Approved: 3-22-94
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson David Corbin at 10:00 a.m. on March 16, 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 McClaflin, Committee Secretary

Conferees appearing before the committee:

Larry Woodson, Director, Inspection Division, Kansas Department of Agriculture
Bob Binder, The Kansas Milk Producers
Joe Lieber, Kansas Cooperative Council
Ted Barlows, Anderson Erickson Dairy Co.
Donald Kullmann, Prairie Farms Dairy, Inc.

Others attending: See attached list

Chairperson Corbin opened the hearing on HB 3012 - creating the dairy marketing advisory board. He called on Larry Woodson.

Larry Woodson, Director, Inspection Division, Kansas Department of Agriculture testified in support of HB 3012 as they believe it would help stabilize milk prices received by Kansas Dairy farmers, and thus slow down the attrition of dairy farms that has occurred in recent years (Attachment 1). He question who would be the enforcing agency and where the fines would be paid.

Bob Binder, The Kansas Milk Producers, testified in support of HB 3012. He assured the Committee that any order developed by the Kansas Marketing Board to be accepted by the Kansas Dairymen would have to reflect that the benefits of that order would go to Kansas Dairymen, and not to producers outside of the state (Attachment 2).

Joe Lieber, Kansas Cooperative Council, testified in support of the bill.

Ted Barlows, Anderson Erickson Dairy Co., testified in opposition to the bill. He pointed out if Kansas attempts to regulate the price of milk from other states, it may be unconstitutional, and pointed out there is legislation pending in the United States Supreme Court regarding the legality of a Massachusetts program similar to that proposed for Kansas (Attachment 3). Mr. Barlows responded to questions.

Chairperson Corbin called on Staff for a briefing regarding the pending legislation against the state of Massachusetts. Staff distributed a memo reporting her conversation with Massachusetts Assistant Attorney General, Eric Smith (Attachment 4).

Donald Kullmann, Prairie Farms Dairy, Inc., testified in opposition to HB 3012. He said the solution to the Kansas Dairy Industries problems would not be solved by creating a state order. Kansas Dairy Farmers will have to adjust to the changes in their business and they will need to operate larger dairy operations or get out (Attachment 5). Mr. Kullmann responded to questions.

Chairperson Corbin announced committee discussion on HB 3012 would be on March 17, 1994.

The meeting adjourned at 11:02.

The next meeting is scheduled for March 17, 1994.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

GUEST LIST

COMMITTEE: Senate Agriculture DATE: 3/16/94

| NAME | ADDRESS | ORGANIZATION |
|---|---|---|
| Donald L. Kullmann | P.O. BOX 560 CARLINVILLE ILL 62626 | STEFFENS DAIRY FAIRMONT/ZARDA DAIRY |
| Ted Barlows | Kansas City, Ks | AE DAIRY |
| Frances Kastner | Topeka | Ks Food Dealers Assn |
| DONALD SNODGRASS | Topeka | KFDA |
| Jim Allen | " | Seaboard |
| Arlan Holmes | " | Div of Budget |
| Russ Frey | TopekA | KVMA |
| Marty Vanier | Manhattan | KAA |
| Jamie Clover Adams | Topeka | KGFA/KFCA |
| Melvin Bruce | Topeka | KDA |
| Joe Lieber | Topeka | Ks Co-op Council |
| Kenneth M. Wilke | Topeka | Ks. Bd of Ag. |
| LARRY D. WOODSON | TOPEKA | Ks DEPT OF AGRIC. |
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Senate Agriculture Committee
House Bill 3012
March 16, 1994

Mr. Chairman, members of the Senate Agriculture Committee, my name is Larry D. Woodson, Director, Division of Inspections, Kansas State Department of Agriculture and I am here this morning to testify in support of House Bill No. 3012.

We support the State Milk Marketing Order because we believe that it will help stabilize milk prices received by our Kansas Dairy farmers and thus slow down the attrition of dairy farms that we have seen in recent years.

