

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on January 24, 2000, in Room 423-S of the Capitol.

All members were present except: Representative Freeborn - excused  
Representative Showalter - excused

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

Conferees appearing before the committee:

Jamie Clover Adams, Secretary, Kansas Department of Agriculture  
Neil Martin, Columbus, KS, Chairman, Kansas Soybean Commission (introductions)  
Dean Stoskopf, Hoisington, KS, President, Kansas Association of Wheat Growers  
Ron Westervelt, Columbus, KS, President, Kansas Soybean Association  
Greg Shelor, Minneola, KS, President, Kansas Grain Sorghum Producers Association  
Alan Peter, Tribune, KS, President, Kansas Corn Growers Association  
Doug Wareham, Vice-President, Government Affairs, Kansas Grain and Feed Association  
Brett Myers, Executive Vice-President, Kansas Association of Wheat Growers  
(Statement from Stanley Larson, President, Kansas Agricultural Alliance)  
Jere White, Ex. Director, Kansas Corn Growers Assn. and Kansas Grain Sorghum Producers Assn.  
Bill Fuller, Associate Director, Public Policy Division, Kansas Farm Bureau  
Ivan Wyatt, President, Kansas Farmers Union  
Tom Giessel, Vice-President, Kansas Farmers Union

Others attending: See attached list

Chairman Johnson welcomed new member, Representative Bruce Larkin, to the House Agriculture Committee. Representative Vaughn Flora was moved to the House Financial Institutions Committee.

Minutes of the January 10, 12, and 19 meetings were distributed. Chairman Johnson asked members to notify the committee secretary of any corrections or additions prior to 5:00 p.m., January 25, or they will be considered approved as presented.

Representative Sharon Schwartz requested introduction of a committee bill to allow landowners to purchase their "hunt on your own land" deer permits over the counter or by electronic e-mail; secondly, to allow landowners to sell or transfer their deer permits to anyone, not just relatives; and third, to establish an 800 number for landowners to report wildlife damage to their property. Seconded by Representative Dahl, the motion carried.

Representative Schwartz requested introduction of another committee bill to allow non-resident bow hunters to purchase their deer hunting licenses over the counter. Seconded by Representative Dahl, the motion carried.

Representative Schwartz, also, requested introduction of a committee bill to increase fines for poaching of trophy deer. Seconded by Representative Dahl, the motion carried.

Representative Schwartz requested introduction of a committee bill to allow landowners the option of putting a 6-inch strip of purple paint on a tree, fence post, or pole to indicate to hunters that they need permission from the landowner prior to hunting or trespassing on their land; this would provide an option for landowners not to have to post all of their land to "no hunting without permission." Seconded by Representative Dahl, the motion carried.

CONTINUATION SHEET

**Hearing on HB 2674 - Structure of grain commodity commissions.**

Chairman Johnson opened the hearing on **HB 2674** and asked Raney Gilliland to brief the committee on the bill. Mr. Gilliland provided background information on the four grain commodity commissions—the Kansas Corn Commission, the Kansas Grain Sorghum Commission, the Kansas Soybean Commission, and the Kansas Wheat Commission--and gave an overview of **HB 2674** to transfer administration from the Kansas Department of Agriculture to the private sector. Mr. Gilliland raised several issues of concern: (1) need to merge qualifications of the commissioners in Section 3 into Section 2; (2) amendment needed to section of law that imposes the 20% allocation; (3) questioned allowing the commissioners to prosecute in the name of Kansas; (4) should specify what is to be reported to the legislature annually; and (5) the provision concerning bank accounts probably should have additional language requiring that if deposits are made in an out-of-state bank, the institution must be licensed by a state or federal government. Gordon Self of the Revisors Office agreed that some technical changes will be necessary.

Jamie Clover Adams, Secretary, Kansas Department of Agriculture, appeared in support of **HB 2674** and outlined the history of this proposal and the department's role. She explained that with passage of this bill, the state budget will be reduced significantly; yet an appropriate level of accountability will remain with provisions included for funds management, record keeping, and annual reporting to the legislative and executive branches of government. The Secretary said this bill gives Kansas grain producers significantly more input, control, and effective use of their checkoff investments. (Attachment 1)

Neil Martin, Columbus, Kansas, Chairman, Kansas Soybean Commission, testified in support of **HB 2674** to restructure the Kansas grain commodity commissions. He reported that the commissioners have participated in reviewing and preparing the concepts contained in this bill which he felt should improve the flexibility, operations, and benefits for producers. (Attachment 2)

Dean Stoskop, Hoisington, Kansas, President, Kansas Association of Wheat Growers, testified in support of **HB 2674**. He said the grain commissions were created to help producers help themselves through the funding of research, the promotion and development of markets, and the education of producers and consumers about these commodities. He sees three main reasons for restructuring the grain commissions: increased flexibility, full access to checkoff funds, and increased accountability to the grain producers. (Attachment 3)

Ron Westervelt, Columbus, Kansas, President, Kansas Soybean Association, spoke in support of **HB 2674** and the privatization of the commodity commissions. He reported that several states already have this form of supervision with regard to the soybean checkoff, including Missouri, Iowa, Minnesota, Illinois, Indiana, and Nebraska. He said that because there is a national soybean checkoff program, soybeans and collected funds from the checkoff actually fall under the jurisdiction of the USDA and the United Soybean Board; annual audits are performed, therefore, credibility and accountability are still present. (Attachment 4)

Greg Shelor, Minneola, Kansas, President, Kansas Grain Sorghum Producers Association, appeared in support of **HB 2674**. He said the concept of having the administration of the commissions in the private sector is not new or unique as most checkoff programs in other states are operated in the private sector. He said the commissions certainly are not broken, but they can be improved; this proposal is good for the state and good for the growers. (Attachment 5)

