

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Joann Flower at 9:00 a.m. on January 23, 1997, in Room 423-S of the Capitol.

All members were present except: Representative Lloyd - excused

Committee staff present: Raney Gilliland, Legislative Research Department
Gordon Self, Revisor of Statutes
Kay Scarlett, Committee Secretary

Conferees appearing before the committee:
Curtis Chrystal, Director, Agriculture Products Development Division, Kansas Department of Commerce and Housing

Others attending: See attached list

Raney Gilliland, Legislative Research Department, provided background information on the transfer of agriculture marketing responsibilities from the abolished Division of Marketing in the Department of Agriculture to the newly created Agriculture Products Development Division in the Department of Commerce and Housing. This was accomplished last session by passage of Senate Bill 507 effective effect July 1, 1996. One requirement of this legislation was that each year prior to February 1, the new division in the Department of Commerce and Housing would report to the House and Senate Agriculture Committees.

Curtis Chrystal, Director, Agriculture Products Development Division, Kansas Department of Commerce and Housing, introduced three Economic Development Representatives that were in attendance: Jerry Dudley, International Trade; Chris Williams, Agricultural Value Added Center; and Becky Klingler, Market Development. He said the Division was allocated ten full-time equivalent positions and that all but one position has been filled.

Mr. Chrystal stated that the mission of the Agriculture Products Development Division is to facilitate value added economic opportunities for, and promote marketing of, Kansas agricultural products. He said the goals of the Division are to provide greater marketing opportunities for agricultural commodities and to provide additional revenue and employment opportunities for rural Kansas. He discussed the four main areas of focus the Division has established to accomplish these goals: International Trade, Trademark Programs, Agricultural Value Added Center, and Market Development. (Attachment 1)

He reported that two areas of activity have highlighted the first half of Fiscal Year 1997. The first being the Division's efforts to help meat processors in Kansas comply with HACCP, USDA's new regulations which involve food safety issues for inspected meat plants. He explained how, with the assistance of the Kansas Department of Agriculture, the Division helped develop a financial aid package for small Kansas meat processors.

He said the second major effort was combining the three programs -- *From the Land of Kansas, Grown in Kansas*, and *Hands of Kansas* -- into the *From the Land of Kansas* trademark program. He said that by combining these programs, the Division can market and serve the clientele more effectively with better name recognition for the State of Kansas.

Mr. Chrystal said these two programs demonstrate how agriculture can be served effectively within the Department of Commerce and Housing. He said agriculture has been better served by other divisions of KDOC&H, such as Community Development, Business Development, and Trade Development Divisions. He stated that the Agriculture Products Development Division is committed to putting programs in place to address the needs of Kansas and the agricultural industry.

The meeting adjourned at 9:55 a.m. The next meeting is scheduled for January 27, 1997.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: JAN 23, 1997

NAME	REPRESENTING
Tom R TUNNELL	KGFA & KFCA
Doug Wareham	KGFA & KFCA
Mike Jensen	Ks Park Council
John Lotte	KDOCH
Doug FARMER	DOB
BILL R. FULLER	Kansas Farm Bureau
Kate Hutchinson	Intern
Grace SWENSON	Ks DEPT - AG
Chris Williams	KDOCH
Jerry Pudley	KDOCH
Becky Klingler	KDOCH
Marty Vanier	KAA
Kevin Carr	KTEC
Sherry Schoonover	KTEC
NOBLE MORZELL	DIV. PERSONNEL SERVICES
Cindy Denton	Div of Budget
Paul Johnson	PACK
Mark Barallina	KDOCH
Michael Miller	KTEC

**TESTIMONY TO THE HOUSE COMMITTEE ON AGRICULTURE
ANNUAL REPORT OF THE AGRICULTURE PRODUCTS
DEVELOPMENT DIVISION
THE KANSAS DEPARTMENT OF COMMERCE AND HOUSING
CURTIS CHRYSTAL, DIRECTOR
JANUARY 23,1997**

Madam Chairperson and members of the Committee, I am here today to report the activities of the Agriculture Products Development Division within the Kansas Department of Commerce & Housing (KDOC&H) as prescribed by Senate Bill 507. I will begin my testimony with legislative history, followed by highlights of Fiscal Year 1997 to date, finishing with an overview of each program within the Division.

I. Legislative History

On July 1, 1996, the Agriculture Products Development Division, through Senate Bill 507, was established within KDOC&H, and the Division of Markets within the Kansas Department of Agriculture was abolished. All duties of the Division of Markets were transferred to the Agriculture Products Development Division with the exception of aquaculture, grapes and wines, and the commodity commissions.

The Division has four main areas of focus: International Trade, Trademark programs, the Agricultural Value Added Center and Market Development. Pursuant to Senate Bill 507, industrial agriculture activities are conducted under contract between KDOC&H and the Kansas Technology Enterprise Corporation (KTEC).

