

Approved: 2-5-96  
Date

## MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE

The meeting was called to order by Chairperson David Corbin at 10:08 a.m. on January 31, 1996 in Room 423-S of the Capitol.

All members were present except: Quorum was present.

Committee staff present: Raney Gilliland, Legislative Research Department  
Eric Milstead, Legislative Research Department  
Jill Wolters, Revisor of Statutes  
Lila McClafflin, Committee Secretary

### Conferees appearing before the committee:

Charles Warren, Ph.D, President, Kansas, Inc.  
Gordon Lormar, Kansas Value Added Center, K-VAC  
Kent Symns, American White Wheat Producers Association  
Dale Kuhn, Nitri Shield, Courtland, KS  
Lee Derr, Inter Chem Environmental Inc., Overland Park  
Richard Smith, Treehouse Berry Farm, Linwood  
Earl Wright, Tall Grass Prairie Producers, also Kansas Sampler Foundation, Council Grove

Others attending: See attached list

A motion was made by Senator Morris to adopt the minutes of January 30. Motion was seconded by Senator Clark. Motion carried.

### **SB 507 - abolishing the agricultural value added center and the leadership council.**

The hearing on **SB 507**, was opened. The Chairperson announced that written testimony opposing **SB 507** had been distributed. Following is a list of their names and businesses: Anne Wilson, Tallgrass Prairie Producers (Attachment 1), Marilyn Hanshaw, MarCon Pies, Washington, KS (Attachment 2); Rod Vorhees, President, See-Kan (Attachment 3); and Dan Nagengast, Kansas Rural Center, Whiting, KS. (Attachment 4). A fiscal note also was distributed. Chairperson Corbin called on Charles Warren to testify.

Charles Warren spoke in support of **SB 507**. He said since the Governor has proposed the transfer it should be viewed as a logical step to further reduce duplication of services and increase coordination between related programs that serve small producers of food and non-food, value added agricultural products (Attachment 5).

Proponent, Gary Sherrer, Secretary, Department of Commerce, will be heard Thursday, February 1, 1996.

The hearing for the opponents was opened. Gordon Lormar, K-VAC, introduced his out of town conferees and stated he would reserve his remarks for Thursday, February 1.

Kent Symns, American White Wheat Producers Assn, supported the mission of KVAC and their value added commercialization effort for Kansans. He pointed out that he did not come to defend the structure of the KVAC leadership council, as many feel it is unwieldy (Attachment 6).

Dale Kuhn, Nitri Shield, Courtland, KS., did not submit written testimony. He distributed a graph documenting his company sales in 1995 (Attachment 7). He recommended KVAC be moved from the K-State campus and the board be reduced in members.

Chairperson Corbin ask him to submit his recommendations in writing. He said he would do so.

Lee Derr, Inter Chem Environmental Inc., Overland Park, opposed the bill. No written testimony.

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE Room 423-S-Statehouse, at 10:08 a.m. on January 31, 1996.

Richard Smith, Treehouse Berry Farm, Linwood, located in Leavenworth County, opposed the bill. He reviewed how he had worked with KVAC and Small Business Development Center in Lawrence to receive grants and decide what equipment and design was necessary to build a facility to package products for himself and other small producers. Mr. Smith said he also received referrals regarding people who were interested in being located in his facility. If KVAC were transferred to the Department of Commerce, he was affaired it might be difficult to receivet the same assistance. He responded to questions regarding the assistance he received.

Earl Wright, Tall Grass Prairie Producers, supported the bill. He told the committee about his involvement with KVAC. He reviewed what the needs of agriculture producers are to move into a more profitable position with their businesses. Finally he suggested four items to improve KVAC services (Attachment 8)

At the Chairs request information regarding KVAC's programs and staffing was distributed (Attachment 9),

The hearing was continued until the next meeting on February 1, 1996. The meeting adjourned at 11:04 a.m.

# SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: 1-31-96

NAME	REPRESENTING
Jim Allen	Seaboard
Gordon LORMOR	KVAC
EARL B. WRIGHT	Private Business
Anne Marie Worley	Interested
Deborah Heif	KVAC
Chava McKel	senator Downey
Deputy P...s	Kansas, Inc.
Mike James	Ks Pork Council
Leslie Kaufman	Kansas Farm Bureau
John Rolfe	KDOCH
Greg Krissch	KDA
Dan Hermes	DOB
Cindy Diehl	KTEC
Sherry Sidonov	KVAC/KTEC Incl. Ag.
Kevin Carr	KTEC
Hank Ernst	Kansas Farmer
Kent Sparks	American White Wheat Producers Assn.
Ivan W. Wyatt	Kansas Farmers Union
Marty Vanier	Kansas Agriculture Alliance



# Tallgrass Prairie Producers

Anne B. Wilson  
Coordinator  
RR 1 Box 53  
Elmdale, KS 66850

Telephone 316-273-8301

January 25, 1996

Senator David Corbin  
Room 120 South - State Capitol Building  
Topeka, KS 66612

Dear Senator Corbin:

I am writing in support of continued funding of the Kansas Value Added Center. I am president of a new ranchers' cooperative which has formed to produce and market lean, grassfed beef grown in the Flint Hills. We have been planning our business for 18 months and just began selling beef on a small scale two months ago. We are the sole supplier of beef for the historic Summit House restaurant in Beaumont, Kansas, have beef on the shelves in two natural food groceries, and are selling boxes of beef out of three small locker plants in different areas of Kansas. We are beginning to receive inquiries from major distributors and feel our volume will increase rapidly. We have eight producer members (four from Butler County) and many more wanting to join, and we are currently employing two people in part-time positions, sure to become full-time soon.

None of this would have been possible without our small development grant from the Kansas Value Added Center. Their knowledgeable staff helped us develop a plan, guided us through it, and put us in touch with numerous experts across the state who have helped us form our new cooperative business entity, refine our production model, and conduct market research and development. They set up an excellent workshop which specifically taught us how to develop our company identity and label and define our market sector. We were just ranchers and didn't know anything about selling beef directly to consumers. Now we do, and are continuing to learn much more rapidly thanks to the assistance of KVAC.

I am afraid the proposal to divide what KVAC is doing between three other state agencies would make it so confusing that citizens like us would simply be unable to sort it all out and get the help we needed. KVAC is effective because it is the direct link between producers and a plethora of state agencies. KVAC helps explain who does what, sets up the meetings and gets producers connected with the help they need. Also, their special knowledge of agriculture and food products was tremendously helpful, as federal regulation in this area is overwhelming.

I think there is tremendous potential for more small and middle scale agricultural producers to join together in direct marketing cooperatives such as ours, and KVAC is a wonderful agency to assist them in this process. I would encourage you to continue supporting KVAC in its present form, as one of our best chances to preserve family farms and ranches and rural communities of our state.

Sincerely yours,

*Anne B. Wilson*

Anne B. Wilson

*Senate Ag Co  
1-31-96  
attachment 1*



# MarCon Pies/MarCon Catering, Inc.

124 W 8th Street, Washington, Kansas 66968 — 913-325-2439

Connie Allen — Marilyn Hanshaw

Homemade Pies Baked Fresh Daily - An Elite Catering Service

January 30, 1996

Senator David Corbin  
Chairman of the Senate Agriculture Committee

Dear Senator Corbin,

Please reconsider eliminating the Kansas Added Value Center. MarCon Pies has been marketing pies for about six years. KVAC made chemical and shelf-life analysis of the pies and helped with the nutritional labeling.

We made over 275,000 pies in our factory last year. We have about 18 employees plus part-time help. The area we serve is about a 250 mile radius from Washington, KS. It is nice to have the KVAC people give assistance when we ask for help.

Thank you for your consideration.

Sincerely,

*Connie Allen*

Connie Allen

*Marilyn Hanshaw*

Marilyn Hanshaw

*Senate Ag Co.  
1-31-96  
attachment 2*



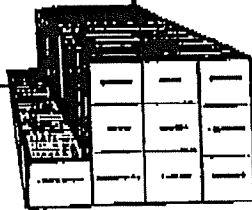
# Resource Conservation and Development Project, Inc.

