

Approved February 24, 1988
Date

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senate Allen at
Chairperson

10:07 a.m. ~~pm~~ on February 23, 1988 in room 423-S of the Capitol.

All members were present except: Senator Thiessen (excused)
Senator Gannon (excused)

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

Conferees appearing before the committee: Senator Fred Kerr
Sam Brownback, Secretary, State Board of
Agriculture
Dr. Charles Walker, Grain Science and Industry
Department, KSU
Dr. Hyde Jacobs, Assistant to the Dean of
Agriculture, KSU
Jack McKee, Key Milling, Clay Center, Kansas

Senator Allen called the committee to order and called for action on committee minutes.

Senator Gordon made a motion the committee minutes of February 17 be approved. Senator Warren seconded the motion. Motion carried.

The Chairman turned the committees' attention to SB 599 and called on Senator Kerr to explain the bill and the following to testify for the bill.

Senator Kerr gave copies of his testimony (attachment 1) to the committee.

Sam Brownback gave to the committee copies of his testimony (attachment 2). Mr. Brownback stated the number of small and large food processing businesses associated with the FROM THE LAND OF KANSAS program listed in his testimony should be corrected to read 144.

During committee discussion, Mr. Brownback stated he visualized no new building for a value added processing center. He explained that he saw the plan as uniting information available from like the Department of Commerce, State Board of Agriculture and Kansas State University so that questions, of a new or small business person, could be directed to the correct place for an answer. Mr. Brownback said the proposed plans were similar to a Food Processing Center in Nebraska. It was suggested that Kansas should check with Nebraska and utilize their plan and coordinate our plans with the Nebraska plan. Mr. Brownback said he did not know now and would not know until plans were developed during the next year how much would be requested from the General Fund. Senator Kerr explained that during the first year it was expected that one person would be needed at Kansas State and that registration fees should cover that cost. Senator Kerr commented that much money is spent in our state for economic development and that agriculture should have its fair share to spend.

Charles Walker handed written copies of his testimony to the committee (attachment 3).

Jack McKee provided copies of his testimony (attachment 4) for the committee. During discussion Mr. McKee suggested that if any staff at Kansas State, working in a proposed value added processing center, were fully funded by a large corporation that it might not be too successful. He stated that an entrepreneur would not discuss business plans with someone

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture,
room 423-S, Statehouse, at 10:07 a.m./~~p.m.~~ on February 23, 1988

being fully funded by a big corporation which is his competition.

Hyde Jacobs gave the committee copies of his testimony (attachment 5).

During discussion Mr. Jacobs stated that very few professors at Kansas State are supported in part by companies and that is public information if they are so funded. If a company completely funds a professor it is not public information.

The Chairman adjourned the committee at 10:59 a.m.

GUEST LIST

COMMITTEE: Senate Agriculture

DATE: February 23, 1988

NAME	ADDRESS	ORGANIZATION
Eldon R Fustvuj	KS St Board of Ag	Topeka
Archie Hurst	KS Topeka	KS Fed Ag
Howard Minter	Hickman	KAWC
Chris Walker	Mayetta	KANS NFD
Jack McKee	Chillicothe, KS	Key Milling
Hyde Jacobs	Manhattan, KS	KSU
Mike Johnson	" "	" "
Paul E. Fleener	Manhattan	Kansas Farm Bureau
Charles W. Dyer	KSU Manhattan	Kansas State Union
Chuck Walker	KSU - Manhattan	Dpt Grain Service
Jerry Lyon	2015 Laking West Blvd	Mid - KS. Elem. Div.
WALT DARLING	TOPEKA	DIVISION OF BUDGET
BRAD SHIGREN	LINDSBORO	KS Soybean Assn
Jeff Longbine	Emporia	Emporia Chamber
JOE WOOD	EMPORIA	" "
David Skye	Holton	San Fred Kear
Ron Schneider	LAWRENCE	KS RURAL CENTER
Bernie Hansen	Alma	KS Ment Successus Assn
Sam Spannback	KS BOA	Topeka
Rich McKee	Topeka	KLA
John Blythe	Manhattan	KFB
Julie Andseger	Topeka	KS Co-op Council
Wilbur Leonard	Topeka	Comm KS Farm Org

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

By Senator Fred Kerr

February 23, 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 to locate the center at 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 at all. 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. After the hearings, Section 1 should probably be revised to accurately reflect the suggestions of committee members and conferees. For example, it should be clear that marketing endeavors are to be coordinated with state agencies already doing this work.

