

Approved 04/06/87  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Phil Kline at  
Chairperson

3:30 a.m./p.m. on Monday, March 30, 1987 in room 423S of the Capitol.

All members were present except: Representatives Barkis, Chronister, Mainey and Hoy (Excused)

Committee staff present:

Jim Wilson, Revisor  
Lynn Holt, Research  
Molly Mulloy, Secretary

Conferees appearing before the committee:

Sam Brownback, Kansas Secretary of Agriculture  
Paul Fleener, director, Kansas Farm Bureau  
Howard Tice, executive director, Kansas Association of Wheat Growers  
Chris Wilson, director of governmental relations, KS Grain and Feed Dealers Assn  
Wilbur Leonard, legislative agent, Committee of Kansas Farm Organizations  
Clair Niles, Kansas Soybean Commission  
Steve Graham, administrator, Kansas Wheat Commission  
Harland Priddle, secretary, Department of Commerce  
Jere White, Kansas Corn Commission

S.B. 209

The first proponent was Secretary of Agriculture Sam Brownback, who testified that this bill would beef up the international section of the Board of Agriculture's marketing division. Discussing his written testimony (Attachment 1), Mr. Brownback told the committee that he disagrees with the Governor's proposal to move the international agriculture marketing functions from his department to the new Department of Commerce.

Paul Fleener, representing Kansas Farm Bureau, spoke in support of S.B. 209. He stated that the Board of Agriculture is the appropriate place for personnel and funds to undertake promotion and marketing of agricultural commodities produced in Kansas (Attachment 2). He pointed out that three bills before Congress involving international marketing of agriculture products place those activities with the U.S. Department of Agriculture, not the U.S. Department of Commerce.

Howard Tice, KS Association of Wheat Growers, also testified in support of the bill (Attachment 3). He said his organization wants the Board of Agriculture to keep responsibility for marketing agricultural products because they have done a good job in promoting the sale of grain both domestically and in foreign markets. He added that foreign buyers are used to doing business with boards or departments of agriculture in various states.

The fourth conferee was Jere White, Kansas Corn Commission, who said he supported S.B. 209 for reasons previously stated by other conferees, and urged that agricultural marketing remain with the Board of Agriculture.

Chris Wilson, Kansas Grain and Feed Dealers Association, testified in support of the bill, saying his organization strongly supports the intent of the bill, which will strengthen the international agriculture marketing program. (Attachment 4).

Wilbur Leonard spoke in support of the bill, stating that his organization represents 22 different Kansas farm groups which unanimously endorse the bill as it is written. He added that he believes international marketing should remain with the Board of Agriculture. (Attachment 5).

Clair Niles, Kansas Soybean Commission, supports S.B. 209 and the retention of

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,  
room 423S, Statehouse, at 3:30 a.m./p.m. on Monday, March 30, 1987.

international agriculture trade functions at the Board of Agriculture.

The next conferee, Steve Graham, of the Kansas Wheat Commission, stated that he was neither an opponent nor proponent of the bill but wished to discuss the Kansas Wheat Commission and its annual \$100,000 payment to the state general fund. He said that commission dollars are already being applied to international market development for wheat through U.S. Wheat Associates and even receive matching federal funds for this purpose. The commission therefore does not feel wheat farmer dollars should be diverted from the wheat commission and used for more generic international marketing. He stated that a recent survey of 15 other state wheat commissions indicated that the Kansas Wheat Commission pays a much larger share of its collections to the general fund than any other in the nation, is one of four commissions which does not receive interest on its idle funds, and is one of only two wheat commissions which have had moneys transferred out of its carryover funds by the Legislature for use on projects not originally in the budget. He suggested that the state of Kansas bill the commission once a year for administrative expenses for the Wheat Commission (estimated at \$12,150) and phase out the commission's general fund payment over a three or four year period. (Attachment 6).

Harland Priddle, Secretary of Commerce, spoke in opposition to S.B. 209 (Attachment 7), stating that the key issue was not necessarily the transfer of funds but a reversal of a decision made last year in H.B. 2951, which placed the responsibility of international marketing within the Department of Commerce. He said the Department has plans underway for its first trade mission scheduled for June 1987 and that passage of S.B. 209 would interrupt the implementation of the program previously established by the 1986 legislature.

The hearing was concluded on S.B. 209 and Chairman Kline stated that the committee would next discuss bills previously heard.

S.B. 67: Rep. Aylward moved, and Rep. R.H. Miller seconded, to recommend S.B. 67 favorably. The motion carried.

S.B. 68: Rep. Aylward moved, and Rep. Gjerstad seconded, to recommend the bill favorably. The motion carried.

S.B. 69: Rep. Aylward moved, and Rep. Gjerstad seconded, to recommend the bill favorably. After committee discussion, the chairman announced that Tom Severn of the Legislative Research Department would join the committee to answer questions. No vote was taken.

S.B. 70: Rep. R. H. Miller moved, and Rep. Hassler seconded, that the bill be passed favorably. Motion carried.

S.B. 280: Chairman Kline announced that it had been requested by the Kansas Association of Broadcasters that this bill be held over.

The meeting was adjourned at 5:00pm. The next meeting is scheduled for Tuesday, March 31 at 3:30pm.

SB 280 -- Publication of official notices by radio and television broadcast. Secretary of State Bill Graves addressed letter to the Committee Chairman requesting SB 280 be carried over until the 1988 session. (Attachment 8)



TESTIMONY TO HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

IN SUPPORT OF SENATE BILL 209

by

SAM BROWNBACK

KANSAS SECRETARY OF AGRICULTURE

March 30, 1987

Attachment 1. (1)  
03/30/87

Mr. Chairman and Committee members, the Board of Agriculture appears here today by and through Sam Brownback, Kansas Secretary of Agriculture in support of Senate Bill 209.

The Board is delighted that so many people would sponsor a bill aimed at beefing up the international section of the Board of Agriculture's marketing division. The marketing division deserves this beefing up. International markets are critical to agriculture. In Kansas, the generally accepted figure is that one out of every three acres of crop production finds their way into the international marketplace. Without international markets and an aggressive program to promote international agricultural markets the farm economy and indeed the entire economy of the state of Kansas would be severely injured.

Presently, the state of Kansas is getting an excellent international agriculture marketing program in the Board of Agriculture with a lean and mean staff. Two and one-half people work with international marketing at the Board of Agriculture. They are assisted by other individuals in the marketing division on special projects, but we only have two and one-half FTE's working in the international marketing arena. Yet, with that slim investment there were documented first-time new sales of agricultural commodities in the international market place due to efforts of the Board of Agriculture of over 5 million dollars. This does not include the Taiwan Procurement Mission which regularly opens bids in the Senate Chambers. Only \$141,747 is actually allocated specifically for international marketing at the Board of Agriculture. With the amount of first-time sales that we can document and the amount of money that is budgeted for international marketing at the Board of Agriculture, there is a return on your state investment of over \$35 for every \$1 invested in international marketing at the Board of Agriculture! The Board has been extremely successful in international agriculture marketing. This is due to a teamwork concept where everyone in the marketing division at the Board of Agriculture will work on these projects together along with numerous industry participants such as people from the meats and grains organizations and the general farm organizations to gang tackle major projects. Couple this with assistance from national groups such as the national grains and meats associations along with assistance from the U.S. Department of Agriculture, mid-America agriculture trade organizations and others, and the teamwork produces these types of spectacular results.

