



Since 1894

To: House Committee on Agriculture and Natural Resources  
Representative Sharon Schwartz, Chair

From: Mike Beam, Sr. Vice President

Re: Neutral testimony regarding **SB 156**, a bill amending the Arkansas River gaging fund. (Submitted for written testimony, not oral testimony)

Date: March 16, 2015

*The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 5,000 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, dairy production, grazing land management and diversified farming operations.*

The Kansas Livestock Association's (KLA) opposed the original version of SB 156 because the bill appeared to jeopardize state funding for the livestock market reports (lines 21-23). The Senate amended SB 156 to address our concerns by increasing the \$75,000 to \$95,000 in subsection (b). The bill, as passed by the Senate, should address the funding needs of the "Arkansas River gaging fund for groundwater gage sites in the Arkansas River basin" and the livestock market reports. KLA no longer opposes SB 156 and respectfully asks the House Agriculture and Natural Resources Committee to retain the Senate amendment.

### **Background on livestock market reports**

In recent years, the Kansas Department of Agriculture has provided \$20,000 in state funds annually to USDA's National Agricultural Statistics Service for a cooperative arrangement that produces two (2) official weekly livestock auction market reports from the sales of cattle at the Farmers and Ranchers Livestock Commission, Co. in Salina, Kansas, and Pratt Livestock, Inc. in Pratt, Kansas. (USDA provides 100% of the financial support for the sales at the Winter Livestock Auction in Dodge City, Kansas.)

### **Why is state funding for auction market reports important?**

Kansas is one of the states whose 650-850 pound feeder cattle cash prices are utilized in determining the cash settlement index for the Chicago Mercantile Exchange Feeder Cattle Index. At one time, about 60 % of the Kansas cattle sales making up this index are derived from the three auction markets mentioned previously. If we lose the Pratt and Salina reports we will effectively drop the total reported volume in Kansas by as much as 40%.

(over)

Omitting the sales reports from these two markets will cause a regional shift in the overall index, which may be disruptive to our Kansas producers. (Because of the state's large cattle feeding industry, prices of feeder cattle in Salina and Pratt often yield a premium price compared to other markets in the multi-state region.)

In order for the feeder cattle contract to be a viable risk management tool for our farmers and ranchers, we need large volumes of cattle market sales, reported on a consistent basis, by an objective third party. Additionally, the reports from these sales are considered a regional barometer for monitoring calf, feeder cattle, and butcher cow prices in Kansas and neighboring states.

By funding these two reports, for a total of \$20,000 per year, the state can continue to provide a significant service to the state's beef cattle industry.

I should also mention that KLA supports the continued state funding for the Bluestem Pasture Report, an in-depth report on cash rental rates for Flint Hills grazing leases and custom fence building rates. According to the Kansas Department of Agriculture (KDA), funding for this report has been available from other KDA resources.

In summary, if the Kansas Legislature chooses to advance SB 156 and add the costs of the Arkansas River groundwater gages as an additional expenditure from the Arkansas River gaging fund, we ask this committee to retain the Senate amendment in subsection (b) that increases the maximum transfer amount to \$95,000.

Thank you.