See-Kan RC&D Office, 7th & Country Club Road, Route 2, Box 293-A, Chanute, KS 66720

Tax Exempt 501(c)(3)

Tel. 316-431-6180

FAX 316-431-6181



To: Senator David R. Corbin

From: Rod Vorhees, President  
See-Kan RC&D

### EXECUTIVE COMMITTEE:

Rod Vorhees  
Pres., Fredonia  
Fred Glefer  
1 V. Pres., Girard  
Lauren Pringle  
2 V. Pres., Yates Center  
Adolph Wildgrube  
Secretary, Independence  
Hugo Spieker  
Treasurer, Chanute  
Gordon Conger  
Member, Iola  
Robert Miller  
Member, Ft. Scott  
J.D. Rector  
Member, Sedan  
James Lucian  
Member, Columbus  
Dale Higginson  
Member, Parsons

Subject: Public hearing and possible action on SB-507, abolishing the agricultural value added center and the leadership council.

Since I will be unable to testify at the hearing scheduled for 10:00 A.M. on January 31, I offer the following input to the Senate Agricultural Committee. I encourage the committee to oppose SB-507 and to retain KVAC as a stand alone entity without folding its functions within the Dept. of Commerce and Housing.

### BOARD OF TRUSTEES:

Allen County  
Thomas Wood  
Karl Allen  
Gordon Conger  
Bourbon County  
Gary Houston  
Robert Miller  
Charles Bruner  
Chautauque County  
J.D. Rector  
Goff Seale  
Eliot Bell  
Cherokee County  
James Lucian  
Ronald Westervelt  
Steve Parson  
Crawford County  
Earl McCain  
Fred Glefer  
Ken Taylor  
Labette County  
Dale McBride  
Paul Harber  
Dale Higginson  
Montgomery County  
Harold Butler  
Pat Romine  
Adolph Wildgrube  
Neosho County  
Hugo Spieker  
Harry Baker  
Julie Johnson  
Wilson County  
Jim Bolton  
Rod Vorhees  
David L. Carlson  
Woodson County  
Gordon McNitt  
Lauren Pringle  
Robert Grider

See-Kan Resource Conservation and Development (RC&D) is a non-profit corporation serving ten southeast Kansas counties in implementing a variety of rural development projects. See-Kan RC&D is sponsored by the county commissions and conservation districts in the ten county region.

The RC&D Council recently completed some long range planning. One important need the council identified was to promote value added agriculture as an economic development strategy for southeast Kansas. Since southeast Kansas's economy is centered around agriculture and manufacturing, we believe value added agriculture holds a lot of promise for further economic development in the area.

In addition, federal agricultural subsidies for farm commodities are likely to be severely cut and possibly curtailed in the near future. With 60% of agricultural exports now being of the value added type, it is imperative for the farmers to have access to value added markets to ensure their continued livelihood.

We believe that by folding KVAC's functions into the Dept. of Commerce and Housing, value added agriculture will receive less emphasis than it has with a stand-alone entity. Since agriculture is a significant

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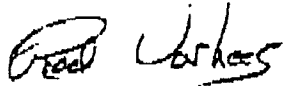
*Senate Ag Co  
1-31-96  
Attachment 3*

component of Kansas's economy, we feel that value added agriculture should be receiving more emphasis, not less.

See-Kan RC&D convened a meeting on Jan. 19, 1996 to explore the value added opportunities for southeast Kansas. KVAC was one of our participants at this meeting. We were pleased with the assistance and advice they provided. We anticipate working with them further over the next several years in trying to make value added agriculture a reality in southeast Kansas. We would dislike having our efforts thwarted by the abolition of this necessary partner in our endeavor.

Again, I urge your opposition to SB-507.

Sincerely,



Rod Vorhees, President  
See-Kan RC&D

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**Resource Conservation and Development Project, Inc.**

See-Kan RC&D Office, 7th & Country Club Road, Route 2, Box 293-A, Chanute, KS 66720  
 Tax Exempt 501(c)(3) Tel. 316-431-6180 FAX 316-431-6181

To: Senator David R. Corbin  
 From: Rod Vorhees, President  
 See-Kan RC&D

Subject: Public hearing and possible action on SB-507,  
 abolishing the agricultural value added center  
 and the leadership council.

EXECUTIVE COMMITTEE:

- Rod Vorhees  
 Pres., Fredonia
- Fred Glaser  
 I. V. Pres., Grand
- Laura Pringle  
 Z. V. Pres., Yates Center
- Adolph Wiegman  
 Secretary, Independence
- Hugo Spahr  
 Treasurer, Chanute
- Gordon Conger  
 Member, Iola
- Robert Miller  
 Member, Ft. Scott
- J.D. Foster  
 Member, Selden
- James Lucien  
 Member, Columbus
- Dale Higginson  
 Member, Parsons

BOARD OF TRUSTEES:

- Allen County  
 Thomas Wood  
 Karl Allen  
 Gordon Conger
- Barton County  
 Gary Hamston  
 Robert Miller  
 Charles Briner
- Cherokee County  
 J.D. Foster  
 Golf Seale  
 Ebert Bell
- Crawford County  
 James Lucien  
 Ronald Westervelt  
 Steve Pearson
- Crawford County  
 Earl McCole  
 Fred Glaser  
 Ken Taylor
- Linn County  
 Dale McBride  
 Paul Hunter  
 Dale Higginson
- Montgomery County  
 Harold Buder  
 Ray Hamme
- Neosho County  
 Adolph Wiegman  
 Hugo Spahr  
 Harry Baker
- Wilson County  
 Jim Bolton  
 Rod Vorhees  
 David L. Carlson
- Woodson County  
 Gordon McNeil  
 Laura Pringle  
 Robert Brider

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**RC&D - Making things happen!**

Membership is available without regard to race, creed, color, sex, handicap, marital status, or national origin

3-3

170-S

**TO: SENATOR CORBIN**  
**From: Dan Nagengast, Kansas Rural Center**  
**(913) 841-1959**  
**RE: KVAC - SENATE BILL NO. 507**

**The Kansas Rural Center**

**Dan Nagengast, Executive Director**

**P.O. Box 133**  
**Whiting, KS 66552**  
**(913) 873-3431**  
**(913) 841-1959**

**Testimony concerning the disposition of the Kansas Value Added Center**  
**Senate Ag. Committee, Bill No. 507, January 31, 1996**

The Kansas Rural Center (KRC) is a private, non-profit organization that promotes the long term health of the land and its people through education, research and advocacy. The Rural Center cultivates grassroots support for public policies that encourage family farming and stewardship of soil and water. The Center is committed to economically viable, environmentally sound and socially sustainable rural culture.

KRC has worked closely with the Kansas Value Added Center on several occasions over the last two years. Twice we have sought funds to help bring in experts

*Senate Ag Co*  
*1-31-96*  
*attachment 44.1*

from out of state. In one instance, two members of a value-added beef producers cooperative in Oregon came to Kansas, toured the state, and spoke to roughly 300 farmers and ranchers. Several of those who heard the experts are now involved in value-added cooperatives. One of those, president of his County Farm Bureau, spoke of his exposure to the speakers as leading him into participation in a state-wide beef marketing group. In another instance, organizers of producer cooperatives in Wisconsin and Arkansas spoke at a workshop targeting emerging cooperatives. At least three producer cooperatives have arisen from among the attendees. I attended a North Dakota event that helps to develop emerging cooperatives there, courtesy of KVAC. Using the information gained there, I have since worked with numerous groups of conventional farmer seeking to add value to their farm production.

KRC was fortunate to receive a grant for development of a Public Service Announcement which features Kansas River Valley Produce and value added products. The PSA is finished and will be showing on television stations throughout the valley this summer.

A grass-fed beef producers cooperative, developed with assistance from the Kansas Rural Center, received a grant of \$5,000 that was used for sheer test studies of their meat products and consumer testing. The cooperative is off the ground and has been marketing beef for 3 months.