However, we could do more and we could do better. With additional funding, we could do better work in this international marketing arena that is so critical and important to the economy of the state of Kansas. This is why we wholeheartedly support Senate Bill 209 and further support the retention of international agricultural trade functions at the Board of Agriculture. Presently, it is proposed that all of international trade, including that being done at the Board of Agriculture be moved to the new Department of Commerce. In the Governor's proposed budget concerning the Board of Agriculture, there is a transfer of all of international marketing functions from the Board of Agriculture to the new Department of Commerce. I have stated directly to the Governor that we at the Board of Agriculture disagree with the movement of the international agriculture marketing functions to the new Department of Commerce. We feel there are a number of sound reasons as to why this function should remain at the Board of Agriculture.

First, we are good at it and we know the business. If the Board of Agriculture had not been successful with international agriculture marketing then, I could see some reason to moving it to a new agency that perhaps could put new ideas with it, new energy and do more. However, the opposite is true. We have been extremely successful with international agriculture marketing.

Secondly, international marketing is properly divided along product line rather than on function line. This is to say that people who sell agricultural products should remain with and deal with those involved in agriculture and be specific because their buyers are specific. The same buyer does not purchase shoe polish, airplane parts and agricultural goods. There are agricultural buyers, there are airplane buyers, but seldom are the two the same person. Furthermore, on the national level, and in other states, agricultural trade is not consolidated with other trade divisions. Of the 46 states in the United States that have departments of agriculture, 40 of them have a marketing division. It's not in Commerce in those other states. On the national level, the Department of Commerce does not handle international agricultural trade, USDA does. Agricultural trade is not consolidated at the national level in Department of Commerce and we believe it should be retained separate at the state level. The United States Department of Agriculture with its Foreign Agricultural Service has a direct link into every embassy of the United States throughout the world. This dedicated agricultural channel is maintained with states. With the establishment of agricultural international trade within a Department of Commerce at the state level, this communication line will be severed and will be ineffective. At the present time, we work closely with agricultural attaches and agricultural counselors on a personal basis throughout the world. To place people within a Department of Commerce at the state level would lose the identity of the state's largest industry and would not be understood by customers throughout the world. Customers desiring support in the purchase of agricultural products work directly and logically with agricultural staff functions. A buyer of agricultural products, such as swine or wheat, would assume their principal contact would be a Secretary of Agriculture and not a Secretary of Commerce. We believe the realignment to a new Department of Commerce would deteriorate customer service as well as delivery of information to the producer of commodities and agricultural supplies. For these reasons, we believe the international agricultural trade activities now within the Board of Agriculture should be retained and not transferred to the new Department of Commerce.

Third, there exists the possibility that in the future, international agricultural marketing will become diluted at the Department of Commerce. While I have an excellent rapport with the present Secretary of Commerce, Harland Priddle and he certainly understands the Board of Agriculture, it is in the inevitable day when Harland Priddle is no longer Secretary of Commerce that we are concerned. Yes, Mr. Priddle understands and supports agriculture and he will do so through his tenure, but what about the day when Harland Priddle is no longer Secretary of Commerce and the possibility exists that someone in other areas of business and industry are the head of Commerce. Will they see funds and resources allocated to international agricultural marketing as resources that should be transferred to marketing some other product on the international scene? If the international agricultural function is left at the Board of Agriculture, there is no question but that we will emphasize agriculture because that is our mission.

Fourth, we will work in concert with the Commerce Department and make sure that duplicate programs do not exist and that ours are all coordinated with their's so that state government dollars are used to their maximum. You have my pledge on this.

The additional funds proposed to go to international agriculture marketing in Senate Bill 209 will be appropriately used to further beef up international agricultural marketing activities. An area that Kansas cannot afford to lag behind in. We as a state and our economy indeed on the whole is dependent on international trade and particularly in international agricultural trade. An increased investment in this area will meet increased returns to the state's economy and would be a good investment for economic development in Kansas.

We support Senate Bill 209.

Mr. Chairman, I would be happy to answer any questions.



# PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

**Re: S.B. 209 - Concerning the Grain Commissions  
and the Soybean Commission; Providing for Certain Transfers**

March 30, 1987  
Topeka, Kansas

Presented by:  
Paul E. Fleener, Director  
Public Affairs Division  
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. We appreciate the opportunity to speak to the Committee today as **proponents of S.B. 209.**

This legislation focuses on an important function ... the Marketing Division of the State Board of Agriculture, **the appropriate place** for personnel and funds to undertake promotion and marketing for agricultural commodities produced in Kansas.

Please permit us to address a few comments regarding past history. Kansas Farm Bureau **actively** supported the creation of the Kansas Wheat Commission in 1957. Twenty years later - in 1977 - we **strongly supported** the creation of the corn, grain sorghum and soybean commissions. Our policy position has supported and continues to support these commissions. Our members have been encouraged by voting delegates representing all Farm Bureau members in the 105 counties of Kansas to support the commissions with their check-off monies.

Mr. Chairman and Members of the Committee ... there is **considerably more** to this issue than is contained in a three-page

Attachment 2  
03/30/87

(2)



bill. The policy question really is this: **What is the appropriate place from which marketing activities should take place as concerns agricultural commodities?** It should be **within** the Marketing Division of the State Board of Agriculture. **S.B. 209** ... which passed the Senate 36-4 ... seeks to "enhance and **expand** the international marketing efforts of the marketing division of the State Board of Agriculture." (lines 110-111 of S.B. 209).

Attached to our statement you will find a memorandum prepared by my colleague, Mr. John K. Blythe, for the Kansas Farm Bureau Resolutions Committee. That same memo was forwarded to county Farm Bureau officers and directors. It gives basic information on the creation of the commodity commissions, duties of the commissions, a brief history of the assessments made and the **contributions of producer funds** to the State General Fund. I recommend this material to you for your reading and review as you discuss and work **S.B. 209**.

You will also find attached to our testimony the text of two policy positions adopted by voting delegates at the 1986 Annual Meeting of Kansas Farm Bureau. Those delegates came from 105 counties. Those delegates represented farmers and ranchers in all 105 counties. They adopted policies on the **Grain Commodity "Check-Off,"** and **Commodity Promotion and International Programs.**

Our policy positions strongly support the State Board of Agriculture and the commodity commissions. We support the International Marketing Division of the State Board of

Agriculture. As you can tell by looking at our policy position on the check-off itself, we believe the contribution to the State General Fund is too high. It used to be 20 percent of the check-off monies. That was amended to **take** only \$200,000, apportioned among the four commodity commissions according to the net check-off on each commodity. We believe \$200,000 is far above the value of any service rendered by the state as a custodian of funds. Our people believe the contribution of the commissions to the State General Fund should not exceed \$50,000 in **total** from the four commissions.

We recognize the state is in precarious fiscal condition. This may not be the year for enactment of legislation to limit the contribution of these commodity commissions, though we do not back away from our strong policy position urging a limitation to \$50,000 from the four commissions. **S.B. 209** seeks to transfer 50 percent of the money now credited to the State General Fund to the Market Division Fee Fund to be used for that enhancement and expansion of the international marketing efforts of the marketing division of the State Board of Agriculture. Until such time as the state as a whole, and the State General Fund in particular fully funds the Marketing Division, we want to and will support the thrust of **S.B. 209**.