(MORE)

attachment 1
2-23-88

Testimony on S.B. 599
Senator Fred A. Kerr
February 23, 1988

Section 2 establishes the 11 member leadership council which includes four 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. Section 4 is a continuation of Section 3.

Section 5 proposes that a \$10 registration fee be charged to any person involved in the business of value adding to agricultural products through a manufacturing process. The purpose of the registration is to identify processors in the state and to provide some money for expenses for 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 this proposal.

- END -

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

February 23, 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

attachment 2

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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.



**Department of Grain Science
and Industry**

Shellenberger Hall
Manhattan, Kansas 66506
913-532-6161

23 February 1988

NEBRASKA'S FOOD PROCESSING CENTER EXPERIENCE

Testimony prepared for a hearing on the senate bill #599, Topeka, Kansas, 23 February 1988 by C.E. (Chuck) Walker, Professor, Bakery Science

1. I wish to thank the committee for inviting me today to talk a little bit about Nebraska's experience with a Food Processing Center. I have been in the state but a short time so cannot really advise you yet on what Kansas ought to do, only relate what Nebraska tried, and how it has been progressing.

2. The concept which eventually led to the creation of the food processing center in Nebraska had been discussed for some time by a few individuals, principally from the University of Nebraska - Lincoln, Department of Food Science and Technology, within the Institute of Agriculture and Natural Resources (IANR), analogous to Kansas State University's College of Agriculture and representatives from the State's Department of Economic Development (DED). This led to a breakfast meeting of six individuals early in the fall of 1982 to discuss how the IANR could best stimulate Nebraska's value added agri-business, and specifically how the Department of Food Science and Technology (FS&T) could be involved. The six included the Vice Chancellor, IANR, the President of the alumni foundation, the patent and licensing director of the state Department of Economic

Attachment 3
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Development, and three individuals from the Department of Food Science and Technology, of which I was one.

3. As the discussion proceeded, it soon became apparent that each person had a slightly different idea as to the mission and organization of such a group. The alumni foundation and the DED each pledged \$10,000 and the vice chancellor agreed to the time required, for three of us to visit several other similar operations and to develop a set of objectives and organizational plan. The result was the formal dedication on a hot summer day in 1983 of the Nebraska Food Processing Center by Governor Kerry who symbolically handed a check over to the University.

4. The official list of objectives, as published in May, 1983, were 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 management, staff and employees from these industries.
- 4) Aid various commodity groups and state agencies in developing export markets for Nebraska commodities.

5. The reasons for encouraging development of the FPC actually varied widely among its supporters, and ranged from a genuine desire to help the state of Nebraska, and especially its agri-business sector, to more selfish reasons having to do with justification for new buildings, staff, research projects, students and money for the department(s). As a result, many compromises were necessary, ranging from which agency of the state was to be involved in this

establishment, to which departments would house it, and how it fit into the administrative structure of the university. There were real concerns about "cutting the pie smaller" as no new appropriated money for the FPC was infused into the university during its establishment. This is further exacerbated by six budget reductions, including some mid-year cuts, from 1980-1986, with a net reduction of 75 permanent positions in the IANR during that time. Even though the FS&T/FPC was adding new programs and increasing student enrollment at that time, and other departments were losing students, it was still an understandably difficult and unpopular act to reallocate resources from one department or area to another, e.g. from production agriculture to utilization oriented departments. There was also occasional confusion as to which organization could best serve a given clients needs, e.g. the Nebraska Technical Assistance Center, The Nebraska Business Development Center, or the food processing center. Even within the department of Food Science and Technology (FS&T), there were some of the departmental faculty who sincerely felt that the FPC was outside the "academic mission" of the FS&T department; that we were in danger of selling our souls to commercial interests and would in effect become somewhat of a cross between a trade school and a commercial research laboratory.

Fortunately, most of the uncertainties were resolved such that the FPC was able to grow into a viable and productive organization.

6. The FPC was still developing when I went on sabbatical leave in January 87 and has continued to evolve. It is not a static organization, many of what once were our problems have been resolved, and new ones have appeared to take their place, so as I describe the organization, activities, and successes of the FPC, remember that it will not necessarily be in this form next year, or even next month.

7. See organizational chart. (UNL has slightly different structure than KSU, but the basic mission is the same). It uses the same basic approach to meet its goals.