II. Mission Statement

The mission of the Agriculture Products Development Division is to facilitate value added economic opportunities for, and promote marketing of, Kansas agricultural products.

Fulfillment of this mission should result in economic growth for Kansas in terms of revenue to the state and an increase in jobs in the agriculture sector. Because the raw products in question are utilized by both final consumers and value added processors, the goals of the Division are twofold: to provide greater marketing opportunities for agricultural commodities, and to provide additional revenue and employment opportunities for rural Kansas.

III. Staffing

The Division was allocated ten full-time equivalent positions. The positions are: a Division Director, two clerical, three in the Agricultural Value Added Center, one for International Trade, one for the Trademark programs, one for Market Research and Development, and one for the Garden City field office. All but one position have been

*House Agriculture Committee
January 23, 1997
Attachment 1*

filled as of the date of this report. This position is in the Trademark program and is expected to be filled soon.

Our Garden City office has been staffed since November 1, 1996. The office promotes all Division programs in western Kansas and works closely with the Business Development Division of KDOC&H.

IV. Activity Highlights, Fiscal Year 1997

The first half of FY97 was highlighted by the Division's efforts in solving an issue facing meat processors in Kansas. With the aid of the Kansas Department of Agriculture, the Division helped develop an aid package for small Kansas meat processors.

Meat processors must comply with HACCP (Hazard Analysis and Critical Control Point), USDA's regulations which involves food safety issues for inspected meat plants. To comply with the regulations, small meat processors, whether federally or state inspected, are faced with training and capital improvements ranging in cost from \$25,000 to \$200,000 per processor. Combining training funds through the Business Development Division of KDOC&H, the training expertise of Kansas State University Cooperative Extension Service, private activity bonds through the Kansas Development Finance Authority, and possibly resources through the Community Development Division of KDOC&H, a comprehensive aid package was offered to the meat processors in Kansas. Addressing this issue with the resources of KDOC&H and other state agencies is testimony to the intent of Senate Bill 507 in serving a wide variety of needs in the agricultural sector.

Another highlight from Fiscal Year 1997 is the coordinated effort in the Trademark programs. Three programs (*From the Land of Kansas*, *Grown in Kansas* and *Hands of Kansas*) were combined into the *From the Land of Kansas* trademark program. By combining the programs, the Division can market and serve the clientele more effectively. During the balance of the fiscal year the Trademark program will develop an Internet site, publish a catalog, attend several trade shows, and coordinate a nationwide promotion of Kansas products on QVC, a home shopping program.

V. Individual Programs

a) Agricultural Value Added Center

On October 1, 1996, the Kansas Value Added Center (KVAC) located at Kansas State University was closed and all assets moved to the Division in Topeka. The Agricultural Value Added Center (Center) has a full-time staff of three.

During the first half of FY97, the program approved and distributed two awards; one to Kansas State University for pilot plant facilities (product processing, food nutrition and analysis, and meat processing) and one to a private company for product commercialization (development and promotion of a line of salad dressings). The FY97

awards given to date total \$80,086. The Center also finished processing all FY96 awards for KVAC. During this time period, we provided 131 clients with assistance ranging from technical (such as regulatory questions) to business planning.

Part of the Center's responsibility is to administer the value added activities for industrial agriculture via contract with KTEC. The contract amount is \$306,000, with \$106,000 being allocated to overhead and administrative expenses incurred by KTEC and \$200,000 allocated to client awards. As of December 31, 1996, KTEC has awarded \$60,544 for industrial agriculture projects, with client investment of \$126,622.

The Center entered into a Memorandum of Understanding with the USDA's Agriculture Research Service to facilitate technology transfer between USDA and the State of Kansas. The Memorandum allows the Center to access research and development technology from USDA, and to transfer that information to Kansas users. Kansans will now have all USDA research and data at their disposal. This has application in evaluating value added projects. Through this agreement, we are able to determine if research or development of a technology has previously been conducted in another state. This should decrease the possibility for duplication of research and development.

One of the biggest projects underway in the Center is follow up work on 95 KVAC awards given in fiscal years 1994, 1995 and 1996. Some awards have pay back provisions and most require some level of reporting of results and progress. Each award must be examined, the recipient contacted, and followed-up on as dictated by the award document. This process is important as it gives the Division a measuring tool to determine program effectiveness.

During the balance of the fiscal year, the Center will be actively seeking projects with commercial potential. The Center will also be participating in a value added conference at Kansas State University to be held in March 1997. In addition, the staff is conducting an outreach program that includes site visits to previous award recipients, current projects under consideration, Cooperative Extension Service agents, and industry associations. Three food/feed projects are currently under consideration.