The Rural Center helped seek funding from KVAC, while providing an initial grant itself, to the Treehouse Berry Farm processing kitchen in Eudora. Almost 20 farms have indicated that they will be using the kitchen to test and develop agriculturally based products featuring production from their own farms. The kitchen received certification to begin processing the week of January 15 and is working with a

customer now to develop a salsa product.

The Rural Center presently works with 13 groups of farmers around the state. We have found tremendous growth can be achieved by local people, with relatively little assistance, if the assistance is targeted towards specific projects and comes in a timely manner. Full blown processing companies, tied to specific communities and agricultural products, do not spring miraculously forth because money is available. Rather, assistance has to be targeted to people in those communities that builds on their aspirations and existing activities. We fear that processing companies not rooted in the aspirations of Kansans to make their lives and homes better risk being sold out of state once they become successful.

It is also our fear that the hundreds of people that KVAC has already helped in the last few years, and the thousands more who we hope to be working with in the future, will no longer have access to the small amounts of capital and large amounts of professional assistance that KVAC can provide. Frankly, we see no other state agency or office which can provide that assistance at this time.

Thank you for your attention.

Kansas Value Added Center  
(KVAC)

Testimony of

Charles Warren, Ph.D.  
President, Kansas, Inc.

before

Senate Committee on  
Agriculture

The Kansas Legislature

January 31, 1996

*Senate Ag Co  
1-31-96  
attachment 55-1*

## Kansas Value Added Center (KVAC)

### Program Description

The Kansas Value Added Center was established in FY 1989. The overall mission of KVAC is to enhance the economy of the State of Kansas by providing assistance to agricultural value added endeavors. KVAC operates as a subsidiary of KTEC.

The functions of KVAC can be divided into three activities: 1) technical services, 2) product and process commercialization, and 3) communication and education. The following is a brief description of each of these activities:

Technical Services This activity provides technical information, laboratory, and pilot-plant assistance to a broad range of agricultural processing businesses and individual interests. The center gives direct advice, literature searches, regulatory and product labeling guidance, pilot plant trials, sensory evaluation by trained expert panelists as well as providing direct financial assistance for applied research studies to qualified clients and applications.

Product and Process Commercialization This activity assists individuals or companies in commercializing new and existing products and processes using agriculture commodities grown in the state. Limited matching funds are available to assist qualified projects. This program will seek out and assist those clients most likely to achieve viable business status within a one to three year period. Through the development of licensing, royalty, or pay-back agreements, it is intended that investments will be recouped and the economic gains resulting from the services will be reinvested into the recently established "for-profit" KVAC Holding, Inc. for continued growth and development.

Communication and Education This activity is intended to be the central point for coordination and communications to support business development of new uses of agriculture products.

### Funding/Staffing

KVAC is currently staffed with six full-time FTE positions. Five value-added extension specialists employed by Kansas State University provide technical support and expertise to clients. Funding for KVAC increased by approximately \$225,000 from FY 1992 to FY 1994. The FY 1994 budget level for KVAC was \$874,500. Specific annual EDIF funding levels for KVAC are listed below:

FY 92	FY 93	FY 94	FY 95
\$649,625	\$622,192	\$874,570	\$882,950

## Data Collection

A total of 71 clients were identified as having received 76 incidents of assistance. This information however was not complete enough to identify what kind of assistance was provided, or even the year during which most of the firms received the assistance. Despite the lack of information, all 71 firms were entered into the data base.

## Program Tracking System

KVAC did not have a client tracking system in operation during the time frame of this evaluation. See Program Issues in this section for a recommendation on this subject.

## Kansas, Inc. Data Base Tabulations

KVAC provided records of 76 incidents of assistance and the names and addresses of 71 companies or individuals who had entered into agreements for technical assistance. Not all of these clients signed formal contracts with KVAC. The majority of these clients (62%) were from nonmetropolitan counties. Fifty-eight of the clients were manufacturers (82%), predominately in the food and kindred products sector. The Northeast region received the most assistance (35% of the clients) followed by the North Central region (another 30% of the clients).

Of the 71 individual company records provided by KVAC, only 19 incidents of assistance were identified by year. KVAC could not identify the year in which assistance was provided for 57 incidents of assistance. Other outcome measures were also poorly recorded. Only four records were provided of jobs created or retained.

The following figures are tabulations generated from the Kansas, Inc. data base of KVAC clients as reported by KVAC:

	FY 92	FY 93	FY 94
Service Agreements Identified	3	6	10
Identified Firms or Individuals Served	3	5	10
Jobs Created	1	4	1
Jobs Retained	1	4	1
KVAC Funds Awarded	\$14,049	\$15,330	\$207,438

## Survey Results

Kansas, Inc. did not survey KVAC clients for this evaluation.

## **Program Performance Measures**

KVAC's performance measures include the number of clients served, number of counties served, presentations and workshops conducted, scholarships awarded for technical assistance, products developed and commercialized, new businesses developed, new jobs created, and proposals funded. This list includes both output and outcomes measures, but does not make the distinction as required by the Division of the Budget in the development of the budget document.

KVAC is similar to many other programs operated by KTEC in that many clients engage in activities which continue for more than one year. It is therefore imperative that KVAC list both the number of ongoing clients served, and also the number of new clients served as separate measures. This practice will allow KVAC to more accurately describe the activities of the agency for the previous fiscal year.

## **Program Issues**

KVAC should be challenged to provide documentation to verify that performance measures listed in the FY 1995 budget document can be substantiated through credible record keeping and client tracking. To achieve this goal, KVAC should adopt a system of client tracking based on the model of the ARMF program. This program requires grant recipients to submit quarterly reports indicating any economic impact to the company as a result of the assistance provided. This will assure KVAC a system of reliable and documented performance measurement.

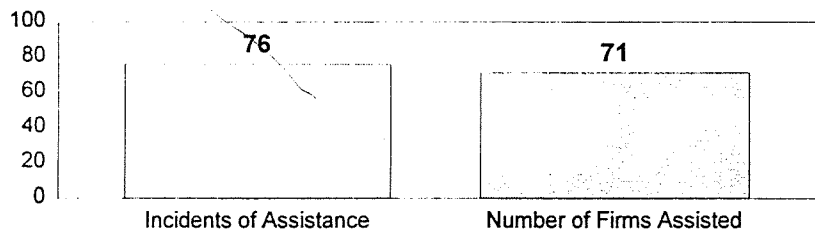
In late October 1995, the new executive director of KVAC, Gordon Lormor, notified Kansas, Inc. staff that they have undertaken a new survey of the KVAC clients that were reported to Kansas, Inc. in an effort to update their files and to collect information on customer satisfaction and outcomes.

Contingent upon Legislative approval during the 1996 Session, the Department of Commerce & Housing will have responsibility for the agricultural marketing and directory activities. It makes sense to transfer KVAC from KTEC to KDOC&H so that all these closely related activities can be managed together and coordinated. The industrial uses program of KTEC should remain in its present location.