Note that the FPC and FS&T are essentially Siamese twins with the same person as department head and director. There is an associate director for the FPC and a senior faculty member with a comparable assignment for the teaching program. Since the two organizations have separate budgets, yet share facilities and some faculty and staff have appointments in both, it no doubt has caused fewer conflicts with one single head/director, though speaking from experience, it can cause a deal of difficult decisions and problems for that some one individual.

8. Staffing: As of the end of 1986, there were 2.3 FTE research and 4.6 FTE extension (including the marketing program) within the center; 6.9 FTE total, not counting "collaborators" within FST and other related departments on campus, or at the Scottsbluff facility. The total head count of those professional (nonclassified) associated with the FPC was 20. This did not include Ag economics, housed in the same building and with whom the marketing people worked, and who were a major part of the justification for the development of the FPC and the eventual construction of a new building.

In addition, one half of a secretarial assignment and a variable number of technicians (classified) employees are in the FPC at any given time. It should be noted that most of the "work" at the FPC, in the cooking, processing, analyzing sense of the word was done by technicians of existing faculty. Some of those technicians were on state support, but most of the work was done by "soft money" (not appropriated) funded people.

9. Funding: Even though some of the people were listed on separate FPC budget, no new appropriated funds were available until after 1 July 1986.

Support until that time was by reallocation of the ARD (experiment station) and AES (extension) personnel, by grants from the NU foundation, and DED, and a small amount from user fees. The marketing people were principally supported by DED for two or three year periods, depending upon the particular position, and the technical support by grants and user fees. It was recognized that user fees were necessary, both financially and administratively, but that they would never pay the entire cost, and perhaps none of the marketing groups costs. So much of the costs of the FPC was hidden in reallocation and redirection of effort that is impossible to give you a "true" cost of the FPC at that time.

10. Success and future direction: By the end of 1985, approximately 2 1/2 years after its formal dedication, the FPC had logged about 1000 contacts, and has maintained an average of about one new contact per day since then, not counting the many repeat contacts with some clients or projects.

What has been the results, the benefit to Nebraska? It is hard to say! According to the Census of Manufacturers, Nebraska had about 1,800 "manufacturers" in 1980, about 400 of which were in the "food and kindred product" area. 47 new food processing companies started up operation from 1980-1985, 27 of them in the 1983-85 period, the first two years of the FPC operation, and most of whom used the FPC services. Some of these small businesses would have developed without the FPC, some will fail even with the FPC's help. I really do not know how to judge the value of the FPC to the state in these terms.

A new, \$11,000,000 building addition is presently under construction adjacent to Filley Hall on the UNL east campus, and is expected to be completed in about two years. It will house the departments of Food Science and Technology and Agricultural Economics as well as the expanded marketing offices and the new pilot plants for the Food Processing Center.

11. The original expectation was that we would be contacted principally for technical assistance. i.e. how to do "something". It very quickly became evident, however that the entrepreneurs who represented the majority of our clients, desperately needed business and marketing assistance, not the technical part of development services which they often requested. Therefore, the marketing group became the most visible portion, usually serving as first contact, then calling in the technical people when required, requiring a great deal of time invested by some of our staff.

We provided pilot plant facilities to existing food processors without such facilities, product development services, quality control and troubleshooting services, and developed a book to show the entrepreneur how to prepare his business plan and how to calculate the true cost and realistic selling prices for his products.

The food processing center marketing personnel were also principally responsible for the establishment of the Nebraska Food Industry Association (NFIA), which serves to bring together on an annual and a continuing basis, the food processors and brokers in the state for a trade and marketing show and business meeting at which they are addressed by a number of specialists in many food related areas.

A number of short courses both of a technical and marketing nature are held throughout the year, sponsored by the FPC and designed to stimulate further development of the Nebraska Agricultural value added processing and marketing activities. New government regulations are also reported.

12. Finally, two things should be emphasized about the Nebraska FPC that makes it different from many of the models we studied. (A) It is not a "high tech" center doing advanced research on products or processes. That type of work is conducted in the FS&T academic department, the other 1/2 of the Siamese twin,

and (B) it is also not a commercial analytical and product development service. In fact, we did everything possible to encourage potential clients to go to the private sector, and one of our major functions and contributions was to act as a clearing house, telling people where they can get many services. We tended to concentrate (though not exclusively) on small, in-state, start-up companies, realizing that (A) success rate would be low, but also that (B) most new jobs and most new innovations come from these companies, not from the larger, conservative, established companies, which probably already have their own technical staff and laboratory/pilot plants, and didn't need us.

