

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on February 13, 2002, in Room 423-S of the Capitol.

All members were present except: Representative Flora - excused  
Representative O'Brien - excused

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

Conferees appearing before the committee:

Alan Alderson, Legislative Counsel, Western Association  
Rebecca Reed, Special Assistant to the Secretary, Kansas Department of Agriculture  
Ted Zielke, Chairman, Kansas Corn Commission  
Dusti Fritz, Assistant Administrator, Kansas Wheat Commission  
Ed Mader, Chairman, Kansas Soybean Commission  
Jeff Casten, Chairman, Kansas Grain Sorghum Commission  
Steve Baccus, Sunflower Producer, Minneapolis, Kansas  
Leslie Kaufman, Associate Director, Public Policy Division, Kansas Farm Bureau (written only)

Others attending: See attached list

A moment of silence was observed in honor of Lloyd Polson, a former Chairman of the House Agriculture Committee, who had recently passed away.

**Discussion and action on HB 2768 - Termination of pastureland tenancies.**

Raney Gilliland reviewed the bill for the committee. Representative Freeborn, moved to recommend HB 2768 be passed, and because the bill is of a noncontroversial nature, be placed on the consent calendar. Seconded by Representative Dahl, the motion carried.

**Discussion and action on HB 2660 - Repurchase of machinery, equipment and parts upon termination of dealership franchise agreements.**

Alan Alderson, Legislative Counsel for Western Association, offered an amendment to **HB 2660** suggested by Case New Holland, Inc. On Page 2, lines 1 and 2, also, line 32, and on Page 3, line 16, the amendment would strike the words, "acquired from any source authorized or arranged for by" and insert the words "ordered from, or invoiced to the retailer by, or financed to the retailer by" (Attachment 1) Representative Freeborn moved to amend HB 2660 as proposed by Mr. Alderson. Seconded by Representative Schwartz, the motion carried.

Representative Schwartz moved to recommend HB 2660, as amended, favorable for passage. The motion was seconded by Representative Freeborn. The motion passed.

Raney Gilliland provided a brief history of the Grain Commodity Commissions in Kansas. Rebecca Reed, Special Assistant to the Secretary, Kansas Department of Agriculture, brought the committee up to date on the commissions since privatization two years ago and reviewed the new election process. (Attachment 2)

Ted Zielke, Chairman of the Kansas Corn Commission, presented their annual legislative report. To improve the election process, he suggested extending the time that a commission candidate has to file a petition by one month, until the end of November. (Attachment 3)

## CONTINUATION SHEET

Dusti Fritz, Assistant Administrator of the Kansas Wheat Commission, presented the commission's annual report and provided a summary of their activities. (Attachment 4)

Ed Mader, Chairman of the Kansas Soybean Commission, presented their annual report reviewing their programs and projects. He noted that unlike the other commissions, the Kansas Soybean Commission is part of a federal check-off program. (Attachment 5)

Jeff Casten, Chairman of the Kansas Grain Sorghum Commission, presented their annual report highlighting grain sorghum promotion and market development activities. (Attachment 6)

### **Hearing, discussion and action on HB 2818 - Creating the sunflower commodity commission.**

The Chairman opened the hearing on **HB 2818**. Raney Gilliland explained that this bill would create a Sunflower Commodity Commission similar to the other four commodity commissions. In order to get started, the Governor would appoint the first commissioners.

Steve Baccus, a sunflower producer from Minneapolis, Kansas, appeared in support of **HB 2818** to establish a Kansas Sunflower Commission. He noted that Kansas is the largest sunflower producing state without a check-off, and like most other sunflower producing states, this bill proposes a .03 per cwt. check-off. He estimated that this would raise approximately \$123,000 per year. He said that a check-off was vital to solving production and marketing problems unique to sunflower producers in the high plains. (Attachment 7)

Leslie Kaufman, Associate Director, Public Policy Division, Kansas Farm Bureau, submitted written testimony in support of **HB 2818** allowing for the creation of a sunflower commodity commission. (Attachment 8)

Representative Freeborn moved to amend **HB 2818** to change the date that a person must submit a petition to be placed on the ballot to serve as a commissioner from on or before October 31 in the year immediately preceding the election to November 30 as suggested by Ted Zielke, Chairman of the Kansas Corn Commission. The other Grain Commodity Commissions concurred with this proposal. Seconded by Representative Feuerborn, the amendment passed.

Representative Freeborn moved to recommend **HB 2818**, as amended, favorable for passage. The motion was seconded by Representative Compton. The motion carried.

The meeting adjourned at 4:50 p.m. The next meeting is scheduled for February 18, 2002.

# HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: February 13, 2002

NAME	REPRESENTING
Greg Krissick	KCGA
Ted Zielke	KCC
Ken McCauley	KCC
Jere White	KCGA- KGSPA
ACAN ANDERSON	WESTERN ASSOCIATION
Steve Baccus	Sunflower Assn.
Dusti Fritz	KWC
JUSTIN P. GILPIN	KWC
Jeff Casten	KGSC
Kevin Lickteig	KGSC
Donna Besho	Ks. Farmers Union
Kayo	Gov's office
Donald Blaes	KS Corn Commission
Ed Mader	Ks. Soybean Commission
Kenton Johannes	KS Soybean Commission
Rebecca Reed	KS Dept of Agriculture
Mike Bean	Ks. Tech. Assn.
Jamie Clovee Adams	KS Dept. of Agriculture

**KS HB 2660 (with CNH suggested amendment)**  
**Case New Holland Inc.**  
**7 February, 2002**

1 *Session of 2002*

2

3

**HOUSE BILL No. 2660**

4

5

By Committee on Agriculture

6

7

1-22

8

9

AN ACT concerning dealership franchise agreements; relating to repurchase of machinery, equipment and parts upon termination; amending K.S.A. 16-1003 and 16-1304 and K.S.A. 2001 Supp. 16-1404 and repealing the existing sections.

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*Be it enacted by the Legislature of the State of Kansas:*

15

Section 1. K.S.A. 16-1003 is hereby amended to read as follows: 16-

16

1003. (a) The provisions of this act shall not require the repurchase from a retailer of:

17

18

(1) Any repair part which is in a broken or damaged package;

19

(2) any single repair part which is priced as a set of two or more items;

20

(3) any repair part which because of its condition is not resalable as

21

a new part without repackaging or reconditioning;

22

(4) any farm implements, machinery, attachments or repair parts for

23

which the retailer is unable to furnish evidence, satisfactory to the wholesaler, manufacturer or distributor, of clear title, free and clear of all

24

claims, liens and encumbrances;

25

26

(5) any farm implements, machinery, attachments or repair parts

27

which the retailer desires to keep, provided the retailer has a contractual right to do so;

28

29

(6) any farm implements, machinery and attachments which are not

30

current models or which are not in new, unused, undamaged, complete

31

condition;

32

(7) any repair parts which are not in new, unused, undamaged

33

condition;

34

(8) any farm implements, machinery or attachments which were purchased

35

prior to the beginning of the 24-month period immediately preceding

36

the date of notification of termination;

37

(9) any farm implements, machinery, attachments or repair parts

38

which were ordered by retailer on or after the date of notification of

39

termination; or

40

(10) any farm implements, machinery, attachments or repair parts

41

which were acquired by the retailer from any source other than the wholesaler,

42

manufacturer, distributor or transferee of such wholesaler, manufacturer or distributor, *unless such farm implements, machinery, attach-*

43

HB 2660 2

1 ~~ments or repair parts were acquired from any source authorized or~~  
2 ~~arranged for by ordered from, or invoiced to the retailer by, or financed to~~  
3 ~~the retailer by the wholesaler, manufacturer or distributor or transferee~~  
4 ~~of such wholesaler, manufacturer or distributor.~~

4 (b) Any repair part which is not excluded from the repurchase obli-  
5 gations established under K.S.A. 16-1002 and 16-1005, and amendments  
6 thereto, by this section, as amended by this act, and the repurchase of  
7 which is in dispute on the effective date of this act shall be subject to the  
8 repurchase obligations established under K.S.A. 16-1002 and 16-1005,  
9 and amendments thereto.

10 Sec. 2. K.S.A. 16-1304 is hereby amended to read as follows: 16-  
11 1304. The provisions of K.S.A. 16-1303, ~~and amendments thereto~~, shall  
12 not require the repurchase from a retailer of any:

- 13 (a) Repair part which is in a broken or damaged package;
- 14 (b) single repair part which is priced as a set of two or more items;
- 15 (c) repair part which, because of its condition, is not resalable as a
- 16 new part;
- 17 (d) inventory for which the retailer is unable to furnish evidence,
- 18 satisfactory to the supplier, of title, free and clear of all claims, liens and
- 19 encumbrances;
- 20 (e) inventory which the retailer desires to keep, and for which the
- 21 retailer has a contractual right to do so;
- 22 (f) machines, equipment, and attachments which are not in new, un-used,
- 23 undamaged, or complete condition;
- 24 (g) repair parts which are not in new, unused, or undamaged
- 25 condition;
- 26 (h) machines, equipment or attachments which were purchased 24
- 27 months or more prior to notice of termination of the contract;
- 28 (i) inventory which was ordered by the retailer on or after the date
- 29 of notification of termination of the contract;
- 30 (j) inventory which was acquired by the retailer from any source other
- 31 than the supplier or transferee of such supplier, ~~unless such inventory~~
- 32 ~~was acquired from any source authorized or arranged for by ordered~~  
~~from, or invoiced to the retailer by, or financed to the retailer by the~~  
~~supplier~~

33 ~~or transferee of such supplier; or~~  
34 (k) part that has been removed from an engine or short block or piece  
35 of equipment or any part purchased separately that has been mounted or  
36 installed by the retailer on an engine or on equipment.

37 Sec. 3. K.S.A. 2001 Supp. 16-1404 is hereby amended to read as  
38 follows: 16-1404. The provisions of K.S.A. 16-1403, and amendments  
39 thereto, shall not require the repurchase from a retailer of any:

- 40 (a) Repair part which is in a broken or damaged package;
- 41 (b) single repair part which is priced as a set of two or more items;
- 42 (c) repair part which, because of its condition, is not resalable as a
- 43 new part;

## HB 2660 3

- 1 (d) inventory for which the retailer is unable to furnish evidence,  
2 satisfactory to the supplier, of title, free and clear of all claims, liens and  
3 encumbrances;  
4 (e) inventory which the retailer desires to keep, and for which the  
5 retailer has a contractual right to do so;  
6 (f) machines, equipment, and attachments which are not in new, un-used,  
7 undamaged, or complete condition;  
8 (g) repair parts which are not in new, unused, or undamaged  
9 condition;  
10 (h) machines, equipment or attachments which were purchased 24  
11 months or more prior to notice of termination of the contract;  
12 (i) inventory which was ordered by the retailer on or after the date  
13 of notification of termination of the contract;  
14 (j) inventory which was acquired by the retailer from any source other  
15 than the supplier or transferee of such supplier, *unless such inventory*  
16 *was ~~acquired from any source authorized or arranged for by~~ ordered*  
*from, or invoiced to the retailer by, or financed to the retailer by the*  
*supplier*  
17 *or transferee of such supplier; or*  
18 (k) part that has been removed from an engine or short block or piece  
19 of equipment or any part purchased separately that has been mounted or  
20 installed by the retailer on an engine or on equipment.  
21 Sec. 4. K.S.A. 16-1003 and 16-1304 and K.S.A. 2001 Supp. 16-1404  
22 are hereby repealed.  
23 Sec. 5. This act shall take effect and be in force from and after its  
24 publication in the statute book.  
25

.....

# STATE OF KANSAS

**BILL GRAVES, GOVERNOR**

Jamie Clover Adams, Secretary of Agriculture  
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## KANSAS DEPARTMENT OF AGRICULTURE

House Agriculture Committee

February 13, 2002

Grain Commodity Commission Annual Report

Rebecca R. Reed, Special Assistant

Good afternoon Chairman Johnson and members of the committee. I am Rebecca Reed with the Kansas Department of Agriculture. Thank you for the opportunity to introduce the Grain Commodity Commissions and to give you a brief update on their progress over the past year.

### Background

Two years ago, the Kansas Legislature privatized the grain commodity commissions in Kansas. That bill contained several points of interest for the commissions:

- 1) It allowed them to consolidate the different commodity assessment forms into a one-page form for more convenient assessment collection by first purchasers.
- 2) It privatized the commissions and made them quasi-governmental entities. Through private bank accounts, they are able to realize any interest earnings and use that money to fund additional research and marketing for their respective commodities.
- 3) It offered the opportunity to develop an election process whereby commodity growers in Kansas elect who will represent them at commission meetings.

### Election Process

Elections occur once each year and cover one of three regions defined by cropping districts. Districts one, two and three compose the western third; districts four, five and six compose the central third; and districts seven, eight and nine compose the eastern third of the state. This year, the central region is electing its commissioners.

Qualified growers may register electronically on the Internet, or by signing a petition or filling out a paper registration form. Growers interested in becoming candidates can obtain

House Agriculture Committee  
February 13, 2002  
Attachment 2

petition information from a variety of sources, including their county extension agent, county conservation agent, any of the commodity commission offices, or KDA.

In an effort to reach all commodity producers, an informational brochure and paper registration form was mailed to each producer identified in the Kansas Agriculture Statistics database as a grower of corn, grain sorghum, soybeans, or wheat. The election also was publicized by radio, in farm publications, through agriculture associations and in mainstream news media in counties affected by this year's election. In addition, KDA personally visited with each county extension agent and county conservation agent in the central region to ensure they understood the election process and how to help their constituents become involved. Some of the extension agents who produce monthly newsletters featured information about the commodity elections and the new procedure in their publications.

Ballots were mailed in early January, according to the time frame set by statute, and they are now being returned by registered growers. Ballots must be postmarked by March 1 to be counted in this election.

Candidates for election are:

Kansas Corn Commission

- District four – Mike Brzon
- District five – Terry Vinduska
- District six – Carolyn Farris Dunn

Kansas Grain Sorghum Commission

- District five – Bill Luecke

Kansas Soybean Commission

- District five – Harold Kraus
- District six - Jerry Wyse

Kansas Wheat Commission

- District four – Bob McClellan
- District five – Dean Stoskopf
- District six – Thomas Morton

This summer, we will focus our educational efforts on the western third of the state, where the next election will be.

Thank you Mr. Chairman. I will stand for questions at the appropriate time.



**The Kansas Corn Commission's Annual Legislative Report**  
**To the Kansas Senate and House Agricultural Committees**

**Testimony of Ted Zielke, Chairman**

**February 13, 2002**

Mr. Chairman and members of the committee, my name is Ted Zielke. My family and I farm near St. Francis, Kansas, and I am currently serving as the Chairman of the Kansas Corn Commission. I appreciate the opportunity to appear before you today and present the corn commission's annual legislative report.

Attached with my testimony today, we have also provided you with copies of the commission's FY 2001 financial audit and the 2001 annual report to producers. This report includes a description of current projects in the areas of Production/New Use Research, Domestic Market Development, Foreign Market Development, and Promotion and Education.

Along with the other grain commissions represented today, we are excited to currently be proceeding through the first-ever elections of commissioners for Kansas grain commissions. The process has been educational, but we believe these elections, for 2002 in the three central ag-reporting districts, and next year in the three western districts, significantly expands the number of producers participating in the commissions' process. If this committee were to look at any improvements in the election process, we would recommend extending the time that a commission candidate has to file a petition by one month, until the end of November.

I encourage you to review in the annual report the various projects in which the Kansas Corn Commission participates. This evening in Manhattan our commission will begin hearing researcher and cooperator presentations on numerous topics for potential projects to be considered for funding in FY 2003. Research and education through Kansas State and the Cooperative Extension Service remain important ways to support Kansas corn production.

The commission utilizes these check-off funds to enhance corn demand and opportunities with our customers. Use in livestock feed remains the largest market for corn. Exports remain the second largest market for corn. The commission leverages its funds with cooperators like the U.S. Grains Council and the U.S. Meat Export Federation to gain broader access to international markets.

Another significant opportunity exists in the growing use of corn for ethanol production. The commission has granted funds for feasibility analysis and business plan development to seven Kansas communities that are currently pursuing potential ethanol plants. Distiller's grains are important co-products of the ethanol process and the commission is embarking on several outreach efforts to educate and inform the livestock industry about the benefits of this high-protein feed. Finally, the commission

is beginning to develop a new promotion campaign for fuel retailers and the public highlighting the benefits of using ethanol-blended, or as we are promoting, E-10 Unleaded Fuel.

At the Kansas Corn Commission, we continue to move forward on behalf of Kansas corn producers. Our structure is flexible but also one containing both financial and oversight controls. The other commissioners and I, and our successors, who will be elected by corn producers, look forward to continuing these efforts in the years to come.

# KANSAS CORN ANNUAL

Annual Report of the Kansas Corn Commission

Fall 2001

# VOTE



✓ *For the first time, Kansas corn producers will decide who represents them on the Kansas Corn Commission*

## Kansas Corn Commission Election Process

The first elections for corn, wheat, grain sorghum and soybean commission seats will be held in early 2002. Below are brief details of the election process.

### WHAT DISTRICTS ARE HAVING ELECTIONS?

The North Central, Central and South Central districts are holding commissioner elections. The following Kansas Corn Commission members currently hold those seats: North Central—Mike Brzon, Courtland; Central—Terry Vinduska, Marion; South Central—Willard McClure, Stafford.

### TO REGISTER TO VOTE

Registration forms can be obtained at your county extension office; county conservation district office; Kansas Department of Agriculture or any of the four grain commodity commission offices—corn, grain sorghum, wheat and soybeans. You can register to vote for any of the four commodities you grow. You also will be automatically registered if you sign a valid candidate petition form. You can also register on-line at: [www.ks-agr.org/commod/elections.htm](http://www.ks-agr.org/commod/elections.htm)

### VOTER REGISTRATION DEADLINE

To vote in the upcoming election, you must be registered by December 31, 2001.

### TO REGISTER AS A CANDIDATE

Candidates must fill out a petition and obtain 20 valid signatures of growers. However, there can be no more than five growers from any one county used to qualify on the petition. Candidates must also fill out the Statement of Substantial Interest form from the Kansas Governmental Ethics Commission. Candidate filing deadline is October 31, 2001.

### THE ELECTION

Ballots will be mailed January 14, 2002 to growers who have registered to vote in the North Central, Central and South Central districts. Ballots must be postmarked by March 1, 2002. Winners will be announced in mid-March and will take office April 1.

## In This Kansas Corn Commission Annual Report—

The purpose of this report is to inform corn producers of the activities of the Kansas Corn Commission. The commission is a nine-member grower board that allocates the half-cent per bushel corn checkoff in the areas of research, market development promotion and education.

Voting Information.....	1
Market Development.....	2
Funding Report.....	3-6
Allocation .....	3
Projects .....	4-5
Leadership.....	6
Promotion, Education .....	7
Commodity Classic .....	8



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# FUNDING SUMMARY

## Kansas Corn Commission FY-2002 Committed Projects

### National Corn Growers

Core Funding ..... \$120,000  
 Portfolio Funding ..... \$160,000  
*Portfolio funding to be divided as follows:*  
*Transportation: \$10,000; Biotechnology: \$50,000;*  
*Research & Development: \$50,000; Ethanol: \$50,000*

### Kansas Corn Growers Association

Market Development, Promotion  
 and Education Programs Funding ..... \$260,500

### Kansas Crop Residue

#### Management Alliance

Locally Led Core Conservation  
 Practices to Protect Water Quality ..... \$5,000

### US Meat Export Federation

Foreign Market Development..... \$80,000

### US Grains Council

Foreign Market Development..... \$300,000  
 Market Access Program..... \$50,000

### Kansas Foundation for Agriculture

in the Classroom ..... \$5,000  
*Use of E-85 minivan for  
 school assembly program*

### University of Idaho

Nutritional Value of Feeds Containing  
 Corn Distillers Dried Grain with  
 Solubles for Rainbow Trout..... \$8,500

### Ethanol Feasibility Study Funding

Scandia Ethanol Feasibility Study..... \$7,000\*

*\*KCC also awarded funding in the amount of \$7,000  
 each for ethanol feasibility studies in Ulysses,  
 McPherson, Garnett and Hoxie in late FY-2001.*

### Kansas State University

Evaluation of Transgenic Corn for  
 Corn Rootworm Pest Management ..... \$13,000  
*KSU Entomology, KSU Agronomy*  
 Manure and Water Management for  
 Environmental Protection  
 and Corn Production..... \$10,712  
*KSU Southwest Research-Extension Center*  
 Irrigation Scheduling Demonstration  
 of Efficient Water Use by Corn in  
 Western Kansas..... \$21,800  
*KSU Southwest Research-Extension Center*  
 Grain Storage Handling and  
 Sanitation Specialist..... \$36,600  
*KSU International Grains Program*  
 Corn Production in Kansas:  
 Extension and Applied Research..... \$4,000  
*KSU Agronomy*  
 Short Season Corn Educational  
 Program in Southeast Kansas ..... \$3,950  
*KSU Southeast Area Extension*  
 Iron (Fe) Chlorosis: Addressing a  
 Familiar Problem with New Technology ..... \$25,500  
*KSU Southwest Research-Extension Center*  
 Intensive Farm Management Education  
 for Kansas Crop Producers ..... \$18,000  
*KSU Agricultural Economics*  
 Corn Dry Milling Quality Assessment for  
 Value Enhanced Marketing..... \$20,000  
*KSU Grain Science and Industry*  
 Irrigated Cropping Systems to Reduce  
 Irrigation Water Use and Groundwater  
 Depletion While Sustaining Profitability ..... \$12,000  
*KSU Southwest Research-Extension Center*

## KCC Joins with Other States to Fund National Efforts

The National Corn Growers Association received from the KCC \$160,000 for programs in the areas of ethanol, biotechnology, research and transportation. Combined with funding from other corn states, the Kansas checkoff dollars can be leveraged for results on a national level.