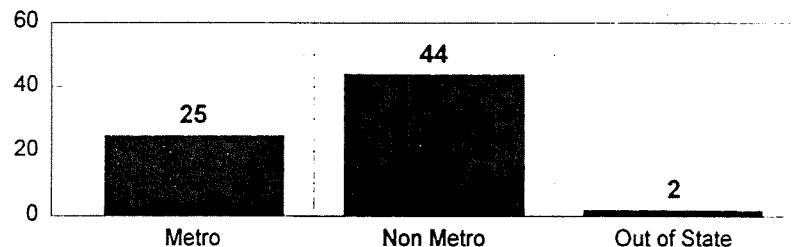


# Kansas Value Added Center Profile of Program Clients, FY92-FY94

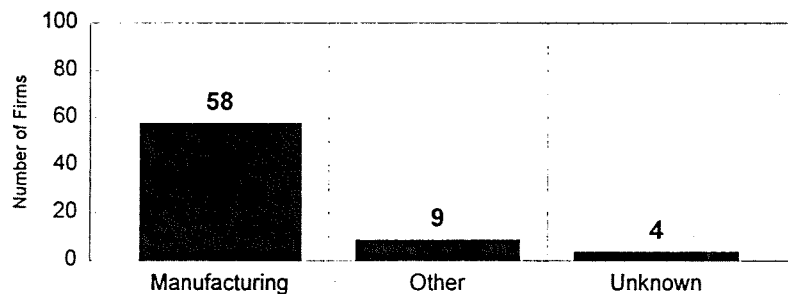
Count of Firms and Assistance



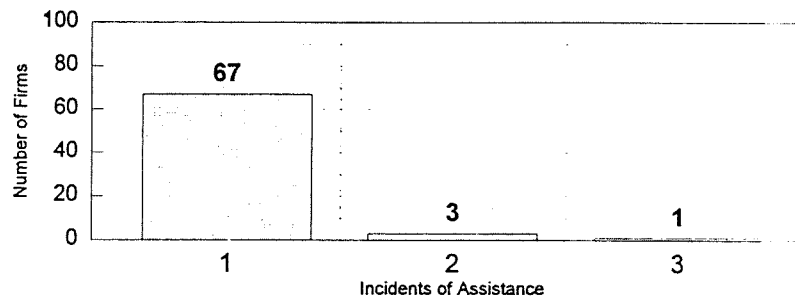
Distribution of Assistance: Metro v. Non Metro



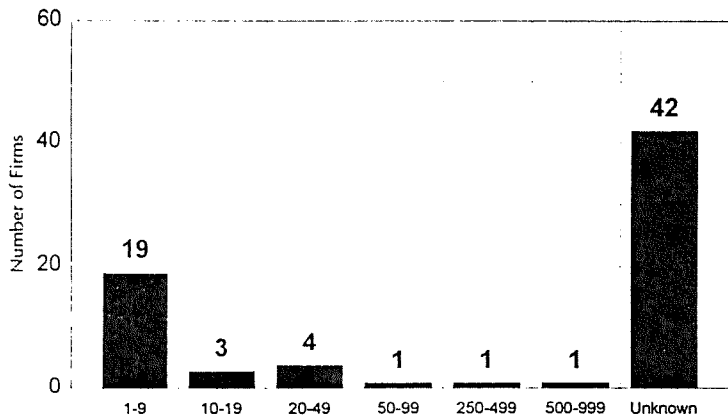
Distribution of Assistance by Industry



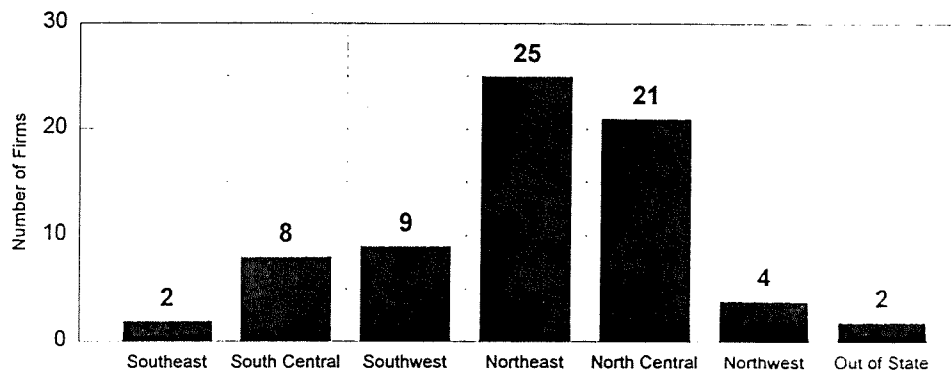
Incidents of Assistance per Firm



Distribution of Assistance by Firm Size



Distribution of Assistance by Region



5-5

*Value added agriculture can provide significant opportunities for economic diversification and job creation in Kansas, especially in rural communities. State programs to aid the creation and expansion of value added agriculture business need to be reorganized and strengthened to increase their effectiveness. Assistance to small value added food processors needs to be integrated with other business development activities within the Kansas Department of Commerce & Housing. The functions and resources of the Kansas Value Added Center food and feeds program should be transferred from KTEC to KDOC&H. The Kansas Value Added Council should be abolished. Responsibility for the industrial use of agricultural products should be retained in KTEC. The Kansas Legislature should examine the organization and management of value added agriculture programs and adopt reforms necessary to improve their effectiveness.*

Currently, responsibility for value added agriculture is divided among four separate state entities. The Business Development Division of KDOC&H provides assistance to agricultural based companies through its management assistance, marketing and financial aid programs. The Kansas Department of Agriculture is responsible for domestic and international marketing programs for food processors. The Kansas Value Added Center, a subsidiary of KTEC, provides managerial, financial and technical assistance to value added firms. Kansas State University provides technical assistance and expertise through its pilot plant facilities and labs and its staff of value added agricultural extension specialists. This fragmented administration of programs has led to poorly coordinated service delivery and duplication of effort.

The Governor has proposed the transfer of the value added agricultural marketing function of the Department of Agriculture to the Department of Commerce & Housing in the FY 1997 Budget. Transfer of the functions of the KVAC would be a logical next step to further reduce duplication of services and increase coordination between related programs that serve the small producer of food and non-food, value added agricultural products. The Marketing Division of the Department of Agriculture and KVAC served the same constituency of small businesses. Both have essentially served as brokers of assistance, making referrals to such entities as the SBDCs, the CDCs, or the value added extension specialists at Kansas State University.

Since its creation in 1988, KVAC has not proven to be effective in helping this industry grow and expand.<sup>1</sup> Its elimination as a separate entity would result in substantial savings and produce better coordination of services for those small firms seeking assistance. The leadership of Kansas State University in this area should be maintained and strengthened. State funding of KSU agricultural extension programs in this area should be continued and provided directly to the University, especially the assistance provided by the value added extension specialists.

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<sup>1</sup> Kansas, Inc., Peer Review, Kansas Value Added Center, March 8, 1995.

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**PEER REVIEW**  
**KANSAS VALUE ADDED CENTER**

Report of:

Mark McAfee, Deputy Director, AURI  
Warren Schmidgall, Executive Vice President,  
Hills Pet Nutrition, Inc.  
Robert J. Sherwood, President, Center for Business Innovation, Inc.  
Charles R. Warren, President, Kansas, Inc.

March 8, 1995

Kansas, Inc.  
632 S.W. Van Buren Street  
Topeka, Kansas 66603  
913-296-1460

## Peer Review of Kansas Value Added Center

### The Peer Review Process

At the request of the President of the Kansas Technology Enterprise Corporation (KTEC), Kansas, Inc. conducted a peer review of the Kansas Value Added Center on February 20-22, 1995. The peer review is required by K.S.A. 74-8120. The Peer Review Team was selected by the President of Kansas, Inc. and consisted of:

- o Mark McAfee, Deputy Director, Agricultural Research Utilization Institute (AURI), St. Paul, Minnesota.
- o Robert J. Sherwood, President, Center For Business Innovation, Inc., Kansas City, Missouri.
- o Warren Schmidgall, Executive Vice President, Hills Pet Nutrition, Inc. and Board Member, Kansas, Inc., Topeka, Kansas.
- o Charles R. Warren, Ph.D., President, Kansas, Inc.

Prior to the site visits, team members were provided an extensive set of background materials on KVAC assembled by the staff. These written materials described and explained its history, enabling legislation, annual reports, organizational and personnel structure, budgets and annual expenditures for fiscal years 1989 to 1995, program descriptions, lists of projects and clients, and supporting activities from Kansas State University and the Cooperative Extension Service.

Before undertaking the review, team members developed and agreed upon a set of evaluation issues and questions that would form the basis for the team's examination. See Attachment A. The major topics covered in the review were: 1) Mission, Goals and Objectives, 2) Outcomes and Clients Served, 3) Policy and Management Structure, and 4) Coordination with Related Entities.

