

F I N A L R E P O R T

CATTLE INDUSTRIES STUDY COMMITTEE

February, 1985

The Cattle Industries Study Committee was established in June, 1984 by the Legislative Council to review reports prepared by the Legislative Extended Assistance Group concerning the decline in cattle production in Iowa. The membership was chosen without regard to standing committee membership.

Members serving on the Study Committee were:

Senator Norman Rodgers, Co-chairperson
Representative David Tabor, Co-chairperson
Senator Berl Priebe
Senator Jack Hester
Representative Deo Koenigs
Representative Wendell Pellett

The Study Committee was initially granted one meeting, and was granted an additional meeting upon petition of the Committee to the Legislative Council.

At the first meeting, held November 19, 1984, Dr. Marvin Hayenga, Professor of Economics at Iowa State University, provided background on the dramatic decrease in cattle production in Iowa which has occurred in recent years; Dr. Daniel Otto, Assistant Professor and Extension Economist in the Department of Economics at Iowa State University provided information on the economic impact of the decline in cattle production. In conjunction with their presentations, these speakers provided the Committee with two Legislative Extended Assistance Group reports entitled "The Causes and Policy Implications of the Recent Decline in the Iowa Livestock Production and Meat Processing Industries" and "Economic Contributions and Impacts of Changes in Iowa's Livestock and Meat Processing Industries", respectively.

Also at the first meeting, Mr. Malcolm McGregor, legislative committee chair of the Iowa Cattlemen's Association, and Mr. Russell Christensen, President of the Iowa Cattlemen's Association, who reported on a two-part study authorized by the Association; Mr. Walt Hackney, representative of the National Farmers Organization, who discussed the cash flow requirements of cattle feeding; Mr. Phil Lehman, Vice President of the Iowa Farmers Union, who stressed the importance of the marketing abilities of cattle producers; Mr. Bob

Joslin, Vice President of the Iowa Farm Bureau Federation, who noted that general economic recovery and stimulation of demand would be necessary to reverse the decline in cattle production; and Mr. Earl Hanselman, who spoke on the damaging effect the allowance of tax-loss farming has on those who attempt to farm for profit.

At the second meeting, the Study Committee heard presentations by Mr. Harold Swanson, Coordinator of Agriculture Programs at Iowa Western Community College, who stressed farm management education; Dr. Bivan Jennings, Associate Director of the Cooperative Extension at Iowa State University, who reported on existing and proposed financial management programs; and Mr. Gene Eich of the Iowa Department of Revenue, who addressed the area of valuation of agricultural land and structures.

The Study Committee discussed, amended, had redrafted, and approved the final language of a number of proposed resolutions. The Study Committee adopted as Committee Resolutions six resolutions directed to various persons including standing legislative committees, urging those committees to support certain measures. The titles of the Study Committee Resolutions are as follows:

1. A Committee Resolution recommending a state income tax credit for cattle fed in Iowa.
2. A Committee Resolution recommending property tax abatements for the construction of real estate improvements for cattle production.
3. A Committee Resolution recommending the study of a review of environmental regulations.
4. A Committee Resolution recommending a property tax incentive for the protection of fragile and hilly lands.
5. A Committee Resolution recommending a sales tax exemption for farm machinery and equipment.
6. A Committee Resolution recommending continued funding for extension service farm management programs, and encouraging the extension service to continue their educational efforts.

The Study Committee recommended for passage three concurrent resolutions. The titles of the recommended drafts of concurrent resolutions are as follows:

1. A Concurrent Resolution to request Congress to discourage tax-loss farming.
2. A Concurrent Resolution to take necessary action to aid the cattle industry, making a request to testify before Congressional

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Committees on the farm bill, requesting Congress to examine the impact of high interest rates and federal tax policies on the cattle industry, and requesting Congress to examine alternate uses for land currently held in crops.

3. A Concurrent Resolution to direct the Department of Revenue to encourage local assessors to utilize certain procedures.

Copies of these resolutions are attached.

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COMMITTEE RESOLUTION NO. 1
BY CATTLE INDUSTRY STUDY COMMITTEE

A Committee Resolution recommending a state income tax credit for cattle fed in Iowa.

WHEREAS, the cattle industry in Iowa has suffered significant declines in recent years; and

WHEREAS, the costs of cattle production are substantially greater in Iowa due to climate and other factors; and

WHEREAS, sustained cattle production is essential for Iowa's economic survival; and

WHEREAS, an income tax credit for each head of cattle would create strong incentive for increasing beef cattle production in Iowa; NOW THEREFORE,

BE IT RESOLVED BY THE CATTLE INDUSTRY STUDY COMMITTEE OF THE IOWA GENERAL ASSEMBLY, That the ways and means committees of the Iowa legislature be urged to give serious consideration to enacting a state income tax credit for each head of cattle fed in Iowa.

