

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on March 10, 2003, in Room 423-S of the Capitol.

All members were present except: Representative Thimesch - Excused

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:

Greg Foley, Assistant Secretary, Kansas Department of Agriculture
Kenlon Johannes, Executive Officer, Kansas Soybean Association
Janet McPherson, Assistant Director, Governmental Relations, Kansas Farm Bureau (written only)
Greg Krissek, Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association (written only)

Others attending: See attached list

Minutes of the February 24 meeting were distributed. Members were asked to notify the committee secretary of any corrections or additions prior to 5:00 p.m. March 12, or the minutes will be considered approved as presented.

Hearing and action on SCR 1604 - Concurrent Resolution urging the president and congress of the United States to promote the use of ethanol and biodiesel.

Chairman Johnson opened the hearing on **SCR 1604**. Raney Gilliland reviewed the resolution urging the president and congress of the United States to promote the use of ethanol and biodiesel.

Greg Foley, Assistant Secretary, Kansas Department of Agriculture, appeared in support of **SCR 1604** and provided information on the importance of ethanol and biodiesel to Kansas agriculture. Increasing the use of biofuels adds to on-farm revenue, increases high-skilled employment, improves the balance of trade and positively affects our state and the nation's bottom line. He also noted the numerous environmental benefits of increased biofuel use. (Attachment 1)

Kenlon Johannes, Executive Officer, Kansas Soybean Association, testified in support of **SCR 1604**. KSA leaders will be going to Washington this month to urge our congressional delegation to pass the Renewable Fuels Standard, Biodiesel Tax Incentive, EPACT Reform, CMAQ reform for biodiesel, and other measures to help the biodiesel industry compete against oil subsidies. KSA supports this resolution as an additional step in a cooperative national, state and private industry effort to decrease our dependence on imported petroleum, benefit our general economy and farm economy, and improve our air quality. A news release from the National Biodiesel Board detailing the federal policy issues for biodiesel this year is included with his testimony. (Attachment 2)

Janet McPherson, Assistant Director, Governmental Relations, Kansas Farm Bureau, submitted written testimony in support of **SCR 1604**. She reported that Kansas Farm Bureau and American Farm Bureau policies strongly advocate expanding production and use of renewable fuels. Farm Bureau advocates a national policy that reduces dependence on foreign sources of energy, with a goal of self-sufficiency. Farm Bureau supports a federal Renewable Fuels Standard. (Attachment 3)

Greg Krissek, on behalf of the Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association, provided written testimony in support of **SCR 1604** encouraging the federal government to expand the use of ethanol and biodiesel in our fuel supply. He noted that these agriculturally based renewable fuels provide environmental, energy independence, and economic development benefits. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE at 3:30 p.m. on March 10, 2003, in Room 423-S of the Capitol.

As there were no opponents, Chairman Johnson closed the hearing and opened discussion on **SCR 1604**.

Representative Gatewood moved to recommend SCR 1604 favorable for adoption and, because the resolution is of a noncontroversial nature, be placed on the consent calendar. Seconded by Representative Dahl, the motion carried.

Hearing and action on SB 135 - Inspection not required for buffalo or domesticated deer.

Chairman Johnson opened the hearing on **SB 135**. Raney Gilliland explained that this bill would modify the definition of the term "livestock" to exclude from the term buffalo or domesticated deer slaughtered for sport or recreational purposes. He noted that this bill was similar to **HB 2188** heard in committee on February 17, 2003.

Greg Foley, Assistant Secretary, Kansas Department of Agriculture, appeared in support of **SB 135** to remove buffalo and captive deer from the definition of "livestock" when they are slaughtered for sport or recreational purposes. The buffalo producer who wants his animals slaughtered under full inspection so he can sell the final product may still do so. He said the renewed interest in sport hunting of buffalo prompted the need for this change in existing law. (Attachment 5)

As there were no other conferees, the hearing on **SB 135** was closed. Chairman Johnson opened the floor for discussion.

Representative Powell moved to recommend SB 135 favorable for passage. The motion was seconded by Representative Ostmeyer.

Representative Dahl offered a substitute motion to recommend SB 135 favorable for passage and, because the bill is of a noncontroversial nature, be placed on the consent calendar. Seconded by Representative Powell, the motion carried.

The meeting adjourned at 4:05 p.m. The next meeting is scheduled for March 12, 2003.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: March 10, 2003

NAME	REPRESENTING
Todd Johnson	Kansas Livestock association
Barbara Meyer	Intern Rep. Gatewood
Daryn Soldan	Intern Rep. Schwantz
Kenlon Johannes	Kansas Soybean Association
Evan Sumner	KDA
Daryn A. [unclear]	KDA



KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

House Agriculture Committee

March 10, 2003

Senate Concurrent Resolution 1604

Greg Foley, Assistant Secretary

Good afternoon, Chairman Johnson and members of the committee. I am Greg Foley, assistant secretary of the Kansas Department of Agriculture. I am pleased to appear before you today to provide information on the importance of ethanol and biodiesel to Kansas agriculture.