Mr. Chairman and Members of the Committee, the Congress of the United States has seen fit to incorporate in the Food Security Act of 1985 ... sometimes called the 1985 Farm Bill ... a section creating a special office **within the U.S. Department of**

**Agriculture** for the promotion and development of markets for agricultural commodities.

In a piece of legislation now before the United States Senate ... S. 490 ... a trade bill that has broad bipartisan support - 31 Democrat and 25 Republican Senators - there is a section ... Title 7 ... which would "create the office of International Market Development and Export Promotion **within** the U.S. Department of Agriculture," and that same title would boost the funding for market development activities and **expand** the staff of the Foreign Agriculture Service (FAS), a division of, **yes, the U.S. Department of Agriculture!!**

Promotion of agricultural commodities around the world is done by, through and with special assignments to the U.S. Department of Agriculture. It is not assigned to the U.S. Department of Commerce. There is a special executive branch office known as the U.S. Special Trade Representative (USTR). Perhaps there are those in Kansas who would think that would be an appropriate way to provide coordination and seek cooperation. The appropriate way to market agricultural commodities is by and through knowledgeable, agricultural marketing specialists in the chain of agricultural marketing, FAS, Market Development and Export Promotion offices in USDA and throughout the world.

We thank you for the opportunity to present these comments on behalf of farmers and ranchers throughout the State of Kansas who are members of Farm Bureau in the 105 counties. We urge this committee to **report favorably S.B. 209**. We reiterate that at some

point in time in the very near future, when the fiscal condition of the State of Kansas will permit it, the custodial contribution of funds to the State General Fund should be reduced from \$200,000 to approximately \$50,000. The state itself, again when our financial and fiscal condition permits, should certainly be allocating more than 8/10ths of 1 percent of the State General Fund budget to agriculture, the number one industry in this state.

Thank you Mr. Chairman. We would respond to any questions.

#### **Grain Commodity "Check-Off"**

The purpose of the wheat, corn, grain sorghum and soybean commissions, as indicated in implementing legislation, is to promote the use of and to develop markets for those commodities with money collected from grain producers.

The state treasurer acts as custodian for the funds of the commodity commissions. State law requires payment of 20 percent of the "producers check-off" monies to the State General Fund, up to a maximum of \$200,000. The \$200,000 is apportioned among the four commodity commissions according to net check-off receipts.

We believe the contribution of \$200,000 to be excessive and far above the value of services rendered as a custodian of funds.

We support legislation which would limit the contribution of the grain commissions to the State General Fund to an amount not to exceed a total of \$50,000 from the four commissions.

We recommend the Kansas Legislature confer with the grain commissions before appropriating producer check-off funds that are not in the commissions' budgets.

#### **Commodity Promotion and International Programs**

Kansas promotes the sale of agricultural products through the established International Grains Program (IGP) and the recently created International Meats and Livestock Program (IMLP).

We strongly urge the wheat, corn, grain sorghum and soybean commissions to voluntarily increase their financial contributions to the IGP. We strongly urge the American Pork Board and the Beef Promotion Board to contribute some of the check-off funds from the newly established Beef Promotion and Pork Promotion Programs to help support the IMLP.

We further recommend the Kansas Legislature increase appropriations to both the IGP and IMLP from State General Fund monies to enhance the promotion, market development and utilization of our Kansas agricultural commodities.



## **Kansas Farm Bureau, Inc.**

2321 Anderson Avenue, Manhattan, Kansas 66502 / (913) 537-2261

### M E M O R A N D U M

TO: State Resolutions Committee

FROM: John K. Blythe, Assistant Director, Public Affairs Division

SUBJ: Kansas Grain Commodity Commissions

DATE: September 4, 1986

#### KANSAS GRAIN COMMODITY COMMISSIONS

The Kansas Wheat Commission was created by the Kansas Legislature in 1957. The 1977 Session of the Kansas Legislature provided for the Corn Commission, the Grain Sorghum Commission and the Soybean Commission.

The Kansas Wheat Commission is structured as a separate commission with its office in Manhattan. The other three commissions are structured within the Market Division of the State Board of Agriculture.

#### DUTY of COMMISSIONS

Kansas Law restricts the use of the commission's money, in general, to market development, market promotion, education, research and administration expenses. Budgets of all commissions are submitted for legislative approval along with the State Board of Agriculture budgets and, therefore, must have legislative approval for disbursement of funds.

#### ASSESSMENTS

The law provides for an assessment of four mills per bushel of wheat (two mills 6-1-57, three mills 6-1-79, four mills 6-1-82). The assessment for grain sorghum and corn is three mills per bushel (increased from two mills to three mills 9-1-82). The assessment for soybean is ten mills (1¢) per bushel (increased from five mills to ten mills 9-1-82).

#### COMMISSION MEMBERSHIP

The Wheat Commission consists of seven members appointed by the Governor for a term of two years. One commissioner from each of the six districts and one commissioner from the state "at large". Members must have been engaged in growing wheat for at least five years immediately preceding their appointment. No more than four members may be from the same political party.

The state is divided into nine districts for the Grain Sorghum and Corn Commission, and seven districts for the Soybean Commission. Members of the Commission are appointed by the Governor for a term of four years and must have been actively engaged in growing the crop of their commission for at least five years. No more than a simple majority of the members of each commission shall be of the same political party.

CONTRIBUTION to STATE GENERAL FUND

The Kansas Legislature has required, by law, the payment of 20 percent of assessment receipts to the State General Fund. The Kansas Grain Inspection Department fees are also subject to this contribution requirement. The 1975 Session of the Kansas Legislature placed a maximum of \$200,000 for the Wheat Commission and Kansas Grain Inspection Department. In 1978, legislation was adopted to exempt the refunds of the four grain commissions from the 20 percent contribution. 1982 legislation provided that the total contribution to the State General Fund from the four commodity commissions be limited to \$200,000 and would be proportioned among the four commodity commissions according to their check-off receipts.

In 1981, the Interim Legislative Committee on Agriculture in their report to the 1982 Legislative Session recommended that the interest earned on the idle funds of each grain commissions' accounts be credited to them and that the maximum state collection for administrative costs be lowered to \$100,000 for the wheat check-off monies and \$50,000 each for corn, soybean, and grain sorghum monies. Above I have reported the legislative action in 1982 regarding mill levy increases for all four commissions and the limit of \$200,000 of check-off money from all four commissions combined.

WHEAT COMMISSION

Fourteen wheat producing states (including Kansas) currently have wheat commissions or wheat promotion agencies. The Kansas Wheat Commission payment to the states general fund over the past four years has averaged \$122,180 per year. Based on a recent survey of the 14 state wheat promotion agencies, the Kansas Wheat Commission pays two times as much money to the State General Fund in one year than all the other states wheat agencies combined pay.

The result of the 14 state survey is as follows:

	Wheat Commission Which Make Payments to Their General Funds For Administrative Costs	Wheat Commission Which Receive Interest on Their Idle Funds
California	NO	YES
Colorado	NO	YES
Nebraska	NO	YES
Oklahoma	NO	YES
Oregon	NO	YES
South Dakota	NO	YES
Texas	NO	YES
Washington	NO	YES
Wyoming	NO	YES

(cont'd)	Wheat Commission Which Make Payments to Their General Funds For Administrative Costs	Wheat Commission Which Receive Interest on Their Idle Funds
Minnesota	approx. \$8,000	YES
Idaho	approx. \$9,000	NO
North Dakota	*approx. \$20,000	*YES
Montana	approx. \$30-40,000	YES
Kansas	approx. \$122,180	NO

North Dakota's payment to the general fund is based on 20 percent of the interest earned on idle funds going to the state treasury.

