

Economic Development Seminar, Garden City

Wednesday, November 4, 2009 -- Scribe, Sandra Utter



Ray Purdy, Founding KARL Board Member, offered an enlightening history of KARL. His stellar fund raising efforts through the years have yielded an amount over \$280,000.

New Horizons for the Heartland – Regional Economic Presentation

Dr. Brian Briggeman, Federal Reserve Bank of Kansas City, Omaha Branch



The financial crisis is easing, but commercial real estate is at the greatest risk and retail is showing the greatest degree of hurt because demand is not there. This issue is not just on the coasts, but across the U.S. There is a large increase in CRE past due accounts. Commercial banks profitability has fallen, but capital

levels have risen. Consumption is the key to economic recovery. Usually the steep decline in GDP results in a sharp increase of GDP. Cash for clunkers created an increase in retail sales, but unemployment is slowing the recovery.

Some thought that China may lead the recovery. China currently has a 50% savings rate and the U.S. is about 3%. The hope is China will begin to spend some of the savings.

There was also discussion as to what makes this financial situation different than the Great Depression. Currently banks are trying to put liquidity in the market and monetary base has shot up.

Ag Update –

Net farm incomes are projected to fall about 40%. This fall comes on the heels of very high levels in 2008. This fall can be attributed to increase in fuel prices and production from other countries. Demand on the livestock side is down considerably and hurt the profitability in the livestock sector. Jobless recovery has pulled down demand for livestock products. The expenditures drop dramatically after the recession, which could lead to less optimism.

Footnote:

Early in the session we received a text message from classmate Brian Taylor saying that Laci Michelle Taylor made her entrance into the world at 7.49 pounds and 20.5 inches long.

Brookover Cattle Company Feed Yard

Ty Brookover



E.C. Brookover was born in 1906 and spent his life harvesting natural resources for the advancement and growth of Southwest Kansas. Mr. Brookover attended K-State in 1926 for one year then went off to gain knowledge in surveying and drilling water wells in various areas, including South America. He came back to K-State and graduated in 1934 with a degree in Civil Engineering. E.C. Brookover was a land use person, not a farmer or rancher and initially bought a potato farm near Ulysses and also drilled natural gas wells. His first natural gas well was mistakenly drilled on the neighbor's land and when he had to buy that small piece of land, he claimed it was the most expensive piece of ground he ever owned. In the 1940's, Mr. Brookover traded the land in Ulysses for land around Garden City. There was a great deal of water and natural gas to lift it. The idea was to grow crops and use cattle to utilize land production. The feedyard started at a capacity of 1,200 head and is now at 80,000 head for the locations near Garden City. Mr. Brookover coined the term "Eat Beef, Keep Slim". In addition, Brookover Cattle Company developed a golf course and a housing development in that same area. Grandson and Class X KARL member, Ty Brookover, provided the tour and overview of Brookover Enterprises.



Pho Hoa Restaurant

KARL Class X members and numerous sponsors had a wonderful opportunity to dine at Pho Hoa Restaurant in Garden City. Khanh Nguyen, owner of the restaurant and his wife, Ha, fled South Vietnam by boat searching for a new life. After some time in a refugee camp, they started their new lives in Houston. When Khanh was laid off, they were encouraged to move to Garden City with the opportunity to open a small restaurant in 1987. The restaurant has moved locations and seen ups and downs, but there has always been family involved in the operation.



B.T. Plumbing owner Tuan Nguyen served as an entertaining after-dinner speaker.

This Vietnamese immigrant was a pilot in the Vietnam War and was captured and branded as a criminal and interned in a POW camp. After release he took quick advantage of the opportunity to move to Kansas and signed on to become a plumber without knowing what plumbers did. He has been very successful and now owns his own plumbing company. Mr. Nguyen is very irritated with the change in name of Saigon (largest city in Vietnam) to Ho Chi Men City because this was the name of the leader that put Mr. Nguyen in jail. Other pieces of information share included: 2008 reflected 25% inflation; agriculture production involves cashews, pepper and coffee. He also instructed the group on the right and wrong flag to wave in Vietnam.



