

## **MINUTES**

### **SPECIAL COMMITTEE ON AGRICULTURE**

October 29, 2001  
Garden City Community College  
Garden City, Kansas

#### **Members Present**

Senator Derek Schmidt, Chairman  
Representative Dan Johnson, Vice Chairman  
Senator Stan Clark  
Senator Janis Lee  
Senator Larry Salmans  
Senator Mark Taddiken  
Representative Don Dahl  
Representative John Faber  
Representative Gary Hayzlett  
Representative Bruce Larkin  
Representative Dennis McKinney  
Representative Sharon Schwartz  
Representative Dan Thimesch

#### **Staff Present**

Raney Gilliland, Kansas Legislative Research Department  
Amy Kramer, Kansas Legislative Research Department  
Jo Cook, Committee Secretary

#### **Conferees**

Luke Schwieterman, Schwieterman, Inc. Garden City  
Andy Gottschalk, Greenwood Village, Colorado  
Connie Fischer, Kansas Department of Commerce and Housing  
Chris Williams, 21<sup>st</sup> Century Alliance  
Dr. Ted Schroeder, Kansas State University  
Professor Ed Sparling, Colorado State University  
Mark Gardiner, Gardiner Angus Ranch

Steve Irsik  
Russ Smith  
Ed Petrowsky  
Gene Schroder  
Don Hineman, Kansas Livestock Association  
Greg Krissek, Kansas Corn Growers Association and Kansas Grain Sorghum  
Producers  
Clarence Newcomb, Ranchers-Cattlemen Action Legal Fund  
Irvine Clubine, Garden City Co-Op

### **Open Forum Speakers**

See Attached List

### **Others Attending**

See Attached List

## **Morning Session**

Chairman Schmidt welcomed the two panel members for the opening panel discussion regarding various aspects of Agriculture. Mr. Luke Schwieterman, President, Schwieterman Inc., Garden City, addressed the Committee ([Attachment 1](#)). Mr. Schwieterman spoke about the changes in the agriculture industry and what he believes can be done about the changes that are taking place. He believes that the opinions and analyses of what needs to be done can be put into two categories. One, that everything is going okay and what is happening is inevitable with more laws and enforcement raising the cost of production. Two, that the agriculture drain needs to be stopped, and that enforcing the laws should be a priority with plugging the obvious loopholes that allow unfair marketing practices. Mr. Schwieterman showed several charts that compared the differences between the cattle and pork markets. The three things he felt needed consideration were: (1) address captive supply; (2) address the establishment of a growers bill of rights; and (3) return the authority to regulate the siting of large confined livestock facilities back to local government.

Andy Gottschalk, Greenwood Village, CO, addressed the Committee ([Attachment 2](#)). Mr. Gottschalk spoke to various topics including more efficient producers, production, consumption, consumer spending and demand. He stated that value is a price-quality function. Mr. Gottschalk shared several charts that reflect the changes in many of the areas of cattle production. He indicated that the industry was moving at an accelerated rate away from the old, outdated system of average cattle pricing. He explained that the new system requires and involves vertical coordination between the cattle suppliers and the end users

and it is an individual carcass merit system. He indicated that the cattle involved in this system have been erroneously identified as “captive supply.” The two reasons he gave that this was an incorrect assumption are that the producer is the person that controls the market timing of the cattle, not the packer and that the producer has the option to provide cattle to any packer giving the greatest return.

Mr. Schwieterman and Mr. Gottschalk responded to questions from the Committee.

### **Afternoon Session**

Connie Fischer, Kansas Department of Commerce and Housing, Agriculture Products Development Division, addressed the Committee on her agency's upcoming events and projects ([Attachment 3](#)). Ms. Fischer spoke about the direct marketing of hard red winter wheat to Mexico and the Mexican trade mission. She also outlined the projects her agency had funded during fiscal year 2002 and noted there was \$173,000 remaining in the loan fund. Ms. Fischer told of future plans to expand direct marketing efforts and to provide agriculture consulting assistance. Ms. Fischer responded to questions from the Committee.

Chris Williams, appearing on behalf of the 21<sup>st</sup> Century Alliance, stated that their mission statement was to provide affordable agricultural business opportunities for their members. He went on to detail value-added business opportunities available to the Kansas farmer. Some options include a flour mill, a bean processing co-op, fiber industries and grain merchandising. Mr. Williams also detailed the strengths and weaknesses of a value-added business opportunity.

Dr. Ted Schroeder, Agricultural Economics Professor, Kansas State University, provided information to the Committee on the difference between formula pricing and value based pricing ([Attachment 4](#)). Dr. Schroeder detailed each pricing scenario, concluding by posing two questions: (1) Is formula pricing a problem; and (2) Does value-based pricing require formula pricing? Dr. Schroeder responded to questions from the Committee.

Ed Sparling, Professor Emeritus, Department of Agricultural and Resource Economics—Colorado State University, shared his reflections on a recent study of demand for natural beef ([Attachment 5](#)). Professor Sparling stated that respondents to the study were to rank a list of attributes of “natural beef.” The largest percentage of respondents replied that “no growth hormones” was a very important attribute.