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COMMITTEE RESOLUTION NO. 2

BY CATTLE INDUSTRY STUDY COMMITTEE

A Committee Resolution recommending property tax abatements for the construction or acquisition of real estate improvements for cattle production.

WHEREAS, Iowa law currently permits local governments to grant temporary property tax abatement to qualifying properties in urban revitalization areas; and

WHEREAS, farmers are discouraged from making the real estate improvements necessary for beef cattle production, such as silos, feedlots, feed bunks, confinement facilities, and animal waste treatment and storage facilities such as waste lagoons, by the immediate impact they have in increasing the farmer's property tax bill; NOW THEREFORE,

BE IT RESOLVED BY THE CATTLE INDUSTRY STUDY COMMITTEE OF THE IOWA GENERAL ASSEMBLY, That the ways and means committees of the Iowa legislature be urged to give serious consideration to permitting local governments to grant property tax abatement for the construction or acquisition of real estate improvements including animal waste treatment and storage facilities such as waste lagoons necessary for beef cattle production, as an incentive for beef cattle revitalization in this state.

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COMMITTEE RESOLUTION NO. 3

BY CATTLE INDUSTRY STUDY COMMITTEE

A Committee Resolution recommending the study of a review of environmental regulations.

WHEREAS, environmental limitations on feeding activities can be a significant limiting factor for the beef cattle industry in Iowa; and

WHEREAS, in recognition of this fact, the department of water, air and waste management is cooperating with the Iowa cattlemen's association in a review of environmental regulations and the state water plan as they affect Iowa beef cattle producers: NOW THEREFORE,

BE IT RESOLVED BY THE CATTLE INDUSTRY STUDY COMMITTEE OF THE IOWA GENERAL ASSEMBLY, That the appropriate standing committees of the Iowa legislature be urged to give serious consideration to the results of this review, with a view toward minimizing the unnecessarily adverse impact of Iowa's environmental regulations on the beef cattle industry.

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COMMITTEE RESOLUTION NO. 4

BY CATTLE INDUSTRY STUDY COMMITTEE

A Committee Resolution recommending a property tax incentive for the protection of fragile and hilly lands.

WHEREAS, recent years have seen a significant decline in the number of beef cattle herds in Iowa, with a proportionate increase in the number of acres of fragile and hilly lands converted from pasture land to row crop production, especially in southern Iowa; and

WHEREAS, the resulting loss to the state of the economic benefit of the beef cattle industry has been accompanied by an increase in one of the state's most serious problems, soil erosion; NOW THEREFORE,

BE IT RESOLVED BY THE CATTLE INDUSTRY STUDY COMMITTEE OF THE IOWA GENERAL ASSEMBLY, That the ways and means committees of the Iowa legislature be urged to give serious consideration to exploring methods to provide a property tax incentive for the maintenance of fragile and hilly lands best kept in cover crops, and discouraging their conversion into row crop production.

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COMMITTEE RESOLUTION NO. 5

BY CATTLE INDUSTRY STUDY COMMITTEE RESOLUTION

A Committee Resolution recommending a sales tax exemption for farm machinery and equipment.

WHEREAS, efficient beef cattle production requires substantial capital equipment such as scales, feeding and watering equipment, feed mills, and waste handling equipment; and

WHEREAS, much of this equipment is personal property when sold, but assessed as real property when later attached to the real estate; and

WHEREAS, such equipment is necessary for the production of beef cattle; and

WHEREAS, the production of beef cattle adds value to Iowa's raw agricultural commodities of feed grains and forages and benefits the Iowa economy; and

WHEREAS, many other states have exempted agricultural machinery and equipment, and their repairs from the state sales tax; NOW THEREFORE,

BE IT RESOLVED BY THE CATTLE INDUSTRY STUDY COMMITTEE OF THE IOWA GENERAL ASSEMBLY, That the Senate and House Ways and Means Committees are urged to give serious consideration to granting a sales tax exemption for machinery and equipment, such as livestock-specific machinery and equipment, that adds value to Iowa's raw agricultural commodities.

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COMMITTEE RESOLUTION NO. _____

BY CATTLE INDUSTRIES STUDY COMMITTEE

A Committee resolution recommending continued funding for extension service farm management programs, and encouraging the extension service to continue their educational efforts.