The Commission has been a major supporter of NCGA's efforts to gain market shares for ethanol in California and other major markets.

KCC funding is also prominent in NCGA's efforts to provide information to consumers and international buyers and educating growers in managing biotech crops.

Checkoff funded research has led to new markets for corn to make plastics and other polymers, and development of other corn-based products is underway. Checkoff funded researchers are also working in the areas of livestock, plant genomics and ethanol.

Because growers depend on reliable, cost-effective transportation, whether by barge, truck or rail, the KCC invests in NCGA's transportation efforts. An efficient transportation infrastructure is essential to allow our grain to move to key domestic and export markets.

NCGA also received \$120,000 in core funding from the KCC that helps pay for the infrastructure and expenses to carry out the work done on behalf of corn growers.

## A Closer Look at KSU Corn Research Projects

### **Evaluation of Transgenic Corn for Corn Rootworm Pest Management**

Kansas farmers routinely experience several million dollars in costs caused by corn rootworm either through direct loss in yield or the cost of insecticides applied at planting or spraying for adult beetles. Several companies are developing genetically engineered or transgenic corn for corn rootworms. We need to know how these products perform under Kansas conditions, if resistance is likely to develop and have first hand experience with transgenic corn for corn rootworm under a variety of management systems.

### **Manure and Water Management for Environmental Protection and Corn Production**

The project will ultimately allow the expected economics of solid manure application to be calculated for both dryland and irrigated conditions. This will give growers a basis on which to compare their manure and fertilizer costs and expected yields based on their irrigation water supply.

### **Irrigation Scheduling Demonstration of Efficient Water Use by Corn in Western Kansas**

This continuing research and education program will educate growers of irrigated corn on the evapotranspiration Best Management Practice in southwest Kansas and will add demonstration plots in northwest Kansas. The goal is to research and show growers BMPs how to save water and money through irrigation scheduling.

### **Grain Storage Handling and Sanitation Specialist KSU International Grains Program**

This market development grant's goal is to increase export sales of Kansas and U.S. corn. *See article on IGP on page 6.*

### **Corn Production in Kansas: Extension and Applied Research**

Provides best management practice information to growers, conducts applied research based on suggestions from producers and agribusiness, monitors production information and communicates information to growers.

### **Short Season Corn Educational Program in Southeast Kansas**

Southeast Kansas corn acreage has more than doubled in the past 12 years, mainly due to the planting of short season corn on the upland. The program will provide on-farm trials to determine plant populations, nitrogen rates and proper hybrids to grow on the shallow upland soils.

### **Iron (Fe) Chlorosis: Addressing a Familiar Problem with New Technology**

The goal is to increase profitability of growers in southwest Kansas by using precision farming to correct problems with iron deficiency in fields. Using precision farming, iron can be applied only in iron-deficient areas of a field saving the grower money.

### **Intensive Farm Management Education for Kansas Crop Producers**

The goal is to develop and deliver an intensive farm management program focusing on risk management tools and fundamentals to improve decision-making skills of Kansas crop producers. The program would be offered to producers through distance education through CD-ROM or internet.

### **Corn Dry Milling Quality Assessment for Value Enhanced Marketing**

The goal is to establish a quality testing program for selecting corn hybrids grown in northeast Kansas that are well-suited for corn dry milling. Unbiased testing, with laboratory mill verification can greatly assist producers in the hybrid selection process.

### **Irrigated Cropping Systems to Reduce Irrigation Water Use and Groundwater Depletion While Sustaining Profitability**

Objectives are to determine effective crop rotations that can be used with limited irrigation that reduce water use while maintaining profitability and to determine the effects of limited irrigation on crop yield and profitability. Proposal was developed from the recommendation of producers who were concerned with decreasing water availability and increasing energy costs.

**Kansas Corn Commission Annual Report**

Published by the Kansas Corn Commission October 2001

PO Box 446 Garnett, KS 66032

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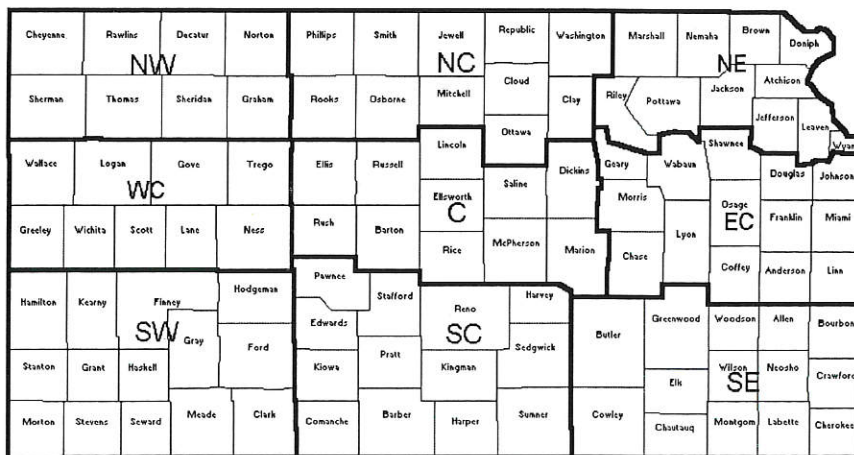


# WHAT'S THE DIFFERENCE?

Kansas Corn Commission	Kansas Corn Growers Association
Requested by growers and established by Kansas statute to operate the state's half-cent per bushel corn checkoff.	Established by growers who wanted a voice in legislative, regulatory and other issues.
Activities of the commission are funded by the corn checkoff collections.	Activities of the association are funded by membership dollars and grants.
Commission is made up of nine growers representing the nine crop reporting districts of Kansas designated by the Kansas Agricultural Statistics Service.	Association board is made up of 12 members representing the nine crop reporting districts and three regional growers associations.
Commission members were appointed by the Governor. A new statute governing the commissions has established a process to hold grower elections for commission members. The first elections will be held in early 2002 for the north-central; central and south-central districts.	Association board members representing the nine districts are elected by association members at the annual meeting when the term of the current member ends. The regional association representatives are elected to serve on the association board by the regional associations.
The commission does not engage in legislative activities. Checkoff funds may be spent for market development, promotion, research and education efforts.	The association represents growers in legislative issues on the state and national levels. Legislative efforts are funded through membership dues.
The Kansas Corn Commission contracts with other entities that provide services in the areas of research, market development, promotion and education.	The Kansas Corn Growers Association has a contract to provide market development, promotion and education services to the commission. KCGA also has a contract to provide administrative services to the commission.

## Kansas Corn Commission

- Dist. 1 (NW)....Ted Zielke, Chairman .... St. Francis.....785-332-2463
- Dist. 2 (WC) ...Ron Blaesi, Secretary ..... Sharon Springs ....785-852-4169
- Dist. 3 (SW) ...Donnie Young ..... Ulysses .....316-356-2273
- Dist. 4 (NC).....Mike Brzon Vice Chair.. Courtland.....785-335-2524
- Dist. 5 (C) .....Terry Vinduska ..... Marion.....316-924-5499
- Dist. 6 (SC) ..... Willard McClure ..... Stafford.....316-234-5629
- Dist. 7 (NE) ....Ken McCauley ..... White Cloud .....785-595-3318
- Dist. 8 (EC).....Dan Guetterman, Treas. . Bucyrus .....785-533-2553
- Dist. 9 (SE).....Bob Timmons..... Fredonia .....316-378-3642



## Kansas Corn Commission Administrative Staff

The Kansas Corn Commission contracts with the Kansas Corn Growers Association for administrative services. The staff performs functions on behalf of the commission as well as the association.

**Executive Director**  
Jere White

**Director of Operations**  
Greg Krissek

**Director of Communications**  
Sue Schulte

**Environmental Programs Manager**  
Jessica Baetz

**Administrative Assistant**  
Sue Hardman

**Kansas Corn Commission**  
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On the web:

[www.ksgrains.com/kcc](http://www.ksgrains.com/kcc)

# PROMOTION & EDUCATION

## Ag Lessons Delivered in Ethanol-Powered Van

A corn-powered van will take an agriculture message to Kansas schools this year. Kansas Foundation for Agriculture in the Classroom will use the van as it takes its Connecting Kansas Kids, Crops and Critters program to several schools this year. The van made its first public appearance at the Kansas State Fair.

The Kansas Corn Commission provided the flexible fuel van to KFAC to support the in-school program. The van is lettered with the Kansas Kids, Crops and Critters logo as well as an ethanol logo. The flexible fuel minivan can operate fuel containing up to



85 percent ethanol.

“This is an excellent opportunity to support KFAC’s educational program and to promote renewable ethanol fuel at the same time,” according to KCC Chairman Ted Zielke of St. Francis. “It’s important that school children understand the many uses of corn, from feed to fuel.”

The Connecting Kansas Kids, Crops and Critters program is an interactive school assembly program targeting third and fourth grade students and teachers. Students will participate in identification, problem solving, and demonstrations as they participate in several games using a popular television game show format. The program is aligned with Kansas educational standards.

For more information on the KFAC’s Connecting Kansas Kids Crops and Critters program, call KFAC at 785-532-7946.

## Spreading the Word About Kansas Corn

Farm shows, alternative fuel events, county fair parades, the Kansas State Fair, agriculture events for schools; environmental field days . . .

If it involves corn, there’s a good chance the Kansas Corn Commission is represented. The commission contracts with the Kansas Corn Growers Association to provide market development, promotion and education services.

The commission is represented at the state’s major farm shows, sharing a booth with the Kansas Grain Sorghum Commission. Here, growers can get information about commission activities and programs.

The commission promotes ethanol by displaying at county fairs, alternative fuels events and farm shows a flexible fuel vehicle which can operate on up to 85 percent ethanol. The commission has also been active in promoting 10 percent ethanol blended gaso-

line at promotions at gas stations.

Over the years, the commission has been active in funding the development and implementation of Best Management Practices and responsible pesticide management.

School children are another important audience for the positive message about Kansas corn. The commission works to help educate Kansas elementary students about agriculture, corn and the many products made from corn.

The commission cooperates with other commodity groups and the Kansas Foundation for Agriculture in the Classroom in several projects.

Whether it’s teaching kids how corn sweetens their soda pop, how corn is used to fuel their school buses, or providing information to growers, buyers and consumers, the Kansas Corn Commission reaches thousands of people every year.

## PROJECT SNAPSHOT

### INTERNATIONAL GRAINS PROGRAM *Kansas State University*

**Mission:** To provide technical assistance in promoting and exporting cereal grains and oilseeds and to assist with market-development efforts.

**History:** Established in 1978 at the request of Kansas corn, wheat, grain sorghum and soybean commissions.

**Activities:** Organizes and sponsors activities that cover grain purchasing, price analysis and risk management, milling, feed processing, grading, quality, handling, utilization and storage. IGP plans and conducts short courses, educates trade teams and visitors and provides overseas technical assistance.

# - 2001 Kansas Commodity Classic Is Nov. 7 -

The 2001 Kansas Commodity Classic will be Nov. 7 at the Century II Convention Center in Wichita. Registration opens at 9 a.m. The General Session begins at 9:30. Breakout sessions will be held after lunch. At 4 p.m., the Classic will adjourn to the Agri-Business Expo. The Classic is the annual convention of Kansas corn, wheat and grain sorghum growers.

## Where else can you get this much information in one day?

- ◆ You'll hear from **Senator Pat Roberts** who serves on both the Senate Agriculture Committee *and* the Special Committee on Intelligence for an update on farm policy, foreign policy and the effects the war on terrorism will have on agriculture.
- ◆ Find out from a **top level EPA** official what the EPA's new administration has in store for your farm.
- ◆ Learn about the **top issues** that affect our state: kernal bunt, proper paraquat use, commodity commission elections and Bt insect resistance management.
- ◆ Keep an eye on our **foreign competition and our foreign customers** with our updates on Asia and the Middle East.
- ◆ Find out how you fit into the hottest value-added trend—**ethanol** production.
- ◆ Get updated on the latest information in **biotechnology**—from biotech wheat to corn with rootworm protection.
- ◆ Find out what the **weather** has in store for you—a good growing season for a change? A nationally known weatherman will tell you.
- ◆ Visit the Kansas Grain and Feed Association's huge Kansas Agri Business Expo trade show at Century II with the Commodity Classic group.

## KANSAS COMMODITY CLASSIC REGISTRATION

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State, Zip \_\_\_\_\_

Phone: \_\_\_\_\_

Please check the associations you are a member of.  
*You do not have to be an association member to attend the Kansas Commodity Classic.*

\_\_\_\_\_ Kansas Corn Growers Assn.

\_\_\_\_\_ Kansas Grain Sorghum Producers

\_\_\_\_\_ Kansas Assn. of Wheat Growers

\_\_\_\_\_ National Sunflower Assn.

### Return to:

KAWG

315 Houston, Ste. C; Manhattan, KS 66502

Phone: 785-587-0007

Fax: 785-587-0003

e-mail: kawg@flinthills.com

ANNUAL REPORT

Garnett, KS 66032

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**Kansas Corn Commission**  
**FY02 Budget**  
 July 2001 through June 2002

	Jul '01 - Jun '02
<b>Income</b>	
Checkoff Funds	
Assessments Received	1,912,000.00
Refunds to Producers	-308,000.00
Total Checkoff Funds	1,604,000.00
Interest Received	100,000.00
<b>Total Income</b>	<b>1,704,000.00</b>
<b>Expense</b>	
Communications	
Annual Report	7,500.00
Elections	15,000.00
Postage	3,000.00
Postage Permit	400.00
Printing	3,000.00
Radio	75,000.00
Telephone	1,000.00
Total Communications	104,900.00
Ethanol Expansion Program	
David & Associates	28,000.00
KCGA - Administration	30,000.00
Vehicle, Additional Expenses	27,000.00
Total Ethanol Expansion Program	85,000.00
Ethanol Grain Processors, Inc.	7,000.00
Grants	6,000.00
Hospitality	3,000.00
Meeting Expense	7,500.00
National Ethanol Vehicle Coalit	10,000.00
Office Expenses	5,000.00
Professional Services	
Auditing Services	4,500.00
KCGA - Administration	74,000.00
KCGA - Programs	260,500.00
Ks Crop Residue Mngt Alliance	5,000.00
Ks Dept of Ag - Audit	6,000.00
Ks Dept of Ag - Fiscal	2,000.00
Ks Found for Ag in the Class	5,000.00
Ks Grain Transportation Survey	2,000.00
KSU - Research	165,562.00
National Corn Growers Assn.	
Core Funding	120,000.00
Portfolio - Biotech	50,000.00
Portfolio - Ethanol	50,000.00
Portfolio - Research & Develop	50,000.00
Portfolio - Transportation	10,000.00
Total National Corn Growers Assn.	280,000.00
Nesika Energy Feasibility Study	7,000.00
Santa Fe Trail Enterprises	7,000.00
Smith Center Ethanol Feasibilit	7,000.00
Undetermined Contracts	162,500.00
Univ of Idaho Trout Project	8,500.00
US Grains Council	
Foreign Market Development	300,000.00
Market Access Program	50,000.00
Total US Grains Council	350,000.00

**Kansas Corn Commission**  
**FY02 Budget**  
July 2001 through June 2002

	<u>Jul '01 - Jun '02</u>
US Meat Export Federation	
Japanese Marketing Project	8,000.00
US Meat Export Federation - Other	80,000.00
<b>Total US Meat Export Federation</b>	<u>88,000.00</u>
<b>Total Professional Services</b>	1,434,562.00
<b>Travel</b>	
In State Travel	10,000.00
Out of State Travel	35,000.00
<b>Total Travel</b>	<u>45,000.00</u>
<b>Total Expense</b>	<u>1,707,962.00</u>
<b>Net Income</b>	<u><u>-3,962.00</u></u>

**KANSAS CORN COMMISSION**

Garnett, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2001



August 17, 2001

Board of Directors  
Kansas Corn Commission  
Garnett, Kansas

### Independent Auditors' Report

We have audited the accompanying statement of assets, liabilities and net assets - cash basis of Kansas Corn Commission (a quasi municipal entity) as of June 30, 2001, and the related statement of activities - cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - cash basis of Kansas Corn Commission as of June 30, 2001, and the changes in its net assets for the year then ended on the basis of accounting described in Note 1.

*Varney & Associates CPAs, LLC*

Certified Public Accountants

*Certified Public Accountants' Report*

3-14

**KANSAS CORN COMMISSION**  
Garnett, Kansas  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS**  
June 30, 2001

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	
Operations	\$ (39,721)
Overnight Repo Agreement	1,060,000
CD	<u>1,000,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,020,279</u></u>
<b>NET ASSETS</b>	
<b>Net Assets</b>	<u>\$ 2,020,279</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 2,020,279</u></u>

**Financial Statements**

3-15

**KANSAS CORN COMMISSION**  
 Garnett, Kansas  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
 For the Year Ended June 30, 2001

**Financial Statements**

**CHANGES IN NET ASSETS**

**REVENUE**

Check-off collections	\$ 1,733,501
Refunds	(269,542)
<b>Net</b>	<b>\$ 1,463,959</b>
Contract refunds	7,958
Interest income	59,367
<b>Total Revenue</b>	<b>\$ 1,531,284</b>

**EXPENSES**

Administrative	
Communications	\$ 81,925
KCGA - Administration	69,000
In-state travel	10,260
Out-of-state travel	27,350
Office	5,204
Meetings	4,800
Hospitality	2,015
Grants	4,400
Program	
KCGA	214,000
KS Department of Agriculture	5,749
KSU - International Grains	250,000
KSU - Research	347,055
National Corn Growers Association	220,000
Undetermined contracts	107,154
US Grains Council	350,000
US Meat Export Federation	50,000
<b>Total Expenses</b>	<b>\$ 1,748,912</b>

**DECREASE IN NET ASSETS** \$ (217,628)

**NET ASSETS - JULY 1, 2000** -

Transferred from Kansas Department of Agriculture 2,237,907

**NET ASSETS - JUNE 30, 2001** **\$ 2,020,279**

3-16

**KANSAS CORN COMMISSION**  
Garnett, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**Notes To Financial Statements**

**Note 1: Summary of Significant Accounting Policies**

**Organization**

The Kansas Corn Commission is organized as an instrumentality of the state to conduct a campaign of corn promotion and market development through research, education and information.

**Method of Accounting**

The financial statements are prepared using the cash basis of accounting.

**Income Taxes**

The Commission is a quasi municipal entity that is not subject to income tax and, accordingly, no provision has been made for income taxes.

**Pension Plan**

There is no formal pension plan.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Chairman Schmidt/Johnson and committee members, my name is Dusti Fritz, and I am the Assistant Administrator of the Kansas Wheat Commission. Thank you for the opportunity to be here today. First I would like to pass along greetings from Chairman Bruce Wilkens, Scott City and Administrator David Frey. They are representing Kansas at a Middle Eastern wheat buyer's conference in Egypt this week and could not be here today. I would also like to recognize another member of the KWC staff that is here today. Justin Gilpin is the project coordination and has a background in flour milling. We are very fortunate to have him on staff.

We have provided a summary of activities from FY 2001 in your folder and I would like to give a brief overview this morning/afternoon.

The Commission's focus continues to be research, domestic and international market development, and education. It is through these areas that our mission is to increase wheat producers' productivity and profitability.

I would like to begin with the financial situation of the Kansas Wheat Commission. 2001 marked the first-ever financial audit and it concluded that the Commission is on solid ground financially. It was also concluded that our financial statements that are prepared monthly accurately reflect this position. The year-end financial statement can be found on page 2 of the report.

This past year was filled with many exciting events. One that was most exciting was the Image Awareness Campaign. With the restructuring of the Commission, our board of directors wanted to better position the KWC for a new era of industry advocacy. This campaign featured a new logo and positioning statement to raise the level of pride in Kansas wheat. The logo is a wheat kernel that symbolizes the grains fundamental



importance as a staple food and as an economic cornerstone to Kansas wheat producers and residents. The sunburst that surrounds the wheat kernel represents the life giving power of wheat and its far-reaching economic significance around the world. The new logo and new positioning statement "Kansas Grown. Kansas Good." illustrate pride in the state's largest export commodity.

Other noticeable changes include a more efficient and effective way of reaching producers with quarterly newsletters and direct post-card mailings, which informed them of KWC activities.

Research accounted for 27% of the budget. Highlights of this past year are a new red wheat variety with wheat aphid resistance and a reduced risk pesticide that could offer safer more effective storage and pest control. Red and white variety development with pest/disease resistance and higher quality factors continues to be a high priority for these research dollars. Two new and exciting projects are identifying varieties that could potentially lead to protection against certain types of cancer, and a video that educates consumers about biotechnology.