Since 1957, the Kansas Wheat Commission has paid a total of \$3,327,762 into the State General Fund and, in addition, has contributed a substantial amount of interest income as the result of balances maintained by the Wheat Commission. An estimate of the interest income for FY 1985 was placed at \$69,937 (9.4% interest rate) and for FY 1986 at \$38,038 (7.4% interest rate).

CROP YEAR PRODUCTION AND ESTIMATED FISCAL YEAR COLLECTIONS:

	FY86	FY87	FY88
Wheat Harvested	433,200,000bu.	326,400,000bu.	388,500,000bu.
Bushels Marketed	400,444,000bu.	350,000,000bu.	355,000,000bu.
Wheat Tax	<u>x\$.004</u>	<u>x\$.004</u>	<u>x\$.004</u>
TOTAL WHEAT TAX COLLECTED	\$1,601,776	\$1,400,000	\$1,420,000
Other Income	<u>+5,187</u>	<u>+5,000</u>	<u>+5,000</u>
TOTAL COLLECTIONS	\$1,606,963	\$1,405,000	\$1,425,000
Less General Fund	<u>-121,560</u>	<u>-102,580</u>	<u>-100,000</u>
TOTAL TO KWC FUND	\$1,485,403	\$1,302,420	\$1,325,000
Less Refunds	-89,669	-77,000	-78,375
Less Transfers	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
SUB TOTAL	\$1,395,734	\$1,225,420	\$1,246,625
Plus Fiscal Year Carryover	<u>+806,533</u>	<u>+593,729</u>	<u>+499,981</u>
SUB TOTAL	\$2,202,267	\$1,819,149	\$1,746,606
Less Expenditures	<u>-1,608,538</u>	<u>-1,319,168</u>	<u>-1,425,400</u>
FISCAL YEAR CARRYOVER	593,729	499,981	321,206

# Financial Statement

July 1, 1983 to June 30, 1984

The Kansas Wheat Commission is financed by a four mill per bushel promotional fee collected on wheat at the first point of sale. The Kansas Wheat Act of 1957 charges the Commission with the responsibility "to conduct a campaign of development, education and publicity" and "to find new markets for wheat and wheat products."

## Receipts

<i>Promotional check-off fees</i> collected during fiscal year 1984.	\$1,762,885.02
Less a 6.69% diversion to the State General Fund, an apportioned share of the maximum \$200,000 to be paid jointly by the wheat, corn, soybean and sorghum commissions.	- 117,920.00
Less 4.59% refunds to producers upon request.	- 80,934.25
Plus Legislative transfer from carryover to International Grains Program.	+ 27,885.00
Plus other income from miscellaneous sales.	+ 4,944.21
<b>TOTAL KANSAS WHEAT COMMISSION FUND</b>	<b>\$1,596,859.98</b>

## Expenditures

<i>Foreign Market Promotion</i> is the largest budgetary item of the Kansas Wheat Commission, including the contribution to U.S. Wheat Associates, Inc. (USWA), which is the foreign market development arm for American wheat farmers; funding of USWA special projects that directly benefit Kansas farmers; more intensive use of the International Grains Program at Kansas State University; meetings with foreign embassies and trade representatives; and foreign delegations visiting Kansas as well as some staff salaries and related travel expenses.	\$ 876,823.40
<i>Foreign Oriented Research</i> covers contracts for research to develop international markets, new uses of wheat overseas, and improving the marketing characteristics of Kansas wheats.	69,999.00
<i>Domestic Oriented Research</i> includes a program to develop disease resistant wheats and higher protein varieties as well as milling and baking tests on new varieties.	60,450.00
<i>Domestic Market Promotion</i> includes the test kitchen expenses and services of the Commission's home economist, some printing and postage, and related travel expenses. Vacancy of the staff position caused a drop in marketing activities.	35,451.68
<i>Information, Education, and Publicity</i> include public service television production, news feature and press release distribution, printing, postage, Kansas State Fair prizes, educational and promotional materials such as the Wheat Quality Report, a quarterly newsletter, and some staff salary expenses.	174,033.39
<i>Administration</i> expenses include building rental and utilities, office supplies, some printing, postage, motor vehicle supplies and repairs, capital outlay, moving expenses, and commissioner and staff salaries not included in other programs.	141,482.00
<b>TOTAL EXPENDITURES</b>	<b>\$1,358,239.47</b>

The seven governor-appointed wheat farmers known as the Kansas Wheat Commissioners instruct the Commission staff on spending Commission funds for the promotion, use, and sale of Kansas wheat. These decisions are reviewed and approved by the Kansas Legislature and the Kansas Department of Administration.

The unused balance of the Commission fund resulted in a carryover.	\$238,620.51
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# Financial Statement

## July 1, 1984, to June 30, 1985

Promotional levies collected during FY85 .....	\$1,520,354.17
Less to state general fund—proportional share of \$200,000 paid jointly by wheat, corn, soybean and sorghum commissions .....	-137,700.00
Plus income from sales of materials .....	+4,307.09
Total FY85 receipts .....	\$1,386,961.26
Less refunds (5.7% to growers & elevator overpayments) .....	-91,585.80
	<u>\$1,295,375.46</u>
Carryover from FY84 .....	\$1,023,422.62
Less transfer to International Grains Program .....	-29,796.00
Less transfer to Non-Food and Non-Feed Uses of Wheat research .....	-75,000.00
	<u>\$918,626.62</u>
Plus net FY85 receipts .....	\$1,295,375.46
Available funds .....	\$2,214,002.08
Less total FY85 expenditures .....	\$1,406,055.23
Balance .....	<u>\$807,946.85</u>

*FOREIGN MARKET PROMOTION*—includes support for U.S. Wheat Associates, the international market development organization for American wheat producers; U.S. Wheat special projects that benefit Kansas farmers; educational work by the Wheat Export Trade Education Committee; the International Grains Program at Kansas State University; meetings with trade delegations; and related salaries and travel.

\$693,374.51

*FOREIGN-ORIENTED RESEARCH*—includes funding for research projects related to blending Kansas hard red winter with wheats from other countries, using Kansas wheat to make Oriental noodles and Chinese bread, equipment in the Beijing model bakery and related salaries.

\$79,630

*DOMESTIC-ORIENTED RESEARCH*—includes funding for research projects such as the Kansas Wheat Quality survey; milling and baking tests; improving hard red winter wheat market quality; reducing storage losses; studying objective hardness tests; and related salaries.

\$202,319

*DOMESTIC MARKET PROMOTION*—includes cooperative promotional projects with the National Association of Wheat Growers, breadmaking videotapes, public service announcements, displays, test kitchen supplies, and related staff salaries and travel.

\$126,412.88

*INFORMATION, EDUCATION AND PUBLICITY*—includes printing and postage for educational materials, newsletters and news releases; film and processing; promotional materials; and related staff salaries.

\$130,303.34

*ADMINISTRATION*—includes building rent and utilities, postage, office supplies, vehicle fuel and repairs, printing and administrative travel and salaries.

