

Approved April 23, 1986
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Lloyd D. Polson at
Chairperson

7:30 a.m./~~p.m.~~ on April 11, 1986 in room 423-S of the Capitol.

All members were present except: Representatives Dean, Long and Freeman, who were excused.

Committee staff present:

Raney Gilliland, Legislative Research Department
Norman Furse, Revisor of Statutes Office
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee:

Senator Fred Kerr
Becky Koch, Kansas Wheat Commission
Paul Fleenor, Kansas Farm Bureau
Dr. Mike Johnson, K.S.U.
Howard Tice, Kansas Association of Wheat Growers
Kathy Peterson, Committee of Kansas Farm Organizations
Chris Wilson, Kansas Grain and Feed Dealers Association

Representative Bryant moved to approve the minutes of April 7, 1986. The motion was seconded by Representative Sallee. The motion passed.

Hearing on SCR 1640-Urging the Ways and Means Committees of the Senate and the House of Representatives to fully fund research projects at Kansas State University on nonfeedstuff and nonfoodstuff uses of wheat and to consider additional funding for value-added research as part of any economic development program.

Senator Fred Kerr informed the Committee SCR 1640 was introduced to call attention to research on wheat at K.S.U. The Wheat Commission will not be able to participate in this research to the extent that they were in the past due to funding restrictions. It is extremely important to look for alternative uses for Kansas agricultural products. This concurrent resolution asks for full funding from the state general fund or from other available sources.

Becky Koch testified the funding needed from the state for the wheat utilization non-food and non-feed uses project for July 1, 1986 through June 30, 1987 is \$111,919. She explained this project is a good one, is a step into the new area of value-added research and the Kansas Wheat Commission strongly urges continuation of this project, Attachment I.

Paul Fleenor testified in support of SCR 1640. The heart of the resolution speaks to the enhancement of economic development and to generating economic recovery in agriculture.

Dr. Johnson expressed appreciation for the support legislature has provided in the past for the three projects at K.S.U. and the support that has been given by the Kansas Wheat Commission. He explained the Kansas Wheat Commission will no longer be able to fund the non-feed, non-food research. All three projects have been put together in S.B. 537.

Howard Tice emphasized the need for the state to fund this research and urged the passage of SCR 1640, Attachment II.

The Committee agreed by consensus to accept the request of Representative Solbach to correct the minutes of March 31, 1986.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,
room 423-S Statehouse, at 7:30 a.m. ~~xxx~~ on April 11, 1986.

Kathy Peterson testified many of the members of the Committee of Kansas Farm Organizations work very closely with the Wheat Commission at K.S.U. and are committed to the wheat research being fully funded for non-food, non-feed and value-added product development research.

Chris Wilson testified she also is representing Kansas Agri-women and the American Agri-women in addition to the Kansas Grain and Feed Dealers Association. The national president of American Agri-women is a Kansan and her top priority is the area of value-added research. On behalf of all of the groups she represents, she urged continued support for the research at K.S.U., Attachment III.

The hearing on SCR 1640 was closed.

Representative Clifford Campbell made a motion to recommend the resolution favorably for adoption. Representative Neufeld seconded and the motion passed.

The Chairman distributed a draft of a House Concurrent Resolution, 5 RS 2876, requesting the United States Department of Agriculture change the federal grain grading standards. *Atch. IV*

Representative Apt moved the Committee introduce the resolution and to refer the resolution to the Committee of the Whole. Representative Eckert seconded and the motion passed.

The Committee meeting was adjourned at 8:30 a.m.

KANSAS WHEAT COMMISSION TESTIMONY

BEFORE THE

HOUSE AGRICULTURE COMMITTEE

APRIL 11, 1986

STATEHOUSE

TOPEKA, KANSAS

Chairman Polson, members of the committee, ladies and gentlemen, I thank you for the opportunity to testify today concerning Senate Concurrent Resolution 1640. My name is Becky Koch, and I am the Kansas Wheat Commission's communications director.

During the 1984 legislative period, legislators decided that the state should put more emphasis on agriculture and decided to fund some new research projects at Kansas State University. Four projects were selected for funding: Wheat as a Feed, Feed-Wheat Breeding, Development and Evaluation of Wheat Hardness Tests, and Wheat Utilization: Nonfood and Nonfeed Uses.

