

Rediscover Wheat

Kansas Wheat Commission Annual Report Presented to the Senate Committee on Agriculture Tuesday, February 9, 2016 By Brian Linin, Goodland Kansas Wheat Commission Secretary/Treasurer

Chairman Love and members of the committee, thank you for the opportunity to provide an annual report from the Kansas Wheat Commission. My name is Brian Linin, and I am the Secretary/Treasurer of the Kansas Wheat Commission. I am also the Chief Financial Officer at Frontier Ag, Inc., in Goodland, and I farm in Sherman County.

The Kansas Wheat Commission was established by the Kansas legislature in 1957 to represent the state's wheat producers in the areas of research, domestic marketing, international marketing, education and communication. It is funded by the wheat assessment, which collects two cents per bushel of wheat at the first point of sale. The Kansas farmers who grow wheat are our stakeholders, and our nine-member commission represents these farmers.

In addition to copies of this testimony, we have presented you with a copy of our 2015 Annual Report and our FY 2015 annual audit.

The growing conditions during fiscal year 2015 continued to be plagued with drought. Rains moved in right before harvest, bringing with them diseases and weed pressure. Despite the issues these rains caused many growers, this late season moisture during grain fill improved yields, resulting in an average production of 321.9 million bushels. However, quality suffered as a result. Protein content averaged 12.7 percent with a test weight of 59.9 pounds per bushel and a moisture content of 11.2 percent. The wheat graded 53 percent No. 1 and 38 percent No. 2.

The stresses faced in the field emphasized the importance of improving wheat genetics, with the end goal of getting improved varieties into the hands of farmers faster.

We have recently celebrated three years in the Kansas Wheat Innovation Center, located north of Bill Snyder Family Stadium on ground owned by Kansas State University, just off of Kimball Avenue in Manhattan. This center, paid for by farmers through the wheat assessment, is designed from the ground up to conduct cutting-edge research in wheat variety development. It has 25,000 square-feet of laboratory and greenhouse space, and right now a dozen full- and part-time plant scientists are working to create wheat "doubled haploids," which can speed up the time it takes to create new wheat varieties from 12 years to 6 years. Heartland Plant Innovations, the company in charge of this doubled haploid work, was started by the Kansas Wheat Commission and Kansas Association of Wheat Growers to perform wheat research. HPI serves both public and private companies, solidifying its place as one of this nation's key wheat research companies. Since its inception six years ago, HPI has added several multi-national food and agricultural research companies as investors. HPI is now diversifying into wheat genetic discoveries, grain sorghum research and wheat quality.

The U.S. Department of Commerce's Economic Development Administration (EDA) awarded a \$1.5 million grant to fund the construction of a new greenhouse and head house complex at the Kansas Wheat Innovation Center. The additional space will be used to expand and enhance public-private collaborative research and commercialization in wheat biotechnology. This investment is estimated to be completed over the next year.

The National Science Foundation has named Kansas State University as its lead institution for the world's first Industry/University Cooperative Research Center on wheat. The premier center, named the NSF I/UCRC Wheat Genetics Resource Center, is the first National Science Foundation-established research center for any crop plant. The National Science Foundation began work on leveraging diversity for heat and drought tolerance in wheat. It will continue to focus on improving the food production and disease resistance of wheat and other crop plants, as well as serving as a training hub for graduate students and young researchers. It is a collaboration of 12 public entities and private companies, all coming together to fund efforts of K-State and Colorado State scientists, who are working to screen through the Wheat Genetics Resource Center's massive collection of wild wheat relatives, in search of new forms to increase yields through heat tolerance, water-use efficiency and disease resistance. This center is helping to bring innovative research techniques and efforts to the wheat industry, which, though the most widely planted crop in Kansas, worth around \$2.5 billion dollars a year in farm-gate value, has historically struggled to attract private investment in research.

The WGRC houses the world's premier collection of wheat germplasm and genetic tools. With the new partnerships, the WGRC will be a center for improving the global wheat crop and solving problems that limit current wheat production. Founded in 1982, the WGRC collects, conserves and utilizes wild wheat germplasm for crop improvement and sustainable production. With a gene bank that houses more than 2,500 wheat species accessions, it is a lifetime of work for scientists hoping to improve wheat varieties and the wheat industry. The research being conducted on the wild wheat genetics directly benefits Kansas farmers through new wheat varieties.

The molecular biology lab houses scientists from Heartland Plant Innovations, Kansas State University and General Mills.

If you haven't had a chance to visit the Kansas Wheat Innovation Center, we invite you to visit Manhattan anytime for a tour of the facility.

The Kansas Wheat Innovation Center represents the single largest investment by wheat producers in this nation, but it is not the only way in which wheat farmers invest in wheat research. Each year, the Kansas Wheat Commission hears from more than two dozen researchers from Kansas State University, USDA and other key entities about a variety of research proposals that help wheat farmers increase yields and improve profitability, plus ensure the quality and integrity of Kansas-grown wheat to end-users and consumers. Again, as in past years, the Kansas Wheat Commission has invested more than \$1.1 million – more than 20% of our budget – in these research proposals.

Included in these research proposals is funding toward K-State's wheat breeding programs in Manhattan and Hays. Our continued involvement in these two programs led to the release of the hard red winter wheat variety, "Everest," five years ago. Everest continues to be the most widely-planted variety in Kansas. K-State wheat breeder Allan Fritz released a new white wheat variety this year. "Joe," named after former K-State wheat breeder Joe Martin, has good drought tolerance, yields well in western Kansas, has strong resistance to stripe rust and good resistance to leaf rust and wheat streak mosaic virus. K-State varieties account for more than 20% of planted acres in the state, and half of the state's white wheat.

Cereal Biochemist Dr. Chris Miller is investigating the possibility of celiac edible wheat. In an effort to meet consumer demands and provide whole grain products to those suffering from Celiac Disease and unable to eat wheat, his research hopes to find a solution. Miller is working on screening Kansas wheat varieties for celiac sensitivity in the hope to isolate the proteins that cause the negative reaction in order to breed celiac friendly wheat.

Each year Kansas farmers export roughly half of the Kansas wheat crop, making export promotion through U.S. Wheat Associates essential. U.S. Wheat is an organization of 19 state wheat commissions that leverages farmer and federal foreign market development dollars to promote wheat exports.

Overall, wheat exports were down significantly this year, including hard red winter wheat exports, which were down 39%. Top customers included Nigeria, Brazil, Mexico and Japan.

Nigeria continues to be a success story for U.S. trade relations. The market has grown from purchasing 12.9 million bushels of U.S. wheat in 1992 to about 98.8 million bushels in the 13/14 marketing year. Tremendous growth in the Nigerian market is partially due to trade team visits to learn about the U.S. grain industry. To encourage this trade partnership, the Kansas Wheat Commission, together with U.S. Wheat Associates, continually works to strengthen the relationship between Kansas wheat farmers and Nigerian flour millers through annual trade team visits and specialized courses at the IGP Institute. Through these activities, Nigerian millers know Kansas farmers will have the wheat they want, year after year.

Brazil became a huge customer of Kansas wheat last year, due to Argentina's inability to deliver what Brazil needed. While Argentina regained market share this year, the millers in Brazil got a taste for our wheat and continue to look to the U.S. when they have the option to import wheat outside the Mercosur trade agreement, which institutes a 10% tariff on U.S. wheat imported into Brazil.

Mexico and Japan continue to be steady buyers of Kansas wheat. Continued and ongoing discussions with wheat buyers around the world are necessary to augment these relationships.

Each year, teams of millers and buyers travel to Kansas to see harvest and where their wheat comes from. The intent of these trade teams is to provide a quick but thorough overview of our wheat industry. Year in and year out, it seems that visiting a Kansas wheat farm – and riding a combine – is the highlight for these visitors and creates long lasting relationships.

We work very closely with the IGP Institute of K-State's Grain Science and Industry Department to provide educational opportunities for domestic and international milling groups, grain buyers and farmers. The proximity of our building to the IGP Institute headquarters – we are just across the driveway – lends itself to even greater cooperation in the future.

