

Approved February 4, 1988

Date

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senator Allen at  
Chairperson

10:09 a.m. ~~xxx~~ on February 3, 1988 in room 423-S of the Capitol.

All members were present ~~except~~:

Committee staff present: Raney Gilliland, Legislative Research Department  
Jill Wolters, Revisor of Statutes Department

Conferees appearing before the committee: Keith Nelson, Chairman, Kansas Wheat Commission  
Galen Swenson, Administrator for Commodity  
Commissions  
Dale Peterson, Kansas Soybean Commission  
Bill Wiley, Kansas Soybean Association  
Howard Tice, Kansas Association of Wheat Growers  
Bill Fuller, Kansas Farm Bureau  
Ivan Wyatt, Kansas Farmers Union

Senator Allen called the committee to order and called attention to committee minutes.

Senator Arasmith made a motion the minutes be approved. Senator Gordon seconded the motion. Motion carried.

The Chairman stated the committee would hear testimony concerning SB 447, SB 448 and SB 449; he called on staff to review the bills.

Staff explained the three bills were recommended by the Special Committee on Agriculture and Livestock after a study of last summer. SB 447 concerns the formula by which the four commodity commissions are billed by the state for administrative costs. SB 447 reduces from \$200,000 to \$100,000 for the amount the four commissions would owe the state each year for administrative costs. SB 449 would change the name of the commissions so that they would be known as Market Development Agencies. The bill also would strike the name of the four commissions in lines 59 through 61 and change them to read "Market Development Agencies. SB 448 changes the mill levy excise tax on wheat. SB 448 would allow the Wheat Commission to increase the mill levy from the present 4 mills per bushel to up to 10 mills per bushel; or to reduce the mill levy.

The Chairman called on the following to testify.

Keith Nelson, Kansas Wheat Commission gave copies of his testimony (attachment 1) to the committee. Mr. Nelson requested favorable consideration of the three bills by the committee.

During discussion Mr. Nelson stated he could furnish a copy of the U.S. Wheat Commission budget so that comparisons could be made with what Kansas provides as compared to other states. Mr. Nelson stated the Kansas Wheat Commission does not want to do away with the clause allowing for the return of the mill levy if requested. Staff stated the changes suggested in Mr. Nelson's testimony could be amended in to SB 448.

Next, Galen Swenson testified for SB 447 and SB 449. Mr. Swenson gave copies of his testimony to the committee (attachment 2).

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture,  
room 423-S, Statehouse, at 10:09 a.m./~~p.m.~~ on February 3, 1988

In answer to the question, Mr. Swenson answered that his office had not communicated with the Governor's office regarding the impact these two bills would have on the General Fund monies.

The next to testify, Dale Peterson, requested favorable action on SB 447, SB 448 and SB 449.

Mr. Peterson stated with the additional funds, the passage of these bills would provide the Soybean Commission, further promotion and development of soybeans could be accomplished. Mr. Peterson stated he sees more use of soybeans in our diets.

Next was Bill Wylie to express support for the three bills. Mr. Wylie stated the membership of the Kansas Soybean Association had been informed of and approved the name of Market Development Agencies which SB 449 proposes. Mr. Wylie expressed the need for more monies which could be used for market development and which would be made available with the passage of the three bills. Mr. Wylie explained a new use of soybean oil in which it is added to animal feed which cuts down on dust; he also commented that a newspaper ink is now being made from soybeans.

Howard Tice testified next; he gave copies of his testimony to the committee (attachment 3). Mr. Tice encouraged passage of SB 449 and that no action be taken on SB 447 and that SB 448 be passed.

During discussion, Mr. Tice stated that wheat growers would not object if the word "research" was added to be a part of the title change suggested in SB 449. Mr. Tice also stated that wheat growers were comfortable with the proposed change which would allow the wheat commission to set the mill levy rather than the Legislature setting the mill levy.

Bill Fuller, the next to testify, gave copies of his testimony to the committee (attachment 4). Mr. Fuller expressed support and requested passage of SB 447, SB 448 and SB 449. Mr. Fuller suggested maybe the phrase "phase in" should be used so that the mill levy could not, in one increase, be increased from 4 mills to 10 mills by the wheat commission.

The next to testify, Ivan Wyatt, gave copies of his testimony to the committee (attachment 5). Mr. Wyatt expressed support of SB 447 and SB 449 and opposition to SB 448. Mr. Wyatt stated that Kansas Farmers Union does not approve of SB 448 because the bill does not state how much the mill levy could be raised at any one time. Mr. Wyatt stated that the Farmers Union opposes denial of refund to anyone.

The Chairman, due to time element, invited Mr. Wyatt to return to the next committee meeting for a questions and answer time. Senator Allen adjourned the committee at 11:00 a.m.



Kansas Wheat Commission Testimony

Before The

Senate Agriculture Committee

February 3, 1988

Chairman Allen, members of the committee, ladies and gentlemen, I appreciate the opportunity to testify this morning on Senate Bills 447, 448 and 449. I am Keith Nelson, a wheat producer from Pawnee Rock and chairman of the Kansas Wheat Commission.

This past fall the commission testified before the Special Committee on Agriculture and Livestock and raised issues which are being addressed in the bills mentioned above. We enjoyed the chance to work with the special committee and felt the extra time we were able to spend on the issues was very worthwhile.

SB448

I believe I will address Senate Bill 448 first, if it is alright with the chairman. This bill would give the commission the authority to set the excise tax on wheat at a rate of not more than 10 mills per bushel. The present rate is 4 mills.

Historically, as many as 17 million acres have been planted to wheat in Kansas. In 1982, 14.1 million acres were planted with the resulting crop of 458.5 million bushels. This past fall, only 10.2 million acres were planted, this being the lowest in

17 years. We probably are looking at a harvest under 350 million bushels in 1988.

Income to the wheat commission in FY84 was \$1.76 million and in FY87 only \$1.11 million, a drop of 37%. Income so far in FY88 is not much higher than last year. In FY85 the commission had an approved budget of \$1.67 million and by FY89, with no adjustments to the funding formula, the approved budget will need to be approximately \$975,000, a drop of 42%.

Such a decline has meant cutting back on many areas of the commission's work. Special projects which were undertaken through U.S. Wheat Associates to target specific markets for hard red winter wheat (the primary class of wheat grown in Kansas) have all been curtailed.

There were fifteen KWC funded research projects at Kansas State University in FY85. We could be forced to reduce that to one research project in FY89. Cooperation on projects with other organizations at the state or national level has been greatly reduced or in some cases eliminated. Most importantly, new projects needing the commission's support cannot even be considered.

Major projects which the KWC currently funds and the success of which will hinge on a continued or enlarged Kansas Wheat

Commission commitment include:

- \*Development of hard white winter wheat for Kansas
- \*The International Grains Program
- \*U.S. Wheat Associates
- \*Wheat Foods Council

Projects the commission would like to enter into include:

- \*Expanded biotechnology work on wheat leading to the development of alternate or specialty wheats for value-added products - whether food or nonfood products
- \*Food and industrial product development using wheat

Raising the mill levy from 4 mills to some higher level not exceeding 10 mills will help the KWC maintain safe carryover balances and allow the commission to enter into those new and needed research and market development projects mentioned above.

