

Approved March 14, 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 March 3, 1988 in room 423-S of the Capitol.

All members were present except: Senator Gannon (excused)

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

Conferees appearing before the committee:

The Chairman called the committee to order and called attention to SB 529 for committee action. The Chairman reminded the committee that the motion was made by Senator Kerr on February 29 and seconded by Senator Montgomery to recommend SB 529 favorably and requesting it be placed on the Consent Calendar and was left on the table for a vote at a later time after some insurance questions were checked out.

The committee discussion concerned the liability placed on a farmer who leases his land for hunting for a fee. When asked, Sam Brownback explained the time a farmer would be liable would be if the farmer knew of a danger on his land and did not warn the leasees; a farmer would not be liable of danger he did not know about. Mr. Brownback stated the State Insurance Department had no problem with the bill. Copies of a letter concerning the insurance issue from the Farm Bureau Insurance Company to Sam Brownback were given to the committee (attachment 1).

Senator Kerr withdrew his motion of February 29 and Senator Montgomery withdrew his second to the motion.

Senator Kerr made a motion the committee recommend SB 529 favorable for passage. Senator Montgomery seconded the motion. Motion carried.

The Chairman turned committee attention to SB 599. Written testimony for SB 599 was given to the committee which was received after the hearing for the bill. The testimony was prepared by Dr. Anthony Redwood and Dr. Charles Krider from the University of Kansas (attachment 2). The Chairman called on Senator Kerr.

Senator Kerr gave copies of amendments for SB 599 (attachment 3) and explained the proposed amendments. It was noted that on page 4 of the balloon draft that in (b) the date should read July 1, 1988.

Senator Kerr made a motion that the committee accept the amendments with the date changed to July 1, 1988 in section (b) of the last page. Senator Karr seconded the motion. Motion carried.

Committee discussion followed concerning the wording of the bill which stated that the agricultural value added processing center be at Kansas State University when maybe the center would be of better service if located at some other location in the state but through the auspices of Kansas State. Questions were discussed about transferring funds, for 1988 expenses for the leadership council, to the agricultural value added processing center fund when the center will not be in effect until the next fiscal year.

Senator Kerr made a motion the word 'center' be removed from Sec. 5 (a) on page 4 of the attachment in the line ending with the figure \$175,000 and in the third line following the figures. Senator Karr seconded the motion. Motion carried.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

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

Committee asked what had happened on the "Blueprint for Kansas Agriculture Study" as requested by the State Board of Agriculture during the 1987 session. Mr. Jacka from the State Board of Agriculture answered that the blueprint was completed and was due back from the printers soon. Mr. Jacka stated that SB 599 would be helpful for the "Blueprint for Kansas Agriculture".

Senator Kerr made a motion that SB 599 be reported favorable for passage as amended. Senator Doyen seconded the motion. Motion carried.

The Chairman called attention to SB 693 for action.

Senator Arasmith made a motion that staff write a resolution around the concerns and recommendations made about SB 693. Senator Montgomery seconded the motion. Motion carried.

The Chairman called for committee action on SB 569.

Senator Karr made a motion the bill be reported favorably for passage. Senator Norvell seconded the motion.

Senator Doyen moved to amend the bill to make the square dance the state dance.

The Chairman announced the motion would remain on the table; he then adjourned the committee at 10:46 a.m.



Farm Bureau Mutual Insurance Company, Inc.
KFB Insurance Company, Inc.

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

COPY

February 16, 1988

Mr. Sam Brownback, Secretary
State Board of Agriculture
109 Southwest Ninth Street
Topeka, Kansas 66612

Dear Mr. Brownback:

John Blythe, of the Public Affairs Division of the Kansas Farm Bureau, has asked me to correspond with you concerning Senate Bill #529.

Farm Bureau Mutual Insurance Company, Inc., one of the insurance companies of the Kansas Farm Bureau, will provide Liability Coverage for the owner or operator of land that is used for recreational purposes. It is a stipulation of our Company, that in order to provide this coverage, that we have the insureds Farm Liability insurance. In looking at Senate Bill #529, I noticed that "recreational purpose" includes a number of activities that may be conducted on a landowners premise; whether or not we would be able to provide Liability insurance protection would depend upon the type of activity that might be conducted.

