

## MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairperson Derek Schmidt at 8:30 a.m. on January 15, 2003 in Room 423-S of the Capitol.

All members were present except: Senator Corbin, excused

Committee staff present: Raney Gilliland, Legislative Research  
Amy Cramer, Legislative Research  
Lisa Montgomery, Revisor of Statutes  
Judy Swanson, Committee Secretary

Conferees appearing before the committee: Rebecca Reed, Kansas Dept. Of Agriculture  
Kevin Lickteig, Grain Sorghum Commission  
Ed Mader, Soybean Commission  
David Frey, Wheat Commission

Others attending: See attached list

Chairman Schmidt welcomed the Committee members and introduced 2003 legislative staff.

Senator Schmidt moved to introduce a bill correcting a technical error in the "endangering the food supply" statute. Senator Umbarger seconded the motion, and motion passed.

Senator Umbarger urged Committee members to attend a bio-diesel information meeting on January 23 at the Capitol Plaza.

Rebecca Reed, Kansas Department of Agriculture, presented a Grain Commodity Commissions Election Update. (Attachment 1)

Kevin Lickteig, Administrator for the Kansas Grain Sorghum Commission presented their Annual Report. (Attachment 2) Senator Lee suggested a presentation by the ethanol plant be given to the Committee. Senator Tyson noted that expenses were lowered by 18% last year which shows how bad agriculture is doing already, and this should be kept in mind when the Legislature looks at their budget. They are continuing their efforts in marketing ethanol. There were fewer acres of grain sorghum in Kansas this year over last year. Research, marketing, feasibility studies and promotion have all been affected by the lower budget. Public service announcements and partnerships with other organizations/groups for cooperative advertising was suggested by Senator Downey.

Ed Mader, Chairman of Kansas Soybean Commission, presented their Annual Report. (Attachment 3) The Commission is part of a federal check-off program. Their top priority is primarily production research. In the Southeast part of the United States, it is cheaper to import soybeans rather than using domestically-grown beans. It is a misconception that bio-diesel fuel freezes or jells easier than regular fuel.

David Frey, Kansas Wheat Commission, presented their Annual Report. (Attachment 4) Over 38 percent of the United States was plagued by severe drought last year. Efforts to change trade policy with Cuba have paid off. Jagger is still the most popular wheat in Kansas.

The meeting adjourned at 9:30 a.m.



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KANSAS DEPARTMENT OF AGRICULTURE

Senate 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 Blaesi  
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

*Senate Agriculture  
Attachment 1  
1-15-03*

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

*Senate Agriculture  
Attachment 2  
1-15-03*

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.

# Kansas Grain Sorghum Commission

# ANNUAL REPORT

Annual Report

FALL 2002

## Improving Drought Tolerance Is Top Research Priority

Nearly every Kansas sorghum grower will tell you the summer of 2002 was one of the driest ever. While grain sorghum is noted for its ability to produce under dry conditions, research continues to make the plant even more drought tolerant.

Grain sorghum is a popular choice in Kansas, because of its ability to produce a high quality grain without irrigation. But in years like 2002 when much of the state was in drought conditions for the entire growing season, the grain sorghum crop suffered.

Kansas is expected to harvest

a total of 148.8 million bushels in 2002—that's down 36 percent from last year. The 2002 average yield is forecast to be at 48 bushels per acre,

down 14 bushels from 2001.

Grain sorghum yields fluctuate with the amount of rain we receive in Kansas. The Kansas  
*(continued on p. 2)*

## Non-Feed Use of Sorghum Continues to Grow

Industries look for trends, and one trend that the grain sorghum industry is taking note of is a steady increase in the utilization of sorghum for food seed and industrial uses. In the mid-1970s, just over one percent of the nation's sorghum crop was used for these non-feed applications. Today, nearly nine percent of the US grain sorghum crop is used in

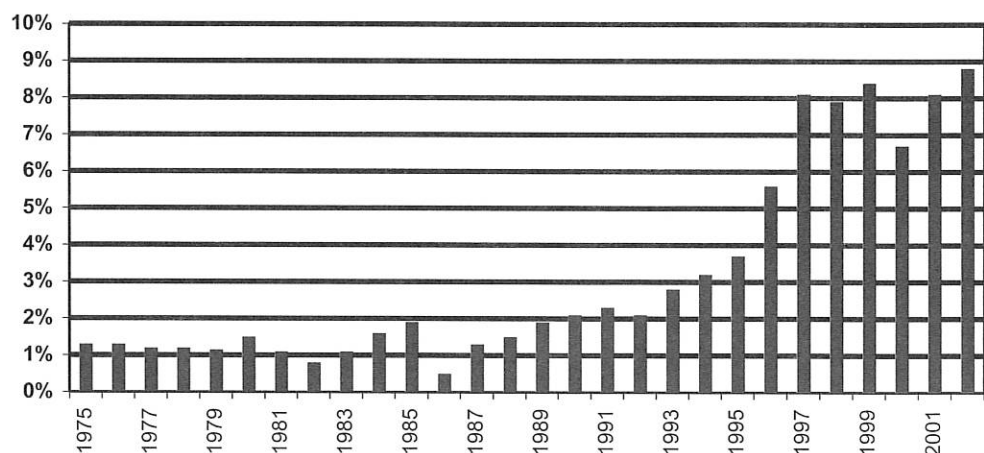
food, seed and industrial applications.