We must consider the fact that milk is a <u>perishable</u> product and thus must be marketed in a timely and orderly manner. We must remember that milk and dairy products play an essential role in our diet.

In supporting this bill, we would respectfully request that the Committee address one area of concern:

1. We respectfully request that the program be self-sufficient and not be operated at the expense of existing programs. Funding to initiate this program and assure self-sufficiency should be deposited into a no-limit designated fee fund.

   We are of the opinion that a significant portion of the cost of initiating the State Milk Marketing Order will occur within the first six to eight months of the program. It is during this time that a large portion of the administrative, clerical, and other related duties will occur while establishing necessary rules and regulations.

Mr. Chairman, members of the Senate Agriculture Committee, that concludes our testimony. If the committee has any questions, I or staff members of the Department will attempt to answer them.

Senate Ag Co
3-16-94
attachment 1

March 10, 1994

Dear Senators:

In addition to the information you requested [assurance that monies generated in Kansas would only benefit Kansas producers], I have put together some basic information relating to milk production and consumption in Kansas and HB3012.

Market Orders were created to eliminate marketing chaos, assuring consumers with an adequate and constant supply of pure and wholesome dairy products by assuring the producer of those products that he could also depend on fair treatment in the marketplace. While marketing Orders provide these benefits, they do not guarantee markets, they do not guarantee minimum price levels and they do not limit competition. Market Orders arrive at a minimum order blend price to be paid to Dairymen; however, each handler can pay more depending on their own profitability. All this provides the milk producer an orderly market for a very perishable product.

To ensure a constant supply to the consumer a surplus in required. Obviously a little more than enough drives prices unrealistically low which in turn drives dairy farmers out of production, which decreases supply leaving supplies short of consumer demand, driving consumer prices unrealistically high.

It is a handlers responsibility under milk Market Orders to report usage in various classes and maintain adequate records for the market administrator to audit and verify the manner milk was reported to be used. Orders assure the producers that the pay they receive represents the value of the milk in the marketplace. Milk Orders cannot guarantee a market, but it can guarantee producers that they will share and share alike in the market with which they are associated. (Kansas Market Orders).

Marketing area is where a handler is regulated not necessarily where milk is produced. A handler is a distributor or processor of milk in a regulated marketing area. A handler is a processor that purchases Grade "A" milk from Dairy farmers or their marketing agent. (Dairy Cooperative).

The 1937 American Marketing Agreement Act that established Federal Orders is "enabling" legislation, which means that orders are permitted but not mandated. Orders are initiated and amended through public hearings and subsequent administrative decisions by the milk marketing board. Ultimately, dairy farmers must approve new or amended orders in a referendum. Therefore, any order developed by the Kansas Marketing Board to be accepted by the Kansas Dairymen would have to reflect that the benefits of that order would go to Kansas Dairymen and not to producers outside of the state.

Kansas Dairymen and Women Legislative Committee

Bob Binder

Senate Ag Co.
3-16-94
attachment 2

ANDERSON ERICKSON DAIRY CO.

## Testimony on behalf of Anderson Erickson Dairy Regarding Senate Bill Number 72 and House Bill 3012

My name is Ted Barlows. I am a Kansas resident working for Anderson Erickson Dairy Company (A-E) which operates a distribution facility in Kansas City, Kansas. We oppose Senate Bill No. 72 and House Bill 3012.

These bills are efforts by Associated Milk Producers, Inc. (AMPI) to legislate higher prices of milk. For the past two years, the industry was forced through series of state legislative hearings on similar revenue enhancing schemes hatched by Mid-America Dairymen, Inc. Those bills would have been unmanageable and would have caused severe economic dislocations for anyone involved in the dairy industry in Kansas. Fortunately those bills were defeated or withdrawn. Unfortunately we are back again today with more unmanageable and uncompetitive ideas. If implemented as we suspect, the bill most likely would violate the United States Constitutional protections for interstate commerce.