A long-term project is also underway. Identity preserved grains have potential to add significant value to Kansas crops, and by identifying end uses of Kansas crops, whose value can be enhanced due to the intrinsic characteristics of specific varieties, we can match production to end uses. For example, if a specific variety of corn yields more ethanol when processed, that variety of corn is worth more to the processor of ethanol. By matching the farmer with the end user, and preserving the identity of the crop until processed, it is our hope that Kansas farmers can receive a premium for growing specific varieties of crops. By establishing relationships with Kansas farmers and agricultural processors that preserve the identity of crops through the processing functions, the efficiency of the entire operation should increase. These increases should result in more profits to be shared between the producers and the processors.

b) International Trade

International trade for Kansas agricultural products remains strong. In 1995, almost \$3 billion in Kansas agricultural products were exported.

To promote the export of Kansas agricultural products, a trade mission to Chihuahua, Mexico was undertaken in the second quarter. This led to several leads for the sale of Kansas livestock and livestock-related agricultural supplies. In conjunction with the Kansas Livestock Association, the Division has entered into a joint venture to promote Kansas cattle in Chihuahua, Mexico. A buying team from Chihuahua is expected to look at Kansas livestock in February 1997 as a result of this joint venture.

During the first half of FY97, 57 clients were assisted with export information. In addition, 26 trade leads were processed and made available to Kansas companies. Four companies were assisted with product marketing to Spain as a result of a promotion held in the spring of 1996. A grain trading group from the People's Republic of China was escorted around Kansas to look at Kansas suppliers of grain and processed grain products. Finally, staff of the USDA involved in agricultural trade visited agriculture sites and suppliers in Kansas. All of these activities have helped to promote Kansas products worldwide.

The Division is a member of the Mid America International Agri-Trade Council (MIATCO), a twelve-state organization that promotes midwestern agricultural products worldwide. As a result of this membership, Kansas companies are able to receive export assistance including funds to develop and enhance their export marketing efforts and programs in foreign countries. In FY96, Kansas companies were given in excess of \$200,000 for foreign market activities. This represented a 20 to 1 return on the state's investment in MIATCO for Kansas companies. MIATCO administers funding from the Foreign Agricultural Service for the twelve member states. We believe that Kansas food processors will utilize over \$350,000 through MIATCO to expand their export marketing programs in FY97.

The International Trade program works closely with our Trademark program to promote Kansas products worldwide. In May 1997, these programs will cooperatively showcase Kansas products at the FMI Food show in Chicago, the largest US food show with the largest attraction of foreign buyers.

During the balance of FY97, the Division plans to publish an agricultural export directory in cooperation with the Trade Development Division of KDOC&H. We will also be hosting a team of qualified buyers of Kansas grain and livestock from Mexico, and pursuing export assistance, through MIATCO, for Kansas companies.

c) Marketing

The Marketing program of the Division works with other programs within the Division. Communicating Division services and looking for new opportunities to enhance the value of Kansas agricultural products is an important goal of the Marketing program. During the first half of FY97, the Marketing program performed a variety of research projects on Kansas agricultural issues, and communicated information about Division services to Kansans.

Market research was performed, investigating the economic impact small meat processors have on the Kansas economy. This aided in the development of an assistance program to the meat processors previously mentioned. In addition, market research was conducted to examine the economics of sheep and poultry by-product processing in Kansas.

The Marketing program produced a video for use in the Division's outreach program. The video shows the value of agriculture in Kansas, and how this new Division can be of assistance. A comprehensive marketing and publications plan has been developed, providing the Division with long-term planning and cost-effective marketing and promotional material. A semi-monthly radio program has been produced for a Kansas radio station. The program highlights Division activities and disseminates information to the agriculture community about assistance offered by the Division and KDOC&H. The Marketing program is also producing a Division newsletter that will be distributed to agricultural organizations in Kansas, informing them of current programs and seeking input on Division activities.

The Marketing program has also been working on arrangements for the Kansas State Fair, FMI Food Show, New York International Gift Show, and an Internet site; all in an effort to promote Kansas agriculture, Kansas products, and Division services.

During the balance of the fiscal year, the Marketing program will continue its public relations campaign to promote Division services and programs. A comprehensive marketing plan for FY98 will be developed. Marketing opportunities for Kansas agriculture will be researched and communicated throughout the state. A grant request to USDA will be submitted for funding of a study and action plan to develop marketing alternatives for Kansas products.

d) Trademark Programs

As mentioned in the highlights, all three Trademark programs were combined into the *From the Land of Kansas* trademark program. By having a single Trademark program that encompasses food, plants, crafts, and gifts, the program can more effectively serve its members.