If asked today, understanding I do not know what will happen to the crop and what the government will decide in the next couple months, I would say the commission would set the mill levy around 7 to 7.5 mills. This would allow us to have a budget similar to three years ago and would not be a levy exceeding what we find in the surrounding states (see attached sheet - Comparison of State Wheat Commissions). However, if the Federal government reduces the Acreage Reduction Program (ARP) set aside figure and it looks like production will increase, the

commission will set the mill levy at a lower rate.

Due to the variability we face in government programs today, I feel the ability of the commission to vary the levy if conditions demand is a good idea. We are all producers and do not want to pay any more wheat tax than is necessary to do a good job. Also, as commissioners we are aware of the fact that the wheat excise tax in Kansas is refundable and, therefore, much caution and thought must go into any change in the levy.

I have attached two sheets at the back of the testimony called, "Possible Changes for 1988 To Make In THE KANSAS WHEAT ACT". There are some general little changes to update the act if anyone feels this would be a good idea. Also, there is an expanded way of explaining how the language about the ten mills might be phrased. I feel this language will address the concerns raised by some members of the special committee about the commission's ability to reduce the levy if conditions warrant.

Perhaps we should consider changing the words "excise tax" to "assessment" or "promotional fee" or even "research and market development fee" instead of "excise tax"? Producers pay this voluntarily and, in fact, in Nebraska it was determined that an excise tax is not legally refundable. Truly we are dealing with something much different than an excise tax and maybe should

call it something else. I believe the law creating the other three grain commissions in Kansas calls it an "assessment", so maybe we should consider making the Wheat Act say the same thing.

SB447

In Senate Bill 447, the Legislature would be reducing the amount of money paid by the four grain commissions to the general fund. This amount of money \$200,000 is supposedly used to reimburse the state general fund for administrative costs performed on behalf of the grain commissions by other state agencies which receive appropriations from the state general fund to provide such services.

I think we all recognize the \$200,000 payment is much too high for the actual administrative costs incurred. In fact, in the 1984 Central Service Cost Allocation Plan, the wheat commission's share of the expenses is estimated to be \$12,150. The wheat commission has paid an average of \$110,488 yearly over the past five years to the general fund.

As we have pointed out in the past, most wheat commissions in the nation pay nothing to their general funds. Of those few who do, the Kansas Wheat Commission pays four times more than the number two commission. Clearly, other wheat commissions have extra dollars available to them for research and market



development projects that we do not have.

This bill recognizes this unfairness but also recognizes political reality in Kansas and, thus, only reduces the \$200,000 payment in half rather than reducing it farther or eliminating it. We applaud the committee's action and favor the bill. Reducing the \$200,000 to \$100,000 will allow us to tell producers that their money is going for its intended purpose and this will make the mill levy increase more palatable and will reduce the tendency to ask for refunds.

SB449

Senate Bill 449 would create a new category of state agency known as "market development agencies". A problem in the past has been the fact that the four grain commissions are neither fee fund nor regulatory agencies. They fall into the category of "other type of agency". As such, the grain commissions tend to come in for the same treatment as the first two types of agencies but they are not the same.

The four grain commissions do not provide a service for a fee in the state of Kansas. They do not regulate the grain trade. What they do is carry out programs of research and market development that benefit grain producers, universities, agribusiness and the state at large. The commissions are funded by a voluntary assessment on grain producers, not a tax because

how many taxes can you ask be refunded to you.

Each year we have raised the issues of having a protected account, earning interest on the operating balance and paying only our true administrative costs to the general fund. This is standard operating procedure in almost every other wheat state in the nation. Each year the answer has been, "We understand the need to be competitive with the other wheat commissions in the nation, we would really like to help, but we have all the other fee fund and regulatory agencies which would like the same treatment". We understand your position and have struggled for years for an idea to help you out of this predicament.

This past summer we finally realized that the problem was a lack of definition of what the four grain commissions are. It hit us that they are "market development agencies" that conduct research and develop markets on behalf of grain producers in the state of Kansas. In doing this, they also provide funding for many programs at universities, provide new technology which benefits business in the state and help improve markets for Kansas grain which translates into sales and sales dollars for the State.

If we define what the four grain commissions are, namely "market development agencies", we can also treat them differently than fee fund or regulatory agencies under the law because they are

different and are defined as such. Thus, as a start, such agencies could have included in their definition the fact they only pay \$100,000 to the general fund. Now or later, other things such as interest on operating balances and fund protection could be added and justified because these are special agencies doing special things for Kansas.

I feel you understand the importance of truly defining what the four grain commissions are under the law and want to commend you for introducing Senate Bill 449. The Kansas Wheat Commission is wholeheartedly in favor of this bill because it brings us a step closer to being competitive with other wheat states in the nation, something of great importance if we want to retain the title of "The Wheat State". In the attached sheet with possible ideas for changing the wheat act, there is some language showing what a "market development agency" definition might look like.

That concludes my testimony and I certainly want to thank you for the time granted today for speaking on behalf of these bills. If there are any questions, I would gladly try and address them.