A-E is a family-owned dairy located in Des Moines, Iowa and Kansas City, Kansas, which has engaged in the business of distributing packaged milk for 64 years. A-E regularly distributes milk from its distribution facility in Kansas.

One thing is abundantly clear, A-E and others routinely sell packaged fluid milk into and out of a number of different states. Similarly, Kansas processors can and do routinely sell significant quantities of milk into other states such as Iowa, Oklahoma and Missouri.

These facts are important because we already have a federal milk order system that sets minimum prices for dairy farmers' milk. These prices for fluid milk are, however, based upon an unregulated price for raw milk used to produce surplus dairy products such as cheese and butter. Fluid milk then has an

2420 E. UNIVERSITY AVE. • DES MOINES, IOWA 50317-6502 • 515/265-2521



Senate Ag. Co.
3-16-94
attachment 3

add-on price, significantly above the surplus milk price. This federal minimum price can be, and usually is, only a starting point for the actual prices charged to processors by cooperatives and independent dairy farmers who are able to extract premiums for their milk, making the final price for raw milk used for fluid consumption higher than the minimum federal price. However, we deem the current system to be based upon market conditions, including supply and demand conditions. We also pay an administrative assessment to fund the federal program.

If Senate Bill 72 passes or House Bill 3012, we would be subject to yet another regulatory program including additional administrative assessments. Why? There is no reason to believe that federal orders are in jeopardy. In June of 1993, the United States Department of Agriculture issued a lengthy final regulatory decision reviewing the entire federal milk order system and reaffirming the validity, purpose and operation of the federal orders. That decision followed 43 days of regulatory hearings, including 10,000 pages of transcript, over 200 voluminous exhibits, and thousands of pages of officially noticed documentation. There is no reason to believe that that decision can or will be reversed anytime soon.

We ask whether the purpose of the proposal, like those for the past two years, is to extract more money from fluid milk consumers in Kansas. If so, we believe that the law of supply and demand ought to govern, not the law of whatever price AMPI thinks it should be. Higher prices to consumers can result in less consumption and even lower prices to producers.

In addition, the federal program that the proposal is designed to emulate employs hundreds of employees in Washington, D.C., Kansas, Iowa and elsewhere. The regulatory program is frequently subject to administrative review and court challenge -- all of which costs the industry and taxpayers substantial sums of money. Another expensive layer of administrative personnel is unnecessary.

The proposed legislation also requires the consideration of Kansas costs of production data in establishing the price for fluid milk. The issue of costs of production was extensively aired during the 43-day federal order hearing which I mentioned earlier -- all available cost of production data was made a part of that record. However, cost of production data currently collected is unreliable for considering milk price levels because the methods of collecting the data and reporting the data vary greatly. A-E challenged the validity of such data in setting the price for fluid milk. The United States Department of Agriculture formally agreed with A-E's position in its recently published final decision:

> The AE [A-E], et al., exception urged that costs of production evidence should be declared unsuitable for use as a milk pricing factor. We agree.

One of the major problems identified with costs of production data is the existing interrelationship between costs and prices. Unchallenged studies show that higher costs of production follow higher prices and that lower costs follow lower prices.

Since the Kansas program would emulate the federal program and since the federal authorities could not, after extensive hearings, use costs of production data for pricing milk, Kansas should not second guess the federal authorities on this issue.