The Trademark program is probably the most visible of the Division programs. Under the previous programs, there were inconsistencies in determining what products were

eligible for the trademark registry. Under one program, a Kansas item only needed to be processed in Kansas while under another program, over half of the raw materials had to come from Kansas and all the processing had to be done in Kansas. Since there were inconsistencies between the three programs, putting everything under one program, with a clear set of guidelines, was the best and most popular choice as indicated by the results of a member survey.

With the new *From the Land of Kansas* program, criteria have been established to preserve the integrity of products bearing the logo by ensuring that products in the program are from Kansas. *From the Land of Kansas* means just what it says, that the product is from Kansas. Therefore, criteria to be a member of the program are: 1) at least 50 percent of the ingredients in a product come from Kansas, 2) all processing is done in Kansas, 3) the products are of good and consistent quality, and 4) the products meet all regulatory standards applicable to the product. Some of the companies who were previously part of a Trademark program may not be able to meet the new criteria. Companies not meeting all of the above criteria will be allowed to continue participation in the program during 1997 on the condition that they show significant progress over the year in fully meeting the criteria. This allows the opportunity to link these businesses with the appropriate resources to help them prosper in Kansas.

There are exciting opportunities ahead for the Trademark program. An Internet site is under development which will allow purchase of Kansas products worldwide. A consumer will be able to visit the site, select Kansas products, pay for them with a credit card, and have the merchandise within a few days. The *Kansas Collection* catalog will be produced this year and distributed to over 50,000 potential consumers. Several trade shows are being attended featuring *From the Land of Kansas* products, and a new guide for wholesale buyers is being developed.

Due to the efforts of KDOC&H, QVC is coming back to Kansas for the third straight year as part of its "Quest for America's Best" tour in 1997. Trade shows to be held in late January will lead to 20 Kansas products being chosen to be showcased on a QVC, broadcast from Kansas in late April. Previous QVC programs have led to Kansas companies gaining national markets for their products, national television exposure that they otherwise could not afford, and millions of dollars worth of sales for Kansas companies.

During the balance of the fiscal year, other items to be addressed are: development of a centralized distribution network for *From the Land of Kansas* members, a USDA grant application for further program funding, hiring of a Trademark program staff person, several trade shows and promotions, and a Trademark program newsletter.

VI. Summary

The Division faces a variety of challenges over the coming year, but programs are well underway to meet those challenges and effectively serve the agriculture community.

Already we have seen how agriculture can be served effectively by this new structure with the development of the HACCP assistance program and the consolidation of the trademark programs. In addition, agriculture has been better served by other divisions of KDOC&H, such as Community Development and Business Development. We believe international opportunities will be enhanced due to the close working relationship with KDOC&H's Trade Development Division. The outreach program, with agricultural leaders throughout the state, has enhanced the credibility of the move demonstrating that this Division is committed to the needs of agricultural product development. The Division has, and will continue to, address the needs of its clients, the intent of the Legislature, and put programs in place to address the needs of Kansas and its agricultural industry.

NARRATIVE INFORMATION -- DA 400

DIVISION OF THE BUDGET

STATE OF KANSAS

AGENCY NAME KANSAS DEPARTMENT OF COMMERCE AND HOUSING

AGENCY NUMBER 300

FUNCTION NUMBER 01

PROGRAM TITLE AND NUMBER Agriculture Products Development Division- 04000

SUBPROGRAM TITLE AND NUMBER _____

AGRICULTURE PRODUCTS DEVELOPMENT DIVISION

PROGRAM GOAL:

To effectively develop, market and promote value-added agricultural products, processed food products, and agricultural commodities of Kansas for the purpose of expanding the economic opportunities of Kansas' agricultural industry.

OBJECTIVE #1:

Develop and implement projects that lead to the most advantageous marketing, promotion and distribution of Kansas agricultural products and commodities into domestic and international marketplaces. Enhance the sales of Kansas food and agricultural products by developing unique and creative marketing strategies that result in sales and employment growth for the state's agriculture industry.

Strategies for Objective #1:

1. Determine marketing opportunities that fit Kansas' production base and perform market analyses to establish target markets.
2. Conduct marketing and promotion projects that have a high probability of yielding maximum economic benefits and sales for Kansas companies and producers.
3. Facilitate trade opportunities through mission support.
4. Evaluate projects upon completion to determine the type and degree of benefits received by our clients.

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Performance Measures for Objective #1:

OUTCOME MEASURES:

	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY2000
Direct sales reported from projects	N/A	\$370,000	\$370,000	\$370,000	\$370,000	\$370,000
Clients receiving direct program access: Number of trademark companies	N/A	550	560	560	560	560

OUTPUT MEASURES:

	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY 2000
Number of projects implemented (includes missions & trade shows)	N/A	26	28	28	28	28
Number of foreign missions supported	N/A	4	4	4	4	4
Number of trade shows participated	N/A	8	9	9	9	9

OBJECTIVE #2:

Provide detailed information and targeted assistance to the Kansas agricultural industry, consumers and public regarding the marketing of food products and agricultural commodities.

