

**Testimony on the State of Kansas Agriculture
to
The House Agriculture and Natural Resources Committee**

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Good morning, Chairman Powell, and members of the committee. I am Dale Rodman, Secretary of the Kansas Department of Agriculture, and I am here to update you on the state of Kansas agriculture.

Kansas was built on the backs of agriculture. One-hundred and fifty (150) years after statehood, agriculture continues as the largest and most dynamic growth industry in the state. The agriculture sector has a window of opportunity to expand - creating jobs, investments and wealth for Kansas.

The Kansas Department of Agriculture serves the entire agriculture industry – working for all farmers, ranchers and related agribusinesses in the state. By helping our customers succeed and grow their businesses, agriculture prospers and the entire Kansas economy is strengthened.

In order to understand the economic growth opportunities facing Kansas agriculture, it is important to understand

- A. the value of our state’s agricultural industry and the direction of global agriculture trends
- B. the advantages and disadvantages of Kansas agriculture, and
- C. the opportunities that exist for Kansas agriculture to grow to help meet the global demand for our agriculture products.

STATE OF AGRICULTURE

The state of Kansas agriculture is strong. Kansas net farm income was \$3.4 billion in 2010. While final 2011 numbers are not yet available, U.S. net farm income increased by an estimated 28 percent last year. Agricultural retail, wholesale and manufacturing in Kansas accounts for approximately \$50 billion in economic activity annually.

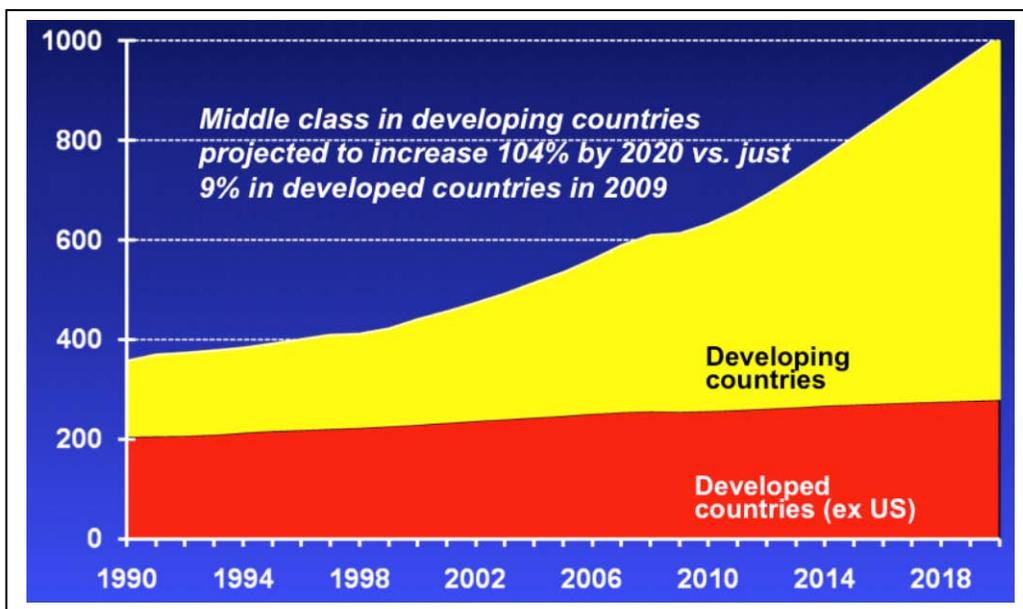
Kansas is a key player in world markets, exporting more than \$4.9 billion of agriculture products annually - making agriculture the state's largest exporter. Trends in world agricultural demand indicate significant opportunity for accelerated growth in international markets for Kansas agriculture.

In 2011, the global population passed the 7 billion mark. By 2050, this number will exceed 9 billion people. As leaders in the agriculture industry, you are aware that agriculture needs to produce as much food in the next 50 years as has been produced in the last 10,000 years, in order to feed a rapidly growing world.

In addition, GDP growth is increasing dramatically in some areas of the world, which will drive demand for higher quality protein. In fact, world meat consumption is predicted to double by 2050.