The Kansas Grain Sorghum Commission works closely with the National Grain Sorghum Producers to continue the growth that is occurring in these areas. The Kansas Grain Sorghum Checkoff was

*(continued on p. 2)*

**IT'S NOT JUST FOR FEED ANYMORE—**  
Since 1975, the non-feed use of grain sorghum has increased dramatically. The Kansas Grain Sorghum Commission was established in 1977. Finding new uses and industrial uses for sorghum has been a commission priority for years. Those years of investment are paying off.

## GRAIN SORGHUM Food, Seed and Industrial Use as % of Total Supply: 1975-2002



# New Uses for Sorghum on the Rise

(continued from page 1)

initiated in 1977 and has been instrumental in pursuing new markets for grain sorghum.

"It's no accident that we're seeing expanded uses for grain sorghum," KGSC Chairman Jeff Casten of Quenemo said. "This is a primary focus for us. Our goal is to make grain sorghum more valuable, and one way to do that is to increase demand and increase markets for our crop."

The largest increase in non-feed uses of grain sorghum comes from the ethanol industry. Most of the ethanol produced in Kansas is made from grain sorghum. KGSC is working with NGSP to increase the use of grain sorghum in ethanol production in other states located in the sorghum belt.

"The livestock industry continues to be our most important customer," Casten said. "When grain sorghum is used in ethanol production, a major by-product is distillers grains, a high-nutrient livestock feed."

An increase in the use of food-grade grain sorghum also accounts for part of the increase in non-feed uses. KGSC is part of a research consortium that is working to uncover the unique nutritional benefits of sorghum. That research has already identified certain breeds of sorghum that have

extremely high antioxidant levels and other nutritional benefits. Grain sorghum is gaining interest among groups who promote natural foods and high nutrient foods.

NGSP has also been working with food companies in Japan who have introduced many sorghum based food products, including popular new snack foods.

## Drought Tolerance

(continued from page 1)

Grain Sorghum Commission is working to level out those yields by funding research into drought tolerance. Drought tolerance or dryland production is a component of three different Kansas State University research projects funded by the commission.

Ken Kofoid, a sorghum geneticist at KSU Agricultural Research Center at Hays is conducting sorghum breeding research to improve yield, greenbug and virus resistance and pre-flowering drought tolerance.

Mitch Tuinstra, a KSU agronomist, is focusing on a breeding program to improve dryland production in grain sorghum looking at stalk rot and head blight resistance; sooty stripe resistance, and developing a parent line and enhancing germplasm to produce hybrids that will have higher yields in a broad range of conditions.

Research being led by George Liang, at KSU's Department of Agronomy is working to transform grain sorghum with genes that have the ability to improve the plant's resistance to stalk rot and drought tolerance.

## 2002 Grain Sorghum Production Estimates

*Kansas Agricultural Statistics Service October Estimates*

<b>Total Kansas Production:</b> .....	<b>148.8 million bushels</b>
<b>2002 Production compared to 2001:</b> .....	<b>Down 36 percent</b>
<b>2002 Yield</b> .....	<b>48 bushels per acre</b>
<b>Acreage for Harvest</b> .....	<b>3.1 million acres</b>
.....	
<b>Total US Production</b> .....	<b>387.3 million bushels</b>
<b>2002 US Production Compared to 2001</b> ....	<b>Down 25 percent</b>
<b>2002 US Yield</b> .....	<b>51.4 bushels per acre</b>
<b>US Acreage for Harvest</b> .....	<b>7.5 million acres</b>

## Kansas Grain Sorghum Commission Annual Report

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PO Box 243, Paola, KS 66071

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# KANSAS GRAIN SORGHUM COMMISSION

## ANNUAL FUNDING REPORT—FY2003

### The Kansas Grain Sorghum Commission

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

#### The areas of investment are:

- ◆ Production and New Use Research
- ◆ Domestic Market Development
- ◆ Foreign Market Development
- ◆ Promotion and Education

### Who represents you on 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 6)

Thanks to legislation passed in 2000 designed to give growers more input into their commission representation, growers began to elect commissioners in 2002. The second round of elections will be held in early 2003 for the northwest, west central and southwest grower districts.

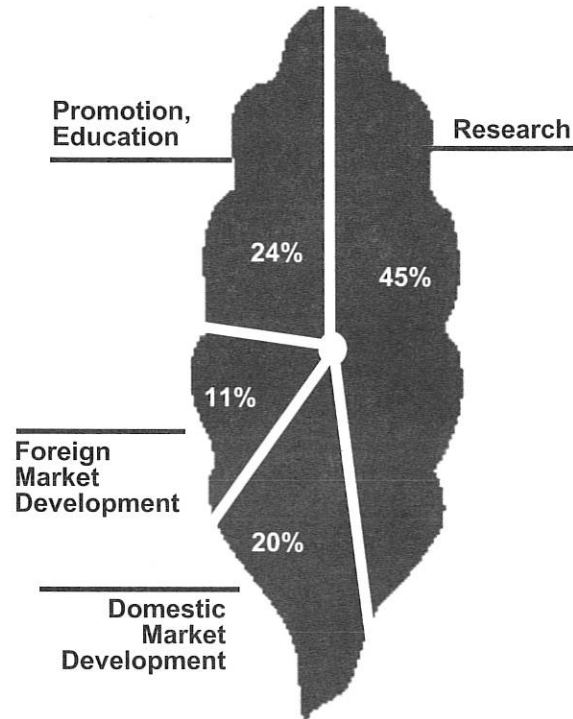
The administrator of the Kansas Grain Sorghum Commission is Kevin Lickteig.

