

Sec. 8. In fixing the level of prices to be paid by handlers, the dairy marketing advisory board shall consider the competitive price of milk delivered on a regular and sustainable basis from various alternative sources to certain locations, the cost of milk production in Kansas, the general economic conditions within the dairy industry, and the general economy of the state. After the initial establishment of prices in Kansas' state milk orders, the dairy marketing advisory board shall make necessary adjustments in such prices to reflect changing market conditions which will bring more market stability and encourage development of an adequate supply of pure and wholesome milk for Kansas citizens.

Sec. 9. (a) All handlers subject to a milk marketing order issued by the dairy marketing advisory board shall:

(1) Make such reports in a manner prescribed by the dairy marketing advisory board which are necessary for administration of the order;

(2) maintain books and records regarding such handlers' dairy operations, and make available such books and records to the dairy marketing advisory board to allow verification of all receipts, usages and payments as required in administration of the milk marketing order.

(b) Notwithstanding any provision of law to the contrary, information obtained by the dairy marketing advisory board from regulated handlers shall be treated as confidential information and shall not be public records.

Sec. 10. ~~Each milk marketing order issued by the dairy marketing advisory board shall contain a provision requiring each handler to pay such handlers' pro rata share of the cost of the administration of such order.~~

Sec. 11. This act shall take effect and be in force from and after its publication in the statute book.

Sec. 10. (a) The amount equal to four percent of the funds collected shall be remitted to the state treasurer at least monthly. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount thereof in the state treasury and the same shall be credited to the federal women, infants and children health program fund for the purpose of supplementing finances for the federal women, infants and children health program. Of the amount credited to the federal women, infants and children health program fund pursuant to this section, no more than 25% of the funds shall be used by the department of health and environment to administer the federal women, infants and children health program.

(b) The board shall annually establish a percentage of the funds collected to be used to finance the operating expenses incurred by the state for implementing this act. The percentage established by the board shall be remitted to the state treasurer at least monthly. Upon receipt of any such remittance, the state treasurer shall deposit the entire amount thereof in the state treasury and the same shall be credited to the dairy marketing advisory board fund, which is hereby created, for the purpose of financing operating expense incurred by the state for implementing this act. All expenditures from the dairy marketing advisory board fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the acting secretary or by a person or persons designated by such acting secretary. The department of agriculture shall account for all state expenses financed from the fund on an annual basis. Any unencumbered balance remaining in this fund at the end of each fiscal year shall be paid to the dairy marketing advisory board.

(c) As used in this section, "funds collected" means the amount of money collected equal to the difference between the price established by the federal milk marketing order and the price established by the state milk marketing order.



SIERRA CLUB

Kansas Chapter

Testimony on Corporate Hog Bill (S.B. 554)
William J. Craven, Legislative Coordinator
Kansas Sierra Club and
Kansas Natural Resource Council
January 25, 1994
Senate Agriculture Committee

Thank you, Mr. Chairman, and members of the committee for providing the 4,000 members of the Kansas Sierra Club and the Kansas Natural Resource Council to voice again their opposition to yet another proposed change in the Kansas corporate farming law.

I'm sure many of you recall my testimony last year on the corporate hog issue. My main contentions were that corporate farming is economically damaging to family farms and the rural economy of many Kansas communities, leads to greater economic concentration in an industry which is already controlled by too few, and, without adequate safeguards, leads to irreversible environmental damage. I also pointed out that corporate farming, by definition, is not sustainable agriculture, and that family farms are far better suited to diversification, economic efficiencies, and environmental protection. Although I have continued to review this issue, I have found nothing to alter my views.

I want to make it clear that the Sierra Club and KNRC is aware that Kansas unfortunately has lost too many farmers. Those losses can't be regained by this proposal. Instead, this bill would virtually guarantee further losses in the number of family farmers, including those involved in pork production in Kansas.

The environmental effects of large confined livestock operations are obvious and well-known. The major issues are manure control and wastewater run-off control. It is not at all clear that KDHE is budgeted or staffed to handle even more permit applications, nor is it clear that the regulations which are in place are sufficient to protect the environment when we are talking about such massive operations.

KDHE's abilities to regulate confined livestock operations are already subject to criticism. This regulatory effort now receives about \$22,000 of its \$440,000 operating budget from fees. That is a paltry percentage compared to the fees other businesses pay for permits in this state, and the legislature or the department should re-consider the funding

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for this program prior to allowing even more permit applications to swamp the agency.

The risk of water pollution from confined feedlot operations is not mythical. Only 7 percent of Kansas rivers and streams fully support their designated uses, and feedlots and animal wastes contribute to the use impairment of more than 11,000 miles of Kansas streams and rivers. Water quality across the state is often impaired by fecal coliform, sediment, and nitrates. Fecal coliform is strongly linked to confined livestock operations, and the other two can be, depending on the situation.

Among the things that should be required is an environmental and community assessment conducted by KDHE, and paid for by the applicant, before any corporate pork production is allowed in this state. There should be an opportunity for public comment and even public hearings at both the state and the county level. Also, the legislation should spell out in detail exactly what factors should be looked at. At a minimum, these would be the quality of the jobs created, the benefits provided, the supply of water and energy, odor control, wastewater management, manure supply and control, and measures for enforcing these regulations. It might also be wise to require large confined livestock operations to have certain insurance limits in case environmental remediation of water supplies is required.

Last year, considerable attention was paid to the corporate hog operations in North Carolina. From the testimony presented, we learned that North Carolina was trying to regulate the feedlots after they were in place, and that the fact that regulations weren't in place before operations began caused many to complain about odor and water quality.

This issue is one in which the Sierra Club hopes the legislature reaches conclusions which support family farmers and the environment. Family farmers are generally better stewards of their land and water resources than faceless corporations who owe no allegiance to rural communities. Farms which operate on a smaller scale, and which are not essentially industrial-style production units, are usually better for the environment. Equally important, family farms can help re-create a rural economic base in Kansas. Family farms contribute to the state's social mix, and small farm communities spend more money for household supplies and building equipment. Schools, churches, newspapers, parks, and civic organizations survive in towns with a broad-based family farm economy. There is no evidence that corporate agribusiness shares those values or makes the same sort of contributions.