The Kansas Wheat Commission was asked to contribute funding to this effort and volunteered to put \$25,000 towards the development and evaluation of wheat hardness tests. The commission volunteered for this project because the grain grading dilemma between hard and soft wheats was already becoming apparent and our wheat producer board members felt the need to become involved in this project, whether the legislature eventually funded the project or not.

4/11/86 Hs. Ag. & Lst. #
Attachment I

After the 1984 legislative period was over, the commission was notified that it would be funding the Wheat Utilization: Nonfood and Nonfeed Uses project at a level of \$75,000. The commission had never been contacted about this change in projects or funding and still does not know why the changes were made. However, our wheat commissioners realize the need to research new uses of wheat and have funded many projects over the years in this area. Some examples of such projects are: the use of wheat gluten in various ways, the use of wheat or wheat by-products in feed, production of pasta or oriental noodles using Kansas wheat, the use of Kansas wheat in Chinese bread and other foods, etc. Therefore, the commissioners, in general, were supportive of the project concept, despite the fact the commission had not volunteered or been asked to contribute funding.

The Kansas Wheat Commission suggested that the project be put together with a good team of people who would work hard to further the goals of the state and the commission in this project. Two weeks ago our commissioners heard the second year's report on the research underway. We feel the work is progressing very well, and the commission is encouraged to see the cooperation among researchers in the Grain Science and Industry Department, with outside industry and with other universities.

As I mentioned earlier, the commission's funding for year one of the project was \$75,000 and for year two \$80,250. Due to increased feeding of wheat last year (wheat on which no wheat tax was collected oftentimes) and the acreage cutback, we are seeing that the commission is faced with funding difficulties which make

sponsorship of this project impossible for fiscal year 1987. In fact, the commission had to eliminate several other research projects and negotiate an across the board cut in the remaining KSU funding for FY 86 and FY 87.

Also, U.S. Wheat Associates, our international market development organization, has reduced the amount state wheat commissions will have to pay for its activities in FY 87 in order to help the various wheat commissions through these tight times. Even with all of these reductions, the Kansas Wheat Commission will face greatly reduced fund balances by the end of FY 88.

A huge unknown is the eventual effect federal funding cutbacks will have on U.S. Wheat Associates in the future. Two-thirds of U.S. Wheat Associates budget (total budget in FY86 is \$9.3 million) comes from the U.S.D.A.'s Foreign Agricultural Service, and one-third is from the 14 state wheat commissions. At this time, U.S. Wheat Associates is facing a threatened 50% cut in FAS funding for FY 87. We are hopeful the funding can be restored because, if it is not, the 14 state wheat commissions will be forced to try and somehow make up a part of the funding shortfall.

I did not come here today to discuss all the funding problems facing the commission but to testify in favor of Senate Resolution 1640 and to ask that the Kansas Wheat Commission dollars which have supported the nonfood/nonfeed project be replaced by others from the State General Fund and that the money be placed into KSU's budget.

Following is a breakdown of funding for the Wheat

Utilization: Non-food and Non-feed Uses project for this fiscal year and what we are asking the state to fund for FY87. We asked Dr. Deyoe to provide the figures and wanted to pass them onto you today.

Kansas Wheat Commission

<u>Actual</u>	<u>Requested</u>
7-1-85 thru 6-30-86	7-1-86 thru 6-30-87
\$80,250	\$0

<u>Legislature Actual</u>	<u>Requested</u>
7-1-85 thru 6-30-86	7-1-86 thru 6-30-87
\$27,791	\$111,919

This money is used to fund three research associates in the Grain Science Department and three to four graduate students to aid the researchers. Also, some of the money is used to buy scientific equipment and supplies used in the experiments plus for project related data processing, travel, office supplies, etc.

Again, the commission feels the project is a good one and is a step into the new area of value-added research. Unfortunately, the Kansas Wheat Commission cannot afford to continue its support of the project at this time and sincerely hopes the state can find the funding necessary to continue the project.

At the wheat commission's board meeting last week, the commissioners discussed the idea of the state funding research to enhance existing or new industries which manufacture value-added

agricultural products. The commissioners strongly favor such research being conducted, if it is funded using new monies. The commissioners are not in favor of taking money from today's successful agricultural research projects for the new value-added projects.

Rather, the commissioners suggest that we have done some research in this area over the past few years. If the state is to do more in the value-added research area, then this area must be treated as a new research area with its own priorities and funded with new dollars.