Alan Peter, Tribune, Kansas, President, Kansas Corn Growers Association, testified in support of **HB 2674** stating that this proposal to transfer the administration of the commissions out of state government to the private sector is in the best interests of Kansas producers. He believes farmers must provide for the promotion and research of the crops they grow. He said it is time to let growers have more input as to what programs are supported and who will represent them; it is time to spend checkoff funds and the interest on those funds to make farming more profitable for farmers. (Attachment 6)

Doug Wareham, Vice-President of Government Affairs, Kansas Grain and Feed Association, appeared in support of **HB 2674**. He said that since the inception of farmer-supported commodity checkoff programs in Kansas, grain elevator operators have played the role of "first purchase collectors" of checkoff funds. He reported that KGFA's support for **HB 2674** is based on the following: 1) This proposal would allow for the consolidation of checkoff collection, and 2) This proposal would shift the administration of the commodity

## CONTINUATION SHEET

checkoff programs to the private sector. KGFA believes that economic efficiencies and improved services can be provided by the private sector. (Attachment 7)

Brett Myers, Executive Vice-President, Kansas Association of Wheat Growers, presented a letter from Stanley Larson, President, Kansas Agricultural Alliance, listing the member organizations in the Ag Alliance and their unanimous support for **HB 2674**. (Attachment 8)

Jere White, Executive Director, Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association, testified in support of **HB 2674**. He said that passage of this bill to make changes in the structure of the Kansas Commodity Commissions should provide more flexibility, consistency, opportunities for cooperation, responsiveness to market and grower needs, and better return on producer investment. He said that accountability would remain as there would still be state oversight for auditing and investments; refund provisions would not change; annual reports to the growers, Secretary of Agriculture, and the House and Senate Agriculture Committees; and the election procedure would provide for grower oversight. He agreed that several changes need to be made in **HB 2674**. (Attachment 9)

Bill Fuller, Associate Director, Public Policy Division, Kansas Farm Bureau, appeared in support of **HB 2674** to restructure the grain commodity commissions of Kansas. Kansas Farm Bureau members believe that restructuring the commissions will allow more of the producer checkoff dollars to be directed, on a more timely basis, to issues and projects that will result in more Kansas grain being marketed and utilized. They believe this is even more important during these times of low grain prices, caused at least in part from high yields in many areas, dwindling exports, inadequate storage, and transportation challenges. Kansas Farm Bureau outlined and asked that the committee examine and possibly amend several provisions in the bill. (Attachment 10)

Ivan Wyatt, President, Kansas Farmers Union, testified in opposition to **HB 2674**. He stated that if government uses its power to place a tax on production, it should be the responsibility of the Governor and his appointed people to assure those paying the tax that their money is being well invested for a purpose that benefits all producers. He questioned whether a Kansas generic commodity can be promoted that will benefit producers in an international market. He said that if the legislature is set on taxing the grain commodity producers, there would be greater support if the money were used to investigate market concentration, market infrastructure, and anti-trust issues. (Attachment 11)

Tom Giessel, Vice-President, Kansas Farmers Union, expressed his opposition to **HB 2674**. He doesn't believe a major overhaul of the commissions is necessary and suggested that the commissions negotiate with the state to distribute and handle the money in a more efficient manner. He said taxes should be set and regulated by the government; it is a lot of money and accountability is crucial to the success of these programs. He feels producers are much more comfortable with tax money passing through a government entity. He suggested a full legislative review and audit of each commission before making any changes in the law. (Attachment 12)

Chairman Johnson closed the hearing on **HB 2674**.

A summary of Economic Development Initiatives Fund expenditures for FY 1999 and estimates for FY 2000 were distributed to committee members. The 1999 Interim Special Committee on Agriculture suggested directing additional EDIF funds to the Agriculture Products Development Division in the Department of Commerce and Housing. Members were asked to review the information for future discussion. (Attachment 13)

Committee members voted to hear a review of the Kansas v Colorado and Kansas v Nebraska water lawsuits by Attorney General Carla Stovall. This review is scheduled for February 7.

The meeting adjourned at 5:20 p.m. The next meeting is scheduled for January 26, 2000.

# HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 24, 2000

NAME	REPRESENTING
Jamie Clover Adams	KDA
Rich McKee	KCA
Jeff Arpin	Division of the Budget
Jeru White	KCGA-KGSPA
Fredrick Waller	KGSPA
Corey Shuler	KGSPA
Neil Martin	Kansas Soybean Grow
Brett Myers	KAWG
Dean Stoskopf	KAWG
Alan Peter	KCGA
Das Wareham	Ks. Grain & Feed Assn.
Bill Fuller	Kansas Farm Bureau
Greg Krissch	KS Dept Ag
Bruce Orvint	KFB

STATE OF KANSAS

BILL GRAVES, GOVERNOR  
Jamie Clover Adams, Secretary of Agriculture  
109 SW 9th Street  
Topeka, Kansas 66612-1280  
(785) 296-3558  
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KANSAS DEPARTMENT OF AGRICULTURE

House Agriculture Committee

January 24, 2000

Testimony Regarding H.B. 2674

Jamie Clover Adams, Secretary of Agriculture

Mr. Chairman and members of the Committee, thank you for the opportunity to appear today to support H.B. 2674. I will leave the specifics of the legislation to others scheduled to testify and will instead spend my time outlining the history of this proposal and the Kansas Department of Agriculture's (KDA) role.

Approximately one year ago, former Secretary Allie Devine met with the Kansas Corn, Grain Sorghum and Soybean Commissions to discuss their needs and explore possible ways to enhance commission operations to maximize benefits and returns to Kansas producers. From these meetings, the Commissions formed a working group comprised of three members (including each Chairman) from each commission to identify and pursue such opportunities. KDA staff were assigned to the working group to facilitate and research issues as they were identified.

The working group met several times through the first half of 1999 and identified issues relating to flexibility, producer control and statutory structure. These meetings were held in

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Attachment 1

conjunction with representatives from the commissions' respective producer organizations and other agricultural groups who expressed interest in the project.