Kansas wheat producers participate in international market development activities on the national level more than any other wheat producing state and these activities accounted for 36% of the budget. The federal government at a rate of more than 2 to 1 leverages this participation. Some of the highlights include: the Quality Seal program and its success in Egypt, the top market for Hard Red Winter wheat, and Sudan. Sudan is a formerly sanctioned market and because of this program is now buying HRW wheat. In addition, Kansas and other wheat states continue to work with formally sanctioned markets such as Cuba and Iran to understand the markets and logistics for U.S. wheat

sales. HRW states worked with USDA and they have agreed to purchase cleaner wheat for food aid donations. Also, there has been a unified effort from all segments of the wheat industry to work with overseas customers in preparation for commercializing genetically modified wheat.

I would also like to briefly share a summary from a recent study on the impact of international marketing and technical service in Latin America. This study was conducted on behalf of wheat producers and clearly identifies the value of this type of work. The report states that U.S. technical service makes a significant difference both positively and negatively to market share: if technical service is offered, market share increases significantly; if technical service is withheld, market share declines. It was estimated that for every \$1.00 invested in technical marketing service provides \$20.00 return in sales.

Kansas wheat producers have been the leader in provided international market development right here at home as well, with the International Grains Program, Kansas State University. With the help of all Kansas producers, IGP provides a venue to educate buyers, processors and business executives from around the globe about the U.S. marketing system and U.S. commodities. In addition, KWC also hosts more than 13 trade teams from around the globe each year.

And we must not forget the domestic market. About half of Kansas wheat production is consumed in the United States, therefore domestic market development at the state and national level is essential. These activities accounted for 22% of the budget. Producer participation at the national level is also matched by other industry participation. Priorities include: increasing wheat foods consumption in the U.S.,

educating the general public, U.S. policy-makers and food regulators about the nutritional value of grains, folic acid and its role in birth defects, and combating fad diets.

In Kansas, a primary focus has been working with Kansas Foundation for Agriculture in the Classroom and other commodity groups to develop educational materials for 4<sup>th</sup> graders about the top five crops grown in Kansas.

In conclusion, 2001 was both an exciting and challenging year for the Kansas wheat industry. FY 2002 is proving to be much the same with the first wheat sale to Cuba in 40 years, HW wheat acreage, the continued threat of Karnal bunt, and consumer acceptance of GM wheat.

Thank you again for this opportunity and at this time, I will address any questions you might have.



**KANSAS WHEAT  
COMMISSION**

**Annual Report to the Kansas Legislature  
February 13, 2002**

I N S I D E

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Chairman's message ..... 1

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Financial statement ..... 2

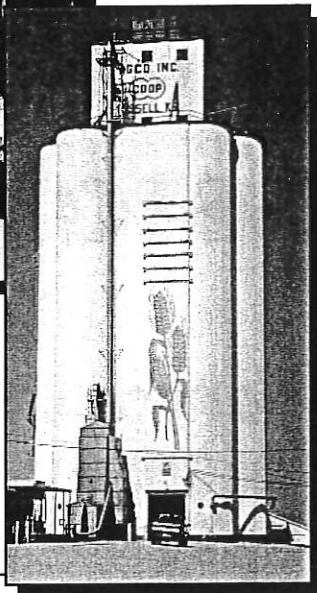
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Communications projects ..... 3

---

Research projects ..... 4

---



---

Domestic market development ..... 9

---

International market development.. 12

---

Commissioners ..... 21

---

Staff / Spokespersons ..... 21

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# C H A I R M A N ' S M E S S A G E

## By Bruce Wilkens, Chairman

Scott City wheat producer

**T**he tragic events of September 11, 2001 point out just how quickly change can come into our lives and the world. In spite of change, we must remain focused on our mission and continue to be proactive in our adaptation to change.

Our new mission statement states, "To increase wheat producer productivity and profitability through research, education and domestic and international market development." You will notice there is no reference to the price of wheat. We are all discouraged with continued low prices but must be focused on areas that we can influence to increase our profitability.

Kansas Wheat Commission has adopted a new logo, and our goal is to raise the level of pride in what we produce, which in return will be apparent to the world that Kansas wheat producers "are giving the world our best."

In our financial statement, you will see what a big change it has been for the KWC to have control of your investment. Over \$250,000 has been gained from our residual investment fund this year. We have always recognized the need to maintain a cash reserve so that year-to-year research and other long-term activities will not be jeopardized by short-term production variations. But this is the first year we have captured a return on your future investment. We are pleased to report that the audit of your business shows that the transition has been a success. We should recognize and give credit to the staff of KWC for a job well done.

We continue to raise the awareness of the importance of change in the world market to the Kansas wheat producer. One opportunity we have for market growth is in Hard White wheat. You have helped develop this wheat through research investments. You have helped quantify market demand through your investment in in-

ternational market development. With the varieties we have helped develop, we can now be assured top of the line production with a new class of wheat that can and will help us capture new markets in the world. We, as farmers, must not squander this opportunity for change. In an increasingly competitive export market, Kansas farmers must be willing to risk change for the reward of new markets.

The Commission continues to place a high priority on wheat research with your check-off investment. The value of the investment is clear when more than 75% of the wheat planted in Kansas is K-State varieties you helped develop. There are many challenges to overcome; Karnal bunt would be but the latest challenge we face.

On the domestic front we face fad diets. We continue to support what separates fiction from facts — that wheat products should be the important base in our diets. We were also instrumental in support of the Agriculture in the Classroom educational program, which addresses the importance of agriculture to school children. So much of our future hangs on public understanding of the value of agriculture to the U.S. economy.

We are on the very doorstep of change in the way we greet and train foreign buyers through your investment in the International Grains Program at KSU. This next year will witness groundbreaking for a new IGP building along with new milling facilities at KSU. This is a much-needed change in which you have invested over \$1 million. This will influence students and buyers for decades.

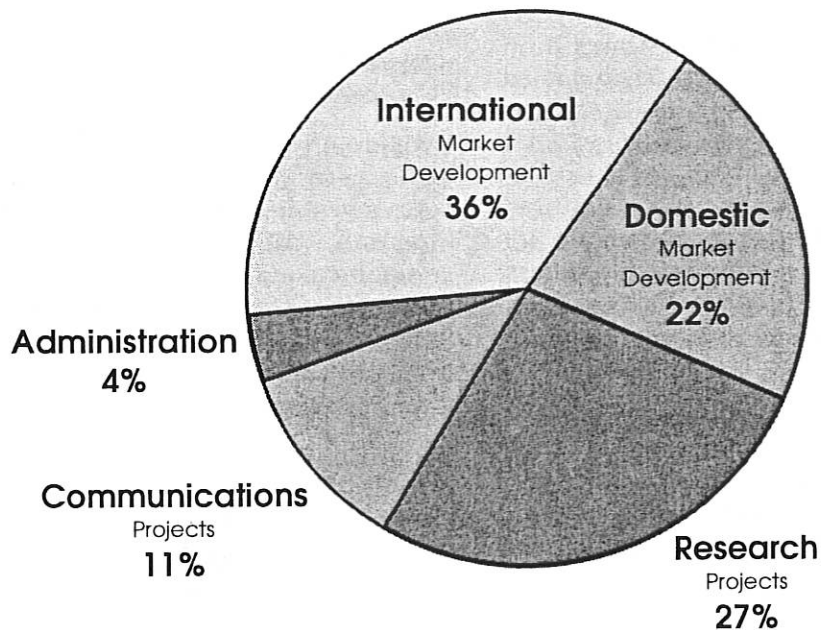
We, as Kansas wheat producers, can take pride in our proactive posture to the future. We strive to not just be reactive to change, but to influence and make change happen that will insure our future. Take pride in being a Kansas wheat producer.

# F I N A N C I A L   S T A T E M E N T

## Kansas Wheat Commission Financial Statement July 1, 2000 to June 30, 2001

Beginning balance	\$3,218,954.00
Wheat assessment collected	3,598,010.00
Other income (sales of promotional items, returned research dollars, operating activities reimbursed expenses, etc.)	85,023.00
Interest income	253,100.00
	<u>\$7,155,087.00</u>
Refunds to producers	-\$301,425.00
FY 2001 expenditures	-3,431,064.00
Ending balance	<u>\$3,422,598.00</u>

**Budgeted for FY 2001**  
**\$3,471,392**

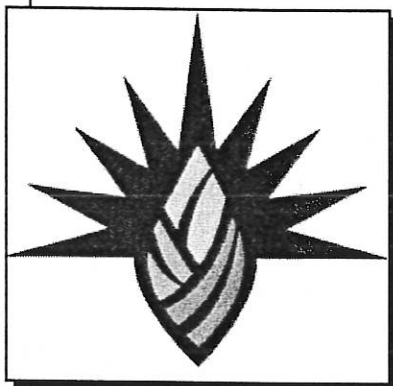


## Image Awareness Campaign

Since the recent change the Kansas Wheat Commission made out of state government and into the private sector, many alterations have taken place. This better positions the KWC for a new era of industry advocacy. It also comes with a new logo, positioning statement and a new image.

The newly adopted logo is one of the most noticeable changes. It carries a positioning statement to illustrate pride in the state's largest export commodity. The logo wheat head symbolizes the grain's fundamental importance as

a staple food and as an economic cornerstone to Kansas growers and residents. The sunburst radiating outward represents the life-giving power of wheat as a food and its far-reaching economic significance in America and around the world.



## The State of Wheat

The KWC has recently changed the way it distributes its newsletter. In the past it was printed and mailed directly to nearly 30,000 Kansas wheat producers. Now, it is a component of Kansas Farmer magazine. It is printed as a part of the magazine in full color. It now goes to every household that receives Kansas Farmer, including wheat producers and other commodity and livestock producers. By collaborating with Kansas Farmer on the newsletter, the Kansas Wheat Commission has been able to save money and produce the newsletter on a regular, quarterly basis.

## Direct Mailings

This year, the KWC did two postcard direct mailings. The first postcard announced the development of the new logo, encouraged producers to visit the website, and allowed them to register for a chance to win a free KSU football package. The other promoted that Kansas wheat is a staple food throughout the world and included window sticker.

## Web Site

The Kansas Wheat Commission's web site, [www.kswheat.com](http://www.kswheat.com), receives an average number of 50,000 hits per month. The average time spent online is approximately 10½ minutes with the most popular area being the facts section. Other popular sections include news, links and recipes.

## Wheat Scoop & Bread Bytes

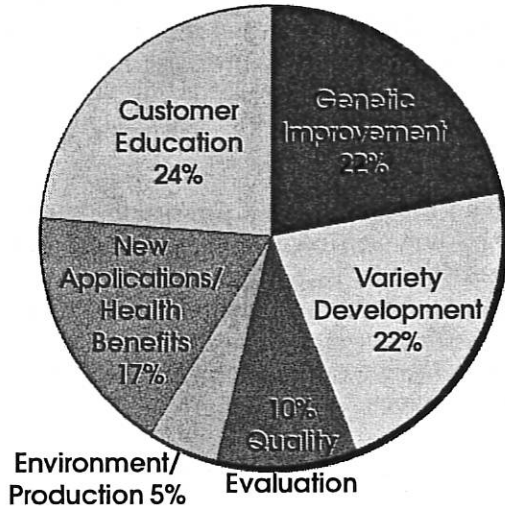
The Wheat Scoop is a weekly feature article, with three topics each week. The topics focus on wheat news, international market development, research and domestic issues. It is distributed on Wednesday of each week. Fourteen radio stations in Kansas request copies of the audio version, to run alongside agricultural programs on their stations. Bread Bytes is a monthly column which focuses on Kansas' businesses involved in wheat, flour and baking. Nearly 500 newspapers, radio stations and individuals receive the Wheat Scoop and Bread Bytes via e-mail and U.S. mail. Wheat Scoop and Bread Bytes can be found on the Commission's web site, [www.kswheat.com](http://www.kswheat.com).

## Trade Shows / Elections

KWC has attended trade shows from Kansas City to Liberal where we talked with producers about the current issues facing the industry. We have also been educating producers about the elections of new commissioners.



**R**esearch helps to increase yields, improve production techniques, boost nutritional content and protect the world's food supply from disease and pests. Thanks to research, food in the United States is safe, nutritious and inexpensive.



## Agricultural Economics

### Current Economic Issues with Hard Red and White Wheat in Kansas

This project will identify the costs and benefits of using certified wheat seed versus bin-run (farmer saved) wheat seed. Regression analysis will aid in determining whether producers who used certified seed received an increase in their return on investment.

The project will also identify potential economic milling extraction advantages of white wheat over red wheat. This research will recalculate yield increases of Kansas Agricultural Experiment Station accounting for changes in land quality (CRP) and tillage practices.

A final objective of the project is to calculate a return on investment for the Kansas Hard White wheat program. The project spans two years, November 1999 to October 2001, with publication of results in 2001.

## Agronomy

### Improvement of Hard Red Winter Wheat for Kansas (Jagger, 2137, Stanton)

The objective of this research is to develop, through plant breeding, superior Hard Red Winter wheat cultivars adapted to Kansas. These wheat varieties will represent improvements in both yield and end-use quality.

The return on investment is significant. It has been recently estimated that for every dollar invested in wheat research at KSU, there is a 12-dollar return on investment to the Kansas wheat producer.

The wheat breeding project is a continuous process, constantly adding new improvement to our varieties. As long as wheat is important in Kansas, it will be important to conduct varietal development in Kansas.

### Improvement of Hard White Wheat for Kansas (Trego, Betty, Heyne)

Hard White wheat has numerous advantages over Hard Red Winter wheat. Given equal genetic backgrounds in milling performance, Hard White wheat has greater flour extraction, higher flour protein content and greater aesthetic appeal in whole wheat products. The only agronomic barrier to production of quality Hard White wheat in Kansas is its susceptibility to preharvest sprouting. This project will attempt to introduce genetic sources of resistance to preharvest sprouting into Hard White wheat varieties for eastern and central Kansas.

### Kansas Dual Purpose Pest Resistant White Wheats (Lakin)

This project is for development of Hard White wheats adapted to western Kansas. These wheats will be used in both the world bread and noodle markets. Preharvest sprouting tolerance will be incorporated into these new white cultivars. These white wheats must be superior in overall performance (including yield and

# R E S E A R C H P R O J E C T S



test weight) to currently grown Hard Red Winter varieties in western Kansas. The project will strive to incorporate host resistance to the major pest prob-

lems in western Kansas — wheat streak mosaic virus, leaf rust, Hessian fly and Russian wheat aphid. The success of this project will be measured by the amount of Hard White wheat produced and the total increase in the size of Kansas' wheat markets. This is a long-term project, with renewal requested annually.

## **Development of Wheat Germplasm with Multiple Disease and Insect Resistance for the Southern Great Plains (SGP)**

Each year in the SGP, yields are reduced by about 20 – 25 percent by both plant diseases and insect damage. Since between 10 and 15 disease and insect pests can cause economic damage to wheat in the SGP, it is difficult to predict which disease will cause the greatest damage in any particular year.

The objective of this project is to develop multiple pest resistant germplasm in established elite breeding lines adapted to the southern Great Plains. This germplasm can then be utilized by breeding programs in the SGP to improve disease and insect pest resistance in their own respective programs. This program and the germplasm produced will be unique because it will contain new resistance genes in proven elite lines adapted to the SGP.

## **Gluten Proteins That Improve Bread Quality**

These experiments will utilize wheat cultivars economically important to Kansas producers such as the Hard Red Winter wheat Jagger and Hard White wheats, Heyne and Betty, rather than the experimental cultivar, Bob-

white. This process will enable the production of wheats of enhanced quality adapted to Kansas and thus save the time required to breed the novel subunits from experimental lines into adapted cultivars.

## **On-farm Wheat Action Research**

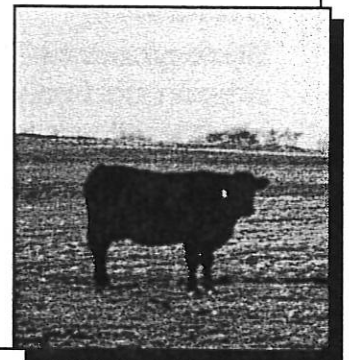
On-farm research / demonstration trials allow farmers to see new technologies early in the adoption process. The objectives of this project are to speed the time of farmer acceptance of new wheat technologies through use of on-farm trials and to provide pertinent educational materials. These on-farm trials will broaden the database of research that has been conducted on experimental fields by placing trials on different soil types and climatic conditions while allowing local producers the opportunity to observe the viability of new production techniques.

It is known that the interval from the time a new technology becomes available until farmer acceptance is 10 to 15 years, but with this project this acceptance time will likely be reduced.

## **Animal Science**

### **Feeding Value and Present Day Marketing Channels of Wheat Cleanings**

To justify the added cost for cleaning wheat, it is critical to extract higher value for by-products of wheat cleaning efforts. This project will observe the marketing structure of cleanings at Canadian and North Dakota terminals, where wheat containing low dockage levels is actively produced and marketed. It will develop a report of Canadian cleanings marketing practices and a thorough review of



# RESEARCH PROJECTS

the existing literature to determine if additional research with cleanings as a feed source is necessary and provide livestock consultants and livestock producers with an updated review of literature to encourage the utilization of wheat cleanings in livestock diets.

## Biochemistry

### Cancer Protective Effects of Wheats with Different Antioxidant Potentials

It has been established that diets rich in wheat are associated with a decreased risk of colon cancer in humans, but not all wheats are equally protective. Few studies have identified the contribution of antioxidant potential (AOP) to the protective effects associated with different wheat classes, cultivars or climatic conditions. This study will utilize cell tissue culture techniques and animal models to screen the protective effects of wheat cultivars on cancer growth for a variety of wheats and to determine whether the protective effects are related to the AOP of the samples.

### Wheat Crop Improvement by Genetic Engineering

In Kansas and other areas of the great plains, the full yield potential of wheat is not reached any year due to a variety of stresses which include leaf rust, scab and take-all, as well as extremes of temperature. Through genetic engineering, this project is expected to confer resistance to these fungal diseases.

## Grain Science and Industry

### Biodegradable Plastics from Wheat Starch and Polylactic Acid

Large solid-plastic wastes are produced from grocery bags, trash bags, fast food serving and eating utensils and flowerpots. This research project will attempt to create a biodegradable plastic from the starches found in wheat. The outcome of this research will enhance the utilization of wheat as an industrial material.

### Chemical / Physical Modification of Gluten Protein and Characterization

The objectives of this project are to develop preliminary data to evaluate the effects of several standard modification processes on gluten and then combine several of these processes to further enhance the physical property changes that can be achieved. One of the collaborators, Midwest Grain Products, is a commercial wheat gluten processor. They will be able to quickly commercialize newly developed technology.

### Hard White Extension Activities

The purpose of this project is to effectively communicate the opportunities and issues associated with growing and merchandising Hard White wheat in Kansas.

Informational meetings are held for growers and grain handlers who are interested in planting and collecting Hard White wheat. Last year, 15 public meetings were held to inform growers of issues and opportunities surrounding the production of Hard White wheat. This year, the effort will be toward grain handlers, emphasizing the need to segregate Hard White from red wheat.

### International Grains Program Support Project

The objective of this project is to identify and influence international buyers, traders and users of wheat to purchase wheat grown in the United States, specifically those grown in Kansas. The IGP provides short courses, seminars, workshops and individual training on U.S. and Kansas produced wheats.



# R E S E A R C H P R O J E C T S

## **Optimizing Hard White Wheat Yield and Processing Performance in Kansas**

Researchers will identify seed blends of Trego and Betty Hard White wheats that will optimize yield and quality in an attempt to maximize profitability for Kansas wheat farmers, speed the adoption process for HW wheat and minimize producer risk resulting from limited commercial varieties adapted for western Kansas.

## **Protein / Hardness Screening of Early Progeny Wheats**

This project will identify early-generation winter wheat lines and germplasm having above average protein content and early-generation winter wheat lines and germplasm which are too hard or too soft. Wheat kernel hardness and protein content are heritable properties, which are important in domestic and export markets. Protein content is a primary factor determining baking performance and kernel hardness is a key factor in determining milling performance. The benefit of this research to Kansas wheat producers lies in having varieties available which are marketed to and favored by the domestic milling and baking industries as well as international customers of the Kansas / U.S. wheat industry.

## **Quality Evaluation from KAES Wheat Breeding Program**

This project will provide timely evaluation of important physical kernel, protein, milling and flour properties which determine bread baking and oriental noodle quality of agronomically promising lines developed by wheat breeders and geneticists. It will also encourage production and enhance marketing of high quality wheat by disseminating information about milling and end use quality of all varieties grown in Kansas to growers, grain merchandisers, millers, bakers, foreign trade teams which visit

the United States, consultants who travel to importing countries and to importers of U.S. Hard Red Winter wheat.

## **Quality of Hard White Wheat for Bread, Tortillas and Asian Noodles**

The information generated by this project will likely expand markets of Hard White wheats. Researchers will obtain samples of the leading varieties and advanced breeding lines of HW and HRW wheats. They will then mill the wheats, measure parameters of the flours and prepare wheat-based foods to identify quality advantages of HW wheats. The information generated in this project will be made available to wheat trade teams that provide information to international buyers.

## **Spinosad: An Alternative to Pesticides for Management of Stored-Wheat Insects**

This project will evaluate Spinosad as an alternative to currently registered pesticides. The researchers will determine the effectiveness of Spinosad on Hard Red Winter wheat, Hard Red Spring wheat and Hard White wheat in the laboratory and Hard Red Winter wheat under field conditions. It will characterize the fate of Spinosad at different temperatures and moistures, and evaluations of Spinosad residues will be performed on fractions of milled wheat.