13. I thank you for your attention. I provided some of the information I have shared with you in the form of a hand-out, and will be glad to try to answer any questions regarding Nebraska's experience that I can, either here or at some other place and time.

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

—Continued on page 102

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.

The University of Nebraska's (Continued from page 99)

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 ft² to more than 110,000 ft². 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.

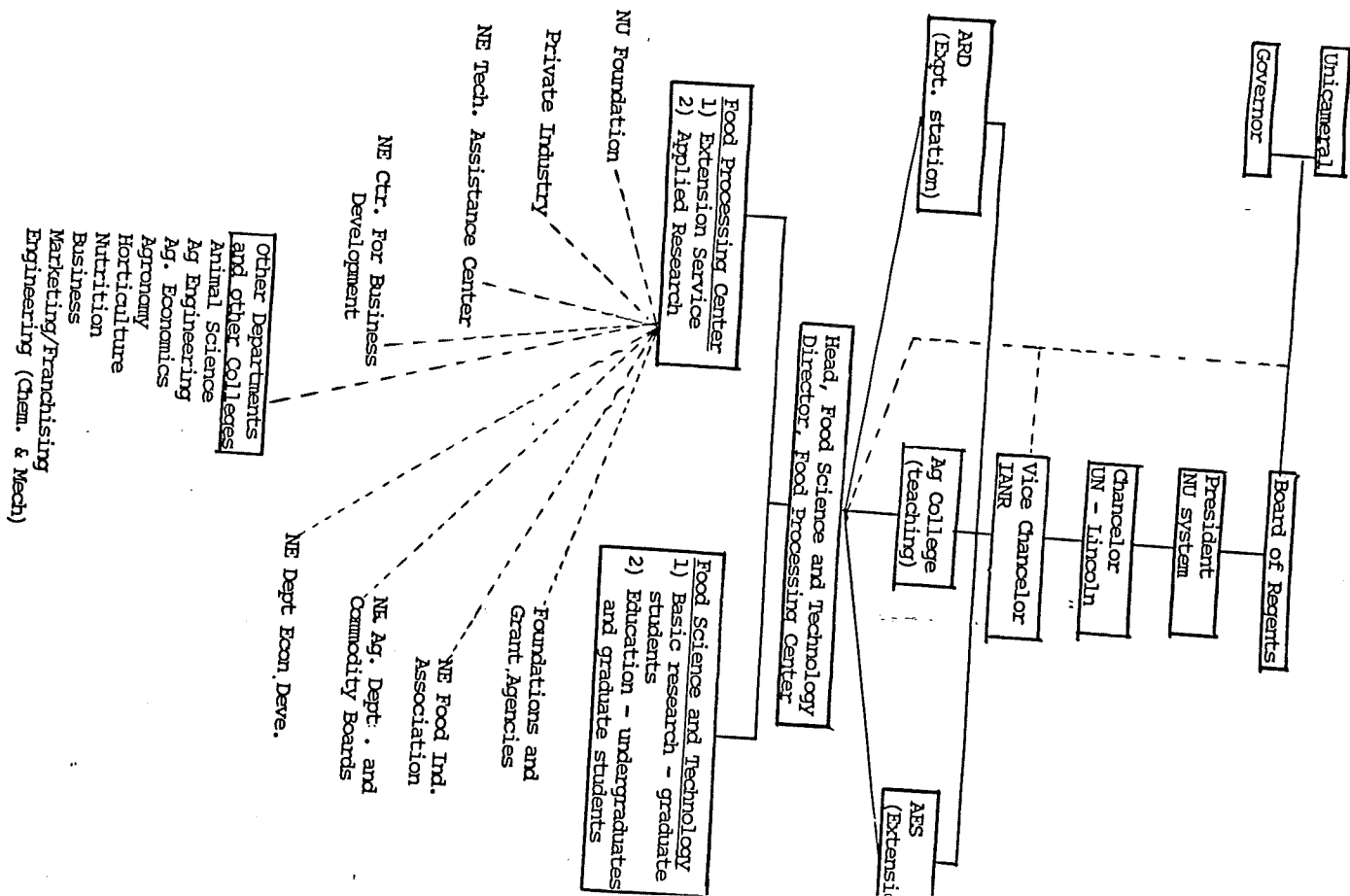
Dairy, wet, and dry processing pilot plants will occupy the majority of the main level, with direct access to the loading dock. These facilities are being designed with teaching, research, and extension purposes in mind. A meat processing pilot plant is also available in the new Animal Science complex 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





Key Foods

Call For Information

TOLL FREE 1-800-255-2865

In Kansas 1-800-432-7423

Good Morning Senators

Thank you for considering what I feel will be the KEY to building a broad based food processing industry in Kansas.

