

Testimony on the House Bill No. 2502
to
The House Agriculture and Natural Resources Committee

By J.J. Jones, Marketing & Trade Coordinator and David Widmar, Economist
Kansas Department of Agriculture

January 25, 2012

Good morning, Chairman Powell, and members of the committee. I am J.J. Jones, Marketing & Trade Coordinator for the Kansas Department of Agriculture. I serve on the seven-member Agricultural Marketing team. Our team joined the Kansas Department of Agriculture in July 2011. In addition to working to assist Kansas farmers, ranchers and agribusinesses market their agricultural products here in Kansas, across the U.S. and around the world, our team works on business development-style projects to grow the Kansas agriculture economy.

One such project is Governor Brownback's goal of growing animal agriculture in Kansas. Since announcing this goal just over a year ago, our agency has received multiple inquiries from literally around the world about starting or expanding animal agriculture-focused businesses in Kansas. These inquiries have come from small family-operated businesses to large Fortune 500 companies. All sectors of animal agriculture have been represented by these inquiries — beef, dairy, pork, poultry and aquaculture.

The Kansas Department of Agriculture believes House Bill 2502 will better position Kansas to strengthen its lead in global animal agriculture. According to the Food and Agricultural Organization of the United Nations, global food production will need to double by 2050 to feed an estimated global population of 9 billion people. Additionally, according to the United States Department of Agriculture, the number of "middle-class" households in the world will increase 104 percent from 2010 to 2020. This is an estimated 730 million households. Similarly, U.S.D.A. data shows, that, historically, as a household's purchasing power increases their eating habits follow a very distinct protein curve.

Households in developing countries consume high grain-based diets. As their income rises they consume more vegetable oils. From there the household moves to consuming plant proteins such as soy. Finally, when households reach "middle-class" status they begin consuming animal proteins – poultry or seafood, pork (minus Muslim households) and beef; in that order.

As an example, since 1991 China's consumption of soybean oil has risen from approximately 1 million metric tons to just over 10 million metric tons per year. That is a 49-fold expansion. Likewise, China is consuming more soybean meal for their expanding poultry and pork production. The U.S.D.A. shows that since 1991, soybean meal consumption in China has grown 3,200 percent.

China is not the only country expanding rapidly. India, Brazil, Indonesia and others are also experiencing significant growth as more of their citizens reach “middle-class” status. These countries will move quickly from plant proteins to more and more animal proteins.

What does this mean for Kansas and the United States?

Kansas has long been a leader in U.S. meat production — specifically beef. Kansas contributes greatly to the U.S. reputation of producing the highest quality, safest, least expensive food supply in the world.

Also, with factors such as urban sprawl and environmental regulations driving animal agriculture out of other U.S. states and many foreign countries, Kansas is poised for expansion of the animal agriculture sector – beef, dairy, pork and poultry, and maybe others.

HB 2502 will better position Kansas to attract swine production facilities as well as the businesses that support these facilities. The Kansas Department of Agriculture is committed to seeing Kansas maintain its robust beef sector. But, at the same time the Kansas Department of Agriculture desires to create an environment where additional sectors can join the Kansas agriculture economy if they so desire.

Based on inquiries from parties interested in building swine production facilities in Kansas that our team has received in the last 6 months, Kansas could easily become a top-five hog and pig state in the nation. This could potentially lead to greater allied businesses such as pork processors. In 1995, Guymon, Okla. became home to a pork processing facility that processes 18,000 head of hogs per day. Between 1990 and 2010, Guymon’s population increased 46.6 percent.

David Widmar from our team will share with you the estimated economic benefit pork production alone can have on the Kansas economy.

In 2010, the value of Kansas pork production was \$441 million. Based on Kansas Department of Agriculture estimates, the pork industry created 3,900 jobs and contributed \$416 million to the State’s GDP. On average, each pig in Kansas has an economic impact of generating an additional \$135 in State GDP.

As J.J. mentioned, the Department has been approached about opportunities to grow and expand pork production in Kansas. Pig Improvement Company (PIC), a swine genetic company, has identified Kansas as a preferred location for expanding their sow multiplier production. To accomplish this expansion, they are looking for investment partners to build two facilities per year over the next five years. One of these investments will generate \$14.1 million in new construction. Kansas Department of Agriculture estimates find that one of these complete investments will have an economic impact of creating more than 200 jobs in the state and contribute \$21 million to the State’s GDP. PIC is seeking Kansas investors looking to diversify or expand their operation and has existing out-of-state partners looking at locations in counties that have allowed corporations to own swine farms.

The second opportunity of which we have been made aware is a publically traded company's plans to expand pork production. This company is also considering Kansas. Department estimates have found that this single investment alone could have an economic impact of expanding the State's GDP by more than \$200 million and create nearly 2,000 Kansas jobs.

Based on current global trends and the estimated economic benefit to Kansas that expanded pork production could bring, the Kansas Department of Agriculture asks for your support of HB 2502. This legislation will allow Kansas to be better positioned for increased pork production within the state.

Our team is gladly at your service and will be happy to answer any questions at the appropriate time. Thank you.