

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on January 15, 2003, in Room 423-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee:

Justin Holstin, Propane Marketers Association of Kansas
Chuck Stones, Kansas Bankers Association
Chris Tymeson, Department of Wildlife and Parks
Rebecca Reed, Department of Agriculture
Kevin Lickteig, Kansas Grain Sorghum Commission
David Frey, Kansas Wheat Commission
Ed Mader, Kansas Soybean Commission

Others attending: See attached list

Chairman Johnson opened the first meeting of the House Agriculture Committee of the 2003 Legislative Session by asking committee members and staff to introduce themselves.

The Chairman welcomed everyone and expressed the hope that the committee would work together in an atmosphere of cooperation on agricultural issues. He made note of budget constraints this year and asked that all proposals requiring additional funding be accompanied by proposed funding recommendations. Committee Rules, as well as Rules for Conferees appearing before the committee, were distributed.

Justin Holstin, Propane Marketers Association of Kansas, requested introduction of a committee bill that would establish a Kansas propane education and research council. Representative Freeborn, seconded by Representative Feuerborn, moved to introduce this proposal as a committee bill. The motion carried.

Chuck Stones, Kansas Bankers Association, requested introduction of a committee bill that would amend the rates of the Kansas agricultural production loan deposit program from "not more than 2%" to "no more than 4% greater than the interest rate on the agricultural production loan deposits, which rate is no more than 2% below the market rate..." "...the interest rate on agricultural production loans made between the effective date of this amendment and July 1, 2003, will be 4%..." (Attachment 1) Representative Schwartz, seconded by Representative Ostmeyer, moved to introduce this proposal as a committee bill. The motion carried.

Chris Tymeson, Department of Wildlife and Parks, requested introduction of a committee bill concerning the management and control of prairie dogs. Representative Feuerborn, seconded by Representative Light, moved to introduce this proposal as a committee bill. The motion carried.

Representative Schwartz moved to introduce a resolution requesting the federal government to provide drought disaster relief for the State of Kansas. Seconded by Representative Ostmeyer, the motion carried.

Representative Ostmeyer requested introduction of a committee bill that would discontinue the state meat and poultry inspection program. Seconded by Representative Thimesch, the motion carried.

Rebecca Reed, Department of Agriculture, provided an update on the grain commodity commissions' elections in the western third of the state. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE at 3:30 p.m. on January 15, 2003, in Room 423-S of the Capitol.

Kevin Lickteig, Kansas Grain Sorghum Commission (Attachment 3); David Frey, Kansas Wheat Commission (Attachment 4); and Ed Mader, Kansas Soybean Commission (Attachment 5); presented their respective annual reports, outlined their goals and objectives, highlighted major projects, and reviewed their individual budgets and financial information. Copies of the annual reports, bylaws and operating procedures, roles and responsibilities, budgets, and financial information of the commissions can be obtained from the Department of Agriculture or the respective commissions.

Greg Krissek, Kansas Corn Commission, invited everyone to the Ethanol Educational Seminar to be held Thursday, January 23, 2003, at the Capitol Plaza Hotel.

The meeting adjourned at 4:54 p.m. The next meeting is scheduled for January 22, 2003.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 15, 2003

NAME	REPRESENTING
Chris Wilson	Ks Dairy Ass'n
Janet McPherson	Ks Farm Bureau
Mike Irvin	" " "
Steve Swaffar	" " "
Chris Tymew	KS DEPT OF WILDLIFE + PARKS
Tom Brown	Farm Credit Council
Mike Beam	Ks. LIVESTOCK ASSN.
DAVE HALTHAUS	K E C
Helen n Davis	Propane Marketers of Kansas
Jaime Holstin	Propane Marketers of K S
MATTHEW HOLSTIN	Propane Marketers of K S
Brian Thompson	Propane marketers of Ks.
Twila Drybread	Division of the Budget
Ed Mader	Ks Soybean Commission
Karin Fittling	Ks Grain Sorghum Commission
Chuck Starks	Ks Bankers Assoc
Bob Myers	KAWG
GREG KRISSEK	Ks Corn Growers / Ks Grain Sorghum Producers

K.S.A. 75-4272

(c) The eligible lending institution shall enter into an agricultural production loan deposit agreement with the state treasurer, which shall include requirements necessary to implement the purposes of the Kansas agricultural production loan deposit program. Such requirements shall include an agreement by the eligible lending institution to lend an amount equal to the agricultural production loan deposit to eligible agricultural borrowers at an interest rate which ~~is not more than 2%~~ *is no more than 4% greater than the interest rate on the agricultural production loan deposits, which rate is no more than 2% below the market rate as determined under K.S.A. 75-4237, and amendments thereto*, and which shall be recalculated on the first business day of January and July of each year using the market rate then in effect. The agreement shall include provisions for the agricultural production loan deposit to be placed for a maturity considered appropriate in coordination with the underlying agricultural production loan. The agreement shall include provisions for the reduction of the agricultural production loan deposit in an amount equal to any payment of loan principal by the eligible agricultural borrower.