At the direction of the President of Kansas, Inc., a schedule of interviews and meetings was arranged with key individuals involved with KVAC. The meeting schedule was facilitated by the President, Dr. David Hurt. The team began its review with a dinner meeting on Monday evening, February 20, in Topeka, with members of the Leadership Council, Kansas legislators, and the KVAC President. (See Attachment B.)

On Tuesday, February 21, the team traveled to Manhattan, Kansas and Kansas State University (KSU), to interview and meet with key participants, as well as to visit the KVAC offices and the offices, laboratory facilities, and pilot plants of KSU. The schedule included: initial meeting with KVAC staff and Council members; group discussion with Value Added Extension Specialists; a meeting with Dr. Marc Johnson, Dean, School of Agriculture, and Director, Cooperative Extension Service, and Dr. Tim Donoghue, Vice Provost of Research and Dean of the Graduate School, KSU; luncheon meeting with KVAC clients; tour of KVAC facilities and KSU staff, and a closing discussion and debriefing with KVAC staff and the

Council Chair and Vice Chair. The complete list of individuals included in the meetings and tours is included as Attachment B.

On Wednesday morning, February 22, the peer review team met at the offices of Kansas, Inc. to discuss its findings and conclusions, and to agree on the major content of its report and its recommendations. This report was written by Charles Warren, President, Kansas, Inc. and reviewed in draft by the peer review team members.

### **KVAC History and Background**

The Kansas Agricultural Value Added Center was created by the 1988 Legislature.<sup>1</sup> The defined purpose of the organization was to foster economic development by providing technical assistance to Kansas agriculturally related value added processing endeavors. Providing economic benefits to rural Kansas has been a major goal of KVAC.

The following statutory objectives were established in 1988:

1. Provide technical assistance to existing and potential value added processing facilities, including incubator facilities;
2. Develop a network for collecting and distributing information to individuals involved in value added processing in Kansas;
3. Initiate pilot plant facilities to act as research and development laboratories for existing and potential small scale value added processing endeavors in Kansas;
4. Provide technical assistance to new agricultural value added processing businesses;
5. Develop and promote communication and cooperation among private businesses, state government agencies and public and private colleges and universities in Kansas; and
6. Establish research and development programs in technologies that have value added commercial potential for food and non-food agricultural products.

KVAC operated within this legislation during its first five years. In 1993 the Legislature expanded the program objectives by merging KVAC with KTEC's Industrial Agriculture program. The Legislature also enlarged the Leadership Council from 12 to 16 members and placed the KVAC program within KTEC for financial purposes and program reviews. In return, KVAC was provided access to KTEC's corporate capabilities for assisting the agriculture value added industry in Kansas. With these capabilities, KVAC is empowered to obtain equity positions in companies receiving financial support, receive royalties from successful technologies, and have revolving loan capacities to reallocate return on revenues from successful investments. In July 1994, KVAC created a for-profit corporation, KVAC Holdings, Inc.

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<sup>1</sup> The information in this section is taken from the FY 1996 budget submission of KTEC and is quoted or paraphrased directly from that source.

The 1993 legislative changes added these objectives:

1. Achieve substantial and sustainable continuing growth for the Kansas economy through value added products from agriculture;
2. Serve as a catalyst for industrial agriculture thorough technological innovation in order to expand economic opportunity for all Kansas communities;
3. Establish an industrial agriculture industry for the state of Kansas;
4. Commercialize the developed industrial agricultural technology in small communities and the rural areas of Kansas; and
5. Develop investment grade agriculture value added technologies and products.

KVAC has restated these multiple objectives into seven capsule statements for communication with the public:

1. Technical assistance
2. Develop a network to collect and distribute information
3. Provide accessibility of pilot plant facilities
4. Technical assistance to new business
5. Communication and cooperation
6. Establish research and development programs
7. Substantial and sustainable continuing growth for Kansas.

Dr. David Hurt was hired as President of KVAC in April 1994. The KVAC program directors are relatively new to the organization. The Center's main office is located on the central campus of Kansas State University to facilitate interaction with the resources located there, including the KSU agriculture extension value added specialists, and other faculty. The KVAC industrial agriculture uses program is housed at the KTEC offices in Topeka.

The total budgets for KVAC from fiscal years 1989 through 1995 are shown below:

FY 1989	\$71,270
FY 1990	\$366,712
FY 1991	\$674,276
FY 1992	\$649,625
FY 1993	\$622,192
FY 1994	\$874,570
FY 1995	\$882,950

The significant increase in KVAC's budget from 1993 to 1994 is attributed to the transfer of \$250,000 from KTEC's industrial agriculture program to KVAC.

## **Major Findings**

### **Council and Staff Roles**

KVAC has reached a level of maturity since its creation in 1988 and now needs to move to a higher level of sophistication in defining the roles and responsibilities of the Leadership Council, the President, and the staff. The Council is too directly involved in management and should focus its attention toward strategic planning, policy matters, and the measurement and evaluation of performance. Currently, the Council approves all grant awards over \$1,000.

The team concluded that there was no clear sense of short and long term objectives, nor clear priorities established in terms of the Center's activities. KVAC seems to be operating on a year-to-year framework. A KVAC strategic plan was developed at a Leadership Council retreat held on July 13-15, 1994. The KVAC Strategic Plan dated August 1994 was reviewed by the team.

The team recommends that the policy and procedures that operate between the Leadership Council and the President be redefined consistent with a 3 to 5 year plan of operation. This plan should build on the KVAC Strategic Plan developed at the retreat. However, a series of timelines and success benchmarks should be clearly articulated.

In short, the Leadership Council should operate at a strategic and policy level and the President should manage the organization. In this regard, the amount of funding for awards made by the President should be raised to a much higher level, perhaps up to \$10,000 per award. Mark McAfee notes that the Executive Director of AURI, the Minnesota counterpart to KVAC, may approve expenditures under \$25,000.

### **KVAC/KSU Relations**

Over the past several years, the arrangements between KVAC and KSU have been positive for both organizations. The University and KVAC share the same mission and both have a commitment to value added agriculture. The University possesses considerable expertise, much of it highly specialized, in disciplines important to value added agricultural business, both large and small. During the past four years, KVAC has funded about \$300,000 of equipment located at Kansas State University for pilot plant facilities and consumer food processing and measurement. KVAC has substantially increased KSU's capability to assist value added processors.

The Cooperative Extension specialists who work with KVAC are an important resource to the Center. Five specialists in value added agriculture were funded as part of the Margin of Excellence program in 1989 by the Legislature as a conscious effort to support and strengthen the capabilities of KVAC. These extension specialists have received funding from KVAC for personnel, facilities, supplies and equipment to provide help to small value added firms, for example, in nutritional labeling, food safety testing, product quality, and processing.

The University provides expertise, pilot plants, and laboratory facilities. In addition, the University supports KVAC by donating office space, utilities and other indirect support. KVAC serves as the primary broker, facilitator in meeting client needs, and as an integrator of needs and resources. There is a mutual dependence between the two organizations in their shared mission toward value added agriculture. For this reason, it is critically important that a strong, effective, and cooperative relationship exist between them.

For reasons partly attributable to a divergence in academic and commercialization goals and related managerial styles, the relationship between KVAC and KSU appears to have deteriorated. There is a conflict between KVAC's renewed emphasis on commercialization and the research/education orientation of the University.

In fulfilling its original objective of "substantial and sustainable continuing growth for Kansas," KVAC must demand accountability in its expenditures from the University. KVAC has to be more client-directed than research-oriented. This creates certain tensions. KVAC clients need responses to their requests under a time-line that is industry and market regulated rather than one driven by the academic schedule. For example, the University assigns graduate students on a semester basis, and they often assume that period is their time frame for performance. KVAC technical assistance must be provided with a sense of business urgency.

The leadership of both Kansas State University and the Kansas Value Added Center recognize the current tensions and difficulties that exist in their relationship. Once again, there is a mutuality of objectives and KVAC, in particular, is highly dependent on the university. For this reason, it is appropriate that KVAC is located on the KSU-Manhattan campus. The Peer Review Team applauds the current efforts underway by both parties to complete a memorandum of understanding and urges that this document, and the agreement it would represent, be completed within thirty days.