\$174,015.50

\$1,406,055.23

GRAIN SORGHUM COMMISSION

FY 1986 Assessments	\$ 741,986
Refunds	32,811
General Fund	<u>40,040</u>
NET RECEIPTS	\$ 669,135

## FY 1987 Kansas Grain Sorghum Commission Budget

Research

- |     |  |                       |
|-----|--|-----------------------|
| 1.  | Soil Applied Insecticides on Greenbug & Spider Mite:<br>KSU Department of Entomology                         | \$ 3,500              |
| 2.  | Development of Grain Sorghums Resistant to Production<br>Hazards: Fort Hays Branch Station                   | \$ 42,500             |
| 3.  | Fusarium moniliforme Populations Isolated from Sorghum:<br>KSU Department of Plant Pathology                 | \$ 10,000             |
| 4.  | Greenbug Insecticide Treatment for Sorghum Hybrids:<br>KSU Department of Entomology                          | \$ 9,700              |
| 5.  | Sorghum for Tolerance to Fusarium Stalk Rot: KSU<br>Department of Agronomy & Plant Pathology                 | \$ 6,100              |
| 6.  | Sorghum for Improved Feed Efficiency: KSU Department<br>of Agronomy, Garden City, Animal Sciences & Industry | \$ 19,100             |
| 7.  | Nutritional Value of Aspirated Milo Liftings: Fort<br>Hays Branch Station                                    | \$ 10,240             |
| 8.  | Grain Sorghum Marketing Economics: KSU Department of<br>Agricultural Economics                               | \$ 2,085              |
| 9.  | Development of Sorghum Pure Lines: KSU Department of<br>Agronomy   | \$ 9,500              |
| 10. | Sorghum Produced Agent that Protects Chinch Bugs from<br>Diseases: KSU Department of Entomology              | \$ 9,076              |
| 11. | Assessment of Sorghum Resistance to Greenbugs: KSU<br>Department of Entomology & Agronomy                    | \$ 5,516              |
| 12. | Marketing High Moisture Feedgrains in Kansas: KSU<br>Department of Agricultural Economics                    | \$ 6,000              |
|     |  | <u>\$133,317</u> (20) |

Market Development

1.	U.S. Feed Grains Council	\$ 322,904	
	(10 states support US Feed Grains Council - 7 corn & 3 grain sorghum)		
2.	U.S. Meat Export Federation	\$ 37,904	
3.	Grain Sorghum Promotion Federation	\$ 50,000	
		<u>\$ 410,808</u>	64%

Promotion & Education

1.	International Grains Program	\$ 25,700	
2.	Market Seminars, Communication and Travel	\$ 46,099	
		<u>\$ 71,799</u>	(11%

Operation Expense

\$ 19,903

## TOTAL EXPENSE

\$ 635,827

CORN COMMISSION

FY 1986 Assessments	\$ 348,221
Refunds	49,789
General Fund	<u>20,120</u>
NET RECEIPTS	\$ 278,312

## FY 1987 Kansas Corn Commission Budget

Research

1.	Fusarium moniliforme Populations Isolated From Corn in Kansas: KSU Department of Plant Pathology	\$ 6,239
2.	Water Use Efficiency in Corn: KSU Department of Agronomy	\$ 18,500
3.	Utilization of Corn Protein in Meat Products: KSU Department of Foods and Nutrition	\$ 13,850
4.	Spider Mite Control: KSU Department of Entomology	\$ 25,500
5.	Corn Marketing Economics: KSU Department of Agricultural Economics	\$ 2,085

6.	Greenbug Biotype Injury to Corn: KSU Department of Entomology	\$ 7,028	
7.	Marketing High Moisture Feedgrains in Kansas: KSU Department of Agricultural Economics	\$ 3,700	
8.	Stored Grain Management: KSU Department of Extension Entomology	\$ 4,000	
		<u>\$ 80,902</u>	(319)

Market Development

1.	U.S. Feed Grains Council (10 states support US Feed Grains Council - 7 corn & 3 grain sorghum)	\$ 95,000	
2.	U.S. Meat Export Federation	\$ 20,000	
3.	National Corn Foundation	\$ 12,500	
		<u>\$127,500</u>	(499)

Promotion & Education

1.	International Grains Program	\$ 21,955	
2.	Market Seminars, Communication and Travel	\$ 20,899	
		<u>\$ 42,854</u>	(169)

Operation Expense

		<u>\$ 8,530</u>	(49)
TOTAL EXPENSES		<u>\$259,786</u>	

SOYBEAN COMMISSION

FY 1986 Assessments	\$ 388,233
Refunds	25,102
General Fund	<u>18,280</u>
NET RECEIPTS	\$ 344,851

## FY 1987 Kansas Soybean Commission Budget

Research

1.	Soybean Varietal Improvement: KSU Southeast Kansas Branch Station	\$ 20,000
2.	Agronomic Comparisons of Soybeans & Wheat: KSU Southeast Branch Station	\$ 4,000

3.	Intercropping Soybeans into Wheat: KSU Department of Agronomy	\$ 11,125	
4.	Soybean Genetic Manipulation: KSU Department of Plant Pathology & Agronomy	\$ 40,877	
5.	Soybean Cyst Nematode Survey: KSU Department of Plant Pathology	\$ 11,630	
6.	Soybean Plot Combine: KSU Department of Agronomy	\$ 25,000	
7.	Evaluation of Soybean Genotypes: KSU Department of Plant Pathology	\$ 11,830	
		<u>\$121,462</u>	(35%
<u>Market Development</u>			
1.	American Soybean Development Foundation	<u>\$175,000</u>	(51%
<u>Promotion &amp; Education</u>			
1.	International Grains Program	\$ 7,620	
2.	Marketing Seminars, Communication and Travel	\$ 28,999	
		<u>\$ 36,619</u>	(11%
<u>Operation Expense</u>			
		<u>\$ 12,184</u>	(4%
TOTAL EXPENSE		<u>\$345,265</u>	

24 states have a soybean "check-off", 10 state's "check-off" is at 2¢ per bushel.

SEC. 705. OFFICE OF INTERNATIONAL MARKET DEVELOPMENT AND EXPORT PROMOTION.

(a) DEFINITIONS.-- As used in this section:

(1) The term "Director" means the Director of the Office appointed under subsection (c).

(2) The term "Office" means the Office of International Market Development and Export Promotion established under subsection (b).

(b) ESTABLISHMENT.--There is established, within the Service, an Office of International Market Development and Export Promotion to coordinate all market development, promotional, export enhancement, export credit, and targeted export assistance programs, including such programs established under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431), and title XI of the Food Security Act of 1985 (Public Law 99-198; 99 Stat. 1465).

(c) DIRECTOR.--The Office shall be under the direction and supervision of a Director, appointed by and reportable to the Administrator of the Service.

(d) DUTIES.--The Office shall--

(1) coordinate all programs referred to in subsection (b);

(2) create market development strategies;

(3) monitor market development activities of foreign countries and businesses;

(4) assess the effectiveness of current market development programs conducted by the United States;

(5) coordinate a program within the Service--

(A) to employ on a short-term basis private sector individuals who are experts in market development; and

(B) to permit employees of the Service to develop new market development expertise by working in the private sector;

(6) provide an annual report to Congress, in accordance with subsection (e);

(7) establish a quality monitoring unit, in accordance with subsection (f); and

(8) establish a program evaluation unit, in accordance with subsection (g).

(e) REPORTS.--Not later than September 30 of each year, the Office shall provide to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that contains--

(1) in the case of the first annual report, a report on the potential for new market development abroad obtained through increased cooperation between the States and the Federal Government;

(2) recommendations for improving United States market development programs abroad and establishing new programs;

(3) an assessment of the impact of United States and foreign market development programs;

(4) a report on the progress of implementing the recommendations of the Office for improving market development programs;

(5) recommendations for improving current trade lead activities conducted by the Service, especially the distribution of leads and follow-up by the Service; and

(6) an evaluation of the effectiveness of agricultural trade offices and the need for additional staffing of the offices, establishment of new offices, and the shifting of existing offices to meet changing world markets.