COMPARISONS OF STATE WHEAT COMMISSIONS - MARCH 1987

|                                      | ARIZONA   | ARKANSAS  | CALIFORNIA  | COLORADO  | IDAHO                                   | KANSAS   | MINNESOTA                               | MONTANA                                 | NEBRASKA                                | NORTH DAKOTA                            | OKLAHOMA                                | OREGON                                  | SOUTH DAKOTA   | TEXAS  | WASHINGTON                              | WYOMING  |
|--------------------------------------|---|---|---|---|---|--|---|---|---|---|---|---|--|--|---|--|
| TITLE                                | ARIZONA GR RES & PROM COUN  | ARKANSAS WHT PROM BOARD                                       | CA WHEAT COMMISSION   | CO WHEAT ADM COM-MITTEE   | IDAHO WHT COM-MISSION                   | KANSAS WHT COM-MISSION   | MN WHEAT RES & PROM COUNCIL             | MT WHEAT & BARLEY COMMITTEE             | NE WHEAT BOARD                          | ND STATE WHT COM-MISSION                | OK WHEAT COM-MISSION                    | OREGON WHEAT COMMISSION                 | SD WHEAT COMMISSION  | TX WHT PRODUCERS BOARD                           | WA WHEAT COMMISSION                     | WY WHT COMMISSION                              |
| MILL LEVY                            | 2c/ 100 wt  | 5   | Resettling assessment 2c/100 wt   | 5   | 10                                      | 4  | 10                                      | 6                                       | 7.5                                     | 5                                       | 7½                                      | 20                                      | 7.5  | Max. 5   | ¼% of net sale to grower                | 10   |
| REFUNDS                              | 30 days (trying to rescind it)/office                               | 90 days/ office   | 90 days/ office   | None  | None                                    | Within yr/ sale/country  | 60 days apply/ office                   | Within 90 days/ office                  | None                                    | Within 60 days/ office                  | Within 120 days/ country                | None                                    | Within 120 days/ office  | Sale or 60 days - elev. settlement sheet/country | None                                    | 90 days/ office                                |
| FUND CUSTODIAN                       | State treasurer   | State treasurer   | CWC   | Bank approv. by state treasurer   | State treasurer                         | State treasurer  | MWR&PC                                  | Special account                         | State treasurer                         | State treasurer                         | State treasurer                         | OWC                                     | State treasurer/own account  | Design. by board                                 | Com. bank account                       | State treasurer                                |
| COLLECTOR OF CHECKOFF                | State treasurer   | State treasurer   | Buyer of first instance   | Commissioner of ag - delegates to CWC                                   | IWC                                     | KWC  | MWR&PC                                  | Commission                              | Wheat Board                             | NDSWC                                   | OWC                                     | OWC                                     | SDWC   | TWPB   | WWC                                     | First purchaser sends report to WWC with check |
| AUTHORITY FOR EXPENDITURE OF BUDGET  | Bd. has auth. to estb. bud- get subj. to appvl. by Com. of Ag       | 9 member board - 3-PB; 2-AWG; 2-Ag Coun. AK; 2-Riceland Foods | Statute states State Dir. of Food & Ag approv. bud- get                         | Bd. has auth. to establish budget sub- ject to ap- proval by Com. of Ag | Annual appro.                           | Board estab- lishes bud- get subject to legisla- tive ap- proval | MWR&PC                                  | Annual appro.                           | Annual appro. & board approval          | Biennial approp.                        | State statute                           | OWC                                     | Budget pre- sented to Legis. - SDWC on own for spend- ing - do follow some state rules | Ag Commodity law                                 | Market order for wheat                  | WWC  |
| ROLE OF COMMISSION & COMMISS- IONERS | Market Develop- ment Direction & policy                             | Market Develop- ment Direction & policy                       | Market Develop- ment Direction & policy   | Market Develop- ment Direction & policy                                 | Market Develop- ment Direction & policy | Market Develop- ment Direction & policy                          | Market Develop- ment Direction & policy | Market Develop- ment Direction & policy | Market Develop- ment Direction & policy | Market Develop- ment Direction & policy | Market Develop- ment Direction & policy | Market Develop- ment Direction & policy | Market Develop- ment Direction & policy  | Market Develop- ment Direction & policy          | Market Develop- ment Direction & policy | Market Develop- ment Direction & policy        |
| NO. OF VOTING MEMBERS                | 9   | 9   | Total of 18 - 15 growers; 2 handlers; 1 public                                  | 9   | 5                                       | 7  | 9                                       | 7                                       | 7                                       | 7                                       | 5                                       | 5                                       | 5  | 15   | 7                                       | 7  |
| HOW SELECTED                         | Appt. by Gov. - Com. submits groups - other groups can sub- mit too | Each org. suggests names to Gov. - he appoints                | All ap- pointed by CWC re- quires all elected among hdlrs. after being selected | Elected   | Appt. by Gov.                           | Alternat. 3 & 4/ Appt. by Gov.                                   | Election prod.                          | Appt. by Gov.                           | Appt. by Gov.                           | 6 elected 1 appt. by Gov.               | Appt. by Gov.                           | Appt. by Dir. of Ag                     | 5 appt. by Gov.  | Elected  | 5 elected 2 appt. by growers            | Appt. by Gov.                                  |
| LENGTH OF TERM                       | 3 yrs. terms  | No limit  | 3 yrs. Max. 5 terms   | Annual  | 5 yrs.                                  | 2 yrs.   | 3 yrs.                                  | 5 yrs.                                  | 5 yrs.                                  | 4 yrs.                                  | 5 yrs.                                  | 5 yrs.                                  | 3 yrs.   | 6 yrs.   | 3 yrs.                                  | 3 yrs. renewal indef.                          |
| ADM. HEAD                            | No Adm.   | President   | Exec. Dir. & V.P.   | Exc. Dir.   | Adm.                                    | Adm.   | Exc. Dir.                               | Exc. V.P.                               | Dir.                                    | Adm.                                    | Exc. Dir.                               | Adm.                                    | Exc. Dir.  | Exc. V.P.  | Adm.                                    | Adm.   |
| YEAR ESTABLISHED                     | 1986  | 1985  | 1983  | 1958  | 1959                                    | 1957   | 1977                                    | 1967                                    | 1955                                    | 1959                                    | 1965                                    | 1947                                    | 1961   | 1969   | 1957                                    | 1975   |

Possible Changes for 1988  
To Make In  
THE KANSAS WHEAT ACT

- 2-2601 No Change
- 2-2602 (2) "Grower" shall mean any landowner personally engaged in growing wheat, a tenant of the landowner personally engaged in growing wheat, and both the owner and the tenant jointly, and includes a person, partnership, association, corporation, cooperative, trust, sharecropper, and any and all other business units, devices, and arrangements.
- 2-2603 Delete "except that for the first appointment the commissioner for the districts I, III and V shall be appointed for a term of two (2) years, and the commissioner for districts II, IV and VI shall be appointed for a term of one (1) year."
- 2-2604 No Change
- 2-2605 No Change
- 2-2606 (6) Delete "Other than said administrator and the assistant. . . not been enacted"  
(7) Change Great Plains Wheat Inc. to U.S. Wheat Associates, Inc.
- 2-2607 No Change
- 2-2608 Use the word(s) assessment, promotional fee, or research and market development fee instead of excise tax?

(a) Commencing June 1, 1988, there is hereby levied an excise tax of not to exceed ten (10) mills per bushel upon wheat marketed through commercial channels in the state of Kansas on and after such date. The tax shall be levied and assessed to the grower at the time of sale, and shall be shown as a deduction by the first purchaser from the price paid in settlement to the grower. Under the provisions of this act, no wheat shall be subject to the tax more than once.

The commission shall have the power to reduce the excise tax for such period as it shall deem justified, but not less than one year, whenever it shall determine that the excise tax provided by this section is yielding more than is required to carry out the intent and purposes of section 2-2606. If the commission, after reducing such excise tax, finds that sufficient revenue is not being produced by such

excise tax, it may restore in full or in part such excise tax not to exceed ten (10) mills per bushel.

The administrator shall furnish to every first purchaser receipt forms which shall be issued by such first purchaser to the grower upon payment of such excise tax. The form shall indicate thereon the procedure by which the grower may obtain a refund of any such tax, except a refund will not be issued unless the amount of the refund is \$5 or more. Within one year after any and all sales during such period the grower may upon submission of a request therefor to the administrator, obtain such refund in the amount of the tax or taxes deducted by the first purchaser. Such request shall be accompanied by evidence of the payment of the tax or taxes which need not be verified.