## **Wheat Screening for Natural Desirable Lipids**

Desirable lipids that occur in wheat influence wheat quality for breadmaking purposes. This long-term project will attempt to eliminate breeding stock that has only low levels of desirable lipids.

## Kansas Center for Agricultural Resources and the Environment

### Integrated Ag Management Systems Best Management

This project will test how agricultural production practices may affect potential pollution runoff. Researchers will attempt to find out the net effect on the entire spectrum of possible pollutants from using certain combinations of farming practices.

This will help producers, scientists and government officials decide whether voluntary adoption of certain farming practices will be effective enough in reducing pollutants that more stringent regulations will not be needed.

## Plant Pathology

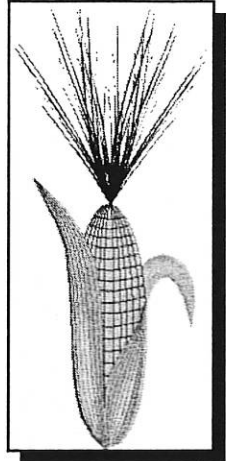
### Control of Residue-Borne Winter Wheat Diseases

This project will examine the impact of tillage practices and crop rotations on incidence and severity of major wheat diseases and insect pests. The objective is to determine which wheat diseases and/or pests will become more important in Kansas as we move closer toward no-till cropping practices and whether crop rotations will control these disease problems.

A second objective is to identify new and additional sources of resistance to diseases that are expected to become increasingly important as wheat producers practice no-till farming. The ultimate goal is to produce germplasm that wheat breeders can use to produce wheat cultivars with resistance to diseases that are important under a no-till environment.

### Introduction of RP1 genes of maize into wheat to confer resistance against leaf rust

This project will introduce several genes from maize into wheat and test the effectiveness of these genes toward the control of any of the following: leaf rust, stem rust and stripe rust. Rusts are one of the most economical damaging pathogens for cereals worldwide. Therefore, wheat lines that show significant rust resistance would have a clear market advantage over rust susceptible lines.

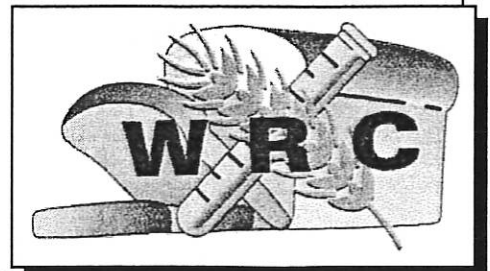


### Wheat Genetics Resource Center and its Contribution to the Kansas Wheat Industry

This research project will attempt to identify new genes for pest resistance and other agronomic traits in wild and unadapted germplasm and transfer them into elite germplasm. The overall strategy is to enhance the efficiency of breeding. The long-term goal is to work with breeders to develop wheat varieties that are efficient, productive, sustainable, durable, multipurpose and profitable to farmers and the industry.

### Wheat Research Center Hard White Wheat Varieties' Milling Performance

This project will support commercialization of the Hard White wheat class in Kansas by developing publicly available, meaningful milling data for the new varieties, and provide samples of straight grade flour to companies with interest in evaluation of flour performance in retail products.



## Wheat Foods Council

The Wheat Foods Council (WFC) is dedicated to increasing the consumption of grain-based foods through nutrition, education and promotional programs. All segments of the industry — wheat producers, millers, bakers, food manufacturers and related industries — are working together to increase domestic consumption of wheat. According to the U.S. Department of Commerce, Bureau of Census, consumption rose three pounds in 2000 to 150 pounds.

The Wheat Foods Council is the only organization in the country providing comprehensive grain nutrition information to government leaders. Policy-makers must be informed and updated on grain nutrition research and public health issues to make the best decisions for the industry and the consumer. The WFC keeps policy influencers in-touch with important issues through Council materials, opinion leader briefings, written comments and testimony at government sponsored hearings.

Key policy makers routinely broadcast critical policies that influence grain-food consumption. For example, the USDA currently supports grain-foods as the foundation of a healthy diet and recommends that Americans eat more servings (6-11 servings) from the grain-food category than from any other food group. Imagine how wheat consumption would be compromised if USDA decides to replace the grain-food group, which is currently at the base of the food pyramid, with another food group such as fruits and vegetables. Therefore, it is critical that the wheat industry has an organization such as the WFC to represent its nutritional interest.

Face-to-face briefings are conducted in Washington, D.C. with USDA/Center for Nutrition Policy and Promotion, USDA/Agricultural Research Service, National Cancer Institute/National Institutes of Health/ American Dietetics Association, International Food Information Council and Society for Nutrition Education.

Judi Adams, Wheat Foods Council President, presented testimony at a public meeting in Washington, D.C., on popular weight-loss diets. In addition, the WFC filed written comments to policy-makers on health and nutrition effects of popular weight-loss diets to USDA/Agricultural Research Service. The Wheat Foods Council is extremely concerned about the effects of popular weight-loss diets and has done extensive work in the area of fad diets from developing credible educational materials to creating a grassroots coalition of health and nutrition leaders.

“These fad diet regimens have a direct impact on grain products and, therefore, on our producers,” said Adams. In addition, a decreased consumption of grain foods may have an adverse effect on the health of our nation. The Council and the grain industry are committed to educating consumers based on sound nutrition principles.

When USDA mandated folic acid fortification of grain foods in 1998, the WFC and the American Bakers Association seized the opportunity to educate Americans about the health benefits of enriched grain foods. Eating more enriched and fortified grains — such as breads, tortillas, pasta, crackers, cereal and baked goods — can play an important role in preventing neural tube birth defects. The exciting news is, the fortification of grains is working. The Centers for Disease Control and Prevention reports that neural tube defects, a debilitating birth defect, has decreased by 19 percent following folic acid fortification in the U.S. food supply.

Competing in today's marketplace is challenging; however, with the support of current and future members, the Wheat Foods Council will continue to strengthen grain-foods consumption in the United States. To find out more about the Wheat Foods Council visit [www.wheatfoods.org](http://www.wheatfoods.org).

# DOMESTIC MARKET DEVELOPMENT

## Leadership

The Wheat Foods Council is an industry-wide partnership dedicated to increasing the consumption of grain-based foods through nutrition, education and promotion programs. Investing in the future, the Kansas Wheat Commission is a member of the Wheat Foods Council. Cindy Falk, KWC Domestic Marketing Specialist, is serving as vice-chairman on the 2001/2002 executive board.

## Setting the Record Straight

Experts in the field of nutrition have appeared on radio, television and in the newspapers suggesting new approaches for eating sensibly and healthfully and the importance of folic acid in the diet. These experts offer consumers an alternative to the "fad" diet craze we have seen recently.

## Grains Through the Ages

This brochure aimed toward physicians and nurses was distributed in December 2000, showcasing the need for grains through the ages.

## A Grain is a Terrible Thing to Waste

This direct mail piece was distributed mid-December 2000 to 7,105 health/nutrition and fitness leaders.

A follow-up media mailing was distributed in January 2001 to 1,504 media contacts. This media kit generated more than 20 million impressions in at least 22 states.

## Going Against the Grain

This nutrition information tool kit which underscores the benefits of grain foods was distributed to 7,105 health/nutrition and fitness leaders in June 2000.

The materials provided an overview of the "Going Against the Grain" survey results, timely trend information and tips on how consumers can easily increase grain in their diets.

A media event was held in March 2001. A media kit was distributed to 1,849 contacts. The effort has generated more than 18 million print impressions, 24 million broadcast impressions and 200,000 online impressions.

## Online Communications

The web site has been redesigned/reorganized. New projects have been added and are now available online. There are weekly and monthly updates to the site, including news articles, monthly recipes, poll question and T-shirt contest question.

## Opinion Leader Efforts

The Wheat Foods Council continues to file written comments and present testimony against the popular weight-loss diets.

The WFC held a meeting in March 2001 in conjunction with the release of a Gallup survey. The importance of grain foods, benefits of folic acid fortification and results of the Gallup survey were discussed.

## “Speak for Wheat”

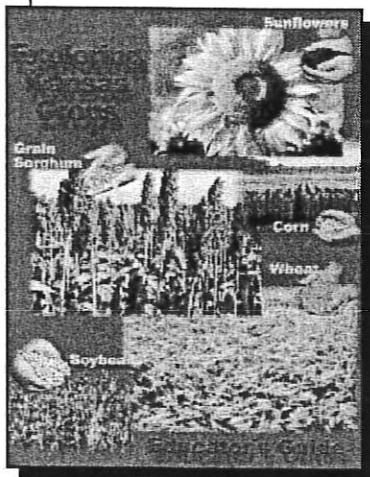
### Spokespersons promote wheat

The Kansas Wheat Commission values 23 volunteer spokespersons and their commitment to the wheat industry. These individuals help the Commission reach all areas of the state. They provide programs at farm shows; pre-school, elementary and secondary classrooms; health fairs; county extension meetings; care homes; public libraries; 4-H events; health organization meetings; senior citizen meetings and wheat plot tours. Spokespersons reach more than 155,000 people yearly.

## Exploring Kansas Crops Educator’s Guide

New elementary educational materials are being developed by the Commission in cooperation with Kansas Foundation for Agriculture in the Classroom, the Kansas Grain Sorghum Producer’s Association, Kansas Corn Grower’s

Association and Kansas Association of Wheat Growers. The materials include an educator’s guide with 192 pages of hands-on activities, worksheets and background information. The student magazine, Kansas Kids Connection, will be distributed to all fourth graders in Kansas.



## 2001 KWC Annual Recipe Book

This popular and collectable recipe book features twelve wheat-based recipes and nutritional information. A sample of the recipes include Melt-in-

Your-Mouth Muffins, Shredded Wheat Bread, Portuguese Sweet Bread, Dill Rolls and Native American Tortillas in a Bag. These books are requested for national conventions to promote Kansas wheat.



## Bake and Take Day

### Home baking and community spirit are essential ingredients

Observed annually on the fourth Saturday of March, this event was started in 1970 by the Kansas Wheathearts, an auxiliary organization of the Kansas Association of Wheat Growers. By 1973, the Kansas Wheathearts initiated a national day for Bake and Take. This year, Kansas participants who wrote in to tell about their Bake and Take activities received a recipe book and were entered in a drawing for a bread machine. These activities appear on the Kansas Wheat Commission web site in the nutrition area.

## Programs/Exhibits

### Reaching Educators and Consumers

The Kansas Wheat Commission participates in programs and exhibits throughout the year to inform educators and consumers about agriculture and nutrition.



## Top Ten In Brief

### Loyal Markets Stay True, Emerging Markets Come on Strong

**Egypt** and **Japan** continue in their traditional importance to the U.S. wheat industry, together accounting for over 30% of total U.S. wheat exports. Egypt is the largest U.S. wheat importer in three of the five major U.S. wheat classes: hard red winter, soft red winter and soft white wheat. Japan continues to lead in hard red spring wheat purchases, and is also an important customer of HRW and SW.

The Mexican market is especially showing strength as the industries accelerate. **Mexico's** imports have steadily increased since NAFTA was approved, and this year our southern neighbor narrowly replaced the **Philippines** in the number three spot for total wheat exports. Mexico is now the second largest importer of soft red winter wheat and, in a real success story following major efforts to improve rail shipments, nearly half a million tons of HRW was shipped south by train, up substantially from last year.

**Philippine** wheat imports for 2000/2001 were at record levels despite uncertain economic conditions, and the U.S. was able to achieve a 77% market share. The aggressive position of the Canadian Wheat Board was reduced as mills indicated that the previous CWB standing price discounts of US\$5.00 to US\$10.00 per ton were no longer available. U.S. Wheat Associates staff in Manila also played a key role in reducing the levels of Canadian imports by demonstrating the differences between Canadian and U.S. spring wheats to large volume end-users. An increase in purchases of soft red winter wheat has also contributed to the total.

**Nigerian** wheat imports are now approaching 1,800,000 metric tons a year, with the U.S. enjoying a 90% market share. U.S. Wheat Associates opened a full time "representative office" in Lagos in 2000, providing technical and

market information to Nigerian mills, and the program is already showing its value, as Nigeria is now the world's second largest importer of hard red winter wheat.

The big news about the **European Union** includes **Italy** - as it is the single largest U.S. wheat buyer in the EU - but the significance of the single market/customs zone of the "EU" is growing in importance. So much of the U.S. wheat that moves into the EU is dispersed around the continent after it arrives that looking at single country statistics may obscure the bigger picture. And the bigger picture is impressive: total sales to the EU have tripled since the 1993 marketing year.

This year U.S. wheat sales to **Taiwan** were the highest in at least a decade. U.S. Wheat Associates has long enjoyed a mutually supportive relationship with the Taiwan Flour Mills Association and with the China Grain Products Research & Development Institute, and this year worked successfully in tandem with the groups to introduce sourdough bread to Taiwan's populace.

While **Korean** sales remain fairly constant over the last four years, the U.S. continues to lose market share as the Australians work mightily to promote their white wheat to the growing Korean noodle market. The 1.4 million metric tons of wheat that the U.S. shipped to Korea for each of the last four years is a good market, but it could be better if we had a consistent supply of appropriate hard white wheat to counter the Australian wheat.

**Indonesian** sales, the highest ever to that country, represent a tremendous success for U.S. wheat. While the U.S. had a 50% share in this market from the mid 1960's to the early 1980's, Australian wheat moved in when the U.S. voluntarily excluded EEP for Indonesia, in "diplomatic deference" to Australia. Until recently, U.S. wheat market share in Indonesia averaged less than 10%. But USW dedicated a myriad of activities to Indonesia, and the U.S.

# INTERNATIONAL MARKET DEVELOPMENT

Department of Agriculture assisted with a creative package of programs, and the results are beginning to show as U.S. wheat exports have doubled since 1998/99.

## Exports Resume Traditional Patterns

	1999/00	2000/01	% change
HRW	13,141	10,852	-17.5
SRW	4,781	4,861	2.7
HRS	6,016	6,051	1.6
SW	4,390	5,543	21
Durum	984	1,130	13

(in thousand metric tons)

This year was a shift from last year's sales pattern for wheat classes, as sales returned to the established patterns of previous years.

The huge jump that hard red winter wheat sales had experienced in 99/00 moderated a bit, going from 13.1 MMT back down to 10.9, which was still more than was sold in previous years. One of the major reasons for the difference was food aid to Russia. Last year, almost a million tons of HRW was shipped to Russia, but this year the entire Former Soviet Union only imported a quarter of that amount.

Soft white exports, which had taken a hit last year, rose 21% and resumed former export levels, at 5.5 MMT compared to 4.4 MMT last year. Indonesia played a major role here, increasing their SW imports by half a million tons over last year.

Durum exports had a 13% increase, from 984,000 tons to 1.13 MMT, largely due to increased sales to Italy and Tunisia.

Exports for soft red winter and hard red spring wheat were very close to the previous year.

## Hard Red Winter

Egypt	2,288,200
Nigeria	1,252,900
Mexico	1,138,800
Japan	1,077,000
Israel	630,700

HRW is one of the three classes of U.S. wheat where **Egypt** is the leading importer. In fact, HRW now sets the market standard in Egypt, and many attribute its dominance to the highly successful "Quality Seal" program.

**Sub-Saharan Africa** imported 13% of the total HRW exports. The giant in the region is **Nigeria**, where the U.S. has a 90% share in their 1.8 MMT market. Nigeria is now the world's second largest importer of hard red winter wheat. To support the rapid growth in the Nigerian market, USW uses one-on-one consulting, seminars, workshops, and trade team tours of the U.S. to provide technical support and market information to mills and training for the baking industry:

**Morocco** is justifiably proud of its great French baguettes, and growth in U.S. wheat exports to that market has been aided by USW work proving that HRW will blend well with SRW and can replace French wheat to make baguettes that are just as good. For MY 2000/01, Morocco is the 14th largest U.S. wheat importer, at 504,000 metric tons, up from 180 TMT in 98/99 and 368 TMT in 1999/00. HRW exports to Morocco have increased from 44 TMT to 323 TMT in just 2 years. They've also increased SRW imports from 10,000 to 172,000 MT

Market share in **South America** dropped for the first time in three years, from 15.1% to 11.8%. While exports of HRS, SRW and SW grew, there was a big drop in HRW (although it remains the most favored U.S. class by far), from 1,442,600 last year to 992,500 this year. **Co-**

**Colombia** and **Peru** are the largest U.S. wheat customers in South America and their drops in HRW imports had a big impact. Colombia went from 696 to 473 TMT and Peru imported 286 TMT, about a third less than last year.

## Trade Policy

### U.S. Needs More Trade Agreements

The United States is isolated while others expand trade around us. There are 111 countries that are parties to more than 130 free-trade agreements that don't include the U.S. Our country has only two free trade agreements, covering three countries.

USW supports pursuit of the Free Trade Area of the Americas. The current situation of trade agreements within and among the countries of the western hemisphere has been described as a "spaghetti bowl," consisting of various types of trade agreements, with wide ranging effects. The majority are trade-creating, providing freer trade and economic development, while others, like Mercosur, are perilously close to becoming trade-diverting pacts. The U.S. wheat industry needs fair and free access to the South American market, and we won't get it as long as Mercosur tariffs block our sales to Brazil, one of the world's largest wheat importers. Other trade policy initiatives pale in importance compared to the many near-term benefits that hemispheric free trade would bring to the U.S. wheat industry. With the World Trade Organization, we can all work to reduce trade barriers, but within our hemisphere, via the FTAA, we have the opportunity to virtually eliminate them. Providing leadership in the creation of the Free Trade Area of the Americas should be among the highest priorities of the Bush administration.

It is essential that the U.S. Congress provide "fast track" or "trade promotion" authority to give added credibility to the administration's international trade negotiating position.

USW was heartened by the progress made in getting Congressional approval of the U.S.-Vietnam bilateral trade agreement, and hopes that final approval is imminent.

And we need more agreements. Henry Jo Von Tungeln, speaking on behalf of USW, the Wheat Export Trade Education Committee, and the National Association of Wheat Growers, told a congressional panel that "the time will come — sooner rather than later — when we can begin to seriously consider and pursue an Asia-U.S. Free Trade Area."

### State Wheat Export Desks Must be Stripped of Monopoly Powers

One of the most important issues for the wheat industry in the World Trade Organization negotiations is the importance of bringing the Australian Wheat Board and the Canadian Wheat Board into a free and open competitive environment, i.e., abolish anachronistic monopoly control. Together, these two boards account for a full third of the market share in world wheat trade, so when their tactics cause distortions, a huge part of the market is skewed. The U.S. needs to go to the WTO negotiating round fully committed to demanding that the wheat boards be stripped of their monopoly powers and be made transparent.

U.S. Wheat Associates strongly supports the action of the North Dakota Wheat Commission which filed a Section 301 petition with the Office of the U.S. Trade representative seeking an investigation into, and action against, the government of Canada and the Canadian Wheat Board. The state commission charged the CWB with unreasonable and unjustifiable discriminatory pricing activities in both the U.S. domestic market and in third country export markets.

USW has also raised concerns about potential U.S.- Australia talks aimed at initiating a free trade deal. Simply put, if Australia wants 'free trade' with the U.S., then they must open

themselves to *fair competition* with the U.S., USW president Alan Tracy told the Australian trade minister in April 2001. While the Australian Wheat Board is no longer an official arm of the government, it still operates with government sanction, exercising sole control over international sales, shipping and promotion of Australian wheat. The Australians are a major factor in international wheat trade, particularly competing against the U.S. in the Asian market, so the AWB's ability to work outside the norms of global competition directly and often egregiously undercuts U.S. wheat sales.

## Food Aid Program Needs Improvement

Food aid is a vital component of U.S. foreign policy and trade policy. While the U.S. has surplus food, it serves us well to assist our allies. It is also part of America's greatness that we provide humanitarian assistance to any country experiencing hunger. There are, to be sure, some things the U.S. can do better in our food aid program. For instance:

- The U.S. needs to clarify our internal rules on food donation programs, and more clearly differentiate humanitarian aid from market development programs. It's a complicated hodgepodge at the moment, and some streamlining will make the programs more transparent to our domestic audiences as well as to our trading partners and countries that need assistance.
- Our donation programs need to be more consistent from year to year, and they should be non-commodity specific. That is, a country that needs food aid should not have to beg, nor to wait and wonder, nor should they be given a commodity they do not need.
- We need better documentation to confirm that the aid is not interfering with local commercial markets in the countries to which aid is given.

## Emerging Markets Need More Flexibility in U.S. Credit Programs

The primary objective of commercial export credit guarantee programs administered by the U.S. Department of Agriculture is to facilitate trade with countries that do not have access to adequate commercial credit. Our competitors have complained loud and long about these credit programs. They call them unfair trade subsidies and demand that the programs be scaled back. Not surprisingly, they are wrong. The U.S. should do more — not less — to provide credit to the markets that most need it, while meeting its obligations under global trade rules. Rather than scaling back the credit programs, we need to put more flexibility into them.