(f) QUALITY MONITORING UNIT.--

(1) There is established, within the Office, a unit to monitor the quality of agricultural commodities exported from the United States.

(2) The unit shall--

(A) act as a liaison with the Federal Grain Inspection Service, private United States exporters, foreign governments, and United States agricultural attaches overseas;

(B) serve as the principle organization for receiving and responding to complaints about the quality of United States exports of agricultural commodities; and

(c) identify problems in foreign markets concerning the quality of United States Commodities and ensure that notice of the problems is provided to relevant private sector and governmental entities for quick response and follow-up.

(g) PROGRAM EVALUATION UNIT.--

(1) There is established, within the Office, a unit to evaluate the overall effectiveness of the market development and promotional activities and programs of the Service.

(2) The unit shall be under the direction and supervision of a Director, appointed by and reportable to the Undersecretary for International Affairs Commodity Programs.

(3) Not later than September 30 of each year, the unit shall provide to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that describes the overall effectiveness of the activities and programs described in paragraph (1), including--

(A) a description of the goals and objectives of the Service for all market development activities, especially the cooperator program and the targeted export assistance program; and

(B) an assessment of the effectiveness of the programs, based on the goals and objectives.

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# KANSAS ASSOCIATION OF WHEAT GROWERS

"ONE STRONG VOICE FOR WHEAT"

## TESTIMONY

Senate Bill 209

House Committee on Economic Development  
Representative Phil Kline, Chairman

Submitted by Howard W. Tice, Executive Director

On behalf of the members of the Kansas Association of Wheat Growers, I appreciate this opportunity to present testimony in favor of Senate Bill 209.

The marketing division of the Kansas Board of Agriculture, has done a very good job of promoting the sale of grain and other agricultural goods produced in our state, both domestically and in foreign markets. It is no secret that we need to continue to work hard to promote export sales of Kansas grain if we are going to see economic recovery. As the leading producer of wheat and grain sorghum in the United States, we must also be the leading sellers of grain in export channels, because we produce much more than we can consume, and the prospects for diversification are simply not broad enough to absorb our excess grain production capacity.

We can understand, to a degree, the rationale behind Governor Hayden's idea of moving international marketing efforts from the Board of Agriculture to the new Department of Commerce. There could certainly be, in my opinion, no better Secretary of Commerce right now, than Harland Priddle. However, as we have stated many times, someone else will assume that job in future years, and unless that person is as knowledgeable about the important place agriculture holds in our economy, export marketing of ag-products will suffer, and the Kansas economy will suffer.

Governor Hayden says it doesn't make sense to him to have an office on one side of the street, selling grain, and another on the other side of the street, selling grain dryers. However, since the office selling grain is usually U.S. Wheat Associates, or the similar agency for feed grains or soybeans, which would be only too willing to cooperate with a state-run office, it makes a great deal of sense. When one notes that the buyers of grain are not the same people who buy grain dryers, it also makes sense.

Much more to the point; foreign grain buyers are experienced in their dealings with the Foreign Agricultural Service of the USDA, and similar state agencies across the country. When these foreign buyers want to make contacts in the various state governments, they know they should contact the Board (or Department) of Agriculture. That does make sense. It keeps the marketing chain intact all across the country. The National Association of State Departments of Agriculture is also a way that necessary information and contacts can be passed between cooperating states. The Department of Commerce won't have that advantage, either.

Governor Hayden, in answering a question I posed at a recent luncheon said that we shouldn't rest on our laurels. I don't believe that keeping international marketing of ag-products in the Board of Agriculture would be doing that. Quite the contrary, expanding the international effort in the Board of Agriculture would place us on the proven path of building on our strengths. In the same vein, our economic development efforts should be built around agriculture, our number one industry, and our only renewable resource. New innovations can often be productive, but to try to change Kansas' basic economic structure all in one year is dangerous. We can't afford that kind of gamble when our bankroll is so low.

Attachment 3  
03/30/81

(3)



# KANSAS ASSOCIATION OF WHEAT GROWERS

"ONE STRONG VOICE FOR WHEAT"

## TESTIMONY

Senate Bill 209

Page 2 of 2

One of the rumors that has found its way around the capitol in recent days, is that an amendment will be offered in this committee, to change the reference in the bill from Agriculture to Commerce, which would transfer even more of agriculture's resources to this new, untried venture. I certainly hope that is nothing more than idle gossip, because the issue of export sales of Kansas agricultural products is far more important for that kind of political game playing.

The purpose of Senate Bill 209 is to insure adequate public debate on the issue of selling our Kansas agricultural products overseas, and to try to make sure that the division of state government that has the greatest expertise, and a strong history of experience and success, will continue to represent us in this endeavor.

We need the first team when it comes to our export sales efforts. We need the full team. A great coach, and three big hitters are not enough to win a pennant. It takes a full team effort. Passage of Senate Bill 209 would be a statement by this committee that you want the best team effort our state can offer. That's what the Kansas Association of Wheat Growers wants, and that is why we urge you to report Senate Bill 209 favorably for passage.



KANSAS GRAIN & FEED DEALERS

*Association*

1722 NORTH PLUM, BOX 949

A/C 316 662-7911

HUTCHINSON, KANSAS 67504-0949

STATEMENT OF THE  
KANSAS GRAIN & FEED DEALERS ASSOCIATION  
TO THE  
HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
REPRESENTATIVE PHIL KLINE, CHAIRMAN  
REGARDING SB 209  
MARCH 30, 1987

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO COMMENT ON SB 209. I AM CHRIS WILSON, DIRECTOR OF GOVERNMENTAL RELATIONS OF THE KANSAS GRAIN AND FEED DEALERS ASSOCIATION (KGFDA). KGFDA IS A VOLUNTARY TRADE AND PROFESSIONAL ASSOCIATION OF OVER 1,100 MEMBERS, CONSTITUTING THE STATE'S GRAIN WAREHOUSING, MERCHANDISING, HANDLING AND PROCESSING INDUSTRY.

WE SUPPORT THE INTENT OF SB 209, WHICH IS TO STRENGTHEN THE INTERNATIONAL AGRICULTURAL MARKETING PROGRAM OF THE STATE BOARD OF AGRICULTURE. OF COURSE, EXPORTS ARE VITAL TO AGRICULTURE AND TO THE TOTAL STATE ECONOMY. KANSAS' AGRICULTURAL EXPORTS REPRESENT APPROXIMATELY 1/3 OF TOTAL CASH RECEIPTS TO THE INDUSTRY. THE



Attachment 4  
03/30/87

PAGE 2

CHRIS WILSON (KFGDA) - SB 209

AVERAGE VALUE OF KANSAS AGRICULTURE EXPORTS IN RECENT YEARS HAS BEEN ABOUT \$2 BILLION. ACCORDING TO THE U.S. DEPARTMENT OF AGRICULTURE, 33,000 JOBS ARE CREATED IN THE ECONOMY FOR EVERY \$1 BILLION IN EXPORT SALES. THIS MEANS THAT AGRICULTURE EXPORTS PROVIDE 66,000 JOBS IN KANSAS.