The commission's administrative office is located in Paola, KS, and can be contacted at 866-4KSMILO (866-457-6456)

The commission web site can be found at:  
[www.ksgrains.com/kgsc](http://www.ksgrains.com/kgsc)

### FY 2003

This pie chart outlines program areas in which your checkoff dollars are being invested by the Kansas Grain Sorghum Commission in Fiscal Year 2003 (July 1, 2002 through June 30, 2003)



Production/New Use Research.....	\$305,933 (45%)
Domestic Market Development .....	\$133,083 (20%)
Foreign Market Development.....	\$ 75,000 (11%)
Promotion and Education .....	\$162,583 (24%)

### FY 2002

These are the program areas in which your checkoff dollars were 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%)
Foreign Market Development.....	\$139,400 (17%)
Promotion and Education .....	\$200,400 (24%)



# KGSC Funded Projects—FY2003

Kansas Grain Sorghum Producers Association.....	\$121,500
Promotion, Education and Market Development	
National Grain Sorghum Producers	
Promotion, Education, Market Development, Research.....	\$217,000
US Grains Council	
Baseline Funding and Market Access Program .....	\$60,000
Member and Expenses.....	\$7,000
US Meat Export Federation.....	\$8,000
Kansas Agriculture in the Classroom .....	\$25,000
Kansas Agricultural Statistics Service	
Grain Production Forecasting Program .....	\$4,500
<b>KSU Projects</b>	
Grain Sorghum Production in Kansas:	
Extension and Applied Research	
Dale Fjell, KSU Agronomy .....	\$4,000
Breeding Sorghum with Improved Grain Yield, Greenbug and	
Virus Resistance and Preflowering Drought Tolerance	
Ken Kofoid, Hays Extension and Research Center .....	\$72,000
Transformation of Sorghum for Enhanced Stalk Rot	
Resistance and Drought Tolerance	
George Liang, KSU Agronomy .....	\$48,000
Breeding Grain Sorghum for Improved Dryland Production	
Mitch Tuinstra, KSU Agronomy .....	\$67,600
Revising KSU Grain Sorghum Phosphorus and	
Potassium Nutrient Recommendations	
Dale Leikam, KSU Agronomy .....	\$15,000
Irrigated Cropping Systems to Reduce Irrigation Water Use and	
Groundwater Depletion While Sustaining Profitability	
Alan Schlegel, SW Kansas Research Center .....	\$12,000
Plot Combine for KSU Hays Research Center .....	\$15,000
<hr/>	
<b>Late FY2002 Grants</b>	
Smith Center Economic Development—Ethanol feasibility .....	\$5,000
Western Plains Energy—Ethanol Feasibility .....	\$3,000

# Interest In Food-Grade Sorghum Continues to Grow

## *Food Uses Are Growing*

While the livestock industry continues to provide a market for most of the grain sorghum produced in the United States, use of food-grade sorghum is on the rise.

People who cannot tolerate gluten in their diet are turning to sorghum as a gluten-free alternative. Twin Valley Mills in Ruskin, Nebraska is selling a variety of packaged sorghum flour products. Oregon-based Bob's Red Mill Natural Foods has introduced a line of gluten-free products including flours, bread mixes and hot cereal.

KGSC funds market development efforts through the National Grain Sorghum Producers to increase the use of sorghum in consumer products.

## *Japanese Snack Food*

Japanese snack food manufacturers continue to develop new foods with food-grade grain sorghum.

Calbee Foods, a leading Japanese snack food maker, has launched a new, puffed snack chip made from U.S. white food sorghum and corn. The product is being test marketed in Tokyo convenience stores and comes in two flavors—barbecue and cheese. The U.S. Grains Council (USGC) office in Japan along with U.S. food sorghum experts and producers introduced white food grade sorghum to Calbee Foods and worked closely with Calbee's research and development department to convince them of the advantages to using white

food grade sorghum. This latest development with U.S. white food sorghum in Japan follows closely on the heels of a visit to the U.S. Sorghum Belt by two representatives of Calbee foods this year. That visit was preceded by meetings with NGSP staff in Tokyo earlier this year. This is the second snack food product made with sorghum to be launched in Japan. At least one other Japanese company will soon launch a sorghum-based product targeted toward the health niche market.

## *Research Underway*

Research through NGSP is underway to identify sorghum varieties that have specific nutritional values, like high levels of antioxidants for use in specialty foods.

## Brochure Features Information on Sorghum's Value in Ethanol and Its Co-Products

Most of the ethanol produced in Kansas is made from grain sorghum. In an effort to increase the acceptance of sorghum use in ethanol production, the National Grain Sorghum Producers with the assistance of the Kansas Grain Sorghum Commission and other state checkoff boards produced a brochure with information on the use of sorghum in ethanol.

The brochure outlines three key points:

- ◆ One bushel of sorghum produces the same amount of ethanol as one bushel of corn.

- ◆ The major co-product of ethanol production is Dried Distillers Grains with Solubles (DDGS). DDGS is a high protein livestock feed valued by the livestock industry. DDGS made from sorghum is equal to corn-based DDGS.

- ◆ The sorghum belt extends into a large part of the nation's ethanol producing states.

NGSP and KGSC are continuing efforts to inform ethanol producers and livestock feeders about the value of grain sorghum in ethanol and DDGS livestock feed.

## *Popular School Assembly Program Begins First Full Year*

Kansas Foundation for Agriculture in the Classroom is taking its popular Kids, Crops and Critters school assembly program into its first full year after a year as pilot project in 2001. The program teaches students about agriculture. The hands-on assembly program is tailored to meet the needs of 3rd and 4th graders and supports the Kansas curriculum guidelines for math and science for those grade levels. KGSC is sponsoring the classroom program for the second year.

