

proposal, that replacement stock will be subject to taxation. Other facilities raise their own replacement stock which means that, under my understanding of the bill, as amended, would exempt those animals from taxation. Now all of us know that business, industry, agriculture, operates on a very fine margin of profit. There may be some areas where the margin is substantial but it is not in the normal course of agricultural business, the normal course of retail businesses. Most of them operate on a very small margin. The margin of profit between those who purchase their gilts, the replacement stock, and those who raise them is very small. Well, one of my friends said, that's real simple, Schmit, why doesn't everyone just raise their stock then, raise it...you just raise your replacement stock and you don't have to worry about the taxes on them. Well, that sounds like a reasonable compromise, since we're kind of a compromise-bent body, but the facts are also that there are swine operations out there which raise feeder pigs and they, in the course of that operation, are designed just for that purpose. So if everyone decides to raise their own replacement stock, the market for feeder pigs decreases substantially. Once again, the feeder pig market is going to be impacted because if I buy those feeder pigs, once again, if they're on hand January 1st, I pay a tax on them. One more violation of the uniformity rule. That's not what I mainly want to speak to you about. I want to speak to you about the fact that this industry has grown, has grown substantially, dramatically and will continue to grow. There are some impediments to growth of that industry in this state. We have placed them there, some of them willingly, some of them unwillingly. But that's not to be argued at this point. What does concern me is that we have decided to enact a tax program which will adversely impact upon the livestock industry of this state and which will drive more of those livestock producers out of the state. The people who build those confinement systems today have told me they are building most of their systems now out of the state and, in fact, clear out of the country. Once again, to do so means less demand for the grain produced in this state and a greater cost involved in the marketing of the grain that is produced because it must be shipped to markets outside of the state. Corn is primarily fed to livestock and to the extent that we drive the livestock industry from this state, we are going to make it more difficult for the grain farmer to earn a living. It isn't all bad for the railroads, the truckers, they get some money from the trucking and the transportation of grain. But should this Legislature be in the position of adopting a tax policy that