

FINAL REPORT

EXPANDING IOWA'S LIVESTOCK INDUSTRY INTERIM STUDY COMMITTEE

AUTHORIZATION AND APPOINTMENT

The Expanding Iowa's Livestock Industry Interim Study Committee, established by the Legislative Council, was authorized to hold two days of meetings and directed to complete its work by December 31, 1991.

STUDY COMMITTEE CHARGE

The charge of the Committee, as provided by the Legislative Council, is as follows:

Develop recommendations which will expand the size and profitability of Iowa's livestock industry.

COMMITTEE MEMBERS

Members serving on the Study Committee included the following:

Mr. Tom Miller, Chairperson
Senator Eugene Fraise
Senator H. Kay Hedge
Senator Emil Husak
Senator Berl E. Priebe
Senator John Soorholtz
Representative Daniel P. Fogarty
Representative Teresa Garman
Representative Dolores M. Mertz
Representative Dan Petersen
Representative Jane E. Svoboda
Ms. Mary Garst
Mr. Leon McGarry
Mr. Leland Weber
Ms. Marie Whiteing

COMMITTEE PROCEEDINGS

The Study Committee held meetings on November 22, 1991, and December 16, 1991. The Committee considered the testimony from a number of persons presenting information to the members. The Committee found that Iowa produces 7 percent of the total United States fed beef and 26 percent of pork. In 1987, 110,450 jobs were directly or indirectly related to the production of livestock in Iowa. A total of 166,000 jobs are associated with the livestock and animal products industries -- 11.4 percent of the total farm and nonfarm work force and 14.6 percent of the wage and salary income in Iowa.

MEETING -- November 22, 1991

The first meeting of the Study Committee was held on November 22, 1991, in Room 116 of the State Capitol. Presentations were made by a number of interested persons.

Dr. James Kliebenstein, Professor, Department of Economics, Iowa State University, discussed the economic impact of the livestock industry within the state. He explained the importance of the value-added industry to livestock production. Dr. Kliebenstein presented testimony comparing competitive factors including industry efficiencies, the cost of production, the availability of quality labor, management expertise, and effective collaboration. Dr. Kliebenstein stated that the livestock industry will consist of fewer, larger, and more specialized farming operations. He recommended that the state support the industry by supporting the use of new technologies and improved management practices.

Ms. Myrt Levin, Executive Director, Iowa Business Council, discussed findings contained in a report published by the Iowa Business Council entitled "Job Creation in Animal Agriculture". Ms. Levin discussed trends in livestock production and emphasized the importance of value-added industries. She discussed a number of needs facing the industry including improving technology transfer and recordkeeping, enhancing financial relationships between producers and capital managers, increasing animal science research, improving the design of confinement facilities, improving communication between lenders and producers, encouraging young people to invest in animal agriculture, reconciling production with concerns for environmental quality, changing traditional attitudes, developing stronger marketing programs, and increasing risk share contracting.

Dr. S.A. Ewing, head of the Animal Science Department, Iowa State University, presented testimony regarding issues facing livestock production, including the need to reconcile environmental concerns with production demands, the implementation of technology, and the protection of producers from legal actions. Dr. Ewing commented that the need to transfer technology and access

information will become increasingly critical to producers. Dr. Ewing also discussed the importance of the value-added industry and the need to utilize all potential value from slaughtered animals.

Mr. Reg Clause, member of the Legislative Committee, Iowa Cattlemen's Association, discussed the Association and obstacles relating to operating a successful cattle operation. He stated that government should adopt a supportive attitude regarding animal agriculture. Mr. Clause discussed the relocation of the industry to western states. He commented regarding specific areas of concern relating to the environment, transportation, taxation, finance, and administration. He emphasized the need to adopt property tax credits to support livestock expansion. Mr. Clause also discussed the role of extension services at Iowa State University and the need to maintain an efficient system of information distribution. Mr. Clause also discussed the development of marketing opportunities. He stated that legislative support is required to assist allied businesses engaged in meat packing, transportation, and grain processing.

Mr. Jerry Becker, President-Designate of the Iowa Pork Producers Association, discussed Iowa's leading position in the production of pork, the economic climate for producers, and consumption trends. Mr. Becker identified several needs facing the industry, including improving financial management expertise; reducing legal threats arising from environmental regulations, zoning laws, and nuisance actions; and increasing animal science research. He encouraged members to support passage of Senate File 294, establishing agricultural enterprise zones. He also stressed the need to support the establishment of the national Swine/Pork Research Center in Ames.