# 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 9 members representing the nine crop reporting districts.
Legislation passed in 2000 governing the commissions established grower elections for commission members. The second round of elections will be held in early 2003 for District 1 (northwest); District 2 (west central) and District 3 (southwest).	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 commission does not engage in legislative activities. Checkoff funds may be spent for market development, promotion, research & education.	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 research, market development, promotion and education.	The Kansas Grain Sorghum Producers Association has a contract to provide market development, promotion and education services to the commission.

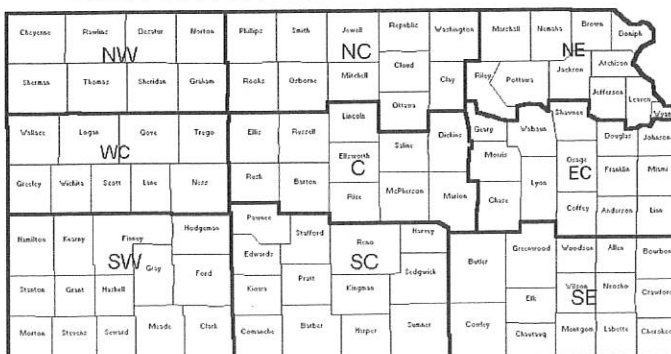
## Kansas Grain Sorghum Commission

Dist. 1 (NW)	Lynn Goossen ..... Colby ..... 785-462-7708
Dist. 2 (WC)	Greg Graff, Vice Chair ..... Marienthal ..... 620-379-4677
Dist. 3 (SW)	Donald Rome ..... Garden City ..... 620-275-6792
Dist. 4 (NC)	Bill Greving ..... Prairie View ..... 785-973-2224
Dist. 5 (C)	William Luecke ..... Hays ..... 785-628-2603
Dist. 6 (SC)	Jay Zimmerman ..... South Haven ..... 620-326-7338
Dist. 7 (NE)	Stanley Schmitz, Sec. .... Seneca ..... 785-336-3368
Dist. 8 (EC)	Jeff Casten, Chairman ..... Quenemo ..... 785-759-3520
Dist. 9 (SE)	Dwayne DeTar ..... Coffeyville ..... 620-251-2100

Administrator: Kevin Lickteig, PO Box 243, Paola, KS 66071;  
Phone: 866-457-6456; e-mail: lickteig@micoks.net

## District Map

AGRICULTURAL STATISTICS DISTRICTS



## KGSC Officers

### Chairman

Jeff Casten, Quenemo

### Vice Chairman

Greg Graff, Marienthal

### Secretary-Treasurer

Stanley Schmitz, Seneca

## Administration

Kevin Lickteig, Administrator

PO Box 243

Paola, KS 66071

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## Kansas Ethanol Roundup

### Russell Ethanol Increases Production

U.S. Energy Partners LLC recently completed a major expansion that increases its Russell ethanol plant capacity from 25 to 40 million gallons per year. U.S. Energy Partners LLC, on the outskirts of Russell, Kansas, is co-located in an industrial park adjacent to an affiliated wheat gluten plant and the town's power plant. The wheat gluten plant provides roughly 1/3 of the feedstock for the ethanol plant, which uses grain sorghum as the base feedstock. The power plant provides energy, steam, and waste heat to the plant. In addition to ethanol, the plant produces distillers dried grains (DDG) and carbon dioxide.

### Western Plains Energy LLC Continues Equity Drive

Western Plains Energy LLC, has extended its equity drive to Dec. 31, 2002 and is continuing to hold informational meetings. Western Plains Energy, L.L.C. is proposing to construct a 30 million gallon ethanol production facility near Oakley, KS. The plant would use 10.7 million bushels of sorghum or corn and produce over 90,000 tons of distillers grain that could be used in Kansas cattle feedlots. Investments will only be accepted in accordance with the terms of a written prospectus that will be distributed at the meetings or requested from our office. You should read the prospectus carefully before investing. All investments involve risk. For more information, call the WPE office at (785-754-2119).

### Ethanol Industry Continues Record-Breaking Pace

The U.S. ethanol industry set an all-time monthly production record of 145,000 barrels per day (b/d) in September, according to data released by the U.S. Energy Information Administration in September. The previous record of 136,000 b/d was set in August. Production for the month was up 25 percent compared to last September when 116,000 b/d of ethanol were produced. The ethanol industry is on track to produce an annual record of approximately two billion gallons this year. Currently, 66 ethanol plants have the capacity to produce over 2.55 billion gallons annually. With three additional plants scheduled to come on-line by the end of the year, production capacity will reach 2.7 billion gallons.

## Kansas Ethanol Facts

☞ The number of Kansas fuel stations carrying E10 Unleaded (unleaded gasoline with 10% ethanol) has increased in 2002. E10 Unleaded can be found at many stations including Casey's, many Kwik Shops and cooperative-owned stations.

☞ Every foreign and domestic automobile manufacturer approves of the use of E10 Unleaded.

☞ In July, U.S. Energy Partners LLC completed a major expansion that increases its Russell ethanol plant capacity from 25 to 40 million gallons per year.

☞ Kansas ethanol production has nearly doubled in the past year, using 30 million bushels of grain sorghum and corn to produce approximately 80 million gallons of ethanol.

☞ The Renewable Fuels Standard in the Energy Bill would triple the demand for ethanol nationwide. The Energy Bill is currently in a House-Senate conference committee.