The last problem that I want to discuss is also the biggest problem with state orders in general and the proposed Kansas statute. Unlike federal orders, state orders have major difficulty in regulating the price of milk in interstate commerce. It is not clear that Kansas would attempt to regulate such prices, but if you do not attempt to regulate interstate shipments, Kansas processors will lose business to other states. **However, if Kansas does attempt to regulate the price of milk from Iowa or elsewhere, I am convinced that those efforts are unconstitutional.**

The United States Supreme Court has just heard arguments regarding the legality of a Massachusetts program similar to that proposed for Kansas (West Lynn Creamery v. Massachusetts). In those arguments on March 2, 1994, Justice Scalia interrupted the attorney for Massachusetts to note that "Only the federal government may exercise its powers to support inefficient producers in one state." He also noted that if you are keeping someone in business who otherwise would lose business to out of state producers, that is affecting opportunities for people to sell and it has to follow that interstate commerce is adversely affected. Justice O'Conner also noted that the programs appeared to be a way for in-state legislators to fund their state programs from out of state fund, and Justice Kennedy commented that the Massachusetts program sounded like a "discriminatory tax" where "formalism counts for everything" in defending it. These comments by Supreme Court Justices, while not dispositive of the issue, reinforce our conclusion that Kansas' proposed program is inevitably unconstitutional.

Since the proposed law cannot work in the absence of an unconstitutional restriction on the movement of fluid milk, it should not be enacted at all. We need constructive and thoughtful solutions to issues affecting the entire dairy industry, not proposals which merely promise results to producers and then fail to deliver because of obvious legal deficiencies.

Thank you for your time and consideration.

TO: Senator Corbin
FROM: Jill Wolters, Assistant Revisor
RE: West Lynn Creamery v. Commissioner of the Massachusetts Department of Food and Agriculture
DATE: March 14, 1994

I spoke with the Massachusetts assistant attorney general, Eric Smith, who argued the case before the U.S. Supreme Court on March 2, 1994. Mr. Smith stated that a decision is expected from the court before the court session ends which would be by the end of June.

There is currently a stay in effect on the state collecting any moneys from West Lynn Creamery. Moneys are not being paid out, and the only moneys being collected are those handlers doing so voluntarily.

A form of dairy marketing orders has been law in Massachusetts since 1941. In February, 1992, the commissioner issued a dairy pricing order. The order went into effect April, 1992, and West Lynn paid their premiums in April and May but discontinued payments thereafter. The commissioner conditionally revoked West Lynn's license in November, 1992. The case was decided by the Massachusett's Supreme Court in April, 1993 in favor of the dairy commissioner. The case is currently before the U.S. Supreme Court.

Senate Ag Co
3-16-94
attachment 4

# KANSAS SENATE AGRICULTURE COMMITTEE HEARING
# MARCH 16, 1994
# REGARDING HOUSE BILL NO. 3012
# STATEMENT IN OPPOSITION - DONALD L. KULLMANN

Mr. Chairman Corbin and Senate Agriculture Committee members. Thank you for allowing me time to appear before your committee to oppose House Bill 3012.

My name is Donald L. Kullmann. I am employed by Prairie Farms Dairy, Inc., whose corporate offices are in Carlinville, Illinois. Prairie Farms is a dairy cooperative with producer members in several states.

We operate several dairy processing operations in Illinois, Arkansas, Nebraska, Iowa, Indiana, Missouri and Kansas. Products produced in these plants are fluid milk, ice cream, frozen novelties, cultured products, and butter.

We jointly own and are the managing partners of joint venture plants with Mid-America Dairymen, Inc, which would be affected by House Bill 3012. The plants are: Steffens Dairy in Wichita, Kansas, and Fairmont/Zarda Dairy in Kansas City, Missouri. Both of these plants purchase producer milk from Kansas and other surrounding states and have large Class I packaged sales distribution in Kansas. Other dairies supporting my testimony are: Anderson-Erickson Dairy, Kansas City, Kansas; Jackson Ice Cream Co.,Inc., Hutchinson, Kansas; and Wells Blue Bunny, Edwardsville, Kansas.

Since Prairie Farms Dairy is also a milk cooperative, we are also deeply concerned for the welfare of all dairy farmers. However, we are convinced that a state milk order for Kansas is not a solution for the Kansas dairy farmers' problems.

