

Approved March 22, 1988  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Phil Kline at  
Chairperson

3:35 ~~a.m.~~/p.m. on Wednesday, March 16, 1988 in room 423-S of the Capitol.

All members were present except: Representatives Mainey, Goossen, Love, Barkis and Foster. - Excused.

Committee staff present:

Jim Wilson, Revisor  
Lynn Holt, Research  
Elaine Johnson, Secretary

Conferees appearing before the committee:

Sam Brownback, Secretary of the Kansas State Board of Agriculture  
Senator Fred Kerr  
William G. Brundage, President, Kansas Technology Enterprise Corporation  
Jim Mathes, President of Prairie Oak Farms  
Dr. Charles Krider, Director, Business Research, Institute for Public Policy  
and Business Research  
Dr. Hyde S. Jacobs, Assistant to the Dean of Agriculture, Kansas State Univ.  
Bernard L. Hansen, Flint Hills Foods, Inc.  
Dr. C.E. (Chuck) Walker, Professor of Bakery Science, Kansas State Univ.  
Robert A. Hajicek, Vice President/General Manager, Williams Foods, Inc.  
Howard W. Tice, Executive Director of the Kansas Association of Wheat Growers

Chairman Kline called the meeting to order and opened the hearing on S.B. 599.

The first conferee was Sam Brownback who testified in support of the bill. He stated that for some time, the state of Kansas has been focusing a great deal of its economic development efforts in the area of value-adding to basic agricultural commodities. The Kansas State Board of Agriculture is extremely supportive of the creation of a value-added processing center for agricultural products. There are numerous examples at the Board of Agriculture of people with ideas, entrepreneurs who are willing to get into the marketplace, but they do need assistance. They need technical assistance on how to package this product, on how to properly preserve it, on how to make the product appear more acceptable to consumers, on what preservatives to use, how do you quick-freeze this item, how can it be manufactured in bulk for a consumer marketplace. These and numerous other technical questions need to be answered for these rural entrepreneurs. A value-added food processing center can and would do that. They also believe that user fee instead of a registration fee should be charged for the center so that people using the center partially pay for the service they receive. (Attachment 1).

Discussion followed.

Senator Fred Kerr then testified on behalf of S.B. 599. He stated that the bill is not intended to be in final form. Suggested changes and proposed amendments are encouraged. He briefly explained the sections of the bill. (Attachment 2).

Discussion followed. Committee members expressed concerns about the duplication of efforts by not using organizations already in place. Committee members also expressed concern about why the county extension offices are not providing these services.

The next conferee was Dr. William Brundage who testified that KTEC has established a University Centers Committee for the purpose of evaluating performance of its Centers of Excellence and Centers for Advanced Technology. This Committee will also consider applications for new Centers. Although he

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

room 423-S, Statehouse, at 3:35 ~~xx~~ p.m. on Wednesday, March 16, 1988

cannot speak for the Committee nor for the Board of Directors, he personally believes that Kansas needs to develop a well-conceived agricultural value-added program. As a member of the National Agriculture Users Advisory Board, he is fully aware of the role value-added research plays in our economic future. (Attachment 3).

Discussion followed.

Jim Mathes, President of Prairie Oak Farms, Trusdale, Kansas testified next. He is engaged in a value-added process relating to a Kansas agricultural process relating to a Kansas agricultural product by providing fresh quality Kansas grown vegetables to grocery outlets in Kansas on a large scale for distribution. They wash, grade, package and market for local growers on a scale that would be impractical for them to do on their own. Although they do not change the product in shape or form they hope that the narrow concept of S.B. 599 will not apply to the value-added concept that their activity and those who choose to join them in this endeavor will profit from the efforts of this value-added processing center. Their activity should not be overlooked in the proposed value-added processing center. He applauds Kansas State as the choice for the center.

The following conferee was Dr. Charles Krider. Dr. Krider submitted a suggested amendment to S.B. 599. (Attachment 4). Dr. Krider supports S.B. 599 and believes that it is a positive step for the economic development of the state. He feels that the creation of an agricultural value-added processing center is consistent with the findings and recommendations of the 1986 Kansas Economic Development Study. Dr. Krider stated that he feels the center's impact would be increased substantially by strengthening the bill to make the center more of a research-oriented center. (Attachment 5).

Dr. Hyde Jacobs testified in support of S.B. 599. Much of what is needed for the center is at Kansas State and we are convinced that value-added agricultural products will play a pivotal role in the agricultural and general economy of the entire state. Consequently, efforts to provide a center to help producers and processors to develop and market value-added agricultural products should be supported. (Attachment 6).

The next conferee Bernard Hansen testified supporting S.B. 599. (Attachment 7). He feels there is a real need for this center considering how business is changing today.

The next conferee was Dr. Chuck Walker presently with Kansas State University as a Professor of Bakery Science. Mr. Walker was involved with the Nebraska Food Processing Center when it got its start and gave testimony on his experience with a Food Processing Center in Nebraska. (Attachment 8).

Robert Hajicek testified in support of S.B. 599. He feels that Kansas has a vast potential for business and jobs associated with agricultural product value enhancements. Value-added products enable the consumer to achieve the ready-to-eat consumable food through a few simple preparation steps. The time saving features represented through value-added products is consistent with existing consumer life styles. He stated that because of consumer demand, it is therefore evident that basic raw agricultural products are being converted from commodity to value-added products someplace in the United States--and why not perform this processing in Kansas which provides so many of the basic raw materials. By having more value-added food processing facilities in Kansas, a greater share of the consumer food dollar will remain here through the creation of jobs and capital investment. He feels that Kansas is an ideal location for further processing food facilities and gave his reasons. (Attachment 9).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,  
room 423-S Statehouse, at 3:35 ~~am~~/p.m. on Wednesday, March 16, 1988.

The last conferee at today's meeting was Howard Tice. Mr. Tice testified in support of S.B. 599. The Hard White Winter Wheat Task Force is examining the possible benefits to Kansas of adding this class of wheat to their production inventory. One of the possible economic benefits that might be realized would be in new value-added industry in the form of specialty baked goods. Hard White Winter Wheat offers a whole wheat product that is high in fibre, and has a sweeter taste. This bran would attract cereal manufacturers that may wish to locate in Kansas to be nearer the source of white wheat. He stated that whether we work with white wheat or red wheat, there is great potential for value-added processing in the Kansas wheat industry. (Attachment 10).

Chairman Kline recessed the hearing on S.B. 599 until Monday, March 21, 1988 at 3:30 p.m. when the remaining conferees will return.

Meeting adjourned at 5:28 p.m.