As a result of the working group's efforts, the three full commissions housed at KDA—corn, grain sorghum and soybeans—their respective producer organizations and representatives from the Kansas Association of Wheat Growers held a joint meeting in August 1999 in Salina. During this meeting, general approval was given to pursue the types of detailed proposals that exist in H.B. 2674 for your review today.

KDA included this conceptual proposal in its legislative package presented to the Governor's office in September 1999, and received notice and approval of support of the concept from the Governor in October 1999.

The Kansas Wheat Commission also began reviewing the proposal in the fall of 1999 and formally asked the Governor's office to be included in the effort in November 1999.

Several of the other conferees today will outline the specific benefits this proposal will create for Kansas producers. But, from my standpoint, I would highlight the following:

- H.B. 2674 creates flexibility for Kansas grain producers to be responsive to new opportunities within a framework they choose. Farmers today are faced with incredible demands for flexibility—in and from market whims, production choices and customer demands. However, the government structure that governs their checkoff research and market promotion opportunities is relatively inflexible in terms of contracting, budgeting and personnel. That is why the majority of checkoff programs around the country have a statutory charter but are allowed to operate in the private sector.

- H.B. 2674 gives Kansas producers greater returns on their checkoff dollars by removing the state's opportunity to use farmer dollars earned through interest and administration of these programs. At a time when the agricultural economy faces severe challenges, this is a step the state can take to enhance new product and market development opportunities.
- H.B. 2674 opens the selection process to producers for managing their own checkoff investments. The producers will select their own commissioners in an open and available process.
- The overall state budget will be reduced significantly (\$7.6 million in FY2001), yet the programs will continue operating and accruing benefits to Kansas grain producers.
- An appropriate level of accountability will remain with provisions included for funds management, record keeping and annual reporting to the legislative and executive branches of government.
- H.B. 2674 does not alter current statutory provisions on refunds and should facilitate greater cooperation and joint partnerships for day-to-day operations between the commissions.

In closing, the Department believes H.B. 2674 gives Kansas grain producers significantly more input, control and effective use of their checkoff investments. When this legislation is enacted, KDA stands ready to assist the four commissions with the transition and implementation to the new system for the overall benefit of Kansas agriculture.

# Kansas Commodity Commissions

109 SW 9th St. Topeka, Kansas 66612-1282 Phone (785) 296-3738 Fax: (785) 296-2247  
commodities@kda.state.ks.us

## House Agriculture Committee

January 24, 2000

### Testimony Regarding House Bill 2674

#### Concerning the Structure of the Kansas Grain Commodity Commissions

Good afternoon Chairman Johnson and members of the House Agriculture Committee. My name is Neil Martin and I currently serve as Chairman of the Kansas Soybean Commission. My family and I farm in a diversified grains operation near Columbus, Kansas.

I am happy to be here today and participate with your review and discussion of House Bill 2674 which proposes restructuring the Kansas Grain Commodity Commissions. I have been asked to introduce the other commissioners who also are here today. They are:

Kansas Grain Sorghum Commission:	Jeff Casten, Quenemo, KS
Kansas Corn Commission:	Bob Timmons, Fredonia, KS
	Dan Guetterman, Bucyrus, KS

Also, several staff members from the Kansas Wheat Commission are able to join us, including Dave Frey, their administrator.

Early last year the Kansas Corn, Grain Sorghum, and Soybean Commissions met with then Secretary Allie Devine and began discussions about improving the flexibility, operations and benefits created for producers by commission activities and projects. KDA staff facilitated a sub-committee of the three commissions, which met several times to study new options and opportunities for attaining these goals. During late summer, representatives of the Kansas Wheat Commission also joined the working group in these discussions.

The commissioners have participated in reviewing and preparing the concepts which H.B. 2674 would implement. We look forward to today's discussion and will be happy to answer any questions that you wish to direct to us.

House Agriculture Committee  
January 24, 2000  
Attachment 2







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P.O. Box 1266 • Manhattan, KS 66505-1266 • (785) 587-0007 • FAX (785) 587-0003

Chairman Johnson and Members of the House Agriculture Committee:

Good afternoon! I am Dean Stoskopf, a fourth generation agricultural producer from Hoisington, Kansas.

I am the President of the Kansas Association of Wheat Growers, an organization representing approximately 3,000 Kansas wheat producers.

Today, I am here to testify in support of House Bill #2674, which will restructure the grain commissions in Kansas.

The Kansas Association of Wheat Growers was a driving force in the establishment of the Kansas Wheat Commission in 1957. The other grain commissions were created in the 1970's. The Kansas Legislature created the grain commissions to help producers help themselves through the funding of research, the promotion and development of markets, and through the education of producers and consumers about these commodities. The Kansas grain commissions have worked to accomplish these goals.

Agriculture has changed dramatically since these commissions were established. State government, including the Kansas Department of Agriculture, has also changed over the years.

Today, I see three main reasons for restructuring the grain commissions, all of which would be accomplished with the passage of House Bill 2674. They are: increased flexibility, full access to check-off funds, and increased accountability to the grain producers.

- **Flexibility:**

With the passage of this bill, the grain commissions will be able to respond quickly to the rapid changes of today's world. Issues that affect agriculture and grain producers do not easily fit into the legislative budget process that we have today. This is especially true of research and consumer education issues.

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Attachment 3

These funds are generated by a check-off from crop production. Grain production in Kansas can vary greatly from year to year. This makes planning and budgeting under the current legislative budget process very difficult.

- **Full Access to Check-Off Funds:**

Currently, carryover funds and interest earned from check-off funds remain within the state's general fund. These funds are a check-off from our grain sales, not a tax on our grain production. The grain commissions need the ability to have full budgetary control and full access to these funds. If there are years of high production, the commissions need the ability to set aside funds for long-term research projects rather than funding those projects on a year to year basis. Under the current system, low production years can dramatically affect important research projects.

