



PORK

EXECUTIVE SUMMARY

The pork industry is an important component of the Kansas economy, providing pork products locally, nationally and internationally. As swine production has become more specialized, and environmental impacts have played an increasingly larger role in operational decisions, the pork industry in Kansas has seen adjustments in size and location of hog operations. Growth in the pork industry can result from an increasingly concentrated supply chain, and the readily available supply of feed in Kansas assists that effort. Leaders in the pork industry in Kansas are dedicated to support of swine farmers and to advancement of the industry. Swine producers strive to minimize production costs while optimizing productivity and product quality all while reducing environmental impact and avoiding social impacts on their communities. Modern swine production has become very specialized and farm sizes have grown as economies of scale are sought.

Several challenges face the pork industry, which pose potential barriers to success in Kansas in the future. A variety of policies at the local, state and federal level can slow the growth of individual operations, and public support for hog operations is lacking in some communities. Attracting a skilled workforce is a continual concern, as well as managing the challenges of an immigrant workforce. The lack of a large-scale processing facility raises transportation costs, and acquiring sufficient water supply is difficult in some areas of the state. Environmental regulations have put pressure on some producers to relocate.

Growth in the pork industry will require the collaborative effort of public and private stakeholders across the state. Investigation into expansion of the processing options would open up new opportunities for growth of existing and new operations. Additional efforts to maximize efficient water use will benefit hog operations in the short term and protect the industry's long-term future as well. Continued communication with policy makers and the public to improve understanding of the pork industry is critical. A great deal of potential exists for growth in this sector, as key leaders work together to identify strategies for future development.

STATUS

Kansas ranks 10th nationwide in hog inventory, producing about 2.7 percent of the nation's total. There are about 1,000 hog farms in Kansas. Of these operations, 150 produce over 99 percent of the state's pork. In 2016, Kansas producers sold 3,345,553 market hogs, feeder pigs and seedstock with a gross market value of \$427.5 million. These hogs produced more than 600 million pounds of pork which helps feed millions of people in the United States and abroad through exports (KPA Kansas Pork Industry Facts, 2017).

The pork industry is important to the Kansas economy. Kansas pork farms consume more than 30 million bushels of grain. Primarily, these operations utilize Kansas-grown grain sorghum and corn. At January 2017 prices, the pork industry will spend over \$90 million on grain sorghum and corn this year. Kansas pork farms also consume the equivalent of more than eight million bushels of soybeans through soybean products. At January 2017 prices, the pork industry will spend over \$76 million on soybean meal this year (KPA Kansas Pork Industry Facts, 2017).

According to estimates prepared by the Kansas Department of Agriculture and based on the Implan economic data model, the pork industry in Kansas has a direct output of over \$433.9 million and creates 2,818.3 jobs in the state. Through indirect and induced impacts, the industry supports a total of 4,981.8 jobs and creates a total economic contribution of over \$795.4 million.

In general, the swine industry is moving to the north central part of the United States and to the central and western half of Kansas. It is important to remember that industry shifts can occur suddenly. Oklahoma increased its breeding herd by almost 500 percent in a little over five years. The relative mobility of the pork industry means that regulations could result in significant changes in the location of hog production facilities, with ripple effects in local economies. Modern swine production has become very specialized and farm sizes have grown as economies of scale are sought. The trend toward fewer, larger and more productive hog operations will likely continue into the foreseeable future.

OPPORTUNITIES

In order to develop a strategic growth plan for the pork industry, it is important to understand the areas where Kansas has a comparative advantage and the best opportunities for growth or expansion.

Factor	Implications for Growth and Development Opportunities
Biosecurity and Foreign Animal Disease Traceability	<p>KDA Division of Animal Health is working with veterinarians and swine industry partners to best develop protocols to address disease concerns.</p> <p>The U.S. Department of Agriculture issued a federal order requiring producers to report any new detections of PEDv and other swine enteric coronavirus diseases to state or federal animal health officials.</p>
Contract Production and Nutrient Utilization	<p>Contract production is believed to have aided the expansion of hog operations by facilitating the accumulation of capital necessary for operations to adopt new technologies and achieve economies of size.</p> <p>Some farmers have opted to contract grow hogs which allows them to not only diversify their operation, but it also allows them access to manure to use on their crops. Manure management and the nutrient utilization capacity of crops grown on large Kansas farms fit well into the business model for Kansas farmers.</p>