Date: 3/16/88

GUEST REGISTER

H O U S E

Committee on Economic Development

<u>NAME</u>	<u>ORGANIZATION</u>	<u>ADDRESS</u>
Marlin Penn	KU	Lawrence
Archie Hurst	Ks Fed ag	Topoka
Bob Hajicek	William Foods	Lenora
Hyde S Jacob	KSU	Manhattan, KS
Chuck Walker	KSU	Manhattan, KS
Shannon Walker		Manhattan, KS
Paul E. Fleener	Kansas Farm Bureau	Manhattan
Wilbur Leonard	Comm Ks Farm Org	Topoka
Bernie Nansen	Flint Hills Foods, Inc	Atma, KS
Fred R. Burgess	Prairie Oak Farms	Lewis, Ks. 67552
James L. Mathis	Prairie Oak Farms	RT 1, Box 70 Lewis, Ks. 67552
Howard Matson	K.A.W.G.	Hutchinson, KS
Ray Hauke	Ks Board of Regents	Topoka
Dan O. Cain	Sr Co Econ Dev	"

STATEMENT OF SAM BROWNBACK  
SECRETARY OF THE  
KANSAS STATE BOARD OF AGRICULTURE  
BEFORE THE  
HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
ON  
SENATE BILL 599

March 16, 1988

Mr. Chairman, members of the Committee it is a pleasure to appear in front of you in support of Senate Bill 599.

For some time, the state of Kansas has been focusing a great deal of its economic development efforts in the area of value-adding to basic agricultural commodities. The idea of a value-added processing center has been put forward by at least two major commissions. One being the Agricultural Economic Development Task Force which met throughout the summer and fall of 1986 and most recently the Commission on the Future of Kansas Agriculture. Both of these groups recommended the investigation and possible formation of a value-added processing center for agricultural products.

The Kansas State Board of Agriculture is extremely supportive of the creation of such an entity. We would look forward to working with such an entity in the marketing of Kansas value-added food products. I do believe that between the Board of Agriculture and the Department of Commerce, we can provide adequate marketing assistance for such a value-added processing center, thus the need for such a center to provide marketing assistance would not be necessary. This would hold down the fiscal note attached with such an entity.

We presently have a number of small food processors in the state that are lurching forward, finding niches in the marketplace, making net income and creating rural jobs. We have nearly 130 small and large food processing businesses associated with the FROM THE LAND OF KANSAS program. We soon will be announcing the 40-50 food products that will be showcased in the Bloomingdale's Department store promotion of Kansas products. We recently held, in conjunction with the Department of Commerce, Kansas State University, Small Business Administration and other entities, a small-scale food processing seminar which drew over 250 people with excellent reviews and a desire for more assistance. This whole drive is an effort to create rural jobs and increase local markets for Kansas agriculture products.

In order to do this we need to be able to help small and large entities, but primarily the small business entities to develop new or refine existing food products for the marketplace. This will encourage entrepreneurship in rural areas that can and has created jobs. For instance, in Yoder, Kansas, one of the Ag Innovators of the Year is Don Miller of the Dutch Mill Bakery who, several years ago was not making enough income farming and decided to switch to baking items and adding value to his wheat products. He now employs seven people. That may not seem like much but in Yoder, Kansas, that is a great deal. Or how about the case of Mr. & Mrs. Donald Eck whose story on their grain sorghum molasses syrup was recently in the New York Times. These people have taken an old art, brought it back into commercialization in order to make income for their family, their children's family and hopefully more people in their

*House Eco Devo*  
*Attachment 1*  
*3/16/88*

southeast Kansas area. Then there is the story of Land of Ah's Popcorn, near Clay Center, Kansas which has created jobs and a market for local popcorn production. We have numerous examples at the Board of Agriculture of people with ideas, entrepreneurs who are willing to get into the marketplace, but they do need assistance. They need technical assistance on how to package this product, on how to properly preserve it, on how to make the product appear more acceptable to consumers, on what preservatives to use, how do you quick-freeze this item, how can it be manufactured in bulk for a consumer marketplace. These and numerous other technical questions need to be answered for these rural entrepreneurs. Such a value-added food processing center can and would do that.

We feel strongly that this needs to be a very tightly coordinated effort between the various entities presently involved in the food processing efforts. We further believe that a user fee instead of a registration fee should be charged for the center so that people using the center partially pay for the service they receive.

Mr. Chairman and members of the Committee, the State Board of Agriculture wholeheartedly supports Senate Bill 599 and would look forward to working with such a technical unit to provide assistance to food entrepreneurs in Kansas. I would be happy to answer any questions.



STATE OF KANSAS

FRED A. KERR  
SENATOR, THIRTY-THIRD DISTRICT  
BARBER, COMANCHE, HARPER, KINGMAN, KIOWA,  
PRATT, STAFFORD, S. RENO,  
W. SUMNER COUNTIES  
ROUTE 2  
PRATT, KANSAS 67124-9802



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS  
CHAIRMAN: ASSESSMENT AND TAXATION  
MEMBER AGRICULTURE  
ECONOMIC DEVELOPMENT  
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ENERGY AND NATURAL RESOURCES  
LEGISLATIVE AND CONGRESSIONAL  
APPORTIONMENT  
ORGANIZATION, CALENDAR  
AND RULES  
CHAIRMAN: MAJORITY PARTY CAUCUS

TESTIMONY ON S.B. 599: A PROPOSAL  
TO ESTABLISH THE KANSAS AGRICULTURAL VALUE ADDED PROCESSING CENTER

By Senator Fred Kerr

March 16, 1988

Mr. Chairman and members of the committee:

S. B. 599 proposes to establish the Kansas Agricultural Value Added Processing Center. The purpose of the center is to help develop the state's vast potential for businesses and jobs associated with agricultural product value enhancements.

The bill proposes that the center be associated with Kansas State University. A leadership council is proposed to be established and it would be given the responsibility to plan for the start-up for the center and to supervise its beginning.

We are all aware of the tough economic times that those involved, directly or indirectly, in Kansas agriculture have been experiencing. Desires have been expressed alluding to the need to stimulate economic development in rural areas, but the challenge is difficult. This bill is suggested as a means to help Kansas to be involved in a growth industry; the ag product processing industry. Today's society is creating increased demands for convenience foods, health foods, micro-wavable foods and pet foods. Kansas is a natural for being a center for such growth. The raw product production is here and our location can be an advantage. This bill is a vehicle for discussion on how the state can best provide assistance to take advantage of this potential.