- **Increased Accountability to Grain Producers:**

Currently, the people serving on the grain commissions are appointed by the Governor. There is a legal requirement that each grain commission have a certain mix of political parties represented by the commissioners. This process has worked in the past and the commissioners have generally been appointed without difficulty. However, this appointive process has not given the individual producer a voice in selecting who manages his or her check-off funds.

The proposed election process for the grain commissions gives individual producers the opportunity to vote for grain commission members. It also gives individual producers the ability to seek positions on the grain commission. These changes should increase producer involvement in the Kansas grain commissions.

There have been many good discussions about what the Kansas Legislature can do to help agriculture in Kansas. While the Kansas Legislature can give input, many of the issues can only be decided and acted upon at the federal level.

House Bill 2674 is one area where you can take action to help Kansas producers help themselves.

Thank you.

Dean Stoskopf, President  
Kansas Association of Wheat Growers  
1286 Susank Road  
Hoisington, KS 67544  
316-653-7579



Kansas Soybean Association  
2930 S.W. Wanamaker Drive  
Topeka, Kansas 66614  
Phone (785) 271-1030 or (800) 328-7390  
E-mail: ksbean@inlandnet.net

## **Testimony before the House Agriculture Committee**

**By**  
**Ron Westervelt**  
**President, Kansas Soybean Association**  
**January 24, 2000**

Good afternoon chairman Johnson and Members of the House Agriculture Committee, my name is Ronald Westervelt and I live and farm in rural Cherokee County near Columbus. I appreciate this opportunity to speak to you in support of House Bill 2674, the privatization of the commodity commissions.

As a farmer, I grow each of the four commodities (wheat, corn, grain sorghum, and soybeans) and contribute to each of the commodity checkoff programs that are the focus for today's hearing.

I currently serve as President of the Kansas Soybean Association, and it is from the state's soybean grower's perspective that I offer this testimony.

Our organization has a good working relationship with the Kansas Soybean Commission. It was the vision and hard work of many soybean growers of the Kansas Soybean Association that saw a need for an entity to collect funds from sales of commodities to finance additional research, education, promotion and market development opportunities within the state's soybean industry. The Kansas Soybean Association appreciates the action of the state legislature that led to the creation and establishment of the Kansas Soybean Commission.

The Kansas Soybean Commission has done an excellent job of administering the state's soybean checkoff program, however, as with many programs, some changes and modifications are needed to make the program even more efficient and responsive to the Kansas soybean grower.

The concept of privatizing the commodity commissions is not new. In fact, several states already have this form of supervision with regards to the soybean checkoff.

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Attachment 4

Missouri...Iowa...Minnesota...Illinois...Indiana . . .and most recently Nebraska are just a few of the states that have their state soybean promotion and market development boards, or commissions if you will, all privatized.

Nebraska made the switch in 1991, and with their change they too adopted the format of having their commissioners go from being appointed by the governor, to the new system of having the commissioners directly elected by the growers. The system has benefited the Nebraska soybean grower, and it will benefit the Kansas soybean grower.

By having elected officials represent the commodity grower, the grower has more of a voice on how his checkoff funds are to be allocated. It will also force the grower to be better educated about how his money is being utilized for research, education, promotion, and market development opportunities.

Because there is a national soybean checkoff program, soybeans and collected funds from the checkoff actually fall under the jurisdiction of the USDA and the United Soybean Board. Annual audits are performed and therefore credibility and accountability are still present.

Let me summarize by saying House Bill 2674 should be adopted to offer growers a better opportunity to have direct representation with their investments on the soybean checkoff. It would allow interest from collected funds to be used to finance additional research, education, market development, and promotional opportunities. And passage of H.B. 2674 would place Kansas in a similar position as our neighboring states, and that would allow the soybean commission the opportunity to act more quickly on submitted proposals to educate the producer as well as the consumer.

I again appreciate this opportunity to address the Members of the Agriculture Committee, and I would be pleased to answer any questions from the Committee.

## TESTIMONY

**TO:** Kansas House Committee on Agriculture  
**FROM:** Greg Shelor, President  
**DATE:** January 24, 2000  
**SUBJECT:** HB-2674

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Good afternoon Chairman Johnson, members of the committee, I am Greg Shelor, a farmer from Minneola, Kansas and President of the Kansas Grain Sorghum Producers Association. I am here today seeking the support of this committee for HB-2674.

While I am here today as an association president, I had the privilege of serving on the Kansas Grain Sorghum Commission for 13 years. During those years I had a chance to see the different styles of structure and organization that various states use in their commodity promotion and research efforts. The concept of having the administration of the commissions in the private sector is not new or unique. Most checkoff programs in other states are operated in the private sector. The Kansas corn, grain sorghum, soybean and wheat commissions are among a very small minority of state-administered checkoff funds. Although I consider myself a pretty conservative thinker, I can easily appreciate that after a few decades any program could probably use a little overhaul. The commissions certainly are not broken...but they can be improved.

A simple way to illustrate how operating within the state system creates a challenge is to simply look at the funding of grain sorghum plant breeding programs. The Kansas Grain Sorghum Commission provides critical funding in this area. Private companies are more focused on crops with higher total acreage and fewer acres per bag of seed purchased at a higher price...such as corn. Any project that involves growing grain sorghum in the field will be one that runs from spring to fall or winter. Under the state system, budgeting and contracts

are done in a July 1<sup>st</sup> to June 30<sup>th</sup> time frame. Sometimes things just don't fit well in the current system. In addition, any contract must go through the state budget process. Quick response is not in the state's vocabulary. Not anybody's fault in particular, the state just isn't set up for it. If a commission wanted to respond to an immediate need, they might be hard pressed to do so. Not because they didn't have the funds, but because they don't have a flexible mechanism to provide funding.

