

Approved: 1-27-98
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Steve Morris at 10:00 a.m. on January 21, 1998 in Room 423-S of the Capitol.

All members were present except: Senator Jerry Karr (Excused)

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

Conferees appearing before the committee:

Patty Clark, Division Director, Agriculture Products Development Division, Kansas Department of Commerce and Housing

Others attending: See attached list

Senator Corbin made a motion to approve the minutes of January 20, 1998 as submitted. Senator Huelskamp seconded. The motion carried.

Patty Clark, Division Director, Agriculture Products Development Division of the Kansas Department of Commerce and Housing, gave a brief outline of the Division's structure and reviewed the Annual Report (Attachment 1). She enumerated the accomplishments and services of each program area including the Trademark Program, Domestic Marketing, the Value-Added Program, International Trade Program, and introduced her staff that was in attendance. Ms. Clark commented on the activities of the Garden City Office. Additionally, she discussed the FY98 division projects for the Agriculture Products Development Division. Discussion and questions followed.

Senator Huelskamp distributed a letter from a Kansas company (Attachment 2).

The next meeting is scheduled for January 22, 1998 in Room 313-S.

**Testimony to the Senate Committee on Agriculture
Annual Report of the Agriculture Products Development Division
The Kansas Department of Commerce and Housing
Patty Clark, Division Director
January 21, 1998**

Good morning Mr. Chairman and thank you for the opportunity to address the Senate Committee on Agriculture and to provide you with information concerning the Agriculture Products Development Division of the Kansas Department of Commerce and Housing (KDOC&H).

I would like to begin with a brief outline of our division structure and our annual report, then move to a discussion of our current projects and, in closing, share with you why I feel this new structure is working, and will continue to work for the agricultural community of Kansas.

Highlights from our Annual Report by Program Area

Trademark Program: Lee Masenthin, Program Manager

In FY 97 we recruited 67 new companies to the *From the Land of Kansas* trademark program which combines the *From the Land of Kansas*, *From the Hands of Kansas*, and *Grown in Kansas* programs into a comprehensive trademark identity and improves consumer recognition.

Our division coordinated the selection process for QVC's "*America's Quest for the Best*" show which was broadcast from Wichita. This show generated \$423,000 in sales for Kansas companies and the QVC network subsequently requested four of the 20 participating vendors participate in future QVC productions.

June was proclaimed *From the Land of Kansas* month by Governor Graves. The Division generated media focus on the trademark program with TV, radio, and print exposure, special promotions, intensive cross-marketing, and through the Buy Kansas Expo, co-sponsored with WIBW. A marketing and promotional skills training seminar was also held in conjunction with the Expo. The seminar was designed to help educate companies to promote themselves and their products in concert with our division's efforts to increase consumers' recognition and loyalty to the trademark itself.

The *Kansas Connection* catalog underwent some revision in both form and function. For the first time, catalog customers could utilize a single 800 number to order from multiple companies. The catalog fulfillment contract also allowed customers to use their credit cards.

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Attachment 1*

The challenge will be to analyze the hard sales data acquired from the fulfillment company, couple it with customer demographics, and further refinement of the mail-order process, and then determine a future course of action for catalog production and distribution.

Domestic Marketing: Janet Bailey McPherson, Program Manager

The Hazard Analysis Critical Control Point (HACCP) Implementation program and our division's public relations efforts were priorities for Domestic Marketing.

We collaborated with Kansas State University and the Kansas Department of Agriculture to initiate a three-pronged approach to assist the 140-plus state inspected meat processors with meeting the demands of HACCP. Step one was the development of educational seminars for processors and their employees. The Business Development Division, through the use of Kansas Industrial Retraining (KIR) funds, provided \$3,300 in tuition assistance to 22 individuals offsetting the costs involved in attending the seminars. Step two involved co-funding a consultant position with the Department of Ag and KSU to provide further assistance in HACCP plan development and implementation. Step three was to help secure low interest loans through the Kansas Development Finance Authority for processors who need to make capital improvements in their plants to meet HACCP regulations. Our HACCP efforts truly exemplify how a unified, collaborative approach can be utilized to address an industry challenge and provide the best service for our customers.

We collaborated with Trade Development, Business Development, and Administration divisions on behalf of the KDOC&H to exhibit with the West of England Development Agency at the Worldwide Food Expo in Chicago. This one show created over 200 domestic and international leads from food processors, equipment suppliers, and food brokers interested in the business climate in Kansas.