I will briefly explain the sections of the bill. It should be kept in mind that this bill is not intended to be in final form. Suggested changes and proposed amendments are encouraged.

Section 1 lists some proposed objectives of the center. Perhaps the most important objectives involve the providing of technical assistance to new and existing processing businesses. The language makes it clear that market development efforts are to be conducted

(MORE)

*House Eco Dev  
Attachment 2  
3/16/88*

cooperatively with existing state agencies involved in marketing.

Section 2 establishes the 11 member leadership council which includes six persons from the private sector. The council would be given one year to plan for the start-up of the center. The strategy, goals and budget proposals would be ratified by the council.

Section 3 provides for the duties of the coordinator of the council. The coordinator would be employed by the Kansas technology enterprise corporation and shall be located in the office of the President of Kansas State University. Section 4 is a continuation of Section 3.

Section 5 proposes that funding for the first year of this proposal would be an amount of \$175,000 from the economic development initiatives fund. The funds would be used for employing the coordinator, developing the business plan, and paying expenses of the council. Actual funding for the center could be a state/industry partnership with perhaps fees charged for specific services.

Thank you for your consideration of the proposal.

- END -



TESTIMONY TO THE  
HOUSE ECONOMIC DEVELOPMENT COMMITTEE

ON

SENATE BILL 599

BY

WILLIAM G. BRUNDAGE

PRESIDENT

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

MARCH 16, 1988

*House Eco Devs  
Attachment 3  
3/16/88*

Research, development and well-educated and well-trained individuals made the U.S. the greatest producer of agricultural goods in the history of mankind. The U.S. has traditionally dominated international agricultural markets with high-quality, efficiently-produced commodities. However, as with other areas of our economy, we no longer dominate. Fluctuations in the U. S. dollar and the increasingly efficient and competitive production systems of other countries have lowered demand for U. S. agricultural exports.

Agriculture, like manufacturing, has suffered a severe economic blow in the global marketplace. With rare exceptions, there is no need to produce more. Surpluses do not put money in the bank; to the contrary, they put us out of business. Dr. Luther Tweeten at Oklahoma State University has stated that the U. S. must reduce stocks in grains by 50 percent and excess capacity must also be significantly reduced. As with other hard-hit industries, agriculture must become more creative, innovative and entrepreneurial. Agriculture must be viewed as part of the world technical and economic system. Restoration of profitability in agriculture will again require research, development and well-educated, well-trained individuals.

Agriculture must make the best and most intelligent use of the myriad opportunities stemming from this era of technological breakthroughs. The time has passed for relying on increases in productivity to push agriculture ahead. Given today's economic realities, the new emphasis must be on two key factors: profitability and competitiveness.

Two areas hold the most promise for U. S. agriculture. They are biotechnology and value-added food and non-food uses of agricultural products. The two are intimately related. The food and fiber system, with over \$700 billion in value added, comprises at least 15 percent of the U. S. economy. We need to conduct research that will provide fundamental information to keep the post-harvest area competitive in both the domestic and the world markets.

KTEC has established a University Centers Committee for the purpose of evaluating performance of its Centers of Excellence and Centers for Advanced Technology. This Committee will also consider applications for new Centers. Although I cannot speak for the Committee nor for the Board of Directors, I personally believe that Kansas needs to develop a well-conceived agricultural value-added program. Furthermore, as a member of the National Agriculture Users Advisory Board, I am fully aware of the role value-added research plays in our economic future.

# The University of Kansas

Institute for Public Policy  
and Business Research

March 16, 1988

MEMORANDUM

TO: House Economic Development Committee

FROM: Charles E. Krider

RE: SB 599

On line 29 add the following:

Engaging in basic and applied research related to value-added processing of agricultural products.

CEK/dm

TESTIMONY ON SENATE BILL 599  
AGRICULTURAL VALUE ADDED PROCESSING CENTER

by

Dr. Charles Krider  
Professor, School of Business and  
Director, Business Research  
Institute for Public Policy and Business Research  
University of Kansas

presented to the

House Economic Development Committee  
March 16, 1988

*House Eco Devo  
Attachment 5  
3/16/88*

Mr. Chairman, I appreciate the opportunity to testify on behalf of SB 599 which establishes an agricultural value added processing center for the State of Kansas. I support this bill and believe that it is a positive step for the economic development of the state. Indeed an important element of Kansas' economic development strategy is to build on the state's existing strengths. The creation of an agricultural value added processing center does this by building on one of the major sectors of Kansas' economic base - agriculture.

The creation of an agricultural value added processing center is consistent with the findings and recommendations of the 1986 Kansas Economic Development Study. Part of the first recommendation in this study was that the state develop a strategy on "the application of science and technology to the value-added processing of Kansas commodities within Kansas...." The establishment of a value added processing center represents such a strategy.

Through the creation of a value added processing center, the state can have an effect on the demand side of the agricultural market. Much effort is now concentrated on improving the supply side of agriculture by developing methods to increase the yield and improve the quality of agricultural products. Such efforts have been highly successful; the supply of agricultural products is not a problem. More effort now needs to be applied to approaching the agricultural market from the demand side. Through value added manufacturing of agricultural products, the state can increase the demand for Kansas products.

In addition to increasing the demand for Kansas agricultural products, value added processing will also increase employment in the state, particularly in those rural areas which are in great need of economic development. Agricultural processing firms are naturally attracted to rural communities because that is where their resource base is. A Kansas value added processing center will be an attractive feature to food processing companies deciding to locate or expand in the state. The location or expansion of food processing companies will strengthen and build on the current economic base of Kansas by increasing demand for the state's products and increasing employment in areas of the state where it is badly needed.

The potential projects for an agricultural value added processing center are virtually unlimited contingent only upon the center's capacity to recognize untapped markets and formulate creative solutions. For example, Kansas could explore the possibility of introducing agricultural products to industries involved in the freezing and cold packing food specialties. Kansas agricultural goods could conceivably be used in frozen processed foods like donuts and pizza. Since consumer demand for low calorie, high quality frozen products has been steadily increasing, this industry could be a promising market that would increase demand for Kansas agricultural products.

A second example of an area that would provide potential for a Kansas agricultural processing center would be targeting those industries who manufacture "dry" bakery products. Grains grown and milled in Kansas could be the principal ingredient in cookies



and crackers. This could be a profitable market for Kansas processors since the Midwest Research Institute has predicted that the cookie and cracker industry will generate 1.7 percent annual real growth between 1985 and 1990.

As with other markets, the agricultural market is becoming increasingly competitive. It is important to realize that in order for Kansans to compete in the agricultural market they must not merely follow but rather lead in the development of new agricultural products and processes. The development of new products requires a commitment of time and financial resources and it must be a deliberate effort to be a success.