Senate Ag Co
3-16-94
attachment 5

Today I will attempt to demonstrate why House Bill 3012 was ill-conceived and badly written and what is ironic, why House Bill 3012 would be detrimental to Kansas dairy farmers. After many years of experience in the dairy industry, I am convinced without any doubt that the implementation of House Bill 3012 in the short term and long term would:

1. Increase prices to consumers
2. Lower fluid milk consumption
3. Increase milk production
4. Lower Class I utilization
5. Lower returns to Kansas dairy farmers
6. Create additional competition from out-of-state sources
7. Cause court challenges
8. Set up a costly and complicated administrative system.

Bottom Line to Kansas dairy farmers and the Kansas dairy industry = Cost Exceeds Benefits.

At the outset, I wish to voice my disappointment that there is even a need for this hearing today. A state order was discussed last year in the legislative halls of Kansas, and I thought was put on hold by cooperative proponents until the legal issues in other parts of the country were resolved.

Last March 9, 1993, members of National Milk Producers including AMPI, Mid-Am and Prairie Farms Dairy met in Washington D.C. and agreed to not actively seek state order initiates until the issue has been settled in the courts. At the time there were court battles in Minnesota and Massachusetts. The United States Supreme Court is hearing this issue this summer, and we should have a decision by August 1, 1994. The largest dairy cooperative headquartered in the upper midwest and which was a major proponent for the state milk order for Minnesota has recently at their annual meeting taken official action opposing such states initiatives. "We also oppose efforts by legislators to pass new state milk pricing programs. We believe that the dairy industry needs more uniformity in milk pricing between states and regions, not creation of an even more complicated patchwork of separate milk price laws. State and local units of government should not adopt laws or regulations that interfere with the ability of farmers to conduct the day-to-day activities involved in producing milk, crops, and livestock." They learned the hard way.

Our legal counsel has made the following conclusions regarding House Bill 3012:

"Based on our view of constitutional requirements, Kansas Bill No. 3012 is unconstitutional. The bill would set a minimum price to be paid to out of state farmers on their sales to out of state processors of milk sold in Kansas after processing, the kind of scheme held unconstitutional in Baldwin v. G.A.F. Seelig, Inc., 294 U.S. 511 (1935), and would effectively regulate the price to be paid on out of state milk by Kansas processors, a scheme we have asserted is unconstitutional in the West Lynn case."

The solution to the problems in Kansas is not creating a state order, but rather a need to get the state's dairy industry in a state of order.

I attended a Kansas dairy industry meeting on January 15, 1993, in the Kansas Board of Agriculture Board Room and was impressed with the concern shown by the state of Kansas and other interested groups for their dairy farmers.

There was concern about the decline in the number of dairy producers in the state and how could the state of Kansas retard such losses. However, several statistics are quite revealing such as: (See attachments.)

1. Kansas in 1993 ranked 39th in U.S. in production per cow (13,375) - over 2,000 pounds less than U.S. average (15,580) and over 6,000 pounds less than New Mexico. (18,993)

2. Kansas milk production has dropped 23.0% in 18 years 1975-1993 while milk prices have increased 44%.

3. Out of 105 Kansas counties, over 50% of the counties have five or less dairy farms with 14 counties not having one dairy producer.

4. Milk cows per Kansas dairy farm average only about 45 head.

With the above statistics, it is quite obvious that the average Kansas dairy producer is not committed to dairy production. Profitable dairy operations need 70-100 cow herds with a yearly production per cow average of 17,000 plus pounds to compete in today's world. I am sure that there are some good efficient dairy producers in Kansas, but it appears that the majority are way below average. Milk prices are not their problem or solution, dairy farmers and their cooperatives are their own problem and solution.

Those concerned about the future of the Kansas dairy producers must address the following issues:

1. Individual dairy farmers will have to adjust to new technology and practices - must get larger, get more efficient or get out.

2. Kansas ag colleges and universities must develop programs (as many other states have done) to help Kansas dairy farmers help themselves.