☞ In October, two Kansas ethanol plant start-up groups received USDA Rural Development Value Added Grants (VADG). East Kansas Agri-Energy received a \$450,000 grant to finance start-up expenses of a 20-million gallon ethanol plant near Garnett. Western Plains Energy, LLC, received a \$290,615 grant to finance start-up cost for a 30-million gallon ethanol plant near Oakley. Western Plains Energy is currently conducting an equity drive to raise money to construct its plant. The equity drive will continue through December 31, 2002. At the time of this publication, East Kansas Agri-Energy was in the process of securing approval to sell stock, and had not yet begun an equity drive.

☞ At least seven groups in Kansas are in various stages of planning ethanol plants.

☞ The Kansas Grain Sorghum Commission, along with the Kansas Corn Commission and Kansas Department of Commerce and Housing, funded and compiled a pre-feasibility study to help start up groups decide if they should proceed in pursuing plans to build an ethanol plant.

# Commissioners Represent Kansas Growers on National Boards

## National Grain Sorghum Producers

The Kansas Grain Sorghum Commission works closely with National Grain Sorghum Producers. The commission funds a multi-state research consortium that is administered through NGSP. The commission also funds foreign and domestic market development efforts through NGSP. Six of the nine commission members serve on the NGSP Board of Directors. They are: Jeff Casten, Queeno; Greg Graff; Marienthal; Dwayne DeTar, Coffeyville; Jay Zimmerman, South Haven; Stanley Schmitz, Seneca, and Bill Greving, Prairie View. Casten and Greving serve on NGSP's Executive Committee.

## US Grains Council

KGSC works with the US Grains Council to increase export markets for grain sorghum. USGC is a non-profit organization with 10 international offices and programs in 80 countries. The US Grains Council's mission is to promote export sales of grain sorghum, educate foreign buyers and identify and eliminate trade barriers for our US crops.

Greg Graff, Marienthal, serves on the US Grains Council Executive Committee. Graff, Jay Zimmerman, South Haven, and Lynn Goossen, Colby, serve on the US Grains Council Board of Directors.

## US Meat Export Federation

KGSC funds foreign market development efforts through the US Meat Export Federation. Bill Greving, Prairie View, serves on the USMEF Board.

USMEF works to increase exports of meat. The livestock industry provides a strong market for the majority of grain sorghum produced in the U.S. Meat exports increase the demand for grain sorghum.

The USMEF is a non-profit trade association working to create new opportunities and develop existing international markets for U.S. beef, pork, lamb and veal. USMEF has offices worldwide.

**Annual Report**

Annual Report  
Po Box 243  
Paola, KS 66071



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**FY 2003 Budget**  
**KANSAS GRAIN SORGHUM COMMISSION**

INCOME		
Check-off Collections	\$ 902,000	
Allowance for Refunds 8%	-72,160	
	-----	
Net Income	\$ 829,840	
Other Income- Interest	6,000	
	=====	
<b>TOTAL INCOME</b>		<b>\$835,840</b>
EXPENSES		
Programs:		
KGSPA	\$ 121,500	
KSU Research	233,600	
NGSP	217,000	
Ag in the Classroom	25,000	
USGC	60,000	
USGC member KGSPA	8,000	
US MEF	8,000	
Special Projects	25,000	
Advertising & Media	5,000	
	-----	
Total Programs		\$ 703,100
Administrative:		
Contract-Administrator	77,000	
KDA receipt/audit/elections	\$ 8,000	
Commissioner Travel	25,000	
Contractor Travel	12,000	
Meeting Expense	1,000	
Postage & Delivery	500	
Purchaser Supplies	500	
Bank Fees & Supplies	500	
Legal & Accounting	3,000	
	-----	
Total Administrative Expense		\$ 127,500
		-----
<b>TOTAL EXPENSES</b>		<b>\$ 830,600</b>
		=====
<b>PROJECTED INCOME/DEFICIT</b>		<b>+ 5,240</b>

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**KANSAS GRAIN SORGHUM COMMISSION**

Paola, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2002



*Certified Public Accountants' Report*

August 12, 2002

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, 2002 and 2001, and the related statements of activities and cash flows for the years 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Varney and Associates CPAs LLC*

Certified Public Accountants

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

	2002	2001
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash in checking	\$ 561,667	\$ 99,367
Investments	-	505,863
	\$ 561,667	\$ 605,230
<b>TOTAL ASSETS</b>	<b>\$ 561,667</b>	<b>\$ 605,230</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 12,670	\$ 41,309
<b>Net Assets</b>	548,997	563,921
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 561,667</b>	<b>\$ 605,230</b>

*Financial Statements*

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**KANSAS GRAIN SORGHUM COMMISSION**

Paola, Kansas

**STATEMENT OF ACTIVITIES**

For the Years Ended June 30,

	<u>2002</u>	<u>2001</u>
<b>CHANGES IN NET ASSETS</b>		
<b>REVENUE</b>		
Check-off collections	\$ 994,314	\$ 774,783
Interest income	4,152	25,556
Dividend income	1,703	21
Realized gain	-	2,762
Unrealized gain	-	436
<b>Total Revenues</b>	<u>\$ 1,000,169</u>	<u>\$ 803,558</u>
 <b>EXPENSES</b>		
Refunds of check-off collections	\$ 67,212	\$ 56,603
Programs Investment		
Domestic Market Development	96,750	262,827
Foreign Market Development	144,573	158,508
Education	190,750	175,000
Production Research	305,380	355,400
New Use Research	80,000	10,000
Promotion	3,413	18,332
Special Projects	15,020	-
Administrative Expenses		
Administration	75,894	37,115
Commissioner travel	18,726	25,545
Contractor travel	11,557	9,959
Legal and accounting fees	3,900	-
Meeting expense	634	2,279
Postage and delivery	825	2,007
Purchaser supplies	-	2,644
Bank fees	459	395
<b>Total Expenses</b>	<u>\$ 1,015,093</u>	<u>\$ 1,116,614</u>
 <b>DECREASE IN NET ASSETS</b>	 \$ (14,924)	 \$ (313,056)
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 <u>563,921</u>	 <u>876,977</u>
 <b>NET ASSETS - END OF YEAR</b>	 <u><u>\$ 548,997</u></u>	 <u><u>\$ 563,921</u></u>