(d) Except as noted in section (c), the interest rate on agricultural production loans made between the effective date of this amendment and July 1, 2003 will be 4%. This amendment is effective upon publication in the Kansas Register.

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KANSAS DEPARTMENT OF AGRICULTURE

House Agriculture Committee

January 15, 2003

Grain Commodity Commissions Election Update

Rebecca Reed, Kansas Department of Agriculture

This year, grain growers in the western third of the state are preparing to elect their commodity commission representatives. 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 1 – Ted Zielke
District 2 – Ron Blaes
District 3 – Donnie Young

Kansas Grain Sorghum Commission
District 1 – Rich Calliham
District 2 – Greg Graff
District 3 – Don Rome

Kansas Soybean Commission*
District 1, 2 and 3 – Kurt Maurath

*The Kansas Soybean Commission has combined the western third of the state into one district due to crop patterns.

Kansas Wheat Commission
District 1 – Mike Brown
District 2 – Robert Herl vs Ron Suppes
District 3 – Larry Kepley vs Heath Boy

House Agriculture Committee
January 15, 2003
Attachment 2

Members of the Committee:

I am Kevin Lickteig, Administrator for the Kansas Grain Sorghum Commission. Jeff Casten, our Chairman is in Lubbock, Texas today representing us at some National meetings. In fact, four of our commissioners are there providing leadership for the industry. Even with the dry summer, Kansas was still the leading producer of grain sorghum in the United States. I am pleased to present this annual report of our campaign of grain sorghum promotion and market development. This is actually our second report to you after a full cycle of business and first with newly elected commissioners. The Commission is pleased that each district has a candidate in the current election. The Kansas grain sorghum producer today is on a more level playing field with the new farm program. Working with efficient overhead the Commission continued to help magnify our producer's investments. Support for our programs continued and may best be shown in our last fiscal year's numbers. 93.2 % of the voluntary check-off support was allowed to be invested into our programs, an increase of a half percent over last year. This percentage remains a stable number with little deviation in the past five years. Grain sorghum harvested acreage for this current fiscal year was down and production suffered in the drought. The risk management of the drought tolerance at least allowed growers some production.

Presented first is our annual report to growers. It highlights our top research priority of improving grain sorghum's drought tolerance. Total production was 36% less than last year and per acre yields dropped from 62 bushels per acre to 48. 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. Almost half of 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. Our main goal of the breeding programs is to continue maximizing yield. Work on drought stress like what Kansas has endured in the past two years leaves growers viable options for the upcoming growing season. Our Commission currently supports the only sorghum biotechnology work being done in the nation. Nutritional values of grain sorghum and related research are helping begin a food market. 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. 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.

Also highlighted on the front page is a bar chart that shows significant gains in using grain sorghum for food, seed, and most importantly, industrial use. This really shows how the investment in the check-off has grown a new market instead of relying wholly on feed. Industrial use has many advantages for Kansans and our economy. For growers it

is a stable market with few fluctuations in demand. In Kansas, it is believed over ten per cent of our supply is used in ethanol production and wall-board manufacturing. This means rural jobs in Dodge City, Colwich, and Russell. Also adding value to our product helps the Kansas economy and the United States reliance on foreign oil.

This is domestic market development in which the Commission feels strongly about the 20% spent here. Feed and fuel are our current leading markets. We do not want that to change. Kansas ethanol plants have always used grain sorghum if available, and putting money into feasibility studies for potential plants scattered throughout Kansas will help grain sorghum prices. The new Russell plant has already expanded and their ownership took over the adjacent gluten plant, using that starch slurry to produce ethanol also. Grain sorghum prices have increased in the northern half of Kansas to the price of corn in the past two years. We have seen price margins shrinking in all areas of Kansas. The tradition of grain sorghum at 80% of the price of corn is over. 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.

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 this year about 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.

Finally, 11% of our budget went into international market development. About 4 of 10 bushels of grain sorghum raised in the U.S. is exported. Mexico continues to use most of it, and the US Grains Council helps us keep grain sorghum in front of possible customers. We 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 expense budget was lowered 18% this year, after a 9% reduction the year before. About \$15,000 was used from our reserve built up in the mid-1990's. We are also aware that our income projections will not be met because of the drought. 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. This is second year for this auditor. We have continued using the Department of Agriculture for audits and enforcement of first purchasers as well as other services covered under our agreement. We are looking forward to working with the new Secretary to improve the future of Kansas agriculture.