Kansas Wheat Commissioner Doug Keesling, from Chase, was part of a delegation organized by the U.S. Agriculture Coalition for Cuba (USACC) that visited Cuba in order to explore reestablishing agricultural

trade. Keesling testified in front of the Senate Committee on Agriculture about the potential that he and other members of the USACC delegation saw in Cuban trade. It has been estimated that wheat imports from the United States have an upward potential of the entire 30 million bushels currently imported by Cuba – a \$200 million opportunity. We continue to work with members of the Cuban government and flour milling industry in an attempt to open this market to Kansas wheat.

Nutrition education continues to be an important focus for the Kansas Wheat Commission. Our new Kansas Wheat Innovation Center is equipped with a test kitchen, and we have a full-time nutrition educator on staff. We are one of the few state wheat commissions to continue to make nutrition education a priority; this is vital as we continue to battle fad diets such as the gluten-free trend. The Kansas Wheat Commission belongs to two national organizations: the Wheat Foods Council and the Home Baking Association, both of which have remained vigilant on these diet topics and have been instrumental in disseminating accurate nutrition information regarding wheat and wheat foods. We have taken advantage of our test kitchen to video tape baking demonstration videos to share with consumers and give tips on home baking.

This year marked our fourth biennial National Festival of Breads baking contest, with national sponsors King Arthur Flour and Red Star Yeast. Contestants from 43 states submitted about 250 recipes. The Manhattan Hy-Vee supermarket donated many of the ingredients used in testing about 75 of the recipes. Many of the top recipes were tested a half-dozen times before the top eight adult recipes were determined.

Eight finalists are brought to Manhattan to compete for the Championship. Prior to the competition, they took a tour of a Kansas wheat farm, grain elevator, flour mill and research facility. Many of the finalists had never been to a farm before and noted that the farm tour was a highlight of their visit. Lisa Keys of Kennett Square, Pennsylvania, was named champion for her Smokehouse Cranberry Cheese Bread.

We continue to host a Wheat Yield Contest, in which top yields are rewarded with a cash prize at the Kansas State Fair. The contest is designed to encourage farmers to push yield potential and use best management practices. In 2015, two of the top yields were over 100 bushels per acre. These yields showcase how producers making good management decisions can have a record-breaking year even in the face of disease and adverse weather. We also reward the highest-quality wheat entry, as we want to continue to lead the world not only with ample quantities of wheat, but ample quality wheat, too.

These are just a few examples of how your Kansas Wheat organizations are working on your behalf to spur innovation and make a positive difference in our industry.

Ag Statistics estimates Kansans planted 9.2 million acres this fall and 54% of the crop is currently rated in good to excellent condition. We are hopeful that Mother Nature will help us grow another bountiful crop this year so that we can do our part to feed a hungry and growing world.

This concludes my report. Thank you once again for your support, this opportunity to share with you our efforts and your leadership in the future as we continue to work together. I'd be glad to answer any questions the committee may have.

Manhattan, Kansas

June 30, 2015 and 2014 FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Date

To the Commissioners Kansas Wheat Commission Manhattan, Kansas

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Kansas Wheat Commission (the Commission), a commission of the State of Kansas, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Commission, as of June 30, 2015 and 2014, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of receipts, disbursements, and changes in cash balance - actual and budget is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Certified Public Accountants

Manhattan, Kansas

STATEMENTS OF FINANCIAL POSITION

As of June 30,

20		2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,945,884	\$ 3,224,554
Sponsorships receivable	1,000	-
Grants receivable	65,000	-
Other receivable	6,900	
Total Current Assets	\$ 3,018,784	\$ 3,224,554
Property, Plant, and Equipment		
Office equipment	\$ 306,303	\$ 292,727
Lab equipment	940,734	940,734
Vehicles	75,871	75,871
Furniture and fixtures	382,338	379,740
Building	8,596,484	8,538,639
Accumulated depreciation	(1,232,566)	(675,614)
Total Property, Plant, and Equipment	\$ 9,069,164	\$ 9,552,097
TOTAL ASSETS	\$ 12,087,948	\$ 12,776,651
LIABILITIES AND NET ASS	SETS	
Current Liabilities	22.0	
Accounts payable	\$ 20,013	\$ -
Payroll payable	-	26,723
Sales taxes payable	_	40
Building line of credit	2,448,891	2,770,138
Deferred revenue - Equipment lease	136,378	192,814
Total Current Liabilities	\$ 2,605,282	\$ 2,989,715
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Non-Current Liabilities		
Compensated absences payable	\$ 88,194	\$ 88,194
Net Assets		
Invested in property, plant, and equipment - Net	\$ 6,620,273	\$ 6,781,959
Unrestricted	2,774,199	2,916,783
Total Net Assets	\$ 9,394,472	\$ 9,698,742
TOTAL LIABILITIES AND NET ASSETS	\$ 12,087,948	\$ 12,776,651

Manhattan, Kansas

STATEMENTS OF ACTIVITIES

For Each of the Years Ended June 30,

		2015	2014		
CHANGES IN UNRESTRICTED NET ASSETS					
REVENUE Wheat assessments Refunds of wheat assessments Net wheat assessments	\$	4,564,259 (160,825) 4,403,434	\$	5,299,958 (207,315) 5,092,643	
Net wheat assessments	Ψ	4,403,434	Ψ	3,032,043	
Economic development grant		-		231,909	
HPI equipment lease		56,436		92,566	
HPI licensing agreement		300,000		301,568	
KAWG cooperative agreement		70,000		70,000	
Sponsorships		125,500		72,380	
Rent		89,700		14,950	
Interest		15,959		14,716	
Miscellaneous		54,212		46,551	
Total Revenues	\$	5,115,241	\$	5,937,283	
EXPENSES					
Building maintenance costs	\$	248,436	\$	216,829	
Special projects	Ψ	2,500	Ψ	5,000	
Public issues		6,010		6,000	
Research		1,329,041		1,005,742	
Administrative		6,286		1,992	
Domestic marketing		758,957		734,179	
International marketing		1,226,165		1,188,373	
Facility support		432,537		375,585	
Payroll		852,627		729,030	
Depreciation		556,952		519,411	
Total Expenses	\$	5,419,511	\$	4,782,141	
CHANGE IN UNRESTRICTED NET ASSETS	\$	(304,270)	\$	1,155,142	
UNRESTRICTED NET ASSETS - BEGINNING		9,698,742		8,543,600	
UNRESTRICTED NET ASSETS - ENDING	\$	9,394,472	\$	9,698,742	

Manhattan, Kansas STATEMENTS OF CASH FLOWS

For Each of the Years Ended June 30,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from wheat assessments	\$ 4,564,259	\$ 5,299,958
Cash paid for refunds of wheat assessments	(160,825)	(207,315)
Cash received from sponsorships	124,500	100,380
Cash received from grants	(65,000)	466,562
Cash received from HPI equipment lease	-	92,566
Cash received from HPI facilities lease	300,000	301,568
Cash received from KAWG cooperative agreement	70,000	70,000
Cash received from miscellaneous sources	47,312	49,117
Cash received from interest on cash deposits	15,959	14,716
Cash received from building related income	89,700	14,950
Cash paid for interest on borrowings	(96,078)	(164,916)
Cash paid to vendors, suppliers, and contractors	(3,865,128)	(3,384,439)
Cash paid for employee wages and benefits	(879,350)	(728,639)
Cash Provided by Operating Activities	\$ 145,349	\$ 1,924,508
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of property, plant, and equipment	\$ (74,019)	\$ (958,206)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for building line of credit	\$ (350,000)	\$ -
NET INODE AGE (DEGDEAGE) IN GAGU	Φ (070,070)	Φ 000 000
NET INCREASE (DECREASE) IN CASH	\$ (278,670)	\$ 966,302
CASH AND CASH EQUIVALENTS - BEGINNING	3,224,554	2,258,252
CASH AND CASH EQUIVALENTS - ENDING	\$ 2,945,884	\$ 3,224,554
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COMPOSITION OF CASH AND CASH EQUIVALENTS		
Kansas State Bank - Main Checking Account	\$ 2,578,621	\$ 3,029,430
UMB Bank - Wheat Assessment Depository Account	367,263	195,124
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,945,884	\$ 3,224,554

Manhattan, Kansas

STATEMENT OF CASH FLOWS (CONTINUED)

For Each of the Years Ended June 30,

Reconciliation of change in unrestricted net assets to net cash provided by operating activities:	_	2015	 2014
Change in unrestricted net assets	\$	(304,270)	\$ 1,155,142
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:			
Depreciation expense	\$	556,952	\$ 519,411
Changes in operating assets and liabilities			
Sponsorship receivable		(1,000)	28,000
Grants receivable		(65,000)	93,253
Other receivables		(6,900)	2,566
Accounts payable		20,013	(15,658)
Payroll payable		(26,723)	2,266
Sales tax payable		(40)	3
Deferred revenue		(56,436)	141,400
Compensated absences payable		-	(1,875)
Building loan payable - accrued interest		28,753	-
Total Adjustments	\$	449,619	\$ 769,366
Net Cash Provided by Operating Activities	\$	145,349	\$ 1,924,508

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KANSAS WHEAT COMMISSION

Manhattan, Kansas

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

Note 1: Summary of Significant Accounting Policies Organization

The Kansas Wheat Commission (the Commission) is organized as a commission of the State of Kansas to conduct a campaign of wheat promotion and market development through research, education, and information. The Commission receives an assessment that is levied on wheat marketed through commercial channels in the state of Kansas. Each wheat producer may obtain a refund of assessments paid upon proper submission of documentation within one year of sale as long as the refund requested is \$5 or more.