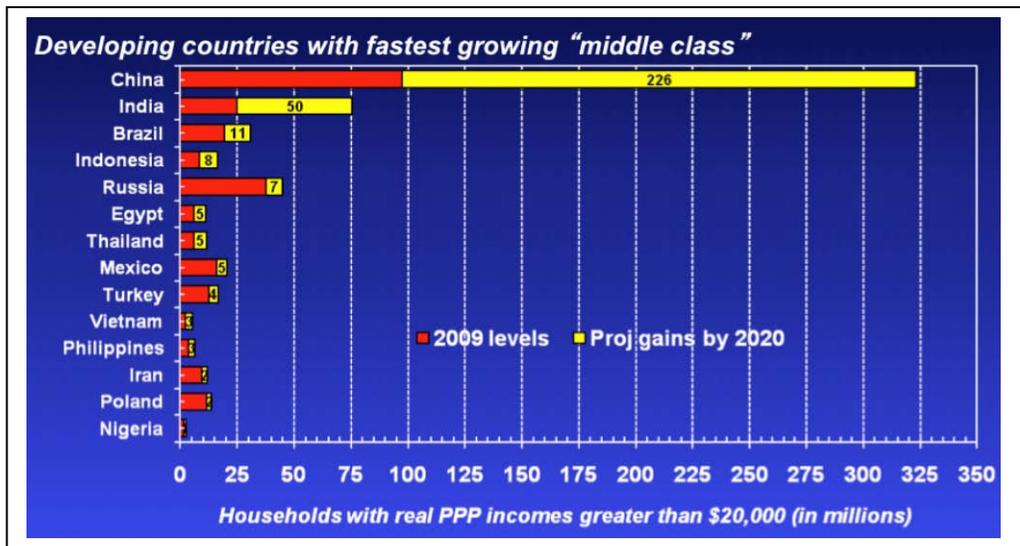
These charts provide a graphic representation of the global population trends.

Foreign households with income greater than \$20,000/year.



The first chart shows that “middle class” growth in developing countries, combined with developed countries outside the U.S., is expected to more than double by 2020. In developing countries, the “middle class” could reach 730 million households by 2020, up 104 percent from 2010 levels.

Developing countries with fastest growing “middle class.”



The second chart indicates the “middle class” growth is primarily in China and India. The rate of growth in these two countries is more than 200 percent in just 11 years.

As a beef state, these trends will increase market opportunities for Kansas beef producers and provide incentive to grow the Kansas beef industry. But, we need to think about additional growth potential. U.S. pork exports increased by more than 22 percent in 2011 and the future export opportunities are even more significant.

Kansas must take advantage of the growth potential for both pork and poultry industries in order to help meet the meat demand of the world and the Asian market in particular. By building the entire livestock industry, we can better serve our customers and grow the Kansas economy.

The demand is not just for food products. While visiting Russia and Kazakhstan early this year, we spoke with officials about their need for live cattle, equipment, agriculture education and veterinary services.

Kansas competes with other states and countries for all of these markets. International trade agreements allowing the U.S. access to these markets are absolutely necessary. In 2011, the U.S. reached long-awaited free trade agreements with Colombia, Panama and Korea. Fully implemented, these agreements represent \$2.5 billion in additional exports. Kansas plans to position itself to compete in these markets. We will also work with our federal partners for more agreements providing increased access to international markets.

With increased access, Kansas agriculture will focus on how to maximize its ability to serve these markets. In order to do so, we have identified our state’s competitive advantages and disadvantages.

KANSAS ADVANTAGES

Geography and Climate – Kansas is the right place at the right time.

- central location
- reasonable humidity
- large available land mass
- space for large scale operation
- limited urban encroachment

**No other location provides this combination of geographic advantages.

Government Support – Kansas has the right leaders at the right time.

- supportive administration
- strong rural development efforts through the ROZs program
- you – members of the legislature - deserve credit for building a strong foundation with laws that benefit and protect agriculture.
 - These include a foundation of basic animal care, water and environmental protection law that balance industry needs

Valuable Resources – Kansas has the right tools at the right time.