Everyone know the agri-producer must market their produce with a reasonable net profit. The surest method of doing this is to convert the produce to an identifiable food item; hence the term "Value Added"

Twenty years ago we were not that fancy, we were trying to survive with our egg operation. It was impossible within the commodity price structure then and certainly is today. Our first "food item" was a simple hard-cooked egg, floating in water stabilized by preservatives, and marketed to the food service industry as a convince item. It took us three years of trying before we could process correctly and market enough to have any impact on our operation at all.

I know the "KANSAS AGRICULTURAL VALUE ADDED PROCESSING CENTER" would have shortened that time and lessened our pain and trials.

Let me tell you how we "add value" and then address three areas that I feel the center should be expert in.

- 1.) Cottage Industries need help, not so much in the original idea; but in the multitude of phases between conception and maturation of that concept.
- 2.) No small company can afford the basic research that might be needed to bring it's idea to the market place. We, as Kansans, must be willing to invest in that research today to provide the knowledge for tomorrows ideas.
- 3.) The center must be willing to work on and solve the **MARKETING** and **DISTRIBUTION** problems that it will be asked to by many small entrepreneurs. To do this, the center **MUST HAVE A HIGH DEGREE OF CONFIDENTIALITY** or it will never be asked.

*attachment 4
2-23-88*



Key Foods

Call For Information

TOLL FREE 1-800-255-2865

In Kansas 1-800-432-7423

Here is the first public showing of our newest "VALUE ADDED FOOD" in it's completed form. Ready for distribution this week and for retail sales next week.

15 years ago my father, John, wanted to sell pickled eggs at retail outlets across the nation and now we are going to do just that. Many good ideas die in less than 15 years for the lack of support or the resource knowledge that the center should provide.

Lets look very quickly at what this is: 2 Pickled Eggs in "MAPS" Modified Atmosphere Packaging Systems; the film comes from Sunrise Packaging in Wichita, the shipping box comes from Jayhawk in Lawrence, the labels from the Printery in Clay Center, only the jar and lid, which are NOT produced in Kansas, are the only "foreign" components in this product.

THE EGGS COST 10 CENTS AND RETAIL FOR 69 CENTS

THIS IS VALUE ADDED

Below is the <u>VALUE TO KANSAS</u>		AREA OF BENEFIT
Grain for feed	.06	5 counties around Clay
Egg Production labor	.015	Clay, Riley and Cloud
Egg Production utilities	.001	C & W Rural Electric
Egg Production taxes	.0163	County, State, Nation
Egg Production misc.	<u>.0077</u>	
	.10 cents = .60 ¢ per dozen	
Egg Processing labor	.034	Clay, Riley and Cloud
Egg Processing utilities	.005	City of Clay Center
Egg Process packaging	.022	Wichita, Lawrence
Egg Processing taxes	.035	County, State, Nation
Egg Sales labor	.015	Clay Center
Egg Sales travel ect.	.005	Kansas and 10 more states
Egg Trucking labor	.007	Clay and Riley
Egg Trucking equipment	.015	Clay Center and Salina
Egg Trucking gas & oil	.015	Clay Center and Salina
Egg Administration labor	.01	Clay Center
Egg Administration misc.	<u>.03</u>	
	.193 cents = \$ 1.16 per dozen	
Egg Distribution by 10 other independent Companies in the state	.12	cents = \$.72 per dozen
Egg Retail Sales by over 1000 retail sites around Kansas	<u>.27</u>	cents = \$ 1.62 per dozen
	.69	cents = \$ 4.10 per dozen



Key Foods

Call For Information

TOLL FREE 1-800-255-2865

In Kansas 1-800-432-7423

I am enclosing a letter from a commodity priced egg producer to demonstrate the difference in the DOLLAR value to the State of Kansas between an Identifiable Food Item and a dozen eggs.

ROSE ACRE FARMS®

R.R. 5, Seymour, Indiana 47274

THE GOOD EGG PEOPLE®

Telephone (812) 497-2557

February 11, 1988

Jack McKee
Key Milling Co.
P.O. Box 116
Clay Center, KS

Dear Jack,

With your commitment of one or more loads per week, RA only, for the first four weeks, starting with your first order, our special introductory offer of 4¢ off to you is:

Lg	A Ctn	-31¢	f.o.b.
Md	A. Ctn	-27¢	f.o.b.
Sm	A Ctn	-19¢	f.o.b.

