

MINUTES OF THE HOUSE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on January 26, 2005, in Room 423-S of the Capitol.

All members were present.

Committee staff present:

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

Conferees appearing before the committee:

Justin Holstin, Propane Marketers Association of Kansas
Dr. Evan Sumner, Program Manager, Retail Food Inspection, Kansas Department of Agriculture
George Teagarden, Kansas Livestock Commissioner

Others attending:

See attached list.

Chairman Johnson asked for introduction of bills.

Constantine Cotsoradis, Assistant Secretary of Agriculture, Kansas Department of Agriculture, requested introduction of a bill to amend K.S.A. 34 dealing with grain warehouses. The legislation will enable the Secretary of Agriculture to order quality testing of stored grain; provide for penalties when testing orders are not carried out; and provide selected fee increases in order to maintain the solvency of the grain warehouse inspection program. (Attachment 1) Representative Feuerborn moved to introduce this request as a committee bill. Seconded by Representative Svaty, the motion carried.

Representative Svaty moved to introduce a committee bill restricting the sale of transgenic wheat seed. Seconded by Representative Feuerborn, the motion carried.

The Kansas Department of Agriculture submitted a Kansas Grain Commodity Commissions' election update. Annual Reports from the Kansas Wheat Commission, Kansas Corn Commission, Kansas Grain Sorghum Commission, Kansas Soybean Commission, and the Kansas Sunflower Commission were distributed to members. By statute, the various commodity commissions must report annually to the House and Senate Agriculture Committees. (Attachment 2)

Justin Holstin, Propane Marketers Association of Kansas, presented the Kansas Propane Education & Research Council Annual Report to the House Agriculture Committee as required by statute. KanPERC, established by the 2003 Legislature at the request of the propane marketers, became effective September 1, 2003, with 2/10 of a cent per gallon assessment on odorized propane destined for end consumer use in Kansas. He discussed membership, budget, current and future educational programs. (Attachment 3)

Dr. Evan Sumner, Program Manager, Retail Food Inspection, Kansas Department of Agriculture, updated the committee on the transfer of food safety responsibilities from the Kansas Department of Health and Environment to the Kansas Department of Agriculture and provided baseline compliance data gleaned from their first four months of inspections.

Substitute Senate Bill 296 passed by the 2004 Legislature required the Kansas Department of Agriculture to create a statistically based, random selection of 1000 retail stores to be inspected with results evaluated and documented as baseline compliance for the transferred program, with the results to be reported to both the House and Senate Agriculture Committees by January 31, 2006. Substitute SB 296, also, required the agency to report on the status of these baseline inspections using 359 establishments by January 31, 2005.

Dr. Sumner reported that the baseline survey included both retail food stores and food service establishments in retail food stores. Inspected were 163 retail food stores and 223 food service establishments for 386 total baseline inspections. He acknowledged that, ideally, all establishments selected for this preliminary baseline would have been randomly selected, but due to time and resource constraints, establishments that required

CONTINUATION SHEET

MINUTES OF THE House Agriculture Committee at 3:30 p.m. on January 26, 2005 in Room 423-S of the Capitol.

routine inspection, follow-up inspection, and complaint investigation inspection were included. Their data shows a 93.6% compliance for Food Service, 81.4% compliance for Retail, for a total compliance rate of 89.7%. He noted that the Senate Agriculture Committee has requested that data be recalculated excluding complaint investigation inspections. This data will be forth coming. (Attachment 4)

George Teagarden, Kansas Livestock Commissioner, reported on implementation of a National Animal Identification System. Currently, the NAIS is a voluntary system, he believes, for two reasons – USDA feels the program will be more readily accepted and second because a voluntary program is exempt from the federal Freedom of Information Act, thus keeping the information and data collected through the system confidential. Kansas did this by law.

He reported that in July of last year, USDA asked for applications for pilot projects involving animal identification. Forty-five applications were received and 29 approved for funding. Kansas was one of the successful applicants. He explained that the approved pilot projects all begin with premises registration, the base for a national system. USDA adopted a premises registration system that was developed by Wisconsin as the official premises registration system. The Kansas Animal Health Department has adopted the “official” system financed by USDA. If a state chooses to use any system other than the “official” system, they have to bear the costs of installation and maintenance.

The Commissioner stated that official animal identification has not been implemented at this time, nor has a national data base for tracing animals been developed. NAIS tags are scheduled to be available in July of 2005. Because this is a voluntary program and at this time the USDA is funding the pilot project and all associated costs, there is no need for any state fees or penalties. (Attachment 5)

The meeting adjourned at 4:45 p.m. The next meeting will be an informational bus trip to Kansas State University in Manhattan on Monday, January 31, 2005, to review issues dealing with BSE, animal identification and premise registration.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 26, 2005

NAME	REPRESENTING
Justin Holstin	Kan PERC
ERIK Wisner	KDA
BRUCE GRAHAM.	KEPCo, Topeka
Ron Seiber	HeinLaw Firm
Ed Gordon	KFLD
Mike Rees at	Andrew Braden Barber & Assoc
Debra Duncan	KAHD
George Teagarden	KAHD
ADAM INMAN	KDA
Muhammad Shauqi	PMCA
Evan Sumner	KDA
CV CotsoRADIS	KDA
BRAD HARRELSON	KFB
Alli Devine	K. Leistock Assoc.
Mary Lou Sankiewicz	KEFA / KARA
Dan McLaughlin	KSFM
Jaime Holstin	PMAR / Kan Perc
Greg Noll	Kan Perc / PMAR
James Brewer, Jr.	Kan Perc / PMAR



KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Memorandum

To: Members of the House Agriculture Committee

From: Constantine Cotsoradis, Assistant Secretary of Agriculture

Date: January 26, 2005

The Kansas Department of Agriculture respectfully requests the House Agriculture Committee to introduce a bill to amend parts of K.S.A. 34 dealing with grain warehouses. The legislation will enable the Secretary of Agriculture to order quality testing of stored grain; provide for penalties when testing orders are not carried out; and provide selected fee increases in order to maintain the solvency of the grain warehouse inspection program. Draft language has been provided to the office of the Revisor of Statutes.

House Agriculture Committee
January 26, 2005
Attachment 1

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KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

**Grain Commodity Commissions Election Update
to
The House Committee on Agriculture
by the Kansas Department of Agriculture**

January 26, 2005

This year, growers in the central part of Kansas are preparing to elect commodity commission representatives. Candidates are campaigning for seats on the state's five commodity commissions; corn, grain sorghum, soybeans, sunflowers and wheat.

District four includes Clay, Cloud, Jewell, Mitchell, Osborne, Ottawa, Phillips, Republic, Rooks, Smith and Washington counties.

District five includes Barton, Dickinson, Ellis, Ellsworth, Lincoln, McPherson, Marion, Rice, Rush, Russell and Saline counties.

District six includes Barber, Comanche, Edwards, Harper, Harvey, Kingman, Kiowa, Pawnee, Pratt, Reno, Sedgwick, Stafford, Sumner counties.

Candidates for the Kansas Corn Commission

District four – Mike Brzon farms corn, sorghum, soybeans and wheat near Courtland.

District five - Terry Vinduska farms corn, sorghum, soybeans and wheat near Marion.

District six – Carolyn Dunn farms corn, wheat, alfalfa and sorghum near St. John.

Candidates for the Kansas Grain Sorghum Commission

District four – Steve Clanton farms sorghum, wheat soybeans, sunflowers and corn near Minneapolis. William Greving farms sorghum, wheat, corn and alfalfa near Prairie View.

District five – Clayton Short farms sorghum near Assaria.

District six – Jay Zimmerman farms grain sorghum and wheat near South Haven.

Candidates for the Kansas Soybean Commission

District four - Steve Clanton farms sorghum, wheat soybeans, sunflowers and corn near Minneapolis.

District five – Harold Kraus farms soybeans near Hays.

District six – Jerry Wyse farms soybeans near Haven.

Candidates for the Kansas Sunflower Commission

No candidates are running during this election cycle.

Candidates for the Kansas Wheat Commission

District four – Steve Clanton farms sorghum, wheat soybeans, sunflowers and corn near Minneapolis.

District five – Dean Stoskopf farms wheat, sorghum and alfalfa near Hoisington.

District six – Thomas Morton has a diversified farm near Oxford.

Voting Process

Registered voters receive an official ballot in January. Voters have until March 1 to send their ballot to the Kansas Department of Agriculture. After votes are cast, an official counting day will occur in March. The names of candidates-elect will be announced after that day and the winners will take office April 1. Elected commissioners will serve three-year terms.

The Secretary of Agriculture or designee shall serve as the final arbiter in any disputes that may arise out of the election procedure. In the event of a tie between two candidates for the same commodity commissioner seat, an occurrence of chance shall determine the winner of that seat.

Vacant Seat

When a seat on a given commodity commission becomes vacant, it is the responsibility of that commission to appoint a new member to fill the vacancy.

Who Can Participate?

Any grower who appropriately registers to vote may vote in an election for any commissioner representing that commodity and district where the grower maintains an official residence. Anyone who is a resident of the state of Kansas, has reached the age of eighteen (18) years before the next election and has been actively engaged in growing corn, grain sorghum, soybeans, sunflowers or wheat within the preceding three (3) years will qualify as a grower.

THE STATE OF wheat



KANSAS WHEAT
COMMISSION

KANSAS GROWS. KANSAS GROWS.

ANNUAL REPORT 2004

Increasing wheat producer productivity and profitability through research, education, domestic and international market development

International market development is an important part of the mission of the Kansas Wheat Commission, and we, as commissioners and farmers, have become acquainted with many foreign visitors. The new International Grains Program Conference Center was opened this year. It is an honor for the Kansas Wheat Commission to have been a part in making this facility become a reality. Through IGP short courses, wheat buyers from all over the world have had the opportunity to get to know Kansas wheat. We have been able to show them the great state of Kansas. I hope the wheat farmers of Kansas will be able to visit this facility and see the long-term benefits of their check-off money being spent there.



