

MINUTES OF THE HOUSE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on January 19, 2005, in Room 423-S of the Capitol.

All members were present except:

Representative Judy Showalter- excused

Committee staff present:

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

Conferees appearing before the committee:

Patty Clark, Director, Agriculture Products Development Division, Kansas Department of Commerce

Others attending:

See attached list.

Minutes of the January 12 meeting were distributed. Members were asked to notify the committee secretary of any corrections or additions prior to Friday, January 21, or the minutes will be considered approved as presented.

Woody Moses, Kansas Aggregate Producers' Association, requested introduction of legislation to make permanent the temporary exemption passed during the 2003 legislative session allowing Kansas aggregate producers' scales a greater tolerance for accuracy than allowed by national weights and measures standards. Representative Feuerborn moved to introduce this legislation as a committee bill. Seconded by Representative Miller, the motion carried.

Representative Feuerborn requested introduction of a committee bill limiting liability on rails to trails. Seconded by Representative Powell, the motion carried.

Patty Clark, Director, Agriculture Products Development Division, Kansas Department of Commerce, addressed the committee delivering the Annual Report of the Agriculture Products Development Division as required by statute. Various reports and brochures, available from the department, were distributed. Now in its eighth year in Commerce, she said the Agriculture Products Development Division has evolved to meet the requirements of a transitioning agency in FY 2004. She reported that this past year should be characterized as the year of the joint venture. From collaboration with the Division of Travel and Tourism to develop and implement the Kansas Agritourism Initiative, to their partnership with KSU on the Ag Innovation Center, to their work with the Kansas Department of Agriculture to foster growth in the Kansas wine industry, to their continued coordination of advancing export markets with the Trade Development Division. She, also, updated the committee on programs and activities in the Industrial Ag arena, the Agriculture Value Added Center, and the "From the Land of Kansas" Trademark Program. (Attachment 1)

She indicated that the Division will be seeking statutory changes in the Kansas Farm Winery laws, including: (1) Increasing the production cap from 50,000 gallons per winery to 250,000 gallons; (2) Allowing for sampling of wine, not just at farm wineries but in retail liquor stores as well; and (3) Increasing the number of retail outlets each farm winery is allowed from two to five.

The meeting adjourned at 4:25 p.m. The next meeting is scheduled for January 26, 2005.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 19, 2005

| NAME | REPRESENTING |
|----------------|---------------------------|
| Jesse McCurry | Commerce |
| Janna Dunbar | Commerce |
| Dolly Clark | " " |
| Ray Arnold | " " |
| Ruth Smerch | " " |
| Jerry Dudley | " " |
| Becki Rhoades | " " |
| Carole Jordan | KDA |
| CV Cotsonadis | KDA |
| Kenton Johnson | Kanter Soybean Commission |
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House Committee on Agriculture

January 19, 2005

Testimony by:

**Patty Clark, Director
Ag Marketing and Community Development Divisions
Kansas Department of Commerce**

Chairman Johnson and members of the Committee, I am Patty Clark from the Kansas Department of Commerce and I appreciate the opportunity to appear before you to provide the Annual Report of the Ag Products Development Division as per statutory requirement.

This past year should be characterized as the year of the joint venture. From collaboration with the Division of Travel and Tourism to develop and implement the Kansas Agritourism Initiative, to our partnership with KSU on the Ag Innovation Center, to our work with the Kansas Department of Agriculture to foster growth in the Kansas wine industry, to our continued coordination of advancing export markets with the Trade Development Division...we have leveraged and maximized our resources to the benefit of agriculture and rural communities.

The demand for our value added loans and grants continues to increase. Since July 1, 2004, we have awarded \$302,680 in loans and grants (the recipients are listed in your folders). We currently have \$310,000 loans and grants in the pipeline and thus will be utilizing over \$254,680 of our repayment fund to finance this fiscal year's requests, and the end of the fiscal year is still five months away. I would be remiss if I did not mention that our repayment fund is a result of our due diligence with our loan clients and our technical assistance to help ensure qualified projects are funded, are successful, and are sustainable. The *Return on Investment* from these loans is 40:1 in increased sales, premiums and dividends.

During the State Fair, we joined forces with the Kansas Department of Agriculture to host both the first Great Kansas Grape Stomp competition that generated tremendous publicity for the industry, and a People's Choice Wine Judging and Cheese Tasting event, which featured all of our Kansas wineries and our three new cheese companies. We intend to expand both these events with the help of the State Fair Board. Also, Kansas added one new winery in 2004 in Oskaloosa, and with the results from a recent survey of grape and fruit producers and farm wineries, we anticipate the opening of 17 new wineries in the next five years. We are seeking some statutory changes in the Kansas Farm Winery laws and are hoping the Committee members will support them. The proposed changes include: (1) Increasing the production cap from 50,000 gallons per winery to 250,000 gallons; (2) Allowing for sampling of wine, not just at farm wineries but in retail liquor stores as well; (3) Increasing the number of retail outlets each farm

winery is allowed from two to five. We have applied additional Division resources to the wine industry through the awarding of two value added loans -- one to Smoky Hill in Salina, and the second to Wyldewood Cellars in Mulvane. Both wineries are undergoing expansion.