- quality of people
- feed, grain and pasture availability – low cost of gain
- quality infrastructure
- low cost of living
- education
 - Good local schools
 - Strong agriculture university
 - Technical education
- large feeding, processing and transportation infrastructure
- leader in agriculture technology and agriscience development
 - NBAF and biosecurity
 - Kansas State University
 - animal health corridor
 - the opportunity exists to be the “ag technology and science” capital of the country

We have the right tools, the right location and the right leadership.

KANSAS CHALLENGES

However, it is also necessary to identify the challenges facing agriculture in Kansas. At the Governor’s Economic Summit on Animal Agriculture, participants identified the greatest challenges as federal and state regulations, animal welfare activism, labor shortages, limited water availability and changing state demographics.

Burdensome Regulations and Laws

- Overregulation – we tend to move toward overregulation or excessive rules when dealing with agriculture or natural resources.
- May at times even “get ahead of the feds” instead of pushing back on federal regulations.
 - Examples vary from small load limits for milk trucks to overly extensive paperwork and processes.

Corporate Farming Laws

- Need to realize opportunities for growth include expanded corporate agriculture.
- We are asking your support to address this issue this session.

Animal Welfare

- While current laws have served as models for other states and Kansas is not a ballot initiative state, current laws can be strengthened to protect animal agriculture and animal welfare
- In some states, animal rights activists with an anti-agriculture agenda have shaped animal care laws and negatively affected their agriculture base. External groups provide a real and serious threat to the Kansas’ largest industry.
- We are asking your support to address this issue this session.

Labor Shortage

- The western third of the state has an unemployment rate of 4.4 percent, compared to a Kansas average of around 7 percent and national average of around 9 percent.
- Many operations have difficulty recruiting and maintaining a stable, legal workforce despite offering good paying jobs with benefits.
- Agriculture needs a stable, legal workforce in order to prosper and grow.
- A legislative proposal will be advanced by a coalition of Kansas businesses this session to help address the shortage of agriculture labor.

Ogallala Aquifer

- The Ogallala Aquifer is the main source of water in the western third of Kansas.
- Governor Brownback’s water legislation is a first step in finding a way to help protect, extend and conserve the life of the Ogallala Aquifer for future generations of Kansans while also supporting today’s western Kansas economy.

Perception and demographics

- As the state’s population becomes more urban and more “generations” away from the farm, explaining the agriculture message both in the statehouse and in the marketplace becomes more challenging

- Efforts will be focused on helping citizens understand the nature of 21st century agriculture.

Weather

While not unique to Kansas, the state's dependence on agriculture makes weather challenges even more significant. Severe weather conditions were a big factor in Kansas in 2011 and, I would like to take a moment to talk about these issues now.

The northeast part of the state battled floods in June and July. At the same time, a severe drought starting the year in Southwest Kansas advanced across the state. All but five counties in the state were covered under state drought declarations. Production losses exceeded \$1.7 billion dollars.

The span from October 2010 to September 2011 represents the driest 12 consecutive months on record. Southwest Kansas was hotter and drier than in the 1930's. Many ranchers had to sell their herds to slaughter because of the lack of grass and feed. Years of genetic development were lost forever.

Higher grain prices were beneficial to those who had product to sell; but in turn this put added pressure on our animal feeding and processing industries.

The weather is the greatest uncontrolled variable in agriculture. While farmers and ranchers cannot control the weather, they can adapt and manage their operations around it. Our Kansas producers deserve a tribute, they adapted to the weather and thanks to conservation practices, we did not have the dust issues we saw with similar weather causing the dustbowl in the 30's.

FUTURE GROWTH OPPORTUNITIES

The opportunities are tremendous if Kansas strengthens its advantages and addresses its challenges. Some particularly promising industries include dairy, dairy processing, swine, and poultry production.

The Kansas dairy industry is experiencing both internal expansion and external recruitment. Kansas currently ranks seventeenth in number of dairy cows with 121,000 cows. There are one million seven hundred and fifty thousand (1,750,000) dairy cows in California. The regulatory culture in that state and others is going to push these cows elsewhere. Kansas can be the answer.