This proposal is good for the state. It moves more than 9 full time employees from the state's payroll and lessens the administrative burden placed on several areas of the Kansas Department of Agriculture that support the operations of the Corn, Grain Sorghum and Soybean Commissions. At the same time, the commissions will continue to be accountable to the Kansas Legislature and just as important, the growers.

This proposal is good for the growers. It will provide for grower elected commissions to better utilize the checkoff funds they now collect and it will allow those commissions to put interest earned on those funds to work for growers. There is no change in how refunds are dealt with or in the assessment rates to growers.

I urge this committee to favorably pass HB-2674. Thank you.



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## TESTIMONY

**TO:** Kansas House Agriculture Committee  
**FROM:** Alan Peter, President  
**DATE:** 24 January 2000  
**SUBJECT:** H.B. 2674

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Chairman Johnson, members of the committee, my name is Alan Peter. I am a farmer from Tribune, Kansas and serve as President of the Kansas Corn Growers Association. As a grower of corn and wheat in west central Kansas, my family and I have invested in the commodity checkoffs throughout my farming career. I believe this plan to transfer the administration of the commissions out of state government is in the best interest of Kansas producers.

I am one who believes that farmers must provide for the promotion and research of the crops that they grow. However, prior to my involvement on the board of KCGA, I had minimal knowledge about the work and programs of the Kansas Corn Commission. I have seen several changes in the past few years in efforts to "get the word out" from the Corn Commission. But the bottom line is that when commissioners are appointed by a governor rather than selected by their peers, a process of interaction is not a requirement. Don't mistake this observation as a criticism of the current commission. They, like me, are farmers with more than enough on their plate. Without a process that requires this interaction, it will not likely occur.

Under the current structure, a commissioner who makes efforts to interact will find it hard to gather other growers for discussion because in the end, the governor, not the growers, makes the choice as to who will represent them. If you don't figure out how to connect with your constituents, you won't get elected to the legislature. If the governor appointed all legislators, it would be hard to garner interest and enthusiasm for the



process out in the country. The commodity commissions are spending growers' money, so it only makes sense that growers should be able to decide who represents us on those commissions. The commissions, producers, and the State of Kansas will benefit from this proposed change.

Like any good business, the commissions must retain some amount of financial reserves to allow them flexibility in spending and to protect against years when production and income may be down. Under the present system, any interest earned on idle commission funds goes directly to the state's General Fund. That is money that could and should be used to help growers by funding research or market development projects. By taking the administration of the commissions out of the state system, those commissions can keep the interest earned on checkoff collections and put that money to use to benefit the farmers who invested those checkoff funds in the first place. In addition, the so-called "skim" fee of \$100,000 per year would be eliminated. That would provide for all of the grower money being allowed to benefit growers, as it should be.

With today's farm economy, it's now more important than ever to allow our checkoff commissions to operate efficiently. It is time to let growers have more input as to what programs are supported and who will represent them. It is time to spend checkoff funds and the interest on those funds to make farming more profitable for farmers like me and for our children who will one day farm our land.

On behalf of the members of the Kansas Corn Growers Association and the Kansas corn industry, I respectfully ask you to support HB-2674. Thank you.

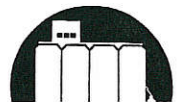


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*Association*

**Statement of the  
Kansas Grain and Feed Association  
regarding  
House Bill 2674  
Presented to the  
House Agriculture Committee  
Representative Dan Johnson, Chairman  
January 24, 2000**

**KGFA, promoting a viable business  
climate through sound public policy for more  
than a century.**



House Agriculture Committee  
January 24, 2000  
Attachment 7

Mr. Chairman and Members of the House Agriculture Committee, my name is Doug Wareham and I am Vice President, Government Affairs for the Kansas Grain and Feed Association (KGFA). The KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in the state of Kansas. Our membership includes over 1,100 Kansas business locations and represents 99% of the commercially licensed grain storage in the state. I appear today in support of House Bill 2674 and encourage this committee's positive consideration of this bill.

The Kansas Grain and Feed Association (KGFA) has been a long-standing supporter of the Kansas Wheat, Corn, Grain Sorghum and Soybean Commissions and the vast array of market development, promotion, research and education programs each of those Commissions support. Since the inception of farmer-supported commodity check-off programs in Kansas, grain elevator operators have played a vital role as "first purchase collectors" of check-off funds that are currently remitted to the Kansas Wheat Commission and the Kansas Department of Agriculture.

KGFA's support for House Bill 2674 is based on the following:

- *This proposal would allow for the consolidation of check-off collection.* Currently, first purchasers are required to remit wheat check-off dollars to the Kansas Wheat Commission in Manhattan and Corn, Grain Sorghum and Soybean check-off dollars to the Kansas Department of Agriculture in Topeka.
- *This proposal would shift the administration of the commodity check-off programs to the private sector.* Experience has shown our industry, and I use as an example the privatization of the Kansas Grain Inspection Service, that economic efficiencies, and most importantly improved services, can be provided by the private sector.

Again, I appreciate the opportunity to testify in support of House Bill 2674 and ask that you consider this bill favorably. I would be happy to answer any questions at this time.

# Kansas Agricultural Alliance

Kansas Agricultural Aviation Association

Kansas Agri-Women

Kansas Association of Ag Educators

Kansas Association of Conservation Districts

Kansas Association of Wheat Growers

January 24, 2000

Kansas Cooperative Council

Representative Dan Johnson

Kansas Corn Growers Association

Chairman of the House Agriculture Committee

Kansas Crop Consultant Association

Statehouse

Kansas Dairy Association

Topeka, KS 66612

Kansas Ethanol Association

Dear Chairman Johnson,

Kansas Farm Bureau

The Kansas Agricultural Alliance is writing in support of HB 2674, the bill concerning grain commodity commissions. The member organizations of the Ag Alliance, listed on this page, have voted unanimously to endorse and support this legislation.