3. Dairy cooperatives in Kansas must discontinue importing large quantities of raw milk into Kansas for processing which drives down the pay prices to their Kansas dairy farmers.

The worst approach the state of Kansas can take would be to implement House Bill 3012 to make the average Kansas dairy producer even more non-competitive with their neighbors. House Bill 3012 will do exactly the opposite what is intended. Section 5(d), states, "money collected on Class I product sales in Kansas will be transferred back to producers supplying the milk for such sales." Such transfer of monies back to out-of-state producers would allow this revenue to these out-of-state producers to better compete for sales into Kansas.

Milk prices are the function of the market place. Dairy farmers should produce for a market not for a price. Supply-demand still equals price. Dairy farmers should spend their efforts in seeing that they are producing milk at the lowest cost possible with the proper size of operation that lends itself to such an objective. Producers should market their milk through a group that has access to the best market possible. Milk prices come from the market place --- not the state or federal government.

Regarding markets, it is quite important that the market be managed to obtain the highest Class I utilization to obtain the highest pay prices. Prairie Farms for example markets its producer milk on three separate federal orders where we attempt to keep the Class I utilization close to 70%.

Many of the Kansas dairy farmers are attached to a market which carries a Class I utilization of about 43%. To show you how utilization affects pay prices, I have used the Federal Order prices for February 1994 at Wichita, Kansas, to illustrate my point:

| Federal Order Prices F.O.B. Wichita, Feb 1994 | P.F. Util | Blend Values | Kansas Util | Blend Values | Difference |
|---|---|---|---|---|---|
| Class I $14.81 | 67% = | $9.92 | 43% = | $6.37 | |
| Class II $12.26 | 15% = | $1.84 | 15% = | $1.84 | |
| Class III $12.15 Est. | 18% = | $2.19 | 42% = | $5.10 | |
| | | $13.95 | | $13.31 | .64/cwt |

Same prices but different class utilizations made a 64 cent/cwt difference - Real money.

There are still large quantities of milk being brought into the state of Kansas by AMPI and Mid-America Dairymen from as far away as New Mexico further lowering the Class I utilization percentage and further lowering the pay prices for Kansas dairy farmers plus incurring the cost of transportation. <u>Those who are bringing milk into Kansas are not doing the Kansas dairy farmers any favors.</u>

Some additional facts to consider are as follows:

1. <u>House Bill 3012 will raise milk prices to consumers</u> because a state order floor will not allow federal order lower Class I prices to be passed onto processors who pass such prices onto wholesalers with such prices eventually being passed onto the retail customers. Much of the school milk and large grocery accounts are on a escalator pricing formula which requires the price to fluctuate up and down with the federal order price.

2. <u>Currently there are only two Class I bottling plants located in Kansas.</u> A large portion of the Class I sales sold in the state are being processed by plants located outside the state. Some of the large plants with sizeable sales into Kansas located outside Kansas who are supplied by producers located outside Kansas include Wells Dairy, Lemars, Iowa; Anderson-Erickson Dairy, Des Moines, Iowa; Fairmont/Zarda Dairy, Kansas City, Missouri; Farm Fresh Dairy, Chandler, Oklahoma; and Hiland Dairy, Springfield, Missouri. House Bill 3012 Sec 59(d) states "such orders shall provide for transferring the value of Class I packaged fluid milk sales in Kansas that originate from out-of-state plants back to the raw milk suppliers of such plant." I would estimate that currently at least 50% of the monies collected

by Kansas would be transferred back to other states dairy farmers, and I can easily see this percentage going to 80% if there was any real money to be distributed.