Ms. Heidi Vittetoe, Mr. Dale Sigmund, and Mr. Tim Kamstra were part of a panel of producers who presented information regarding obstacles and opportunities existing for new producers. The panel discussed the importance of information and record management, and credit availability. The panel discussed benefits from contracting, financing, risk management, and management skills. The speakers stressed the importance of controlling costs, adjusting to changing conditions, and adapting new technology. They noted that it is difficult for producers to plan because of changing environmental regulations.

Mr. Glenn Shultz, representing the Iowa Turkey Federation and the Iowa Poultry Federation, described the history of turkey and poultry production in the state. He observed that operations are becoming increasingly integrated. He noted that Iowa is in a position to attract turkey and poultry operations because it offers feed cost advantages. Mr. Shultz supported efforts to protect producers from the threat of nuisance suits. He also urged members to review corporate farming laws.

Mr. Don Faidley, representing the Iowa Sheep Industry Association, briefly described Iowa's position among sheep production states, and commented that the

future of the sheep industry appears promising. He noted areas of concern including predator control, the disposal of carcasses, and animal disease research. Mr. Faidley recommended that the General Assembly continue to support lamb and wool management projects.

MEETING - December 16, 1991

The second and final meeting of the Study Committee was held on December 16, 1991, in Committee Room 22 of the State Capitol. Presentations were made by a number of interested persons.

The Committee heard testimony from Mr. Tom Urban, Committee Chair of the Iowa Animal Agriculture Council and Chairman and President of Pioneer Hi-Bred International Inc. Mr. Urban discussed the importance of animal agriculture to the state and the role of state government in expanding livestock production. He suggested that production, processing, and marketing of livestock should be viewed as components of a single system. Mr. Urban stated that the system does not need to be subsidized by the state. However, the state, according to Mr. Urban, should not discourage capital risk formation or competition. He questioned laws which restrict business structures. Mr. Urban stressed the need to support research and supported efforts to protect producers from the threat of nuisance suits. Mr. Urban stated that efficiency drives the market and that the change toward larger and more specialized operations appears inevitable. He stated that Iowa is in a good position to increase its market share.

Mr. Dwane Sand, Environment Committee of the Iowa Animal Agriculture Council, presented information regarding the impact of livestock production on the environment. He stated that livestock production is compatible with environmental concerns, and that present environmental laws do not cause producers to suffer from a competitive disadvantage. He stressed the need for planning, sound management practices, and the use of current zoning laws. Mr. Sand stated that Iowa's environmental regulations are not burdensome compared with neighboring states. He recommended that commodity organizations, industry, regulators, and policymakers improve communication channels; environmental laws be drafted in a clear and simple form; organizations representing producers, lenders, and industry groups educate producers regarding regulatory processes; public and private institutions cooperate to research, develop, demonstrate, and transfer technologies; and the state review zoning laws.

Mr. Neil Hamilton, Professor of Law, Drake Law School and Director of the Agricultural Law Center, Drake University, discussed nuisance law and "right to farm" statutes, including provisions in chapter 172D applying to livestock facilities and chapter 358 relating to county zoning. He discussed a number of court cases. Mr. Hamilton made a number of recommendations to amend current provisions in order to clarify ambiguities in the law. He also discussed proposals to shift the

burden of paying legal fees to a losing plaintiff in nuisance actions and requiring that notice be placed in the chain of title to real estate relating to the existence of agricultural activities.

Mr. George Spencer, Vice President of Public Affairs for IBP, discussed the history of IBP and the meat packing industry. He expressed confidence in the state's potential to compete in the production of cattle and swine. Mr. Spencer explained the importance of low-cost production and industry efficiencies. He supported a review of corporate farming laws. Mr. Spencer recommended that the General Assembly support efforts to increase research, support enhanced facility design, and encourage producers to maintain efficient records. He also recommended that the Committee explore methods to ensure that environmental regulations are practical, protect producers from the threat of whimsical legal actions, provide incentives for the establishment of environmentally sound structures, and support research efforts.

Mr. Jerry Nash, representing the Iowa Farm Unity Coalition and Prairie Fire, discussed a number of concerns. He expressed concern regarding free trade agreements, including the proposed General Agreement on Tariffs and Trade and the North American Free Trade Agreement, and stated that such agreements threaten to result in lower commodity prices, the loss of industries, and the importation of inferior quality meats. Mr. Nash stated that corporate farming laws provide vital protections to Iowa farmers. He also warned about dangers associated with contracting, and the need to support workers in the packing industry. Mr. Nash recommended that the state establish programs to encourage persons to enter into livestock production operations.