The following section was changed by the 1986 Legislature and section (d) was deleted. This simply shows what the language presently is.

(c) Any wheat acquired by a grower as defined in K.S.A. 2-2602, and amendments thereto, under the provisions of any federal payment-in-kind (PIK) program, shall be subject to the provisions of this section.

- 2-2609 (a) Change \$200,000 to \$100,000.
- 2-2610 No Change
- 2-2611 No Change
- 2-2612 No Change
- 75-3170a (c) Change \$200,000 to \$100,000.
- (d) Change \$200,000 to \$100,000 twice.

#### MARKET DEVELOPMENT AGENCIES

SB 449

(e) As used in this section, "market development agencies" mean the Kansas wheat commission, the Kansas corn commission, the Kansas grain sorghum commission and the Kansas soybean commission.

Such agencies shall have been or shall be created to "conduct campaigns of development, education and publicity" and "to find new markets or maintain existing markets for commodities and products made from those commodities", among their other powers and duties.

Such Market Development Agencies shall be funded by an assessment collected from the grower at the time of sale of such a commodity by the first purchaser. The assessment shall be sent to the proper Market Development Agency. Since such agencies conduct research and market development programs which benefit not only producers but also agribusiness, universities and many others in the state of Kansas, and because these agencies collect a voluntary assessment for such purposes rather than an excise tax which results from providing a specific service in the state to some specific group served by the agency, Market Development Agencies shall not be required to pay the 20% credit to the state general fund required by K.S.A.? Instead, such agencies shall reimburse the state general fund for accounting, auditing, etc. (which are performed on behalf of the state agency involved by other state agencies which receive appropriations from the state general fund to provide such services) under a formula devised by the State Legislature specifically for Market Development Agencies.

DATE: February 3, 1988

TO: Senate Committee on Agriculture and Livestock

BY: Galen Swenson, Administrator  
Commodity Commissions

RE: Senate Bills 447 and 449

Mr. Chairman, members of your committee, thank you for allowing me to address the implications of Senate Bill 447 and Senate Bill 449 on the Corn, Grain Sorghum, and Soybean Commodity Commissions. Senate Bill 447 and Senate Bill 449 would reduce from \$200,000 to \$100,000 the total transfer to the State General Fund from the four commodity fee funds. Presently, for state administrative costs, a maximum of \$200,000 is transferred on a proportional basis from each of the corn, grain sorghum, soybean, and wheat fee funds. Current fiscal year proportional allocations from these four funds is:

|                         |     |                  |
|-------------------------|-----|------------------|
| Corn Commission Fund    | 19% | \$38,200         |
| Sorghum Commission Fund | 28% | \$55,000         |
| Soybean Commission Fund | 17% | \$34,120         |
|                         |     | <u>\$127,320</u> |
| [Wheat Commission Fund  | 36% | <u>\$72,680]</u> |
|                         |     | \$200,000        |

Such proportional allocations are calculated yearly by the Division of Accounts and Reports relative to the fiscal year receipts of each commission. The percentage of receipts from each fund is then calculated in relation to the \$200,000 maximum general fund credit.

Current year transfer of the corn, grain sorghum, and soybean commissions amounted to \$127,320 or 64% of the total \$200,000 limitation. A five-year average reveals a \$101,473 transfer from the three commissions or 50.7% of the total.

If the \$200,000 limitation would be lowered to \$100,000 as proposed in Senate Bill 447 and Senate Bill 449, the estimated allocations would obviously be reduced by 50%. Using the current percentages as above, the allocations would be as follows:

|                         |                  |
|-------------------------|------------------|
| Corn Commission Fund    | \$19,100         |
| Sorghum Commission Fund | \$27,500         |
| Soybean Commission Fund | \$17,060         |
|                         | <u>\$63,660</u>  |
| [Wheat Commission Fund  | <u>\$36,340]</u> |
|                         | \$100,000        |

The fiscal impact of Senate Bill 447 and Senate Bill 449 on Commission functions would be approximately \$63,660. Such impact would enhance and expand Commission efforts for new and existing market development and research by the Corn, Grain Sorghum, and Soybean Commissions.

In addition, Senate Bill 449 would classify the four commodity commissions, corn, grain sorghum, soybean, and wheat - as Market Development Agencies. Such reclassification language is vague relative to impact or affect on the respective funds and program, and therefore difficult to evaluate.

Thank you for your attention.

GS:mt

*attachment 2*  
*2-3-88*





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

TESTIMONY ON SB 447 - 448 - & 449

SENATE COMMITTEE ON AGRICULTURE

CHAIRMAN: SENATOR JIM ALLEN

February 3, 1988

Mr. Chairman and members of the committee, I am Howard W. Tice, Executive Director of the Kansas Association of Wheat Growers, and I thank you for the opportunity to testify today on these bills which are extremely important to our industry.

Most of the debate over the issues addressed in these bills is well known to this committee, so I won't be repetitive. I would call your attention to the copies of our testimony before the interim committee last September, which is attached to your hand-outs, for additional information and background on these issues.

We greatly appreciate the recommendation of the interim committee. SB 448 is drastically needed, in order to not only keep the Kansas Wheat Commission functioning in an effective manner, but to give our industry the option of being more strongly competitive in wheat research and marketing. SB 448 is evidence that the interim committee recognizes the need for additional funding, and the importance of keeping the Kansas Wheat Commission strong.

SB 447 & 449 both speak to the need to reduce the grain commission's contributions to the general fund. However, SB 449 goes one step further than SB 447, and grants the request we made last year, to officially recognize the function of the commissions, and properly label them as "Market Development Agencies." Certainly, the grain commissions are not fee fund agencies, nor are they regulatory. They exist to use funds collected on a voluntary basis from grain producers, to finance research and market development activities for the good of the producers, and the economy of Kansas. Returning \$100,000 of the producer's funds, to the commissions will allow that money to be used as it was intended, and allow it to be matched by money from the USDA and other agencies, to bring even greater benefit to our state.

It should also be noted that in the majority of our county and area meetings last fall, and at the convention in December, the strongest rumble of discontent was over the amount of producer checkoff money that has gone into the general fund.

In conclusion, we commend the interim committee for its recommendation, especially in light of strong pressure from some fronts against the changes we have asked for. We appreciate and support the committee's recommendation. Since SB 449 speaks to two of our requests, we urge the committee to report SB 449 favorable for passage, and drop SB 447. However, SB 448 is the really important bill because it is the life blood of the present and the future for wheat market promotion and research in Kansas. It must be passed, or we not only stop going forward. We will retreat, and Kansas cannot afford to retreat.



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

TESTIMONY

SPECIAL COMMITTEE ON AGRICULTURE AND LIVESTOCK  
CHAIRMAN: SENATOR JIM ALLEN

SUBMITTED BY: HOWARD W. TICE, KAWG EXECUTIVE DIRECTOR

Mr. Chairman and members of the committee, I am Howard W. Tice, Executive Director of the Kansas Association of Wheat Growers. On behalf of our members, I appreciate the opportunity to testify in this special session, concerning Kansas grain commissions. While most of my remarks will refer specifically to the Kansas Wheat Commission, in the general sense, they refer to all four commissions.