The wrap up for the evening was hosted by Ray and Dena Purdy at their lovely home. All agreed Dena's cookies were tasty. Other miscellaneous comments:

- I can make a sprayer dance in a field, but can't park in a parking lot.
- Nametags in the right place – right side of the chest.
- Flag check when we leave for Vietnam and no clothing to suggest yellow with red stripes
- Kansas is better than a Vietnam refugee camp
- Pollan didn't go to Brookover
- Labor is a big issue with ag in Southwest Kansas.
- Southwest Kansas economy is not impacted by recession – people and

product is based on a closed loop system

- Southwest Kansans don't want the government to save them and if they can do it here, why can't you do it somewhere else
- Diversity spreads risk. E.C. Brookover was a visionary – thought outside the box, just like many other operators in SW Kansas.
- To survive in SW Kansas, adopt new technology and accept diversity
- Focus on what you do have rather than what's lacking.

What to do with it

- Think outside the box, challenge production.
- Fundraising – something to believe in and be committed
- You have to ask questions – helps others find perspective
- Look around – promote other parts of the state
- Economists predict the past – this economic situation won't be another Great Depression

Thursday, November 5th

Bill Unterseher, Scribe

The busiest day of the week started with breakfast at the hotel and a few talked about the tacos the night before, then we met with a panel of individuals from the Garden City area to discuss issues facing the area. The panel included Lance Woodbury, a KARL class 4 graduate and current Chairman of the KARL Board of Directors, Matt Allen, the City Manager of Garden City, Consuelo Sandoval, the director of Hispanic Banking for Commerce Bank and Lee Reeve, a sixth generation cattleman and group manager of the Reeve's integrated operations, which include a 40,000 head feed yard, a 12 million gallon ethanol plant, and 5,000 acre irrigated farm.



The panel discussed what makes Garden City unique, and what the future holds for the area. Lee talked about how the river was used for irrigation pre WWII. After the war, the irrigation shifted from the river to wells. The panel was asked what challenges they are faced with, Matt answered that the average age of the workforce in the Garden City area is 27 years compared to a nationwide average of 50, which is good to have a younger workforce, but lack of experience comes with a younger age. Other discussions were about the many different ethnic groups that live in and around the Garden City area and how the community accepts these groups as one of its own. After many more topics were discussed, it was time to load up the bus and head to Tyson beef packing plant, courtesy of our driver Leonard Hicks.



The KARL class was greeted at Tyson Fresh Meats packing facility at Holcomb by Daniel Hoggard, HR manager of Tyson. We watched a video of the history of Tyson and how the company started with raising and processing poultry and grew to the second largest food company in the Fortune 500. Paul Karken, General Manager of the Tyson plant, talked to the group. The Garden City plant is the largest beef plant in the nation, the chain speed at the plant is over 400 head per hour, and 30,000 head per week. Paul talked about having three packers in a 75 mile radius and how it made for stiff competition for the available cattle in the area. Tyson employs 3200 team members, and to my surprise are not unionized. The plant was built in 1980 and \$4.5 million is spent each year in upgrades to the facility. Water usage at the plant was calculated at using 800 gallons per head per day. 4.8 million gallons of water is used at the plant, then transformed to irrigation water for the more than 10,000 acres of farmland Tyson has purchased in the area. After some questions and discussion, the group put on hats, coats and ear plugs to tour the plant. When the tour concluded we met with the leaders of BPI, a boneless lean beef manufacturer. BPI supplies hotels, restaurants, and school lunch programs with lean beef patties.





Around noon, the group loaded the bus, a few discussed some jobs they would not like to have, and headed for Sunflower Electric Power Corp. The group was greeted by CEO Earl Watkins and Kyle Nelson, to talk about the history of the plant and current challenges the plant faces. The plant employs 360 people, the plant uses 2 ½ trains of coal a week, the plant is currently trying to get approved to expand its facility, once completed, the plant would use a train of coal each day. One big challenge the plant faces is the Cap and Trade legislation. Kyle discussed what impact it would have for not only the plant, but the people in the area. After a very informative tour of the plant, the group loaded the bus again and traveled to the residence of Larry and Becky Jones.



