



Since 1894

To: House Committee on Agriculture
Rep. Kyle Hoffman, Chair

From: Tucker A. Stewart, Associate Counsel, Kansas Livestock Association

Re: **SB 61 concerning agriculture; relating to fees for milk, cream and dairy businesses;**

Date: February 2, 2017

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing nearly 5,200 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker cattle production; cattle feeding; dairy production; swine production; grazing land management; and diversified farming operations.

The Kansas Livestock Association (KLA) supports SB 61 as amended. SB 61 extends the sunset for Dairy Inspection Program fees and gives the Secretary of Agriculture authority to lower the fees by order.

The first amendment KLA proposed was to reduce the sunset from 2028 to 2023. In the past, this sunset has been every five years and KLA suggests leaving it at five years. KLA believes ten years is excessively long and legislative oversight should occur more frequently. Also, with new manufacturing entering the state, a five year sunset gives the legislature an opportunity to lower the fee cap as new fee money is generated. This amendment was adopted.

The second amendment was to strike an exemption for manufacturing plants that are located on a dairy. In Kansas, it is common for dairies to have ownership in manufacturing plants whether or not the plants are located physically on a dairy. The new Dairy Farmers of America plant, being built in Garden City, will be owned by the same dairies that will supply the plant with milk. However, the milk that will supply the plant will be charged a producer fee on the farm and a second fee (manufacturing fee) at the plant because the plant is not physically on a dairy. On the other hand, if a plant is located on a dairy only a producer fee is charged. KLA believes it necessary for the legislature to address this inequity by removing the manufacturing exemption. This would also likely bring in more program dollars that could be used to lower the fee burden on all dairies.

KLA also understands that it may be important to the Kansas Department of Agriculture to offer an incentive to smaller dairies to invest in value-added processes like pasteurizing and selling their own milk. With that in mind, KLA is supportive of keeping an exemption for manufacturing plants if that plant is located on a dairy and only processing less than 6,000,000 pounds of milk in a year. A 200 cow dairy would produce roughly 6,000,000 pounds of milk per year. This would allow companies like Hildebrand Farms Dairy to continue their niche market and supply retailers with pasteurized milk without losing their current exemption. This amendment was adopted to delay the implementation to Jan. 1, 2018.

KLA respectfully requests the committee to pass SB 61 as amended.