*Betty Bunck,
Chairperson*

Another important part of the KWC mission is domestic market development. Through the Wheat Foods Council, we have worked to counter low-carbohydrate diet fads. Twenty-four spokespersons throughout the state work to educate the public about the health benefits of wheat foods and about the wheat production process. The Kansas Foundation for Agriculture in the Classroom spent the year educating students and teachers throughout the state about agriculture and our dependence upon it for our food and shelter.

KSU-developed wheat varieties again made up more than three-quarters of our state's wheat acreage. These varieties have been developed through wheat assessment funds. Without this investment in the long term, varieties like Jagger and 2137 would not have been possible. This year, the KWC again worked to bring end users together with wheat breeders to optimize varieties' end-use properties.

As a wheat-producer organization, we encourage all wheat farmers to become involved. Please feel free to contact your local wheat commissioner or the office. Vote for your commissioner representative and become involved in your association. All wheat farmers must work together to solidify our markets, both domestically and abroad.

Sincerely,

Betty Bunck
Betty Bunck

THE STATE OF WHEAT

News from the KANSAS WHEAT COMMISSION

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COMMISSIONERS

CHAIRMAN, EVEREST

Betty Bunck

VICE-CHAIRMAN, OXFORD

Tom Morton

SECRETARY-TREASURER, BREWSTER

Ray Crumbaker

Bob McClellan PALCO

Dean Staskopf HOISINGTON

Mike Brown COLBY

Ron Suppes DIGHTON

Larry Kepley ULYSSES

Doug Keesling CHASE

STAFF

ADMINISTRATOR *David Frey*

ASSISTANT ADMINISTRATOR *Dusti Fritz*

DOMESTIC MARKETING SPECIALIST

Cindy Falk

PUBLIC RELATIONS OFFICER

Marsha Boswell

PROJECT COORDINATOR *Justin Gilpin*

ACCOUNTANT *Julie Winsor*

SECRETARY *Jean Roepke*

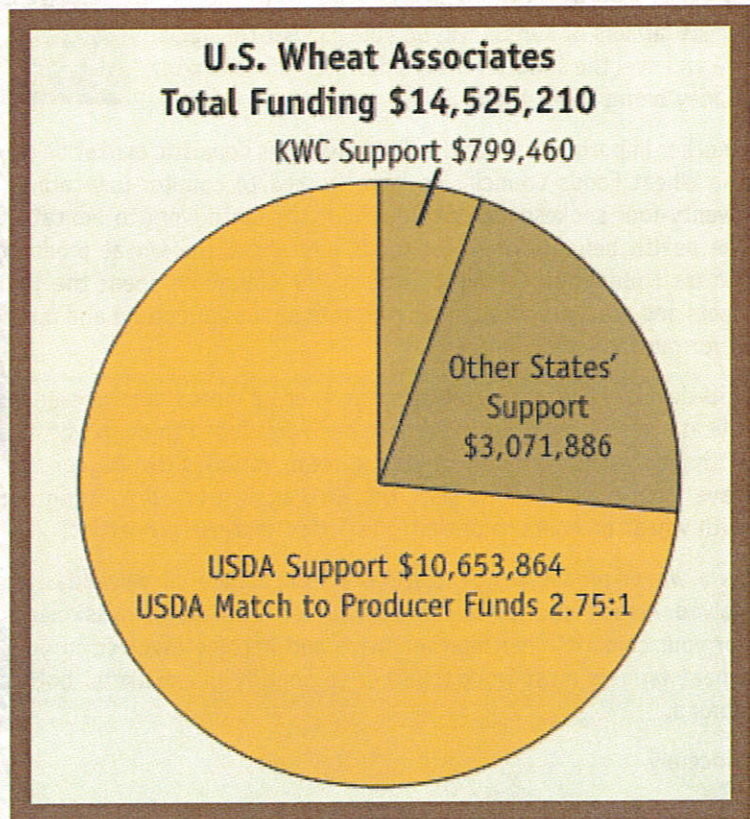
FINANCIAL REPORT

JULY 1, 2003 - JUNE 30, 2004

Beginning Balance	\$ 2,605,509
Wheat Assessments Collected	\$ 4,597,107
Other Income (sales of promotional items, operating activities, reimbursed expenses, etc.)	\$ 5,218
Interest Income	\$ 71,341
	\$ 7,297,175
Refunds to Producers	-\$ 370,822
FY 2004 Expenditures	-\$ 3,113,206
Ending Balance	\$ 3,795,147

During FY 2004, KWC earned \$71,341 in interest by investing in CDs. The total wheat assessment collected was \$4,597,107. Refunds were 8% of the total wheat assessment, or \$370,822. Expenditures for the fiscal year totaled \$3,113,206. International market development accounts for 39% of the Kansas Wheat Commission budget. Many of these activities are conducted by partnering with U.S. Wheat Associates (USW). Kansas is the largest state contributor to this national organization.

U.S. Wheat Associates is a "cooperator" with the U.S. government, meaning that the organization works with the U.S. Department of Agriculture's Foreign Agricultural Services to create, expand and maintain overseas markets for U.S. wheat. USW presents a yearly marketing strategy and demonstrates state wheat commission support in order to qualify for federal funds, leveraging each dollar of producer financial support into more funding from various USDA market development programs. This year USDA provided a 2.75 match to producer funds.



K-STATE IGP CONFERENCE CENTER DEDICATED

Kansas State University dedicated its new International Grains Program (IGP) Conference Center in May.

"For years, foreign business and government leaders have attended IGP classes here on K-State's campus, and we now have a building worthy of the important work the program does for Kansas and the United States," said Brendan Donnelly, head of K-State's Department of Grain Science and Industry.

The IGP, established by the Kansas legislature in 1978, has trained thousands of international grain industry representatives in its 26-year existence.

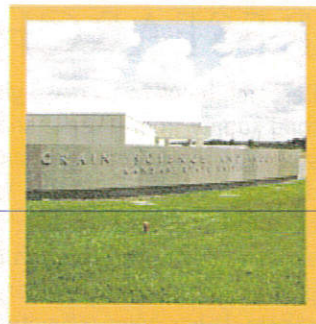
Every year, other nations' business and government leaders attend IGP short courses and programs to develop technical knowledge and skills that enable them to become more informed buyers and processors of U.S. food and feed grains. IGP courses also acquaint participants with current trends and issues affecting the industry.

Key sources of funding for the new \$4 million IGP conference center were the Kansas Wheat Commission, the Kansas Corn Commission, the Kansas Soybean Commission, and Burlington Northern-Santa Fe Railroad Corp.

The IGP building, which is part of K-State's Department of Grain Science and Industry, is nearly 20,000 square feet and includes a grain-grading laboratory, a conference room, a tiered auditorium-style classroom, dining and lounge areas, staff offices, and other rooms designed to serve the needs of the IGP's international participants.

The classroom and grain-grading lab are equipped for simultaneous translation of up to three languages and offer audio, visual and multimedia equipment for state-of-the-art presentations. The new center also includes communications equipment that will allow the IGP to provide programs and information to sites nationally and throughout the world.

The center is one of five buildings that will make up K-State's new Grain Science Complex. The complex includes the Bioprocessing and Industrial Value-Added Program building, which was completed in March. A feed mill, a flour mill and a teaching and research building that will house K-State's baking science and management program are also planned for the 16-acre site across from the university's football complex on Kimball Avenue in Manhattan.



KANSAS WHEAT COMMISSIONERS, both past and present, and KWC staff pose for a photograph following the IGP dedication. (left to right) Doug Keesling, Tom Morton, Kansas Secretary of Agriculture Adrian Polansky (who is also a past Kansas Wheat Commissioner), Larry Kepley, David Frey, Betty Bunck, Bruce Wilkens, Eldon Lawless, Ed Banning, Ken Palmgren, Joe Berry, Craig Stephenson and Ernie Schlatter.



RESEARCH

Research helps to increase yields, improve production techniques, boost nutritional content and protect the world's food supply from disease and pests. Thanks to research, food in the United States is safe, nutritious and inexpensive. Wheat breeders at Kansas State University, through traditional plant breeding, are continually working to develop superior Hard Red Winter and Hard White wheat cultivars adapted to Kansas. The purpose of the wheat breeding program is to develop varieties that will enhance the profitability of Kansas wheat producers. Public wheat varieties developed through Kansas State University (KSU) comprised approximately 75% of the wheat planted this past year in Kansas. Popular varieties such as Jagger, 2137 and Trego (Hard White) are the direct results of these efforts. It has been estimated that for every dollar invested in wheat research at KSU, there is a 12-dollar return on investment to the Kansas wheat producer.

BREAST CANCER PREVENTION RESEARCH

Breast Cancer Prevention by High Antioxidant Wheat is an ongoing research project with the purpose of identifying wheat varieties that are high in antioxidants and should broaden the range of potential benefits from wheat in the diet. In previous research, antioxidants have been proven to suppress the growth of colon cancer cells in tissue culture. The scientific findings will be used to educate the public regarding the health benefits of food products made with high antioxidant wheat. Dietary recommendations for disease prevention and health maintenance will result in a significant increase in the demand for such food products.

***DR. JOE MARTIN**, KSU Wheat Breeder stationed in Hays, Kan., gave an update on Hard White wheat to Kansas Wheat Day participants in May. Several new Trego crosses may be released in the next two to three years.*



***ALLAN FRITZ**, KSU Wheat Breeder stationed in Manhattan, Kan., spoke to Kansas Wheat Day participants in May about new wheat varieties being developed at the Manhattan location.*

THE EXPERIMENTAL LINE KS940786-6-7 was released as 'Overley' at the Variety Release Committee meeting in July. This new Hard Red Winter variety has a historical yield advantage of approximately 16% over Jagger in central Kansas.

Agronomically, its heading date is similar to Jagger but appears to have slightly better winter hardiness. It is tolerant to acid soils and wheat streak mosaic virus. Overley is a large seeded variety with better test weight than Jagger. This characteristic will benefit domestic millers, international buyers and producers alike. In terms of baking quality, the Wheat Quality Council rated Overley as better than Jagger.