BECAUSE OF THE IMPORTANCE OF AGRICULTURE EXPORTS TO OUR STATE IT IS IMPORTANT THAT KANSAS HAVE THE BEST INTERNATIONAL AGRICULTURE MARKETING PROMOTION AND ASSISTANCE PROGRAMS POSSIBLE. THIS IS PARTICULARLY TRUE IN THE HIGHLY COMPETITIVE ENVIRONMENT OF TODAY'S GLOBAL ECONOMY, WHERE WE ARE COMPETING WITH OTHER STATES AND OTHER NATIONS. THERE IS A GREAT DEAL THAT THE STATE BOARD OF AGRICULTURE CAN DO TO ASSIST IN MAINTAINING AND EXPANDING EXPORTS THROUGH WORKING WITH BUYERS AND SELLERS BOTH HERE AND ABROAD. BUT IT MUST HAVE THE RESOURCES NEEDED TO DO AN EFFECTIVE JOB.

KFGDA MEMBERS BELIEVE THAT THE INTERNATIONAL AGRICULTURE MARKETING PROGRAMS ARE MOST APPROPRIATELY THE RESPONSIBILITY OF THE BOARD OF AGRICULTURE AS THE FOREIGN AGRICULTURE SERVICE (FAS) IS IN THE USDA, AS OPPOSED TO THE STATE OR COMMERCE DEPARTMENT. THE AGRICULTURE RESEARCH AND MARKETING SYSTEM IN THIS COUNTRY IS AN INTRICATE NETWORK INVOLVING USDA AND THE STATE DEPARTMENTS OF AGRICULTURE. THE COMMUNICATION CHANNELS ARE HIGHLY DEVELOPED AND IT

PAGE 3

CHRIST WILSON (KFGDA) - SB 209

IS IMPORTANT THAT KANSAS HAVE THE BEST CONTACTS AND COMMUNICATION POSSIBLE IN ORDER TO MAXIMIZE OUR EXPORT OPPORTUNITIES. THAT CAN ONLY BE BEST DONE THROUGH OUR STATE DEPARTMENT OF AGRICULTURE.

WE URGE YOU TO SUPPORT SB 209 OR WHATEVER VEHICLE WILL PROVIDE THE BOARD WITH THE RESOURCES TO DO THEIR JOB IN THE INTERNATIONAL AGRICULTURAL MARKETING AREA.

I WOULD BE HAPPY TO RESPOND TO ANY QUESTIONS YOU MAY HAVE.

Committee of . . .

# Kansas Farm Organizations

Wilbur G. Leonard  
Legislative Agent  
109 West 9th Street  
Suite 304  
Topeka, Kansas 66612  
(913) 234-9016

TESTIMONY IN SUPPORT OF SB NO. 209

BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

March 30, 1987

Mr. Chairman and Members of the Committee:

I am Wilbur Leonard, appearing on behalf of the Committee of Kansas Farm Organizations. We appreciate this opportunity to present the views of our organizations with respect to Senate Bill No. 209.

The principal purpose for forming the various grain commissions was to improve the production of the various crops, to develop uses for the grains and to expand the markets for the grains and grain products.

The so called "grain taxes" are, in reality, voluntary contributions by the growers to support the programs of the respective commissions. The state, in handling the funds and providing the record-keeping, very logically is entitled to reimbursement for the expenses incurred. Fairness dictates that these not be tax supported programs.

Similarly, in the interest of fairness, these programs should not be revenue producing agencies, although that has been the net result over the years.

While this bill does not completely right this inequity, it does work toward that end. The state would still keep more grain fees than it needs to pay for administrative services.

Fifty percent of the moneys would be set over to the market division fee fund of the state board of agriculture with the mandate that the sum be used to enhance and expand the international marketing program. Increased international sales of Kansas grain not only help Kansas producers but actually benefit the entire state of Kansas.

We support the passage of Senate Bill No. 209.

Attachment 5  
03/30/87

Members of the Committee of Kansas Farm Organizations:

ASSOCIATED MILK PRODUCERS  
KANSAS AGRI-WOMEN  
KANSAS ASSOCIATION OF SOIL CONSERVATION DISTRICTS  
KANSAS ASSOCIATION OF WHEAT GROWERS  
KANSAS COOPERATIVE COUNCIL  
KANSAS CORN GROWERS ASSOCIATION  
KANSAS ELECTRIC COOPERATIVES  
KANSAS ETHANOL ASSOCIATION  
KANSAS FARM BUREAU  
KANSAS FERTILIZER & CHEMICAL INSTITUTE, INC.  
KANSAS GRAIN & FEED DEALERS ASSOCIATION  
KANSAS LIVESTOCK ASSOCIATION  
KANSAS MEAT PROCESSORS ASSOCIATION  
KANSAS PORK PRODUCERS COUNCIL  
KANSAS RURAL WATER DISTRICT ASSOCIATION  
KANSAS SEED DEALERS ASSOCIATION  
KANSAS SHEEP ASSOCIATION  
KANSAS SOYBEAN ASSOCIATION  
KANSAS STATE GRANGE  
MID-AMERICA DAIRYMEN  
KANSAS VETERINARY MEDICAL ASSOCIATION  
KANSAS WATER WELL ASSOCIATION

Kansas Wheat Commission Testimony on

Senate Bill No. 209

March 30, 1987

Chairman Kline, committee members, ladies and gentlemen, I am Steven Graham, administrator of the Kansas Wheat Commission, and I would like to offer some thoughts on Senate Bill 209.

Since its creation 30 years ago to develop markets for Kansas wheat and wheat products, the Kansas Wheat Commission has been committed to building international markets. The commission is voluntarily funded by the state's wheat producers through a four mill excise tax collected on every bushel of wheat sold in the state. The wheat commission shares a \$200,000 payment to the general fund with the corn, grain sorghum and soybean commissions. The wheat commission's payment is slightly over \$100,000 of the \$200,000. The commission welcomes the thought of the State of Kansas putting more general fund dollars towards the effort of international marketing. However, commission dollars are already being applied to international market development for wheat through U.S. Wheat Associates and even receiving matching federal funds for this purpose. The commission therefore does not feel wheat farmer dollars should be diverted from the wheat commission and used for more generic international marketing.

The Kansas Wheat Commission, along with 15 other state wheat commissions, helps fund our nation's only international wheat market development organization--U.S. Wheat Associates. U.S.

Attachment 6  
03/30/87



Wheat Associates has 13 offices around the world carrying out programs in over 110 countries. U.S. Wheat Associates is a U.S. Department of Agriculture cooperator organization and therefore receives considerable funding from the USDA's Foreign Agricultural Service. Since the wheat commission is a state agency, it is not proper for the commission to comment on whether the international marketing division should be in the State Board of Agriculture or the Department of Commerce. Such a decision must be made by the Legislature and Governor after input from the lobbying farm organizations.

But you are discussing use of money put into the general fund from the Kansas Wheat Commission, so I do feel it is proper to discuss the commission's general fund payment.

Since the 1950s, this state has continually been a leader in wheat promotion. In fact, Garden City, Kansas, was the first office of Great Plains Wheat, Inc. which later grew to be U.S. Wheat Associates.

The immediate past chairman of U.S. Wheat Associates is Adrian Polansky, a Belleville farmer who is Kansas Wheat Commission chairman. He said that in meetings with our major customers, he came to realize the overwhelming importance of wheat in the international marketplace. Many countries of the world find that their largest import after oil is wheat. As you know, the U.S. is facing extremely stiff competition in the international wheat export market.