### **Project and Client Focus**

The KVAC mission in value added agriculture is directed at both large and small producers, as well as food and non-food uses of agricultural products. These can be very different constituencies with distinct characteristics and needs. Based on its budget, staffing and capacity (e.g., basic technical assistance, pilot plants), KVAC is currently best suited to serve small firms. The Peer Review Team believes this is where its priorities should be placed. Yet, there is not a clear sense of priority with respect to the emphasis that should be



given to the dichotomies of food vs. non-food and small vs. large producers. The current effort seems to be more opportunistic than planned.

In most instances, KVAC would have little to offer the large food processing company. In most cases, such large companies that desire or need assistance from Kansas State University have probably already established a long-term relationship to gain that assistance. It was noted that there may be special situations where KVAC might serve as a broker for certain specialized forms of assistance, such as those offered by the Sensory Analysis Unit. The types of basic aid that are being provided, e.g., determining shelf life, helping with nutritional labelling, etc., are clearly more appropriate to small or start-up food processing firms.

Non-food or industrial uses of agricultural commodities are a recent addition to the KVAC mission. There are significant opportunities in this area and non-food uses should be emphasized by KVAC. In setting its priorities for allocation of grant funds, the team believes there should be a percentage, e.g., 20%, reserved for larger firms involved in industrial use applications that offer a potential of large return or have the capacity of leveraging significant federal dollars.

#### **KVAC Budget and Grant Awards**

Approximately two-thirds of the KVAC annual budget is expended for grants to the university and business community. These grant awards are made for the primary purpose of aiding value added agriculture processors. A review of the list of grants provided to the team for the years 1993 to 1995 revealed that Kansas State University participated in 69 percent of the dollars awarded. Sixty percent of the grant award dollars were made directly to Kansas State University. Of that amount, \$254,700 provided staff support to university faculty and \$166,800 was applied to the purchase of equipment for the university. Many of the grants that go direct to university researchers are for R&D projects, some of which do benefit firms directly. A total of 16 grants or \$93,712 in awards were made jointly to a business and KSU researcher. During the 1993-1995 period, only 10 grants were made solely to a Kansas business with the total amount of awards at \$268,668, or 26 percent of the total grants made by KVAC.

5-13  
5-8

### KVAC Grant Awards, 1993-1995

Recipient	\$ Amount	Percent of Total
Kansas State University	\$631,165	60
Pittsburg State University	28,900	3
KSU & Business	93,712	9
Business Assns.	9,140	1
Businesses	268,668	26
Other	14,342	1
<b>Total</b>	<b>\$1,045,927</b>	<b>100</b>

KVAC grant funds have greatly increased the capacity of Kansas State University to assist value added firms through staffing and equipment purchases. However, the peer review team concluded that this capacity-building phase has been largely accomplished. It is now time to leverage that capacity by placing a much higher priority on awards that provide direct assistance to businesses, especially for projects that can lead to commercialization.

The team concluded that KVAC lacked a clear system for the review and award of grants. Policies and procedures need to be established on a formal basis that identify: 1) eligibility for grant awards; 2) priorities for awards; 3) the schedule and requirements for submission and review of applications; 4) application format and requirements; and 5) type and amount of matching funds required. The clients interviewed indicated that no clear guidelines existed and there was no published schedule for making awards. Clients also expressed frustration with the lack of guidance for preparing applications and submitting financial information.

Interviews with client firms that had received cash awards revealed that each firm had agreed to enter into a payback arrangement if the firm or product was successful. But in no case was success defined in quantifiable terms. KVAC needs to establish on an up-front basis exactly what is meant by "success" with each client that is granted an award.

In most cases, KVAC should take the perspective that it will attempt to obtain a return on its investment with each grant that it makes. It will need to establish explicit guidelines on the payback that is expected, e.g., 1.5 times the award, or 2 times award, or five times award, or royalty payments. The amount of return expected should be calibrated based on the amount of risk that the project entails. KVAC also needs to determine the amount of time it is willing to accept for its return. KVAC clients stated they would be willing to enter into a payback arrangement, but only if the investment made was significant in terms of the size of the project.

There is a need to stimulate more requests for grants on the part of KVAC. A greater demand for grants by KVAC will produce true competition and should result in the award of higher performing grants. A ratio of two to one in terms of grant applications and grant awards would probably be sufficient. KVAC does have an obligation to balance the probability of success with the client's need for assistance. Yet, all other things being equal, KVAC should make awards to clients with the greatest probability of the highest return.

### **Organization and Structure**

The Kansas Value Added Center has had an ambiguous organizational history. It was originally created as an autonomous entity within KTEC. Initially the Center was guided by a Leadership Council of 12 persons; the council was expanded to a membership of 16 persons in 1993. The employees of KVAC are legally employees of KTEC and the budget of KVAC is subject to the approval of the Board of Directors of KTEC. For all practical purposes, KVAC is an entity within KTEC with its own externally appointed Board. The President of KVAC was hired by the Leadership Council which also has the authority to terminate the President.

The Peer Review Team recommends, if feasible under existing legislation, that KVAC be established as a separate 501(c)(3) non-profit corporation that would operate as a subsidiary of KTEC. The team believes that an appropriate organizational model would be one similar to the innovation and commercialization corporations, such as the Lawrence, Manhattan, and Wichita Innovation Corporations. In this form, KVAC could then enter into an annual contract with KTEC for its funding with clear performance measures established. Apparently, this change can be accomplished by KTEC under its existing legislative authority and charter. However, it is suggested that legislative approval or endorsement of this organizational change be obtained. This is a long-range recommendation that can be accomplished over a period of three years. The team believes that this restructuring would make KVAC more market-driven and give much more emphasis to its commercialization objectives.

Under such a new organizational structure, it would then be appropriate for KVAC to enter in more defined contractual arrangements with Kansas State University and work with the university more on a project-by-project basis. A team member also suggested that KVAC might wish to co-locate with the Manhattan Commercialization Center in its off-campus location. This physical move might improve its coordination with other service providers and economic development entities. However, it might compromise its close relationship with the university faculty, staff and related facilities.

### **Measuring KVAC Success**

The KVAC Leadership Council needs to place a very high priority on establishing a clear system of benchmarks for organizational success. These benchmarks should measure

success on a project basis, as well as on the contribution to the Kansas economy generated by the state's investment in KVAC. In doing so, the Council can readily adopt many of the methods and systems that are working for its parent organization, KTEC. Specifically, KVAC needs to adapt the KTEC project tracking system to its own management system. This would enable KVAC to follow-up on its activities, and record the impact of its projects. KVAC should be very specific in the adoption of targets and performance criteria. For example, it should rely on such quantifiable indicators as: jobs created, jobs retained, revenues generated by client firms, income generated, or sales generated by client firms. Other equally significant indicators are the amount of private investment leveraged or the amount of federal R&D dollars or grant awards leveraged. In measuring its success, KVAC should give a clear priority to creating new jobs and increased income for rural communities.

A member of the peer review team cautioned that while patents issued may be a valid indicator for academic purposes, patents, by themselves, do not provide a reliable measure of commercial success.

### **Summary**

The Kansas Value Added Center was created to meet an important economic need in Kansas: developing the value added agricultural industry. Since 1989, considerable progress has been made in creating the institutional capacity and expertise to provide invaluable assistance to value added agricultural start-ups and existing businesses. Kansas State University is well equipped to help the value-added community, and is positioned to serve that community effectively. Its partnership with the KVAC is appropriate and needs to be strengthened. The KVAC/KSU value added team has provided invaluable assistance to a number of small, food processors and is viewed positively by its clientele. The investments made by the Kansas Legislature in the KVAC are beginning to pay significant dividends as the Center has achieved a level of maturity and sophistication in performing its mission. At this stage in its organizational development, KVAC needs to refocus its resources and activities toward the commercialization of value added, food and non-food products, and undertake projects that will more directly lead to the fulfillment of its primary strategic goal: "substantial and sustainable continuing growth for Kansas."