**Financial Statements**

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**KANSAS GRAIN SORGHUM COMMISSION**  
Paola, Kansas  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (14,924)
Adjustments to reconcile changes in net assets to net cash used by operating activities	
Increase (decrease) in accounts payable	\$ (28,639)
<b>Total Adjustments</b>	<u>\$ (28,639)</u>

**NET CASH FLOWS PROVIDED (USED) BY OPERATING  
ACTIVITIES**

\$ (43,563)

**NET INCREASE (DECREASE) IN CASH**

\$ (43,563)

**CASH BALANCE - BEGINNING OF YEAR**

605,230

**CASH BALANCE - END OF YEAR**

\$ 561,667

**Financial Statements**

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**KANSAS GRAIN SORGHUM COMMISSION**  
Paola, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2002

**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.

*Notes To Financial Statements*

# Kansas Soybean Commission



*The Soybean Checkoff...  
It Works For Everyone!*

Annual Report to the Kansas Legislature

January 15, 2003

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## Contents:

Statement by Chairman Ed Mader

Commissioners & Their Mission

Research Summary

Biodiesel Brochure & Workshop Schedule

*SoyNotes*

Soyfoods Guide

USB Report

Audit Report

*Senate Agriculture  
Attachment 3  
1-15-03*

**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

Kansas Soybean Commission Office  
2930 SW Wanamaker Drive  
Topeka, KS 66614-4116  
785-271-1040

## 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 2003 Kansas Soybean Commissioners

Districts I-II-III	Kurt Maurath 420 Elm Avenue Oakley, KS 67748	District IV	Ron Ohlde 1579 4 <sup>th</sup> Road Palmer, KS 66962
District V	Harold G. Kraus 977 Chetolah Gold Rd. Hays, KS 67601	District VI	Jerry Wyse 8403 Mayfield Rd. Haven, KS 67543-8093
District VII	Lois Niemann (Secretary) 796 Greeley Road Nortonville, KS 66060	District VIII	Robert Litch (V.Chair.) 2079 E. K-31 Melvern, KS 66510
District VIII	Ron Maike (Treasurer) RR 2, Box 66 Alma, KS 66401	District VIII	Ed Mader (Chairman) 28069 N. W. Meade Rd. Garnett, KS 66032
District IX	Neil Martin 6905 S.W. Messer Rd. Columbus, KS 66725	USB:	Eric Niemann, Nortonville; Kathy Patton, Silver Lake; John Wray, Ottawa



**Kansas Soybean Commission**  
**Checkoff Research Projects**  
**FY 2002**

**Investigations on the Soybean Stem Borer in Kansas**

Randahl A. Higgins, Phillip E. Sloderbeck, Lawrent Buschman, Sonny Ramsaway,  
William Schapaugh

Department of Entomology, Kansas State University

1. Investigate the seasonal occurrence of the soybean stem borer in Kansas.
2. Evaluate varieties and cropping history to assess factors that may predispose fields to be heavily infested with soybean stem borer.
3. Test the efficacy of various insecticides for reducing damage from the soybean stem borer.

\$36,600

**Enhancing Soybean Germplasm Development**

William Schapaugh, Timothy Todd, Harold Trick, Jim Long

Agronomy and Plant Pathology Departments, Kansas State University

1. Develop soybean varieties for integration into Kansas cropping systems.
2. Develop germplasm to further genetic improvement.
3. Develop procedures and strategies to improve selection efficiency in soybean.
4. Evaluate strategies to manage important soybean diseases and pests using genetic resistance.

\$203,500

**Over-expansion of antifungal proteins in transgenic soybean**

Harold N. Trick, William Schapaugh, Subbaratnam Muthukrishnan

Departments of Plant Pathology, Agronomy and Biochemistry

1. Introduce chitinase and glucanase genes into soybean via particle bombardment.
2. Recover genetically engineered soybean plants and progeny with high levels of expression of the introduced genes.
3. Test transgenic plants for resistance to charcoal rot fungus pathogens.
4. Test transgenic plants for resistance to other pests such Soybean Cyst Nematodes and Soybean Stem Borers.

\$65,181

**Planting Dates and Maturity Group Effects on Soybean Production in Kansas**

Barney Gordon, Dale Fjell, Larry Maddux, Keith Janssen, Bill Heer, Gary Kilgore, Scott Staggborn, Stewart Duncan, Jim Long, Robert Aiken, Merle Witt, Carlyle Thompson.

Department of Agronomy, Kansas State University and Southeast, Northeast, South Central, Southeast, Northwest and Hays, Kansas State University Extension Offices

Determine optimum planting date for soybeans from a wide range of maturities over several environments in Kansas.

\$70,000

## Effects of Crop Rotation and Tillage Systems on Soybean Yield in SE Kansas

Kenneth Kelley, Dan Sweeny

Southeast Ag Research Center, Kansas State University

1. Evaluate effects of both crop rotation and tillage on full-season and double crop soybean yield in a 3-year crop rotation of (corn/ grain sorghum) –soybean- (wheat-double crop soybean).
2. Evaluate effects of both previous crop and tillage on double crop soybean yield in a 2-year crop rotation of (corn/ grain sorghum/ soybean) – (wheat- double crop soybean).
3. Evaluate effects of tillage, row spacing, and Roundup herbicide applications on full-season soybean yield and weed control following grain sorghum.