Method of Accounting

The financial statements are prepared using the accrual basis of accounting and the financial reporting provisions prescribed by the Financial Accounting Standards Board. This basis of accounting is commonly known as generally accepted accounting principles (GAAP).

Cash and Cash Equivalents

Cash includes all deposits in the bank and highly liquid investments with original maturities of three months or less. The carrying value of cash approximates fair value because of the short maturities of those financial instruments.

Sponsorships Receivable and Revenue Recognition

Sponsorships receivable consist of amounts due from third party supporters and promoters of events operated by the Commission. Revenues are recognized when the sponsor has committed to a contribution amount and the Commission has completed the event.

Grants Receivable and Revenue Recognition

Grants receivable consist of amounts due from third party grantors for reimbursement of qualifying grant award costs. Revenues are recognized when qualifying reimbursable costs are incurred.

Wheat Assessment Revenue Recognition

The Commission records wheat assessment revenues when monies have been collected by the State of Kansas and have been distributed to the Commission's banking accounts. Refunds of assessments are tracked separately and are reported as a reduction of the gross amounts of wheat assessment revenues.

Property, Plant, and Equipment

The cost of property and equipment purchases are capitalized at historical cost. The cost of major renewals and betterments that extend the lives of property and equipment are also capitalized. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reduced and any resulting gain or loss is recognized as a change in the net assets in the period of disposal. The cost of maintenance and repairs is expensed as incurred.

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KANSAS WHEAT COMMISSION

Manhattan, Kansas

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

Note 1: Summary of Significant Accounting Policies (Continued) Property, Plant, and Equipment

Depreciation is computed using the straight-line method over the following estimated useful lives:

Property Classification	(Years)
Office equipment	3 - 10
Lab equipment	5 - 10
Vehicles	5
Furniture and fixtures	7 - 10
Building	25

Net Assets

The Commission reports the changes in its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represents the amount of resources which are available for current uses. Temporarily restricted net assets are cash or other assets received with a donor-imposed restriction that limits their use to a specific purpose or period of time. Permanently restricted net assets are cash or other assets received with a donor-imposed restriction that requires the Commission to hold the asset in perpetuity.

For each of the years ended June 30, 2015 and 2014, there were no temporarily or permanently restricted net assets, or changes thereof.

Advertising

The Commission's advertising costs are expensed as incurred and are separately reported on the statements of activities as domestic and international marketing.

Income Taxes

The Commission is an entity created by the State of Kansas, action of which is codified in K.S.A. 2-3002. The Commission is not subject to income tax and, accordingly, no provision has been made for income taxes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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KANSAS WHEAT COMMISSION

Manhattan, Kansas

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

Note 2: Cash and Certificates of Deposit

Cash and certificates of deposit are maintained at Kansas State Bank located in Manhattan, Kansas and UMB Bank located in Kansas City, Missouri.

The bank balance at June 30, 2015 in checking accounts totaled \$3,071,568. The bank balance at June 30, 2014 in checking accounts totaled \$3,477,800. FDIC insurance and letters of credit were sufficient to adequately secure all deposits for each of the years ended June 30, 2015 and 2014.

For June 30, 2015, the balances were secured as follows:

	Kansas		
	State Bank	UMB Bank	Total
FDIC insurance	\$ 250,000	\$ 250,000	\$ 500,000
Collateralized by Federal Home			
Loan Bank letter of credit	2,454,305	117,263	2,571,568
Total	\$ 2,704,305	\$ 367,263	\$ 3,071,568

For June 30, 2014, the balances were secured as follows:

	Kansas		
	State Bank	UMB Bank	Total
FDIC insurance	\$ 250,000	\$ 124	\$ 250,124
Collateralized by Federal Home			
Loan Bank letter of credit	3,227,676	-	3,227,676
Total	\$ 3,477,676	\$ 124	\$ 3,477,800

Funds on deposit at UMB Bank are swept nightly when target balances are reached, invested in repurchase agreements, and swept back when required for payment of checks to transfer funds to Kansas State Bank.

Note 3: Grants Receivable

As of June 30, 2015, the Commission had a \$65,000 receivable from the Kansas Wheat Commission Research Foundation to reimburse the Commission for research performed during the fiscal year ended June 30, 2015 regarding the Genetic Improvement of Hard White Wheat.

During the year ended June 30, 2013, the Commission received a grant award from the Economic Development Administration (EDA), which is an agency of the U.S. Department of Commerce. The grant award provides federal funding in the maximum amount of \$458,750 for the purchase of qualifying laboratory research equipment. The grant is paid by the EDA to the Commission on a cost reimbursement basis with a dollar for dollar local matching requirement.

For the year ended June 30, 2014, the Commission purchased \$463,819 of qualifying equipment of which \$231,910 was reimbursable by the EDA. As of June 30, 2014, the EDA grant had been finalized with total grant receipts, inception through completion, of \$430,099.

Manhattan, Kansas

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

Note 4: Property, Plant, and Equipment

Changes in property, plant, and equipment for the year ended June 30, 2015 were as follows:

		Beginning Balance Additions		Beginning Balance Additions Dis				sposals	Ending Balance
Office equipment	\$	292,727	\$	13,576	\$	-	\$ 306,303		
Lab equipment		940,734		-		-	940,734		
Vehicles		75,871		-		-	75,871		
Furniture and fixtures		379,740		2,598		-	382,338		
Building		8,538,639		57,845		-	8,596,484		
Accumulated depreciation		(675,614)		(556,952)		-	(1,232,566)		
Net Book Value	\$	9,552,097	\$	(482,933)	\$	-	\$ 9,069,164		

Changes in property, plant, and equipment for the year ended June 30, 2014 were as follows:

	Beginning Balance Additions		dditions	Di	sposals	Ending Balance			
Office equipment	\$ 292,727	\$	-	\$	-	\$	292,727		
Lab equipment	430,467		510,267		-		940,734		
Vehicles	75,871		-		-		75,871		
Furniture and fixtures	357,895		21,845		-		379,740		
Building	8,112,545		426,094		-		8,538,639		
Accumulated depreciation	(156,203)		(519,411)		-		(675,614)		
Net Book Value	\$ 9,113,302	\$	438,795	\$	-	\$	9,552,097		

The net book value and average remaining useful lives for each class of property, plant, and equipment is as follows:

		2015			20)14
	Во	Net ook Value	Average Remaining Life In Years	В	Net ook Value	Average Remaining Life In Years
Office equipment	\$	163,369	6.26	\$	181,972	7.19
Lab equipment		691,927	5.85		821,002	6.77
Vehicles		20,173	1.91		34,589	2.68
Furniture and fixtures		296,296	7.88		331,699	8.85
Building		7,897,399	22.97		8,182,835	23.96
Net Book Value	\$	9,069,164		\$	9,552,097	

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KANSAS WHEAT COMMISSION

Manhattan, Kansas

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

Note 5: Facility Construction -- Kansas Wheat Innovation Center

In December of 2012, the Commission completed the construction of the Kansas Wheat Innovation Center (the Center), a 35,000 square-foot structure, which includes 15,000 square feet of advanced wheat breeding laboratories, a 10,000 square foot greenhouse complex and 10,000 square feet of office space. In addition to housing the Commission's employees, the Center houses the employees of Heartland Plant Innovations and the Kansas Association of Wheat Growers, each of which is considered a related party of the Commission.