OPPORTUNITIES

Factor	Implications for Growth and Development Opportunities
Environment	<p>Although most hog production is indoors, and hogs can adapt to some degree to different thermal environments, there is a cost to production associated with keeping them outside their comfort zones. The semi-arid climate and mild ambient temperatures make Kansas well-suited for hog production.</p> <p>Kansas is taking significant proactive steps to preserve and extend the usable life of water supplies in Kansas. In recent years, voluntary, flexible and producer-driven water conservation tools have been implemented to help farmers and livestock producers manage their water rights while continuing to raise crops and livestock. Kansas has developed a <i>Vision for the Future of Water Supply in Kansas</i> with goals and specific action items to help ensure a reliable water supply while continuing to grow the economy.</p> <p>The Kansas Pork Association has its own environmental firm, Kansas GOLD™. The Kansas GOLD™ program is designed to help pork farmers ensure they are prepared for an inspection by the state's regulatory agencies. Kansas GOLD™ also offers nutrient management planning as well as soil and manure sampling.</p>
Human Capital	<p>Kansas is home to world-renowned leaders in animal agriculture. Industry consultants, veterinarians and research leaders at Kansas State University are continually working to improve the swine industry and are looked at as leaders in their field.</p>
Industry Value	<p>Kansas currently has value-added processing for pork brought in from processing plants in other states.</p>
Policy Environment	<p>Kansas tax law allows sales tax exemption on the construction, reconstruction, and remodeling of livestock facilities for projects greater than \$50,000; a sales tax exemption for farm machinery and equipment and various ag-based inputs; and reinstatement of the ability to offset capital gains from the sale of breeding livestock with schedule C, E and F ordinary income losses. These state tax code provisions make Kansas a more attractive state for growth or expansion.</p>
Public Outreach	<p>Kansas Pork Association staff work on marketing and outreach both online via social media platforms and at events around the state.</p>

OPPORTUNITIES

Factor	Implications for Growth and Development Opportunities
Supply Chain	Rapid growth and concentration of the swine industry has been attributed to the development of supply chains more closely linking producers, packers and consumers. Kansas benefits from a readily available supply of grain and readily available transportation to get hogs to processing facilities located across state lines.
Supporting Institutional Infrastructure	Kansas is recognized as one of the best exercised states in foreign animal disease. The construction of the National Bio and Agro-Defense Facility and the existing Biosecurity Research Institute enhance the research capabilities for animal health and biosecurity for the state, U.S. and global swine industry.

SUCCESS STORIES

- Expansion of a large pork operation in north central Kansas is expanding economic growth of that region.
- Several national meat processing companies are importing meat to Kansas for value-added processing.
- A large hog operation in southwest Kansas expanded its business.
- Revised consumptive use regulations are in the final stages of publication, and will create an equitable, science-based process for converting from irrigation to stockwater or any other water use.

CHALLENGES

While Kansas is poised for major expansion in the pork sector, the following factors represent challenges serving as barriers to achieving the objective of the strategic growth plan.

Challenge	Details of Challenge
Biosecurity and Foreign Animal Disease Traceability	<p>Premises ID systems are not required in Kansas. Some states are transitioning or have already transitioned to a premises ID system. A system with proper trace back and trace forward capabilities provides timely response to minimize the economic impact in the event of an animal disease outbreak.</p> <p>Indiana is a state model to evaluate if/when premises ID consideration is evaluated in Kansas.</p>
Critical Infrastructure	<p>Swine production is often located in rural communities, many of which have an inadequate supply of affordable housing for the workforce needed to expand or grow businesses.</p> <p>Marketing hogs in parts of Kansas can be challenging. There are no large-scale processors in Kansas which means hogs must be hauled out of state. Two-lane roads can make transporting hogs challenging at times.</p>