Dairy processing is another opportunity. There is currently one milk processing plant under construction in Kansas and four more projects being considered. Increasing dairy capacity and processing plants go hand in hand.

Pork and poultry are two additional areas with great potential. Years ago, Kansas told the pork and poultry industries not to come to our state. The global poultry company Cobb-Vantress expressed interest in Kansas but ended up in Tennessee because of a lack of Kansas support. We lost out on investment and jobs by being closed for business. With our competitive advantages and other external factors, Kansas now has another opportunity to develop these industries.

Regions that welcomed these industries have reaped economic benefits. In 1900, Baxter Springs had a population of a little more than 4,000, four times that of Springdale, Arkansas. Baxter Springs was a boom town benefiting from cattle drives and being on route 66. Arkansas welcomed poultry production while Kansas did not. Springdale, Arkansas today has a population today of nearly 70,000 while Baxter Springs has barely grown. Average income in Springdale is \$44,748 compared to \$27,884 in Baxter Springs. These communities are just 86 miles apart. No mountains or rivers separate them - just an invisible state line. The numbers speak for themselves.

The pork industry has expressed interest in giving Kansas a second chance to be open for business. Numerous multiphase genetic pork production units are considering locating in Kansas. With these projects, Kansas pork production could more than double in 10 years and pass at least 5 other states in pork production. These projects could bring with them more than \$200 million in investment and create more than 500 new rural jobs. A great amount of economic development comes from jobs that support the agriculture operations. For example, just as processing follows dairies, if pork production increases greatly, a processing plant will follow.

TECHNOLOGY

In addition to capitalizing on strengths and addressing current weaknesses, Kansas will work towards the future by embracing technology and precision agriculture.

This trend in production increases coming mostly from increased yield has to continue for agriculture to succeed in feeding more people with fewer resources. GMO technology is crucial. Other areas requiring attention include water automation for future efficiencies, corn replacement technology and animal identification and traceability to open up more markets.

Kansas has huge assets in the animal health corridor and NBAF. However, our capabilities are more extensive than animal health alone. Kansas has the potential to be the center for all agricultural technology. We are the home of Kansas State University, the nation's first land grant university. We will continue to emphasize the need for research, agriscience and technological advances, and K-State provides the foundation for such advancement. K-State is critical to developing the next generation of leaders for our state's and country's agricultural industry. With focus on both technological advancements and educational development, Kansas has the potential to become the silicon valley of 21st century precision agriculture.

Kansas is a small population state. Resources are limited. The potential economic growth in Kansas agriculture is not limited if these resources are used effectively. These resources – dollars, people and otherwise – must be invested and focused on those items that provide the best leverage of Kansas' competitive differences.

Department of Agriculture

I hope it is clear to you that the Kansas Department of Agriculture is focused on growing the agriculture industry. This approach represents a change from previous years. As of January 2011, the Department had been downsized by 25 percent over four years and reduced to a strictly regulatory agency. The focus was internal rather than on our key agriculture base. Several programs were on a steady income decline which resulted in service reductions. There was no strategy for the future. Our agriculture customers, those owning and operating the more than 65,000 farms and ranches in Kansas, had little or no confidence that the department was concerned about them or their success.

I am proud of the employees in our Department – they are quality employees who want to perform professionally and correctly. Their response and support to the rapid changes within the department has been positive and are directly responsible for the direction the department is heading.

Some of the major changes internally include:

1. Capitalizing on human talent.

A year ago, a new management team came into the Department. Our group is focused not on job titles but on the opportunity to help re-position and raise agriculture awareness in the state of Kansas. The leadership team has flattened the organization structure wherever possible and is utilizing existing talent in new ways. The department has also worked to ensure that new hires are highly skilled individuals with the necessary technical skills for their role.

2. Focusing on customer service.

Since the first day of the new administration, the department's focus has been on the customer. This includes traveling around the state getting input from Kansas farmers, ranchers and agribusiness professionals. In September, the Governor's Economic Summit on Animal Agriculture took place in western Kansas. The feedback from that summit, the Governor's Economic Summit on the Ogallala Aquifer and other meetings has guided the department's priorities. Customers' concerns about work force expressed at the animal ag summit led to an agricultural worker recruitment trip to Puerto Rico and trips to Washington D.C. working on immigration issues.