The Center was constructed on three acres of land adjacent to the Grain Science and Industry Complex in Manhattan, Kansas. This land is owned by Kansas State University and leased to the Commission under a 50 year lease agreement.

Design and construction costs for the building were \$426,094 for the year ended June 30, 2014. An additional \$57,845 was spent during the year ended June 30, 2015 for various finishes throughout the facility.

To finance construction of the Center, the Commission opened a line of credit in July of 2011 with Kansas State Bank. The terms of the line of credit call for a maximum available loan of \$3,500,000 with interest to accrue at 4.7%. The outstanding principal balance on this line of credit was \$2,420,138 and \$2,770,138 as of the June 30, 2015 and 2014 reporting dates, respectively. Accrued but unpaid interest that is also included in the building line of credit outstanding balance was \$28,753 and \$0 as of June 30, 2015 and 2014, respectively. Interest expense on this loan for each of the years ended June 30, 2015 and 2014 was \$124,831 and \$164,916, respectively.

Note 6: Compensated Absences Payable

The Commission's policy allows employees to accumulate annual and sick leave as follows:

Annual Time:

- 0 5 years of service accrue 2 weeks per year
- 6 15 years of service accrue 3 weeks per year
- 15 or more years of service accrue 4 weeks per year
- Employees can accumulate 60 days maximum
- Employees can only carryover 1/2 of what is accrued each year
- Maximum payout is 30 days when an employee terminates employment or at retirement

Sick Leave:

- Employees initially accumulate 7 days per year
- Once an employee has accumulated 12 days of sick leave or has 3 years of continuous employment, whichever comes first, the employee accrues 14 days per year
- Maximum accumulation is 180 days
- Sick leave is paid at the employee's base rate of pay
- Maximum payout is 2 weeks upon termination of employment or 4 weeks upon retirement

Compensated absences have been accrued for the balances due upon termination, \$44,675 in annual time and \$43,519 in sick leave for a total of \$88,194 for the year ended June 30, 2015 and \$44,996 in annual time and \$43,198 in sick leave for a total of \$88,194 for the year ended June 30, 2014.

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KANSAS WHEAT COMMISSION

Manhattan, Kansas

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

Note 7: Pension Plan Expense

On January 1, 2008, the Commission established a Section 457 plan and a section 401(a) plan. The plan allows employees to contribute an amount from their wages to the plan. The maximum amount is established by the Internal Revenue Service. The Commission contributes a matching amount for each employee participating in the plan up to 7% of the employee's gross wages.

The Commission's expense for the years ended June 30, 2015 and 2014 was \$42,794 and \$43,940, respectively.

Note 8: Concentration of Support

For both of the years ended June 30, 2015 and 2014, the Commission received 86% of its revenues from wheat assessments.

The amount of wheat assessments received by the Commission is dependent upon the number of bushels of wheat produced and sold in Kansas. The Commission may be adversely affected if the production and sale of wheat drops significantly. The Commission's management feels that the likelihood of this occurring is remote.

Note 9: Stewardship, Compliance, and Accountability Budget

In accordance with K.S.A. 2-3005, the Commission approved and maintained an operating budget for each of the years ended June 30, 2015 and 2014.

Reserve

In accordance with K.S.A. 2-3005, the Commission maintains a reserve of cash which does not exceed 125% of the previous five-year average for annual disbursements.

As of June 30, 2015, the five-year average of annual disbursements was \$6,436,555 and the cash balance was \$2,949,052. As of June 30, 2014, the five-year average annual disbursements was \$6,116,476 and the cash balance was \$3,224,554.

Refund Recordkeeping

In accordance with K.S.A. 2-3007(b), the Commission maintains complete records of all refunds of wheat assessments paid to wheat producers for a period of time not less than two years.

Depository Security Coverage

In accordance with K.S.A. 2-3008(b), the Commission maintains depository security coverage for its banking deposits as explained in detail in note 2 of these financial statements.

iancial Statement

KANSAS WHEAT COMMISSION

Manhattan, Kansas

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

Note 10: Related Party Transactions Kansas Association of Wheat Growers

The Kansas Association of Wheat Growers (the Association) is a separate legal entity that has the same internal management as the Commission. The Commission provides certain administration and management services for the Association under the terms of a cooperative agreement. The Commission received \$70,000 under this agreement for each of the years ended June 30, 2015 and 2014.

The Commission contracts with the Association for program services. The amounts paid under these contracts in the years ended June 30, 2015 and 2014 were \$328,900 and \$339,500, respectively.

Kansas Wheat Commission Research Foundation

The Kansas Wheat Commission Research Foundation (the Foundation) was established during the year ended June 30, 2011. The Foundation is legally separate from the Commission but was organized primarily for its benefit.

The Foundation provided research funding to the Commission in the amount of \$65,000 for each of the years ended June 30, 2015 and 2014.

Heartland Plant Innovations

Heartland Plant Innovations (HPI) is an incorporated for-profit subsidiary of the Association. The President of the Commission is on the board of directors of HPI.

The Commission leases the use of laboratory equipment to HPI under an agreement in which HPI has paid \$338,088. The recognition of these receipts as revenue has been amortized over the average, estimated useful life of the equipment which begins in 2013 and ends in 2018. For each of the years ended June 30, 2015 and 2014, the Commission recognized revenue of \$91,752 and \$56,433, respectively. As of June 30, 2015 and 2015, there remains \$136,381 and \$192,814 of deferred revenues related to this lease agreement.

Effective January 1, 2013, the Commission entered into a facilities lease agreement whereby the Commission provisions office, laboratory, and greenhouse space to HPI at a rental cost of \$240,000 per year. Additionally, HPI is responsible for its share of utility costs, limited to \$5,000 per month. For each of the years ended June 30, 2015 and 2014, the Commission received \$60,000 in utility cost reimbursements and \$240,000 in rent.

Note 11: Subsequent Events

The Commission's activities subsequent to June 30, 2015 have been evaluated through _____, which is the date the financial statements were available to be issued. The following significant event requires disclosure:

The Commission has received U.S. Economic Development Administration (EDA) approval for federally funded expansion of greenhouse space at their current location. Construction is set to begin in March 2016 with an expected substantial completion date of January 2017. The cost of the expansion is estimated at \$3,000,000 to be financed by (1) \$1,500,000 of grant funds from the EDA, (2) \$1,000,000 of the Commission's funds, and (3) \$500,000 from Kansas State University.



Manhattan, Kansas

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE ACTUAL AND BUDGET

For the Year Ended June 30, 2015

		Actual		Budget	\	/ariance
RECEIPTS						
Wheat assessment	\$	4,564,259	\$	5,000,000	\$	(435,741)
Wheat assessment refund		(160,825)		(300,000)		139,175
HPI - Facilities lease		300,000		300,000		-
KAWG - Cooperative agreement		70,000		70,000		-
Grants		(65,000)		-		(65,000)
Sponsorships		124,500		115,000		9,500
Building related		89,700		89,700		-
Interest		15,959		10,000		5,959
Miscellaneous		47,312		36,405		10,907
Total Receipts	\$	4,985,905	\$	5,321,105	\$	(335,200)
DISBURSEMENTS						
Building costs - Net of reimbursements	\$	643,702	\$	404,225	\$	(239,477)
Special projects	φ	2,500	φ	10,000	φ	7,500
Public issues		6,010		8,500		2,490
Research		1,329,041		1,360,993		31,952
Administrative		6,286		10,000		3,714
Domestic marketing		758,957		821,075		62,118
International marketing		1,226,165		1,218,782		(7,383)
Facility support		412,564		438,750		26,186
Payroll		879,350		861,300		(18,050)
Total Disbursements	\$	5,264,575	\$	5,133,625	\$	(130,950)
NET INCREASE (DECREASE) IN CASH	\$	(278,670)	Ф	187,480	¢	(204,250)
NET INCREASE (DECREASE) IN CASH	Φ	(210,010)	\$	107,400	\$	(204,230)
CASH AND CASH EQUIVALENTS - BEGINNING		3,224,554				
CASH AND CASH EQUIVALENTS - ENDING	\$	2,945,884				



The official publication of the Kansas Wheat Commission and the Kansas Association of Wheat Growers

2015 ANNUAL REPORT



2 - ANNUAL REPORT



Kansas High Plains Journal www.rediscoverwheat.org The official publication of

KANSAS Wheat

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A Year of Partnerships

ooking back on the challenging year we've had — we've been affected by drought and low production. This emphasizes the need for a good safety net for Kansas wheat farmers and highlights the importance of investing in research and the significance of domestic and international demand by customers to move the crop.