3. It would be an impossible task for the dairy marketing board to fix the level of prices if based on criteria outlined in Section 8 such as:
   a. "Competitive price of milk from various sources" - raw or packaged?
   b. "Cost of milk production" - every farm has a different cost.
   c. "General economic conditions in the dairy industry" - state, federal, or world?
   d. "General economy of the state." For whom and how measured?
   e. "Changing marketing conditions to bring more market stability and encourage development of an adequate supply." House Bill 3012 will encourage a more than adequate supply from out-of-state sources.
4. Federal orders are already in place, they cross state lines, and they set minimum prices to assure an adequate supply of milk. Raw milk supplying cooperatives such as AMPI and Mid-Am are already charging over federal order prices to cover cost of supplying Class I plants. Milk prices are already causing large quantities of milk not needed for Class I products. The excess milk must find lower priced Class III outlets further driving down the Class I utilization percentage which lowers returns to all dairy farmers.
5. Producer milk prices in Kansas must be adequate as large dairy farmers are planning to locate in Kansas. (See Hoard's article)

6. State orders have only worked in states where there are no federal orders and the states are literally islands with mountains, oceans, foreign borders etc. surrounding the state, such as California. Kansas is no island. Non-island states who have tried state orders, usually wind up in the courts. Two are in court now.

7. House Bill 3012 is ill-conceived and badly written and will cause many legal and administrative problems in adaptation and administration, such as:

   a. Sec 2(b) "This order may apply to all or portions of the state." Is this a state order or only a partial state order? Does this refer to where producers are located or where packaged milk sales are made?

   b. Sec 2(b) "and such orders may contain provisions to create more orderly marketing conditions." As written, House Bill 3012 will cause more disorderly marketing as raw milk supplies from other states will be jockeyed around to extract the Kansas collected money.

   c. Sec 5(a) "by fixing minimum prices for each such use classification which all handlers pay." How many classes are we going to have? Sec 5(d) prices only Class I packaged milk.

   d. Sec 5(b) "The association shall not sell milk or milk products to any handler for use in any market at prices less than that fixed for handlers regulated in any market." This provision is illegal under Inter-State commerce law and is in restraint of trade. Even Federal Orders cannot fix such prices.

e. Sec 5(d) "Provide for transferring the value of Class I packaged fluid milk sales in Kansas that originate from out-of-state plants back to the raw milk supplies of such plant." Millions of pounds of Class I milk is being shipped into Kansas each month from Oklahoma, Iowa, Missouri, and other states. For example, a Kansas City, Missouri, plant receiving producer milk from 3 states and having sales in 3 states - which producers get the proceeds from the Kansas sale? <u>Your constituents are being asked to support these farmers from other states.</u> This provision also will be impossible to administrate and will leave the Kansas dairy farmer not sharing the proceeds of the Kansas package Class I sales further reducing his Class I utilization and pay price.

f. Sec 10 (a)(b)(c) If proponent's statement is correct that House Bill 3012 will not increase prices to consumers, there will be no new money, (just expenses) and thusly no need for Sec. 10 to distributed monies to the W.I.C. program.

8. <u>If House Bill 3012 becomes a reality, expect all the farm commodity groups in Kansas to also ask for a guaranteed price for their products.</u> The dairy industry is already perceived to be given special consideration more than any other farm commodity group.

For all the reasons discussed above, I request that the Senate Ag Committee not support House Bill 3012. Implementation of House Bill 3012 would be detrimental to the entire Kansas dairy industry including the dairy farmers.

Thank you, Mr. Chairman and your committee members for allowing me time to make a statement in opposition to House Bill 3012.

**Land O'Lakes Inc.**
4001 LEXINGTON AVE. N., ARDEN HILLS, MINNESOTA
Mailing address: PO Box 116, Minneapolis, MN 55440-0116
Telephone: (612) 481-2222

Land O'Lakes Dairy Foods

March 1, 1994

Mr. Donald L. Kullmann
Prairie Farms Dairy, Inc.
PO Box 560
1100 N. Broadway
Carlinville, IL 62626

Dear Don,

Enclosed is a copy of pages 17 and 18 of the 1994 Policies and Resolutions proposed to the voting delegates of Land O'Lakes at our annual business meeting on February 24, 1994. Policy number 11 on State Policies was adopted without modification and now represents the official position of Land O'Lakes, Inc.