First of all, I believe a brief history of the Wheat Commission is in order. For this, I refer to a letter I received earlier this year from W.W. Graber, who served as the KWC's first administrator, to our own files, and to the recollections of state legislators.

The Kansas Association of Wheat Growers recognized in its early years, the need for a state agency for research and market promotion. From 1951 to 1957, four different bills were introduced in the Kansas Legislature, at the KAWG's request, to create such an agency. It took many hours of hard work to find a way to get legislators to take this idea seriously, and give it a chance. Men like Herb Clutter, Gib Egbert, Henry Parkinson, R.L. Patterson, Earl Hunt and others spent hundreds of dollars of their own money and worked long hours without remuneration to see this dream realized.

That effort didn't end with passage of The Wheat Act in 1957. The Legislature failed to appropriate any money to get the Commission off the ground. And they gave them only 30 days to get organized, open and equip an office, hire personnel, print vouchers, and inform elevators all across the state to collect the 2 mill levy.

A bank in Hutchinson had more faith in the idea, and W.W. Graber was granted a personal loan for \$30,000 to underwrite the initial task. Much of the cost of criss-crossing the state came out of Mr. Graber's own pocket.

At that time, the United States was exporting only 250 million bushels of wheat per year, and our reputation as a reliable supplier of good quality wheat was questionable. Last year, the United States exported slightly over one billion bushels of wheat, and at our peak, we exported 1.7 billion bushels. Incidentally, the 1987 Kansas wheat crop will be approximately 100 million bushels higher than the total 1957 U.S. exports, when final figures are in.

Walt Graber, and early day wheat commissioners worked hard to establish a positive reputation for Kansas and U.S. wheat, and for many years that reputation prevailed in world trade. In recent years, with embargoes and other factors, political and business, our reputation has suffered.

While the state and national wheat grower associations have worked for legislation to restore our reliability as a supplier, the Kansas Wheat Commission has been a leader in working to restore our reputation for clean, high quality wheat. In the 50's, the KWC led the fight for government export inspections. In the 80's, the KWC has led the fight for even tighter standards for that inspection process.

In addition to working to establish and maintain a reputation for good quality, clean wheat for export, the Kansas Wheat Commission hosts scores of trade teams that visit our state, not only to see the farms where our wheat is grown, but to learn more about our marketing system, and about storage and milling of wheat.

Team after team after team of foreign visitors have come to Kansas through the efforts of the KWC. They go through short courses at KSU, the International Grains Program and the American Institute of Baking, all headquartered in Manhattan. Manhattan, and the KWC have also hosted dignitaries from competing nations, such as Australia and the European Community. When they want to find out about wheat, and wheat exports, they come to the Kansas Wheat Commission.

#### THIS IS ECONOMIC DEVELOPMENT FOR KANSAS AGRICULTURE AT ITS FINEST!

Research is another vital function of the Kansas Wheat Commission, and another example of economic development efforts that have been going on for the past thirty years, and paying dividends throughout that time. Producer checkoff dollars have funded research in value added products and industrial uses of wheat; non-food and non-feed uses; pasta and noodles and much, much more. Wheat gluten research is extremely valuable, as is the research in hard white winter wheat, and wheat quality, wheat breeding and wheat classification.

In fact, it appears that wheat classification research, funded in a large part by producer checkoff dollars, will probably result in the development of the objective hardness test to be used by FGIS. While there was much early support for the machine developed by USDA's Dr. Karl Norris, FGIS officials have indicated they now favor the instrument from Kansas State University.

Many of the research projects supported by the Kansas Wheat Commission are eligible for matching funds from the federal government and other sources. Each dollar invested in such a program generates from \$1.33 to well over \$2.00 in matching funds, which means these dollars have the potential of being more than tripled.

Market development funds also pay big dividends. In addition to the already cited programs of building sales by hosting trade teams and teaching them how to better utilize our wheat, producer dollars go to U.S. Wheat Associates for direct sales efforts. These dollars bring a return of 7 to 1 or more. While a few farmers point to the decline in sales in the past few years and question the effectiveness of promotion efforts, most farmers are aware that without the work done by our commissions, our export market share would be virtually non-existent.

WHERE ARE WE NOW, AND WHERE DO WE GO FROM HERE?

Due to reductions in the sale of wheat over the past few years, and government programs that have reduced crop size, income for the KWC has been greatly reduced. Unfortunately, this comes at a time when we need market promotion to regain lost market share, and intensive research efforts to find other ways to sell our wheat.

One way to restore lost funding would be to end the contribution from the grain commissions to the general fund. This is not a new request, nor is it one that will go away, because it is a fair request.

Even though the Legislature failed to provide any start-up money for the Wheat Commission in 1957, they provided a way for the general fund to share in the income. By calling the checkoff dollars an excise tax, they made the money easier for the state to control. By classifying the commission as a "fee-fund" agency, it came under the mandated 20% contribution to the general fund.

With the creation of the other three commissions, that 20% was capped at \$200,000 per commission. In 1983, the cap was lowered to \$200,000 for all four commissions. Of course, the interest on operating balances for all four commissions is kept by the state.

Although the general fund contribution is supposedly to cover the state's administrative costs, in fact the amount far exceeds actual needs. A 1984 audit by the State of Kansas showed administrative costs for the Kansas Wheat Commission to be \$12,150, which is slightly less than one third of the general fund contribution in FY 1958. Needless to say, costs are much higher now than in 1958, but using the \$12,150 figure, the \$3,326,759 the Kansas Wheat Commission has contributed to the general fund would pay administrative costs for 274 years.

We have been told for years, that if the state releases the grain commissions from this general fund contribution, all other fee fund agencies would be asking for the same thing. It's time to put that excuse to rest along with all the other arguments. The money is needed now for economic development for agriculture. It's time we stopped looking for so-called glamorous and glitzy eco-devo schemes, and started paying attention to the industry that provides more jobs than any other in Kansas, and in the nation.

We're not asking the state to put general fund money into this effort, even though it would be quite appropriate to do so. If Kansas can appropriate \$600,000 to raise pheasants at prison honor farms, and \$200,000 for Washburn University simply because they haven't had an increase in state funds lately, in a year that everyone said budgets were tighter than ever before, then certainly Kansas can return producer checkoff dollars to the grain commissions where they can be put to the use for which they were intended.

Unfortunately that won't be enough. A mill levy increase is also necessary in order to not only continue current projects, but to enable us to move into other vitally needed research areas as well. Producers asked for the initial checkoff in 1951. Producers have requested the subsequent increases. Our producer members are now asking for another increase. They are willing to pay the bill if you will let them.