In 2004, we coupled our staff and financial resources with those of the Travel and Tourism Division to launch the Kansas Agritourism Initiative. We hired Jane Eckert, whose strong reputation as the best agritourism consultant in North America, preceded her. Jane conducted two workshops in April in Emporia and Hays for existing agritourism operations, wrote the *Growing Agritourism in Kansas: Starter Manual*, and assisted us with the planning and execution of the first statewide Agritourism Conference held in November in Great Bend. Over 400 attendees were provided education and background in property assessment, liability and risk, marketing, business planning, financing, and other important topics. However, the highlight of the conference was the opportunity to network with other operators, the tourism professionals, and all service providers and state agencies involved with agritourism. In addition, we fostered the formation of the Agritourism Advisory Council to help us strategize the growth of this industry, and our hope is that they will serve as the precursor to a Kansas Agritourism Association. We will now move forward with our second year of the initiative, which will focus on regional workshops and regional marketing, as well as an email newsletter and a new website – www.kansasagritourism.com.

Our work with the Ag Innovation Center and KSU continues. Having reached the one-year point of a two-year project, the Innovation Center has currently over 25 clients benefiting from its services, which include market development and analysis, bridge management, business planning, engineering assistance, and product development. As the lead agency in the Innovation Center, Commerce has served the important function of introducing new and existing Commerce clients to the Center and helped prioritize the Center's work. Clients as diverse as Heritage Turkey Producers to a group of food grade sorghum producers have benefited from the Center's services.

In the Industrial Ag arena, we continue to provide funding and technical assistance. In addition to the bridge loans and feasibility studies the Ag Division has funded for various ethanol projects in Kansas, we also acted as a conduit for CDBG/ED loans in the amount of \$750,000 each, to be made to both East Kansas Agri-Energy and the new Pratt Ethanol plant. In addition, the Pratt facility will receive \$200,000 from the State's Partnership Fund. The Ag Division also provides additional staffing to the newly reorganized Kansas Energy Council, and I currently represent Commerce on that advisory body. In addition, we continue to seek out and fund renewable energy projects that are small-scale and community-based, which is exemplified by our funding of Industrial Crating's wood waste concept in St. Paul.

We also recently implemented an Ethanol Awareness campaign among state employees and state agencies. This campaign is a reminder that all state-owned vehicles should be using an ethanol blend when the price differential with regular gasoline is a

dime or less, and that even in rental vehicles, state employees are urged to fill up with ethanol within the same guidelines.

A constant in our portfolio of duties and responsibilities is the technical assistance we provide to our clients. We can suggest language for marketing agreements for formal business partnerships. We coordinate interactions and inquiries with regulatory agencies such as KDHE and KDA on behalf of our clients. We provide assistance with the creation of websites, brochures, product label design and advertising materials. And, we field countless inquiries from businesses for procurement of inputs, packaging resources and co-packing facilities. But frankly, one of the most valuable services is the due diligence on potential business and investment partners we can conduct on behalf of our clients. Case in point is when a group in southwest Kansas wanted to build an ethanol facility and was approached by an "investment group" for the purposes of partnering on the project. The investment group promised to help fund the project, but requested money up front from the organizing body. After researching the investment group, we could find no legitimate trail of success and advised the organizing body as such. It was not but a few months later that we read a group of Iowa farmers lost \$3,000,000 to a non-existent investor group.

We continue to work to market the "From the Land of Kansas" trademark program and currently have over 360 member companies. Membership benefits include eligibility to receive Tradeshow Assistance Grants and Business Enhancement Grants. In FY04' we awarded 48 tradeshow grants totaling \$9,600.00. To date, 29 businesses have reported \$129,000 in sales as a result of these grants. In FY'04 we awarded BEG's totaling nearly \$23,000. Based on our projections, both of these funds will be depleted by February or March. In addition, we are working with the Kansas Sampler Festival to help underwrite the cost of FLOK companies to attend and participate in that event. We feel it is an excellent venue for our Kansas companies to increase the awareness of their products, storefronts, and the trademark itself. In addition, we have provided the funding to secure the license to use the "Buy Local, Buy Fresh" campaign on behalf of the Kansas Farmers Markets. This campaign will increase public awareness of both the nutritional and the economic impacts of purchasing foods from Farmers Markets.

Our joint venturing will continue to strengthen as we bring additional resources to the table from our Community Development Division. Leveraging CDBG and Main Street programs, as well as the resources of the Rural Business Development Tax Credit Program and the Kansas Center for Entrepreneurship, will prove to be beneficial to our value added loan clients and our FLOK companies, as well as boost agritourism in the state.

I will be happy to take questions at this time.