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SUBPROGRAM TITLE AND NUMBER _____

Strategies for Objective #2:

1. Conduct appropriate seminars and training sessions to educate companies and producers. Produce support materials that advocate the benefits and contributions of agriculture and processed food products.
2. Disseminate trade leads to appropriate agricultural supply sources.
3. Respond to agricultural clients seeking business development assistance. Respond to public and consumer requests for information.
4. Develop promotional campaigns which provide program information to the consumer and general public.

Performance Measures for Objective #2:

OUTCOME MEASURES:

	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY 2000
Dollar value of free media	N/A	\$80,000	\$100,000	\$100,000	\$100,000	\$100,000
Number of clients educated through seminars/training's/forums	N/A	60	75	75	75	75
Number of inquiries for marketing information	N/A	750	800	800	800	800

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OUTPUT MEASURES:

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	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY 2000
Minutes of free media time utilized	N/A	385	480	480	480	480
Number of seminars/training conducted	N/A	2	3	3	3	3
Copies of brochures/directories/flyers distributed	N/A	30,800	25,000	25,000	25,000	25,000
Number of trade leads processed	N/A	40	45	45	50	50

OBJECTIVE #3:

Provide technical assistance to stimulate the development of new value-added uses for Kansas agricultural products that are technically viable for future business development. Identify and assess new technologies to aid in the development of alternative uses of agricultural products.

Strategies for Objective #3:

1. Provide technical assistance to entrepreneurs through consultation, literature searches, laboratory, and pilot plant applied research.
2. Conduct entrepreneurial workshops to assist clients in commercializing their ideas.
3. Provides grants for product development ideas which are determined to possess a high degree of probability for successful commercialization.
4. Implement a data system for tracking new product development, new product sales and new company growth which are direct results of the KVAC grant program.
5. Maximize the use of private financing to match public grant funding for new product development.

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 SUBPROGRAM TITLE AND NUMBER _____

Performance Measures for Objective #3:

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OUTCOME MEASURES:

	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY 2000
Number of new products commercialized	N/A	3	3	3	3	3
Number of new technologies used in commercialization	N/A	3	3	3	3	3
Number of entrepreneurs trained in commercialization	N/A	20	20	20	20	20
Number of KVAC grants awarded	N/A	12	12	12	12	12
Private funding leveraged for new product development	N/A	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000

OUTPUT MEASURES:

	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY 2000
Number of client responses for technical assistance.	N/A	48	48	48	48	48
Number of entrepreneurs workshops given	N/A	3	3	3	3	3
Number of grant requests reviewed and analyzed	N/A	30	36	36	36	36
Number of products tested in pilot plant research	N/A	10	12	12	12	12

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Performance Measures: -- Industrial Agriculture Program

*These measures represent performance under contract with KTEC to operate Industrial Agriculture Program. They are also included in KTEC's budget.

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OUTCOME MEASURES:

	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY 2000
Number of new companies formed	N/A	2	2	2	2	2
Number of workshops conducted	N/A	3	3	3	3	3
Number of participants per workshop	N/A	20	20	20	20	20
Dollars new sales	N/A	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Dollars leveraged:						
Private		\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Federal	N/A	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Patents/Regulatory Approvals:						
Filed		5	5	5	5	5
Issued	N/A	3	3	3	3	3

OUTPUT MEASURES:

	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY 2000
Number of potential clients/projects evaluated	N/A	25	25	25	25	25
Number of projects considered for funding	N/A	12	12	12	12	12
Number of projects funded	N/A	6	6	6	6	6
Number of royalty positions	N/A	6	6	6	6	6

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OBJECTIVE #4:

Assist in the creation, expansion and recruitment of business and agriculture industry opportunities for the enhancement of rural communities in Kansas.

Strategies for Objective #4:

1. Participate in trade shows, recruitment trips, farm shows and business forums to promote the opportunities for agriculture growth in rural Kansas.
2. Meet with local communities to help them focus their efforts in agriculture business development.
3. Coordinate relationships with other public and private organizations to assist in rural development projects.

Performance Measures for Objective #4:

OUTCOME MEASURES:

	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY 2000
Number of new dairies and dairy product businesses developed in Kansas	N/A	2	2	2	2	2
Value of new dairy construction	N/A	\$8.5 mil.	\$8.5 mil.	\$8.5 mil.	\$8.5 mil.	\$8.5 mil.
Number of new jobs created in dairy operations	N/A	40	40	40	40	40
Dollar value of milk cows	N/A	\$12.0 mil.	\$12.0 mil.	\$12.0 mil.	\$12.0 mil.	\$12.0 mil.
Total new production of milk	N/A	80 mil. lbs.	80 mil. lbs.	80 mil. lbs.	80 mil. lbs.	80 mil. lbs.
Total new gross income in dairies	N/A	\$11.3 mil.	\$11.3 mil.	\$11.3 mil.	\$11.3 mil.	\$11.3 mil.