At this time, the leadership of the Kansas Association of Wheat Growers is recommending a 10 mill levy, or an increase of 6 mills. Since our convention will not take place until December, this is not official policy, but it is a strong suggestion. Since our organization is based on grassroots input for policy development, that recommendation could possibly change. Our lobbying efforts during the 1988 Legislative Session will be based on the results of the December convention sessions. We will also be talking to our members at every opportunity, including the Kansas State Fair, to get their feedback. So far, even the "coffee shop talk" says that if beef producers can checkoff \$1.00 per head for promotion, wheat producers should contribute at least a penny per bushel.

Economic development is the current buzz-word in state government. What we are proposing is to look first at proven economic development tools for agriculture - the grain commissions. When you bring all the facts and figures to light, no one can honestly deny their effectiveness in the past, or their value for the future. And best of all, they're producer-supported for the benefit of everyone.

WHAT THEN, ARE WE ASKING OF THIS COMMITTEE? We are asking for a bill to raise the mill levy on wheat marketed through commercial channels in the state of Kansas, to 10 mills. Language requested last year in SB 277, to deny refunds of less than \$5.00 could also be included. We are also asking for language to remove the grain commissions from the "fee fund agency" definition, and remove the requirement for a general fund contribution.

We suggest creating a "market development agency" designation. Under this new structure, the commissions would continue to collect the producer checkoff dollars, and would still be subject to state audits. The state's administrative costs would be paid directly to the general fund, in amounts determined by state audit.

In SB-277, we suggested easing the impact on the general fund by reducing the producer contribution in \$50,000 increments. In light of the other appropriations already mentioned, and others, it is quite evident that such an approach is not necessary.

The dollars we're talking about are producer dollars. Farmers asked the state for the authority to tax themselves for research and market promotion. It's time we put all of those dollars into that effort. It's time we put all the excuses of the past behind us, so we can move forward. Speaking for the Wheat Growers, it's time the Wheat State earned that title in more than just bushels produced, once again.

We need your help. You are the agriculture leaders in the Kansas Legislature. We need you to lead the fight for economic development in our number one industry, the industry that is the foundation of our state and national economy. For the past two years, the Legislature has been criticized from within and without, for not doing enough for agriculture. The bill we're requesting, recommended by this committee and sponsored and fought for by every member of both House and Senate Ag-Committees, would be a positive response to that criticism, and a strong shot in the arm for the farmers you represent.



# The State of Wheat

September 1987

## Kansas Must Invest to Remain the Wheat State

By Steven Graham,  
 KWC Administrator

Kansas wheat producers have been leaders in wheat marketing for 30 years. With the creation of the Kansas Wheat Commission, producers established an advocate for themselves.

The commission does what each producer would like to—research wheat varieties which will be demanded in newly-created wheat products. A producer would like to show buyers his production system and then convince them he produces the best wheat in the world.

Luckily, wheat producers in Kansas realized one producer couldn't do this alone. But by working together, all Kansas wheat producers could and did, by creating the Kansas Wheat Commission.

The first 30 years have seen many successes and few failures. The commission can't lobby, so some things are out its reach. But, of course, all producers can lobby individually and make their needs heard. The commission works for all producers collectively.

For years, Kansas had America's only milling training center at Kansas State University. Now, North Dakota is expanding facilities for milling spring and durum wheats and adding feed milling facilities. Meanwhile, our competition, the Australians, recently expanded their Bread Research Institute by adding a pilot flour mill. Our International Grains Program and research projects for red and white wheats, Oriental noodles, pasta, etc. depend on the milling, baking and test equipment of the Kansas State University Department of Grain Science and Industry. Modifications and new equipment are needed to help us tell flour millers what our wheat will do in their mills. Our pasta project desperately needs an up-to-date dryer.

Research must relate to today's problems in industry or it is useless. We cannot expect U.S. flour millers and bakers to fund such research since this research is being done for the benefit of wheat

producers to increase their international competitiveness and not necessarily to help increase U.S. flour millers' or bakers' markets.

Researchers are studying industrial uses for corn, and Kansas has only scratched the surface for such work with wheat. In biotechnology, our entire country is behind Australia, Canada and the European Community. We need to finish mapping the genes of wheat and move to breeding more disease resistant, higher protein, higher yielding and cheaper-to-produce wheat.

The bottom line is that Kansas started as a leader, led for a while, got complacent and now needs to shift into a higher gear to get back into the lead.

To maintain our reputation as The Wheat State, your fellow wheat producer board members suggest two ideas.

The Kansas Wheat Commission is asking to be considered a special "market development agency." This new cat-

egory of agencies would be created by the Governor and Legislature. Unlike fee fund agencies, such agencies would be exempt from sending money to the state general fund.

Also, Kansas producers need to consider an increase in their mill levy assessment on wheat. Kansas collects 4 mills per bushel which is the lowest of all wheat commissions in the nation (see chart). The input has been too small in recent years to even keep up with the competition.

The commission is working with producers, businesses, researchers, farm organizations and legislators to determine funding priorities and levels.

The Kansas Wheat Commission has been a leader and innovator throughout its 30 years. We ask for your continued support. Please contribute your ideas through your farm organizations, legislators or directly to the commission so Kansas might remain The Wheat State.

### Survey of 16 State Wheat Commissions

|               | Mill Levy                   | Payment to State General Fund | Interest on Operating Balance |
|---------------|-----------------------------|-------------------------------|-------------------------------|
| Arizona       | 12 mills                    | approx. \$18,000              | no                            |
| Arkansas      | 5 mills                     | approx. \$5,000               | no                            |
| California    | 12 mills                    | none                          | yes                           |
| Colorado      | 5 mills                     | none                          | yes                           |
| Idaho         | 10 mills                    | approx. \$9,000               | no                            |
| Minnesota     | 10 mills                    | approx. \$8,000               | yes                           |
| Montana       | 6 mills                     | approx. \$30,000              | yes                           |
| Nebraska      | 7.5 mills                   | none                          | yes                           |
| North Dakota  | 5 mills                     | approx. \$20,000 *            | yes*                          |
| Oklahoma      | 7.5 mills                   | none                          | yes                           |
| Oregon        | 20 mills                    | none                          | yes                           |
| South Dakota  | 7.5 mills                   | none                          | yes                           |
| Texas         | max. 5 mills                | none                          | yes                           |
| Washington    | 1/4 % of net sale to grower | none                          | yes                           |
| Wyoming       | 10                          | none                          | yes                           |
| <b>Kansas</b> | <b>4 mills</b>              | <b>approx. \$122,180</b>      | <b>no</b>                     |

\* North Dakota's payment to the state general fund is based on 20 percent of the interest earned on operating balance.