WHEAT BREEDERS ARE ensuring the success of Hard White wheat in Kansas by continually developing new varieties. KSU wheat breeder Dr. Joe Martin has been on the forefront of HW variety development for nearly 20 years. The KSU Agricultural Research Center - Hays is about 99% dedicated to HW wheat. In the years to come, there will be more HW varieties with superior agronomics, giving Kansas wheat farmers more options from which to choose.

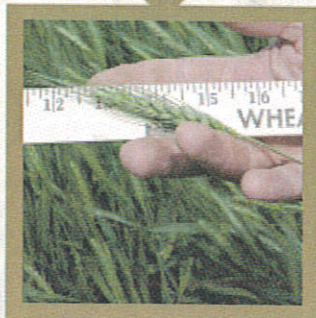
A KSU-study showed that two HW varieties, Trego and Lakin, outperformed Jagger in color, ash and Percent Total Products Yield. HW enables millers to increase flour extraction percentage with equal or better color and ash content of flour compared with Hard Red Winter wheat. Both classes performed very well in the study.



ADRIAN REVELL, FIFTH grade student from Miltonvale, Kan., earned a KWC-sponsored tour of the K-State greenhouses and other industry locations by winning the 4-H wheat test plot and booth display at the Kansas State Fair. The tour is designed to expose young leaders to all aspects of the wheat industry. Adrian, who was accompanied by his father Dean Revell, toured Kansas Crop Improvement Association, K-State Wheat Breeding Labs, Kansas Wheat Commission, USDA-ARS Grain Marketing Research Center, American Institute of Baking, Federal Grain Inspection Service, Kansas City Board of Trade, Bartlett Grain, a flour mill, Seaboard Corporate headquarters, Best Harvest Bakery and AM 580 WIBW farm radio.



THE ANNUAL WHEAT Quality Council winter wheat tour travels the state, evaluating wheat fields. Participants generally include representatives from all segments of the domestic wheat industry, including growers, millers, marketing specialists, elevator operators, bakers, extension personnel, media and government officials. This event serves as an opportunity for the wheat industry to come together, as producers converse with millers and bakers to tell the Kansas wheat story. In recognition of the importance of the Latin American flour mills as a market for wheat from the region, top officers of the Association of the Latin American Milling Industry (ALIM) were invited to attend Wheat Quality Council meetings and the Wheat Quality Council wheat tour. The presence of ALIM representatives from Mexico broadened the scope of the wheat tour and recognized increased interest from key import wheat customers to know specific conditions, quality and sources of U.S. wheat.



DOMESTIC MARKET DEVELOPMENT

The Kansas Wheat Commission conducts domestic market development activities on a national level through the Wheat Foods Council, as well as on a state level. A main focus of the Kansas Wheat Commission's domestic promotion has been the variety of health-related benefits to the human diet.

WHEAT FOODS COUNCIL

The Wheat Foods Council implemented an aggressive campaign to restore the image of grain-foods in a healthful diet. Following a turbulent year of reacting to the media's obsession with high-protein diets, carb-bashing, anti-refined grain-food stories and tactics to blame carbohydrate-based foods for America's obesity problem, the Council fought to control how grain-foods were covered in the media. The Council continued its core focus of reaching out to the media, public policy makers and health and nutrition leaders. "The Great Grain Campaign" communication program helped to control anti-carbohydrate stories by promoting positive science and research on carbohydrates and capture attention with the look and feel of a political campaign.



***WFC SPOKESPERSON GLENN** Gaesser debated Walter Willett in March at the "Great Carb Debate" held at the American Society of Baking's annual meeting in Chicago. Willett is a renowned professor from Harvard who discourages enriched grains in the diet. Gaesser did an excellent job refuting Willett's research and opinion on dietary guidance for consumers. The Council funded media publicity for the event and arranged for media interviews with Gaesser and President Adams.*

KWC DOMESTIC MARKETING Specialist Cindy Falk works with Carolyn Logue of the Nebraska Wheat Board and photographer Graig Marrs to create professional photographs. Food editors use photographs and recipes from the Wheat Foods Council to capture the attention of their readers. Consumers are more likely to purchase or prepare grain foods when they see a picture.



FOR MORE THAN 17 years, "Speak for Wheat" spokespersons have been providing information about production agriculture, wheat foods, bread making and the work of the KWC to classrooms, civic organizations and the media. These committed spokespersons are wheat producers, Registered Dietitians and Family and Consumer Sciences Educators. Betty Kandt, Spokesperson from Manhattan, Kan., teaches students about wheat and bread making at Havensville Living History Days.



THE FIRST "BEST of Breads" in Kansas award was presented to WheatFields Bakery and Café, Lawrence, Kan., at the Fourth Annual Kansas Restaurant and Hospitality Association (KRHA) Evening of Hospitality held in April. Inspired by traditional European techniques, WheatFields excels in crafting quality products.

WheatFields specializes in artisan breads comprised only of flour, water, natural leavening and salt. Their superb bread begins with premium ingredients such as the certified organic flours they obtain from Heartland Mill, Inc., Marienthal, Kan.



THE EIGHTH BIENNIAL Kansas Festival of Breads baking contest was held in March. Bread entries were taken to collection sites across Kansas and transported to Manhattan, where they were judged on taste and quality, appearance, originality and ease of preparation and practicality. The champion in each of four categories received \$200; runners-up received \$100. Additional \$25 honorable mention prizes were awarded. The winning recipes were published in the KWC's 2004 recipe book.

Professional champion Kathy Kaiser, head baker at the Kingman Elementary/Middle School Kitchen, takes the school food service staff's winning White Dinner Rolls out of the school oven. Jason Smelser, Oskaloosa, won the top prize in the Youth Category, with his braided loaf of Italian Cheese Bread. Kay Shanks, Manhattan, received the top award in the Senior Category for her Rye Bread. In the Adults Category, Larry Davis of Cottonwood Falls was awarded the Adult Champion for his Vienna Party Rolls.



"IT'S THE CALORIES, Not the Carbs" Cartoon Series – Quarterly political-style cartoons were used to generate publicity through the media. Small- and mid-sized newspapers across the country printed the cartoons and shared Wheat Foods Council messages with consumers. In November, hard-hitting messages were delivered at desk-side briefings with key media contacts in New York City. A campaign, targeted at health and nutrition leaders in select markets, was launched in April to secure positive media stories. Health professionals received a kit with brochures, t-shirts, bumper stickers, and a PowerPoint presentation titled "It's the Calories, Not the Carbs." To educate media contacts and consumers, the Council released a new media kit titled "Grain Foods. Why do Without?"



INTERNATIONAL MARKET DEVELOPMENT

Many trade delegations from around the world traveled to Kansas to learn about Kansas wheat and the U.S. marketing system. While hosting current and potential customers, the KWC works to represent Kansas wheat. Educating the trade team about Kansas wheat qualities, end-use functionalities and the U.S. marketing system is a main objective of each visit. To help with familiarity of U.S. grain standards, the teams visit the Federal Grain Inspection Technical Center in Kansas City. This offers an excellent opportunity to cover any questions regarding definitions or procedures used in determining classifications and grades. Price discovery is also very important to discuss. This is highlighted by visiting the Kansas City Board of Trade, and each team witnesses the HRW trade floor first hand. Some competitors operate as a single desk where price can be arbitrarily determined, which is a distinct difference from the U.S. free market system. Also, U.S. wheat suppliers visit one-on-one with the trade delegation members. The KWC works to facilitate these meetings to help build customer relationships.

WHEAT SALE TO IRAQ

For the first time since 1998, private exporters sold 160,000 metric tons (5.8 million bushels) of Hard Red Winter wheat to Iraq. U.S. Wheat Associates took an important step forward in February to bring open competition for Iraqi wheat purchases. USW joined other commodity groups in meetings held in Jordan, with members of Iraq's Grain Board, Foodstuffs Trading Board and the Ministry of Trade. The sessions and presentations allowed the Americans and Iraqis to get reacquainted, both personally and professionally.

WHEAT BUYERS FROM the Republic of South Africa and Nigeria traveled to Kansas to learn about wheat. Combined, the two countries purchased nearly 100 million bushels of HRW in 2003/2004.



A TEAM OF Kansas wheat growers traveled to Monterrey, Laredo, and Mexico City, Mexico, as part of a Kansas Wheat Commission new board member orientation program. The objective of this trade mission was to familiarize the new board members with U.S. Wheat Associates market development programs, as well as the procedures for exporting wheat via direct rail to Mexico. Kansas Wheat Commissioners Doug Keesling, of Chase, and Larry Kepley, of Ulysses, were joined by Concordia elevator operator Jeff Bechard and KWC Assistant Administrator Dusti Fritz on the tour.

THREE KANSAS FARMERS had the unique opportunity to meet and visit with representatives from 17 wheat-buying countries that account for about 20 percent of global wheat trade. This occasion was the 21st annual meeting of the Association of the Latin American Milling Industry, held in Punta del Este, Uruguay, in November. Mike Brown, Colby; Ron Suppes, Scott City; and Larry Kepley, Ulysses, represented Kansas producers at this meeting and spent three days with wheat buyers from the region discussing Kansas wheat quality, Hard White wheat and market prospects.

AT A FORMAL ceremony, the Taiwan Flour Mills Association and Kansas Wheat Commission signed a letter of intent confirming that the two organizations "in the spirit of mutual understanding and cooperation, both desire to maintain their mutual friendship and trade relations."

The TFMA expressed its intent to purchase 1.7 million metric tons of U.S. wheat during 2004 and 2005. The agreement was signed by Chen-Hsiang Ho, TFMA director (left center) and David Frey, KWC Administrator (right center). The signing was witnessed by CJ Chen, Taiwan's Representative to the United States (left) and Adrian Polansky, Kansas Secretary of Agriculture (right).