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DIVISION OF THE BUDGET

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OUTPUT MEASURES:

	Actual FY1996	Current FY1997	Reduced Resource FY1998	Current Service FY1998	Outyear #1 FY1999	Outyear #2 FY 2000
Number of communities provided with technical assistance	N/A	36	40	40	40	40
Number of business development packages worked on	N/A	6	7	7	7	7
Number of out-of-state dairy prospects assisted	N/A	10	12	12	12	12

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EXPENDITURE JUSTIFICATION -- Agriculture Products Development Division.

Object Code 100: Salaries and Wages

Summary: The Division administers two major program areas (Market Development and Promotion of Food Products and Commodities and Value-Added Development of Food/Feed and Industrial Agriculture). Staffing for the Division includes 9.0 classified-regular FTE positions and 1.0 unclassified-regular position.

Current Year FY1997: -- \$421,039 represents funding for current positions in the division.

Reduced Resource Scenario FY1998: -- \$434,574 is requested. Same as Current Service Scenario.

Current Service Scenario FY1998: -- \$434,574 continues current staffing in the two major program areas, including classified step movement, longevity, and a 2.5 percent unclassified merit pool.

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Budget Year Step Movement:

Classified Step Movement:	Reduced Resource	Current Service
State General Fund	\$ 6,405	\$ 6,405
EDIF	\$ 537	\$ 537

Object Code 200-290: Contractual Services

Summary: The major expenditures in this category are for professional fees to administer the contract with the Kansas Technology Enterprise Corporation for creating business opportunities related to industrial agriculture products and for art design and development services used in market promotion projects (OC 2700). Other major expenditures include printing promotional materials and product trade directories (OC 2200), communication costs (OC 2000) and travel costs for staff to attend trade shows and work with business clients (OC 2500). These costs are consistent with the development of targeted campaigns to increase sales of Kansas produced food products, creation and expansion of new value-added agricultural products, and expanding opportunities for the development of new, diversified agricultural industries in rural Kansas.

The division will be concentrating on more refined strategies to develop target markets and projects that have the highest probability for generating economic development as well as tracking project results and expenditure accountability. This effort will provide the direction for new campaigns of work and providing assistance to agriculture clients.

Expenditures in other object codes represent day-to-day operations needed to support the division's program areas.

Current Year FY1997: -- \$577,144 is requested. This level of funding provides adequate monies to support the divisions market promotion and value-added product development programs.

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DOB USE ONLY

Reduced Resource Scenario FY1998: -- \$517,226 is requested. This decrease in funding (\$59,918) from FY1997 represents the loss of carryover funds that are being utilized to purchase one-time artwork development and printing needs during FY1997. These one-time expenditures will be utilized to change artwork used in market promotion campaigns to represent the division's new presence in the Department of Commerce and Housing and to print informational brochures that are reprinted every two or three years. The overall impact of the loss of these carryover funds should not impact the outcome performance of the division, but will not allow for development of new projects.

Current Service Scenario FY1998: -- \$517,226 is requested. Same as Reduced Resource Scenario.

Object Codes 300-390: Commodities

Summary: Major expenditures under this category are for professional supplies needed in market promotion campaigns, general office supplies and for promotional trademark labels for resale to registered trademark companies in the FROM THE LAND OF KANSAS and GROWN IN KANSAS programs. The resale items generate revenue used to pay for the reorder of these labels.

Current Year FY1997: -- \$39,949 is requested. This funding supports the above expenses and is expected to be stable from year to year.

Reduced Resource Scenario FY1998: -- \$34,949 is requested. Same as Current Year FY1997.

Current Service Scenario FY1998: -- \$34,949 is requested. Same as Current Year FY1997.

Object Code 520-590: Other Assistance, Grants and Benefits

Summary: The Division operates a grant program to assist in value-added agricultural product development through its foods and feed program in the Kansas Value-Added Center (KVAC). This program provides funds to companies seeking the development or formulation of new food products and the creation of new technologies to expand the uses of Kansas agricultural products. These funds serve as a match to private and other public funds for creation of new products. This marketing strategy is important in the division's efforts to assist in diversifying the Kansas agriculture sector and improve the state's position as a leader in value-added agriculture production.

NARRATIVE INFORMATION -- DA 400
DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME KANSAS DEPARTMENT OF COMMERCE AND HOUSING
AGENCY NUMBER 300 FUNCTION NUMBER 01
PROGRAM TITLE AND NUMBER Agriculture Products Development Division- 04000
SUBPROGRAM TITLE AND NUMBER _____

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PAGE

Current Year FY1997: -- \$300,00 is requested. This level of funding continues an aggressive campaign of new product research and development and the creation of new technologies to aid in commercializing new agriculture products.

