



Since 1894

To: House Committee on Financial Institutions and Rural Development
Rep. Jim Kelly, Chair

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

Re: **SB 15 – AN ACT concerning financial institutions; enacting the Kansas economic recovery loan deposit program; relating to credit unions, field of membership; banks, trust companies and savings and loan institutions, privilege tax, deduction of net interest received from certain agricultural real estate loans and single family residence loans.**

Date: February 8, 2021

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing nearly 5,700 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 Kelly and members of the Committee for the opportunity to present KLA's views on SB 15. KLA supports this legislation as an additional way to assist livestock producers in securing affordable 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. While prices have recovered since April 6, the financial losses to some cattle producers are still being felt. A 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 during the height of the COVID-19 market disruptions.

Given these record losses, additional credit for livestock producers is welcome. The Kansas Economic Recovery Loan Deposit Program may be a way to help struggling producers access credit that might be difficult to access through traditional means. 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.

The second item in SB 15 that KLA supports is the amendments to K.S.A. 79-1109 found in section 10 of the bill. Recently, KLA adopted policy that “supports deductions or exemptions that ensure equal competition among agricultural lenders and equal access to credit for agricultural borrowers.” In KLA’s view, section 10 of SB 15 accomplishes this policy at the state level. If passed, SB 15 should create an opportunity for local, community banks to be more competitive in the agricultural real estate lending market, potentially resulting in lower interest rates for KLA members.

Thank you for the opportunity to submit KLA’s views to the Committee. KLA asks the Committee to favorably approve SB 15.