## Export Market Development Must Have Adequate Federal Funding

The wheat industry supports, and needs, aggressive funding for the Foreign Market Development (FMD) program and the Market Access Program (MAP). The largest source of funding, and the most important single tool, for U.S. Wheat Associates activities is FMD, which provides around \$6 million to USW for office space, overseas salaries and activity budgets for 15 offices servicing over 100 countries. In recent years, in spite of rising costs, total funding for FMD has remained static at about \$32.5 million. This program, which is so vital to many cooperator groups, should be increased to no less than \$43.25 million. The second most important federal program providing funds to USW is the Market Access Program, which has been an invaluable tool for building markets. MAP funds, though accounting for less than 10% of the USW budget, are essential as we develop consumer promotion and educational programs. Funding for MAP has been reduced over recent years despite increased promotion activity by our competitors. The wheat industry has urged Congress to increase the budget for MAP to no less than \$200 million. Further, any EEP funds that are unused should be redirected to market development.

### Wheat Breeding Should Focus on Market Needs as Well as Grower Needs

Working in close cooperation with U.S. wheat breeders is a priority for USW. One such "breeder focused" USW activity is the Wheat Quality Improvement Teams that are periodically organized for face-to-face visits with major buyers in selected regions of the world. The most recent WQIT visited Latin American buyers and end users in Mexico, Venezuela, Colombia, and Peru. Team members were selected through the state wheat commissions and included wheat breeders, quality laboratory and extension personnel from AR, OK, KS, NE, MN and ND. The team returned with new perspective and sharper focus on the quality demands of the Latin American market.

### The U.S. Export Market Needs a Reliable Supply of Hard White Wheat

Adapting the new hard white wheat (HW) class to fit Asian markets remains the focus of the USW Asian Products Collaborative program. Through sample submissions from cooperating wheat breeders, numerous HW varieties have been evaluated in seven different styles of Asian noodles and three primary styles of Asian steamed breads. Product evaluations are first done at the Wheat Marketing Center (WMC) in Portland, OR. Then, through arrangements by USW overseas offices and WMC, customers from nine Asian countries evaluate selected samples that fit product profiles developed for their markets.

The situation in Korea illustrates the reason why the U.S. needs to produce a reliable supply of an appropriate hard white wheat. Ten years ago, the U.S. had a 78% market share in there. A report from Won Bang Koh, U.S. Wheat Associates country director, indicates that in the first half of calendar year 2001, the U.S. share of the Korean wheat import market was 52% on an arrival basis. Australian Standard White wheat is now the largest single wheat class purchased by Korean millers.

### "Customer Needs Come First" Regarding GM Wheat

Wheat derived from biotechnology, popularly known as "GM wheat" (short for genetically modified), is currently growing in field tests around the world. It has not been commercialized. U.S. Wheat Associates and the National Association of Wheat Growers adopted a position statement in June 2000, and amended it to include labeling and tolerance issues (numbered paragraphs 4 and 5) in January 2001:

Biotechnological research holds great promise for the future, and the U.S. wheat industry recognizes these advancements. In preparation for the future commercialization of biotechnologically-derived wheat, we take the following positions:

1. The U.S. wheat industry commits itself absolutely to the principle that our customers' needs and preferences are the most important consideration. We support the ability of our wheat customers to make purchases on the basis of specific traits.
2. We will work with all segments of the industry to develop and assure that a viable identity preservation system and testing program is instituted prior to commercialization of products of biotechnology. We strongly urge technology providers to obtain international regulatory approval and to ensure customer acceptance prior to commercialization.
3. We urge the adoption of a nationally and internationally accepted definition of biotechnologically-derived products.\* We also urge international harmonization of scientific standards and trade rules.
4. We support voluntary labeling of food products, provided it is consistent with U.S. law and international trade agreements and is truthful and not misleading. We oppose government-mandated labeling of wheat products in both the U.S. and international

markets based upon the presence or absence of biotechnologically-derived traits that do not differ significantly from their conventional counterpart.

5. We support the establishment of a reasonable threshold level for adventitious or accidental inclusion of biotechnologically-derived traits in bulk wheat or wheat food products in both U.S. and international markets.
6. We invite valued and interested customers to join with us in a working partnership to explore the emerging biotechnology industry.

## Sanctions Must End

The sanctions policy of the United States remains a major impediment to export market growth. USW has gone on record, repeatedly, explaining to Congress that 20% of the world wheat market is largely closed to us, because of sanctions and other trade barriers. The U.S. needs to drop the remaining unilateral sanctions against Iran, Cuba and North Korea. Iraq is a more difficult situation, but we hope that someday we can reestablish the market relations we had there formerly.

The disastrous effect that sanctions have on U.S. wheat exports is clearly seen in U.S. Wheat Associates Middle East / East Africa marketing region, where we have had sanctions against Iran, Iraq and Sudan. If you exclude consideration of the three countries, U.S. market share has steadily risen since 1996, to almost 50% now. If you add the sanctioned markets into the calculations, however, U.S. market share has dropped from 30% in 1997 to about 28% last year. Clearly, the U.S. is ceding markets to competitors who are supposed foreign policy allies. For instance, since 1999 Iran has been the Canadian Wheat Board's largest export customer for non-durum wheat.

The moral of the story — we can gain market share only when we can compete openly and fairly. Unfortunately, U.S. sanctions policy does not allow U.S. wheat producers fair and open opportunities in several major wheat markets.

## China is the "Wild Card" for Wheat Trade

U.S. Wheat Associates applaud the Bush administration, the Clinton administration, and Congress for the bipartisan support necessary for China's entry into the WTO. Once they enter the WTO, we have every reason to hope for a healthy wheat export market, especially among the entrepreneurial private importers who are looking to blend America's high quality wheats with their domestic stock to produce superior wheat food products for China's burgeoning cities.

## Future Growth

### High hopes for Nigeria's future

Nigeria, Africa's most populous country and the leading sub-Saharan oil producer, is a potential economic giant. There are horrendous challenges left over from the regime of their late dictator Sani Abacha, especially with a seriously degraded infrastructure throughout the country, but hope is rising with the Nigerian civil society, who are among the liveliest and most firmly established cultures on the continent.

Long known for their skillful engagement with trade and entrepreneurial activity, predating the British colonial era, the country stands out as a growth market for U.S. wheat. Because of some distinct strengths that have every potential of making Nigeria one of Africa's greatest economic powers, U.S. Wheat Associates is investing time, energy, manpower and confidence into the milling and baking industry.

## INTERNATIONAL MARKET DEVELOPMENT

In February, USW celebrated the establishment of the new "representative's office," managed by Muyiwa Talabi, USW's marketing consultant in Nigeria for the past four years. Joining buyers, millers, grain trade representatives and government officials from throughout Nigeria, USW vice president Paul Dickerson and the full contingent from the USW Capetown office, led by regional director Ed Wiese, commemorated U.S. involvement in, and commitment to, developing the market. Then, bringing the message to a point, staff presented a Crop Quality and Risk Management Seminar to industry representatives.

In 2000/01, Nigeria imported 1,427,700 metric tons of U.S. wheat, over a quarter of a million tons more than last year. Of this amount, 1.3 million metric tons (MMT) was hard red winter (HRW) — 179,800 tons more than last year — making Nigeria the second largest importer of HRW in the world.

Regaining the market for U.S. wheat, following Nigeria's ill-conceived import ban in 1986, has not been an easy task. Prior to the ban, wheat imports had risen steadily from less than half a million tons in 1972 to almost 2 MMT in the mid 1980s, most from the U.S. Since the ban was lifted, it's been an almost carbon copy climb back, but this time with very strong signals by Nigerian millers of their confidence in the future growth of the milling industry and, just as important, confidence in the economic and political stability of Nigeria. Many Nigerian millers think the level of wheat imports will climb back to 2 MMT during the next four or five years, and some anticipate it will be a 3 MMT market within ten years.

Beyond doing all that we can to guide the development of the market and the industry, USW has to continually work to maintain market share. One of the marketing challenges facing USW is to halt and reverse a slight trend that indicates some Nigerian millers have switched from HRW to Canadian western red spring wheat (CWRS), importing 120,000 met-

ric tons through January 2001. USW is working to get that business back by offering the option of hard red spring wheat as a competitive alternative for certain blends or end uses requiring a stronger bread wheat.

Supporting a full time in-country consultant assures the Nigerian industry that U.S. wheat producers are committed to providing assistance on milling and baking as well as providing quality wheat for the Nigerian consumers. Muyiwa Talabi, who has an extensive commercial and agricultural service background, will be providing baking and marketing seminars for Nigerian companies as well as working with individual flour mills to address any concerns or problems that may arise.

"It's important for customers to know that we are here to meet their needs," Talabi points out. "Nigeria is a top U.S. wheat customer, and we need to be here to assist them, at their request, whenever and wherever it is necessary."

The 115 million people of Nigeria have long contended with ethnic and religious strife, and endemic corruption. With their still-tenuous emergence from repressive military rule to leadership by an elected civilian government, hope is alive.

U.S. Wheat Associates is there, guiding that hope to real growth and opportunity for the milling and baking industry.

### **Bringing Ancient Sourdough Tradition to Sophisticated Taiwan Market**

Sourdough breads, stretching back to antiquity, are unique. Across the Middle East and Europe, where the sourdough tradition began and developed, yeast cultures have been used to make breads with distinctive flavors and textures. From the different types of wild yeasts used thousands of years ago in Egypt, Bahrain, Saudi Arabia, and even Austria and Russia, to the more modern San Francisco culture, the magic of sourdough has entranced bread lovers to this day.

## INTERNATIONAL MARKET DEVELOPMENT

Now, thanks to the imagination and hard work of U.S. Wheat Associates, working with a training facility and local bakers in Taiwan, that island's peoples are beginning to enjoy, for the first time, their own domestic sourdough breads.

Taiwan has developed into an economic power in the Asia-Pacific region, and the country can proudly boast of a standard of living which is among the highest in Asia. Their wheat food consumption is growing steadily due to a variety of factors, including a growing sophistication in nontraditional foods. As the U.S. wheat industry looks to the future market in Taiwan, we can now see that one of those growth factors is the introduction — and fast rising popularity — of sourdough bread in Taiwan.

The sourdough story in Taiwan is a recent one. It basically started in 2000, when U.S. Wheat Associates country director K.H. Lu (a highly respected wheat expert who has represented America's wheat producers for 33 years in that country) brought the idea of introducing sourdough breads to his colleagues in the China Grain Products Research and Development Institute (CGPRDI) and to local baker associations. By September, the experts from the organizations collaborated in presenting sourdough bread technology to more than 100 bakers. At the session, USW technician Ron Lu and the baking section chief from CGPRDI explained how sourdough "starters" worked, and urged the bakers to culture traditional sourdough starters for use in their own bakeries.

The response from Taiwan's bakers and consumers has been tremendous. Already, the bakery supplying 2,700 7-11 convenience stores is providing traditional sourdough breads, and sales indicate a great success.

Quickly meeting an emerging market demand, 20 bakery operators and technicians from throughout Taiwan took a 2-week training course in the U.S. last November, learning the secrets of the famous San Francisco sourdough.

The continued growth of Taiwan's wheat foods market is important to American wheat producers. Notching up a healthy 20 percent growth, wheat purchases by Taiwan were at a record high, with the U.S. earning a 94% market share. In May 2000, declaring that trade relations with the U.S. must be maintained and strengthened, the Taiwan Flour Mills Association committed to purchasing 1.5 million metric tons to 1.7 MMT of U.S. wheat for the two year period encompassing 2000 and 2001. The pace of purchases, thus far, exceeds their commitment.

U.S. Wheat Associates continues to dedicate resources to develop the sourdough bread market in Taiwan. Mr. Lu, working with CGPRDI, continues to develop programs for these new bakery products. Tests and research continues as well, and USW will provide commercial bakeries with formulations, sourdough culturing methods and, of course, wheat and flour requirements. With 6,000 commercial bakeries in Taiwan, Mr. Lu and his colleagues have a huge job in the years ahead. If past is prologue, however, there are no doubts about their success.

### **U.S. Wheat Working its Way Back in Indonesia**

Indonesia remains one of the greatest opportunities for expanding wheat food consumption in the world. It is the fourth most populated country, with a population growth rate estimated at 1.6% per year and one of the lowest per capita wheat food consumption rates in the South Asian region. So export market development is a high priority for the U.S. wheat industry... and the work is beginning to show impressive results. Two-thirds of the way through the 2000-01 marketing year, wheat exports to Indonesia are up 250%.

The U.S. is not a stranger to the Indonesian wheat market. From the mid 1960's — when Indonesia's new, modern flour mills were built — to the early 1980's, U.S. wheat market share



## INTERNATIONAL MARKET DEVELOPMENT

averaged about 50%. The U.S. was providing assistance to the developing nation, and wheat was supplied with the strong support of the PL 480 food assistance program. As the popular Export Enhancement Program (EEP) came into general use in the mid 1980's, however, the U.S. voluntarily excluded EEP for Indonesia, in "diplomatic deference" to Australia, America's primary competitor for Asian wheat markets. Since then, U.S. wheat market share in Indonesia averaged less than 10%.

In May, 2000, U.S. Wheat Associates, with assistance from the grower-supported Wheat Marketing Center based in Portland, brought together wheat procurement and quality control managers from mills in Indonesia, Thailand and Malaysia, in an intensive effort to promote U.S. wheat for both Asian-style and western products. The U.S. strategy was to provide assistance at a time when Indonesia's marketing conditions had changed dramatically following the nation's political turmoil and the 1997 Asian economic crisis. Coming on the heels of increased U.S. support, in the form of PL 480 efforts and assistance under the Section 416(b) aid program — which had "re-introduced" U.S. wheat — Indonesia's newly privatized and expanded milling industry, including two new flour mills, was favorably inclined to learn more about the U.S. marketing system.

The U.S. team of experts, over the course of eight days, reviewed the end-use qualities of the mills' commercial flours. They advised the managers on how to adjust contract specifica-

tions to ensure that wheat imported from the U.S. meets the quality requirements for each of their respective flours. And they taught them the latest quality assurance methodology used to certify grade and other quality factors.

After the course, participants were surveyed by an independent evaluator on whether they thought the sessions were useful. The results were encouraging but, of course, the "proof is in the pudding," as they say. Although every participant indicated that they would adjust their contact specifications or increase their imports of U.S. wheat, the U.S. industry export experts were anxious to see the actual results. Those results are showing now, and they are impressive. As of January 18, 2001, export sales total 519,000 metric tons of wheat, compared to 206,000 at the same time last year. The most dramatic difference is in their purchases of white wheat, now at 372,000 metric tons, compared to 27,000 last year.

Increasing U.S. wheat market share beyond this year's current pace is a challenging task. Indonesia has received 489,000 (wheat equivalent) tons of flour that were imported at subsidies or price discounts below origin prices from Australia, the EU and United Arab Emirates, from US\$98 per ton for Australian, US\$38 to US\$51 for European and US\$56 for UAE. To compete against the subsidized flour, the U.S. needs to assist in developing supplier provided trade financing for the mills, making available programs under 416(b), GSM and PL-480 that would assist each of the Indonesian companies to access the U.S. market.

P E O P L E

### Commissioners

<b>Ed Banning</b> Garden City	<b>Bruce Wilkens, Chairman</b> Scott City	<b>Joe Berry</b> Lenora
<b>Eldon Lawless</b> Belle Plaine	<b>Ken Palmgren, Vice-Chairman</b> Edson	<b>Ray Crumbaker</b> Brewster
<b>Craig Stephenson</b> Gypsum	<b>Betty Bunck, Secretary-Treasurer</b> Everest	<b>Ernie Schlatter</b> Lebanon

### Staff

<b>David Frey</b> Administrator	<b>Cindy Falk</b> Domestic Marketing Specialist	<b>Julie Winsor</b> Accountant
<b>Dusti Fritz</b> Assistant Administrator	<b>Marsha Boswell</b> Public Relations Officer	<b>Jean Roepke</b> Secretary
	<b>Justin Gilpin</b> Project Coordinator	

### Volunteer Spokespersons

<b>Jean &amp; Ray Applegarth</b> Wichita	<b>Jean Hixson</b> WaKeeney	<b>Dallas &amp; Evelyn Nelson</b> Wakefield
<b>Michelle Beran</b> Claffin	<b>Connie Hudson</b> Sharon Springs	<b>Krista Patton</b> Topeka
<b>Doris Coats</b> Cherryvale	<b>Lois Keller</b> Ellis	<b>Frances Russell</b> Manhattan
<b>Cherry Coen</b> Wellsville	<b>Steve Korthanke</b> Robinson	<b>Irene Santee</b> Independence
<b>Melanie Eddy</b> Syracuse	<b>Linda Lierz</b> Powhattan	<b>Debbie &amp; Bobbi Sheldon</b> Halstead
<b>Janice Gates</b> Anthony	<b>Linda McCracken</b> Emporia	<b>Mary Anne Shriwise</b> Jetmore
<b>Debbie Hochard</b> Oskaloosa		<b>Christy Wagner</b> Manhattan



**KANSAS WHEAT  
COMMISSION**

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www.kswheat.com

**Kansas Soybean Commission**  
**February 13, 2002**  
**Report to the Kansas Legislature**

My name is Ed Mader, I am a soybean farmer from Garnett and the current Chairman of the Kansas Soybean Commission.

The Soybean Commission unlike the Corn, Wheat and Grain Sorghum Commissions is part of a federal checkoff program. The Kansas Soybean Commission has been designated as the Qualified State Soybean Board for the state of Kansas by the United Soybean Board (USB), the national checkoff board authorized by United States Department of Agriculture under federal legislation approved by Congress. The Soybean Commission collects ½ of one percent of the net value of a soybean sale of a producer collected by the first purchasers in the state of Kansas. We then send ½ of the funds we collect to the United Soybean Board for national and international projects. In FY 2001 we had two national directors serving on the USB. Seven soybean farmers volunteer their time to serve on the Soybean Commission.

The materials included in the notebook you received, provide details on the programs and projects we funded in FY 2001.

The number one priority of the Soybean Commission is research, primarily production research. We look at breeding, production, and environmental programs that focus on the most economical and efficient cropping systems with minimal impact on the environment including best management practices, crop protection and pest management.

Our Research program also funds new uses research at Pittsburg State and Kansas State Universities. Developing environmentally friendly products from soybean derivatives helps our farmers and the environment.

Our International Market Development goal is to promote soybeans to potential international buyers. The largest emphasis area in this category is funding the International Grains Program at Kansas State University. Projects such as promoting Kansas-grown soybeans overseas or hosting trade teams to expand the foreign markets for value-added products are within this program area.

Our Consumer Education program includes promoting the acceptance of new uses for soybeans such as biodiesel and educating the public on the ease of preparing healthful foods with soy. The consumer information category is also responsible for our school education programs.

Our Producer Communication program deals with the dissemination of information to producers and industry. Weekly radio farm reports, newsletters, and attendance at farm shows and district meetings are all included in this category. We strive to get the latest most relevant information to our producers.

House Agriculture Committee  
February 13, 2002  
Attachment 5

Our administration budget includes the cost of collections, audits, elections, and other board expenses. , The Soybean Commission has an outside, accredited accounting firm audit its financial records each year. This ensures checkoff dollars are being spent according to acceptable efficient business practices. We are also periodically audited by the United Soybean Board for compliance to the national checkoff.

We are please to give you this brief synopsis of our program. Additional information and details on programs and specific projects are available at your request.

Thank you.

# **Kansas Soybean Commission**

**Annual Report to the Kansas Legislature**

**February 13, 2002**

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## **Contents:**

**Soybean Checkoff Report**

**Commissioners and their mission**

**Financial Summary Report**

**Contracted Projects Summary**

**Draft Audit Report**

**USB Report**



- Promotion
- Research
- Consumer Information
- Producer Communications
- Administration

In 1991, a volunteer, farmer-led effort started the national soybean checkoff. Their vision is still carried on today. Producer-driven boards of soybean producers have been investing in the research, promotion, and education of their industry. One-half of 1 percent of the sale of soybeans is collected for the soybean checkoff program. Half of these funds go to the United Soybean Board (USB) for national programs. The other half remains in state and is directed by the Kansas Soybean Commission (KSC). This group of volunteer farmers has the responsibility of steering checkoff investments on behalf of Kansas soybean producers. In FY 2001, the KSC invested \$ 1,173,212 in the following areas to increase the profitability of soybean farming.

### Promotion-

The promotion category's goal is to promote soybeans to potential international buyers. The largest emphasis area in this category is funding the International Grains Program at Kansas State University. Projects such as promoting Kansas-grown soybeans overseas or hosting trade teams to expand the foreign markets for value-added products are within this budget area. \$46,428

### Research-

Research investments continue to be a top priority for soybean checkoff dollars. The KSC funds numerous research projects on new uses such as plastics and biotechnology research to improve soybean variety characteristics and best management practices to assist soybean farmer productivity. Each year every project is reviewed for its effectiveness and potential benefit. \$692,695

### Consumer Information-

This area is diverse and far-reaching. It includes promoting the acceptance of new uses for soybeans such as biodiesel and educating the public on the ease of preparing foods with soy. The consumer information category is also responsible for our school education program. \$174,108

### Producer Communications-

Getting the message back to producers about ways to improve efficiency and stay on top of the changing world of agriculture is important. This category deals with the dissemination of information to producers and industry. Weekly radio farm reports, newsletters, and attendance at farm shows and district meetings are all included in this category. \$214,198

### Administration-

This budgetary category includes the cost of collections, audits, elections, and other board expenses. Believing in a system of checks and balances, the KSC has an outside, accredited accounting firm audit its financial records each year. This ensures checkoff dollars are being spent according to acceptable efficient business practices. \$45,783

## Kansas Soybean Commission

The mission of the Kansas Soybean Commission is improving the profitability of Kansas's soybean producers.