The Division's public relations efforts were directed through our participation in the 3-i Show, the Buy Kansas Expo, and other foreign and domestic trade shows. Personal visits with the volunteer leadership and staff of over 20 different agricultural organizations and over 32 formal presentations to industry groups, as well as media interaction, provided information about all our program areas to our agricultural constituencies.

**Value-Added Program: Chris Williams, Program Director
Connie Fisher, Industrial Agriculture
Vacancy, Food and Feeds**

In FY 97 our division awarded \$363,400 in grants and commercialization loans.

US Premium Beef (USPB) was provided a \$171,000 bridge loan to complete their stock sale and negotiate a one-of-a-kind partnership with Farmland Industries. USPB began processing their members' cattle and their loan was repaid in full prior to the end of Calendar Year 1997.

Fifty-Thousand dollars in phased-in funding was provided to 21st Century Alliance to form a dry edible bean cooperative in western Kansas. While only \$25,000 of state funding was spent by the co-op, we also secured \$75,000 in USDA funding for this project. The dry bean market incurs wild fluctuations annually because of supply and sourcing problems which affect both processors and producers. This cooperative will add stability to the industry from production to consumption.

In addition, we awarded a \$24,500 loan to 3 B's Foods in Johnson County, to commercialize a new edible bean processing technology that pre-cooks beans, then dehydrates them, virtually eliminating the long soaking period prior to cooking. This has application in the retail, commercial, and institutional food sectors.

The American White Wheat Producers Association (AWWPA) was funded by a \$1,640 loan for research to quantify specific baking qualities that are deemed superior to those of hard red varieties. This money was used by AWWPA to make a presentation to Sara Lee.

A \$30,000 loan was awarded to S&M NuTec in Anderson County, to develop a nutritional pet chew to replace those currently marketed that have no nutritional value. This is a grain-based product and S&M NuTec procures their inputs from Midwest Grain in Atchison.

Dinah's Noodles, a small entrepreneurial effort in Cloud County, was given a \$10,000 grant to develop a line of specialty salad dressings. This product, when added to her current line of seasonal products, should provide a more even cash flow and full-time jobs rather than part-time jobs for her five to six employees.

Finally, our continued funding of K-State's pilot plant facilities amounted to \$76,000 and serviced over 1,400 requests for labeling assistance, nutritional analysis, and recipe commercialization.

In addition to the \$363,000 provided through the aforementioned projects, \$560,000 was leveraged from the private sector and from in-kind assistance. Repayment

of commercialization awards is required once a business successfully enters the marketplace.

International Trade: Jerry Dudley, Program Manager

The Division facilitated the presentation of five Kansas companies at the FMI (Food Marketing Institute) show in Chicago in May. This trade show is the largest food product showcase in North America and attracts 6,500 foreign buyers and 35,000 domestic buyers. Our program manager provided assistance to 155 clients in all facets of international marketing. We also helped promote, negotiate, and complete the sale of \$132,000 of breeding livestock to Mexico with more sales expected this spring.

Export seminars sponsored by our division continue to educate clients about export procedures and issues. The recent publication and distribution of the *Kansas Agribusiness Directory*, a project co-sponsored by our division and the Trade Development Division, provides foreign businesses and governments with a single directory of ag products and ag-related machinery and equipment.

Hosting of foreign trade teams and leveraging of USDA export funds through *MIATCO* (Mid-American International Agri-Trading Council) continue to be priority activities to strengthen the export market for Kansas ag business and commodities.

Garden City Office: David Snyder, Field Office Manager

Recruitment of the dairy industry to western Kansas was a major focus during FY 97 and a total of 11 business development projects have been facilitated through this office. The Field Office assisted 46 clients with technical issues and continues to provide outreach to our client base and visibility for our programs in western Kansas.

Our Garden City office recently completed on-site visits with virtually all state inspected processing plants west of Highway 81. This was an effort to encourage attendance at the January HACCP training seminar to be held in Manhattan, to reinforce the timelines required to develop and implement a HACCP plan, and to explain the state's coordinated three-pronged approach to enable small processors to stay in business. This type of effort will be critical to processors as the HACCP deadline approaches.