We have seen so much momentum since the creation of the Kansas Wheat Innovation Center, including increased research investments, collaboration among many public and private organizations and improvements in the future of the wheat industry.

With challenges come opportunities. We continue to emphasize the importance of relationships with Kansas State University, the National Science Foundation, and industry through partnerships and working cohesively on projects.

Just like the Kansas wheat farmer way, you can count on your neighbors to come together and help in times of hardships. The Kansas wheat industry is like a community coming together to make things better. I'm proud to be able to play a small part in that.

Justin Gilpin, Kansas Wheat CEO

Farmers investing in their future through wheat genetics research

Association of Wheat Growers, joining together as "leaders in the adoption of profitable innovations for wheat."

The Kansas Wheat Commission is a grower-funded, grower-governed advocacy organization working to secure the future of Kansas wheat in the global market through international trade, research, export system studies and continually improved varieties of wheat. Its mission is to increase wheat producer productivity and profitability through research, education and domestic and international market development. The KWC is funded by a voluntary, two cent assessment on each bushel of wheat produced in Kansas.

The Kansas Association of Wheat Growers is a member-governed organization representing wheat growers in planning legislation, advising government and international agencies on matters affecting wheat and providing grass-roots leadership to the U.S. wheat industry. Dues to KAWG are \$100 per year.

ADM and K-State celebrate continued partnership

The Kansas State University Ag Research Center at Hays and ADM Milling are two years into a five-year, \$325,000 investment in the hard white wheat breeding program. This strategic partnership is benefitting the entire wheat industry by improving hard white wheat varieties. While agronomic

characteristics and yield continue to be top priorities for the white wheat program, baking quality has become equally important. On May 14, an update on the status of the collaboration was provided by Bob Gillen, Head, Ag Research Center, Hays; Justin Gilpin, Kansas Wheat CEO; Guorong Zhang, K-State wheat breeder; Nick Weigel, ADM Milling Vice President of Technical Services; and Scott Van Allen, Kansas Wheat Commission Chairman.



ANNUAL REPORT - 3

Certified seed helps control pests, diseases

Seeds planted by farmers are the important bases of what they produce. Those seeds grow into the crop that will eventually be harvested, but how does a farmer know exactly what variety he is planting and if it will even grow? Certified seed gives producers confidence in their crop by providing recognized proof of grain's parent seed identity.

All certified wheat seeds produced and sold are tested by the Kansas Crop Improvement Association (KCIA). The certification process and high standards set by members and enforced by KCIA ensure that the seeds are of high quality and suitable for growing by the producer. The seeds are required to pass field inspections and are tested for varietal purity, germination ability, diseases and contaminants.

"The biggest advantage of certified seed is that we strive to provide farmers with the specific wheat variety they want. Wheat varieties differ in disease resistance, yield, and factors such as stalk length," said Steve Schuler, Executive Director of the Kansas Crop Improvement Association. "With certified seed farmers have the ability to choose the seed they believe will work best in their fields."

Ten-pound samples for every 5,000 bushels of grown certified seed are sent

to KCIA for purity and germination analyses to see if the seeds meet KCIA standards. The purity tests assure farmers that they are planting the specific wheat variety selected and quality factors such as germination ability show that the seed has not been damaged by heat.

Along with being tested, the seeds are conditioned and may be treated upon producers' request. Certified seeds must meet the minimum requirement for contaminants of inert matter such as bugs, chaff, other crop seeds and weeds. These requirements reduce the risk that new weeds will be introduced to a producer's field.

The seed treatments contain insecticidal protection against soil insects and fungicide to control seedling diseases. Applying these treatments reduces management concerns because healthy seedlings take a more successful stand and better tolerate stress conditions such as drought or freezes.

"Farmers not only have the convenience of not having to store, manage and condition their seeds, but certified seed also gives farmers access to the newest varieties and the convenience to go and buy a seed of known variety," said Schuler.

When a new wheat crop variety is first developed, the seed is normally in short supply. The seed must be increased sufficiently to meet demand. KCIA is closely involved in every step of certified seed

increase and distribution. They work with the plant breeders and become familiar with the unique characteristics of each variety.

"This year the rain and cool weather has really bumped up yield estimates and the estimated yield for in the fall of certified seed," said Schuler. "In the past we have had some tight years, but we always have had enough."

Various ways are used to move seed to farmers by either bulk retailers or distribution for convenience. Wholesale

dealers are able to move certified seed from more abundant areas to areas of demand. KCIA is also available to help producers locate seed for specific varieties.

"Seed growers are proud of their certified seed and the importance of the wheat industry to Kansas," Schuler said.

To view the Kansas Wheat Seed Book that includes the certified seed directory, PVP, approved conditioners and the Kansas State University performance data visit http://www.kscrop.org/seeddirectories.aspx.



FSA Administrator Dolcini visits KWIC

The National Farm Service Agency Administrator Val Dolcini received an in-depth look at the Kansas wheat industry in September 2014, when he toured the Kansas Wheat Innovation Center.

State FSA Director Adrian Polansky brought Dolcini to Kansas as Dolcini was traveling to Washington D.C., to head the FSA, just as they prepared to roll-out new farm programs included in the 2014 Farm Bill.

Dolcini is a native of California, most recently serving as the Exective Director of the California FSA. He has experience in national FSA, as he was appointed interim Administrator in 2011.

4 - RESEARCH

K-State releases new wheat variety

Ansas State University released its first variety, Kanred, 100 years ago. Now, a century later, K-State, in conjunction with the Kansas Wheat Alliance, is unveiling its latest variety, KanMark.

KanMark, a direct descendent from Kanred, is the culmination of a century of wheat research in a seed. According to Allan Fritz, K-State wheat breeder, the new variety's most desirable trait is its reliability under moderate drought. This variety, which Fritz calls a "workhorse," results in remarkably consistent yields with less than favorable water inputs, and is targeted primarily toward growers in the western region of the state. Fritz believes that the variety would also perform well in central Kansas, but warns that it is moderately susceptible to acidic soils and susceptible to scab, so farmers in that central region are encouraged to take necessary precautions.



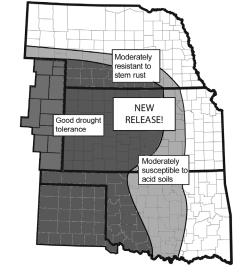
KanMark also boasts resistance to stripe rust, leaf rust and soilborne mosaic virus. However, this variety is susceptible to Hessian fly and moderately susceptible to powdery mildew and tan spot.

"I'm excited for this variety because it's well adapted for a large part of the state," said Daryl Strouts, president of the Kansas Wheat Alliance. "And this is really the first step in multi-gene resistance to leaf and stripe rust, which is an exciting glimpse into future varieties."

The new variety's performance under irrigated conditions is also notable. The two-year irrigated average in western Kansas was 99.4 bushels an acre, but four-year dryland average in western Kansas was 49.9 bushels an acre. The three-year average for central Kansas was 49.2 bushels an acre.

"It tends to be toward the top of the tests every time," said Fritz. "Maybe not right at the top, but always up there. But it's very consistent, and I think that's very valuable."

KanMark is the product of a three way cross and was originally bred for resistance for leaf and stripe rust. Its pedigree includes lines from Parula, Pastor and Karl 92. Fritz added that this is a very short-statured, upright variety and that the producer may not see much of a canopy, but he warns



not to judge it until it comes across the scale.

K-State researchers develop heat-tolerant wheat gene

f temperatures are too hot in May and June, farmers could lose more than layers. During the critical grain filling stage, extreme temperatures can lead to shriveled kernels and yield loss.

One gene may be the answer. Dr. Harold Trick, plant pathologist at Kansas State University, and Dr. Allan Fritz, KSU wheat breeder, are working on a transgenic wheat that would tolerate warmer temperatures during this plant development stage. Their research is funded by Kansas wheat farmers. With just a single added gene to boost thermo-tolerance, this wheat could increase yields by up to 35 percent.