Sincerely yours,
David W. Rust BV
Donna Bisque M.D.
David W. Rust, Pres.
ROSE ACRE FARMS

DWR/ch

P.S. Jumbo's are negotiable, now 37¢, Xlg are 2¢ above large, and loose eggs are 2¢ less.

These prices are good till Thursday midnight, Feb. 18th
First come, first served.

If you have any questions, please feel free to call me
between 8:00 a.m. and 6:00 p.m. in Kansas — Established 1947 333



Key Foods

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In Kansas 1-800-432-7423

- 1.) The transition from a "cottage industry" to a small business to a "value added food processing industry" is composed of many phases. I see three areas, where a "Center" with the emphasis on food processing, would benefit the emerging food processing industry in Kansas today, and they are:
 - a) Helping to solve problems of processing and manufacturing a specific product, having a source of scientific knowledge would speed up development of new products or improve the existing ones.
 - b) Quality control is a critical component of the food industry and research will assist in that area. Maintaining quality control during fast growth is one of a small companies biggest problems, you always run out of money and people, or so it seems, when what you really need is more or better facilities. A source to take that question to would be an invaluable asset for this state to possess when recruiting new food plants.
 - c) Basic research is needed to continue finding the solutions to the daily problems of the food industry, and this kind of research leads to the foundation for new and expanded product lines.
- 2.) The Center should have a strong emphasis upon research, not only basic, and not only on the existing problems of today, but into the future needs and wants of tomorrows consumer.
 - a) Quality Control is critical to the future success of any food item. One of the questions the Center should address is; What "Quality" is the consumer of the future going to demand ? Example; 30 years ago we wanted "safe food", today we still want "safe food", but now we want it without the preservatives and additives that were hailed as great 30 years ago. No small emerging company has the resources to even ponder this question, let alone answer it, even though they know that some day it could mean their success or failure.
 - b) Basic research must be funded some where. Without some of the research done in the Meats Department with hot boning for efficient processing, by some professor, before it was perceived as a problem by industry, the answer would not have been there when industry asked. Prudent work on Kansas produced Agri Products should be part of the Centers' function, so the future of the food processing industry will be able to meet the fill the needs of the future consumer.



Key Foods

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In Kansas 1-800-432-7423

- c) A significant and successful Center for Food Processing will serve as a magnet to draw new food companies to Kansas. Just like a successful company will draw its needs, for both services and raw materials, from the community where it locates. I believe that this is such a Center and that it would have a synergistic effect on the entire state.
- 3.) Marketing and distribution strategies are of a greater importance today than ever before. WHY ?? Because it more difficult to be small today than it was 10 or 15 years ago. A small business must fill out more forms and provide more benefits than they did even 5 years ago. Hence their volume must become larger quicker. To do this, the creative producer of our new product, must also be a marketing and distribution specialist.
- a) Marketing is a special skill all of it's own, it is unusual to find a good "producer" that is also a good marketer. The Agri Production sector is full of good producers, in my opinion the center should fill this desperate need that the small processing companies have for marketing expertise. Maybe to the extent of having a section devoted to marketing and market research.
- b) Distribution, we are at the cross roads of the worlds food production, and we have emerging companies that can not move their products to Kansas City economically. Their volume is small, and commercial freight is not going to let them compete. Yet our trucks go through their towns and will be going to Kansas City but we have no formal or semi-formal method of finding out where they are or them finding out that we could haul for them. I am not by this soliciting business, I am pointing out what Bernie Hansen of Flint Hills Foods and I learned about each others businesses recently, we share 19 of 22 customers and we both run trucks to them. This would be a easy function for the Center to perform of matching distribution needs with rolling stock of other food companies.

As you can tell I support the concept of the Value Added Processing Center. I will gladly answer your questions to the best of my ability, either now or in the future. I would be privileged to help by sharing our past 20 years of practice and would enjoy sharing some of what we see for the future of Kansas Food Production Companies.

Jack McKee

STATEMENT
Prepared for the
Senate Agriculture Committee
February 23, 1988

by

Hyde S. Jacobs
Assistant to the Dean of Agriculture
Hyde S. Jacobs

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 nations'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 the 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 marketprice. 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.

Selected KSU Diversification and Value-Added Programs are described on the attached Fact Sheet. Included are efforts in

attachment 5

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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

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.