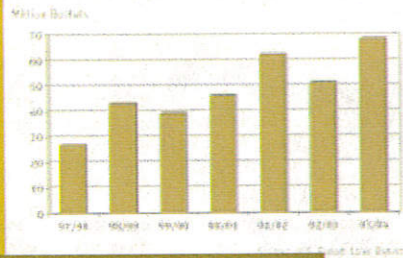
2004 TOP MARKETS FOR HARD RED WINTER WHEAT (BUSHELS)

1 NIGERIA	68,345,840
2 MEXICO	64,197,544
3 EGYPT	52,046,601
4 JAPAN	41,034,694
5 PERU	28,350,976
6 ROMANIA	20,458,558
7 ISRAEL	20,087,453
8 COLOMBIA	19,312,173
9 BRAZIL	15,413,730
10 SOUTH AFRICA	14,781,749
11 CUBA	11,941,508
12 TAIWAN	11,471,196
13 KOREA	9,582,600
14 IRAQ	8,994,711
15 JORDAN	8,671,372

INTERNATIONAL GRAINS PROGRAM flour milling short course participants visited KWC Commissioner, Tom Morton's farm near Oxford, KS. While attending IGP, international customers learned about milling properties of wheat grown in Kansas and were able to see harvest taking place first hand.



Nigeria's HRW Imports Growing Steadily

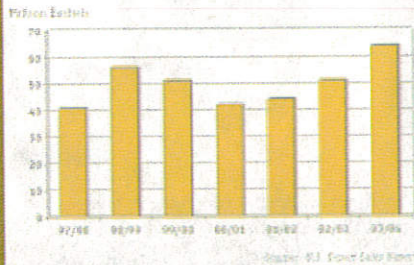


REPRESENTATIVES FROM BRAZIL traveled to Kansas to discuss Hard Red Winter wheat.

While in Kansas City, one of the team members who represents one of the largest flour mills in Brazil, bought 845,000 bushels of HRW wheat. Team members from left to right included Miguel Galdos-Tanguis, U.S. Wheat Associates, Santiago, Chile; Amaro Santana Leite, Predilecto Alimentos; Edson Csipai, Bunge; Sergio Chesini, Predilecto Alimentos; Antonio Bolzani, M. Dias Branco; and Irineu Pedrollo, J. Macedo Alimentos.



Mexico is Consistently a Top Market for HRW



MEMBERS OF CONGRESS interested in grain issues have formed a caucus, and the first topic they are looking at is food aid. One of the chief concerns is that the European Union is pushing World Trade Organization talks to eliminate food donations from countries and allow only cash donations to be converted for food aid. Chairman of the Food Aid Working Group (of USW, NAWG and WETEC) David Frey presented the U.S. wheat producers' position on food aid.



RECORD YEAR FOR HW GULF EXPORTS

Increased production and relentless overseas marketing efforts have begun to pay off for the exports of Hard White Wheat (HW). For the export year 03/04 ending May 31, HW out of the gulf exceeded 100,000 metric tons. Much of these exports used Kansas as the major staging point for gathering the HW wheat and railing it to the export elevators to be loaded on vessels. Egypt, Morocco and the Republic of South Africa were the top buyers. A source close to the export industry commented that much of this wheat was shipped with a slight premium to HRW out of the Gulf.

Kansas farmers have been leading the way as HW continues to grow in popularity in the United States. Nearly 500,000 acres of HW were planted in the state for the 2003 crop harvest. Farmers were able to participate in the federal Hard White Wheat Incentive Program (HWWIP) administered by the Farmers Service Agency. This program paid farmers \$2.00 an acre for every acre they planted with certified seed and paid a \$.20 premium on every bushel produced up to 60 bushels an acre. This is a three-year program that ends with the 2005 crop year. Along with the government program, grain handlers throughout the state offered independent programs that offered different variations producers of HW could benefit from.

Much of the success of introducing a new class of wheat into these overseas markets, has been the market development work done by U.S. Wheat Associates (USW) regional offices. USW personnel have worked on familiarizing wheat buyers with this new class of wheat and building relationships so that when U.S. producers consistently grow a critical mass of HW for export, that a network of buyers will be ready.

EGYPTIAN WHEAT BUYERS traveled to Kansas to discuss new crop quality data and to be exposed to the U.S. wheat marketing system. The team communicated its interest in Hard White wheat, preferring it for its end-use products with a brighter and whiter color. Later in the year, 30 thousand metric tons of HW wheat were shipped out of Cargill's

Houston facility to Egypt. This was a major step forward for the introduction of U.S. HW to the world's markets, as American wheat producers respond to requests from all over the world for a reliable export supply of HW wheat. From left to right: David Frey, KWC Administrator; Hassan Abdel-Gaffar, USW Associates, Cairo, Egypt; Dusti Fritz, KWC Assitant Administrator; Mr. Magdy E. Moustafa, Giza, Egypt; Terry Garvert, Cargill; Mr. Abou Zeid M. Abou-Zeid, Tanta, Egypt; Mr. Alaa A. El-Morshedy, Cairo, Egypt.



OFFICIAL CHINESE WHEAT buyers (COFCO) met with KWC and USW representatives in February. COFCO Chairman Zhou Ming Chen later informed USW Regional Vice President Matt Weimar (right) that COFCO made new purchases for 900,000 MT of wheat during their week in the United States. Also pictured are KWC Commissioner Mike Brown (left), KWC Administrator David Frey (center) and Chinese wheat buyers.



ON A TRADE visit during harvest this summer, Tunde Odunayo, Managing Director Honeywell Flour Mills, Lagos, Nigeria and other Nigerian millers met with KWC Board members Dean Stoskopf, Hoisington, Mike Brown, Colby, and Ray Crumbraker, Brewster. During the visit, the flour millers from Nigeria were able to see first hand information on breeding programs, farming and milling developments on Hard White wheat. Following the trip to Kansas, Mr. Odunayo sent the following comments to the Kansas Wheat Commission board members: "We believe that the future of wheat lies in white wheat and would encourage you to promote its wider cultivation and farmer-adoption."

(l-r) Muwayi Talabi (USW-Capetown, S. Africa), Mr. Tunde Odunayo (Honeywell), Jim McKenna (USW-Capetown, S. Africa), Dr. Joe Martin (KSU), Justin Gilpin (KWC) and Ian Mainprize (Honeywell) examine a Hard White wheat test plot at the KSU Agricultural Research Center - Hays.



REPRESENTATIVES OF SOUTH AFRICA traveled to Kansas following their purchase of Hard White wheat, which originated from Western Kansas. More than 20,000 metric tons of HW were purchased in place of the Australian hard white that's traditionally imported by South Africa. Ted Lomas and Brenda Friess of Right Coop visited with a USW-sponsored South African trade team on the edge of a Hard White (HW) wheat field west of Ness City. The South African wheat buyers expressed much interest in the growing production of U.S. HW wheat and look forward to it getting to a size of "critical mass" so that it can be an export option on a regular basis.



A LARGE SHIPMENT of Hard White wheat which originated from the Colby, Kan. area, was sent to Morocco in late December. This second major HW export sale of the year demonstrated the progress made by American wheat producers in responding to world demand. Cargill's John Culmer shows a sample of the Hard White wheat being loaded for Morocco.



MARK FOWLER, IGP (left), Hassan Abdel-Ghaffar, USW (left center) and Justin Gilpin, KWC (right), met with the Quality Control Supervisor of Dahab Flour Mills in Egypt (right center). Dahab Mills considers itself the first ever importer of a large commercial quantity of U.S. Hard White wheat, originating mostly from Kansas. They again issued a plea for U.S. wheat producers to increase production of HW so that it is available for the world market.



EDUCATION AND INFORMATION

Education and information are important parts of the KWC mission. The KWC works through the Kansas Foundation for Agriculture in the Classroom to educate the state's teachers and students about the importance of agriculture. By writing weekly news articles and monthly newsletters, KWC is able to inform wheat producers about current events in the industry. These news articles are listed on the Web site, www.kswheat.com, for easy access. The KWC also works to educate consumers about the importance of agriculture to our economy.



KANSAS FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

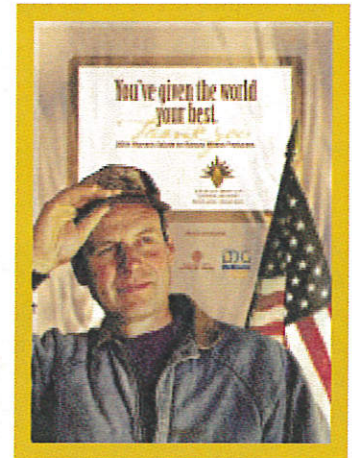
KFAC summer session courses taught K-12 teachers agricultural information that they are able to use in their classrooms. The courses also gave teachers a variety of resources to use when preparing and presenting lesson plans. Summer session courses are only one part of the KFAC educational opportunities for Kansas teachers and students. An assembly program travels the state, educating students about crops, farm animals and conservation. Educators' guides have been developed on the topics of crops and farm animals, and development of the conservation educators' guide is underway. A corresponding kid's magazine was also developed for

use in Kansas classrooms. Other KFAC activities include the postcard art contest, agriculture Teacher of the Year contest and Agri-Tag license plates. Kansas Wheat Commission is the largest producer contributor to the KFAC, and KWC Public Relations Officer Marsha Boswell served as KFAC Secretary this year.

HARVEST CAMPAIGN

The Kansas Wheat Commission, in conjunction with sponsors Kansas City Board of Trade and DeBruce Grain, conducted its third annual "Harvest Salute to Kansas Wheat Producers" to honor the contributions of Kansas wheat producers. In addition, Kansas Grain and Feed Association, Kansas Association of Wheat Growers, industry publications and radio networks also lent support to the campaign.

The Harvest Salute is designed to recognize the contributions of Kansas wheat producers to local and global economies. Kansas farm families have built a renowned reputation for producing high-quality wheat, which is an essential food staple for millions of people throughout the world.



The campaign appeared in May and June industry publications, carrying the message "You've given the world your best. Thank you." Radio announcements also aired, in conjunction with remote and grain report broadcasts. Additionally, several elevator sites promoted the campaign in their local areas through prominently displayed posters, as well as by providing their customers with a special gift as they delivered their wheat.

NEWSLETTERS

In an attempt to provide timely information to wheat producers at a reasonable price, the Kansas Wheat Commission chose to include information in issues of Kansas Farmer and High Plains Journal on a monthly basis.