Sincerely,

Paul S Christ

Paul Christ
Vice President, Dairy Planning and Analysis
Dairy Foods Milk Procurement/Membership

11. State Policies

Land O'Lakes supports coordination of programs, policies, and regulations between state, federal, and local units of government. As a matter of general policy, Land O'Lakes supports federal preemption of conflicting state or local regulations.

Land O'Lakes opposes legislation that would limit the authority of a cooperative's board of directors, as specified by the cooperative's articles and bylaws, to represent the cooperative's members and to act on their behalf. We also oppose efforts by legislators to pass new state milk pricing programs. We believe that the dairy industry needs more uniformity in milk pricing between states and regions, not creation of an even more complicated patchwork of separate milk price laws.

State and local units of government should not adopt laws or regulations that interfere with the ability of farmers to conduct the day-to-day activities involved in producing milk, crops, and livestock.

5-11

# KANSAS

## Approximately 80,000 Milk Cows

## Milk Production of 1.080 Billion Pounds In 1993
## 0.7 Percent of Total U.S. Milk Supply

## Milk Sale Revenues of $149 Million

## Milk Production Per Cow of Approximately 13,375 Pounds
## Over One Ton Less Than U.S. Average (15,580 Pounds)
## Almost Three Tons Less Than New Mexico Average (18,993 Pounds)

**Milk Plants Regulated Under Federal Orders**

| | |
|---|---|
| Associated Milk Producers, Inc. | Hillsboro |
| Jackson Ice Cream Company, Inc | Huchinson |
| Mid-America Dairymen, Inc. | Ellis |
| Mid-America Dairymen, Inc. | Sebatha |
| Steffen Dairy Foods Co., Inc. | Wichita |

# Kansas Milk Production & Price

| | Milk Production<br>Million Pounds | All Milk Price<br>$/cwt @ Test |
|---|---|---|
| 1993 | 1,080 | $12.41 |
| 1992 | 1,220 | $12.57 |
| 1991 | 1,230 | $11.68 |
| 1990 | 1,245 | $13.33 |
| 1989 | 1,256 | $13.27 |
| 1988 | 1,269 | $12.04 |
| 1987 | 1,261 | $12.50 |
| 1986 | 1,301 | $12.87 |
| 1985 | 1,285 | $13.49 |
| 1984 | 1,225 | $13.99 |
| 1983 | 1,382 | $13.98 |
| 1982 | 1,356 | $13.98 |
| 1981 | 1,397 | $13.97 |
| 1980 | 1,330 | $13.13 |
| 1979 | 1,330 | $12.04 |
| 1978 | 1,375 | $10.71 |
| 1977 | 1,461 | $ 9.65 |
| 1976 | 1,463 | $ 9.35 |
| 1975 | 1,403 | $ 8.72 |

## Percent Change In Kansas Milk Production

| | |
|---|---|
| '93 vs '92 | -11.5% |
| '93 vs '90 | -13.3% |
| '93 vs '80 | -18.8% |
| '93 vs '75 | -23.0% |

## Per Capita Milk Production

| | 1991 | 1992 |
|---|---|---|
| | Pounds per Person | |
| Kansas | 493 | 484 |
| United States | 589 | 595 |

Approximately 90 percent of the milk produced in Kansas is Grade "A".
Basically all of this milk is marketed under the Federal Milk Marketing Program.

HOARD'S DAIRYMAN

February 25, 1994

## Hoard's has heard

Dairying's next new hot spot may be the sparcely populated extreme southwest corner of Kansas. A 2,400-cow dairy is under construction near Syracuse in Hamilton County, along the Colorado border. Another dairy which may handle 2,000 cows is planned near Liberal in Seward County that borders Oklahoma. Local officials and area bankers are welcoming the new dairies but are keeping an eye on state environmental regulations which were aimed originally at feedlots but also will affect large dairy operations.

• • •

5-13