KANSAS WHEAT COMMISSION BUDGET PROJECTION

|                      | FY86               | FY 87              | FY 88              | FY89               |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| Beginning Balance    | \$ 806,532         | \$ 596,729         | \$ 239,499         | \$ 203,349         |
| Farmer contributions | 1,601,776          | 1,100,000          | 1,420,000          | 1,420,000          |
| Other income         | 5,187              | 5,800              | 7,000              | 6,000              |
| Totals               | <u>\$2,413,495</u> | <u>\$1,702,529</u> | <u>\$1,666,449</u> | <u>\$1,629,349</u> |
| Budget               | 1,605,537          | 1,300,000          | 1,285,000          | 1,385,000          |
| To General Fund      | 121,560            | 102,580            | 100,000            | 100,000            |
| Refunds              | 89,699             | 60,500             | 78,100             | 80,000             |
| Total Disbursements  | 1,816,766          | 1,463,080          | 1,463,100          | 1,565,000          |
| Ending Balance       | 596,729            | 239,449            | 203,349            | 65,349             |

WHEAT PRODUCTION & KWC INCOME

| FY   | Production<br>in bushels       | Checkoff<br>Income | KWC<br>Fund      | To General<br>Fund |
|------|--------------------------------|--------------------|------------------|--------------------|
| 1958 | 100,111,000                    | \$ 180,710         | \$ 145,252       | \$ 35,458          |
| 1959 | 297,340,000                    | 546,892            | 438,276          | 108,616            |
| 1960 | 211,744,000                    | 404,443            | 325,478          | 78,965             |
| 1961 | 294,376,000                    | 543,028            | 435,291          | 107,736            |
| 1962 | 273,718,000                    | 515,971            | 413,827          | 102,144            |
| 1963 | 211,171,000                    | 403,112            | 323,158          | 79,953             |
| 1964 | 185,480,000                    | 350,474            | 281,281          | 69,194             |
| 1965 | 208,780,000                    | 371,733            | 298,165          | 73,608             |
| 1966 | 236,386,000                    | 445,268            | 357,110          | 88,158             |
| 1967 | 200,070,000                    | 316,821            | 253,960          | 62,860             |
| 1968 | 221,620,000                    | 427,845            | 343,277          | 84,568             |
| 1969 | 253,526,000                    | 473,947            | 380,276          | 93,671             |
| 1970 | 305,319,000                    | 555,511            | 446,382          | 109,129            |
| 1971 | 299,013,000                    | 556,927            | 447,647          | 109,279            |
| 1972 | 312,605,000                    | 566,951            | 438,442          | 128,509            |
| 1973 | 314,900,000                    | 598,541            | 478,832          | 119,708            |
| 1974 | 384,800,000                    | 660,582            | 528,706          | 132,146            |
| 1975 | 319,000,000                    | 521,096            | 416,876          | 103,219            |
| 1976 | 350,900,000                    | 601,188            | 480,951          | 120,238            |
| 1977 | 339,000,000                    | 693,433            | 554,747          | 138,687            |
| 1978 | 344,840,000                    | 825,196            | 660,712          | 164,485            |
| 1979 | 300,000,000                    | 673,649            | 545,940          | 127,708            |
|      | Mill Levy increased to 3 mills |                    |                  |                    |
| 1980 | 410,400,000                    | 1,105,781          | 905,781          | 200,000            |
| 1981 | 420,000,000                    | 1,212,540          | 1,012,540        | 200,000            |
| 1982 | 302,500,000                    | 1,064,011          | 864,011          | 200,000            |
|      | Mill Levy increased to 4 mills |                    |                  |                    |
| 1983 | 458,500,000                    | 1,665,504          | 1,553,964        | 111,540            |
| 1984 | 448,200,000                    | 1,762,985          | 1,645,065        | 117,920            |
| 1985 | 431,200,000                    | 1,520,354          | 1,382,654        | 137,700            |
| 1986 | <u>433,200,000</u>             | <u>1,601,331</u>   | <u>1,479,971</u> | <u>121,560</u>     |
| 1987 |                                |                    |                  | 102,580            |

Total paid to general fund since FY 1958

\$3,326,759



# PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON AGRICULTURE

Re: S.B. 447 - Limiting State to \$100,000 for Administering  
the Grain Commission Fund

S.B. 448 - Authorizing the Wheat Commission to Set  
Excise Tax at Not More Than 10 Mill Per Bushel

S.B. 449 - Creating and Defining Market Development  
Agencies

February 3, 1988  
Topeka, Kansas

Presented by:  
Bill R. Fuller, Assistant Director  
Public Affairs Division  
Kansas Farm Bureau

**Mr. Chairman and Members of the Committee:**

My name is Bill Fuller. I am the Assistant Director of the Public Affairs Division for Kansas Farm Bureau. We appreciate this opportunity to express our support for the package of Grain Commodity Bills you are considering today.

Farmers and ranchers who were delegates representing the 105 county Farm Bureaus at the 69th Annual Meeting of Kansas Farm Bureau on December 1, 1987 adopted this policy:

### **Commodity Commissions**

The corn, grain sorghum and soybean commissions and the Kansas Wheat Commission promote utilization and market development for our grains. We urge our members to continue financial support for the commissions through the check-off procedure, thereby assisting in the important research, utilization and market development efforts of the commissions.

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## Grain Commodity "Check-Off" Fund

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.

Kansas Farm Bureau worked a number of years ago to support the creation of the Kansas Wheat Commission and later the Corn, Grain Sorghum, and Soybean Commissions. Our members recognize the importance of research, promotion and marketing activities and make an investment through their contributions to the funds.

S.B. 447 limits the state to \$100,000 to cover their expenses incurred in administering the fund of the Grain Commodity Commissions. This is a step in the right direction. Our policy calls for a \$50,000 limit. Even that amount is thought to exceed the actual cost of the services performed. It is difficult for farmers to understand why their grain promotion dollars are used to fund General State Government. We urge passage of S. B. 447.

S.B. 448 authorizes the Kansas Wheat Commission to set the excise tax at not more than 10 mills per bushel. We understand the need to increase the mill levy in order to offset the declining revenues resulting from reduced production. To assure producer acceptance, we suggest a "phase in" of any mill levy increase.

S.B. 449 creates and defines market development agencies. If this action will allow the grain commissions to compensate the state for actual cost in administering their funds, rather than the rate on their funds as is now occurring, we support S.B. 449.

As the world market becomes an even more important factor in

selling our grain, keeping our grain commissions strong and active is vital. Thank you! We would attempt to respond to any questions the Committee may have.

STATEMENT  
OF  
IVAN W. WYATT, PRESIDENT, KANSAS FARMERS UNION  
ON

SB-447 AND SB-448  
(INCREASED FUNDING OF GRAIN COMMISSIONS)

BEFORE

THE SENATE AGRICULTURE COMMITTEE

FEBRUARY 3, 1988

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I AM IVAN WYATT, PRESIDENT OF THE KANSAS FARMERS UNION.

FIRST, I WANT TO QUOTE THE POSITION TAKEN BY THE MEMBERS OF THE KANSAS FARMERS UNION AT THEIR CONVENTION HELD IN JANUARY 1988 ON THE ISSUE OF THE FUNDING OF THE GRAIN COMMISSIONS.