WEB SITE

The Kansas Wheat Commission Web site provides information for a variety of different



audiences. There is production information and news to keep wheat farmers abreast of current events. There are educational materials for teachers and recipes for consumers. There is also information about the health benefits of grains and links to other helpful Web sites.



2004 Kansas Corn

ANNUAL REPORT

Kansas Corn Commission

Dist. 1 Ted Zielke
NW St. Francis
785-332-2463

Dist. 2 Ron Blaesi
WC Secretary
Sharon Springs
785-852-4169

Dist. 3 Donnie Young
SW Ulysses
620-356-2273

Dist. 4 Mike Brzon
NC Vice Chair
Courtland
785-335-2524

Dist. 5 Terry Vinduska
C Marion
620-382-2585

Dist. 6 Carolyn Dunn
SC St. John
620-549-6516

Dist. 7 Ken McCauley
NE White Cloud
785-595-3318

Dist. 8 Dan Guetterman,
EC Treasurer
Bucyrus
913-533-2443

Dist. 9 Bob Timmons
SE Chairman
Fredonia
620-698-3722

Kansas Corn Commission Office

Jere White
Executive Director
PO Box 446
109 W. 4th St.
Garnett, KS 66032
Phone: 800-489-2676

On-line at
www.ksgrains.com

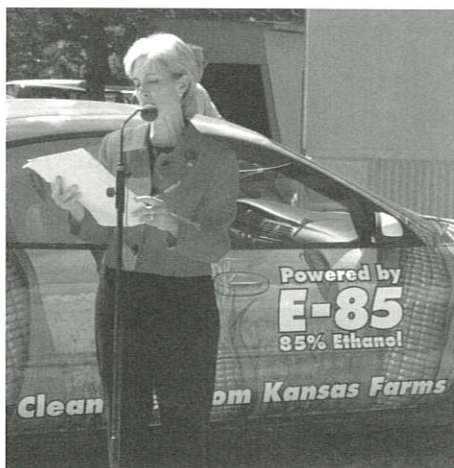
Working to Improve Your Bottom Line

In agriculture, everything ties together. The livestock industry creates a market for corn, and so does the ethanol industry. A third of the corn used to make ethanol comes out of the process as distillers grains, a valued high-nutrient livestock feed. Corn can be exported as #2 yellow corn or as meat. That's why the Kansas Corn Commission focuses on building the value of corn by building the value of ethanol and livestock through domestic and foreign consumption. The Commission invests in research to find ways to make corn production more profitable, and invests in promotion and education efforts to build the customer base for corn and corn-based products. This annual report details much of the work of the Kansas Corn Commission and show how the growers on the commission invest the half-cent per bushel corn checkoff to make the business of growing corn more profitable for producers.

LIVESTOCK—This industry is the corn producer's #1 customer. The Kansas Corn Commission works with export organizations like the US Meat Export Federation to increase exports of US meats.

Pictured here, Japanese grocery executives stopped for a photo after a meeting sponsored by the Kansas Corn Commission—from left to right: Kansas Corn Commissioner Ken McCauley, White Cloud; Eiji Takanami, Chief Buyer, Daiei Inc. Meat Division;

Kazuhiro Matsuyama, General Manager, Daiei Inc., Meat Division; KCC Executive Director Jere White; Kansas Secretary of Agriculture Adrian Polansky; John Hinners, USMEF. See article on page 2



Pictured above, Governor Kathleen Sebelius uses the Kansas Corn Commission's "Corn Car" as a backdrop at the Kansas State Fair as she reads a proclamation designating September 15, 2004 as Biofuels Awareness Day.

ETHANOL—With six plants in operation, one under construction and two additional plants close to breaking ground, ethanol production in Kansas is booming, bringing a strong market for Kansas corn and creating a valuable feed component for our livestock industry—distillers grains, the coproduct of ethanol production. Kansas now has an ethanol production capacity of 130 million gallons per year. A seventh plant will come on-line in June of 2005. Increasing the production of ethanol in Kansas as well as the use and availability of the fuel is a priority of the Kansas Corn Commission.



Kansas Corn Commission Hosts Japanese Grocery Execs Eager to Return Kansas Beef to Consumers in Japan

While the U.S. and Japan governments continue to negotiate to re-open markets for beef, Japanese supermarket executives are anxious to formulate a plan to reintroduce U.S. beef to their customers in Japan. Executives from a major supermarket chain in Japan visited Kansas and Colorado in early August to discuss the reintroduction of beef from the United States. When BSE was found in the U.S. in late 2003, the U.S. lost a major export market for beef. In 2003, Japan was second largest beef exporter, with total Kansas purchases in 2003 totaling \$175 million.

Building Relationships

The Kansas Corn Commission (KCC) hosted executives from the Daiei supermarket chain, and meat import company Marubeni Corpo-

Since the August visit, Governor Sebelius has been a strong proponent of reestablishing beef trade with Japan

ration for a day of meetings in Topeka. The visit was coordinated by the US Meat Export Federation. The Japanese executives met agricultural groups and state officials including with Governor Kathleen Sebelius.

“Kansas has a 25-year history with the US Meat Export Federation and this long relationship is what helps us through troubled times. This visit is part of getting back to doing what we want to do—and that is doing business with Japan,” KCC Executive Director Jere White said.

Rebuilding Trust

The Daiei executives said rebuilding consumer confidence in U.S. beef would be a priority when U.S. beef trade with Japan is reopened.

“Our first approach is to assure safety to the Japanese consumers. As a result, we are here to hold these meetings and also to visit with feedlots and packers. We want to establish a promotion to convince Japanese customers that U.S. and Kansas beef is safe and wholesome,” according to Kazuhiro Matsuyama, General Manager of the Meat Division of the Daiei company.

Governor Sebelius told the delegation that reestablishing beef trade with Japan would be a boost for Kansas agriculture and the Kansas economy. The Governor pledged her support to help promote Kansas beef in Daiei stores.

Governor Sebelius and Secretary Polansky had follow-up meetings with Japanese buyers while in Japan in September for a US-Japan Conference.

Kansas Beef Is Popular in Japan

Kansas Beef has been a strong brand name in Japan, Matsuyama said. Daiei began marketing beef as Kansas Beef in the early 1980s. White told the delegation that Kansas agriculture was ready to help rebuild the Japanese market for American beef.

“This is an opportunity to build back our markets for beef in Japan,” White said. “You can count on Kansas agriculture supporting that effort—to have not only business as usual, but business better than it has ever been before.”

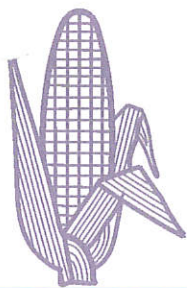


“As president and CEO of the US Meat Export Federation, I have witnessed firsthand how the Kansas corn checkoff helps to increase total U.S. red meat exports. In recent years, the US Meat Export Federation, in cooperation with the Kansas

Corn Commission has worked to increase demand for U.S. red meats in leading markets around the world. These efforts in turn have led to an increase in the amount of corn consumed to produce U.S. beef and pork for export. In the past decade, more than 2.6 billion bushels of corn were utilized in producing \$43 billion in U.S. red meat exports. Value-added red meat exports contribute substantially to the Kansas economy. The US red meat industry certainly appreciates the Kansas Corn Commission’s long-standing working relationship with USMEF.”

Philip Seng, President & CEO, US Meat Export Federation

THE BOTTOM LINE: US Livestock Creates a Market for 60% of US Corn Production



KANSAS CORN COMMISSION

FY-2005 Funding Report

The Kansas Corn Commission

The Kansas Corn Commission determines how the half cent per bushel corn checkoff is invested to benefit corn producers. The first purchaser of the grain remits a checkoff collection to the Kansas Department of Agriculture which distributes the funds to the commission. Growers may request a refund of their checkoff collection by contacting the Kansas Corn Commission.

Producers Decide How Checkoff Dollars Are Spent

The Kansas Corn Commission is made up of nine corn producers who represent the state's nine crop reporting districts. See *directory on page 1*.

The commission invests the checkoff collection in the areas of foreign market development, domestic market development, research, promotion and education.

Corn Commissioners Are Elected by Producers

The elections, for the District 4 (north-central), District 5 (east-central) and District 6 (south-central), will be held in early 2005. Ballots will be mailed in January to growers who have registered to vote.

Growers may register to vote in the elections through December 31, 2004. Candidates must file by November 30, 2004. Contact KCC for more information at 800-489-2676.

Find out more in the Internet!

Visit the Kansas Corn Commission web site at

www.ksgrains.com

or the

Kansas Department of Agriculture web site at

www.ksda.org

FY2005 KCC Funding

Research
\$193,483 (17%)

Domestic Market Development
\$241,066 (21%)

Foreign Market Development
\$435,666 (38%)

Promotion and Education
\$273,633 (24%)



This information outlines program areas in which corn checkoff dollars are being invested by the Kansas Corn Commission in Fiscal Year 2005 (July 1, 2004 through June 30, 2005)



FILL IT UP! Captain Cornelius fills the car driven by Secretary of Agriculture Adrian Polansky with E85 (85% ethanol fuel) at an E85 pump opening event at Garnett's Petro Plus station in May. The Secretary's vehicle is one of several flexible fuel vehicles in the State of Kansas fleet. The Kansas Corn Commission has celebrated the opening of three E85 fueling sites in the past 12 months. KCC is working to increase the production and availability of ethanol in Kansas.

FY2005 Commission Projects

The Kansas Corn Commission contracts with several organizations to provide a variety of services in the areas of domestic market development, foreign market development, research, promotion and education.