January 15, 2003

Kansas Wheat Commission Report to the Kansas Senate and Kansas House of Representatives agriculture committees;

Kansas wheat producers received this annual report in the mail and I believe you will find it to be comprehensive and informative. I also am making available the most recent insert that appears in this month's Kansas Farmer magazine, again in an effort to keep Kansas wheat producers apprised of their investment in the Kansas Wheat Commission.

In addition to the 9/11 tragedy, this past year will be remembered for the severe drought that plagued farmers in more than 38 percent of the United States. Although KWC is a research and market development organization, working on behalf of Kansas wheat producers, Commissioners and staff have been involved in the critical effort to raise the level of awareness of the devastating impact of this drought on the high plains. With crop production lowered, we, as a Commission, are reviewing the cost and efficiencies of our operations and programs we support at both the state and national level.

On the international front, efforts to change trade policy with Cuba have paid off with the sale of HRW wheat and U.S. flour. Kansas Wheat Commission sponsored a flour milling expert to Cuba to help the mills there get the most of the quality HRW wheat they received from the U.S. Much of our work with the international market development is long term, including involvement with training courses for wheat buyers and wheat processors, which are held at KSU grain science department. We are excited about the prospects of a new Grain Science complex including a building specifically for the International Grains Program, a world class program that has for too long been housed in less than world class facilities.

In the domestic market development area, wheat foods face new problems concerning fad diets and challenges to the Food Guide Pyramid. KWC supports the Wheat Foods Council which is comprised of producer and industry membership. KWC Domestic Marketing Specialist, Cindy Falk is Chairperson of the WFC, this year. Something that you will see coming out this spring will be a "Best of Breads in Kansas" Directory that will list bakeries and restaurants that serve quality breads made with Kansas wheat. This will be available on the web at www.kswheat.com and from the travel and tourism locations in the state.

For the first time, the KWC implemented a Harvest Tribute to Kansas wheat producers this spring. The purpose of the campaign was to raise awareness of the importance of wheat producers to the state's economy. In addition to media sponsorships, we secured AgCo/Massey Ferguson and Monsanto as cash sponsors. In May the Governor proclaimed June as Wheat Producer Appreciation Month. We distributed kits to 58 different coops with more than 150 total locations across the state in 46 communities; 15,000 scale ticket envelopes were sent for distribution to producers. Kits included posters, scale ticket envelopes, a radio dub, ad slicks, news releases and instructions. The Harvest Tribute was a successful way to reach producers and we intend to continue this effort in 2003.

House Agriculture Committee
January 15, 2003
Attachment 4

According to Kansas Agricultural Statistics, Jagger is still the most popular wheat in Kansas, accounting for 42.8 percent of the states planted acres. In 2002, 2137 ranked as the second most popular wheat variety planted in Kansas followed by Karl. All three were developed by KSU wheat breeders, and KSU varieties comprise more than 80 percent of the wheat varieties planted in Kansas. The KSU program is the most successful in the U.S. due in large part to the funding from Kansas wheat producers through the Kansas Wheat Commission one penny per bushel assessment. The purpose of the program is to develop varieties that will enhance the profitability of Kansas wheat producers. That research includes not only HRW but now, also Hard White wheat, as Kansas leads the nation in developing Hard White wheat varieties.

The regulations from several government programs that were delineated in the farm bill have yet to be announced including the HW incentive program. However, Kansas is really the only state that is prepared to take advantage of the new HW wheat incentive program because we have competitive HW wheat varieties available for Kansas producers. That is a direct result of the investment that Kansas producers have made in wheat breeding at KSU.

Three seated Kansas Wheat Commissioners representing central Kansas are on the commission as the result of our first election. This week, ballots have been mailed to the registered wheat producers in western Kansas and we have contested races in both SW and WC Kansas and a lone candidate in the NW. Next year there will be an election in eastern Kansas and we will have completed the first election cycle. The KWC has worked in close coordination with the other commodity commissions and Ks. Department of Agriculture in efforts related to these elections.

Kansas Soybean Commission
January 15, 2003
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 one-half 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 one-half of the funds we collect to the United Soybean Board for national and international projects. Nine soybean farmers volunteer their time to serve on the Soybean Commission.

The materials included in our booklet provide some detail on the programs and projects we funded in FY 2002.

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 state international market development effort, separate from USB's extensive program, is done through 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.

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.

As I stated earlier one-half of the soybean checkoff collection goes to the United Soybean Board. This sixty-two member, farmer run board, allocates our national share along with those of twenty-five other soybean producing states. The Kansas Soybean Commission has three representatives on USB. USB funds international market development, production and utilization research, consumer information programs, including assisting the National Biodiesel Board in its efforts to commercialize biodiesel, and producer communications projects.

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.

Ed Mader
Garnett, Kansas

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