**Data Gathering Process from the  
Kansas Value Added Center  
for the Kansas, Inc.**  
*Analysis of Business Assistance Programs*

- May 1, 1995: Written request to David Hurt, President of KVAC, for list of clients and client information from fiscal years 1992-1994. Original deadline of May 26, 1995 for return of information. No response received from KVAC by deadline.
- May 29 - June 2: Tim Paris telephoned KVAC offices to inquire on requested data. Met with Lisa Atkinson to explain the data request. Mr. Paris provided KVAC with the list of clients identified through the KVAC peer review process as a starting point for data collection.
- June 5-June 9: Information returned to Kansas, Inc., but was incomplete. Most of the information received consisted only of mailing addresses of KVAC clients. Tim Paris telephoned Lisa Atkinson about insufficiency of data. Client information returned to Ms. Atkinson with request for additional data.
- June 19 - June 23: Requested information again returned to Kansas, Inc. from KVAC. Information was still inadequate to conduct analysis of KVAC business assistance. Ms. Atkinson told Mr. Paris that the information provided was all that was available.
- July 18: Memorandum sent to Rich Bendis, KTEC, along with all client data provided by KTEC and its subsidiary organizations, requesting that the data be verified and corrected where necessary. Deadline of July 27, 1995 given for return of corrected or verified information. No response was received from KVAC.
- October 2-6: Tim Paris telephoned KVAC and spoke to Dr. Deborah Hix about KVAC portion of the report. Dr. Hix explained that there were internal personnel difficulties within KVAC and assured that better information could be provided. Tim Paris sent by fax the list of KVAC clients previously supplied to Kansas, Inc. along with the client survey forms and accompanying information to assist in completing necessary data. Tim Paris explained that a deadline was approaching for completion of the document, but that if Dr. Hix could assemble and return the information within two weeks, all new information would be included in the report. No response was received from KVAC.
- October 27: Draft copies of the report were sent to each agency for their comments and final verification.
- November 11, 1995: Written response to report from KVAC Interim President Gordon Lormor received by Kansas, Inc. along with listing of all KVAC clients dating from 1989 to 1995.



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**AMERICAN WHITE WHEAT  
PRODUCERS ASSOCIATION**

(913) 367-4422  
P.O. Box 326, - ATCHISON, KANSAS 66002

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Testimony presented to the Senate Agriculture Committee  
January 31, 1996  
by Kent Symns, General Manager of American White Wheat Producers Association

I appreciate the opportunity to come before the Senate Agriculture Committee.

My purpose here today is to shed some light on two particularly serious issues of significance for Kansas agriculture producers and Kansans in general this legislative session. Both are at least potentially in the domain of this committee.

Proposed reorganization including moving the marketing division from the Board of Agriculture to the Department of Commerce will only be a positive change if the Department of Commerce can attach a great deal more importance to agriculture than they have demonstrated in the past. Wherever the agricultural marketing function ends up, I hope this committee will do everything in its power to protect and enhance Kansas farmers' position. Production agriculture is a very significant portion of the commerce in Kansas.

Kansas is a giant all right in terms of agricultural production, however today too much of Kansas' agricultural production is dumped at low dollar commodity prices for industries in other states and nations to further process into high value goods. Kansas is usually the leading wheat producer in the nation and ranks high in corn, grain sorghum, and soybeans. We lead the nation in flour milling capacity, but rank miserably low in food production plants. Our entire state will be the beneficiary when we finally realize that we can add value in Kansas and do so!

For the past several years a beacon of light for value added activity has been the Value Added Center located on the campus of Kansas State University in Manhattan. These people, with a relatively small budget, have helped Kansas companies, large and small, increase the value of their products in the marketplace. This value added activity directly benefited Kansas. The mission of KVAC is vital. It's presence on the KSU campus is invaluable as a catalyst for commercialization.

American White Wheat Producers Association has worked over the past six years on several projects with assistance from KVAC. Thorough documentation has always been required but we have never been subjected to endless bureaucracy most times associated with quasi-governmental agencies. KVAC has enabled our producer-owned company to enter arenas we could not have otherwise. We know first hand from other KVAC clients that their experience has been the same. Not all have made it, but many are thriving businesses today.

*Senate Ag Co  
1-31-96  
attachment 6 6-1*

I'm not here to defend the structure of the KVAC leadership council that many feel is unwieldy, but, I am here to defend and support the critical mission of KVAC and their value added commercialization effort for Kansans. If one of our goals is to commercialize university and other basic research, then it is important for KVAC to be working in close proximity with researchers. Kansas and our universities will each be stronger if we never loose sight of the need for commercialization of information developed.

It will be a dark day for value added activity in our state if this dedicated hard-working agency is dismantled and divided among other organizations with less focused goals.

*Senate City Co.  
1-31-96  
Attachment 7*

NUTRI-SHIELD, INC. - 1995											
TOTAL QUANTITY OF ALL DOMESTIC SALES IN LBS.											
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
3,425	8,700	5,450	5,750	19,350	11,450	14,027	5,875	19,100	30,900	39,200	34,950

Month	Sales (LBS)
JAN	3,425
FEB	8,700
MAR	5,450
APR	5,750
MAY	19,350
JUN	11,450
JUL	14,027
AUG	5,875
SEP	19,100
OCT	30,900
NOV	39,200
DEC	34,950



Senate Agricultural Committee Hearing on KVAC

From: **Earl B. Wright**  
**202 W. Main**  
**Council Grove, KS 66846**  
**316-767-7272**

Subject: **Testimony on SB-507**

Date: **January 31, 1996**

- I. My direct involvement with KVAC.
  - A. Associate member of the Tallgrass Prairie Producers Cooperative. A group of eight ranching families that are direct marketing grassfed beef. They received a matching grant for research and development for the direct marketing of grass finished cattle from their ranches.
- II. What are the needs of ag producers to move into a more profitable position with their business.
  - A. Have access to clearly defined assistance, provided by personnel that can communicate with rural people.
  - B. A service that knows how to access the varied technical and business development needs for a start up business or a young business.
  - C. Agriculture knows how to produce, and if they need help there is ample assistance available. What they need is knowledge of how to work in strongly focused groups where the group benefit is greater than what an individual is capable of accomplishing. They need to regain the marketing share that has gradually moved out of their business and produced the cost price squeeze.
- III. KVAC is established, is known to many, has experience, has an established network of value added resources, so improve on this model rather than try to create a new one.
- IV. Suggestions for improving services.
  - A. Move toward assistance to groups that have started to work together for value added product development or for the established value added business that have growing needs such as distribution and market development. Some of this is being done, more could be encouraged.
  - B. Provide resources for the people issues of group dynamics.
  - C. Identify additional private services that provide needs of clients and privatize more of the services provided by KVAC.
  - D. Streamline the operation of KVAC by having an advisory council that have been their and done that.

*Senate Ag Co.*  
*1-31-96*  
*attachment 8*

# Kansas Value Added Center (KVAC)

## Program Description

The Kansas Value Added Center was established in FY 1989. The overall mission of KVAC is to enhance the economy of the State of Kansas by providing assistance to agricultural value added endeavors. KVAC operates as a subsidiary of KTEC.

The functions of KVAC can be divided into three activities: 1) technical services, 2) product and process commercialization, and 3) communication and education. The following is a brief description of each of these activities:

Technical Services This activity provides technical information, laboratory, and pilot-plant assistance to a broad range of agricultural processing businesses and individual interests. The center gives direct advice, literature searches, regulatory and product labeling guidance, pilot plant trials, sensory evaluation by trained expert panelists as well as providing direct financial assistance for applied research studies to qualified clients and applications.

Product and Process Commercialization This activity assists individuals or companies in commercializing new and existing products and processes using agriculture commodities grown in the state. Limited matching funds are available to assist qualified projects. This program will seek out and assist those clients most likely to achieve viable business status within a one to three year period. Through the development of licensing, royalty, or pay-back agreements, it is intended that investments will be recouped and the economic gains resulting from the services will be reinvested into the recently established "for-profit" KVAC Holding, Inc. for continued growth and development.