Wheat has an optimum temperature range during the grain filling stage of 15 to 18 degrees Celsius (59 to 64.4 degrees Fahrenheit). Trick explained that for every one degree Celsius rise in temperature above that level, 3 to 4 percent of yield could be lost. That is a problem for Kansas, where temperatures often reach 25 to 35 degrees Celsius (86 to 90 degrees Fahrenheit) during this mid-May to mid-June period.

As the grain begins to fill, it accumulates starch. This starch will account for 75 to 85 percent of the grain's dry weight, making it an important part of farmer's final test weight. That starch is converted from sucrose by the enzyme soluble starch synthase (SSS). Trick explained that this enzyme appears to be particularly sensitive to elevated temperatures. At warm temperatures, the protein starts to denature, which causes a shriveled kernel.

Dr. Trick and his team sought out a way to increase the wheat plant's tolerance to these higher than optimal temperatures. They started with rice, a tropical plant grown at higher temperatures that also has grain that fills. They found a single SSS gene that provides more thermo-tolerance when added into the genome. This genetic addition acts as a backup generator for grain fill, taking over starch conversion only when the original wheat protein has maxed out. The result is a steady 30 to 35 percent yield increase.

The team is finding even more durable genes in other plant species, including a gene from grapes that is even more heat stable and still demonstrates a 25 to 35 percent yield increase. This gene shows the best yield increase at temperatures of 29.5 to 32.3 degrees Celsius (85 to 90 degrees Fahrenheit).

With patents filed for these traits, Trick and Fritz are now working to cross this thermo-tolerance into elite wheat varieties that have their own heat tolerance potential. The goal is to amplify the synergistic effect of doubling down on heat tolerance.

In the meantime, Trick's team will continue to gather as much data as possible on traits like heat tolerance as well as finding even better genes to help boost production for Kansas wheat farmers.

RESEARCH - 5

K-State researchers prevent virus replication

Viruses result in yield loss. For example, yield loss due to wheat streak mosaic virus equaled more than 4.25 million bushels in the 2013 Kansas wheat crop alone, adding up to a \$32.6 million economic impact. Now, however, researchers have developed a way to stop four of the hardest hitting wheat viruses – Wheat streak mosaic virus, Triticum mosaic virus, Soilbourne mosaic virus and Barley yellow dwarf virus – literally in their reproductive tracks.

These viruses are like parasites; they need a host. Some even need to hijack part of that host's own genes to replicate and survive. Researchers can now halt this replication process, meaning the virus is not able to spread and damage the wheat plant.

Dr. John Fellers, USDA Agricultural Research Service molecular biologist based at Kansas State University, has teamed up with Dr. Harold Trick, Kansas State University plant pathology professor, to find exactly what parts of the wheat plant these four viruses commandeer to replicate and how to stop them before the virus is activated.

The team found all four of the abovementioned viruses infect a wheat plant in a similar way. As Fellers detailed, the viruses enter the plant with a protein cap on, a disguise to convince the plant's eukaryotic initiation factors, part of the cell's own reproductive system, to help them replicate. Trick reported that all four viruses use a similar counterfeit cap and commandeer the same two cell components, identified as eIF4E-2 and eIF4G.

Trick and Fellers genetically shut down those genes. With the two eukaryotic initiation factors eliminated by the wheat plant itself, Fellers explained the viruses have no means to replicate and die off – with no ill effect to the plant. Trick stated, "one transgene protects against four different economically impactful viruses."

With a genome five times as complex as humans, the wheat plant has redundancies built into its genetics. Trick emphasized that there was no phenotypic penalty, meaning no loss in yield or negative effect to the plant's function even though wheat genes are shut down.

Doctoral student Jessica Rupp is testing these plants for their resistance by exposing them to the virus in growth chambers. For Tritcum streak mosaic virus and Wheat streak mosaic virus, that is easy - the virus can be rubbed onto the plant's leaves. For Soilbourne mosaic virus, a fungus is needed and Barley yellow dwarf virus is best transmitted by aphids.

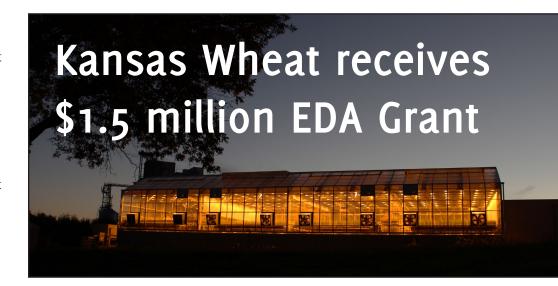
She said the resistance is stable through the fifth generation, which has never been accomplished before in wheat. She further explained that because of the redundancies in the wheat plant, a transgene is sometimes silenced in the traditional breeding cycle since the wheat plant is so good at eliminating copies. That is not the case with these two factors. In fact, the process is so effective that Kansas State University filed a patent for it.

The team's next steps involve moving these transgenes from their current spring wheat varieties into elite winter wheat varieties adapted to Kansas. The most basic way to do this is traditional back-crossing into varieties like Overley, which is happening now. But, this wheat is still genetically modified, meaning a significant investment in time and money to take it to commercialization.



Now that the two wheat plant components have been identified, however, the research team explained they can use non-genetically modified methods to accomplish the same virus resistance. Using mutagenesis, the team can look for a mutated version of these factors or use an even more efficient non-genetically modified approach called gene editing.

No matter the method, the discovery of how to prevent yield loss from viral infection for four major wheat viruses could not have happened without the support of their ultimate benefactors — Kansas wheat farmers. "This type of research is difficult to fund on a national level," Trick said. "Without the support of the Kansas Wheat Commission, we could not do this research. Period."



The U.S. Department of Commerce's Economic Development Administration (EDA) awarded a \$1,589,425 EDA grant to the Kansas Wheat Commission of Manhattan, Kansas, to fund construction of a greenhouse and head house complex at the Kansas Wheat Innovation Center. The additional space will be used to expand and enhance public-private collaborative research and commercialization in wheat biotechnology. This investment is part of a \$3,320,947 project that is estimated to be completed over the next three years.

6 - INTERNATIONAL MARKETING

Kansas wheat farmer testifies on Cuban trade

A Kansas farmer was called upon by the United States Senate Committee on Agriculture, Nutrition and Forestry, to testify on the opportunities and challenges for trade with Cuba.

Kansas Wheat Commissioner Doug Keesling, Chase, was part of a delegation organized by the U.S. Agriculture Coalition for Cuba (USACC) that visited the Caribbean country in order to explore reestablishing agricultural trade.

The committee is chaired by Pat Roberts from Kansas, the first to chair both the Senate and House of Representatives' respective committees on agriculture. Keesling testified in front of the committee on April 21, 2015, and discussed the potential that he, and the nearly 100 other members of the USACC delegation, saw in Cuban trade.

It has been estimated that wheat imports from the United States have an upward potential of the entire 30 million bushels currently imported by Cuba. That's because today Cubans buy no wheat from the United States. The state-owned grain buyer, Alimport, buys almost all their wheat from Canada and Europe, even though Cuba is much closer to U.S. gulf ports. That's a \$200 million opportunity that is missed by the U.S. wheat industry every year. Based on USDA Economic Research Service models, those additional exports could put nearly 2,000 people to work, and that's just for wheat.

"Now that Cuba is allowing increased investment by the private sector, we can expect the sophistication of the Cuban flour milling, processing, and retail segments to improve, which could lead to even more imports in the future," Keesling said. "But if current policies continue, those imports will not be products raised by American farmers."

Keesling testified that for Cuba to become a successful export market for U.S. farmers, regulatory obstacles must be repealed. While under the current embargo, regulations allow for agricultural exports to Cuba, they are full of red tape and expenses for Cuban businesses to deal with. But Cubans aren't going hungry; instead they are purchasing their imports from competitors like Canada and Europe.





Nigerian millers and Kansas farmers make the perfect match

nstant noodles may not be the meal of choice outside the K-State campus, but in Nigeria, they are an increasingly popular source of nutrition for more than 170 million people. Combined with bread, cookies and crackers and pasta, per capita consumption of wheat foods in Nigeria has more than tripled since 1995, according to U.S. Wheat Associates (USW).

Nigerian flour is used predominately to make a dense, high volume loaf of bread. While Nigerian milling companies are some of the largest in the world, the baking sector is small-scale and disorganized.