\$11,513

## A Soybean Educational Program in Southeast Kansas

Gary L. Kilgore, Sarah Fogleman

Southeast Kansas Extension Office, Kansas State University

1. Use Roundup Ready soybeans and conventional soybeans in weed control programs and compare costs.
2. Establish trials with soybean varieties that are resistant to the Soybean Cyst Nematode on invested sites.
3. Use the field trials not only to generate data for use at winter crop schools but also show them off at county crop tours.
4. Other on-farm trials will include: plant population, soil fertility, row spacing, inoculation and palletized lime.
5. Continue to conduct double crop soybean variety trials.
6. Initiate a river bottom variety to performance trial.
7. Subject the production results to economic analysis to see if they are profitable.

\$11,180

## Soybean Production in Kansas: Extension and Applied Research

Dale L. Fjell

Department of Agronomy, Crop Production, Kansas State University

1. Educate producers and agri-business on best management practices of soybean production.
2. Conduct applied research based on suggestions and questions from producers and agri-business.
3. Stay current on national and international soybean production topics that are applicable to Kansas.
4. Timely communication with producers and agri-business.

\$4,000

## Field Assessment of Naturally Derived Seed Treatments for Managing Soybean Charcoal Rot

Nancy L. Brooker

Department of Biological Sciences, Pittsburg State University

1. Determine the impact of natural derivative seed treatments on charcoal rot fungus populations and on soybean yields.
2. Determine if natural derivatives applied to soybean seed in varying activity grades and rates will significantly impact soybean growth, development and yield in the presence of charcoal rot fungus.
3. Compare these novel seed treatments against commercially available antifungal seed treatment compounds to determine efficacy, unique characteristics and cost-effectiveness of the natural derivatives in managing and controlling charcoal rot symptoms.

\$29,500

## Soy-based Polyols for Flexible Polyurethane Foams

Zoran Petrovic, Andrew Guo

Kansas Polymer Research Center, Pittsburg State University

1. Convert soybean oil to several types of polyols for flexible foams and create new materials at competitive prices.

\$64,028

## Molecular Design of Soybean Oil Products

Kyle Camarda

Department of Chemical and Petroleum Engineering, Kansas University

1. Compile a database on the physical properties of different versions of soybean oil products that are used as surfactants, detergents, pre-polymers, and solvents.
2. Synthesize soybean oil products to fill the gaps of this database.
3. Use the database to fine tune molecular modeling program to design products made from soybean oil.

\$28,966, extended from 2001

# Fuel Your Future Kansas Biodiesel Workshops

## Poised for Growth

This is an exciting time for the biodiesel industry. With ten years of testing and sixty million successful road miles behind us, the U.S. biodiesel industry is poised for growth. Derived from domestically produced feedstocks such as soybean oil, biodiesel can help enhance farm prices, improve the U.S. economy, increase energy security and provide dramatic performance benefits – all with a renewable resource.

## Tomorrow's Solution, Available Today

The need for energy security has our country reaching for alternatives in a way that has not been seen since the 1970s. Biodiesel has its own American Society of Testing and Materials standard to ensure consistent quality, and is compatible with existing vehicle technology. It offers clear performance advantages, including excellent lubricity. These advantages and agricultural roots position biodiesel as an ideal choice to solve energy and value-added agriculture needs.

## Farmers are the Foundation

Farmers are the foundation for biodiesel expansion – based on their investment in biodiesel development and their strong fuel consumption. That expansion is accelerating, as a variety of stakeholders begin to champion biodiesel. A number of states are pursuing biodiesel legislative initiatives, and major federal legislation is pending. Fuel distributors have also strongly supported biodiesel. For them, biodiesel can expand their customer base and increase customer loyalty.

## The Soybean Checkoff Role

For many years, Kansas farmers have furthered biodiesel development through their checkoff dollars and their commitment to using biodiesel in their operations. Together, Kansas and U.S. farmers have invested checkoff dollars totaling nearly \$30 million.

## Your Role

Farmers and farm fuel distributors play key roles in building biodiesel demand and availability. Help fuel our future by joining us for meetings across the state:

Date	Consumer Meetings	Fuel Distributor Meetings	Location for Both Meetings (Registration is free)
Jan. 13	9:00 a.m.	2:00 p.m.	Ft. Hays State University, Hays
Jan. 14	9:00 a.m.	2:00 p.m.	Quality Inn, Colby
Jan. 15	9:00 a.m.	2:00 p.m.	B.W. Wheat Lands Hotel, Garden City
Jan. 16	9:00 a.m.	2:00 p.m.	Holiday Inn, Great Bend
Jan. 20	9:00 a.m.	2:00 p.m.	Emporia State University, Emporia
Jan. 21	9:00 a.m.	2:00 p.m.	Holiday Park Motel, Chanute
Jan. 22	9:00 a.m.	2:00 p.m.	B.W. Airport Red Coach Inn, Wichita
Jan. 23	9:00 a.m.	2:00 p.m.	Best Western Heart of America, Salina
Jan. 24	9:00 a.m.	2:00 p.m.	Holiday Inn/Holidome, Lawrence

Visit our web site at [www.kansasoybeans.org](http://www.kansasoybeans.org), email [information@kansasoybeans.org](mailto:information@kansasoybeans.org) or call (800) 328-7390 for details. *Sponsored by the Kansas Soybean Commission, the Kansas Soybean Association, the Kansas Corporation Commission, Kansas Farm Bureau, and the United Soybean Board.*

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

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## 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, 2002, 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, 2002, 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.