Kansas Fertilizer and Chemical Association

Kansas Grain and Feed Association

Thank you for your consideration.

Kansas Grain Sorghum Producers Association

Sincerely,

Kansas Greenhouse Growers Association



Kansas Livestock Association

Stanley L. Larson

Kansas Seed Industry Association

President

Kansas Veterinary Medical Association

**508 Rockfence Place, Lawrence, KS 66049**

House Agriculture Committee  
January 24, 2000  
Attachment 8

# **Overview of HB-2674**

**Jere White**

**Executive Director**

**Kansas Corn Growers Association**

**Kansas Grain Sorghum Producers Association**

**PO Box 446, Garnett, KS 66032**

**800-489-2676**

# **Kansas Grain Commodity Commissions**

**Kansas Department of Agriculture**

**Kansas Corn Commission**

**Kansas Grain Sorghum Commission**

**Kansas Soybean Commission**

**Kansas Wheat Commission**

**Separate state agency**

# **Commission Structure Working Group**

Kansas Department of Agriculture

Kansas Corn Commission

Kansas Wheat Commission

Kansas Grain Sorghum Commission

Kansas Soybean Commission

Kansas Association of Wheat Growers

Kansas Corn Growers Association

Kansas Soybean Association

Kansas Grain Sorghum Producers Association

Kansas Farm Bureau

# **Why HB-2647, a bill to make changes in the structure of the Kansas Commodity Commissions?**

- Flexibility**
- Consistency**
- Opportunity**
- Responsiveness**
- Return on Investment**

## **Flexibility**

...authority to contract for all functions with private sector for quicker turnaround on administrative functions.

## **Consistency**

Structure

Authority

Districts

...would enhance regional benefits for Kansas producers, especially those that produce multiple commodities.



## **Responsiveness to Market and Grower Needs**

Increased outreach and feedback.

More flexible systems lead to quicker response to new opportunities.

Not tied to state calendar.

## **Better Return on Producer Investment**

Interest earnings would accrue to Commission accounts.

\$100,000 payment to the SGF would be eliminated.

Investments could be made in a timely manner, not driven by state budget timetables.

## **Accountability Would Remain**

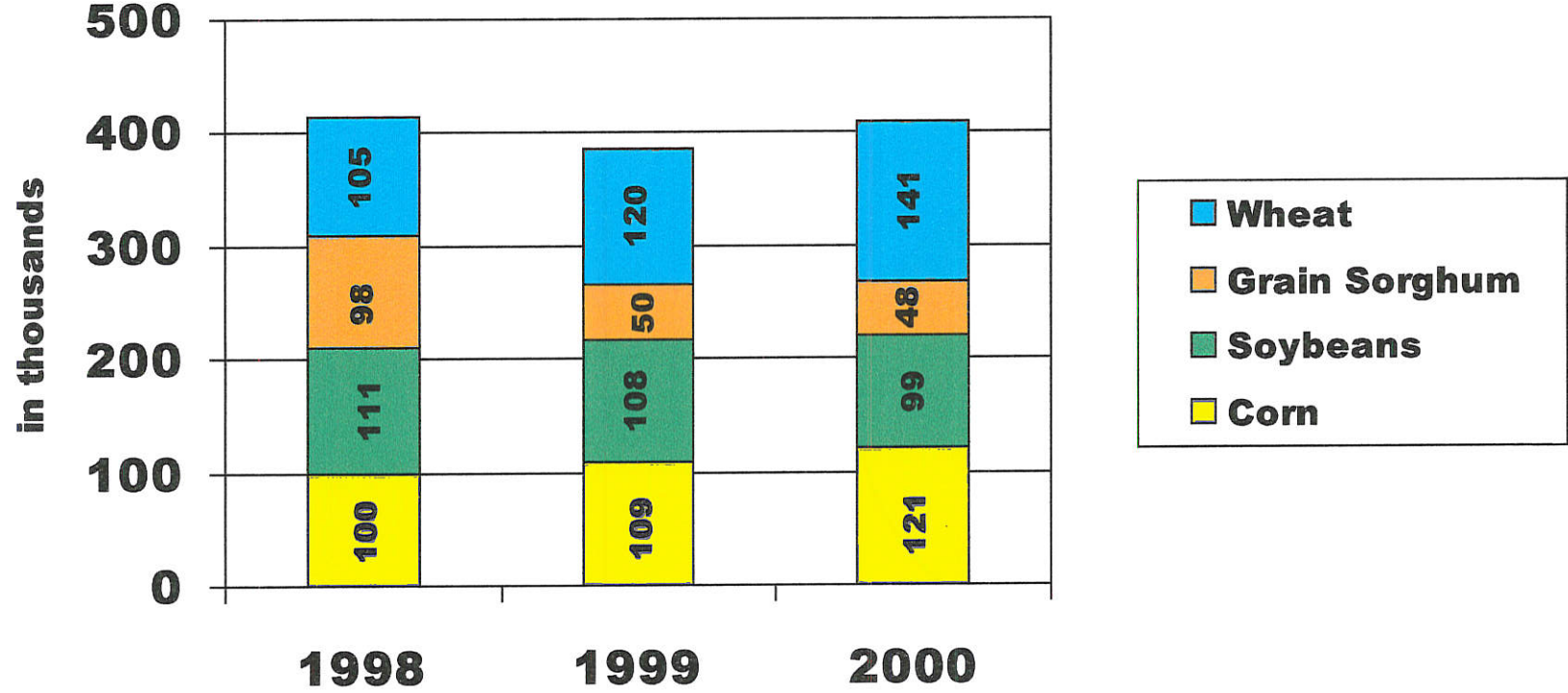
State oversight for auditing and investments.

Refund provisions would not change.

Annual reports to the growers, Secretary, & Ag Committee.

Election procedure would provide for grower oversight.

# Potential Interest Income









## Major components of HB-2674

Remain chartered by the state but be privately managed.