COMMODITY CHECK-OFFS

THE MILL LEVY SHALL BE ESTABLISHED BY THE KANSAS LEGISLATURE.

THE COMMISSION SHALL HONOR ALL REFUND REQUESTS.

THE MAIN OBJECTIVE OF THE GRAIN COMMISSION SHOULD BE TO INCREASE FARMERS INCOME BY PROMOTING QUALITY GRAIN AND VALUE OF THE PRODUCT PER UNIT, AND VOLUME EXPORT SALES AT FAIR AND EQUITABLE PRICES.

TO ENCOURAGE MORE EFFICIENT OPERATION OF THE GRAIN COMMISSION, WE CALL FOR A COMPLETE PUBLIC ACCOUNTING OF ALL EXPENDITURES OF STATE COLLECTED CHECK-OFF TAX ON COMMODITY SALES, INCLUDING ANY PAYMENTS MADE TO ORGANIZATIONS RECEIVING FUNDS FROM THESE COMMODITY COMMISSIONS.

INTEREST EARNED ON GRAIN COMMISSION ACCOUNTS SHOULD BE CREDITED BACK TO EACH COMMISSION.

THE ADMINISTRATION FEE CHARGED TO THE VARIOUS GRAIN COMMISSIONS BY THE STATE OF KANSAS SHOULD NOT EXCEED THE TRUE COST OF ADMINISTERING EACH PROGRAM. COMMODITY CHECK-OFF SHOULD APPLY TO

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COMMODITY FUTURE CONTRACTS.

BASED ON THIS POLICY WE SUPPORT SB-447.

HOWEVER, THE MEMBERS DID NOT VOTE TO SUPPORT AN INCREASE AS SET FORTH IN SB-448. OVER THE PAST SIX YEARS FARMERS HAVE BEEN FORCED TO BECOME MORE EFFICIENT. MANY HAVE BEEN SOMEWHAT SUCCESSFUL IN THEIR EFFORTS. ALMOST EVERY BUSINESS, FARMER, ORGANIZATION, GOVERNMENT AGENCY HAS HAD TO RE-EVALUATE THEIR OPERATIONS, THEIR COSTS, AND THEIR BOTTOM LINE EFFECTIVENESS. WE ALL PROBABLY HAVE FOUND THERE WERE WAYS WE COULD BE ALMOST AS EFFECTIVE AND IN SOME CASES EVEN MORE SO ON LESS FUNDS WHEN WE HAVE TO. THEREFORE, THERE WAS NOT SUPPORT TO INCREASE THE TAX RATE OF THE COMMODITY CHECK-OFFS.

RELATING BACK TO THE FARMERS UNION POLICY, THE MEMBERS BELIEVE SINCE THE STATE OF KANSAS GRANTS THESE COMMISSIONS THE POWER TO TAX THROUGH LEGISLATIVE ACTION, THE LEGISLATURE WOULD BE AMISS IF IT DID NOT EXERCISE ITS DUTIES AND RESPONSIBILITIES AS REPRESENTATIVES OF THE PEOPLE TO PROVIDE, OVERSIGHT AND REVIEW OF THESE OPERATIONS, THEIR COSTS, AND EFFECTIVENESS, AND TO THEN DETERMINE FUNDING LEVELS AND ESTABLISH THE TAX RATE OF THESE CHECK-OFFS. EACH TIME THE LEGISLATURE SHOULD MAKE THESE REVIEWS AND DECISIONS IF THERE IS TO BE AN INCREASE IN THE TAX RATE.

I AM SURE THAT YOU, THE MEMBERS OF THIS COMMITTEE WOULD NOT FEEL COMFORTABLE IF YOU THOUGHT THESE COMMISSIONS OR ANY OTHER STATE AGENCIES WERE DISPERSING TAX PAYERS DOLLARS, WITHOUT SIMILAR OVERSIGHT AND REVIEW: FOR EXAMPLE, WHAT IS THE WHEAT EXPORT TRADE EDUCATION COMMITTEE, HOW MUCH OF KANSAS DOLLARS GOES INTO IT DIRECTLY OR INDIRECTLY, WHAT IS THEIR FUNCTION, WHAT IS THEIR EDUCATIONAL FUNCTION, ETC.

THEREFORE, THE KANSAS FARMERS UNION BELIEVES NO GOVERNMENT AGENCY (SB-449 LINE 0062) SHOULD BE GRANTED A TAX BUFFET OF 150%

INCREASE TO SERVE THEMSELVES WHENEVER THEY WISH, WITHOUT LEGISLATIVE DIRECTIVE AND REVIEW.

I WOULD POINT OUT THE FARMERS UNION OPPOSES THE DENIAL OF REFUNDS TO ANYONE WHETHER IT BE CONSIDERED AS A SEPARATE BILL OR AS AN AMENDMENT TO ANY OF THESE BILLS.

THE KANSAS FARMERS UNION OPPOSES THE DISCRIMINATION AGAINST OWNERS OF THE STATES SMALLER FARMS, WHO IN MANY CASES ARE ELDERLY RETIRED FARMERS OR THEIR WIDOWS WHO RENT THEIR FARMS ON A CROP SHARE BASIS, WHICH COULD MAKE THEM INELIGIBLE FOR REFUNDS. MANY OF THESE ARE PEOPLE LIVING ON LIMITED RETIREMENT FUNDS BECAUSE OF TODAY'S LOW COMMODITY PRICES.

ANY AMENDMENT WHICH WOULD DENY A REQUEST OF A REFUND SIMPLY BECAUSE THE SALE OF A FARM PRODUCT IS LESS THAN OTHERS WHO MAY HAVE A LARGER FARM, OR A MORE PRODUCTIVE FARM, OR ARE NOT A SHARE-CROPPER, SHOULD BE CONSIDERED NO LESS THAN DISCRIMINATION.

IN MUCH OF OUR TAXING STRUCTURE, THE ELDERLY, THE LOW INCOME, OR THOSE WHO HAVE SUFFERED A LOSS ARE GRANTED SOME SORT OF TAX RELIEF, THEY ARE NOT DISCRIMINATED AGAINST.

IN CLOSING, WE CONSTANTLY HEAR TALK OF ECONOMIC DEVELOPMENT. KANSANS ARE ALWAYS BEING ASKED FOR MORE FUNDS FOR RESEARCH AND DEVELOPMENT TO ENHANCE THE VOLUME OF COMMODITIES THAT BENEFITS EVERY PERSON AND MANY BUSINESSES FROM THE FARM GATE TO THE DINNER TABLE, BUT WE HEAR NOTHING ABOUT PRICE ENHANCEMENT. MANY STATES ARE MAKING SERIOUS ATTEMPTS TOWARDS PRICE ENHANCEMENTS FOR FARM COMMODITIES. YET THE KANSAS LEGISLATURE HAS YET TO FUND RESEARCH, DEVELOPMENT AND/OR COOPERATION FOR PRICE ENHANCEMENT TO THE LOWLY PRODUCER. WHY, WE ASK.

THANK YOU.