On a recent visit to Argentina and Brazil, one of my board members was shocked to see the emphasis those countries are placing on new wheat and sorghum varieties. They also are working hard to establish a system similar to our extension service to get new knowledge out to their producers.

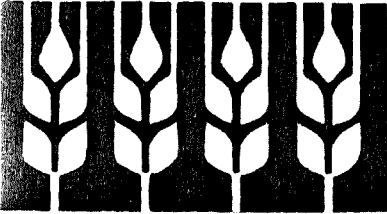
In France, another board member heard of their work to improve the milling and baking quality of French wheat and was briefed on the future impact of the new European starch and gluten plants to American wheat exports.

Thus, the need is to maintain our competitive position in the more traditional agricultural research areas, and today's research programs are doing just that. The Nonfeed/Nonfood Uses of Wheat project is a step into the area of new product technology and value-added research, and the Kansas Wheat Commission strongly supports continuation of this project. The commission also supports new state monies being targeted for research to enhance existing or new industries which manufacture

value-added agricultural products.

Thank you for the opportunity to testify this morning.

KANSAS ASSOCIATION
OF WHEAT GROWERS



HOUSE COMMITTEE ON AGRICULTURE

Chairman, Representative Lloyd Polson

Friday, April 11, 1986

Senate Concurrent Resolution 1640

Mr. Chairman, members of the committee, I am Howard Tice, Executive Director of the Kansas Association of Wheat Growers. I appreciate this opportunity to offer the support of Kansas wheat producers to this resolution.

We are all aware of the financial difficulties agriculture is experiencing in our state, and across the nation. Much of the problem is due to lower export sales which have added to the surplus of wheat and other U.S. produced grains.

There are several reasons why our export sales have dropped. It seems that the primary reasons are political, on the national level. I won't go into those various reasons, because you all know what they are. You are also, no doubt, aware of the grain quality and classifications issues, and their effect on export sales. These are real problems that lower our competitive position in the world market, no matter what the price. We are working on these problems through various means, and we hope to be able to report in the not too distant future, that positive changes have been worked out, and we will be able to compete once again.

In the meantime, we must continue, not only those efforts, but research into other ways to use the grain we produce. The federal government's approach, which seems to be to simply lower the number of farmers in order to lower surplusage is not only an unrealistic approach due to the number of farmers who must now compete in an already overburdened labor force, but it is short-sighted in that it may very well leave us short-handed on the farm in the future, as the population growth increases the need for food.

It makes a lot more sense to keep a reasonable amount of production in place, and research other uses for our grain that can be utilized to lower the surplus, and offer other benefits to our citizens at the same time. The non-food/non-feed research program at KSU is a perfect example of that type of research.

As Becky Koch has told you, Wheat Commission checkoff funds were funnelled into this project without the knowledge of the commissioners who are required by law to oversee the use of those funds. As a result of that legislated drain on checkoff monies, coupled with lowering income for the Commission because of lower production, and the lack of cooperation from many feedlots in collecting the checkoff, the Wheat Commission simply cannot afford to continue to fund the project.

It is important to remember that the checkoff that funds Wheat Commission efforts is not a state tax. Although the state administers the funds, and oversees the budget, the money belongs to the farmers who pay it into a fund to be used for wheat promotion. It is a voluntary contribution in that any farmer who requests it, can obtain a refund. I believe it to be a fair statement that if Kansas farmers find out that the legislature is preempting their Commission's right to direct the use of that money, refunds will increase even more.

It has been pointed out several times in this committee, that the percentage of state tax money spent on Kansas' Number One Industry is shockingly low. Most of the bills that seek to help farmers this year carry very low price tags for the state. Considering that farmers feed our state's citizens at a loss, the use of a few tax dollars to help farmers simply transfers to agriculture, a portion of the money consumers would be paying if farm prices were at more realistic levels.

I applaud the sponsors of this resolution for recognizing the need for the state to fund this important research, and I urge the passage of SCR 1640.

STATEMENT OF THE
KANSAS GRAIN AND FEED DEALERS ASSOCIATION
TO THE HOUSE AGRICULTURE COMMITTEE
REPRESENTATIVE LLOYD POLSON, CHAIRMAN
REGARDING SCR 1640
APRIL 11, 1986

Mr. Chairman and members of the Committee, I am Chris Wilson, Director of Governmental Relations of the Kansas Grain and Feed Dealers Association and am representing our approximately 1100 members here today. We strongly support SCR 1640.