National Corn Growers Association

Core Funding..... \$123,400
Portfolio Funding \$188,600
Portfolio funding divided as follows: Transportation—\$15,000; Biotechnology—\$60,000; Research & Development—\$49,100; Production & Stewardship—\$4,500; Ethanol—\$60,000

Kansas Corn Growers Association

Market Development \$153,000
Promotion & Education Programs..... \$153,000

No Till on the Plains

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

Kansas Foundation for Agriculture In the Classroom

Education\$10,000

US Meat Export Federation

Foreign Market Development.....\$50,000
South Africa Biotechnology
Demonstration Plots Project\$15,000

US Grains Council

Foreign Market Development.....\$300,000

International Grains Program, KSU

Foreign Market Development.....\$36,600

USA Poultry & Egg Export Council

Foreign Market Development.....\$6,000

Research Project Summaries for FY-2005



MARKETING

AGManager.info Corn Basis and Other Farm Management and Marketing Information **\$9,300 (new project)**

The Department of Agricultural Economics at KSU has created a comprehensive website that has become a leading provider of farm and ranch management and marketing information. The goal of this commission funded project is to develop a database of weekly cash prices and basis information for corn, soybeans, grain sorghum and wheat from various Kansas elevators; to analyze the costs of forward contracting of corn using basis information from cash prices database; to maintain and further develop a comprehensive website with farm and ranch management and marketing information for Kansas producers and agribusinesses. The web site address is www.agmanager.info



WATER USE, IRRIGATION

Mobile Irrigation Lab—Improved Irrigation Efficiency for Corn Production, KSU **\$15,500 (continuing project)**

Irrigated corn production accounts for over one-half of the irrigated crop production in the state. Improvement in irrigation efficiency and reductions in water consumption can substantially impact the life of our water resources. A second mobile irrigation lab was purchased in 2003 with funding from the KCC. The trailer unit and is being used in southwest Kansas for center pivot system evaluations and educational activities on individual farms and in small group settings. Computer software has been created and tested as tools for farmers and crop consultant for irrigation scheduling (KanSched) and system evaluation (Irrigation Fuel Cost Evaluator).

Reducing Irrigation Water Needs with High Frequency, Limited SDI, KSU **\$12,000 (continuing project)**

The Subsurface Drip Irrigation system at the KSU Northwest Research-Extension Center is expressly designed for irrigation research and is the largest in the US Great Plain devoted to small plot research on field corn. The overall objective is to determine the effect of subsurface drip irrigation frequency on corn under limited irrigation.

Research Summaries Continued . . .

Irrigated Cropping Systems to Reduce Irrigation Water Use & Groundwater Depletion, KSU **\$12,000 (continuing project)**

Project objectives are to identify crop rotations that can be used with limited irrigation that will reduce irrigation water use while maintaining producer profitability, and to determine the impact of limited irrigation on crop yield and profitability. Studies are underway at the Tribune Unit of the Southwest Research-Extension Center.



NUTRIENTS AND WEED CONTROL

Revising KSU Corn Phosphorus and Potassium Nutrient Recommendations, KSU **\$10,000 (continuing project)**

KSU is currently revising the current crop nutrient recommendations to provide flexibility for corn growers. The ultimate objective is to provide a sound science base to support a new KSU nutrient recommendation that allows for overall crop production profitability and producer flexibility while providing environmental stewardship. This is the final year of the project. Upon completion, information will be shared with growers through workshops publications and field days.

Control of Field Pansy, a “New” Winter Annual in No-Till Crops, KSU **\$6,500 (continuing project)**

A “new” winter annual, field pansy is challenging no-till corn and soybean producers in northeast Kansas. It is clear that field pansy is much more tolerant of typical spring burndown treatments than other winter annual. Researchers are repeating experiments involving herbicide application timing and herbicides with different modes of action and are working to refine field pansy control recommendations increase reliability and reduce costs, and investigate aspects of field pansy life cycle such as germination timing, growth and development characteristics and effects on corn and soybean performance.



PRODUCTION

Use of Strip-Tillage for Corn Production in Kansas, KSU **\$30,000 (continuing project)**

Researchers will compare the effectiveness of strip tillage to no-tillage and assess the affects of fall versus spring applications of NPK fertilizer on the growth, grain yield and nutrient uptake of corn grown in strip-tilled or no-tilled rows. Strip tillage may provide an environment that preserves the soil and nutrient-saving advantages of no-till while establishing a seedbed that is similar to conventional tillage. Research is needed in Kansas, particularly on our heavier soils, to evaluate strip-tillage, coupled with the application of nutrients as fluid fertilizers, as an alternative to no-till. Research is being conducted at Belleville; Manhattan; Ottawa and Parsons.

Corn Production in Kansas: Extension and Applied Research, KSU **\$4,000 (continuing project)**

Project objectives are to educate producers and agribusiness on best management practices of corn production, conduct applied research based on suggestions from producers and agribusiness and stay current on national and international corn production topics that are applicable to Kansas. Information will be presented at winter meetings, field tours and training sessions. Researchers will also conduct applied research on producer fields and experiment fields; attend national meetings to obtain the latest research results to be shared with producers and agribusiness and be available for consultation and possible on-farm visits.

Short Season Corn Extension Educational Program in SE Kansas, KSU **\$3,950 (continuing project)**

Corn production in southeast Kansas has more than doubled in the last few years. Much of the increase is due to the planting of short season corn on the upland. Objectives include the use of on-farm demonstration trials to show producers new strip till techniques, Best Management Practices, determine the effects of phosphorus placement, and optimum nitrogen rates. The project takes current research to farmers' fields and shows production BMPs to protect water quality and economic benefits for corn production in the 26-county Southeast Kansas Extension Area.

Growing Ethanol Industry Continues to Build Markets for Corn

The Kansas Corn Commission has launched a Kansas Ethanol Information website at www.ksgains.com

Kansas Ethanol Production on the Rise

Ethanol production in Kansas is expanding, creating jobs and new markets for grains grown on Kansas farms.

Kansas now has six plants that can produce over 130 million gallons per year, using nearly 50 million bushels of corn and grain sorghum per year.

Ethanol plants are located in Russell, Campus, Colwich, Atchison, Garden City and Leoti. East Kansas Agri Energy at Garnett began construction on a 35 million gallon plant this fall. Other potential plants are in various stages of production including groups in Pratt and Phillipsburg.

Consumers Recognize the Value of Ethanol-Blended Fuels

Ethanol blended fuels are gaining popularity across the state. Hundreds of stations across the state offer E10 Unleaded with 10 percent ethanol. E10 Unleaded is available in 14 percent of the gas stations, up from just 8 percent in 2002.

Nearly every Kansas county has fuel stations that offer E10 Unleaded with 10% ethanol, for use in all gas powered vehicles. E85 fuel, 85% ethanol fuel for flexible fuel vehicles is now available at four locations. While the demand for ethanol nationwide is strong, the Kansas Corn Commission is working to ensure a strong Kansas market for ethanol fuels.

Kansas Ethanol Facts

- Kansas has six plants with a production capacity of 130 million gallons of ethanol per year using 48 million bushels of grain
- Western Plains Energy, LLC, at Campus, began production in January.
- East Kansas Agri-Energy, LLC at Garnett is under construction and plans to be in production in June 2005.
- Plant organizers in Pratt and Phillipsburg are moving forward with plans for plants. Groups in several other Kansas communities are considering ethanol facilities.
- Three of the state's four E85 stations have opened in the last 12 months.

THE BOTTOM LINE: *The US Ethanol Industry Uses 10% of US Corn Production*

Checkoff Dollars Work to Increase Exports of Corn and Corn Products



The Kansas Corn Commission hosted this group of Chinese feed managers in August. The group, sponsored by the US Grains Council (USGC), participated in grain short courses at KSU's International Grains Program (IGP). China is considered a promising market for US corn. The Kansas Corn Commission funds both IGP and USGC activities.

Corn exports are important to the corn industry. KCC is active in developing exports through its work with the US Grains Council and the International Grains Program at KSU. The commission celebrated the opening of the new IGP facility at on the Kansas State University at Manhattan. The commission helped to fund the construction of this state-of-the-art facility where grain buyers and marketers from around the world take courses on buying, marketing and milling U.S. feed grains.

The US Grains Council, based in Washington, DC, has offices around the world in 10 international offices and programs in more than 80 countries. In the past year, the commission has hosted trade teams from developing markets including China, Columbia, and Venezuela. The three top exporters of US corn are Japan, Mexico and Taiwan.

THE BOTTOM LINE: *Exports Provide a Market for 20% of US Corn Production*



Kansas Commodity Classic Is November

The Kansas Commodity Classic—the annual convention of the state's corn, wheat, grain sorghum and cotton producers

Tuesday, Nov. 30, 2004
Plaza Inn, Garden City
Registration begins at 8 a.m.

Corn, wheat, sorghum and cotton producers will come together on Tuesday, Nov. 30 for the Kansas Commodity Classic at the Plaza Inn in Garden City. This annual event will feature a wide range of topics from legislative and policy issues to production and marketing of our crops. The 2004 Kansas Commodity Classic is hosted by the Kansas Corn Growers Association, Kansas Association of Wheat Growers, Kansas Grain Sorghum Producers Association and Kansas Cotton Association

The Classic is FREE for all growers! The Kansas Association of Wheat Growers is taking pre-registrations.

Register today by calling KAWG at 800-748-8034

2004 KANSAS COMMODITY CLASSIC AGENDA

Nov. 30, 2004 Plaza Inn, Garden City, KS

- 9:00 General Session Begins**
- 9:15 Association Priorities for the 109th Congress**
Tim Lust, National Grain Sorghum Producers
Jon Doggett, National Corn Growers Association
John McGuire, National Cotton Council
Mark Gaede, National Association of Wheat Growers
- 10:30 Break**
- 10:45 Post-Election Congressional Outlook**
Rep. Jerry Moran
Senator Pat Roberts (invited)
- Noon Lunch**
- 1:30 Breakout Sessions 1 (choose one)**
- ◆ **Living Together in the Neighborhood--with Pesticides** *Dale Lambley, Kansas Dept. of Agriculture*
 - ◆ **Get More with Your Marketing in 2005—**
Dave Spears, Kansas Farm Bureau
 - ◆ **Irrigation Retirement—**
Greg Foley, Kansas Conservation Commission
- 2:30 Ice Cream Break**
- 3:00 Breakout Sessions 2 (choose one)**
- ◆ **Applying Herbicides to Improve Efficacy and Minimize Drift—***Bob Wolf, KSU Ag Engineering*
 - ◆ **Kansas Legislative Outlook—***Senator Steve Morris*
 - ◆ **Group Risk Insurance Program Comparisons—**
Rob Heyen, Crop Insurance Consultant

*You're Invited
to the*

Corn Producers Dinner

**6:00 p.m. Monday, Nov. 29 at the
Plaza Inn, Garden City**

Hosted by the Kansas Corn Commission

*Featuring a speaker from the US Meat Export
Federation on export issues and the value of meat
exports to your bottom line*

**To reserve your seat at this dinner
Please call KCC at
800-489-2676**

Corn Producer Events Held in Conjunction with the Kansas Commodity Classic

Kansas Corn Commission: The Kansas Corn Commission will meet beginning at 1 p.m. on Monday, Nov. 29 at the Plaza Inn, Garden City. Corn Commission meetings are open to the public.