Reduced Resource Scenario FY1998: -- \$300,00 is requested. Same as Current Year FY1997.

Current Service Scenario FY1998: -- \$300,000 is requested. Same as Current Year FY1997.

DOB USE ONLY

DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME Kansas Department of Commerce & Housing
 AGENCY NUMBER 300 FUN. JON NO. 01
 PROGRAM TITLE AND NUMBER Agriculture Products Development 04000
 SUBPROGRAM TITLE AND NUMBER

OBJECT OF EXPENDITURE	OBJ. CODE	FY 1996 ACTUAL	FY 1997 ESTIMATE	DOB USE ONLY	FY 1998 REDUCED RESOURCE	FY 1998 CURRENT SERVICE	FY 1998 ENHANCEMENT PACKAGE	DOB ONLY
01 TOTAL SALARIES & WAGES	100		421,039		434,574	434,574		
05 COMMUNICATION	200		38,040		38,040	38,040		
05 FREIGHT & EXPRESS	210		4,500		4,500	4,500		
05 PRINTING & ADVERTISING	220		52,875		41,668	41,668		
05 RENTS	230		4,670		4,670	4,670		
05 REPAIRING & SERVICING	240		2,250		2,250	2,250		
05 TRAVEL & SUBSISTENCE	250		61,780		61,780	61,780		
05 FEES-OTHER SERVICES	260		11,150		11,150	11,150		
05 FEES-PROFESSIONAL SERVICES	270		391,079		342,368	342,368		
05 UTILITIES	280							
05 OTHER CONTRACTUAL SERVICES	290		10,800		10,800	10,800		
06 TOTAL CONTRACTUAL SERVICES			577,144		517,226	517,226		
10 CLOTHING	300							
10 FEED & FORAGE	310							
10 FOOD FOR HUMAN CONSUMPTION	320							
10 FUEL	330							
10 MAINT. MATERIALS, SUPPLIES, PARTS	340		1,100		1,100	1,100		
10 MOTOR VEHICLE PARTS, SUPPLIES	350							
10 PROFESSIONAL & SCIENTIFIC SUPPLIE	360		15,139		15,139	15,139		
10 STATIONERY & OFFICE SUPPLIES	370		10,580		10,580	10,580		
10 SCIENTIFIC RESEARCH SUPPLIES	380							
10 OTHER SUPPLIES, MATERIALS, PARTS	390		8,130		8,130	8,130		
11 TOTAL COMMODITIES			34,949		34,949	34,949		
15 TOTAL CAPITAL OUTLAY	400							
Debt Service-Principle								
Debt Service-Interest								
20 INSTITUTIONAL OR DEPT. DEBT	600							
25 TOTAL NONEXPENSE ITEMS	700							
30 SUBTOTAL STATE OPERATIONS			1,033,132		986,749	986,749		
35 FEDERAL AID TO LOCAL UNITS	500							
35 STATE AID TO LOCAL UNITS	510							
36 TOTAL AID TO LOCAL UNITS								
37								
37 VALUE ADDED GRANTS			300,000		300,000	300,000		
38 TOTAL OTHER ASSIST. GRANTS, B			300,000		300,000	300,000		
40 TOTAL EXPENDITURES			1,333,132		1,286,749	1,286,749		
FTE Positions			10.0		10.0	10.0		
Unclassified Temporary Positions								
45 TOTAL POSITIONS			10.0		10.0	10.0		

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EXPENDITURES - DA 410

DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME Kansas Department of Commerce & Housing
 AGENCY NUMBER 300 FUNCTION NO. 01
 PROGRAM TITLE AND NUMBER Agriculture Products Development 04000
 SUBPROGRAM TITLE AND NUMBER _____

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FUND CODE	FUND/ACCOUNT TITLE	RECORD CLASS	FY 1996 ACTUAL	FY 1997 ESTIMATE	DOB USE ONLY	FY 1998 REDUCED RESOURCE	FY 1998 CURRENT SERVICE	FY 1998 ENHANCEMENT PACKAGE	DOB USE ONLY
1000-05	STATE OPERATIONS SALARIES AND WAGES STATE GENERAL FUND STATE OPERATIONS	0		397,811		409,822	409,822		
	SUBTOTAL - SGF			397,811		409,822	409,822		
2610-03	ALL OTHER FUNDS EDIF-STATE OPERATIONS	0		23,228		24,752	24,752		
	SUBTOTAL - ALL OTHER FUNDS			23,228		24,752	24,752		
1000-05	SUBTOTAL - SALARIES AND WAGE OTHER OPERATING EXPENDITURES STATE GENERAL FUND: STATE OPERATIONS	1		421,039		434,574	434,574		
2331-00 2610-03 2333-00	SUBTOTAL - SGF ALL OTHER FUNDS: MARKET DEVELOPMENT FUND EDIF-STATE OPERATIONS TRADEMARK FUND	1 1 1		69,948 537,145 5,000		547,175 5,000	547,175 5,000		
	SUBTOTAL-ALL OTHER FUNDS			612,093		552,175	552,175		
	SUBTOTAL-OTHER OPERATING EXP			612,093		552,175	552,175		
	SUBTOTAL-STATE OPERATIONS			1,033,132		986,749	986,749		