The Commissioners have identified the following research priorities to work toward that mission:

1. Breeding/Production/Environmental Programs focusing on the most economical/efficient cropping systems with minimal impact on the environment including best management practices and crop protection/pest management; replacement of existing controls/seed treatments.
2. Animal/Human Nutrition studies that will increase the utilization of soybeans in the livestock feeding industry and new and innovative uses of soybeans as vital components in human nutrition.
3. Value-Added Projects developing and commercializing competitive industrial uses for soybeans including private entity cooperation.
4. Marketing Extension Program including extensive educational training of soybean pricing, crop disappearance/market share, crop insurance options, yield protection, farm program considerations and options in marketing available to Kansas soybean producers.
5. International market development with a focus on utilizing Kansas's soybeans.

In addition the Soybean Commission promotes the nutritional benefits of using soybean products to consumers and because of its benefits to the environment, energy security and the farm economy, promotes the use of soy based biodiesel as an alternative to diesel fuel.

### FY 2001 Kansas Soybean Commissioners

District VII	Harold G. Kraus 977 Chetolah Gold Rd. Hays, KS 67601 (785) 625-6488	District VI	Jerry Wyse 8403 Mayfield Rd. Haven, KS 67543-8093 (620) 465-2245
District I	Lois Niemann (Secretary) 796 Greeley Road Nortonville, KS 66060 (913) 886-6021	District II	Robert Litch 2079 E. K-31 Melvern, KS 66510 (785) 549-3676
District V	Ron Maike (Vice-Chairman) RR 2, Box 66 Alma, KS 66401 (785) 765-3623	District III	Ed Mader (Treasurer) 28069 N. W. Meade Rd. Garnett, KS 66032 (785) 448-5871
District IV	Neil Martin (Chairman) 6905 S. W. Messer Rd. Columbus, KS 66725 (620) 674-8557	USB Representatives:	Gary Parker, Moran Eric Niemann, Nortonville



**Kansas Soybean Commission  
FY 2001 Financial Summary Report**

**Brought forward from FY 2000** \$ 1,420,785

**Income:**

Collections & Interest \$ 1,359,320

**Expenditures:**

United Soybean Board, ½ share collections	\$ 644,133
International Market Development	\$ 46,428
Research	\$ 692,695
Consumer Education	\$ 174,108
Producer Communications	\$ 214,198
Administration	\$ 45,783

Total expenditures \$ 1,817,344

**Carried forward to FY 2002** \$ 962,761

## Kansas Soybean Commission FY 2001 Contracted Projects Summary

Project:	Funding
International Grains Program, Kansas State University (KSU) Educate international purchasers on storage, handling, and use of soybeans and soybean products through seminars and short courses	\$ 36,600
Extension and Applied Research, KSU Establish research plots and demonstrate latest production techniques to producers	\$ 5,000
Planting Dates Effects on Soybean Production, KSU Detailed experimental look at best planting practices to assist producers with planting decisions	\$ 70,000
Integrated Agricultural Management Systems, KSU Best management practices for soybean's integration into crop rotations	\$ 30,000
Investigating the Soybean Stem Borer, KSU Investigate and prepare solutions for combating the soybean stem borer	\$ 36,600
Effects of Crop Rotation and Tillage on Soybean Yields, KSU Document and develop efficient management systems for soybean farmer's use	\$ 11,513
Soybean Educational Program in SE Kansas, KSU Plant field trials for practical demonstration of best management practices unique to SE Kansas	\$ 11,180
Soybean Breeding Program to Improve Profitability, KSU Develop new improved public varieties for Kansas' soybean farmers	\$175,153
Improve Soybean Disease Resistance via Genetic Engineering, KSU Investigate other plants resistant to soybean diseases and introduce their genes into soybean plants	\$ 46,336
Integrated Management of SCN and Charcoal Rot, KSU Evaluate rotations and other management practices to improve soybean yields	\$ 41,431
Over-Expression of Antifungal Proteins in Transgenic Soybeans, KSU Express antifungal proteins in soybeans to help develop resistance to SCN and charcoal rot	\$ 63,997
Market Research on Value-Enhanced Soybeans, KSU Determine trends for value-enhanced soybeans and present marketing options for producers	\$ 9,538
Molecular Design of Soybean Oil Products, Kansas University Predict physical properties of soybean oil derivatives which can be used in value added products	\$ 28,966
Treatments for the Management of Charcoal Rot, Pittsburg State Compare lipid derivative compounds in the management of charcoal rot	\$ 29,622
Composite Materials with Soy Polyurethane Resins, Pittsburg State Test soy polyol for use in industrial products	\$ 65,000
Soybean Education Project, SE Kansas Education Service Center Increase awareness of soybean production and uses through the development and distribution of K-12 school educational materials	\$ 28,296

<b>Kansas Ag in the Classroom</b>	\$ 3,000
Provide funding for Kansas Ag in the Classroom educational program	
<b>Consumer and Producer Educational Programs, Kansas Soybean Assoc.</b>	\$249,298
Production and distribution of educational materials for consumer information and producer communications	
<b>Diesel Fuel Consumption Study in Kansas, MARC IV Consulting</b>	\$ 6,000
Survey diesel fuel consumption to help target biodiesel market activities	
<b>Producer Communications</b>	\$ 82,187
Radio and print ads reporting checkoff projects and activities to producers	
<b>Consumer Advertising and Promotions</b>	\$ 62,897
Radio and television advertising to soybean product consumers	
<b>International Market Development, KDOCH, Ag Products Division</b>	\$ 3,000
Support of US Japan Association Conference in Wichita	
<b>Administrative Services, Kansas Corn Growers Association</b>	\$ 27,500
Oversee collection, contracts and other administrative functions	
<b>Administrative Services, Kansas Department of Agriculture</b>	\$ 6,499
Collection and audit of soybean checkoff collections	
<b>Auditing, Douthlett &amp; Associates</b>	\$ 2,850
CPA audit of Commission finances	

DRAFT FOR DISCUSS  
PURPOSES ONLY

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2001

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

DRAFT FOR DISCUSSION  
PURPOSES ONLY

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 2
Statement of Assets, Liabilities, and Fund Balance - Cash Basis	3
Statement of Revenues, Expenditures, and Change in Fund Balance - Cash Basis - Actual vs Budget	4
Notes to Financial Statements	5 - 6
Supplemental Information:	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	7 - 8
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	9 - 10
Schedule of Federal Awards	11
Notes to Schedule of Federal Awards	12
Schedule of Findings and Questioned Costs	13 - 14

DRAFT FOR DISCUSSION  
PURPOSES ONLY

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Kansas Soybean Commission

We have audited the accompanying Statement of Assets, Liabilities, and Fund Balance - Cash Basis of the Kansas Soybean Commission as of June 30, 2001, and the related Statement of Revenues, Expenditures, and Change in Fund Balance - Cash Basis, for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the Kansas Soybean Commission as of June 30, 2001, and its revenues and expenditures and change in fund balance for the year then ended, on the basis of accounting described in Note 1.

In connection with our audit, nothing came to our attention that caused us to believe the Kansas Soybean Commission failed to comply with the terms, insofar as they relate to accounting matters of the Soybean Promotion, Research and Consumer Information Act of 1990 and the Soybean Promotion and Research Order (the "Order") relative to the use of funds collected by the Kansas Soybean Commission and with the terms described in Section 1220.228(a) of the order relative to prohibited uses of the funds collected by the Kansas Soybean Commission or relative to the investment of funds collected by the Kansas Soybean Commission and with provisions of Section 1220.211(j). However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Page 2

In accordance with "Government Auditing Standards", we have issued a report dated January 16, 2002, on our consideration of the Kansas Soybean Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Kansas Soybean Commission taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Commission members and management of the Kansas Soybean Commission, the United Soybean Board, and the United States Department of Agriculture and should not be used for any other purpose.

Douthett & Associates, Chtd.  
Certified Public Accountants  
January 16, 2002

DRAFT FOR DISCUSSION  
PURPOSES ONLY

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

DRAFT FOR DISCUSSION  
PURPOSES ONLY

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE  
CASH BASIS  
June 30, 2001

ASSETS

Cash	\$ <u>962,761</u>
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FUND BALANCE

Fund Balance	\$ <u>962,761</u>
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See accompanying notes to the financial statements.



KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

DRAFT FOR DISCUSSION  
PURPOSES ONLY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - CASH BASIS - ACTUAL VS. BUDGET  
Year Ended June 30, 2001

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Soybean Marketing Assessments	\$ 1,331,305	\$ 980,740	\$ 350,565
Contract Refunds	54,054	0	54,054
Penalties	7,384	0	7,384
Interest Income	<u>63,670</u>	<u>75,000</u>	<u>( 11,330)</u>
Total Revenues	<u>1,456,413</u>	<u>1,055,740</u>	<u>400,673</u>
<b>Expenditures:</b>			
Advertising	145,084	152,280	7,196
Communications	0	1,000	1,000
Fees - Professional Services	999,485	1,200,222	200,737
Grants	6,765	4,000	(2,765)
Hospitality	0	3,000	3,000
Meeting Expenses	3,931	1,500	(2,431)
Office Supplies	544	2,000	1,456
Postage	523	1,900	1,377
Printing	184	12,000	11,816
State Educational Aid	3,000	3,000	0
Travel	13,795	15,000	1,205
USB & Other QSSBs	<u>687,172</u>	<u>0</u>	<u>(687,172)</u>
Total Expenditures	<u>1,860,483</u>	<u>1,395,902</u>	<u>(464,581)</u>
Excess Expenditures Over Revenues	(403,070)	(340,162)	( 63,908)
Transfer of funds (Note 1)	<u>1,365,908</u>	<u>1,365,908</u>	<u>0</u>
Excess Expenditures and Transfer Over Revenues	961,838	1,025,746	( 63,908)
Fund Balance, Beginning of Year	<u>923</u>	<u>923</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 962,761</u>	<u>\$ 1,026,669</u>	<u>\$ ( 63,908)</u>

See accompanying notes to financial statements.

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2001

DRAFT FOR DISCUSSION  
PURPOSES ONLY

1. Summary of Significant Accounting Policies

Purpose of Organization

The Soybean Promotion & Research Fund (the "Fund") was created by the 1991 Kansas Legislature as a result of the Soybean Promotion, Research and Consumer Information Act of 1990 (the "Act") in Public Law 101-624, which creates a National Soybean Check-Off Program. The Kansas Soybean Commission, which is authorized under KSA 2-3002, has been designated as the Qualified State Soybean Board and is directed to collect the fees resultant from the federal program.

Kansas House Bill 2674 effective July 1, 2000 privatized the Soybean Commission. Except for funds necessary to pay payroll expenses incurred through June 30, 2000 and payable in July 2000, the balance of all funds and all liabilities associated with the Soybean Promotion & Research Fund were transferred to the new commission created by this bill.

Basis of Accounting

The accounting records for the Kansas Soybean Commission are maintained on the basis of cash received and cash disbursed. Under this method, revenues are recognized when collected rather than when earned and expenses are recognized when paid rather than when incurred.

Encumbrance Method of Accounting

The encumbrance method of accounting is used in order to make sure disbursement commitments do not exceed the amount approved by the board. The amount of the outstanding encumbrances at year end do not represent liabilities or expenses of the organization for the period.

2. Comparison of Actual vs Budget

The budget presented for the Commission is the legally adopted budget including revisions, if any. The Statement of Revenues, Expenditures and Change in Fund Balance - Cash Basis - Actual vs Budget presents a comparison between actual data and this budget on the cash basis. The actual data excluded obligations for such items as producer refunds and other legal commitments which may have been outstanding at June 30, 2001.

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2001

DRAFT FOR DISCUSSION  
PURPOSES ONLY

3. Investment of Funds

Under provisions of KSA 2-3008, 75-3170a, and Kansas House Bill 2674, assessments are collected by the Kansas Department of Agriculture. They deposit all funds received in payment of such assessments in a bank account established in the Kansas Soybean Commission's name in accordance with the provisions of the act.

4. Risk Management

The Commission is considered an "agency, authority, institution or other instrumentality" of the state and commission members and any employees are considered employees of the Commission for the purpose of the Kansas Tort Claims Act. Generally the Act imposes liability on a governmental entity for damages caused by the negligent or wrongful acts of its employees while acting within the scope of their employment.

5. Contingencies

After the close of the June 30, 2000 year end an error in calculation of the amount paid the United soybean Board was found in the amount of \$21,538. This overpayment occurred in the year ending June 30, 1998. As the Commission is reported on a cash basis, this receivable is not reflected in the current financial statements, which was not received until after June 30, 2001.

6. Deposits

The carrying amount of the Commission's deposits with financial institutions was \$925,761 and the bank balance was \$901,191. The bank balance is categorized as follows:

Amount Insured by the FDIC or collateralized with securities held by the Commission in its name.	\$.. 26,191
Amount collateralized with securities held by the pledging financial institution's trust department in the Commission name.	875,000
Uncollateralized	<u>0</u>
Total bank balance	<u>\$901,191</u>

DRAFT FOR DISCUSSION  
PURPOSES ONLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of  
Kansas Soybean Commission

We have audited the financial statements of the Kansas Soybean Commission as of and for the year ended June 30, 2001, and have issued our report thereon dated January 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Kansas Soybean Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards".

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kansas Soybean Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Page 2

DRAFT FOR DISCUSSION  
PURPOSES ONLY

This report is intended solely for the information of the Commission members and management of the Kansas Soybean Commission, the United Soybean Board, and the United States Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

Douthett & Associates, Chtd.  
Certified Public Accountants  
January 16, 2002

DRAFT FOR DISCUSSION  
PURPOSES ONLY

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

To the Members of  
Kansas Soybean Commission

Compliance

We have audited the compliance of the Kansas Soybean Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2001. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Kansas Soybean Commission's management. Our responsibility is to express an opinion on the Kansas Soybean Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Kansas Soybean Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Kansas Soybean Commission's compliance with those requirements.

In our opinion, the Kansas Soybean Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

DRAFT FOR DISCUSSION  
PURPOSES ONLY

Internal Control Over Compliance

The management of the Kansas Soybean Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Kansas Soybean Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Commission members and management of the Kansas Soybean Commission, the United Soybean Board, and the United States Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

Douthett & Associates, Chtd  
Certified Public Accountants  
January 16, 2002

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

SCHEDULE OF FEDERAL AWARDS  
Year Ended June 30, 2001

DRAFT FOR DISCUSSION  
PURPOSES ONLY

Program Title	Federal Expenditures
MAJOR PROGRAMS	
Soybean Checkoff Program	\$ <u>239,070</u>
Research and Development	
Pittsburg State University	94,622
Kansas State University	483,294
Kansas Soybean Association	193,046
Kansas University	21,725
Mark IV Consulting	12,500
North Central Soybean Research Program	<u>75,000</u>
Total Research and Development	<u>880,187</u>
Passthrough:	
United Soybean Board	640,701
Other Qualifying State Soybean Boards	<u>46,471</u>
Total Passthrough	<u>687,172</u>
Total Federal Awards (Note 2)	\$ <u>1,806,429</u>

See notes to schedule of federal awards.



KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

NOTES TO SCHEDULE OF FEDERAL AWARDS  
June 30, 2001

DRAFT FOR DISCUSSION  
PURPOSES ONLY

1. Basis of Accounting

The accompanying schedule of federal awards is presented using the cash basis of accounting, which is a comprehensive basis of accounting other accounting principles generally accepted in the United States of America.

2. Relationship to financial statements:

Statement of Revenues, Expenditures, and Changes in Fund Balance

Included in Soybean Marketing Assessments      \$1,331,305

KANSAS SOYBEAN COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2001

DRAFT FOR DISCUSSION  
PURPOSES ONLY

Section I Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified.

Internal Control over Financial reporting:

Material weakness identified? Yes \_\_\_\_\_ No  X

Reportable condition identified that are not considered to be material weakness? Yes \_\_\_\_\_ None reported  X

Noncompliance material to financial statements noted? Yes \_\_\_\_\_ No  X

Federal Awards

Internal Control over Major Programs:

Material weakness identified? Yes \_\_\_\_\_ No  X

Reportable condition identified that are not considered to be material weakness? Yes \_\_\_\_\_ None reported  X

Type of auditors' report issued on compliance for major programs: Unqualified.

Any audit findings disclosed that are requires to be reported in accordance with Section 510(a) of Circular A-133? Yes \_\_\_\_\_ No  X

Identification of Major Programs:

No CFDA #

National Soybean Checkoff

Form SF-SAC(3-20-2001) OMB #0348-0057 PAGE 1

Report ID : 28389

<b>Part I: GENERAL INFORMATION</b>	
1. Fiscal year ending date for this submission (mm/dd/yyyy) 06/30/2001	2. Type of A-133 audit <input checked="" type="radio"/> Single audit <input type="radio"/> Program-specific audit
3. Audit period covered <input checked="" type="radio"/> Annual <input type="radio"/> Other Months <input type="radio"/> Biennial	4. Date received by clearinghouse
5. Employer Identification Number (EIN) a. Auditee EIN 481232207	b. Are multiple EINS covered in this report? Yes <input type="radio"/> No <input checked="" type="radio"/>

DRAFT FOR DISCUSSION PURPOSES ONLY

DRAFT

NOT FOR SUBMISSION

DRAFT

<b>6. AUDITEE INFORMATION</b>		<b>7. AUDITOR INFORMATION</b>	
a. Auditee name KANSAS SOYBEAN COMMISSION	b. Auditor name DOUTHETT & ASSOCIATES, CHTD.		
b. Auditee address (Number and street) 2930 SW WANAMAKER DRIVE	b. Auditor address (Number and street) 5020 SW 28TH ST.		
City TOPEKA	City TOPEKA		
State Zip Code KS 66614 - 4116	State Zip Code KS 66614 -		
c. Auditee contact Name KENLON JOHANNES	c. Auditor contact Name STUART DOUTHETT		
Title ADMINISTRATOR	Title PRESIDENT		
d. Auditee contact telephone ( 785 ) 271 - 1040	d. Auditor contact telephone ( 785 ) 272 - 4832		
e. Auditee contact FAX (Optional) ( 785 ) 271 - 1302	e. Auditor contact FAX (Optional) ( 785 ) 272 - 4917		
f. Auditee contact E-mail (Optional)	f. Auditor contact E-mail (Optional)		

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5-24

Form SF-SAC(3-20-2001) OMB #0348-0057 PAGE 2

**DRAFT FOR DISCUSSION PURPOSES ONLY**

Report ID : 28389

<b>Part I: GENERAL INFORMATION - Continued</b>	
8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (x) one box)	<input checked="" type="radio"/> No - SKIP to Part II, Item 1
Yes - Identify Cognizant Agency in Part I, Item 9	
9. Indicate which Federal awarding agency provided the predominant amount of direct funding in fiscal year 2000. (Mark (x) one box) However, if cognizance has been reassigned, see instructions	

DRAFT

NOT FOR SUBMISSION

DRAFT

<b>Part II: FINANCIAL STATEMENTS (To be completed by auditor)</b>			
1. Type of audit report (Mark (x) one box)			
<input checked="" type="radio"/> Unqualified opinion	<input type="radio"/> Qualified opinion	<input type="radio"/> Adverse opinion	<input type="radio"/> Disclaimer of opinion
2. Is a "going concern" explanatory paragraph included in the audit report?			
Yes		<input checked="" type="radio"/> No	
3. Is a reportable condition disclosed?			
Yes		<input checked="" type="radio"/> No - SKIP to Item 5	
4. Is any reportable condition reported as a material weakness?			
Yes		No	
5. Is a material noncompliance disclosed?			
Yes		<input checked="" type="radio"/> No	

<b>Part III: FEDERAL PROGRAMS (To be completed by auditor)</b>			
1. Type of audit report on major program compliance			
<input checked="" type="checkbox"/> Unqualified opinion	<input type="checkbox"/> Qualified opinion	<input type="checkbox"/> Adverse opinion	<input type="checkbox"/> Disclaimer of opinion
2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10)			
Yes		<input checked="" type="radio"/> No	
3. What is the dollar threshold to distinguish Type A and Type B programs? (§ .520(b)) Round to the nearest dollar.			
\$300000.00			
4. Did the auditee qualify as a low-risk auditee? (§ .530)			
Yes		<input checked="" type="radio"/> No	
5. Is a reportable condition disclosed for any major program? (§ .510(a)(1))			
Yes		<input checked="" type="radio"/> No - SKIP to Item 7	
6. Is any reportable condition reported as a material weakness? (§ .510(a)(1))			
Yes		No	
7. Are any known questioned costs reported? (§ .510(a)(3) or (4))			
Yes		<input checked="" type="radio"/> No	
8. Was a Summary Schedule of Prior Audit Findings prepared? (§ .315(b))			
Yes		<input checked="" type="radio"/> No	
9. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings, as shown in the Summary Schedule of Prior Audit Findings, related to direct funding. (Mark (x) all that apply.) Each agency identified is required to receive a copy of the reporting package.			