Mr. Moe Russell, Co-chairperson of the Finance Subcommittee of the Iowa Animal Agriculture Council, discussed capital access in the state. He observed that credit availability is determined by profitability. He stated that legislation which limits the size, ownership structure, or vertical integration of production operations may place Iowa at a competitive disadvantage. He discussed the work of a consortium of Iowa lenders in developing a guaranteed loan program for single-purpose farms. He stated that a large need exists to build new and to retrofit existing livestock facilities. He supported the concept of an agricultural enterprise zone to protect producers from the threat of nuisance suits. He described a need to support producers in enhancing farm management practices, including recordkeeping.

Mr. Ron Rossman, a producer from Harlan, Iowa, presented written testimony regarding the need to encourage diversification and sustainable agriculture. He expressed concerns regarding the concentration in the livestock industry. He made a number of recommendations including rewarding producers for employing additional labor on farms, encouraging the construction of new value-added facilities, increasing marketing of products under the "Iowa" logo,

maintaining corporate farming laws, encouraging the family farms to implement efficient production strategies, and maintaining extension services at Iowa State University.

MATERIALS

The Study Committee considered a number of materials submitted to the members which are on file with and available upon request to the Legislative Service Bureau, including the following:

1. Job Creation in Animal Agriculture in Iowa, Iowa Business Council.
2. Integrating Livestock Industry and Community Development Strategies, J.B. Kliebenstein and V.D. Ryan.
3. Iowa Farm Trends, Iowa State University.
4. Rural Enterprise Reporter, Center for Rural Affairs.
5. Iowa Farm Trends, Iowa State University.
6. An Overview of the Changing Structure of Iowa Agriculture, Paul Lasley.
7. The Dilemma of Livestock Production in the Midwest, Prairie Journal, Fall 1991.
8. Analysis of the Livestock Industry in Iowa, Legislative Service Bureau.
9. Concentration of Agricultural Market, William D. Heffernan and Douglas H. Constance.

RECOMMENDATIONS

The Study Committee discussed testimony and information presented for consideration. The Committee approved the following recommendations:

1. The General Assembly should enact legislation protecting agricultural producers from the threat of nuisance suits, by allowing the creation of agricultural enterprise zones, as contained in Senate File 294.
2. The Department of Natural Resources should adopt a clear, even-handed and consistent approach to applying departmental regulations.
3. The Department of Natural Resources should improve the issuance of environment permits on a timely basis.

4. The Department of Natural Resources should improve communication with agricultural producers regarding environmental standards, processes relating to the issuance of permits, and the enforcement of laws.
5. The General Assembly should maintain current corporate farming laws.
6. A study should be performed regarding methods to retain land under the federal Conservation Reserve Program in pasture.
7. A study should be performed regarding property tax incentives to encourage persons entering into farming to diversify operations. Property tax incentives should apply to facilities used to produce meat, milk, or eggs.
8. Assistance provided for purposes of economic development should be based on job retention as well as job creation.
9. All involved in animal agriculture and especially the Iowa Cooperative Extension Service in Agriculture and Home Economics at Iowa State University should assist farmers in adopting modern management techniques.
10. The Capital Access Program should be expanded to apply on a statewide basis.
11. The capital gains tax deduction applying to breeding stock should be increased.
12. Ethanol production should be expanded in Iowa. Expansion of this production would have a positive effect on the livestock industry because the by-products of ethanol production include animal feeds.

The Study Committee approved a concurrent resolution requesting that the United States Congress study methods to ensure that land subject to contracts with the United States Department of Agriculture remain protected from row crop production. The resolution is attached.

1 participate in the Conservation Reserve Program; and
2 WHEREAS, Iowa farmers have conscientiously
3 participated in the program by joining a partnership
4 with the federal government in order to protect Iowa's
5 most precious resource for the benefit and welfare of
6 future generations; and

7 WHEREAS, beginning in 1996, Conservation Reserve
8 Program contracts will expire and Iowa farmers who
9 continue to struggle against economic hardship must
10 face a Hobbsian choice of sacrificing desperately
11 needed income or returning highly erodible land into
12 production and risk jeopardizing participation in
13 other farm programs; NOW THEREFORE,

14 BE IT RESOLVED BY THE SENATE, THE HOUSE/THE HOUSE
15 OF REPRESENTATIVES, THE SENATE CONCURRING, That the
16 General Assembly hereby petitions the Congress of the
17 United States to study initiatives and adopt all
18 measures necessary to ensure that lands in the federal
19 Conservation Reserve Program remain protected, and
20 that such measures do not jeopardize the financial
21 position of the American farmer; and

22 BE IT FURTHER RESOLVED, That copies of this
23 resolution be submitted by the Secretary of the
24 Senate/Chief Clerk of the House of Representatives to
25 the President of the United States Senate, to the
26 Speaker of the United States House of Representatives,
27 to Iowa's congressional delegation, to the President
28 of the United States, and to the United States
29 Secretary of Agriculture.

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