Other states, as well as foreign competitors, are making such a deliberate effort. Iowa and Nebraska have already established centers like the one proposed in this bill and have had success with these centers. Oklahoma is currently working on a proposal for such a center. By applying resources to value added research these centers can create new products, reduce the development time necessary for such products, and help processors gain greater shares of the market by beating the competition to the market with new products.

Iowa State's comparable research center is the Meat Research Center located on the campus of Iowa State. The center is funded by the state at the \$850,000 level. Its research focuses on developing new products and new processing technologies while penetrating new markets. For example, the center is currently targeting several European markets by altering existing processing techniques and developing new processing technologies

that allow U.S. goods to be shipped to another country.

Nebraska has a food processing center affiliated with the University of Nebraska. This center is currently building new facilities which will include pilot plants for all four major food groups. The facilities will have analytical services, quality control, and sensory evaluation laboratories, as well as seminar space. FY 1988 funding was at approximately \$200,000.

I strongly support the creation of a value added processing center through SB 599; however, we also feel that a value added processing center needs not only be oriented toward providing coordination and information services for value added processing, which SB 599 provides for, but also needs to have a strong focus on doing actual research on value added processing, which this bill does not provide for.

I feel that the center's impact would be increased substantially by strengthening the bill to make the center more of a research-oriented center. Such a center needs to have the mandate and funding to provide research services in order to be an attractive feature to new and expanding processing firms. In order to Kansas to be a leader in agricultural processing and not just a follower, a deliberate commitment must be made to agricultural value added processing research. Although SB 599 in its current form is a positive move for Kansas' economic development, it can have a more powerful impact with the provision for research services, as well as coordination and information services.



## Dean of Agriculture

Waters Hall  
Manhattan, Kansas 66506  
913-532-6147

### STATEMENT

Prepared for the  
House Economic Development Committee  
March 16, 1988

by

Hyde S. Jacobs  
Assistant to the Dean of Agriculture  
Kansas State University

I am Hyde S. Jacobs, Assistant to the Dean of Agriculture, Kansas State University.

Kansas dominates the nation's agricultural economy far out of proportion to its population. It ranks number one in the production of wheat and grain sorghum, flour milled and red meat. Kansas ranks 2nd in the nation in cattle and calves on farms, 4th in farm exports, 7th in cash receipts from farm marketings, 9th in soybeans and alfalfa, 10th in hogs and 11th in corn production.

In 1986 Kansas produced 838 million bushels of grain and soybeans along with 4.8 billion pounds of red meat. Horticulture crops are also grown in some areas to diversify and increase sales. Altogether this provides a great reservoir of agricultural feedstock that can be marketed directly or processed into value added-products.

Kansas will continue to provide a significant share of the nation's food supply for the foreseeable future. However, the state's ability to fuel economic development, capitalize on its agricultural base and increase market share will require cost-effective production techniques. The ability to develop new products, find expanded markets and process and market those products will also be required.

Processing and developing value-added agricultural products will play an important role in future economic development. However, each successful value-added product goes through a trial period to establish a productivity record, a processing regime, a marketplace and a market price. During this trial period, the risk, particularly for small farmers and entrepreneurs, is often acute. Effective research and technology transfer programs can greatly diminish risk and increase the success rate.

The Agricultural Experiment Station and the Cooperative Extension Service conducts research and educational programs to help farmers, ranchers and businesses reach their long term production, processing and marketing goals. Minimizing risk and optimizing profit are important research and educational goals.

*House Eco Dev*  
*Attachment 6*  
*3/16/88*

Selected KSU Diversification and Value-Added Programs are described on the attached Fact Sheet. Included are efforts in food processing, meat products and convenience foods, wheat and wheat products, dairy and numerous other value-added products.

This spring, a select group of citizens in their report, **Agriculture 2000, The Kansas Plan**, placed significant emphasis on the processing, development and marketing of value-added agricultural products as a means of enhancing agricultural and economic development.

They recommended that facilities already in place at Kansas State University provide the foundation for expanding the state's capability to provide research and extension support for developing and processing value-added products.

K-State facilities include a pilot feed formulation and manufacturing plant, bakery, pilot flour mill, dairy and poultry processing centers, and meats, nutrition and related laboratories.

The Margin of Excellence request forwarded by the Regents to the Governor recommended targeted improvements in processing and developing agricultural value-added products as a component of the Experiment Station and the Cooperative Extension Service.

We are convinced that value-added agricultural products will play a pivotal role in the agricultural and general economy of the entire state. Consequently, efforts to provide a Center to help producers and processors to develop and market value-added agricultural products should be supported.

## Fact Sheet

# KSU DIVERSIFICATION AND VALUE ADDED PROGRAMS

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Diversification is a process to diminish risk or increase profit by (1) using a mix of crop, livestock, and business enterprises or (2) adding new enterprises. Value added means adding the value of labor services to a product. K-State has actively instituted research and extension programs to help farmers, ranchers, and businesses reach their long-term production, processing, and marketing goals. Some examples follow of efforts by KSU Agriculture in these areas:

### **Crop Development**

Grain sorghum became a major feed grain because researchers made the crop machine harvestable using dwarfing genes and introduced hybrids. Kansas became the nation's leading producer and processor of red meat because of the feed grain provided by hybrid sorghum and hybrid corn. Soybeans went through a similar evolution before becoming a major crop. Today's thrust is to develop crops with improved nutritional, harvesting, processing, and market qualities.

### **Food Processing**

Food processing and product research and extension efforts are important in minimizing risk and optimizing profit. For example, the Department of Grain Science and Industry houses a pilot feed formulation and manufacturing plant, a bakery, and a pilot flour mill.

### **Marketability**

Research is conducted so private industry can more effectively develop new products and better condition, store, and process agricultural products. Twenty-two research projects are directed at adding value and marketability to agricultural products.

### **Wheat**

To improve marketability, all hard winter wheats are selected for their milling and baking properties. Research continues on increasing the use of wheat in pasta and new products and expanding byproduct use.

### **Starch**

Wheat starch formulations are being tested as a building trade adhesive, as a cooking starch, and as an instant starch.

### **Meat Products**

KAES food processing facilities include a poultry processing center and the only full-line dairy processing plant in the central states region.

### **Value-Added Research**

This includes restructured, pre-cooked, vacuum packed, retail-ready beef products and beef product chilling systems. Research involves hot processing and electrical stimulation of beef carcasses; marketing, packaging, lighting, and display systems; and beef color and video analysis of grading beef and evaluating products. Gross returns could be increased by \$210 million by processing 10% of Kansas' red meat production (4.8 million pounds) into restructured steaks, roasts, and chops.