Our field staff continues to work with the Western Kansas Economic Development Association (wKREDA) on business enhancement and recruitment efforts in western Kansas and to participate in trade shows such as the World Dairy Expo.

Current FY98 Division Projects

Currently we are funding the continuation of a collaborative Identity Preserved (IP) wheat research project with KSU, the Kansas Wheat Commission, and the USDA. Identity preservation is the future for producers and processors in both the grain and livestock sectors. Growers, handlers, and processors will need to segregate commodities based on certain characteristics or qualities in order to meet refined customer demands and to calculate the premium returned to growers. This project will have applicability across many sectors.

We will fund the development of a "consumer friendly" portable computerized kiosk for initial use by the Rainbow Organic Farms All-Natural Beef Co-op project. This kiosk will be placed at retail grocery sites to "survey" customers on quality, pricing, and interest in all-natural beef products and then automatically print out a promotional coupon for the customer completing the survey. We intend for this kiosk to be used by other clients, such as our *From the Land of Kansas* companies, for special promotions and also for our use at the Kansas State Fair to measure consumer awareness of our trademark program.

The *Quick Reference Guide for Food Processors* is being printed and is a coordinated effort between our division and KSU. This will provide start-up companies a fingertip guide to procurement of inputs, equipment, packaging, and labels as they develop their product line and business or expansion plans.

Relative to the continuation of HACCP implementation, we realize, for a variety of reasons, not all 140 plants will remain in business. Despite the deadline being well over a year away, we know it is not premature to plan coordinated marketing strategies for those who continue to operate in a potentially larger trade area and to help communities determine what they are going to do with abandoned facilities. This will remain a priority in our division well after the implementation date passes.

We have also secured \$52,800 in funding from the Federal-State Marketing Improvement Program for a study of alternative marketing organizations and consumer demand for locally grown food products. This is market based research that will be helpful to our *From the Land of Kansas* clients, our organic producers, our fruit and vegetable growers, and specialty crop producers. This is the first time Kansas has secured a grant from FSMIP and was a direct result of our aggressive efforts to seek out previously underutilized funding sources.

Last September we became one of five states to sign a Technology Transfer Agreement with the USDA. This gives Kansas access to technology that has been researched and developed by the Agricultural Research Service (ARS). It also provides an avenue for our producer groups to identify research needs and priorities which can

then receive focus from ARS. This is simply another example of our ability to leverage additional resources to our state and to our projects.

Our division has made a commitment to sponsor a value-added conference in late Summer 1998. Our vision is to attract all tiers of the value-added system, from producers, processors, marketers and entrepreneurs, to economic and rural development volunteers and staff, in a progressive, educational and interactive forum. By formatting the conference to allow break-out meeting opportunities for our varied client base (Kansas Organic Producers, Emu Association, *From the Land of Kansas* companies, 21st Century Alliance, etc.), as well as scheduling knowledgeable general session speakers, we can achieve the benchmarks we have set for this conference in terms of target audience, content, and results.

Why the Department of Commerce & Housing is the Right Place to be

There was much discussion in the ag community concerning our relocation to Commerce two years ago. Suffice it to say that in the state of Kansas, agriculture is commerce and we need to continue to build on the strengths of our state.

I can't begin to illustrate all of the occasions in the last 18 months where cross-divisional interaction occurred. We have leveraged Business Development and Community Development dollars and expertise for agricultural projects. We have cooperated with the Trade Development Division on international programs, trade shows, and trade missions. We have consistent interaction with the Housing Division because it is a major component in attracting ag based businesses to rural communities. In addition, we have on-going discussions with Travel & Tourism as interest of Kansas farmers and ranchers in "agri-tourism" opportunities increase.

Presently, there is a window of opportunity for agriculture as a direct result of the producer flexibility built into the new Freedom to Farm Act, the increased willingness by producers to become a partner in value-added processing, and the strengths gained from strategic alliances. When coupled with the mission of our division and the additional resources provided by the Department of Commerce & Housing, we can provide an efficient, effective, and accountable mechanism to grow the industry of agriculture in the state of Kansas.



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Headquarters: 785-539-6016
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January 12, 1998

Senator Morris
Chairman, Senate Ag. Committee

Dear Representative Flower,

On April 24, 1997 U.S. Premium Beef, Ltd., a beef closed marketing cooperative consisting of over 500 Kansas cattle producers, applied for and received an award of \$171,000 from the Agriculture Products Development Division of KDOC&H to cover organizational costs. Due to the overwhelming interest, subsequent successful stock offering and successful operations, we have since repaid this award.