Kansas Corn Producers Dinner: The Kansas Corn Commission is hosting a dinner for corn producers. All corn producers are invited to attend. *Seating may be limited—call 800-489-2676 to reserve your seat!*

Kansas Corn Growers Association: KCGA will have its annual meeting at 8 p.m. on Monday, Nov. 29 at the Plaza Inn.

Kansas Corn Commission Staff

KCC contracts with the Kansas Corn Growers Association for administrative services and programs.

Executive Director—Jere White

Programs Manager—Sue Hardman

Director of Communications—Sue Schulte

Director of Environmental Programs—
Jessica Baetz Caylor

Director of Value Added Programs—
Robert White

Administrative Assistant—Keri Rusk

Kansas Corn Commission

PO Box 446

Garnett, KS 66032

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Fax: 785-448-6932

e-mail: corn@ksgrains.com

www.ksgrains.com

North-Central; Central and South-Central Districts—

Corn Commission Elections for 3 Districts

This year's commodity commission elections will determine checkoff board members for District 4 (north-central), District 5 (central) and District 6 (south-central). Currently, Mike Brzon, Courtland represents District 4; Terry Vinduska, Marion represents District 5 and Carolyn Dunn, St. John represents District 6 on the Kansas Corn Commission.

REGISTER TO VOTE—Register by filling out the Commodity Voter Registration form that can be obtained from your county extension office, your county conservation district office, the Kansas Department of Agriculture, or any of the five grain commodity commission offices (corn, grain sorghum, soybeans, wheat or sunflowers), or by signing a valid candidate petition form. You will receive a ballot by mail by Jan. 15 which will be due by March 1. Voters must register by Dec. 31, 2004.

REGISTER AS A CANDIDATE—Fill out the candidate petition available from the Kansas Department of Agriculture or the Kansas Corn Commission. Candidates must complete the required forms, and get signatures from 20 growers, with no more than 5 growers from one county. Candidate registrations must be postmarked by Nov. 30, 2004.

2004 Annual Report
See **INSIDE** for Information
on the
Kansas Commodity Classic!
November 30 at Garden City

Kansas Corn Commission
PO Box 446



2-22

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KANSAS CORN COMMISSION

Garnett, Kansas

FINANCIAL STATEMENTS

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2004 and 2003

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas



September 29, 2004

Board of Directors
Kansas Corn Commission
Garnett, Kansas

Independent Auditors' Report

We have audited the accompanying statements of assets, liabilities and net assets - cash basis of Kansas Corn Commission (a quasi municipal entity) as of June 30, 2004 and 2003, and the related statement of activities - cash basis 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - cash basis of Kansas Corn Commission as of June 30, 2004 and 2003, and the changes in its net assets for the year then ended on the basis of accounting described in Note 1.

Certified Public Accountants

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

Financial Statements

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets		
Cash		
Operations	\$ 30,000	\$ (5,156)
High Performance Savings	623,244	1,168,341
Overnight Repo Agreement	198,873	645,000
CD	600,000	-
	<u>600,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,452,117</u>	<u>\$ 1,808,185</u>
NET ASSETS		
Net Assets	<u>\$ 1,452,117</u>	<u>\$ 1,808,185</u>
TOTAL NET ASSETS	<u>\$ 1,452,117</u>	<u>\$ 1,808,185</u>

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KANSAS CORN COMMISSION
 Garnett, Kansas
STATEMENTS OF ACTIVITIES - CASH BASIS
 For the Years Ended June 30,

Financial Statements

	2004	2003
CHANGES IN NET ASSETS		
REVENUE		
Check-off collections	\$ 1,364,613	\$ 1,379,828
Refunds	(294,643)	(245,912)
Net	\$ 1,069,970	\$ 1,133,916
Interest income	11,210	33,249
Total Revenue	\$ 1,081,180	\$ 1,167,165
 EXPENSES		
Administrative		
Communications	\$ 31,189	\$ 45,618
KCGA - Administration	74,000	74,000
In-state travel	6,839	6,844
Out-of-state travel	30,737	41,889
Office	2,056	3,703
Meetings	1,712	1,256
Hospitality	625	1,954
Grants	7,800	7,905
Program		
KCGA	311,000	325,500
KS Department of Agriculture	9,456	4,963
KSU - Research	214,901	147,657
National Corn Growers Association	312,000	300,000
Other contracts	84,433	107,306
US Grains Council	300,500	308,000
US Meat Export Federation	50,000	50,000
Total Expenses	\$ 1,437,248	\$ 1,426,595
 INCREASE (DECREASE) IN NET ASSETS	\$ (356,068)	\$ (259,430)
 NET ASSETS - JULY 1, 2003	1,808,185	2,067,615
 NET ASSETS - JUNE 30, 2004	\$ 1,452,117	\$ 1,808,185

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KANSAS CORN COMMISSION
Garnett, Kansas
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

Notes To Financial Statements

Note 1: Summary of Significant Accounting Policies

Organization

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

Method of Accounting

The financial statements are prepared using the cash basis of accounting, which differs from generally accepted accounting principles in that revenues are recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

Income Taxes

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

Pension Plan

There is no formal pension plan.

Use of Estimates

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

Fair Value of Financial Instruments and Credit Risk

Deposits, which include certificates of deposit, are carried at cost which approximates fair value. The following tables summarize the collateral supporting the Commission's deposits at June 30, 2004 and 2003:

	<u>Carrying Value</u>	
	<u>2004</u>	<u>2003</u>
Category 1		
Deposits covered by Federal Depository Insurance or collateral held by the Commission or its agent in the Commission's name.	\$ 300,000	\$ 200,000
Category 2		
Deposits covered by collateral held by the pledging financial institution or its agent in the Commission's name.	<u>2,145,409</u>	<u>2,645,409</u>
Total Deposits	<u><u>\$ 2,445,409</u></u>	<u><u>\$ 2,845,409</u></u>



KANSAS GRAIN SORGHUM COMMISSION

2005 ANNUAL REPORT

1997 Grain Sorghum Export Project Begins to Pay Off

The Kansas Grain Sorghum Commission (KGSC) and US Grains Council have laid the groundwork for sales of sorghum to Morocco when tariffs are eliminated thanks to the passage of the US-Morocco Free Trade Agreement. The US-Morocco Free Trade Agreement passed by Congress in 2004 and effective Jan. 1, 2005, eliminates the tariff on grain sorghum. The FTA also phases out tariffs on corn and barley over a period of years.

“The sorghum commission has been working with the US Grains Council to build trade with Morocco for several years,” KGSC Chairman Jeff Casten, Quenemo, said. “But the tariff on sorghum made it difficult to sell large amounts of sorghum to that country.”

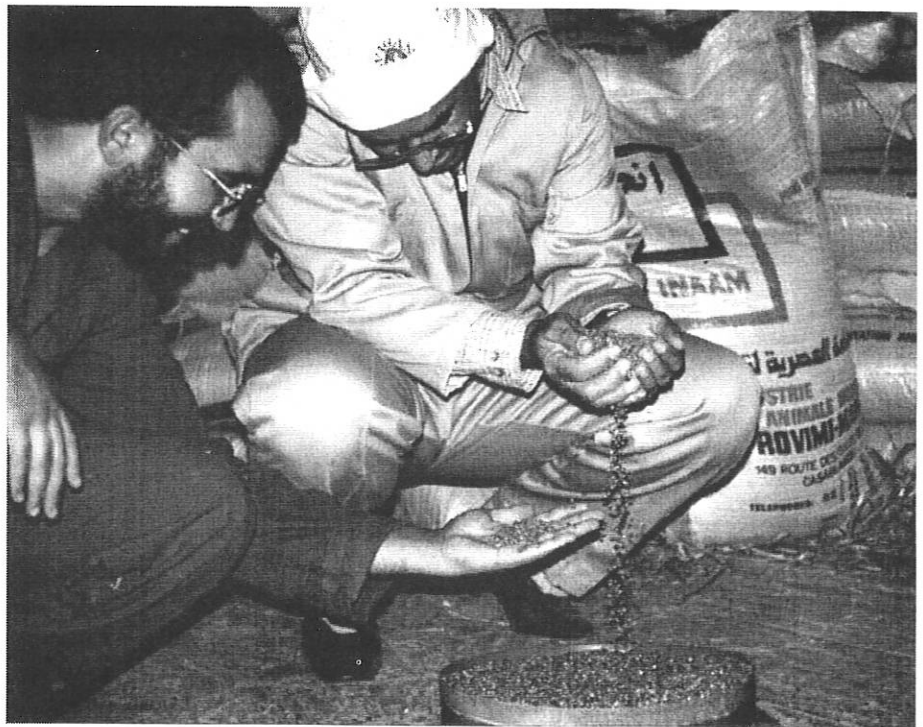
“Soon that trade barrier will be gone, and we’ve already laid the groundwork to become a major feed source for Morocco’s poultry industry.”

The language that eliminates and phases out grain tariffs was the product of several years of work by the US Grains Council and groups like the Kansas Grain Sor-

ghum Commission. While the USGC worked with the U.S. trade negotiators to ensure that sorghum, corn and barley received favorable treatment in the agreement, counterparts in Morocco lobbied for the same thing with their Moroccan trade negotiators. *(continued on p. 3)*

Inside this Annual Report

FY2005 KGSC Funded Projects.....	p. 2
KGSC Funding Summary.....	p. 3
Sorghum Fuels Kansas Ethanol Plants.....	p. 3
KGSC Commission Directory.....	p. 4
Frequently Asked Questions....	p. 4



A TIMELY PHOTO—

Taken in 1997, this picture shows two Moroccan poultry feeders with the shipment of Kansas sorghum sent for feeding trials. The sorghum was donated by the Kansas Grain Sorghum Commission. Those trials and subsequent work of the US Grains Council set the stage for the elimination of tariffs on sorghum beginning in 2005.