### **Dairy**

Dairy research includes new product development, use of milk components in nondairy and nonfood products, cultured foods, flavor chemistry, food safety, and dairy plant operations.

### **Foods and Nutrition**

Foods and nutrition research includes use of additives and preservatives on processed poultry, soybean curd, soybean oil, and dehydrated or frozen vegetables. Research also includes the addition of dietary fiber and the use of alternative sweeteners, emulsifiers, and bulking agents in baked goods.

### **Quality**

Improving the grain marketing system, expanded export markets, food product marketing, fiber enriched bread, flavor improvement, and expanded markets for variety meats are among the 17 KAES projects to improve ag products.

### **International Grains Program (IGP)**

IGP promotes worldwide marketing of U.S. grains. In 1986, IGP hosted 25 grain teams and offered 28 short courses and workshops in flour milling, feed manufacturing and grain marketing, grading, and storage.

### **International Meat and Livestock Program (IMLP)**

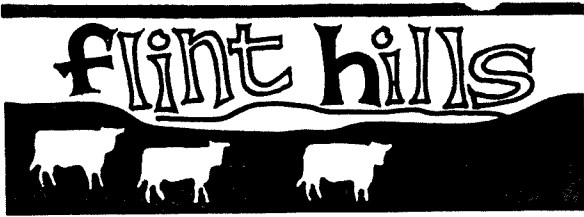
IMLP supports the marketing and export of live animals, semen and embryos, and commodities used by livestock, and it provides it technical assistance for potential international customers.

### **Diversification**

Agricultural research and extension efforts have contributed to diversification efforts in vineyards, timber, sunflowers, you-pick vegetable and fruit crops, nut crops, turfgrass, and woody ornamentals.

### **Alternate Crops**

Fifteen active KAES projects focus on alternate crops, ranging from white corn to Christmas trees, from pearl millet to small fruit crops, from the use of amaranth grain to improving minor crops, and from flowers and landscape plants to annual forages. Hard white winter wheats as well as hard red winter wheats are being developed.



**FOODS, INC. • QUALITY MEATS**

P.O. Box 435 • ALMA, KANSAS • 66401

Tel. 913-785-3398

March 16, 1988

Subject: Testimony supporting Senate Bill No. 599

- I. Does Kansas need an Agricultural Value Added Processing Center?
  - A. Raw products are here -
    - 1. Key to future business
    - 2. 4.8 billion pounds of red meat
  - B. Many small processors here that need assistance
- II. Purpose of Center
  - A. Direct future and present processors to knowledge
  - B. Matching up of producer and markets
  - C. Advice on when to go ahead with new idea
- III. Future of Kansas - agriculture is the area for economic development
  - A. Ag-2000 report
  - B. Kansas Blueprint for Agriculture
  - C. The key is survival
    - 1. Develop profit dollars
    - 2. How business is changing today

Respectfully submitted,

Bernard L. Hansen  
FLINT HILLS FOODS, INC.

House Eco Devo  
Attachment 7  
3/16/88





KANSAS  
STATE  
UNIVERSITY

Department of Grain  
Science and Industry  
Shellenberger Hall  
Kansas State University  
Manhattan, Kansas 66506  
913-532-6161

16 March 1988

NEBRASKA FOOD PROCESSING CENTER

Testimony prepared for a hearing by the House Economic Development  
Committee on Senate Bill #599, Topeka, KS 16 February 1988 by Dr.  
C.E. (Chuck) Walker, Professor of Bakery Science

1. Introduction: Thank you for inviting me to talk about  
Nebraska's experience with a Food Processing Center. I was one of  
six individuals who met in the fall of 1982 to discuss how the  
Institute of Agriculture and Natural Resources (IANR) at the  
University of Nebraska could stimulate Nebraska's "value added"  
agri-business.

2. Nebraska F.P.C. Objectives: The alumni foundation and the  
State Department of Economic Development (DED) each pledged \$10,000  
so that three of us could visit other institutions and develop a  
set of objectives. They were published in May, 1983, as follows:

1. Aid current food industries in becoming more  
efficient, productive and diverse;
2. Stimulate the development of new food processing  
industries in Nebraska;
3. Assist new, as well as existing, food processing  
industries by offering educational programs for  
this management, staff and employees;

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4. Aid various commodity groups and state agencies to develop export markets for Nebraska commodities;

The list was subsequently enlarged, by the addition of two more objectives:

5. Provide market development assistance to the food industry; and,
6. Develop a market referral system.

3. Difficulties and Funding: Initially, no new appropriations were made. There was confusion as to which state agency should best provide liaison, and there were concerns among faculty who felt that the FPC was outside our "academic mission".

The FPC was still developing when I went on sabbatical leave in January 1987, and has continued to evolve. It is not a static organization, and it will probably not be in its present form even next month. The Food Processing Center and the Food Science and Technology academic department are presently administered by the same department head/director with the assistance of an associate director for the Food Processing Center. The two groups have separate budgets, yet share physical facilities, faculty and staff. (See organizational chart)

4. Staffing: At the end of 1986, there were 2.3 FTE research and 4.6 FTE extension personnel within the center, not counting about 15 "collaborators" within FST and other departments. In

addition, a half-time secretary and a number of technicians (classified employees) were involved.

5. User Fees and Confidentiality: It was originally anticipated that user fees would pay a substantial portion of the operating costs, but it did not work. Approximately 20% of the initial budget included a number of grants and contracts received by faculty members assigned to the FPC. Actual fees collected from small in-state users were minimal, and represented only actual out-of-pocket costs for a few projects. This was found to be true for two reasons:

1. A large number of those requesting our services were small start-up companies unable to pay, and
2. Much of the help requested was for marketing rather than technical and pilot plant services.

In order to work efficiently with industry, it was found necessary to operate differently than in the academic department. Confidentiality was essential and the administration was handled at the department and experiment station level.

6. Legislative Funding: Initial funding was from various research grants, the State Department of Economic Development and from commodity board projects. In addition, the experiment station reallocated some faculty positions. This hand-to-mouth funding was of only limited success, and by July 1, 1986, some direct state appropriations were being earmarked specifically for the Food

Processing Center, not as a part of the overall university budget. This trend was continued in 1987.