As I understand, the Ag Committee will be addressing the effectiveness of the shift of ag marketing responsibilities from the Department of Ag to the Department of Commerce and Housing. During the period while US Premium Beef was investigating funding options and negotiating the award, I was impressed with the professionalism and responsiveness of the Agriculture Products Development Division. Our experience with the Department of Commerce and Housing, while in an area previously handled through the Department of Agriculture, was very satisfactory.

As it was with us, the role of this Division is vital to the success of new viable business ventures. As in any business, continuity is a key element to its efficiency and success. I would encourage the Committee to allow the Ag Products Development Division to continue in its present form in the Department of Commerce and Housing.

Should you have questions, please contact me at (785)539-6016.

Sincerely,

Steven D. Hunt
CEO

Ks. Dept. of Comm. & Housing

JAN 14 1998

AG PRODUCTS DEV DIV



**Kansas
Grain Sorghum Producers
Association**



**Kansas
Corn Growers
ASSOCIATION**

January 19, 1998

Senator Steve Morris
Kansas State House
Topeka, Kansas 66612

Dear Senator Morris,

The Kansas Corn Growers and Kansas Grain Sorghum Producers Associations wish to go on record to support the continuation of the Kansas Agricultural Products Development Division. Agriculture is the most vital industry in our state. It has remained so in times of change, only because our leaders have had the foresight to position agriculture for a strong future. We no longer operate in a farm economy that can thrive without new products and uses for our commodities, both food and non-food.

While some of our constituents might debate where such a program should be located, the issue of whether such a program should exist is not controversial. The important issue is cooperation among all of the affected parties. This program is very young, but appears to have forged many strategic alliances between the public and private sector. Our relationship with the program and staff is excellent. We believe it serves the state well.

As always, we would like to thank you and the members of the committee for their hard work on behalf of Kansas agriculture. If I can assist in those efforts in any way, please don't hesitate to call.

Sincerely,

Jere White
Executive Director

Post-It* Fax Note	7671	Date	1/20/98	# of pages	1
To	Patty Clark	From	Jere White		
Co./Dept	Ag Prod Devel.	Co.	KCGA/KGSPA		
Phone #		Phone #	785-448-6922		
Fax #		Fax #	785-448-6932		

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January 20, 1998

Dear Chairman and Members of the Committee

Two years ago the debate over the location and structure of the Kansas "Value Added Agriculture" infrastructure dominated the agenda of agriculture issues before the Kansas Legislature. The birth of the Agriculture Products Development Division within the Kansas Department of Commerce and Housing marked a new beginning for the future of "value-added" in Kansas.

The past two years have been a transition time for the vision of what "value added" agriculture means for the state of Kansas. We have seen the APDD bring the agriculture community, business development services, rural/community development interests and the states technology based infrastructure development forces together, united behind a common vision. That common vision is to enhance rural and agriculture based business development by providing a streamlined network of services to the very people that need them.

Since the task force on rural development of 1988 reported their findings on the "demise of the rural economy" the state has struggled to develop a successful comprehensive approach to helping new large scale value added businesses develop and to assist existing agribusiness expand their processing and marketing of Kansas commodities.

The track record of the APDD the past two years shows that real economic development can and has occurred with the right kind of support structure in place at the state level. Let me review just the businesses we have seen positively impacted by the new APDD.

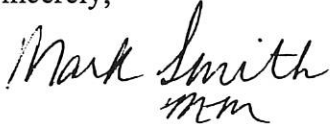
The agriculture community has seen the establishment of 3 large-scale value added businesses that will directly benefit the rural communities by returning more value of the processed commodity to the very farmers that own them. 21st Century Grain Processing Cooperative is owned by 350 Kansas farmers who are turning their wheat into flour for the tortilla market in the southwest. 21st Century Dairies Cooperative, Washington County will bring 18 new jobs to one of the most "economically distressed" counties in Kansas and the 150 farmers who will own the dairy will be adding value to over \$1 million worth of raw Kansas commodities. 21st Century Bean Processing Cooperative will develop 8 jobs in northwest Kansas and will add value to over \$5 million of dry edible beans.