The Department of Agriculture supports this resolution you are considering to encourage increased use of agricultural products. Reducing our reliance on foreign oil is an important part of homeland defense, and it is an element of that defense that comes from right here in the Heartland.

The Department of Agriculture supports the use of ethanol and biofuels in motor vehicle fuel. Biofuels provide a value-added opportunity for the Kansas corn, grain sorghum and wheat industries. Increasing the use of biofuels adds to on-farm revenue, increases high-skilled employment, improves the balance of trade and positively affects our state and the nation's bottom line.

The environmental benefits of increased biofuel use are numerous. For instance, ethanol can reduce sulfur content and aromatic and benzene content. Even a low 10 percent ethanol blend can reduce carbon monoxide better than any other federal Reformulated Gasoline by more

than 25 percent. In addition, ethanol has been shown to be high in oxygen content, which makes it an effective tool to reduce ozone pollution and makes it a safe replacement for toxic octane enhancers in gasoline.

The use of ethanol and biodiesel is important to Kansas and important to agriculture. I will be happy to stand for questions at the appropriate time.

Kenlon Johannes
Kansas Soybean Association
Testimony before the House Agricultural Committee
In favor of 1604
March 10, 2003

My name is Kenlon Johannes and I am the Executive Officer of the Kansas Soybean Association (KSA). We are a membership organization of soybean farmers who have banded together to work toward favorable state and national policies critical to our profitability.

KSA has made biodiesel blend sales in Kansas its number one priority. We are working with the Kansas Soybean Commission (the soybean checkoff board) to educate potential biodiesel blend consumers on the reasons to, and benefits of buying and using biodiesel blends.

The Kansas Soybean Association is affiliated with the American Soybean Association (ASA). ASA is working in Washington on the legislative efforts to help make biodiesel and biodiesel blends more competitive in selected markets.

While biodiesel has been used extensively in Europe for decades it was introduced as a fuel in the United States by the soybean checkoff and soybean associations about 10 years ago. The Europeans understand that using biodiesel as part of energy security and economic develop programs is vital to their energy security and economic development. France has mandated that all diesel fuel sold in France contain 5% biodiesel. Germany and Austria have B100 available at the pump right along side of the petroleum diesel fuel pumps. They wave all taxes on B100 making it the same price petroleum diesel. We need programs in the United States that help do the same thing.

Biodiesel's development got a boost right after Desert Storm, in 1992 when the Energy Policy Act was passed by Congress and the Bush 41 administration to decrease our dependence on foreign oil. At that time the US was importing an unthinkable 45%. The progress so far, we now import over 50% of our petroleum and it is projected that number will be 60% within the next ten years.

KSA leaders will be going to Washington this month and we will urge our Congressional delegation to pass the Renewable Fuels Standard, Biodiesel Tax Incentive, EPACK Reform, CMAQ reform for biodiesel, and other measures to help the biodiesel industry compete against oil subsidies. We support enacting 1604 as an additional step in a much needed cooperative national, state and private industry effort to decrease our dependence on imported petroleum, benefit our general economy and farm economy, and improve our air quality. We will be taking this resolution with us to Washington for our and other congressional delegations to consider. We urge you to pass it.

I have attached a news release from the National Biodiesel Board detailing the federal policy issues for biodiesel this year, the soybean industry's positions on the issues and background for our soybean industry's support for the various pieces of legislation.

I would be happy to answer any questions you may have.

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NEWS

FOR IMMEDIATE RELEASE

Contact: Jenna Higgins/NBB
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February 14, 2003

Biodiesel Tax Incentive Makes a Comeback

Legislators introduce significant biodiesel legislation to promote use of cleaner burning fuel

JEFFERSON CITY, Mo. – Several U.S. Members of Congress have introduced important legislative measures designed to encourage increased use of biodiesel, a cleaner burning alternative to petroleum-based diesel fuel that is produced from fats and vegetable oils such as soybean oil. These bills include:

- ? Biodiesel Tax Incentive (S. 355) – Introduced by U.S. Senators Blanche Lincoln (D-AR) and Chuck Grassley (R-IA), S. 355 would provide a one-cent reduction in the diesel fuel excise tax for each percentage of biodiesel blended with petroleum diesel up to 20 percent.
- ? EPACT Reform (S. 356, H.R. 316) – Introduced by U.S. Senators Lincoln, Kit Bond (R-MO), and Jim Talent (R-MO), S. 356 would remove the 50 percent limit on alternative fuel credits earned with biodiesel under the Energy Policy Act (EPACT) of 1992. This applies to federal, state and public utility fleets. U.S. Representative John Shimkus (R-IL) introduced H.R. 316, the U.S. House version of S. 356.
- ? CMAQ (H.R. 318) – Introduced by Representatives Shimkus and Karen McCarthy (D-MO), H.R. 318 would allow biodiesel use under the congestion mitigation and air quality (CMAQ) improvement program.
- ? Renewable Fuel Standard (S. 385) – Introduced by Senators Tom Daschle (D-SD) and Dick Lugar (R-IN) would create a nationwide standard that would more than double the use of renewable fuels over the next 10 years. Biodiesel is an eligible fuel to meet the goal.

There are many benefits to increased biodiesel use. A recent Environmental Protection Agency (EPA) report of biodiesel emissions confirms substantial reduction of unburned hydrocarbons, carbon monoxide, and particulate matter compared to emissions from petroleum diesel. Because it is produced domestically, increased biodiesel use would also contribute to the economy and national energy security.

The previous Congress was on the verge of approving an Energy Bill that contained strong biodiesel incentives. However, issues unrelated to biodiesel prevented congressional negotiators from reaching an agreement on a final Energy Bill before the 107th Congress adjourned last November.

“The introduction of these bills builds on the momentum generated from last year’s success,” said Joe Jobe, NBB executive director. “Biodiesel is fortunate to have strong bipartisan support. There’s something in it for everyone. These bills provide an excellent starting point to move significant biodiesel incentives through this year.”

(more)

Leaders of the biodiesel industry view a partial excise tax exemption as a priority in order to make biodiesel more cost-competitive with petroleum diesel. The proposed partial tax exemption is unique because any money lost from the Highway Trust Fund would be repaid by the Commodity Credit Corporation, a program administered by the U.S. Department of Agriculture which makes federal payments to soybean farmers.

“Securing passage of legislation that would encourage the use and production of biodiesel is a top priority for U.S. soybean farmers this Congress,” said National Biodiesel Board (NBB) Director and American Soybean Association (ASA) First Vice President Ron Heck from his farm in Perry, Iowa. “Thankfully we have some good friends in Congress who share this goal.”

Biodiesel has become one of the fastest growing alternative fuels in the nation largely without incentives, but it is still more costly than petroleum diesel. A 2000 General Accounting Office study done for Congress showed that in the previous 32 years, just the three largest special tax breaks for the petroleum industry cost \$132 billion, more than 10 times the tax incentives for renewable fuels.

Biodiesel performs comparably to diesel, with similar BTU content and higher cetane. About 300 major fleets currently use B20 (a blend of 20 percent biodiesel and 80 percent diesel), including about a dozen school districts, the U.S. Postal Service, the City of Philadelphia, the U.S. Department of Agriculture (USDA), several public transit systems and national parks.

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Readers can learn more about biodiesel by visiting www.biodiesel.org.



Kansas Farm Bureau

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PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON AGRICULTURE

Re: SCR 1604 – encouraging federal legislation to promote and expand the use of ethanol and biodiesel.

**March 10, 2003
Topeka, Kansas**

**Presented by:
Janet McPherson, Assistant Director
KFB Governmental Relations**

Chairman Johnson and members of the committee, thank you for the opportunity to provide comments on Senate Concurrent Resolution 1604. I am Janet McPherson, Assistant Director of Governmental Relations for the Kansas Farm Bureau. KFB and American Farm Bureau policies strongly advocate expanding production and use of renewable fuels. As such, Kansas Farm Bureau supports SCR 1604.

Federal energy policy is an important component for expansion of the biofuel industry. Farm Bureau advocates a national policy that reduces dependence on foreign sources of energy, with a goal of self-sufficiency. Farm Bureau policy speaks to a goal of at least ten percent of energy coming from renewable sources, including timber and all agricultural biomass products and byproducts.

One federal policy that Farm Bureau supports is the Renewable Fuels Standard (RFS), which has again been introduced in the 108th Congress in newly proposed legislation. Federal energy policy including RFS provisions would generate benefits to Americans, including:

- Ethanol use reduces the U.S. trade deficit by \$2 billion annually.
- The RFS could increase net farm income by \$4.5 billion and add 30 cents to the value of every bushel of corn.
- The use of renewable fuel sources, such as ethanol and biodiesel, has the potential of fortifying our nation's energy security by displacing 66 billion gallons of foreign crude oil by 2012.
- In a recent study commissioned by USDA, research confirmed that ethanol is a positive net energy producer. On average, for every 100 BTUs of energy used to produce ethanol, 135 BTUs of ethanol are produced.