00	<input checked="" type="checkbox"/>	None
In addition, one copy each of the reporting package is required for:		
1	.....	the Federal Audit Clearinghouse archives
0	.....	and, if not marked above, the cognizant agency (if identified in Part I, Item 9)
1	.....	Total number of reporting packages to be submitted

5-25

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**DRAFT FOR DISCUSSION  
PURPOSES ONLY**

5-26

Form SF-SAC(3-20-2001) OMB #0348-0057 PAGE 3

Report ID : 28389

**DRAFT FOR DISCUSSION PURPOSES ONLY**

Part III: FEDERAL PROGRAMS Continued									
10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR									
Row	10a. CFDA Number		10b. Research and development	10c. Name of Federal Program	10d. Amount expended in Whole Numbers	10e. Direct Award	10f. Major program	11. AUDIT FINDINGS	
	Federal Agency Prefix (1)	Extension (2)						11a. Type of compliance requirement (3)	11b. Audit finding reference # (s) (4)
DRAFT			NOT FOR SUBMISSION				DRAFT		
1	10. KSA-2-3002		<input checked="" type="checkbox"/> Y N	FEDERAL SOYBEAN CHECKOFF ASSESSMENT	\$ 880187 .00	<input checked="" type="checkbox"/> Y N	<input checked="" type="checkbox"/> Y N	O	N/A
2	10. KSA-2-3002		<input checked="" type="checkbox"/> Y N	FEDERAL SOYBEAN CHEKCOFF ASSESSMENT	\$ 926242 .00	<input checked="" type="checkbox"/> Y N	<input checked="" type="checkbox"/> Y N	O	N/A
<b>Computer Generated Total Federal Awards Expended:</b>				<b>\$ 1806429</b>					
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				<b>\$1806429</b>					

\*Footnotes for Part 3 - Item 10 and Item 11

1. See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.
2. Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.
3. Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weakness), questioned costs, fraud, and other items reported under § .510 (a)) reported for each Federal program.

- |   |  |                                 |
|---|--|---------------------------------|
| A. Activities allowed or unallowed        | G. Matching, level of effort, earmarking               | L. Reporting                    |
| B. Allowable costs/cost principles        | H. Period of availability of funds                     | M. Subrecipient monitoring      |
| C. Cash management                        | I. Procurement   | N. Special tests and provisions |
| D. Davis-Bacon Act                        | J. Program income                                      | O. None                         |
| E. Eligibility                            | K. Real property acquisition and relocation assistance | P. Other                        |
| F. Equipment and real property management |  |                                 |

4. N/A for None.

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5-27




November 1, 2001

Kenlon Johannes  
Kansas Soybean Commission  
2930 SW Wanamaker Drive  
Topeka, KS 66614-4116

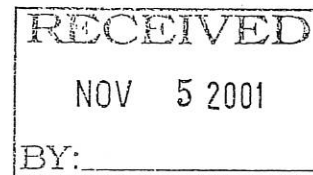
Dear Kenlon:

On October 31, 2001 the USDA approved the FY 2001 compliance review and response of the Kansas Soybean Commission as submitted by the United Soybean Board. This is the final step of the compliance review process. Thank you for your cooperation in this matter.

Sincerely,

  
Janice Grauberger  
Executive Director

CC: Curt Raasch  
Sara Wiley



Members of the Committee:

I am Jeff Casten, Chairman of the Kansas Grain Sorghum Commission. I am pleased to present this annual report of our campaign of grain sorghum promotion and market development. This is actually our first report to you after a full cycle of business. The Commission is pleased that things are going smoothly, and that the advantages of privatization are coming to fruition. Interest earnings, efficient overhead, and flexibility with contracted projects have helped magnify our producer's investments. Support for our programs are widespread. Overall support may best be shown in our last fiscal year's numbers. 92.7% of the voluntary check-off support was allowed to be invested into our programs. This percentage is a stable number with little deviation in the past five years. Grain sorghum harvested acreage for this current fiscal year is up and producers are obviously choosing it because of profit potential and risk management.

Presented first in our section of the notebook is our annual report to growers. It highlights the acre increase to let grain sorghum growers know the benefits of this crop in rotations in Kansas. Also highlighted is the overall per acre increase in yield from 59 bushels to 62 bushels. 2001 weather conditions were similar if not more stressful than the 2000 growing season, yet grain sorghum maintained and improved yield. The stability in risk with uncooperative growing conditions still ranks grain sorghum high with many producers. Our Commission is particularly proud of the hybrid and germ plasm advancement of grain sorghum. The report on the inside pages detail our expenditures. Over one-third our spending went into production and new use research. The public sector has been leaned heavily on in the past and even more so with the private company consolidations of the past few years. The breeding programs at the Manhattan and Hays Kansas State University stations are the biggest joint public ones in the nation. That's because Kansas leads the nation, with about 43% of the total production and the industry relies heavily on us. Our main goal of the breeding programs is to continue maximizing yield. Our breeders joke that surveys of Kansas growers show improving yield as the top three items on every wish list. We also work on drought stress like what Kansas endured in 2001 both pre-flowering and post. Stalk strength and its ability to stay standing is also a priority. Greenbug resistance is tracked and also made available to private seed companies. Our Commission currently supports the only sorghum biotechnology work being done in the nation.

We have used a unique funding vehicle in the past two years for our new use research. The sorghum belt consists basically of four states and pooling their limited resources allows projects to be funded at a higher level to cover more specific, longer-term research. Nutritional values of grain sorghum will help us determine markets and directions that certain grain sorghum hybrids can be utilized. There has been little grain sorghum consumed by humans in the United States in the past. This research will help us target the assets of our cereal grain and help sell it to consumers. Another multi-state project is the cold tolerance research. This is labeled new use because we are attempting to increase early seedling vigor in cooler soils. In Kansas, one month earlier planting will give grain sorghum additional grain fill days and more opportunity for moisture.



Along with increasing outputs, some of our research focuses on reducing inputs for Kansas producers. We are working on making more herbicides available, giving more options as well as driving down costs through competition. Water quality and supply projects are also funded to help Kansas producers stay on the cutting edge in managing our valuable resources.

Promotion and education accounted for 24% of our budget expenditures last year. With all the changes taking place, we worked on informing our producers throughout our first year and about the elections. We devoted a third of our front page on the importance of the elections. All the research I mentioned previously needs to be passed on to insure all Kansas producers the opportunity of increased profitability. We are at all major farm shows, conferences, and gatherings. We look forward to those venues for interaction and direction from the producers. We have also invested in consumer education. We are pleased to fund with other Kansas commodities, the Kansas Agriculture in the Classroom programs. Teaching future consumers and teachers about the importance of agriculture in their lives is an investment that will reap valuable returns in the future. Times have changed and grain sorghum is working on public relations because the feed and food industry needs to inform consumers before activists do.

Domestic market development is another important area I would like to mention. The Commission feels strongly that the \$173,500 spent here, will multiply in the Kansas economy. Feed and fuel are our current leading markets. We do not want that to change. Adding value to other Kansas products helps our Kansas economy, especially in rural areas that comes back to help our producers' schools and communities. Kansas ethanol plants have always used grain sorghum if available, and putting money into feasibility studies for four potential plants scattered throughout Kansas will help grain sorghum prices. The new Russell plant will use 9 million bushels of feed grains. Grain sorghum prices have increased in the northern half of Kansas to the price of corn in the past two years. Traditionally grain sorghum is 80% of the price of corn, but Nebraska's ethanol and pet food market has netted an additional 40 cents a bushel. Making grain sorghum a viable alternative in cropping plans. Swine, poultry, and beef rations continue to use grain sorghum to make cost effective and nutritious gains. We are proud to be feeding the state's growing and increasingly diverse livestock industry.

Finally, 17% of our budget went into international market development. About 4 of 10 bushels of grain sorghum raised in the U.S. is exported. Though Mexico continues to use most of it, there are future corn concessions. We are aware of those future changes and see China, Morocco, and the Philippines as favorable markets with corn restrictions. High prices compared to corn have caused slippage in the Japanese market, but recent food grade success may spur a higher value non-commodity use of white tan plant grain sorghum. Food grade research work in the past ten years helped fuel this rapid development since the star link corn controversy hit. We also invest in the U.S. Meat Export program. Selling Kansas beef and pork overseas benefits sorghum producers maybe even more than straight grain exports.

Details of all these programs are mentioned in the report if you need anything else. Following that is our annual budget and our audited financial reports from Varney & Associates. The budget was again decreased this year, but in an attempt to maintain programs we utilized some of the reserve built up in the mid-1990's. The flexibility that farmers implement in planting has led to major acreage shifts. Our goal is to try to even out the peaks and valleys and maintain a steady course. We are pleased with the results of the audit and have implemented the recommendations of the auditors. The auditor was selected on the basis of their experience and knowledge of similar entities. They supplied valuable instructions to our bank on the requirements of the law in investments. We have continued using the Department of Agriculture for audits and enforcement of first purchasers as well as other services covered under our agreement. A retirement at the research administration level at Kansas State has opened a new change in how research priorities are viewed. This change will be advantageous for the future vision of ten plus years from now. In an effort to continue managing our business, we are currently in the process of evaluating our administrator and reviewing our vision and mission statements. We are looking forward to the first elected commissioners to join us and help us move into the future.

# Kansas Grain Sorghum Commission

# ANNUAL REPORT

Annual Report

2001

*With planted acreage at 4 million*

## Kansas Sorghum Crop Increases

The Kansas grain sorghum crop will bring 62 bushels per acre, according to the November crop production report released by Kansas Agricultural Statistics Service. The projection remains unchanged from the September crop report.

The projected 2001 yield of 62 bushels per acre is an improvement over last year's average yield of 59 bushels per acre. The Kansas sorghum crop suffered unusually hot, dry weather during the growing seasons of both years.

Harvested acreage for sorghum in Kansas, however, is up dramatically, with 3.75 million acres be-

ing harvested, compared to 3.2 million acres last year. Kansas is predicted to harvest 232.5 million bushels of sorghum—43 percent of the nation's sorghum crop.

Kansas remains the nation's leading producer of sorghum, followed by Texas with 143 million bushels.

Sorghum production will be down in two of the state's nine crop reporting districts. South central Kansas production was estimated at 27.3 million, compared to 32.9 million bushels last year. The district's yields are 42 bushels per acre, compared to 60 bushels last

*(continued on p. 2)*

## Growers To Vote in Commission Elections

For the first time, growers will elect the commission members on the Kansas Grain Sorghum Commission as well as the corn, wheat and soybean commissions. Legislation that privatized the commodity commissions included a provision to change the selection process from governor-appointments to elections. The first round of elections will be held in early 2002 for the North Central, Central and South Central crop reporting districts.

**TO REGISTER TO VOTE:** Forms can be obtained at your county extension office; county conservation district office; Kansas Department of Agriculture or any of the four grain commodity commission offices—corn, grain sorghum, wheat and soybeans. Or register on-line at <http://www.ks-agr.org/commod/elections.htm>

**REGISTRATION DEADLINE:** To vote in the upcoming election, you must be registered by Dec. 31, 2001.

**THE ELECTION:** Ballots will be mailed January 14, 2002 to growers who have registered to vote in the North Central, Central and South Central districts. The grain sorghum commissioners currently serving in these districts are: Roger Oplinger, North Central; William Luecke, Central; and John Ratzlaff, South Central. Luecke filed for election in the Central District.

The ballots must be postmarked March 1, 2002. Winners will be announced in mid-March and will take office April 1.

## Inside this Annual Report

Commission Elections .....	1
Crop Production Estimates .....	1
KGSC News.....	2
Commission Spending Analysis.....	3
FY 2002 Funded Projects.....	4
Program Area Descriptions .....	5
Commission Information .....	6
Commissioner Participates in Trade Mission .....	7
Ethanol Growth Will Spur Sorghum Demand .....	8

On the internet:  
[www.ksgrains.com/kgsc](http://www.ksgrains.com/kgsc)



## Jeff Casten Leads Kansas Grain Sorghum Commission

Quenemo sorghum grower Jeff Casten is the new chairman of the Kansas Grain Sorghum Commission. Casten represents sorghum growers in the East-Central grower district. Casten fills the position previously held by John Ratzlaff of Moundridge.

The commission elected Greg Graff as vice chairman. Graff farms near Marienthal and represents growers in the west-central grower district. Stanley Schmitz, Seneca, was elected secretary-treasurer. Schmitz represents growers in the northeast grower district.

The Kansas Grain Sorghum Commission is made up of nine grower members from the state's nine commission districts. The commission is responsible for investing the half-cent per bushel sorghum checkoff in the areas of research, market development, promotion and education.

## US Grains Council VEG Conference Brings Results!

There has been some good news in the value-enhanced grains (VEG) arena, building on the success of the Council's third VEG conference in July. The Grains Council has informed us several additional shipments of white sorghum are planned to Japan in the coming months. The Council has led the effort to promote food uses for white sorghum in Japan. A Japanese delegation visited the International Grains Program at KSU immediately following the VEG Conference for a course on sorghum. The KGSC was represented at the VEG Conference and helped host the Japanese delegation at KSU.

## KGSC Sponsors Innovative Program That Takes Agriculture to Schools

The Kansas Grain Sorghum Commission is a sponsor of the Kansas Foundation for Agriculture in the Classroom's new school assembly program, "Connecting Kansas Kids, Crops and Critters."

Meet Cash, the farm dog; Lynne, the farmer; and Penny, the puppy who needs to learn more about the farm where she was born. These three make up the team who play a part in the school assembly being developed by KFAC for 3rd and 4th grade students throughout Kansas. The assembly, titled Connecting Kansas Kids, Crops and Critters, provides a hands-on experience for children who may have had little personal contact with agriculture. The assembly also provides a positive teaching model for teachers who may have never used agriculture for the context of their classroom lessons.

There are three components to this initiative: a pre-assembly program, the assembly, and a post-assembly teacher training session. The pre-assembly includes publishing a new version of the Kansas Kids Connection, a popular KFAC magazine. The new version will use stories and

*connecting*

Kansas Kids,  
Crops and  
Critters

games that incorporate relevant crop and livestock information. The stories also introduce the assembly team to students and their teachers. The second component is the assembly. It is designed to be a highly interactive program that generates enthusiasm, provides entertainment and educates. Students will participate in identification, problem solving, and demonstrations as they participate in several games using a popular TV game show format. The post-assembly plan provides a teacher training session where additional agriculture activities and resources will be distributed and discussed.

The "crops" program is aligned to Kansas math and science standards and a separate "critters" program will be aligned to economics, geography, and history standards.

## State Sorghum Production Estimates

*(continued from p. 1)*

year. Southeast Kansas will produce 18 million bushels, compared to 21.2 million bushels last year.

The southeast district has yields of 64 bushels per acre, compared to 79 bushels last year.

The greatest increase in production is in west central Kansas. This year's production is pegged at 36.9 million, compared to 18.6 million last year. The district increased its harvested acreage by 220,000 acres, and increased its yield from 58 to 68 bushels per acre.

## Kansas Grain Sorghum Commission Annual Report

Published November 2001 by the Kansas Grain Sorghum Commission

PO Box 243, Paola, KS 66071

Contents copyrighted by the Kansas Grain Sorghum Commission

6-5

# KANSAS GRAIN SORGHUM COMMISSION

## ANNUAL FUNDING REPORT—FY2002

### What Is the Kansas Grain Sorghum Commission?

The Kansas Grain Sorghum Commission was established in 1977. The commission determines how the half-cent per bushel checkoff is spent. Checkoff funds are collected through the Kansas Department of Agriculture.

#### The areas of spending are:

Production and New Use Research

Domestic Market Development

Foreign Market Development

Promotion and Education

Legislation passed in 2000 moved the administration of the grain sorghum, corn, wheat and soybean commissions out of the state government.

### Who Is the Kansas Grain Sorghum Commission?

Nine growers make up the Kansas Grain Sorghum Commission. These growers represent the nine grower districts in the state of Kansas.

(see leadership directory on page 4)

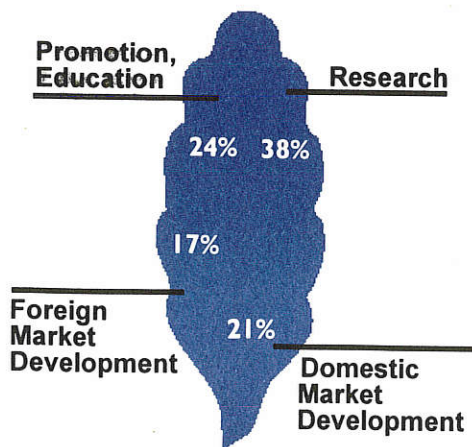
The commissioners currently serving were appointed by the Governor. In 2002, growers will begin to elect the commissioners. The first round of elections will be held in early 2002 for the North Central, Central and South Central grower districts.

The administrator of the Kansas Grain Sorghum Commission is Kevin Lickteig.

The commission's administrative office is located in Paola, KS, and can be contacted at 913-294-4314.

## FY 2002

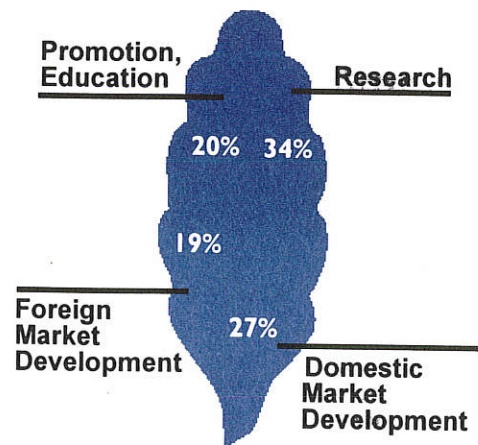
This pie chart outlines program areas in which your checkoff dollars are being invested by the Kansas Grain Sorghum Commission in Fiscal Year 2002 (July 1, 2001 through June 30, 2002)



Production/New Use Research.....	\$318,300 (38%)
Domestic Market Development.....	\$173,500 (21%)
International Market Development.....	\$139,400 (17%)
Promotion and Education.....	\$200,400 (24%)

## FY 2001

This pie chart outlines program areas in which your checkoff dollars were invested by the Kansas Grain Sorghum Commission in Fiscal Year 2001 (July 1, 2000 through June 30, 2001)



Production/New Use Research .....	\$301,000 (34%)
Domestic Market Development .....	\$233,000 (27%)
International Market Development .....	\$163,000 (19%)
Promotion and Education .....	\$180,000 (20%)

# KGSC Funded Projects—FY2002

## KSU Projects

KSU Agronomy--Dale Fjell .....	\$4,000
<i>Grain Sorghum Production in Kansas: Extension and Applied Research</i>	
KSU Hays Research and Extension Center--Ken Kofoid .....	\$70,000
<i>Breeding Sorghum with improved grain yield, greenbug and virus resistance, and pre-flowering drought tolerance</i>	
KSU Agronomy--George Liang .....	\$57,500
<i>Transformation of sorghum for enhanced stalk rot resistance and drought tolerance</i>	
KSU Agronomy--Mitch Tuinstra .....	\$55,000
<i>Breeding Grain Sorghum for improved dryland production</i>	
KSU Agronomy--Kassim Al-Khatib.....	\$12,800
<i>Improving the crop safety and weed control efficacy of Ally-based herbicide programs for grain sorghum.</i>	
KSU Southwest Research Center--Alan Schlagel.....	\$12,000
<i>Irrigated cropping systems to reduce irrigation water use and groundwater depletion while sustaining profitability.</i>	
KGSPA—Promotion, Market Development, Education .....	\$130,000
NGSP—Market Development, Promotion, Education.....	\$217,000
Economic analysis of 2002 Farm Bill .....	\$25,000
Multi-State Research: Food & Nutritional and Cold Tolerance .....	\$80,000
US Grains Council—International Trade Programs.....	\$127,000
US Meat Export Federation—International Trade Programs.....	\$10,000
Kansas Ag. in the Classroom—Education Programs .....	\$25,000
Ag Statistics Transportation Survey .....	\$2,000
Midwest-US Japan Conference .....	\$2,400
KGFA TAL Program, Grain Grading Schools & Conference .....	\$1,900

## LATE FY2001 AWARDS (not in last report)

KCARE--William Hargrove.....	\$55,000
<i>Integrated Agricultural Management Systems: Using BMP's to improve the quality of Kansas surface water</i>	
KSU Agronomy--Kassim Al-Khatib Agronomy.....	\$12,000
<i>Improving the crop safety and weed control efficacy of Ally based herbicide programs for grain sorghum</i>	
Kansas Foundation for Agriculture in the Classroom .....	25,000

## Ethanol Feasibility Study Grants

McPherson Ethanol .....	\$5,000
Santa Fe Trail Enterprises, Ulysses .....	\$5,000
East Kansas Agri Energy, Garnett.....	\$5,000

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## Research—*Making sorghum more profitable for the future*

The Kansas Grain Sorghum Commission funds sorghum research through traditional university funding and by participating in a multi-state research effort coordinated through the National Grain Sorghum Producers.

In FY2002, the commission invested 137,300 in research projects at Kansas State University. Much of the work at K-State is in the area of sorghum breeding. Three research projects are working on breeding sorghum with im-

proved yield, greenbug and virus protection, resistance to stalk rot and improved drought tolerance.

This research funding is vital because sorghum is considered a minor crop and corporate research is not as aggressive for the crop as it is for major crops like corn and soybeans.

NGSPA coordinates the Multi-State/Multi-Disciplinary Research Project which allows projects to be funded at a higher level to cover long-term, more comprehen-

sive research initiatives. These research efforts are focusing on areas like sorghum utilization and cold tolerance. Promising results are being seen from the utilization research as it focuses on the nutritional values of types of grain sorghum.