As you are well aware, agriculture is the State's largest industry, and wheat is our leading crop. Not only are wheat producers and agribusinessmen dependent on its successful production and marketing for their livelihood, but thousands of other Kansans also derive their income through its processing, and transportation and the sale of wheat and wheat products. In all, it accounts for roughly a \$9.2 to 11.2 billion industry--a vital segment of the State's economy.

Of the over 400 million bushels of wheat produced each year in Kansas, only about 11 million bushels are consumed here, and less than 17% is milled here. The successful processing and marketing of all those millions of additional bushels, both domestically and internationally, is critical to the prosperity of the Kansas wheat industry complex. As wheat production and competition continue to increase worldwide, Kansans must remain on the cutting edge of technology in efficient, low-cost production, in crop quality, and in product utilization.

4/11/86 Hs. A SB
Attachment III

In order to meet and further stimulate demand for what we produce, we must develop new, value-added uses for our wheat. This makes the wheat we produce more valuable and thus more profitable for the farmer, and also provides many more jobs throughout other segments of our State's economy. This is a long term effort, but it can never be disregarded in the short term.

We view this resolution as a very positive step for the future of Kansas agriculture. We appreciate the Legislature's efforts in this area in the past and ask that you continue to support this important area of research. In the current agricultre economic climate, it is easy to become caught up in only the immediate situation. But we must at the same time look to and prepare for the future by taking steps to enhance the profitability of Kansas agriculture in years to come in whatever ways we can. Obviously, research to find new uses for wheat will not solve all of agriculture's problems, but its potential for being of great benefit should not be underestimated.

We commend Kansas State University's Grain Science and Industry Department for their enthusiasm and dedication in this area of research. We beleive the results of their experiments to date are exciting and promising, and that if the Legislature provides the funding requested in SCR 1640, you will see very tangible results in a very short period of time.

At present, KSU's research in this area is the only such effort of its type in the country. But others have recognized the importance of value-added research. In 1984, the U.S. Department of Agriculture, under the leadership of former Secretary John R. Block, recognized the need for more new product research and resumed its effort in this area after a period of

having shifted away from new uses to nutrition research. USDA's Agriculture Research Service today emphasizes a balance between production and product utilization research, and conducts nutrition research as well. USDA's Northern Regional Research Laboratory has the major responsibility within the Department for the development of new uses, but is only working with corn and soybeans. Thus, wheat uses research is dependent on the experiments being conducted at Kansas State.

In this time of stressing economic development in our state, I can think of no better investment than in the development of industrial, nonfood, nonfeed uses for wheat, which will benefit so many segments of the State's economy. Also, there is activity at the national level to create an entity to provide risk capital in this area and to assist in the commercialization of new products and expedite their entry into the marketplace. It is important that Kansas is positioned to take advantage of such opportunities.

I will attempt to answer any questions you may have. Thank you.

HOUSE CONCURRENT RESOLUTION NO. _____

By Committee on Agriculture and Small Business

A CONCURRENT RESOLUTION relating to federal grain grade standards.

WHEREAS, The Kansas economy greatly depends on the health and stability of the agricultural sector, the strength of which requires a competitive and expanding presence in international grain markets; and

WHEREAS, Existing federal grain grade standards fail to reflect to foreign buyers important characteristics that affect the ultimate value of grain in processing and consumption; and

WHEREAS, Grain grade standards only have value to the extent they provide useful marketing information and economic incentives for quality throughout the export system: Now, therefore,

Be it resolved by the House of Representatives of the State of Kansas, the Senate concurring therein: That the United States Department of Agriculture change current grades for grain to:

(a) Establish separate factors for measuring broken grain and foreign material; and

(b) include factors that have economic value as related to the end use properties and the products to be made from that grain; and

Be it further resolved: That the United States Department of Agriculture should continue research and education efforts to standardize measurement techniques and grain grade to provide further uniformity among all major exporting and importing countries and should expedite revision of grade standards; and

Be it further resolved: That the Secretary of State be directed to send enrolled copies of this resolution to the President of the United States, the Secretary of State of the United States, the Secretary of Agriculture of the United States, the Administrator of the United States Grain Inspection Service,

4/11/86 Hs. ASB
Attachment IV

the President of the United States Senate, the Speaker of the United States House of Representatives, the Chairperson of the Committee on Agriculture of the United States Senate, the Chairperson of the Committee on Agriculture of the United States House of Representatives and each member of the Kansas Congressional Delegation.