Kansas Farm Bureau supports the intent of SCR 1604 and respectfully requests that the committee report favorably on this resolution. Thank you.

Kansas Farm Bureau represents grassroots agriculture. Established in 1919, this non-profit advocacy organization supports farm families who earn their living.

House Agriculture Committee
March 10, 2003
Attachment 3



**Written Testimony for Senate Concurrent Resolution No. 1604
Submitted to the House Agriculture Committee
March 10, 2003**

Thank you for the opportunity to submit written testimony in support of SCR 1604 on behalf of both the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association. Unfortunately, both Jere White and I are unable to be present with you today to give this testimony in person. We will be available at your hearing on Wednesday if we can assist with any questions that may remain about this resolution.

The provisions of SCR 1604 would encourage the federal Congress and Bush Administration to approve federal energy legislation that expands the use of ethanol and biodiesel in the nation's fuel supply. While our associations also support the use of biodiesel, these comments will focus on the expanded use of ethanol in gasoline, or as we like to call it, E-10 Unleaded.

Kansas currently has five operating ethanol production plants that process grains, including grain sorghum, corn, and wheat, into more than 80 million gallons of fuel ethanol annually. Nationally, approximately 2.1 billion gallons of ethanol were produced in calendar 2002 with total U.S. annual production capacity at 2.7 billion gallons and approximately 400 million gallons of new production at plants currently under construction. We believe several additional Kansas ethanol plants with significant farmer ownership will be under construction later this year.

Once again today, we find our nation at a crossroads of history where energy dependence has become a pressing issue. Some estimates indicate we will soon import annually over 60% of the crude oil that is needed to run the U.S. economy. A recent study commissioned by Kansas government indicated that our state is a net importer of energy. Last year the U.S. Congress began consideration of a comprehensive energy strategy that included a Renewable Fuels Standard for biofuels (ethanol and biodiesel) use in our nation's fuel supply. That effort continues in the 108th Congress with several pieces of legislation containing an RFS having either already been introduced or will be in the very near future. Most published analyses of the proposed RFS would have total ethanol use grow from its current level to over 5 billion gallons in 2012. This growth, in a small part, will help reduce the U.S. dependence on foreign oil.

We are very supportive of state government encouraging the federal government to expand the use of ethanol and biodiesel in our fuel supply. Additionally, you should know that the national alliance supporting creation of the RFS is holding a rally in Washington, DC next week on March 18th- 19th to further the momentum in Congress for this effort. Kansas producers who are members of our associations will be participating in the rally and visiting our Congressional delegation to express our support for the RFS.

These agriculturally based renewable fuels provide environmental, energy independence, and economic development benefits. We must attempt to solve America's growing energy imbalance. Your support of SCR 1604 is a step in that direction and can send a timely message to Congress about this very important issue.

Respectfully submitted,
Greg Krissek



KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

House Agriculture Committee

March 10, 2003

Senate Bill 135

Greg A. Foley, Assistant Secretary

Mr. Chairman and members of the committee, I am Greg Foley, assistant secretary of the Kansas Department of Agriculture. Thank you for the opportunity to discuss amending the buffalo and captive deer definition of livestock in the Meat and Poultry Act.

Buffalo and captive deer are amenable to the Kansas Meat and Poultry Inspection Act and there are specific ways in which these animals, or their carcasses, may be presented to state meat plants for processing. Although KDA-MPI does not regulate recreational harvesting of these animals, we do regulate their slaughter and processing. Since they are amenable under the act, they must be slaughtered and/or processed at registered facilities.

Since buffalo are amenable under the act, there is no extra fee for slaughter or processing inspection at Kansas plants. They are not amenable under the Federal Meat Inspection Act, so USDA's Food Safety Inspection Service charges \$38.44 per hour for an inspected slaughter at federally inspected plants.

Buffalo hunting is native to Kansas, and renewed interest in sport hunting of buffalo is prompting the need for change in existing law. Currently, there are two options for buffalo producers to present carcasses for processing and remain in compliance with the law. However, both options are cumbersome for this activity.

Amending the Kansas Meat and Poultry Inspection Act to eliminate buffalo and captive deer from the definition of "livestock" when they are slaughtered for sport or recreational purposes, makes these species non-amenable to the act under those circumstances. The buffalo producer who wants his animals slaughtered under full inspection so he can sell the final product may still do so without the worry of a voluntary inspection fee, since they will be slaughtered under conditions that are still amenable to the act.

In conclusion, the Kansas Department of Agriculture respectfully requests your support of this bill to ensure that buffalo, regardless of harvesting method, remains a safe and wholesome product.