Communication and Education This activity is intended to be the central point for coordination and communications to support business development of new uses of agriculture products.

## Funding/Staffing

KVAC is currently staffed with six full-time FTE positions. Five value-added extension specialists employed by Kansas State University provide technical support and expertise to clients. Funding for KVAC increased by approximately \$225,000 from FY 1992 to FY 1994. The FY 1994 budget level for KVAC was \$874,500. Specific annual EDIF funding levels for KVAC are listed below:

FY 92	FY 93	FY 94	FY 95
\$649,625	\$622,192	\$874,570	\$882,950

## Data Collection

A total of 71 clients were identified as having received 76 incidents of assistance. This information however was not complete enough to identify what kind of assistance was provided, or even the year during which most of the firms received the assistance. Despite the lack of information, all 71 firms were entered into the data base.

## Program Tracking System

KVAC did not have a client tracking system in operation during the time frame of this evaluation. See Program Issues in this section for a recommendation on this subject.

## Kansas, Inc. Data Base Tabulations

KVAC provided records of 76 incidents of assistance and the names and addresses of 71 companies or individuals who had entered into agreements for technical assistance. Not all of these clients signed formal contracts with KVAC. The majority of these clients (62%) were from nonmetropolitan counties. Fifty-eight of the clients were manufacturers (82%), predominately in the food and kindred products sector. The Northeast region received the most assistance (35% of the clients) followed by the North Central region (another 30% of the clients).

Of the 71 individual company records provided by KVAC, only 19 incidents of assistance were identified by year. KVAC could not identify the year in which assistance was provided for 57 incidents of assistance. Other outcome measures were also poorly recorded. Only four records were provided of jobs created or retained.

The following figures are tabulations generated from the Kansas, Inc. data base of KVAC clients as reported by KVAC:

	FY 92	FY 93	FY 94
Service Agreements Identified	3	6	10
Identified Firms or Individuals Served	3	5	10
Jobs Created	1	4	1
Jobs Retained	1	4	1
KVAC Funds Awarded	\$14,049	\$15,330	\$207,438

## Survey Results

Kansas, Inc. did not survey KVAC clients for this evaluation.

## **Program Performance Measures**

KVAC's performance measures include the number of clients served, number of counties served, presentations and workshops conducted, scholarships awarded for technical assistance, products developed and commercialized, new businesses developed, new jobs created, and proposals funded. This list includes both output and outcomes measures, but does not make the distinction as required by the Division of the Budget in the development of the budget document.

KVAC is similar to many other programs operated by KTEC in that many clients engage in activities which continue for more than one year. It is therefore imperative that KVAC list both the number of ongoing clients served, and also the number of new clients served as separate measures. This practice will allow KVAC to more accurately describe the activities of the agency for the previous fiscal year.

## **Program Issues**

KVAC should be challenged to provide documentation to verify that performance measures listed in the FY 1995 budget document can be substantiated through credible record keeping and client tracking. To achieve this goal, KVAC should adopt a system of client tracking based on the model of the ARMF program. This program requires grant recipients to submit quarterly reports indicating any economic impact to the company as a result of the assistance provided. This will assure KVAC a system of reliable and documented performance measurement.

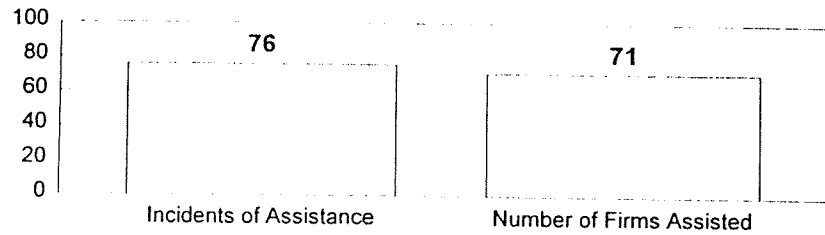
In late October 1995, the new executive director of KVAC, Gordon Lormor, notified Kansas, Inc. staff that they have undertaken a new survey of the KVAC clients that were reported to Kansas, Inc. in an effort to update their files and to collect information on customer satisfaction and outcomes.

Contingent upon Legislative approval during the 1996 Session, the Department of Commerce & Housing will have responsibility for the agricultural marketing and directory activities. It makes sense to transfer KVAC from KTEC to KDOC&H so that all these closely related activities can be managed together and coordinated. The industrial uses program of KTEC should remain in its present location.

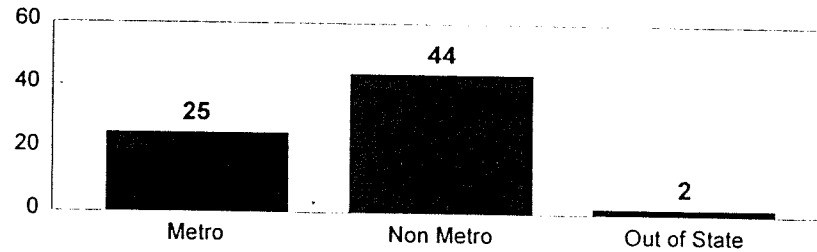
# Kansas Value Added Center Profile of Program Clients, FY92-FY94

9-4

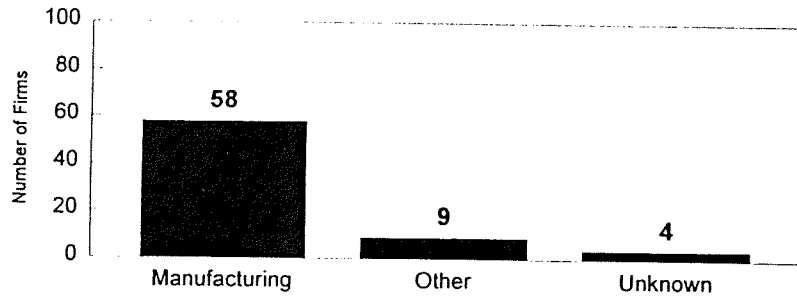
Count of Firms and Assistance



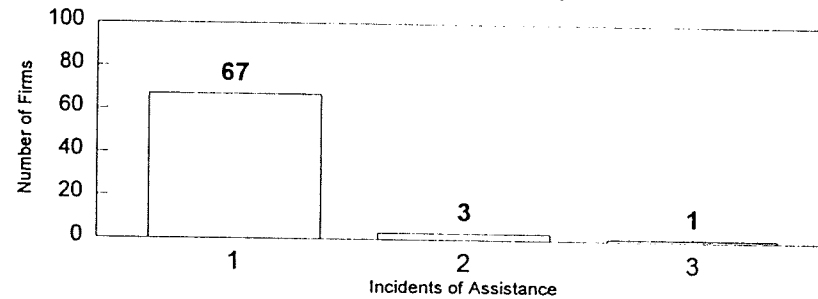
Distribution of Assistance: Metro v. Non Metro



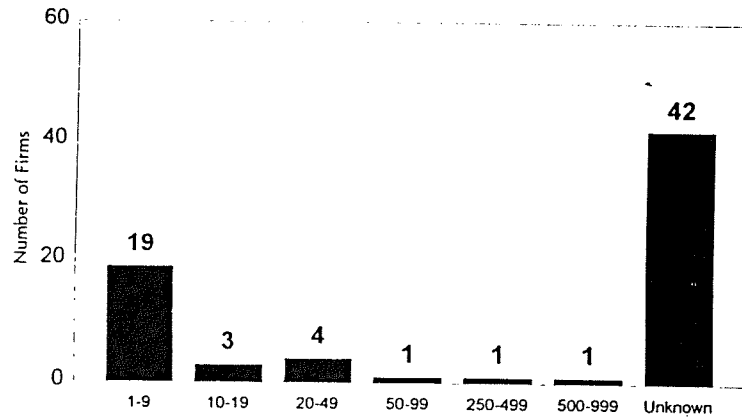
Distribution of Assistance by Industry



Incidents of Assistance per Firm



Distribution of Assistance by Firm Size



Distribution of Assistance by Region