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EXPENDITURES -- DA 410

DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME Kansas Department of Commerce & Housing
 AGENCY NUMBER 300 FUNCTION NO. 01
 PROGRAM TITLE AND NUMBER Agriculture Products Development 04000
 SUBPROGRAM TITLE AND NUMBER _____

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FUND CODE	FUND/ACCOUNT TITLE	RECORD CLASS	FY 1996 ACTUAL	FY 1997 ESTIMATE	DOB USE ONLY	FY 1998 REDUCED RESOURCE	FY 1998 CURRENT SERVICE	FY 1998 ENHANCEMENT PACKAGE	DOB USE ONLY
2610-03	OTHER ASSISTANCE ALL OTHER FUNDS: EDIF-STATE OPERATIONS	3		300,000		300,000	300,000		
	SUBTOTAL-OTHER ASSISTANCE			300,000		300,000	300,000		
	TOTAL PROGRAM EXPENDITURES			1,333,132		1,286,749	1,286,749		

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SALARIES AND WAGES--DA412

DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME
AGENCY NUMBER
PROGRAM TITLE/NUMBER
SUBPROGRAM TITLE/NUMBER

Department of Commerce and Housing
300-00 FUNCTION 1
Agriculture Products Development 04000

CLASSIFICATION OF EMPLOYMENT	SALARY RANGE	FY1996 ACTUAL		FY1997 ESTIMATE		DOB USE ONLY		FY1998 REDUCED RESOURCE		FY1998 CURRENT SERVICE		FY1998 ENCHANCEMENT PACKAGE		DOB USE ONLY	
		NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT
AUTHORIZED POSITIONS															
Classified Regular															
Economic Development Rep II	28			1.0	35,308			1.0	36,191	1.0	36,191				
Economic Development Rep III	30			5.0	212,021			5.0	217,320	5.0	217,320				
Office Specialist	18			1.0	22,230			1.0	22,786	1.0	22,786				
Secretary II	15			2.0	39,364			2.0	40,348	2.0	40,348				
Subtotal-Classified				9.0	308,923			9.0	316,645	9.0	316,645				
Unclassified Regular															
Division Director				1.0	54,677			1.0	55,354	1.0	55,354				
Unclassified Merit									1,384		1,384				
Subtotal-Unclassified				1.0	54,677				56,738		56,738				
Subtotal Authorized Positions				10.0	363,600			10.0	373,383	10.0	373,383				
Longevity Pay					2,960				3,120		3,120				
Subtotal-Salaries and Wages				10.0	366,560			10.0	376,503	10.0	376,503				

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SALARIES AND WAGES--DA412

DIVISION OF THE BUDGET
STATE OF KANSAS

AGENCY NAME
AGENCY NUMBER
PROGRAM TITLE/NUMBER
SUBPROGRAM TITLE/NUMBER

Department of Commerce and Housing
300-00 FUNCTION 1
Agriculture Products Development 04000

CLASSIFICATION OF EMPLOYMENT	SALARY RANGE	FY1996 ACTUAL		FY1997 ESTIMATE		DOB USE ONLY		FY1998 REDUCED RESOURCE		FY1998 CURRENT SERVICE		FY1998 ENCHANCMENT PACKAGE		DOB USE ONLY	
		NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT
KPERS					13,160				14,269		14,269				
FICA					28,042				28,802		28,802				
Workers' Compensation					5,315				5,836		5,836				
Unemployment Compensation					733				753		753				
State Leave Pay Assessment					1,686				1,732		1,732				
Single Member Health-Full Time				10.0	18,870			10.0	20,690	10.0	20,690				
Part Time															
Dependent Health-Full Time				4.0	4,216			4.0	4,096	4.0	4,096				
Part Time															
Subtotal-Fringe Benefits					72,022				76,178		76,178				
Subtotal-Salaries and Wages Shrinkage				10.0	438,582			10.0	452,681	10.0	452,681				
					17,543				18,107		18,107				
TOTAL-SALARIES AND WAGES				10.0	421,039			10.0	434,574	10.0	434,574				
Unclassified/Temporary															
TOTAL STATE POSITIONS				10.0				10.0		10.0					

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