The support of the staff and the leadership of Secretary of Commerce Sheerer, Curtis Chrystal and now Patty Clark have been fundamental to the success of our company's development. The small amount of development capital (\$25,000) the APDD initially invested

in the development of a value added bean processing led to the USDA granting \$75,000 to the state of Kansas for continued development activities. The USDA grant is the first of many that will be leveraged for Kansas because of the leadership and vision of the APDD.

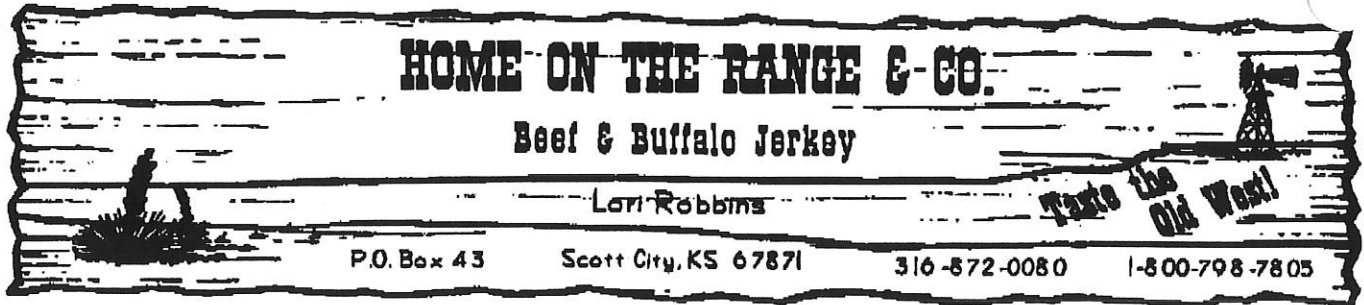
We have taken a giant step forward in Kansas with the formation of the APDD within the Department of Commerce and Housing. What we need is more support of positive programs like this to ensure Kansas will not be left behind in the value added business development explosion happening across the country. We urge your support of this common vision.

Sincerely,

Handwritten signature of Mark Smith in cursive script.

Mark Smith
Chairman, 21st Century Alliance

lr/mem



January 20, 1998

Senator Huelskamp
143 N. State Capitol
Topeka, KS 66612-1504

Dear Senator Huelskamp,

I would like to share some concerns I have about the "From the Land of Kansas" program. I have been a member of that program since I started my value-added food business four and an half years ago. It was a terrific program! It helped me with label design from a marketing standpoint. The personnel sent me to K-State with questions and problems they could not solve. What was most beneficial to me was the marketing help I received. The staff helped me understand more about marketing but they also helped me and the other companies find marketing leads that we did not have access to or knowledge of. It was a great partnership.

Since the program moved to the Department of Commerce the program has almost been non existent. The people who were working the programs were fired or did not feel they could work effectively under the new conditions. As a result, the program, in my opinion, is of no use to me anymore. I have talked to other value-added food companies from other states and they were amazed to find that a program that was the envy of most of the industry is basically operating in name only.

In the beginning we met with the new personnel to talk about the program. We told them what we would like to see continue and the areas we felt they could help us the most. It seemed they could not or would not hear what we were trying to say to them.

The Kansas Connection catalog was printed again this year. It has not been as successful as the last one I participated in. The catalog did not go the public until late November. Another change was the use of a company to collect the orders and money instead of calling the complains directly. Several of my customers were not happy with this option. This also added a surcharge to the cost of the products. I would not call the catalog a success.

I would like to quest that the current "From the Land of Kansas" program be allowed to sunset in July. The Kansas Marketing Association, of which I am a founding member, would like to ask for some funding for our non-profit organization. We would use the

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Attachment 2*

money to find marketing opportunities to promote the exceptional products made by these companies that put their heart and soul into their businesses. We feel we can grow our companies and provide employment for our communities. If the current program is to be sunset we would like to request the use of the current From the Land of Kansas logo. We have built product recognition with the use of that logo and would like to continue to use it.

We know there has been a lot of concern from you as well a several other Senators and Representative as to the value of the From the Land of Kansas program and how it will enhance the Kansas economy. The Kansas Marketing Association would like for you to give us the opportunity to prove we can work efficiently with limited money and resources.

We appreciate all the attention you have given this issue. Please call with any questions or comments you may have. Thank you very much for your time.

Sincerely,


Lori Robbins