The premium for a hunting operation would be \$73.64 per \$1,000.00 of receipts; the minimum premium for a policy is \$124.00 per annum. The annual premium for a fishing pond would be \$11.59 per \$1,000.00 of receipts, with a \$91.00 minimum premium. Both of these rates are predicated upon a Liability limit of \$100,000.00 per occurrence and \$100,000.00 aggregate.

If I can be of further assistance to you, please do not hesitate to contact me.

Sincerely,

FARM BUREAU MUTUAL INSURANCE COMPANY, INC.

Dennis Laubhan
Commercial Underwriting Manager

DL:ld

cc: John Blythe

attachment 1

3-3-88

TESTIMONY ON SENATE BILL 599
AGRICULTURAL VALUE ADDED PROCESSING CENTER

by

Dr. Anthony Redwood
Professor, School of Business and
Executive Director
Institute for Public Policy and Business Research
University of Kansas

and

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

presented to the
Senate Agriculture Committee
February 29, 1988

attachment 2
3-3-88

Thank you for the opportunity to provide written testimony on Senate Bill 599, which establishes an agricultural value added processing center for the State of Kansas. We strongly support this bill and believe that it is a positive step for the economic development of the state. An important part of Kansas' economic development strategy is to build on the state's current strengths. The creation of an agricultural value added processing center does this by building on one of the major sectors of Kansas' economic base - agriculture.

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

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

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

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

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

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

As with other markets, the agricultural market is becoming increasingly competitive. It is important to realize that in order for Kansans to compete in the agricultural market they must not just follow but lead in the development of new agricultural products and processes. The development of new products requires a commitment of time and financial resources - it must be a deliberate effort to be a success. Other states, as well as foreign competitors, are making such a deliberate effort. Iowa and Nebraska, have already established centers like the one proposed in this bill and have had success with these centers. Oklahoma is currently working on a proposal for such a center. By applying resources to value added research these centers can create new products, reduce the development time necessary for such products, and help processors gain greater shares of the market by beating the competition to the market with new products.

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

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

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

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

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

information services.

SENATE BILL No. 599

By Senator F. Kerr

2-9

attachment 3
3-3-88

0016 AN ACT creating the agricultural value added processing center;
0017 providing for a leadership council; responsibilities of the
0018 leadership council and coordinator; ~~creating the agricultural~~ making and concerning appropriations for the fiscal year ending June 30, 1989
0019 ~~value added processing fund.~~

0020 *Be it enacted by the Legislature of the State of Kansas:* _____ a leadership council to evaluate and develop

0021 Section 1. The purpose of this act is to authorize ~~the estab-~~
0022 lishment of an agricultural value added processing center at
0023 Kansas state university. The center shall be established July 1,
0024 1989. ~~The objectives of the center may include, but not be~~ (a) shall

0025 limited to, ~~developing Kansas agricultural processing potential~~
0026 ~~through communication, cooperation and promotion,~~ providing
0027 technical assistance to existing and potential value added proc-
0028 essing facilities; developing a network for collecting and dis-
0029 tributing information to individuals involved in value added
0030 processing in Kansas; initiating pilot plant facilities to act as
0031 research and development laboratories for existing small scale
0032 value added processing endeavors in the state; providing tech-
0033 nical assistance to new agricultural value added processing
0034 businesses; ~~developing a market referral program, matching dis-~~
0035 ~~tribution to buyers in coordination with other state agencies~~
0036 ~~concerned with marketing Kansas products;~~ increasing national
0037 interest in Kansas food production; assisting private entrepre-
0038 neurs in the establishment of facilities and markets for new
0039 agricultural value added processing endeavors; and introducing
0040 coordinated programs to develop marketing skills of existing
0041 agricultural value adding processors in the state.

and developing Kansas agricultural processing potential through communication, cooperation and promotion.
(b) the marketing development efforts concerning products shall be conducted cooperatively with existing state agencies involved in marketing, and shall include but not be limited to

0042 Sec. 2. (a) A leadership council consisting of 11 members
0043 shall be established by July 1, 1988, to facilitate the creation of May
0044 the agricultural value added processing center. The 11 members

0045 shall be selected as follows:

0046 (1) A member of the house of representatives and a member
0047 of the senate appointed by the legislative coordinating council,
0048 and such members shall be from different political parties;

0049 (2) the dean of the college of agriculture from Kansas state
0050 university or the dean's designee;

0051 (3) the secretary of the state board of agriculture, or the
0052 secretary's designee;

0053 (4) the secretary of commerce, or the secretary's designee;

0054 (5) ~~a board member of the Kansas technology enterprise~~
0055 ~~corporation, selected by a majority vote of the board;~~

0056 ~~(6) four~~ citizens of Kansas, representing a variety of agricul-
0057 ~~tural processing interests, selected by the governor; and~~

0058 ~~(7) a member from Kansas state university who shall be~~
0059 ~~appointed by the dean of the school of agriculture and approved~~
0060 ~~by the president of Kansas state university. This member shall be~~
0061 ~~hired in a newly created staff position at Kansas state university~~
0062 ~~and shall be designated as the coordinator of the agricultural~~
0063 ~~value added processing center.~~

0064 (b) The members of the leadership council shall be paid
0065 subsistence allowance, mileage and other expenses as provided
0066 in K.S.A. 75-3223, and amendments thereto, ~~as there is money~~
0067 ~~available in the agricultural value added processing fund.~~

0068 (c) The leadership council shall be and is hereby abolished
0069 on July 1, 1991.

0070 Sec. 3. The coordinator shall be responsible for publishing a
0071 formal strategy and set of goals for the agricultural value added
0072 processing center and presenting the strategy and goals to the
0073 legislature and the governor on January 10, 1989. A follow-up
0074 report shall be made on April 1, 1989. The coordinator shall
0075 prepare a preliminary budget proposal for fiscal year 1990 and
0076 present such budget proposal to the governor no later than
0077 September 1, 1988. The strategy, goals and budget proposals
0078 shall be ratified by the leadership council.

0079 Sec. 4. The leadership council shall decide the agencies
0080 which will be the most helpful in determining financial, techni-
0081 cal, marketing or other aids in the value added business en-

six

agricultural producers and a variety of processing interests

(a) The leadership council shall hire a coordinator who will be selected from a list of applicants provided by the president of the Kansas technology enterprise corporation. Such coordinator shall be an employee of the Kansas technology enterprise corporation and shall be located in the office of the president of Kansas state university.

(b)

0082 deavors.

0083 ~~Sec. 5. (a) Any person involved in the business of value~~
0084 ~~adding to agricultural products, through a manufacturing~~
0085 ~~process, shall pay a \$10 registration fee to the coordinator, who~~
0086 ~~shall remit the money monthly to the agricultural value added~~
0087 ~~processing fund which is hereby created in the state treasury.~~

0088 ~~(b) All moneys credited to such fund shall be expended or~~
0089 ~~transferred only for the purposes of this act. Expenditures from~~
0090 ~~such fund shall be made in accordance with appropriation acts~~
0091 ~~upon warrants of the director of accounts and reports issued~~
0092 ~~pursuant to vouchers approved by the coordinator.~~

0093 ~~(c) "Person" means any individual, partnership, corporation~~
0094 ~~or joint venture carrying on business or proposing to carry on~~
0095 ~~business within the state.~~

Insert Sec. 5 attached

0096 Sec. 6. This act shall be known and may be cited as the
0097 agricultural value added processing center act.

0098 Sec. 7. This act shall take effect and be in force from and
0099 after its publication in the Kansas register.

Sec. 5.

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

(a) There is appropriated for the above agency from the following special revenue fund for the fiscal year ending June 30, 1989, all moneys now or hereafter lawfully credited to and available in such fund, except that expenditures shall not exceed the following:

Agricultural value added processing center fund.....\$175,000

Provided, That expenditures from this fund may be made for the establishment and operating expenditures for a center of excellence to be located at Kansas state university to be known as the agricultural value added processing center:
Provided further, That expenditures may be made from this fund for operating expenditures for a coordinator and for preparation and development of a business plan for such center of excellence.

(b) On July 1, 1989, the director of accounts and reports shall transfer \$175,000 from the Kansas economic development research and development account of the state economic development initiatives fund of the department of commerce to the agricultural value added processing center fund of the Kansas technology enterprise corporation.