Research funded through the program has found that sorghum has unique properties that make it well suited for food uses. It is rich in antioxidants and, because it is gluten-free, it is an attractive alternative for people who cannot tolerate gluten.

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## Promotion and Education—*Teaching kids and consumers about sorghum*

Hold up a head of grain sorghum and ask a group of fourth graders from a rural area to identify it. You might be surprised at their answers. Even though Kansas is the leading sorghum producer and the crop is easily identifiable from the road, grain sorghum has an identity crisis. The Kansas Grain Sorghum Commission works with the Kansas Grain Sorghum Producers Association to teach school-

children about sorghum and about the importance of agriculture to the state.

The commission also funds efforts by the Kansas Foundation for Agriculture in the Classroom. The Connecting Kansas Kids, Crops and Critters program is an interactive school assembly program. See page 3 for more information on KFAC's assembly program.

The KGSC also promotes grain sorghum to buyers of both feed and fuel. The commission works with KGSPA attending farm shows and ethanol promotion events. Most of the ethanol produced in Kansas is made from grain sorghum. The commission and association work to educate consumers about the benefits of 10 percent ethanol unleaded gasoline.

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## Domestic Market Development—*Working to grow markets for the 3 "fs"*

Feed, fuel and food—these are sorghum's three leading markets.

### Feed

Most of the sorghum grown in the US is used to feed livestock. Thanks to our state's livestock feeding industry, our feed markets for sorghum are strong. Work continues to promote increased use of sorghum in feeding rations in the state's growing and increasingly diverse livestock industry.

### Fuel

Ethanol production is growing rapidly in the US and in Kansas. Grain sorghum is the grain of choice of the state's ethanol producers.

A new ethanol plant in Russell will soon be on line, creating a market for 9 million bushels of sorghum and corn annually. Other plants are being planned throughout the state.

### Food

We think of sorghum as a feed for livestock, but in many countries consider it is a staple food for people. The KGSC works with the National Grain Sorghum Producers to increase the market for food use sorghum, especially in the area of snack foods and nutritious functional foods. Sorghum is also gluten free, making it valuable to people who cannot tolerate gluten in their diets.

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## International Market Development

The Kansas Grain Sorghum Commission works with the US Grains Council and the US Meat Export Federation to increase exports of sorghum as well as sorghum-fed meat.

Why are exports important to Kansas sorghum growers? Forty percent of the US sorghum crop is

exported every year. Kansas produces 40 percent of the nation's sorghum crop every year. US sorghum also makes up over 85 percent of the world's sorghum trade.

The US Grains Council, with offices throughout the world, works to build international markets for US sorghum.

Meat exports have seen a dramatic increase in the past decade and continue to grow. The US Meat Export Federation builds export markets for our meats that are fed with US grains like grain sorghum. Whether it's grain or grain-fed meat, these two organizations increase markets for sorghum

# Commission/Association—What's the Difference?

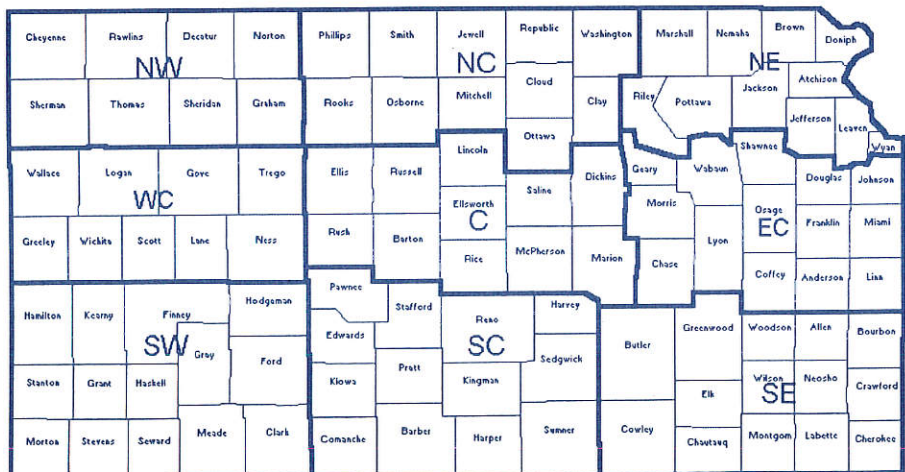
Kansas Grain Sorghum Commission	Kansas Grain Sorghum Producers Association
Requested by growers and established by Kansas statute to operate the state's half-cent per bushel grain sorghum checkoff.	Established by growers who wanted a voice in legislative, regulatory and other issues.
Activities of the commission are funded by the grain sorghum checkoff collections.	Activities of the association are funded by membership dollars and grants.
Commission is made up of nine growers representing the nine crop reporting districts of Kansas designated by the Kansas Agricultural Statistics Service.	Association board is made up of 12 members representing the nine crop reporting districts and three regional growers associations.
Current commission members were appointed by the Governor. A new statute governing the commissions has established a process to hold grower elections for commission members. The first elections will be held in early 2002 for the north-central; central and south-central districts.	Association board members representing the nine districts are elected by association members at the annual meeting when the term of the current member ends. The regional association representatives are elected to serve on the association board by the regional associations.
The commission does not engage in legislative activities. Checkoff funds may be spent for market development, promotion, research and education efforts.	The association represents growers in legislative issues on the state and national levels. Legislative efforts are funded through membership dues.
The Kansas Grain Sorghum Commission contracts with other entities that provide services in the areas of research, market development, promotion and education.	The Kansas Grain Sorghum Growers Association has a contract to provide market development, promotion and education services to the commission.

## Kansas Grain Sorghum Commission

Dist. 1 (NW) .. Lynn Goossen .....	Colby .....	785-462-7708
Dist. 2 (WC) ... Greg Graff .....	Marienthal .....	620-379-4677
Dist. 3 (SW) ... Donald Rome .....	Garden City .....	620-275-6792
Dist. 4 (NC) ... Roger Oplinger .....	Jewell .....	785-428-3504
Dist. 5 (C) ..... William Luecke .....	Hays .....	785-628-2603
Dist. 6 (SC) .... John Ratzlaff .....	Moundridge .....	620-543-2571
Dist. 7 (NE) ... Stanley Schmitz .....	Seneca .....	785-336-3368
Dist. 8 (EC) ... Jeff Casten .....	Quenemo .....	785-759-3520
Dist. 9 (SE) .... Dwayne DeTar .....	Coffeyville .....	620-251-2100

**Administrator:** Kevin Lickteig, PO Box 243, Paola, KS 66071;  
Phone: 913-294-4314; e-mail: lickteig@micoks.net

### District Map



### KGSC Officers

#### Chairman

Jeff Casten, Quenemo

#### Vice Chairman

Greg Graff, Marienthal

#### Secretary-Treasurer

Stanley Schmitz, Seneca

Kevin Lickteig, Administrator  
PO Box 243  
Paola, KS 66-71  
913-294-4314  
e-mail: lickteig@micoks.net

[www.ksgrains.com/kgsc](http://www.ksgrains.com/kgsc)



# Trade Mission Takes Kansas Sorghum Grower to Asia

Stanley Schmitz, a Seneca sorghum grower, joined a two-week trade mission to Asia in July, sponsored by the U.S. Grains Council. Along with sorghum producers from Nebraska and Texas, Schmitz visited Japan, China and the Philippines to assess the state of the sorghum market there and to meet with current and potential customers. Schmitz represents the northeast district growers on the Kansas Grain Sorghum Commission.

## Japanese Food Use

For the last three years, the Grains Council and the U.S. sorghum industry have been working to promote sorghum for food use in Japan. While in Tokyo, Schmitz and other mission participants were able to see the results first-hand. They visited the production facilities of Tohato Inc., a food manufacturer that recently introduced a new snack made from U.S. white sorghum. The group also attended a sorghum seminar organized by the Council for Japanese food industry representatives in Japan.

"The people we talked to in Japan knew about milo and its qualities. Japan is already our Number 2

buyer," Schmitz said. "They're up and running and they know what milo can do for them. I really believe the next big step in Japan is the white food grade milo, and through the program with the National Grain Sorghum Producers, we're poised to meet that need."

## China Market is Promising

While in China, Schmitz and his colleagues visited two large commercial swine farms to learn the results of Council-sponsored feeding trials. The trials demonstrated clearly that sorghum could be a successful ingredient in swine rations.

Schmitz reported that the Council would continue to work with the local feed industry associations and swine producers to tackle import duties and the value-added taxes that continue to be a challenge for imports of US sorghum to China.

## Philippines Look at Poultry and Swine Uses

In the Philippines, the group heard from grain traders about the country's need for grain imports, and learned the results of successful sorghum feeding

trials in poultry and swine. The participants learned that continued market education programs in the Philippines are essential to the integration of US sorghum into feed rations.

High import duties and the large number of small meat producers are the greatest challenges facing US sorghum imports in the country.

"When we went out to visit the feeders, they knew about milo and knew milo was a high quality feed for them. They're ready to buy it when it's at the same price as the other feeds they use."

## KGSC/USGC Work to Build Foreign Markets

The Kansas Grain Sorghum Commission has been working with the US Grains Council to promote the use of grain sorghum in the Philippines. A Philippine trade team visited Kansas last summer. Results of recent feeding trials conducted in the Philippines were very positive, Schmitz said.

"Milo tests were done with pork, egg production and chickens. In every one, milo came out with flying colors. A booklet with those results is being distributed throughout the Philippines," he said.

"The mission gave us a clear picture of what factors contribute to sorghum's marketability for both food and feed in the huge Asian market. We've still got some challenges to address, but it's obvious that our ongoing market development efforts in that part of the world are paying big dividends for our growers," Schmitz noted.

The U.S. Grains Council is a private, non-profit partnership of farmers and agribusinesses. With the support of organizations such as the Kansas Grain Sorghum Commission, the Council works to build and expand international markets for U.S. grain sorghum, corn, barley and their products.

## Sorghum Snack Is a Hit in Japan

An important export market to the US and Kansas sorghum industry may soon expand as more interest develops in the use of sorghum for food products in Japan. A three-year effort by the US Grains Council has led to the introduction of sorghum snack foods to Japan, one of the top importers of US sorghum. The Kansas Grain Sorghum Commission supports efforts by the US Grains Council to increase exports of sorghum.

The Council provided samples of U.S. white sorghum for Japanese millers to process into flour. Japanese snack food processors then used the flour in research and recipe development. After extensive milling and baking tests, the Council presented the results to nearly 50 Japanese nutritionists, snack food manufacturers and trading companies last year. These efforts led to the commercialization of a new vegetable-flavored snack chip that hit grocery store shelves this summer. The Council's ongoing education and marketing efforts mean that additional sorghum snacks will soon come to market as well.

# Growing Ethanol Production Continues to Spur Demand for Grain Sorghum in Kansas

Hoxie, McPherson, Ulysses, Scandia, Garnett, Smith Center, Washington, these are some of the Kansas communities considering building ethanol plants.

A 30 million gallon per year ethanol plant in Russell recently began operation, nearly doubling the state's ethanol production. Combined, the four original plants produce about 40 million gallons per year. Also, at least of two of the state's existing ethanol plants are considering expansion.

Why is ethanol growing? Ethanol demand is increasing dramatically because the petroleum-based fuel oxygenate MTBE is being banned in many states and cities because of groundwater and health concerns. Ethanol is the logical replacement for MTBE. The state of California is phasing out the use of MTBE and that market alone will create a de-

mand for over 300 million bushels of grain.

Many Kansas communities believe they have the grain supply, transportation, and market for the byproduct of ethanol production, distillers grains—a valued livestock feed. Several grower-based groups have used an ethanol pre-feasibility study and template funded by the Kansas Grain Sorghum Commission, Kansas Corn Commission and Department of Commerce and Housing and coordinated through the Kansas Grain Sorghum Producers Association and Kansas Corn Growers Association.

A new incentive for new ethanol production has also sparked interest. The ethanol production incentive bill signed this summer by Governor Bill Graves will help increase the demand for grain sorghum and possibly offer growers

value-added opportunities. The bill will extend the five cents per gallon incentive for existing ethanol producers for three years, and will add a 7.5 cents per gallon incentive for new ethanol producers for seven years. The total ethanol incentive program for both new and existing production is capped at \$3.5 million per year.

The state now has five ethanol plants, located in Colwich, Leoti, Garden City, Atchison and Russell.

Ten percent ethanol unleaded gasoline is good for your vehicles, good for the environment and is made with ethanol from our Kansas farms. Ethanol also reduces our dependence on foreign oil.

If 10 percent ethanol unleaded gasoline isn't available in your area, ask for it! If it is available, fill it up!

Annual Report

Garnett, KS 66032

PO Box 446

Annual Report



11-9

FIRST CLASS  
POSTAGE PAID  
PERMIT NO. 3  
GARNETT, KS

**FY 2002 Budget**  
**KANSAS GRAIN SORGHUM COMMISSION**

INCOME

Estimated Production Revenue	\$1,100,000	
Allowance for non collections 18%	<u>-198,000</u>	
Net Assessments		\$902,000
Allowance for Refunds 8%		-72,160
		-----
Net Income		\$ 829,840
Other Income- Interest		20,000
		=====
<b>TOTAL INCOME</b>		<b>\$849,840</b>

EXPENSES

Programs:		
Domestic Market Development	\$ 111,750	
Foreign Market Development	161,000	
Production Research	306,300	
Promotion & Education	205,250	
Advertising & Media	5,000	
New Use Research	80,000	
Special Projects	20,000	
	-----	
Total Programs		\$ 889,300
Administrative:		
Administration Contract	\$ 38,000	
Commissioner Travel	25,000	
Contractor Travel	11,000	
Meeting Expense	2,500	
Postage & Delivery	3,000	
Purchaser Supplies	1,000	
Bank Fees & Supplies	500	
Legal & Accounting	3,000	
	-----	
Total Administrative Expense		\$ 84,000
		-----
<b>TOTAL EXPENSES</b>		<b>\$ 973,300</b>
		=====
<b>PROJECTED DEFICIT</b>		<b>&lt;123,460&gt;</b>
<b>BEGINNING CARRY-OVER 7/01/2001</b>		<b>\$ 563,921</b>
		-----
<b>PROJECTED CARRY-OVER 6/30/2002</b>		<b>\$ 440,461</b>

6-12

**KANSAS GRAIN SORGHUM COMMISSION**

Paola, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2001



August 16, 2001

To the Commissioners  
Kansas Grain Sorghum Commission  
Paola, Kansas

### Independent Auditors' Report

We have audited the accompanying statement of financial position of Kansas Grain Sorghum Commission (a quasi municipal entity) as of June 30, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Grain Sorghum Commission as of June 30, 2001, and the changes in its net assets for the year then ended in conformity with generally accepted accounting principles.

*Varney and Associates CPAs LLC*

Certified Public Accountants

KANSAS GRAIN SORGHUM COMMISSION  
Paola, Kansas  
STATEMENT OF FINANCIAL POSITION  
June 30, 2001

*Financial Statements*

ASSETS	
<b>Current Assets</b>	
Cash in checking	\$ 99,367
Investments	505,863
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 605,230</b>
	<hr/> <hr/>
LIABILITIES AND NET ASSETS	
<b>Current Liabilities</b>	
Accounts payable	\$ 41,309
	<hr/>
<b>Net Assets</b>	563,921
	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 605,230</b>
	<hr/> <hr/>

6-15

KANSAS GRAIN SORGHUM COMMISSION  
 Paola, Kansas  
**STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2001

**Financial Statements**

<b>CHANGES IN NET ASSETS</b>	
<b>REVENUE</b>	
Check-off collections	\$ 774,783
Interest income	26,131
Unrealized gain	436
<b>Total Revenues</b>	\$ 801,350
 <b>EXPENSES</b>	
Refunds of check-off collections	\$ 56,603
Programs Investment	
Domestic Market Development	262,827
Foreign Market Development	158,508
Education	175,000
Production Research	355,400
New Use Research	10,000
Promotion	18,332
Administrative Expenses	
Administration	37,115
Commissioner travel	25,545
Contractor travel	9,959
Meeting expense	2,279
Postage and delivery	2,007
Purchaser supplies	2,644
Bank fees	395
<b>Total Expenses</b>	\$ 1,116,614
<b>DECREASE IN NET ASSETS</b>	\$ (315,264)
<b>NET ASSETS - JULY 1, 2000</b>	876,977
<b>NET ASSETS - JUNE 30, 2001</b>	\$ 561,713

6-16

KANSAS GRAIN SORGHUM COMMISSION  
 Paola, Kansas  
**STATEMENT OF CASH FLOWS**  
 For the Year Ended June 30, 2001

**Financial Statements**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (313,056)
Adjustments to reconcile changes in net assets to net cash used by operating activities	
Increase (decrease) in accounts payable	\$ 41,309
<b>Total Adjustments</b>	<u>\$ 41,309</u>
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (271,747)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	\$ (271,747)
<b>CASH BALANCE - BEGINNING OF YEAR</b>	<u>876,977</u>
<b>CASH BALANCE - END OF YEAR</b>	<u><u>\$ 605,230</u></u>

6-17



**KANSAS GRAIN SORGHUM COMMISSION**  
Paola, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**Notes To Financial Statements**

**Note 1: Summary of Significant Accounting Policies**

**Organization**

The Kansas Grain Sorghum Commission is organized as an instrumentality of the state to conduct a campaign of grain sorghum promotion and market development through research, education and information. The Commission receives an assessment that is levied on grain sorghum marketed through commercial channels in the state of Kansas. The grower may obtain a refund of the assessment upon proper submission of documentation within one year of sale as long as the refund requested is \$5 or more.

**Method of Accounting**

The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

**Income Taxes**

The Commission is a quasi municipal entity that is not subject to income tax and, accordingly, no provision has been made for income taxes.

**Pension Plan**

There is no formal pension plan.

**Cash and Cash Equivalents**

For the statement of cash flows, the Commission considers all short-term investments with a maturity of three months or less to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2: Investments**

UMB Scout Brokerage Services, Inc. is holding investments for the Commission. Market value provided by UMB Scout Brokerage Services, Inc. as of June 30, 2001 was \$505,863.

**Note 3: Concentration of Credit Risk**

The Commission had investments at a brokerage service that were not covered by FDIC insurance or pledged securities. Management intends to move these funds to a bank in September 2001.

# HOUSE COMMITTEE ON AGRICULTURE

**RE: HB 2818-Requesting a Commodity Commission for Sunflower**

**February 13, 2002  
Topeka, Kansas**

**Presented by:  
Steve Baccus, Sunflower Producer  
Minneapolis, Kansas**

---

Chairman Johnson and members of the House Committee on Agriculture, thank you for the opportunity to appear before you today and present testimony in support of HB2818. My name is Steve Baccus and I am a sunflower producer from north central Kansas. I am here representing the Sunflower Check-off Exploratory Committee. This is a group of sunflower producers who have been meeting for quite some time with the intent of establishing a Sunflower Commission for Kansas producers.

In 2001, Kansas producers planted 330,000 acres of Sunflower and harvested over 400 million pounds of seed valued at nearly \$40 million! Sunflower production in Kansas has definitely become a significant portion of Kansas agriculture. Kansas is the largest Sunflower producing State without a check-off. Consequently, we are asking that Kansas, like most other Sunflower producing States, levy a .03 per cwt. check-off. This check-off would raise approximately \$123,000 per year.

The goal of any commodity check-off is to raise the funds necessary to increase the amount of research, sales and consumption associated with a particular commodity in order to increase net returns to producers. A Kansas funded and controlled check-off is

House Agriculture Committee  
February 13, 2002  
Attachment 7

vital to solving production and marketing problems unique to sunflower produced in the high plains. Currently, much of the sunflower research conducted in the U.S. is funded by and aimed at solving northern plains production and marketing problems. Currently, the National Sunflower Association (NSA) has requests for stem weevil and sunflower moth research proposals totaling nearly \$25,000. One is from Kansas State University and the other is from USDA ARS with research locations in the Colby area and Colorado locations. This check-off would be invaluable in assisting in this type of research.

As Kansas Sunflower producers, we ask this Committees' support for a check-off identical to existing programs in Kansas that are voluntary, producer controlled and producer focused.

Thank you for your time, your attention and your support.

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### **PUBLIC POLICY STATEMENT**

#### **HOUSE AGRICULTURE COMMITTEE**

**Re: HB 2818 – requesting a Commodity Commission for Sunflowers**

**February 13, 2002  
Topeka, Kansas**

**Presented by:  
Leslie Kaufman, Associate Director  
Public Policy Division**

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Chairman Johnson and members of the House Agriculture Committee thank you for the opportunity to submit testimony today in support of HB 2818 allowing for the creation of a sunflower commodity commission.

Our members have long been supportive of producer-led marketing, research and educational efforts to improve the production and sales of the commodities we grow, and thus the profitability of our farmers and ranchers.

HB 2818 establishes a new Sunflower Commission directed and managed by Kansas sunflower growers. We support the creation of this Commission and reference our member-adopted policy, shown below, regarding Commodity Promotion Programs.

***Kansas producers of agricultural commodities and products should have the opportunity to give financial support for research, utilization, public education and/or market development of the commodities and products.***

*We support commodity commissions that place producers in charge of the commission activities and the farmer check-off dollars. We strongly urge all producers to actively participate in operating their commissions and continuing their support of commodity check-off programs.*

Reflective of this policy, we urge the favorable passage of HB 2818. Thank you.

House Agriculture Committee  
February 13, 2002  
Attachment 8