We were greeted by Larry and Becky Jones and also Judge Tom Webb. After some refreshments and discussions, the group was presented with a great beef dinner cooked by Larry Jones, a former KLA president.



After the meal was over, the group was introduced to Judge Tom Webb. Tom presented a program titled "You Can Make a Difference". Mr. Webb talked about how he was born in Korea, and lived a very poor, lonely childhood. Judge Webb talked about being sent to an orphanage and had to pick out his own birthday because he had not ever been told when or where he had been born. When he was 7 years old, he was brought to the U.S. and was adopted. Judge Webb told the group how much his new mother had influenced him and what he learned from his mother. The group was very touched by Tom's presentation, and after a few wiped tears from their eyes, we held a short discussion period about a contrast to the story of an orphan child in Korea that nearly starved to death, the book Omnivores Dilemma. It was very interesting to listen to all the class members explain what they learned from the book, and how you sometimes have to put yourself in someone else's shoes that has a different opinion to be able to understand the point they are trying to make. The group then loaded the bus one last time to head back to the hotel for the night.

Friday, November 6

Scribe Ben Siegfried





Royal Farms Dairy was built eight years ago, and was the brain child of Steve Irsik, a Garden City native. Steve, who serves as chairman of the board has several other partners in the dairy and also serves as chair of the Kansas Water Authority. When asked about starting the business Steve wouldn't do it without having at least forty percent of the equity available. For a successful dairy, a strategic location is key with access to high quality feed, water and good roads being the three criteria he looked for when building the dairy. Having committed partners is also necessary when capital calls are made the partners must have not only the cash but also the foresight and trust that it will be used wisely.

Irsik believes in separation between his general manager, Kyle Averhoff and the owners. It is also key to good management that you hire knowledgeable, high performing people, empower them and leave them alone. This philosophy really shows at the dairy as Kyle, who is also a member of the board, is in charge of all decisions on the dairy. Kyle focuses on the basics, he says "It's not just one thing you do to survive you need to be efficient at everything on the dairy to be successful." Kyle takes this very seriously and when you have 60 employees, 6000 cows and 7000 heifers on site you have to be good at the little things.

Water is crucial to an operation this size, and the dairy uses 500,000 gallons per day. The water is first used to cool the milk, then to flush the parlor and then goes into collection ponds to be used for irrigation on the seven circles of corn surrounding the dairy. Royal Farms Dairy milks 15,000 cows per day in a double 60 parlor. It takes 13 minutes to milk 120 cows and they ship 9 tankers of milk every 24 hours that is marketed through DFA (dairy farmers of America). The cows are kept in dry lots with flat bunks and on average 1,000,000 lbs of feed are delivered over the dairy in one day.

Wind River Grain and Bonanza Bioenergy



Bob Tempel

Wind River Grain is a 50/50 joint venture with Cargill. They export wheat to the gulf in 110 car trains, and also send milo to Mexico and the gulf. Currently they are working on putting grocery trains together to Mexico carrying 50% wheat and 50% milo this in turn will make the Rail Road much more efficient. Long term, they are working on 150 car mega trains that will haul ethanol, wheat and milo.



Bonanza Bioenergy is a dry mill ethanol plant currently in operation in Garden City, Kansas with a capacity of about 55 million gallons. Current

production creates a market for about 20 million bushels of sorghum and corn. The two grains are interchangeable in the ethanol-making process.



One-third of the grain used for ethanol returns to the food stream as wet or dry distillers grains (DDGS), a valued, high-nutrient livestock feed used in most of the surrounding feedyards. Ethanol has incentivized ag research and development due to the outpacing of demand compared to consumption.

We returned to the hotel for the seminar wrap-up and lunch, sponsored by the Clarion Inn Hotel and Conference Center. The Class X members then dispersed to the four winds for return home from a valuable 3 day seminar in Southwest Kansas.

"With Leadership Comes Responsibility"