Similar to Kansas Dairy and Sheep Commissions.

Similar to other states' commissions.

Be outside state budgeting, administrative, and personnel system.

Allow more performance-based actions.

Private sector simply runs more efficiently.

Eliminates duplication that currently exists.

Corn, Grain Sorghum & Soybean Commissions would have own authority.

Currently only advisory to the Secretary.



## Major components of HB-2674 (continued)

### New Method for Commissioner Selection.

- No longer a partisan political issue.
- Representation based on crop reporting districts.
- At-large seats could respond to production changes.
- Easy participation for the producer:
  - Coordinate elections geographically for all commissions, easy voter registration, and ballot by mail.

### A Smooth Transition.

- Existing commissioners would remain in office during transition.
- Producer Outreach/Education for 18 months



# **PUBLIC POLICY STATEMENT**

## **HOUSE COMMITTEE ON AGRICULTURE**

**RE: HB 2674 – Restructuring the Grain Commodity Commissions.**

**January 24, 2000  
Topeka, Kansas**

**Presented by:  
Bill R. Fuller, Associate Director  
Public Policy Division  
Kansas Farm Bureau**

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Chairman Johnson and members of the House Committee on Agriculture, Kansas Farm Bureau appreciates this opportunity to express our support for restructuring the grain commodity commissions of Kansas. My name is Bill Fuller and I serve as the Associate Director of the Public Policy Division for Kansas Farm Bureau.

While the grain commodity commissions have served producers quite well during past years, it is time to restructure. Our farm and ranch members insist now is the time to restructure in order to allow more of the producer check-off dollars to be directed, on a more timely basis, to issues and projects that will result in more Kansas grain being marketed and utilized. This is even more important during these times of low grain prices, caused at least in part from high yields in many areas, dwindling exports, inadequate storage and transportation challenges.

The issue of restructuring the grain commissions is not new. Discussions have occurred numerous times over the years. Extensive debate among all stakeholders the past year has produced a plan that is under consideration today. KFB's Resolutions Committee examined the issue and advanced information to its membership. The 442 Voting Delegates attending the 81<sup>st</sup> Annual Meeting of Kansas

Farm Bureau adopted policy calling for some changes. More recently, KFB's Feedgrains, Oilseeds and Wheat Advisory Committees reviewed the proposed legislation.

Kansas Farm Bureau believes HB 2674 includes a number of important provisions that will benefit producers. Some of those include:

- *The interest earned on commodity commission funds now held by the State of Kansas would be retained by the respective commissions and be available for their intended market development purpose.*
- *Members of the commodity commissions would be elected by growers, rather than being political appointees.*
- *The State of Kansas would no longer retain \$100,000 of producer check-offs for administering the fund.*
- *Check-off funds would be focused directly and on a timely basis to producer-managed projects and programs, rather requiring approval of the legislature which requires several months.*

Kansas producers of agricultural commodities and products should have the opportunity to provide financial support for research, utilization, public education and market development for their commodities and products. KFB strongly urges all producers to continue their support of commodity check-off programs. The importance of commodity commissions and the self-help funds derived from the check-off programs makes a thorough examination of this restructuring proposal a necessity and a high priority. KFB asks the House Agriculture Committee to examine and possibly amend a few provisions of the bill:

- *Sec. 3 (pg.5, lines 10-13) - The language stating members of the commissions shall be compensated for their expenses when attending commission meetings is deleted. We suggest adding language that would allow (not mandate) reimbursement of expenses.*
- *Sec.5 (pg. 7, lines 21-29) - This section outlines the duties and powers of the Secretary of the Kansas Department of Agriculture:*
  - *On line 21, we have questions and suggest there needs to be some language outlining the hiring of personnel. Are the personnel needs of*

*the agency ongoing or only for the transition period? How many persons will need to be hired by the agency?*

- *On line 25, the bill provides the Secretary with authority to “inspect and audit any records.” Rather than conducting an audit, we suggest the review of an independent audit by the Secretary may be more appropriate.*
- *On line 28, we suggest any contracts entered into by the Secretary to carry-out the provisions of the act should be with the approval of the commodity commissions.*

Kansas Farm Bureau supports restructuring the grain commodity commissions of Kansas. We believe HB 2674 contains a sound basis for achieving this important task. We ask you to consider the questions and recommendations that we have identified for the Agriculture Committee.

Thank you!

Statement  
of  
Ivan W. Wyatt, Pres.  
Kansas Farmers Union  
on  
HB-2674  
Structure of Grain Commodity Commissions

Mr. Chairman, Members of the Committee:

I believe it is time we take a hard look at government and it's far flung structures, HB-2674, is a good place to start.

First: When ever government uses it's power to reach from Elkhart to Atchison from St. Francis to Baxter Springs and say all you that till the soil shall be taxed another added tax on you production, it then should become the responsibility of the Governor to be assured his appointed people, and I would suggest the Secretary of Agriculture, that those paying the tax that their money is being well invested for a purpose that benifits all those producers.

Two: There should not be a hint of that money leaking into the coffers of issue oriented private organizations. (We have seen in the past how this has happened)

Three: Creditability, it has become to the point of being sacriligious to question or challenge anything draped with the term "promotions", " marketing " ,etc. that has to cease. Financial difficulties are eroding apathy in rural communities.

Four: Before we can promote "market" as it relates to the originating producer, we have to ask, we have to determine what is the market, with passing of NAFTA, GATT and the approaching WTO, no one can give you a defined definition of the world market, or the Kansas Market. In these new international governmental rules can a Kansas generic commodity be promoted that will benifit the producers. We saw the Kansas commodity organizations promote the Seaboards, Murphy Farm corporate hog

credibility into the world of competitive marketing, price (value) discovery.