CHALLENGES

Challenge	Details of Challenge
Industry Support	At permit hearings, there is a greater voice in opposition of hog farms than in support.
International Trade	A key area for growth will result from increasing global demand for pork. With Kansas' partnerships in U.S. Meat Export Federation and commodity groups, the state can increase global demand for red meat. In 2016, exports added more than \$58.61 to the value of each hog marketed. Kansas must work with elected officials to keep export markets open and accessible for producers.
Policy	<p>County regulations vary across the state. In some counties, the board of county commissioners may submit a vote to allow corporate-owned hog facilities to relocate to their counties.</p> <p>Environmental regulations (minimum setbacks, maximum farm sizes as defined by animal unit capacity, Kansas Statute 65-171d), corporate ownership, and processor ownership of hogs could be perceived as inhibitors to industry growth.</p> <p>Due to lack of staff, the Kansas Department of Health and Environment permit process can take a long time. Many producers acknowledge the lack of agricultural engineers contributes to the problem.</p>
Public Outreach	Many Kansans may have misperceptions about how hogs are grown and raised. In order for a swine operation to be welcome in the community, the public must be educated on modern hog production.
Supply Chain	Kansas currently lacks a large-scale processing facility in the state. Although transportation is readily available, transportation costs to processing facilities out of state can become cost prohibitive for producers. Pork is currently imported and processed into value-added products in Kansas.
Water	Critical to growing any livestock operation is access to an abundant and reliable water supply. This can prove challenging in many areas of western Kansas that are closed to new water appropriations. New or expanding swine operations in these regions will have to purchase land with sufficient water rights.

CHALLENGES

Challenge	Details of Challenge
<p>Workforce Development</p>	<p>Growth in the swine industry will require a skilled workforce, which continues to be a significant challenge through the entire agricultural industry. Local communities need to have an interest in the type of jobs that will become available at a hog facility. The education and skill sets needed to operate technically advanced facilities now require individuals who have different education levels and work experiences than employees working on the ground inside sow facilities and finishing barns.</p> <p>Immigration and visa challenges will continue to be a problem. A better system would help eliminate the professional migrators, or employees that move from farm to farm once their paperwork catches up with them. When recruiting and processing non-citizens to relocate and work in the Kansas pork industry, producers would have less of a problem going through the process of hiring foreign workers if they knew the visa programs had stability.</p> <p>A lack of adequate housing in rural areas compounds the issue of a shortage of agricultural workers.</p> <p>The demand for agricultural engineers and consultants is strong in Kansas, especially in the swine industry.</p>

NEXT STEPS IN STRATEGIC DEVELOPMENT

Leaders from throughout the Kansas pork industry will continue to collaborate in the development and implementation of a long-term strategic growth strategy with input and discussion among key partners. Industry-identified desired growth outcomes, initially developed in 2016, will be implemented by industry and key partners and updated annually at the Kansas Governor’s Summit on Agricultural Growth.

PORK INDUSTRY OUTCOMES



Growth Objective:

Through partnerships and collaboration, and eliminating barriers to growth, foster an environment that supports growth and expansion of the Kansas pork industry.

The following outcomes will be the result of industry collaboration and effort to grow the Kansas pork industry:

Phase 1 (Begin within two years)

- Freedom for all business structures to do business in Kansas. Current corporate farming laws limit certain ownership structures from operating in Kansas which curtails investment and limits growth and modernization.
- A fully staffed Kansas Department of Health and Environment livestock waste management section resulting in expedient permitting while effectively protecting the natural resources of the state.
- Voluntary, market- and industry-driven traceability system to provide critical tools to manage a disease outbreak, enhance consumer confidence and trust in Kansas livestock, protect food safety, and provide opportunities to access export markets.
- Alternative workforce programs to fill the talent and workforce needs of the industry — e.g. temporary workforce, H-2A, H-2B, family-based immigrant visas, NAFTA Professional (TN) visa, etc.
- Federal immigration reform with a focus on long-term visas for agricultural workers, and a potential immigration pilot program in Kansas.
- Expansion of talent development and educational training opportunities for students preparing for careers in the pork industry. Currently, awareness of careers does not often include those in the support roles — for example, extension and U.S. Department of Agriculture Food Safety and Inspection Service.
- Dedicated business development resources for the exploration and evaluation of value-added pork and sow processing opportunities within the state.
- Continued proactive social and traditional media outreach about the pork production chain, pork safety, quality and nutrition to encourage trust from consumers, influencers and media and a better understanding of the industry.
- Kansas State University research focused on high-technology, innovative and scalable nutrition, health and management solutions for the state's pork industry.
- Identify Kansas communities that express acceptance to and interest in understanding the economic benefits of swine facilities and are open to welcoming businesses into their region.
- Pre-identified swine facility building sites with available natural resources (i.e. water, waste disposal).

Phase 2 (Begin within 2-4 years)

- Intra-industry partnerships aimed at developing and expanding niche market opportunities for pork producers.
- Competitive utility rates in Kansas that do not create a competitive disadvantage with other states and allows Kansas to maintain existing enterprises and grow industry in the future.