7. Services Provided: The FPC provides pilot plant facilities to existing food processors, helps with product development, gives quality control and trouble-shooting advice and developed a book to show the entrepreneur how to prepare a business plan and how to calculate costs and set prices. We found that a major share of the questions were not technical but "business" related. The FPC marketing office also helped establish the Nebraska Food Industry Association and publishes a newsletter. A number of short courses are also held throughout the year.

8. Success? By the end of 1985, the FPC had logged about 1,000 contacts and it has maintained an average of about 1 new contact per day since then. Has the tremendous amount of effort and financial investment paid off? It's hard to say! The census of manufacturers listed about 400 "food and kindred product" manufacturers in Nebraska in 1980; 27 new food processing companies started in operation from 1983-85, the first two years of the FPC operation, and most of them used FPC services.

An \$11,000,000 building addition is now under construction. It features expanded marketing offices and new dairy, fruit and vegetable, and cereal processing pilot plants. Meat science has just added a new pilot plant in a separate building.

9. Mission is Unique: The two things about the Nebraska FPC that make it different from any of the other models that we studied are: (a) it is not a "high-tech" center doing advanced research on products and processes (conducted instead in academic departments), but (b) it is not a commercial analytical and product development service in competition with the private sector, either. One of our major functions was to act as a clearing house, telling people where they could access these services. We tended to concentrate our efforts on small, in-state, start-up companies, realizing that their success rate would be low but also that most new jobs and innovations come from smaller companies.

10. In Conclusion: I firmly believe in the value of a food processing center in stimulating value added processing within the state. I feel it appropriate that there be an organization, housed within the university, serving to match the needs of people and businesses with available expertise. I would be pleased to sit down with the coordinator and share the many things which worked and which did not work, in Nebraska.

Thank you for your time. I would be glad to try to answer any of your questions about Nebraska's experience, either now or later.

# THE UNIVERSITY OF NEBRASKA'S FOOD PROCESSING CENTER

BECKY KRUEGER AND CHARLES WALKER

□ THE CONCEPT of a Food Processing Center (FPC) was born in spring 1982 from discussions among members of the University of Nebraska-Lincoln, the University of Nebraska Foundation, and the State Dept. of Economic Development.

The primary goal of the FPC was to be to aid the expansion/development of the food processing industry in Nebraska. It was felt that the agriculture base of the state could be better utilized by creating new and expanding existing food processing industries and encouraging the production of value-added food products; but that, to do this, the food industry of the state, including producers, processors, and distributors, needed access to the pool of expertise available at the university. That pool was broad based and included departments such as Food Science and Technology, Animal Science, Horticulture, Agricultural Economics, Agricultural Engineering, and Human Nutrition and Food Service Management. The FPC, then, was to be a vehicle for facilitating the exchange of information and providing a flow of marketing and technical expertise to the food industry.

## Operational Structure

The FPC is currently housed in the Department of Food Science and Technology because of its high concentration of available expertise. Both the FPC and the department are under the direction of one person, who has the dual title of director of the FPC and head of the department. Dr. Steven Taylor, formerly with the Food Research Institute at the University of Wisconsin, assumed this position on July 1, 1987. The position of associate director has been created to aid the director with the day-to-day operation of the FPC and is presently filled by Dan Neumeister, formerly general manager of American Stores Packing Co.—Lincoln.

The overall goal of the FPC is to aid the food industry, thereby enhancing job creation and generating new income for the State of Nebraska. To accomplish this, several specific goals were established regarding the technical and marketing aspects of the program:

1. Stimulate development of new food processing industries in Nebraska.
2. Aid current food industries in becoming more efficient, productive, and diverse.
3. Assist new as well as existing food processing industries by offering educational programs for management, staff, and employees from these industries.
4. Aid various commodity groups and state agencies in developing export markets for Nebraska commodities.
5. Provide market development assistance to the food industry via consultations, in-house visits, and seminar programs.
6. Develop a market referral system to facilitate the exchange of goods and services among producers, processors, and distributors in Nebraska.

The creation of the marketing office in 1983 added a new dimension to the FPC. This office was developed when it became apparent that a large number of the inquiries to the FPC were business or market related rather than technically oriented. Terry McAuliffe, whose background includes an

M.S. in Economics in International Trade from the University of Wyoming, is director of marketing and heads the efforts of the marketing office.

During his tenure at the FPC, he has developed a data base identifying all Nebraska commercial producers, processors, distributors, and brokers. Summary information may be provided to those within the Nebraska food industry and to other departments within the university, but is not made available for publication or solicitation purposes. One of the marketing office's main goals is to use the data base in developing a network among the various segments of the industry, thereby bringing them into greater contact and fostering the exchange of goods and services both inside and outside the state. This is known as the market referral system.

Another mission of the marketing office is to conduct seminars which provide the industry with information on various business-related topics. A business development manual for the food industry has been prepared for use as a tool in starting up a business, and a study on alternative crops titled "Understanding Commercial Vegetable Markets in Nebraska" has been published.

By the end of 1986, the marketing office had responded to more than 1,000 requests by Nebraskans for technical, product, or market development assistance. Because of the heavy client load, a position was created to help with the entrepreneurial program. Mary Jo Paulson, formerly with A.C. Nielsen Co., was hired in September 1985 as a marketing specialist to help meet the increasing demands placed on the marketing office staff.

As the number of requests for technical assistance increased, the position of research coordinator was created and is currently occupied by Becky Krueger, an M.S. food scientist. The justification for creating the research coordinator position was to centralize and coordinate the technical assistance and research projects of the FPC and to relieve the overload on academic faculty. The research coordinator screens incoming technical requests and refers them to a faculty member with expertise in the appropriate area. The research coordinator is also responsible for getting much of the actual work done, either by supervising another technician or by doing it personally, and she works closely with the client and faculty member to set up the project, interpret its results, and make recommendations to the client.

## Food Processing Extension

With the development of the FPC, administration of extension programs was moved from the Department of Food Science and Technology to the Center. The goal of the extension program is to establish and maintain a liaison between the Center, the food processing industry, individual companies, and individuals within Nebraska and to develop training and information programs which will assist in the development and expansion of the food processing industry within Nebraska. This is accomplished through in-plant consultations, short courses and conferences—including Food Plant Sanitation, Reducing Energy Costs, and the Better Process Control School—information requests, and extension publications. Dr. Michael Liewen coordinates the extension program in the FPC.

## External Environmental Support

The FPC is expected to become partially self-supporting through user fees, in addition to gifts, endowments, and

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Author Krueger is Research Coordinator, Food Processing Center, and author Walker is Professor, Dept. of Food Science and Technology, 134 Filley Hall, University of Nebraska, Lincoln, NE 68583-0919. Send reprint requests to author Krueger.

funding through the state government. A fee schedule has been established which charges for equipment use, technician time, supplies, etc., but many small, in-state users do not pay full charges.