This means Nigerian flour millers are looking for wheat able to withstand variable conditions and produce the same high quality loaf of bread time and again.

HRW wheat is a great match. Muyiwa Talabi, marketing consultant in the USW office in Lagos, Nigeria, said, "Kansas produces is a valued wheat with high consistency and good protein."

That is why Kansas Wheat, together with USW, continually works to strengthen the relationship between Kansas wheat farmers and Nigerian flour millers through annual trade team visits and specialized courses at the IGP Institute. Through these activities, Nigerian millers know Kansas farmers will have the wheat they want, year after year.

"U.S. wheat has found a home in Nigeria," said Gerald Theus, USW assistant regional director based in Cape Town, South Africa. "And it is there to stay."

INTERNATIONAL MARKETING - 7

Farmers talk trade in Colombia

Ask what is the price of wheat and most farmers will have a pretty good answer. Ask who is buying wheat – and why – and the question is a little harder. That is why the Kansas Wheat Commission works with U.S. Wheat Associates (USW), the industry's export market development organization, to connect farmers with the customers that purchase the high quality hard red winter (HRW) wheat they produce each year.

Kansas Wheat Commission Chairman Scott Van Allen from Clearwater participated in one such trip in March 2015. The first stop on the 2015 USW Latin American Board Team was the second largest market for U.S. HRW in South America – Colombia.

The Colombian climate is not conducive for wheat production, so millers there depend on imports. The United States and Canada compete for market share, especially for the 76 percent of food wheat used for bread and pastries. Overall, Colombia has imported about 53.3 million bushels annually. In 2014, about 43 percent of those imports originated in the United States.

"My reason for joining this trip was to meet with our customers face-to-face and assure them that we, as the producers of the wheat they purchase, produce the highest quality possible, given the weather limitations we encounter during the growing season," said Van Allen.

The team, accompanied by USW South American Assistant Regional Director Osvaldo Seco, visited three different cities in Colombia to discuss current U.S. wheat crop conditions, challenges presented by gluten-free fad dieting, upcoming export opportunities in the Gulf of Mexico and newly imposed mycotoxin restrictions set by the Colombian government. These standards changed the maximum levels of DON (vomitoxin), which has caused problems with some shipments, particularly for soft red winter (SRW) wheat.

"We need to visit our customers on a regular basis and keep them informed and to give them the opportunity to notify us as to changing requirements and situations in the world of wheat," said Van Allen. "We were able to assure our customers that we are doing everything possible to provide them with the highest quality and most reliable source of wheat anywhere in the world."

Philippine trade team visits Kansas Wheat

Wheat buyers from the Republic of the Philippines long ago discovered the quality, value and reliability of U.S. wheat. Trade relationships with Philippine buyers have been maintained for more than 50 years and have resulted in the Philippines being the United States' fifth largest market for wheat. In order to maintain this relationship, U.S. Wheat Associates brought five Philippine milling industry customers to the United States from August 6-16, 2014. These managers have a diverse range of responsibilities and experience, said Manila-based Joe Sowers, USW assistant regional director for South Asia, who traveled with the team.

"U.S. wheat has been a big part of the Filipino milling and baking industry for more than 50 years," Sowers said. "Coming to the United States helps these new customers understand the work farmers, grain handlers and the USDA put into producing and delivering high-quality wheat and services that can help them grow their businesses."

Kansas made up the last leg of the tour for the trade team. Over the last two days of their trip, they spent time visiting facilities in the state that showcased the professionalism and quality of the U.S. wheat industry. Their first stop in the state was visiting the Federal Grain Inspection Service Tech Center to learn about the inspection process. Next, the team visited Best Harvest Bakery, one of the bakeries that creates buns for popular fast food restaurants, like McDonald's, out of Kansas grown hard red winter wheat. The team then toured the IGP Institute and learned about the programs and courses they offer. The team also visited the Kansas Wheat Innovation Center to talk with staff and to learn about the research that is driving innovation in the wheat industry.

Aaron Harries, VP of research and operations for Kansas Wheat, accompanied the team on their travels through America's Breadbasket.

Harries said, "The Philippines is consistently one of the top five markets for all classes of U.S. wheat. Unfortunately, their smallest purchase is of hard red winter wheat. Their visit gives us a chance to promote the quality and durability of hard red winter wheat."



8 - DOMESTIC MARKETING

Pennsylvania bread baker wins National Festival of Breads baking competition

isa Keys of Kennett Square, Pennsylvania, was the grand prize winner in the 2015 National Festival of Breads baking competition, sponsored by King Arthur Flour, Red Star Yeast and the Kansas Wheat Commission.

Judges selected Keys' Smokehouse Cranberry Cheese Bread from among eight finalists' recipes baked at the public competition on June 13 in Manhattan, Kansas. The National Festival of Breads is the nation's only amateur bread-baking competition.



Keys said, "Memories of visits with my in-laws in Quechee, Vermont, inspired this bread. My mother in-law always had smoked cheeses from the local farmer and fresh-made maple syrup tapped from trees in town. She was also into healthy foods and introduced me to tofu in delicious breakfast smoothies. This bread honors all of her goodness."

Keys' blog, Good Grief Cook, is dedicated to celebrating her son William, who passed away four years ago. For Keys, her time spent cooking is therapeutic as well as tasty and she said she hopes the recipes and memories shared provide strength and support to others who have lost a loved one.

"What I've learned is that the grief is never going away," she said. "I wanted to celebrate the amazing son that he was and show people a positive way to deal with grief."

As the 2015 National Festival of Breads champion, Keys received \$2,000 cash, plus a trip to attend a baking class of her choice at the King Arthur Flour Baking Education Center in Norwich, Vermont. In addition, she will receive a supply (120 envelopes) of Red Star Yeast.

Judges for the event were Zoë François, author of "Artisan Bread in Five Minutes a Day;" Dr. Kadri Koppel of Kansas State University's Sensory Analysis Center; Jenny Dewey Rohrich, Prairie Californian blogger; and Steven Young, Hy-Vee Bakery manager in Manhattan.

"Keys' bread had incredible workmanship and texture along with ease of preparation. As judges we all agreed, this is a bread we can't wait to make in our own homes," said Rohrich.

The recipe is available at http://nationalfestivalofbreads.com/cheesebread.



In addition to the competition, the National Festival of Breads featured educational baking demonstrations, children's activities, bread tasting and more. This was the fourth biennial event, and barbecue demonstrations and sampling were added this year. The nearly 1,000 attendees brought nonperishable food items, which were donated to the Flint Hills Breadbasket, a community food network in Manhattan to help alleviate hunger and poverty. The King Arthur Bake Truck, part of the Bake for Good program, also handed out treats, collected financial donations and donated all of their breads baked during the festival to the Flint Hills Breadbasket. In total, more than 654 pounds of food was donated.

At the evening National Festival

of Breads Awards Banquet, the finalists' breads were auctioned off with proceeds split between the Flint Hills Breadbasket and Stop Hunger Now, a partner organization of sponsor Red Star Yeast. About \$3,500 was raised to benefit the two organizations.

DOMESTIC MARKETING - 9

Finalists tour Kansas wheat industry

Eight finalists traveled from the east and west coasts to Manhattan, Kansas, to compete in the National Festival of Breads. Before the competition started, however, Kansas Wheat arranged a farm to flour tour for contestants. Aaron Harries, Kansas Wheat vice president of research and operations, served as the tour's emcee as the finalists and accompanying Speak for Wheat spokespersons traversed I-70.

The finalists' first stop was Farmer Direct Foods flour mill in New Cambria, Kansas. The cooperative mill only grinds whole wheat flour, although they do source both hard red winter (HRW) and soft red winter (SRW) wheat.

The mill uses four 30-inch granite stones to produce stoneground, whole wheat flour for companies like King Arthur Flour. The mill can grind 150,000 pounds of flour each day.

After working up an appetite at the flour mill, finalists next were treated to a lunch sponsored by Hy-Vee at Kejr Farms in Brookville, Kansas. During the meal, farmers Joe and Geena Kejr showcased their no-till operation, which includes a rotation of wheat, corn, soybeans and grain sorghum.

Despite sprinkles and mud, the contestants explored Kejr's equipment, including two combines, tractor and grain cart and sprayer.