WHEREAS, Iowa's beef cattle producers benefit from good records and that proper livestock enterprise records help to support profitable decision making, aid in obtaining financing, and increase the potential for custom feeding; and

WHEREAS, past Iowa legislatures have supported livestock management research and educational efforts undertaken by Iowa State University and the Iowa State University Extension Service; NOW THEREFORE,

BE IT RESOLVED BY THE CATTLE INDUSTRIES STUDY COMMITTEE OF THE IOWA GENERAL ASSEMBLY, That the educational and research efforts undertaken by Iowa State University and the Iowa State University Extension Service to further livestock management require the continued support of the Iowa General Assembly to fund these programs utilizing present staff; and

That Iowa State University and the Iowa State University Extension Service are encouraged to continue their work to inform both the beef cattle producers and lenders of the need for proper records and educating both groups on the proper maintenance and utilization of the records.

1 Senate, the Speaker and the Clerk of the United States
2 House of Representatives, and each member of the Iowa
3 Congressional Delegation.

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1 and

2 WHEREAS, the reasons for low profitability are the
3 same conditions that created the current financial
4 crisis in agriculture. Access to financial credit has
5 become increasingly difficult to find for Iowa's small
6 cattle feeders; and

7 WHEREAS, there have been adverse economic and
8 environmental effects including the destruction of
9 fragile pasture lands as traditional cow-calf
10 operations are liquidated. Also, there has been a
11 loss of meatpacking plants with the resulting loss of
12 jobs and economic activity in local communities and
13 the loss of competition for fed cattle; and

14 WHEREAS, the development of alfalfa hay as a cash
15 crop would aid soil conservation efforts on fragile
16 land while also providing an alternative source of
17 feed and income to cattle producers. NOW THEREFORE,

18 BE IT RESOLVED BY THE HOUSE/SENATE, THE
19 SENATE/HOUSE CONCURRING, That the problems require
20 actions by both the state and federal governments and
21 we pledge to take all necessary actions possible on
22 the state level; and

23 BE IT FURTHER RESOLVED, That the General Assembly
24 requests an opportunity to appear before the United
25 States Senate and House agriculture committees either
26 in Washington, D.C. or in Iowa to discuss the 1985
27 farm bill components such as soil conservation, crop
28 price supports, and tax incentives that will have
29 major impacts on the cattle industry's future in Iowa;
30 and

1 BE IT FURTHER RESOLVED, That the Congress examine
2 the factors relating to the continued high interest
3 rates and tax credits and investments that distort the
4 cattle industry and the availability of credit for
5 producers.

6 BE IT FURTHER RESOLVED, That Congress examine the
7 possibility of enacting conservation incentives for
8 setting aside land for pasture, and the establishment
9 of a project to develop alfalfa hay as a cash crop.

10 BE IT FURTHER RESOLVED, That the Secretary of State
11 is directed to send copies of this resolution to the
12 Speaker and the Clerk of the United States House of
13 Representatives, the President and the Secretary of
14 the United States Senate, the Chairperson of the
15 United States Senate and House of Representatives
16 agriculture committees, the Secretary of the United
17 States Department of Agriculture, and each member of
18 the Iowa congressional delegation.

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1 HOUSE/SENATE CONCURRENT RESOLUTION NO. ____
2 BY (PROPOSED COMMITTEE ON AGRICULTURE CONCURRENT
3 RESOLUTION-
4 Recommended by Cattle Industry Study Committee)
5 A concurrent resolution to direct the Department of
6 Revenue to encourage local assessors to utilize
7 certain procedures.

8 WHEREAS, beef cattle production requires
9 agricultural buildings and other real estate
10 improvements; and

11 WHEREAS, although current Iowa law provides that
12 agricultural buildings except dwellings are to be
13 assessed at one hundred percent productivity along
14 with the underlying land, there may in fact be a lack
15 of uniformity among assessors in the manner in which
16 agricultural buildings are assessed; and

17 WHEREAS, many of Iowa's agricultural buildings are
18 outdated and less than fully functional. Assessing
19 these buildings on the basis of replacement costs,
20 original cost, or any other method which ignores a
21 building's functional obsolescence encourages farmers
22 to destroy buildings which may have some lesser value
23 for livestock production; and

24 WHEREAS, the existence of differing assessment
25 techniques from county to county results in inequities
26 which send the wrong signal to beef cattle producers;
27 NOW THEREFORE,

28 BE IT RESOLVED BY THE HOUSE/SENATE, THE SENATE/HOUSE
29 CONCURRING, That the Department of Revenue is urged to
30 encourage local assessors to adopt the Louisa County

1 method of property assessment which is designed to
2 increase uniformity in the valuation of agricultural
3 building's among counties, and

4 BE IT FURTHER RESOLVED, That the Department of
5 Revenue is urged to encourage local assessors to
6 consider the functional absolescence of agricultural
7 buildings in their assessment of agricultural
8 buildings.

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