The services provided by the Center are not intended to compete with those of private industry, and fees generally cover only the cost of labor, equipment used, and materials used. Therefore, the fees are minimal, and clients are referred to private consultants and laboratories when appropriate.

### New Physical Facility

The recognition and attention the FPC has received has resulted in the appropriation of funds for a new facility. Funds totaling \$11 million—\$5.5 million from the U.S. Department of Agriculture, \$2.0 million from the University of Nebraska Foundation, and \$3.5 million from the state—have been appropriated for a new FPC facility.

The Department of Agricultural Economics, the Department of Food Science and Technology, and the Food Processing Center will be housed in the building. In addition, the Panhandle Research and Extension Center at Scottsbluff, also considered part of the FPC, will be remodeled. Construction is planned to start in October 1987 and should be completed by January 1990. The project will expand facilities from the present 45,000 ft<sup>2</sup> to more than 110,000 ft<sup>2</sup>. The facilities will include administrative offices for the director and head of the FPC and Department of Food Science, the associate director of the FPC, and support staff. The marketing office will have easy public access and a unique arrangement—although there are a small number of designated offices with walls within the marketing complex, the main

area will remain open to provide a “broker office” atmosphere.

Dairy, wet, and dry processing pilot plants will occupy the majority of the main level, with direct access to the loading dock. These facilities are being designed with teaching, research, and extension purposes in mind. A meat processing pilot plant is also available in the new Animal Science complex recently constructed on the same campus. In addition, there will be classrooms, research laboratories, and conference rooms to help Center personnel better deal with the public. The end result is a benefit to the clients of the Center, who will receive current and accurate research information.

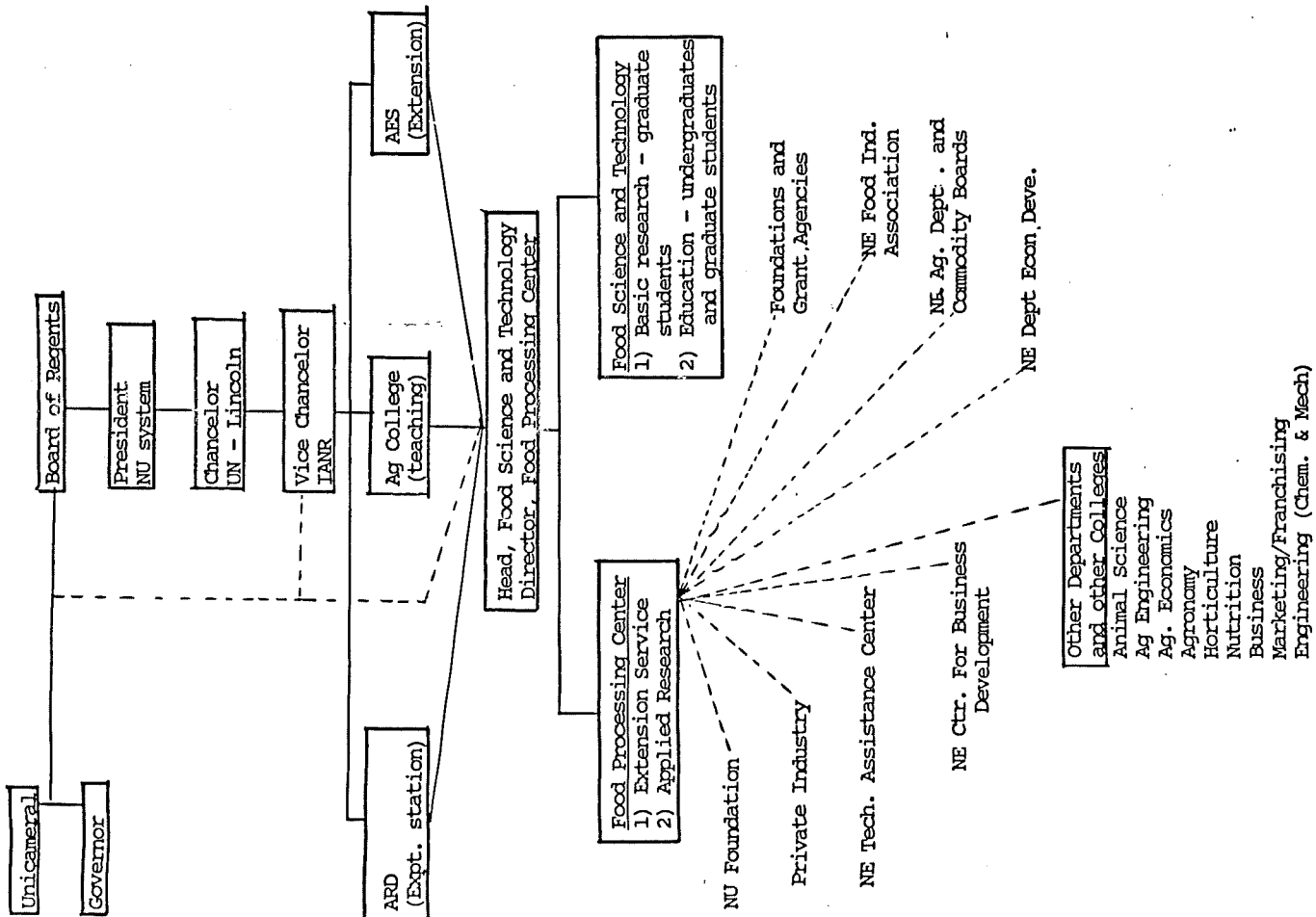
### Benefits Nebraska Economy

By creating a center of excellence in food processing, not only will the existing Nebraska industry benefit, but also the resulting reputation at the national and international levels will encourage new food industry to locate in Nebraska, thereby helping the state’s economy in the broader sense.

Based on a paper presented during the symposium, “Industry/University Cooperative Research Programs in the Food Industry,” at the Annual Meeting of the Institute of Food Technologists, Las Vegas, Nev., June 16–19, 1987.

Paper No. 8300, Journal Series, Nebraska Agricultural Experiment Station, Lincoln, NE 68583-0704.

—Edited by Neil H. Mermelstein, Senior Associate Editor





To: Phil K. Kline, Chairperson,  
House Economic Development Committee

Members, House Economic Development Committee

From: Robert A. Hajicek  
Vice President/General Manager  
Williams Foods, Inc.  
13301 W. 99th Street  
Lenexa, KS 66215

Thank you for the opportunity to present testimony to the House Economic Development Committee regarding Senate Bill No. 599 which seeks to establish the agricultural value added processing center and the leadership council.