If this body is set on taxing the grain commodity producers of this state, I firmly believe the use of these funds would find greater support from those thousands of producers if that money was to be used by the office of the Attorney General with perhaps assistance from the Secretary of Agriculture's Office to join other Attorney Generals and Secretary of Agricultures of the many other mid western states who are striving for a renewal of justice in a truely open "transparent", competitive market again.

These actions could be in the area of not only market concentration, but concerns of the merger mania in railroads (service), markets infrastructure, anti-trust , etc.

Not only could this amount to millions, but would also have the positive effect of millions of dollars to all Kansas tax payers, as we have witnessed the short fall in revenues caused by the financial disaster in all of the agriculture communities across Kansas.

TESTIMONY OF

TOM GIESSEL  
VICE-PRESIDENT  
KANSAS FARMERS UNION

BEFORE THE

HOUSE COMMITTEE ON AGRICULTURE

JANUARY 24, 2000

TOPEKA, KANSAS

Thank you, Mr. Chairman. I am Tom Giessel, vice-president of the Kansas Farmers Union. I am a full time farmer near Larned, Kansas. I farm in partnership with my brother. We raise wheat, corn, grain sorghum, soybeans and alfalfa.

I appreciate the opportunity to comment on proposed changes concerning the operation of the commodity promotion boards in the state of Kansas. As you consider H.B. 2674, I would hope you take the opportunity to evaluate the current check-off system in detail. Please look at the original intent and charge of the commissions and compare what we have in place today.

Areas I specifically want to address include:

1. Keep members of boards appointed by the Governor. Refer back to the "old" Board of Agriculture. I, for one, remember when one organization dominated the board through large membership. A system using appointment by the Governor provides a glimmer of opportunity to those who may provide a balance in philosophy.
2. Should power of taxation be "privatized?" Remember that the commissions' operate on the grain "tax." It is the law. Taxation, in my view, should be set and regulated by the government. The funds must continue to be remitted to the state. It is a lot of money and accountability is crucial to these programs' success. If privatization is to occur, then I contend we must make all check-off' voluntary at the point of sale.
3. It is time to review the relationships that have evolved between the commissions and the producer's political organizations. A friend of mine recently asked if a very substantial portion of the farmers' tax dollar is going direct to these organizations. I replied that it was not legal to use check-off dollars for political purposes and it could/should not happen, although there is a financial relationship between the entities. We need a clear line dividing these groups and defining their individual goals. Funding for commission projects, staff salaries and mailings need to remain the full responsibility of the commission.



In conclusion, I believe we can do many things without a major overhaul of the law. Hopefully, the commissions could negotiate with the state to distribute and handle the money in a more efficient manner. Historical data on collections and distributions must be available. Remember that there are hundreds of country elevators that collect and remit this money without compensation. I also believe that producers will be much more comfortable with tax money passing through a government entity, rather than bypassing the system. Finally, I would suggest a full legislative review of the audits of each commission before making any changes in the law. A fair and objective review would be healthy for everyone involved. Thank you for the opportunity to present my views.

## Economic Development Initiatives Fund

	FY 1999 <u>Actual</u>	FY 2000 <u>Estimate</u>	Governor's <u>Rec.</u>
State Water Plan	2,000,000	2,000,000	2,000,000
Department of Commerce & Housing			
Small Business Development Centers	484,462	485,000	410,000
Certified Development Companies	475,000	475,000	400,000
Kansas Industrial Training/Retraining	3,719,539	3,600,000	3,300,000
Trade Show Promotion	241,090	150,000	150,000
Capacity Planning Grants	245,000	197,000	197,000
Tourism Promotion	474,527	952,100	852,100
Wichita World Trade Center	50,000	41,889	--
Training Equipment	262,674	300,000	277,500
Agriculture Product Development	602,365	540,000	540,000
Travel Information Centers	6,419	15,000	115,000
Economic Opportunity Initiatives Fund	8,075,000	5,000,000	3,500,000
Existing Industry Expansion	866,000	800,000	500,000
Kansas Sports Hall of Fame	150,000	--	--
Main Street Development Grants	167,269	216,800	216,800
Motion Picture/Television Tax Rebate	24,673	75,000	75,000
HOME Program	--	--	533,022
Operations	7,835,786	7,006,215	8,592,909
Subtotal--Commerce & Housing	\$ 23,679,804	\$ 19,854,004	\$ 19,659,331
Kansas Technology Enterprise Corporation			
Research Matching Grants	1,448,500	1,260,000	1,246,000
Business Innovative Research Grants	514,528	516,000	516,000
Centers of Excellence	4,350,000	3,552,640	4,325,000
EPSCoR	3,693,735	3,200,000	2,436,126
Special Projects	128,054	79,303	79,303
Commercialization Grants	1,690,000	1,690,000	845,000
Mid-America Mfg. Tech. Ctr.	1,000,000	1,797,338	950,931
Operations	1,320,595	1,338,486	1,297,718
Subtotal--KTEC	\$ 14,145,412	\$ 13,433,767	\$ 11,696,078
Board of Regents			
Matching Grants--AVTS	199,395	200,000	200,000
Postsecondary Aid--AVTS	6,697,099	6,707,144	6,882,981
Capital Outlay--AVTS	3,000,000	2,000,000	2,200,000
Subtotal--Board of Regents	\$ 9,896,494	\$ 8,907,144	\$ 9,282,981
Kansas, Inc.	216,127	189,563	336,137
Historical Society	44,034	--	--
Teacher Hall of Fame	--	--	300,000
KSU--Ogallala Aquifer Study	90,000	--	--
Wildlife and Parks--Local Outdoor Recreation	500,000	500,000	475,000
Department of Administration	116,800	--	350,000
Eisenhower Museum Grant	--	300,000	300,000
State Fair	--	35,000	100,000
<b>Total EDIF Transfers/Expenditures</b>	<b>\$ 50,688,671</b>	<b>\$ 45,219,478</b>	<b>\$ 44,499,527</b>

House Agriculture Committee  
January 24, 2000  
Attachment 13