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In accordance with "Government Auditing Standards", we have also issued a report dated November 18, 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.*  
Douthett & Associates, Chtd.  
Certified Public Accountants  
November 18, 2002

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KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE  
CASH BASIS  
June 30, 2002

ASSETS

Cash	<u>\$1,072,970</u>
------	--------------------

FUND BALANCE

Fund Balances:	
Reserved for Encumbrances (Note 6)	\$ 121,758
Unreserved	<u>951,212</u>
Total Fund Balance	<u>\$1,072,970</u>

See accompanying notes to the financial statements.



KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCE - CASH BASIS - ACTUAL VS. BUDGET  
Year Ended June 30, 2002

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues:			
Soybean Marketing Assessments	\$ 1,987,337	\$ 1,800,000	\$ 187,337
Less USB & Other QSSBs Remittances	<u>965,420</u>	<u>900,000</u>	<u>65,420</u>
Net Assessment Revenues	1,021,917	900,000	121,917
Refunds	42,242	0	42,242
Penalties	1,260	0	1,260
Interest Income	<u>8,134</u>	<u>0</u>	<u>8,134</u>
Total Revenues	<u>1,073,553</u>	<u>900,000</u>	<u>173,553</u>
Expenditures			
Program:			
Advertising	49,657	71,508	21,851
Hospitality	0	5,000	5,000
Projects - Research	521,012	567,102	46,090
Projects - Other	322,039	368,057	46,018
Travel	<u>10,470</u>	<u>17,880</u>	<u>7,410</u>
Total Program Expenditures	<u>903,178</u>	<u>1,029,547</u>	<u>126,369</u>
Administration:			
Fees- Professional Services	48,644	49,000	356
Election Expenses	34	10,000	9,966
Meeting Expenses	7,659	4,500	(3,159)
Office Supplies	3,304	2,500	(804)
Postage	525	400	(125)
Telephone	<u>0</u>	<u>2,000</u>	<u>2,000</u>
Total Administration Expenditures	<u>60,166</u>	<u>68,400</u>	<u>8,234</u>
Total Expenditures	<u>963,344</u>	<u>1,097,947</u>	<u>134,603</u>
Revenues Over (Under) Expenditures	110,209	(197,947)	308,156
Fund Balance, Beginning of Year	<u>962,761</u>	<u>962,761</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 1,072,970</u>	<u>\$ 764,814</u>	<u>\$ 308,156</u>

See accompanying notes to financial statements.

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2002

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, 2002.

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2002

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 payment was received in the current year and is reflected in refunds in the current year financial statements.

6. Deposits

The carrying amount of the Commission's deposits with financial institutions was \$1,072,970 and the bank balance was \$1,073,456. The bank balance is categorized as follows:

Amount Insured by the FDIC or collateralized with securities held by the Commission in its name.	\$ 8,456
Amount collateralized with securities held by the pledging financial institution's trust department in the Commission name.	1,065,000
Uncollateralized	<u>0</u>
Total bank balance	<u>\$1,073,456</u>

KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2002

6. Encumbrances Outstanding

For the year ended June 30, 2002, there were \$121,758 of unliquidated encumbrances outstanding. The encumbrance balance is categorized as follows:

Advertising	\$ 3,207
Fees - Professional Services	210
Meeting Expense	212
Projects - Research	53,210
Projects - Other	12,172
USB & Other QSSBs Remittances	<u>52,747</u>
Total	<u>\$ 121,758</u>

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, 2002, and have issued our report thereon dated November 18, 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.

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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.*  
Douthett & Associates, Chtd.  
Certified Public Accountants  
November 18, 2002

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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, 2002. 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, 2002.

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.*  
Douthett & Associates, Chtd  
Certified Public Accountants  
November 18, 2002



KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

SCHEDULE OF FEDERAL AWARDS  
Year Ended June 30, 2002

Program Title	Federal Expenditures
MAJOR PROGRAMS	
Soybean Checkoff Program	\$ <u>442,332</u>
Research and Development	
Kansas University	394,716
Kansas State University	7,121
North Central Soybean Research Program	35,000
Pittsburg State University	<u>84,175</u>
Total Research and Development	<u>521,012</u>
Passthrough:	
United Soybean Board	913,301
Other Qualifying State Soybean Boards	<u>52,119</u>
Total Passthrough	<u>965,420</u>
Total Federal Awards (Note 2)	\$ <u>1,928,764</u>

See notes to schedule of federal awards.

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KANSAS SOYBEAN COMMISSION  
TOPEKA, KANSAS

NOTES TO SCHEDULE OF FEDERAL AWARDS  
June 30, 2002

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      \$1,987,337

KANSAS SOYBEAN COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2002

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

KANSAS SOYBEAN COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2002

Dollar threshold Used to Distinguish Between  
Type A and Type B Programs:

\$ 300,000

Auditee qualified as low-risk auditee:

Yes \_\_\_\_\_ No X

Section II Financial Statements Findings

There were no reportable conditions, material weaknesses nor instances of noncompliance related to the financial statements that are required to be reported.

Section III Federal Award Findings and Questioned Costs

There were no audit findings required to be reported by section 510 (a) of Circular A-133 found or reported.

Section IV Status of Corrective Action Taken on Prior Findings

There were no audit findings or questioned costs for the year ended June 30, 2001 and therefore no corrective action was needed during year ended June 30, 2002.

**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 months' Kansas Farmer magazine, again in an effort to keep Kansas wheat producers appraised 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](http://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.

*Senate Agriculture  
Attachment 4  
1-15-03*

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.