This state has been a wheat industry leader in many other

ways over the years. A milling program started in 1910 at Kansas State University has grown to be the world-famous Department of Grain Science and Industry. Kansas is now home to the American Institute of Baking, the Food and Feed Grain Institute, the International Grains Program, the USDA's only Grain Marketing Research Laboratory, the Wheat Quality Council and many other wheat-related public and private organizations. Kansas is indeed the Wheat State since we grow, store and mill more wheat than any other state in the nation. But Kansas is also the Wheat State because of our leadership role in the national and international wheat industry.

As a leader, other states look to Kansas for direction. Other states are now adapting research and promotion ideas developed in Kansas to their special needs. Other states are proving their commitment to finding markets for wheat by putting their producer dollars to work. A recent survey of the 15 other wheat commissions uncovered some disturbing facts which would lead one to believe Kansas wants to give up its leadership role.

The survey indicated that the Kansas Wheat Commission pays a much larger share of its collections to the general fund than any other commission in the nation, is one of only four commissions which does not receive interest on its idle funds, has the longest period of any commission in the nation in which to obtain a refund of the wheat excise tax, and is one of only two wheat commissions which have had moneys transferred out of its carryover funds by its Legislature for use on projects not

originally in the budget.

On top of all these problems, Kansas wheat production, and Kansas Wheat Commission funding, is being reduced because of the federal PIK certificate and conservation reserve programs and because of weather problems in the state. The result is that the commission has reduced its FY87 budget by over 24% from FY86. This drastic reduction meant a large decrease in research and other very necessary wheat promotion programs. The commission will not even be able to maintain this reduced funding level for long if additional revenue is not identified.

Wheat commission projects lead to economic development for Kansas. Commission research into cleaning wheat has led to changes in the federal grain standards which will make our wheat more competitive in world markets. The cleaning research also led to the manufacture of several grain cleaning machines by Kansas companies. As grain elevators across the U.S. start to modify their facilities to meet the tougher grain standards, our Kansas manufacturers will be in a perfect position to capitalize on the demand for grain cleaners. Other research work the commission needs to carry out also has the potential to create additional business for Kansas manufacturers or to create new businesses in our state.

Recently, the State of Kansas has made major changes to state laws and initiated new forward-thinking policies on behalf of economic development. Today I encourage this committee and this Legislature to be aggressive in helping all producers get

the full use of their wheat promotion dollars.

We recommend the Legislature amend Senate Bill No. 277 (presently in the House Ag Committee) and thus the Wheat Act to repeal the section concerning money which goes to the general fund. Wheat producers realize the State is facing tough economic times, and therefore we suggest a phaseout of the commission's general fund payment over an agreed-upon time period, say three or four years. If the phaseout included all four commissions' payment of \$200,000, it could be done on a graduated basis--for example: \$25,000 in year one, \$75,000 in year two and \$100,000 in year three. Such a phaseout allows producers to eventually retain their promotion dollars for the originally-intended purpose while helping the general fund absorb the reduction over time. The actual phaseout of the wheat commission's general fund payment also would provide a positive gesture on the part of the Legislature towards the State's wheat producers.

The State has exempted the Fish and Game Commission from paying money to the general fund since Fish and Game receives federal matching funds. In each of the past three years, the wheat commission has expended an average of \$1.2 million for international market development work. For every Kansas wheat farmer dollar spent, the commission generates at least an additional \$1.33 in federal funds. These moneys are used by U.S. Wheat Associates to bring people to visit our state who often buy wheat or equipment here or study at the International Grains Program and American Institute of Baking.

The wheat commission also helps generate matching dollars in foreign countries for use in U.S. Wheat Associates' programs in those countries and in Kansas for research at Kansas State University. The commission is working to obtain federal dollars for the International Grains Program and from federal laboratories. Every business in America knows that customer-building is tough and takes money. Dollars in addition to those contributed by producers can be found for expansion of our market development programs. But first, our commission must retain its producer dollars to match those other dollars.

The State does have administrative costs associated with the wheat commission, and I suggest that the State simply bill the commission once a year for all reasonable administrative expenses. In the most recent (1984) cost allocation plan for Kansas, the central service costs allocated to the wheat commission are estimated to be \$12,150. In the past two years the commission paid an average \$130,000 or more above estimated administrative costs. In 30 years, Kansas Wheat Commission payments to the general fund have totalled over \$3.3 million--enough to pay administrative costs for 274 years. These dollars would have greatly aided the commission's efforts to expand markets if they had been left with the commission and matched with outside money.

At the end of a certain time period, if the wheat commission no longer pays its portion of the \$200,000 moneys to the general fund, it will still be paying all the interest money from its

idle fund balance to the general fund. This interest money will more than pay for the commission's administrative costs and, in fact, will still mean the Kansas Wheat Commission is paying more money to its state general fund than any other wheat commission in the nation.

Recently 16 Kansas farm and agribusiness groups unanimously agreed to a ten-point plan for agriculture's economic survival. The first point was: We believe in providing assistance for Kansas farmers in domestic and international marketing.

We have a big job to do, but Kansas has the most to gain of any state from increased sales of U.S. wheat. Other states, including North Dakota, Oklahoma, Minnesota and even Oregon which only produces 1/7 the wheat of Kansas, are spending as much or more on wheat promotion as we are. Kansas must again take the lead in promoting and protecting our farmers' wheat markets. I ask you to make the necessary changes in law to do this.

Remember the \$1.33 or more of matching money the commission gets for every \$1 it invests...if it has dollars to invest.

Remember the low costs of state administration of this agency, \$12,150 in FY84.

Remember the plight of the Kansas wheat farmer and the resulting plight of the state's economy. Let's put those farmer dollars to work on wheat promotion. Can any of us in good faith justify not doing absolutely everything needed in the Wheat State to get the job done?

TESTIMONY

to the

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

on

SENATE BILL 209

by

HARLAND E. PRIDDLE  
SECRETARY OF COMMERCE

March 30, 1987

Attachment 7  
03/30/87

7

Mr. Chairman and Members of the Committee,

I am here speaking in opposition to Senate Bill 209. This bill requires that 50% of the monies presently credited to the state general fund from the commodity commissions be transferred to the Marketing Division's fee funds of the State Board of Agriculture. The key issue here today is not necessarily the transfer of these funds but a reversal of a decision made by you last year in House Bill 2951. That bill, sponsored by some of you in this room and carrying over 60 signatures, placed the responsibility of international marketing within the Department of Commerce in order to facilitate the state speaking with one voice. The Governor, then Speaker of the House, supported that concept at that time and has not changed his position. We have begun our implementation process and currently have plans underway for our first trade mission scheduled for June of this year. Passage of Senate Bill 209 would interrupt the implementation of the program previously established by you the legislature in 1986.



Bill Graves  
Secretary of State



2nd Floor, State Capitol  
Topeka, KS 66612-1594  
(913) 296-2236

## STATE OF KANSAS

March 26, 1987

The Honorable Phil Kline, Chairman  
House Economic Development Committee  
Room 182-W, State Capitol  
Topeka, KS 66612

Dear Representative ~~Kline~~ <sup>Phil!</sup>:

If it will assist you and your committee in its deliberations, I suggest that Senate Bill 280 be carried over until the 1988 session.

Such a delay will give my office and the broadcasters' association time to correct serious flaws in the bill.

Since the next statewide election is not until August, 1988, such a delay will not hamper our efforts to provide wider dissemination of legal notices.

Please don't hesitate to contact me if I, or my staff, can be of additional assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Graves".

BILL GRAVES  
Secretary of State