Following the same route the Kejrs take to deliver their wheat, the finalists next visited the Cargill Ag Horizons elevator in Salina, Kansas. The largest grain elevator in Kansas, the facility can hold 32 million bushels and can load out one million bushels, equal to 1,000 trucks, a day.

The final stop on the finalists' tour was the Kansas Wheat Innovation Center. The building represents the largest farmer investment in wheat research in Kansas and includes a state-of-the-art test kitchen as well as 15,000 square feet of laboratory space and 10,000 square feet of greenhouses.



Food and nutrition professionals go on wheat safari

1 August 6 - 7, 2014, twenty-six of the nation's most influential food and nutrition professionals visited the Fargo, N.D., area as part of the second Wheat Safari, hosted by the Wheat Foods Council (WFC).

Safari tour guests included prominent food and nutrition bloggers, academics from major universities across the country, newspaper editors and broadcast journalists. Kansas Wheat's Cindy Falk, nutrition educator, and Marsha Boswell, director of communications, traveled from Manhattan, Kan., to Fargo, N.D., to meet up with the group.

"It was a pleasure hosting this prominent group in North Dakota," said WFC President Judi Adams. "They are important influencers

of consumer opinion and take nutrition education of the American public very seriously. We as an industry have much to gain by working with them to ensure that consumers have the facts about wheat production, harvesting, milling and producing a table food."

Program speakers included noted carbohydrate expert and nutrition educator Julie Miller Jones, Distinguished Scholar and Professor Emerita of nutrition in the Department of Family, Consumer and Nutritional Sciences at the St. Catherine University in St. Paul, M.N. Dr. Jones addressed the group on nutrition issues, including how to help consumers identify whole grains in their grocery stores, and why gluten-free diets only make sense for those diagnosed with celiac disease, wheat allergy or non-celiac gluten sensitivity.

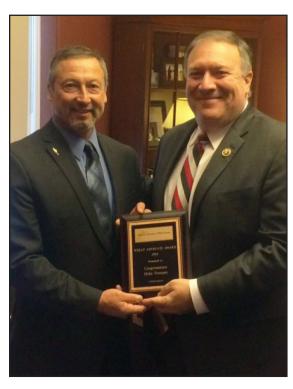


Brett Carver, PhD, Wheat Genetics Chair in Agriculture, Oklahoma State University, covered agriculture-related issues, including wheat quality characteristics. "Spending time with these journalists and health professionals gave us a chance to meet on common ground and learn from each other. Consumers are often misinformed about wheat and wheat foods, and now these influencers are in a position to correct that," said Dr. Carver.

During their time in North Dakota, the group toured a farm in Portland, N.D., to learn first-hand about the harvesting of the wheat crop. They also visited the North Dakota Mill in Grand Forks, the Conte Luna Foods pasta plant in Grand Forks, and the Northern Crops Institute and Wheat Quality Labs at North Dakota State University.

10 - KAWG

Three Kansans receive Wheat Advocate Awards



The National
Association of Wheat
Growers presented three
Kansans with Wheat
Advocate Awards on
January 26, 2015. The
Wheat Advocate Award
is given annually to
Members of Congress
who have demonstrated
support for the wheat
industry above and
beyond the norm.

Congressman Mike Pompeo (KS) has led the charge in Washington D.C. for an industrysupported GM-Labeling bill. The bill would create

certainty for farmers, food companies and industry partners, limiting the confusion created by state ballot initiatives. The Congressman endured numerous attacks for his support of the bill, including during his re-election campaign.



Senator Jerry Moran (KS) has been a champion of issues that impact wheat farmers during his tenure in Congress. As a member of the Senate Ag Approps subcommittee, he has had opportunities to highlight farm bill implementation concerns during appropriation hearings and advocate on behalf of wheat farmers. He has been a longstanding supporter of wheat-friendly food aid policies, and expanded trade to Cuba.

Senator Pat Roberts (KS) has been a long-time supporter of wheat farmers. As a senior member of the Senate Ag Committee he has ensured that the federal farm safety net remains strong and that crop insurance continues to work for growers.

Also receiving Wheat Advocate Awards were Senator Heidi Heitkamp (ND), Senator Debbie Stabenow (MI), Congressman Pat Tiberi (OH), Frank Lucas (OK), and Colin Peterson (MN).

Congressman Bob Gibbs (OH) was named Wheat Leader of the Year, an award that is given annually by NAWG to one Member of Congress based on his or her demonstrated commitment to the wellbeing and goals of the wheat industry.

Friends of Wheat included Ben Thomas – Legislative Aide, Senator Walsh; Brandon Willis – RMA Administrator; Matt Schertz, Professional Staff, House Ag Committee; Bart Fisher, Chief Economist, House Ag Committee; Coleman Garrison, Legislative Aide for Congressman Randy Neugebauer; Joe Shultz,

Chief Economist,
Senate Ag Committee;
and Grant Colvin,
Policy Analyst, Senate
Ag Committee. The
Friend of Wheat Award
is given annually by
NAWG to Congressional
administrative staff
members who have
demonstrated support for
the wheat industry above
and beyond the norm.

Congratulations to these advocates for wheat! Kansas wheat farmers appreciate your continued efforts to support for the wheat industry.



KAWG officers elected

After the ballots were counted for KAWG elections Roger May, of the northwest district, and Gary Millershaski, of the southwest district, returned as members of the KAWG Board of Directors.

KAWG is also pleased to introduce Rick Horton, of the west central district, as a first time member of the board. Rick is a farmer from Wichita County. He graduated from K-State in 2005 and came back to farm with his father, two brothers, wife Ashley, and now their son Vance and daughter Hayden.



July 1, 2014 -	lent (unaudited) June 30, 2015	
Beginning Balance		\$3,224,396
Wheat Assessment Collected	\$4,564,259	
Other Income		
(sales of promotional items,		
Grants, operating activities, etc.)	\$122,874	
Sponsorship Income	\$82,000	
Interest Income	\$15,959	CAN W
Building Related Income	\$393,664	¢0.402.452
Total FY 2015 Income		\$8,403,152
Refunds to Producers	-\$160,791	
FY 2015 Expenditures		
Special Projects	-\$2,500	
Public Issues	-\$6,010	
Research	-\$1,328,784	
Domestic Marketing Comment of the Co	-\$752,416	
International Marketing	-\$1,226,165	
Administration	-\$859,157	
Kansas Wheat Innovation Center	-\$692,259	
Total FY 2015 Expenditures		-\$5,028,082
Ending Balance		\$3,375,070

Income received each year by the Kansas Wheat Commission depends upon the size of the state's wheat crop. In 2014, farmers produced 246 million bushels of wheat, down from 321 million bushels in 2013.

The Commission collected about \$4.6 million from the voluntary Wheat Assessment, and refunded \$160,791.

Each year, the budget is subject to approval by the Commission. The KWC strives to keep a year's worth of reserves to offset unforeseen disasters.

The Kansas Wheat Commission's annual budget includes investments in public issues, research, domestic marketing, international marketing, administration and special projects. In FY 2012, the KWC began construction of the Kansas Wheat Innovation Center, a major investment that will help shape a bright future for wheat production in Kansas. The construction of this facility was completed in November 2012.

Kansas Wheat signals innovation with launch of new brand mark

The Kansas Wheat Commission and the Kansas Association of Wheat Growers unveiled their new brand mark - the EAT Wheat symbol.

In addition, the organizations also introduced a new tagline, Rediscover Wheat. The branding changes coincide with Kansas Wheat's focus on helping consumers rediscover wheat in their diets, developing a renaissance in wheat research, and concentrating research efforts on exploring the genetic diversity and complexity of the wheat plant.

The new Kansas Wheat symbol represents the positive and innovative changes that the Kansas Wheat Innovation Center has

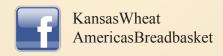
had on the wheat industry. Wheat provides around 20% of global calories for human consumption, and the work being done in Kansas continues to ensure that the world has enough to eat.

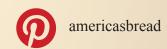
"In recent years, consumers have increasingly followed fad diets such as the low-carb and gluten-free crazes. Our new tagline invites them to rediscover wheat foods, which have positive effects on the diet," said Kansas Wheat CEO Justin Gilpin. "The new brand mark signals a clear purpose for our brand, which is investing in the future through wheat genetics research. By rediscovering genetics in ancient wheat ancestors we hope to unlock the true potential of modern day bread wheat."











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