Mark Gardiner, Gardiner Angus Ranch, Inc., spoke on several points ([Attachment 6](#)) relating to the cattle industry. His points included value-based marketing, grids versus cash markets, premiums, consumer driven demand, and price discovery.

Steve Irsik, farmer, rancher and agricultural businessman, addressed the Committee on his growing and prospering farm operation ([Attachment 7](#)). Mr. Irsik shared details about his multi-generational farm and ranch, and their expansion into value-based marketing

concepts. He concluded his remarks by stating that they are moving their operation from the low margin commodity business to a provider of ingredients for the dairy, flour mill, and customer. He also asked that the Committee be careful and not restrict their access to the market through a contract bill of rights and to not give home rule to counties dealing with livestock concentration and spacing issues.

Russ Smith, Smith Nutrition Consulting, shared information on his perspective of the beef cattle industry (Attachment 8). Mr. Smith stated that the beef cattle industry is vital to the Kansas economy and that the demand for beef dropped due to inconsistent products, lack of convenience items, and health concerns.

Ed Petrowsky, Pratt County farmer, testified before the Committee providing an historical overview of the Agricultural Adjustment Act and its relationship to the current U.S. Code and the *United States Constitution* (Attachment 9).

Dr. Eugene Schroder, Baca County, Colorado farmer/rancher/veterinarian, shared information on the current U.S. Code as it applies to agriculture and the declaration of emergency by the Colorado Commissioners, Inc., Agriculture Steering Committee (Attachment 10).

Don Hineman, President, Kansas Livestock Association (KLA), presented his association's views and philosophy on agricultural marketing (Attachment 11). Mr. Hineman explained that the KLA's primary function has been to protect and defend the interests of livestock producers of all sizes and all segments of beef production. He also stated that we must continue the transition from a commodity based system to value-based production and marketing systems that can consistently deliver the products demanded by the consumer. Mr. Hineman responded to questions from the Committee.

Greg Krissek, Director of Operations, Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association, appeared before the Committee to provide an update concerning the ongoing development of new and expanded ethanol production in Kansas (Attachment 12). Mr. Krissek indicated that interest both in the state and nation in building new ethanol plants is very strong. He stated there were four ethanol plants in Kansas producing approximately 40 million gallons of fuel ethanol per year. Mr. Krissek answered questions from the Committee.

Clarence Newcomb, Marketing Director for the Ranchers-Cattlemen Action Legal Fund (R-CALF), shared his concerns for our nation's food system (Attachment 13). Mr. Newcomb stated that we must change the basis of our economic thinking from "efficiency" to "survival" and laws must be enacted so our domestic food system is totally covered by a National Food Security Act.

Mr. Irvine Clubine, CEO, Garden City Co-Op, testified before the Committee on marketing and crop production alliances (Attachment 14). After detailing the Co-Op's history, Mr. Clubine shared his view of the future: producers continuing to get larger, technology evolving, and stiff competition transportation concerns. Mr. Clubine then spoke on partnerships that work and stated that growing is a creative game requiring curiosity,

imagination, and emotional energy. Mr. Clubine concluded his remarks by stating that agriculture is under a great deal of pressure to compete in a world marketplace. Their goal as a producer-owned company is to do anything and everything they can to help others to be positioned right for the future. Relationships will need to be developed beyond our traditional trade area to access markets and share the risk of ownership of new technology. Mr. Clubine responded to questions from the Committee.

Janet McPherson, Assistant Director for Public Policy at Kansas Farm Bureau, provided written testimony to the Committee ([Attachment 15](#)). Additionally, Bruce Carselowe, President of Triple 'C' Meats, submitted written comments regarding their value-added commodities ([Attachment 16](#)).

### **Evening Session**

Chairman Schmidt opened the public forum session and welcomed the first speaker, Mr. Mike Schultz. Mr. Schultz is the Chairman of the Kansas Cattlemen's Association and addressed several issues directly affecting the livestock industry ([Attachment 17](#)). Mr. Schultz spoke of specific legislation they would like to see, including beef and cattle imports, country of origin labeling, mandatory price reporting, consumers right to know, and the producer protection act. Mr. Schultz answered questions from the Committee.

Dave Bowman, farmer/rancher from Brewster, shared concerns he had with the Mandatory Price Reporting Law ([Attachment 18](#)). He shared details on a price reporting error that cost him approximately \$7,110 in lost income. Mr. Bowman responded to questions from the Committee.

Willard Crumrine, a farmer and livestock operator from Brewster, shared how his sheep production has changed ([Attachment 19](#)). Not only have prices continued to drop, but a nationwide food chain operation has announced they will buy only New Zealand lamb for its 1,600 stores. Mr. Crumrine asked the Committee to consider reinstatement of tariffs and trade quotas on lamb, country of origin labeling, and consumer's right-to-know legislation.

Mr. Lloyd Theimer, Colby, spoke to the Committee about problems he had experienced with his local co-op ([Attachment 20](#)). Mr. Theimer asked that they take action this coming session to strengthen the hand of the independent family farmer as he competes in today's marketplace.

Larry Kepley, Ulysses, addressed the Committee on his concerns with white wheat versus red wheat and tax credits.

There being no further conferees or speakers, the meeting adjourned.

Prepared by Jo Cook

Approved by Committee on:

April 12, 2002