

BARRIERS TO ENTRY

Before farmers, ranchers and agribusinesses have to manage through natural challenges, like drought or blizzards, and volatile market challenges, many face some challenges before they even enter the business. These may include accessing the capital necessary to get started or to expand in agriculture, identifying the next generation of ownership for existing operations, addressing statutory roadblocks related to who can own agricultural operations in Kansas and more. These challenges can serve as barriers to business start-ups or expansion, making it difficult, if not impossible, for growth to occur. Identifying solutions to these challenges will be critical to future growth of Kansas agriculture.

INITIAL LIST OF CHALLENGES AND IDEAS FOR POTENTIAL SOLUTIONS

Access to Capital/Capital-Intense Requirements

Initial List of Challenges

- Growth and expansion in agriculture can often require large amounts of financial capital. Finding enough financial institutions with the ability to competitively lend at the levels necessary for some operations to grow is a challenge.
- Low commodity prices and market volatility continue to be a challenge for agriculture.
- Equipment represents one of the largest investments necessary in agriculture, especially for smaller or emerging industries, like cotton.
- For start-up companies, challenges related to marketing, getting products in stores for sale, and warehousing and distribution can be extremely costly and challenging to overcome.
- There is no private lab in Kansas where food and feed manufacturers can have their products tested for micro concerns such as salmonella. This is important for smaller operations that may not have the production to justify their own laboratory as well as for outside confirmation of internal testing.

Ideas for Potential Solutions

- Pursue development of agricultural business zones composed of existing state business incentive programs, or potentially consider the development of new incentives focused on agriculture.
- State economic development incentive programs like High Performance Incentive Program and Promoting Employment Across Kansas come with a heavy paperwork load and have been known to be cumbersome. It may be necessary to consider reviewing those programs to make them more workable for businesses.

Federal Policy

Initial List of Challenges

- The federal government has in recent years increased the regulatory environment surrounding the use of antibiotics and other animal health products in food producing animals. This presents a challenge to producers in their efforts to raise healthy animals, and to animal health companies working to develop new animal health technologies.
- Some environmental laws and regulations, including the Waters of the U.S., the Endangered Species Act, the Clean Air Act and more, threaten the ability of farmers and ranchers to operate and manage their land and resources, which in turn, has a rippling effect throughout the agricultural industry.
- There is a need for more transparency and predictability with regard to the Renewable Fuel Standard, would bring increased stability to the ethanol market.
- Farm families work their whole lives to build and maintain the family farming operation including the acquisition of land. Being forced to sell hard-earned assets to satisfy estate taxes is a devastating blow to family farmers, particularly beginning farmers.
- There is a shortage of drivers with a commercial driver's license (CDL), and requirements to obtain and maintain a CDL can be overly burdensome, adding to the shortage.
- Ongoing policy issues related to the 2004 World Trade Organization settlement case regarding the Brazil–United States cotton dispute on the issue of unfair subsidies on cotton continue to be a challenge for cotton growers.
- The Farm Service Agency Conservation Reserve Program doesn't allow farmers to sell hay that comes off their CRP fields. If this were allowed, custom haying would increase.
- It can be challenging to get USDA meat inspectors to rural meat processing operations on a schedule that matches the needs of all parties. There are also some regulatory limits on trading particularly in the area of meat. Only those facilities inspected by USDA are allowed to sell meat outside of the Kansas borders even though state-inspected facilities must meet the same requirements for food safety.
- Ever-increasing food safety expectations from the public and the government result in a growing regulatory burden on food processing businesses to implement processes, upgrade equipment, sample product, document activities and hire additional employees to complete all of this work.
- The U.S. has an antiquated view of poultry meal and poultry by-products as the only country in the world with split definitions. Other species don't have split definitions. This places an unnecessary burden on businesses in terms of record keeping, labeling, sampling and sales.
- Inconsistent labeling requirements, licensing requirements, etc. exist from state to state. Food for humans and animals alike are national and international operations, making consistent requirements very important to streamlined operations.

Ideas for Potential Solutions

- The Kansas Department of Agriculture will continue to partner with stakeholder groups to monitor and take appropriate action on federal policies that could adversely affect the agriculture industry.
- Kansas could take the lead in working with other states to make labeling and licensing for all food and feed more consistent using American Association of Feed Control Officials (AAFCO) and National Association of State Departments of Agriculture (NASDA) connections as a spring board.

- Maintaining the flexibility farmers have in how they depreciate capital purchases as it relates to federal income taxes is critical for management and planning. Any changes that reduce that flexibility or threaten to reduce it compromise farmers' ability to plan for expenses.

State Policy

Initial List of Challenges

- Kansas is one of fewer than ten states in the nation that has laws restricting corporations from engaging in farming and ranching. The Kansas law has been amended throughout the past to provide 18 specific exemptions from the law, but the law still restricts who can do business in Kansas. This unfair restriction has resulted in potential agricultural operations choosing to relocate, grow or expand in states other than Kansas.
- As agricultural manufacturing and processing operations identify when and where to grow their presence, a key factor they will consider are utility rates. Kansas agribusinesses doing business in multiple states have identified Kansas utility rates as burdensome and unnecessarily high in some cases.
- Kansas Department of Health and Environment policy limits the amount of manure that can be applied because of phosphorus levels. In areas of the state where there isn't any surface water to be contaminated with phosphorus, this can be limiting.
- Premises ID systems for animals 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.
- Environmental regulations (minimum setbacks, maximum farm sizes as defined by animal unit capacity, Kansas Statute 65-171d), could be perceived as inhibitors to industry growth.

Ideas for Potential Solutions

- Pursue elimination of the Kansas corporate farming laws or at least the modification of them to allow dairy and swine operations the same freedom to operate as cattle operations and to allow businesses the freedom to determine the best ownership structure for their operation.
- Consider partial deregulation of electricity supply in Kansas such that power can be competitively sourced.
- Implement an animal identification system.

Succession Planning

Initial List of Challenges

- As the current generation of primary owners and operators approach retirement age, identifying the next generation of management can be a challenge when a son or daughter, or other family member, is not interested or able to take over an operation that may have been built for multiple generations. Beyond identifying the actual next generation of management, challenges related to capital requirements in agriculture can also be a barrier when it comes time to transition a farm, ranch or agribusiness from one generation of ownership to the next.

Ideas for Potential Solutions

- Work with local farms, ranches and agribusinesses to create a plan for staying in business. Many are family-owned businesses with little or no succession plan in place for when the current owners stop working in the business. Those farmers, ranchers and agribusiness owners who don't have the next generation of owners/operators lined up need help to stay in operation.
- Consider a partnership with K-State and other schools to identify those students interested in specific fields of work in specific locations and connect them with the local businesses looking to establish a succession plan.

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