The department has listened to customers and provided flexibility during the severe drought this summer, issuing more than 2,200 emergency drought term permits to protect the crops of irrigators who ran out of water. Governor Brownback also suspended certain overweight motor carrier restrictions to aid in getting hay to livestock in drought-stricken areas.

This is the opposite of a top-down philosophical policy process. Our direction comes from our customers and up to us.

3. Simplifying Processes

The Department is eliminating unnecessary rules and regulations. We have reviewed our statutes and identified more than 100 for recommended appeal. Regulations have also been evaluated. The department is working towards automation and online licensing wherever possible. We've also streamlined internally and set a trend for other state agencies by being the first to adopt a new management information system.

4. Increasing Cooperation between Departments and Agencies

On July 1, Animal Health, Conservation and Agriculture Marketing transitioned into the Department of Agriculture. It was not an easy process, but the end result is extremely positive. In addition to the obvious benefit of more talent working closer together for Kansas agriculture, there will be a cost savings of more than \$10 million over the next 10 years.

The Department works closely with other departments of the administration. In January 2011, the EPA announced 19 new rules and regulations for agriculture. The Department of Agriculture has partnered closely with KDHE to ensure regulations that would be devastating for production agriculture are not implemented. We have been successful. Other involvement includes working closely with the Kansas Water Office on the Governor's Ogallala Summit that led to the proposed water legislation for this session, working with the Department of Commerce to jointly support local and international marketing efforts, and working with the Department of Education to support school programs.

5. Being Open for Business

We are not waiting for our phones to ring – we are proactively recruiting business to Kansas. The Department is spreading the word that Kansas is open for business by recruiting agribusiness companies from other states and countries.

In October, the Governor and I joined Kansas ranchers on a mission trip to develop a greater market for Kansas livestock genetics and other agriculture products in Russia and Kazakhstan. Formal memorandums of understanding are being developed with both of these countries. Kansas sales have followed. U.S. livestock exports to Russia are at an all-time high since records started being kept in 1970. In 2011, more than 9,000 heifers shipped from Kansas to Russia.

The Department will continue to reorganize and adapt based on how we can best meet the needs of our customers. However, the commitment to our customers and growing Kansas agriculture will remain constant.

NEXT STEPS and PRIORITIES

So what can we do to help make this growth state a reality? There are four big issues I've discussed today that you will have an opportunity to address this session.

1. Agriculture Labor

Agriculture needs a stable, legal work force not just for existing operations but also to allow for further growth. Your role can be supporting legislation that gives Kansas businesses the labor needed to succeed.

2. Corporate Agriculture

Kansas has a history of turning away certain types of agriculture, particularly corporate hog farms. By reshaping our corporate agriculture laws, we can open Kansas up to the economic development these operations bring and become more competitive with other states. These industries are now modern, efficient and excellent corporate citizens.

3. Animal Care Laws

Another priority is to further develop animal agriculture laws that provide farmers and ranchers the freedom to raise livestock while also protecting animal welfare. Our plan is to strengthen Kansas laws so that livestock producers that use accepted husbandry practices have protection from external activist groups.

4. Water

It is essential to find ways to help protect, extend and conserve the life of the Ogallala Aquifer for future generations of Kansans while also supporting today's western Kansas economy. Governor Brownback's legislative proposal is an important step in addressing our long-term interest in the Ogallala.

This is not the Kansas Department of Agriculture of old.

Our new focus is on building the Kansas agriculture industry and serving our customers.

Kansas has a window of opportunity to double the value of agriculture in our state over the next 10 years. We will not simply sit and watch through the window pane as this opportunity passes us by. The Kansas Department of Agriculture will embrace this opportunity to grow the largest industry in our state. By acting now, Kansas can ensure that 150 years down the road, agriculture will remain the state's largest economic driver.

I am at your service and will gladly answer questions.