I would concur with Senator Fred Kerr's assessment that Kansas has a vast potential for business and jobs associated with agricultural product value enhancements. Specifically, value added products versus the commodity ingredients from which they are derived, are consistent with consumer purchase patterns and product use in our society. Commodity products require substantial "in home" processing through several preparation and cooking steps using recipe directions to achieve the end consumable food product. However, value added products enables the consumer to achieve the ready-to-eat consumable food through a few simple preparation steps. The time saving features represented through value added products is consistent with existing consumer life styles, a high percentage of working

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women throughout the United States and a growing number of single heads-of-household whether with or without children.

Because of consumer demand, it is therefore evident that basic raw agricultural products are being converted from commodity to value added products someplace in the United States...and why not perform this processing in Kansas which provides so many of the basic raw materials.

By having more value added food processing facilities in Kansas, a greater share of the consumer food dollar will remain here through the creation of jobs and capital investment.

There are several advantages that accrue to the State of Kansas that make it an ideal location for further processing food facilities:

- 1] Kansas is an excellent source of the raw materials used in further processed, value added products.
- 2] Kansas is a Right to Work state which is attractive to employers.
- 3] Kansas has a very good labor market with reasonable hourly labor rates and is composed of a citizenry that is willing to work and is dependable.
- 4] Land in Kansas is reasonably priced.
- 5] Being centrally located Kansas is an ideal place from which to distribute products to most of the United States.

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- 6] The agri-processing technical support facilities represented by Kansas State University is a strong resource for value added processors.
- 7] It is my understanding that Kansas has a very good water supply which is essential to certain types of food and beverage processing.

Senate Bill No. 599 recognizes the importance of combining the technical aspects of value added agri-processing with the marketing requirements. In essence, the bill seeks to define a clear strategy with associated objectives that include both being able to make a product having a consumer need and the required marketing efforts to get the product into the marketplace, to create consumer trial and repurchase. I cannot emphasize enough the need for balancing technical product development with the sales and marketing requirements necessary to get grocery store or food service distribution. The difficulties and cost of obtaining distribution are often underestimated.

When considering how quickly Kansas can expand its value added food processing base, it is important to consider at least two major aspects: First, Kansas already has several major food processing facilities owned by large U.S. food companies. If these large, existing food processors can be convinced to expand their existing plants or to add value added processing facilities to what they currently have, this would be the fastest way to create new jobs. It would seem these food processors would

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represent viable target companies that could benefit from the objectives of Senate Bill No. 599.

Second, the resources being provided by this bill would greatly help smaller, or fledgling companies that are seeking to grow. Perhaps in the long run it will be from these companies that the new products and innovations will come that will eventually provide a broader base of food processing in the state. These are the entrepreneurs who are struggling to grow, but who also have the least internal resources to draw upon. Therefore, Senate Bill No. 599 should be a very strong resource for these food processors.

Overall, Senate Bill No. 599 has the potential of having significant value for all food processors in the state. When combining the agricultural value added food processing center with other financial and marketing support programs already available, it would appear that Kansas will be greatly enhancing the potential of broadening the food processing base in the state.

In summary, Senate Bill No. 599 seeks to unify several existing financial and marketing resources currently underway with the enormous technical capability associated with Kansas State University. Through centralized direction created by the leadership council the potential for positive results should be enhanced through better communications, focused promotional efforts and improved cooperation.

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BACKGROUND INFORMATION

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Food Industry Experience:

Williams Foods, Inc. - Vice President and General Manager  
Seasoning blends and specialty flour blends

Milnot Company - Vice President, Sales and Marketing  
Canned milk products, sweetened condensed milk, canned chili  
products

Orval Kent Food Company - Vice President, Sales and Marketing  
Refrigerated salads

Armour Food Company - Marketing Manager  
Frozen entree products, frozen portioned controlled meats

Abbott Laboratories, Inc., Consumer Products Div.- Brand Manager,  
New Products Manager  
Artificial sweeteners/various new food products

Educational Background:

University of Wisconsin, B.S. Economics (Finance)  
University of Chicago Graduate School of Business, M.B.A.  
(Marketing and Behavioral Science)

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**KANSAS ASSOCIATION OF WHEAT GROWERS**  
**"ONE STRONG VOICE FOR WHEAT"**

TESTIMONY

House Committee on Economic Development  
Representative Phil Kline, Chairman

SB - 599

Mr. Chairman, members of the committee, I am Howard W. Tice, Executive Director of the Kansas Association of Wheat Growers. I appreciate this opportunity to appear today in support of Senate Bill 599.

We have been spearheading a Hard White Winter Wheat Task Force, which is examining the possible benefits to Kansas, of adding this class of wheat to our production inventory. One of the possible economic benefits that may be realized would be in new value-added industry in the form of specialty baked goods.

Hard White Winter Wheat offers a slightly higher extraction rate for flour yield than red wheat. It also offers a whole wheat product that is high in fibre, and has a sweeter taste. This, in itself, shows some promise in the area of new baked goods. Add to it the area of ethnic breads, and the possibilities loom even larger. The white bran is also attractive to cereal manufacturers that may wish to locate in Kansas, to be nearer the source of white white.

Some countries forbid the bleaching of flour, but the people want a light, whole wheat bread product. With the wide diversity of ethnic groups in our country, in nearly every state, filling the demand for food products from their native cultures is a growing enterprise that is paying off for the wheat industry. Adding products made from hard white wheat may well offer even greater economic growth.

Kansas already has more flour milling operations than any other state. We certainly have the wheat, as the nation's top producing state. Thanks to the efforts of the Wheat Foods Council, marketing opportunities are opening up for more wheat products. The ethnic foods project has focused on the desire of people who migrate to our shores that I mentioned earlier, to have food products like they grew up with in their home countries.

I focused on white wheat specifically, because it is a relatively new field for Kansas agriculture. Since we are much closer to having the varieties that can be effectively grown in Kansas, it is certainly appropriate for us to be examining the opportunities that exist for Kansas to also produce the value-added end products as well. There is also potential for our traditional Hard Red Winter Wheats in the value-added field.

So, whether we work with white wheat or red wheat, there is great potential for value-added processing in the Kansas wheat industry.

I have covered only one area of agriculture where value-added processing can produce economic growth. As you have heard, there are many, many more areas that can benefit as well. On behalf of the Kansas Association of Wheat Growers, I urge the committee to report SB 599 favorably for passage.

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