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To: Senate Committee on Financial Institutions and Insurance
Sen. Robert Olson, Chair

From: Aaron M. Popelka, V.P. of Legal and Governmental Affairs, Kansas Livestock Association

Re: **20rs3403 - The Kansas Economic Recovery Loan Deposit Program.**

Date: May 15, 2020

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing nearly 5,600 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf, and stocker cattle production; cattle feeding; dairy production; swine production; grazing land management; and diversified farming operations.

Thank you, Chairman Olson and members of the Committee for the opportunity to present KLA's views on the Kansas Economic Recovery Loan Deposit Program. KLA supports this program as an additional avenue for livestock producers to secure credit in the wake of the COVID-19 pandemic.

Kansas livestock producers have endured significant financial disruption since the start of the COVID-19 pandemic. On January 21, 2020, the day after the first case of COVID-19 was discovered in the U.S., the Chicago Mercantile Exchange (CME) June live cattle futures contract closed at \$119.175 per cwt. By April 6, 2020, the CME June live cattle futures contract closed at a record low of \$80.300 per cwt. Prices have slightly recovered since April 6, but cattle producers are still selling livestock at a loss. A recent study published on April 9, 2020, commissioned by the National Cattlemen's Beef Association (NCBA), and led by Dr. Derrell Peel, Oklahoma State University, with assistance from Dr. Glynn Tonsor, Kansas State University, estimated the total market loss to the cattle sector at more than \$13.6 billion.

Given these record losses, additional credit for livestock producers is welcome. A primary challenge for the cattle industry is maintaining enough functional processing plant capacity to process market ready cattle. Weekly slaughter rates are nearly 190,000 head behind the 650,000 head weekly rate of last year. To weather this storm, fed cattle slaughter and placement of feeder cattle in feedyards must be delayed. Affordable credit can help bridge this gap.

While this program is a step in the right direction, KLA is concerned that the \$250,000 lending limit may be too small for many agricultural operations. If the program proves effective, it may be worth examining whether an increase in the individual loan limits is merited.

Thank you for the opportunity to submit KLA's views to the Committee. KLA asks the Committee to advance the Kansas Economic Recovery Loan Deposit Program.