

To: Special Committee on Economic Recovery, Senator Julia Lynn, Chair

From: John Donley, Kansas Farm Bureau

Date: August 13, 2020

Re: Economic Sector Overview - Agriculture

Chairperson Lynn and members of the Committee, on behalf of Kansas Farm Bureau I want to thank you for the opportunity to provide testimony relating to the current economic status of Kansas agriculture during these unprecedented times. First and foremost, I want to thank all of you on this committee and in all levels of state government for your diligent work and efforts to work through the policy decisions that you have had to make to fight this novel virus while also attempting to avoid potentially larger negative consequences from the decisions that are made.

We have been asked to address the following items in this testimony:

- What has been the severity of economic impact of pandemic and shutdown/restrictions on your sector?
- How long it might take the sector to get back to pre-COVID levels and potential for businesses to not survive?
- What are the sector-specific impact of government actions to date – shutdowns, restrictions, masks requirements, etc.?
- How an increase to any tax source might impact your sector?
- What are some recommended government/regulatory actions to assist the recovery process for your sector?

Severity of the Economic Impact of the Pandemic and Related Restrictions

While the severity of the economic impact created by COVID-19 and the subsequent government imposed business shutdowns had immediate effects, the agricultural economy, as well as many other supply chain industries, are continuing to feel and evaluate the effects on the markets. For some of our vegetable and specialty crop producers, USDA Farm to Food Box has been helpful. For many other sectors - cattle, swine and ethanol in particular, we have had to let the markets be markets and find ways to get items to the consumer through the grocery store rather than to food service, restaurant and schools. Essentially, we have had to have a major shift in how we supply food to our consumers. Fortunately, farmers and ranchers are used to multiple “surprise” factors, such as weather and trade, affecting their bottom line. The current pandemic has just been an additional factor that the market has had to react to.

Length of Recovery and Potential for Business Failure

Agriculture is in year 6 of a down economy. The pandemic hasn't made it worse or better, just different. As always, the most significant issues we face are international trade. We also need to avoid having government

interference in the supply chains ability to make the necessary changes to get our product to the ultimate consumer. Farmers and ranchers are faced with adversity at all times, while this adversity is new, I am confident that the industry will only be stronger in the end.

Impact of Government Action to Date

Agriculture has faced many of the same issues that other industries have faced during the pandemic and the governmental and societal response to the pandemic. Fortunately, agricultural workers were generally deemed to be essential workers at the state and national level, so nearly everyone up and down the supply chain was allowed to continue to do the necessary jobs to move the products to market. The overall impact on the foodservice industry has definitely affected how our product is packaged and moved. Prior to the pandemic, approximately half of all food was eaten at the foodservice level. The supply chain had to change very rapidly as people began to not be able to “eat out” or eat at school and were preparing their meals at homes. This disruption in the supply chain has taken time to overcome.

The shutdown also severely limited travel. This (and other macropolitical issues) had a drastic and immediate impact on the price of oil which also affected the price of ethanol. Once again, the market has been reacting to that “shock” and is still attempting to find its footing.

Effect of Increasing Taxes

While we do not know what revenue sources state and local governments will look to in order to fill the looming budgetary holes that they will face, suffice it to say that agriculture was already concerned about ever increasing property taxes prior to the pandemic. We were supportive of many of the initiatives for taxpayer transparency that ultimately passed this legislature. One of the concerns I see moving forward is how will state and local governments be able to not only fill their budgetary holes, but also how they will determine what “new” measures created in response to the pandemic will need to be permanent, and how will they pay for these measures. I think the bigger question will continue to be, “what are truly the core functions of government?” Generally, we will be opposed to any efforts to expand the use of property taxes beyond what has already occurred in the past.

Recommended Government/Regulatory Actions to Assist Recovery

Kansas Farm Bureau has been working with a coalition of groups that are attempting to expand broadband access in rural communities. The CARES Act funding that the SPARK Committee and State Finance Council has approved will be a good start in beginning to fill some of the gaps that currently exist and limit rural development as well as the educational and health needs of rural Kansans. We will continue to support those initiatives.

Generally, farmers and ranchers would simply like the government to “get out of the way.” Perhaps regulations that were waived during the pandemic could be permanently repealed if they are no longer necessary. The markets need to be allowed to function without having government interference.

Thank you for the opportunity to testify today. I would stand for questions at the appropriate time.