KGSC Funded Projects—FY2005

The Kansas Grain Sorghum Commission allocated checkoff funds in the areas of research, foreign market development, domestic market development, promotion and education. Below is a listing of projects funded by the Kansas Grain Sorghum Commission for FY2005. (July 1, 2004 through June 30, 2005)

KANSAS GRAIN SORGHUM COMMISSION FY2005 PROJECTS

KSU Research Projects

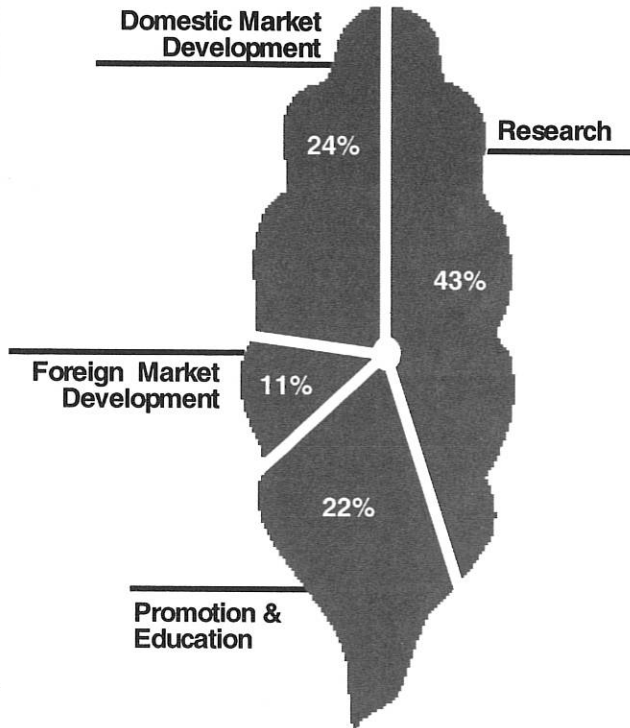
Dale Fjell Agronomy.....	\$3,000
<i>Grain Sorghum Production in Kansas: Extension and Applied Research</i>	
Ken Kofoid Hays Center	\$45,500
<i>Breeding Sorghum with improved grain yield, greenbug and virus resistance, and pre-flowering drought tolerance</i>	
Mitch Tuinstra Agronomy	\$45,500
<i>Breeding Grain Sorghum for improved dryland production</i>	
Dale Leikam, Agronomy	\$15,000
<i>Revising KSU grain sorghum phosphorus and potassium nutrient recommendations.</i>	
Alan Schlegel Southwest Research Center.....	\$6,500
<i>Irrigated cropping systems to reduce irrigation water use and groundwater depletion while sustaining profitability.</i>	
KSU Hays Research.....	\$15,000
<i>Plot Combine</i>	

Promotion, Market Development and Research Projects

KGSPA.....	\$96,500
<i>Promotion and Market Development</i>	
NGSP.....	\$189,000
<i>Multi-State Research, Food & Nutritional and Cold Tolerance, Market Development, Promotion and Education</i>	
US Grains Council	\$20,000
<i>Baseline Funding</i>	
Kansas Grain & Feed Association	\$900
<i>KGFA Grain Grading Schools</i>	

FY 2005

This pie chart outlines program areas in which your checkoff dollars are being invested by the Kansas Grain Sorghum Commission in Fiscal Year 2005 (July 1, 2004 through June 30, 2005)



Production/New Use Research	\$184,200 (43%)
Domestic Market Development	\$104,950 (24%)
Foreign Market Development	\$48,350 (11%)
Promotion and Education	\$95,500 (22%)

FY 2004

This listing outlines program areas in which your checkoff dollars were invested by the Kansas Grain Sorghum Commission in Fiscal Year 2004 (July 1, 2003 through June 30, 2004)

Production/New Use Research	\$249,500 (45%)
Domestic Market Development	\$123,750 (22%)
Foreign Market Development	\$49,000 (9%)
Promotion and Education	\$133,750 (24%)

*FY2005 funding levels were lower due to drought conditions, which led to significantly lower production and lower checkoff collections.

Sorghum Fuels Ethanol Growth

The growing Kansas ethanol industry continues to create market demand for Kansas grain sorghum as well as corn. Unlike other Midwest states, most of the ethanol made in Kansas is made from grain sorghum. Ethanol production in Kansas is now at 130 million gallons per year. Current Kansas production creates a market for over 48 million bushels of grain sorghum and corn.

The 35 million gallon East Kansas Agri Energy ethanol plant at Garnett is under construction with a completion date of May 2005. For every bushel of grain used, a third goes to ethanol, a third goes to distillers grains, a valued livestock feed, and a third goes to carbon dioxide.

Plans for plants in Pratt and Phillipsburg are underway. Pratt developers hope to break ground soon. Other plants also are under consideration.

Morocco Sorghum Project Begins to Pay Off

(continued from p. 1)

Working with the US Grains Council, the Kansas Grain Sorghum Commission provided sorghum for successful poultry feeding trials in Morocco in 1997. The Commission has also hosted Moroccan trade teams in Kansas. The feeding trials and other efforts built interest in US sorghum. The lower tariffs, thanks to the US Moroccan Free Trade Agreement, will make US sorghum a very attractive grain to Moroccan grain buyers.

"We look forward continuing our work with the US Grains Council to build our business relationship with Morocco, and to build strong foreign markets for grain sorghum," Casten said.

Morocco's expanding poultry and meat sector is driving the country's demand for feed grains. While poultry is the fastest growing meat production sector in Morocco, the cost of chicken meat production is one of the highest when compared to other middle-income countries. Costs to the Moroccan poultry producers will be significantly reduced through lower feed grain prices as a result of this agreement, according to the Grains Council.

Kansas Grain Sorghum Commission Frequently Asked Questions

What does the commission do?

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

The areas of investment are:

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

Who serves on the commission?

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

Are commissioners elected or appointed?

Thanks to legislation passed in 2000 designed to give growers more input into their commission representation, growers began to elect commissioners in 2002. The fourth round of elections will be held in early 2005 for the north-central, central and south-central grower districts.

Who handles the commission business?

The administrator of the Kansas Grain Sorghum Commission is Kevin Lickteig. The commission's administrative office is located in Paola, Kansas, and can be contacted toll-free at 866-4KSMILO (866-457-6456)

Where can I find more information?

Visit our web site at:
www.ksgrains.com/kgsc



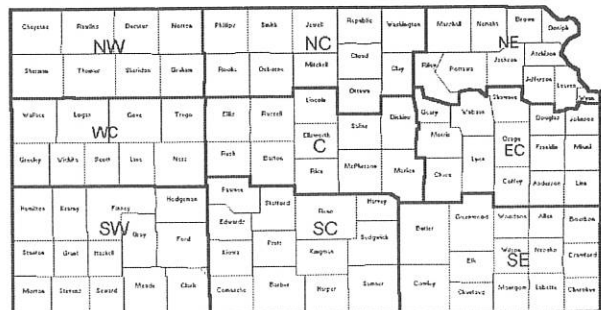
Kansas Grain Sorghum Commission

- Dist. 1 (NW)** **Richard Calliham**
Colby
785-462-2459
- 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, Sec/Treasurer**
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)** **Leo Bindel**
Sabetha
785-467-3817
- Dist. 8 (EC)** **Jeff Casten, Chairman**
Quenemo
785-759-3520
- Dist. 9 (SE)** **Kathy Claiborne**
Fredonia
620-692-3651

Administrator:

Kevin Lickteig
PO Box 243, Paola, KS 66071
Phone: 866-457-6456
e-mail: kgsc@classicnet.net

District Map



The commissioners listed above represent growers in their crop reporting districts. The map above shows the crop reporting districts for the state of Kansas.

Kansas Soybean Commission

The mission of the Kansas Soybean Commission is improving the profitability of Kansas soybean producers. The Commissioners have identified the following 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 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.

2005 Kansas Soybean Commissioners

Districts I-II-III	Kurt Maurath (Sec.) 420 Elm Avenue Oakley, KS 67748	District IV	Ron Ohlde (V. Chair.) 1579 4 th Road Palmer, KS 66962
District V	Harold G. Kraus 977 Chetolah Gold Rd. Hays, KS 67601	District VI	Jerry Wyse (Chairman) 8403 S. Mayfield Rd. Haven, KS 67543-8093
District VII	Jim Zwonitzer 10789 Cheyenne Road Horton, KS 66439	District VIII	Bob Haselwood 2130 SE 61 st Street Berryton, KS 66409
District IX	Ron Westervelt 4851 NW Bethlehem Road Columbus, KS 66725	At-Large	Robert Litch (Treas.) 2079 E. K-31 Melvern, KS 66510
At-Large	Jerry Jeschke 1584 Willow Road Robinson, KS 66532-9794	United Soybean Board Directors:	Eric Niemann, Nortonville Kathy Patton, Silver Lake John Wray, Ottawa

Kenlon Johannes, Administrator
Kansas Soybean Commission
2930 SW Wanamaker Drive
Topeka, KS 66614-4116
Phone: 800-328-7390

Kansas Soybean Commission FY 2004 Projects

International Market Development & Trade Teams

Production & Utilization Research Program

Consumer Information & Industry Relations

Trade shows/ Seminars/ Personal appearances
Collateral materials development and distribution
Youth Education Programs
Consumer Awareness Media Program
FACS Education Program

Biodiesel Market Development
Promotion of Industrial Soybean Products

Public Relations Program
First Purchaser Education Program
Economic Development
National/ Regional/ State Program Coordination

Producer Communications

Soy Notes newsletter
Field Days & Crop Tours
Yield Contest
Leadership Development
Kansas Soybean Expo
Farm Shows/ Trade Shows
Producer Media Outreach

Checkoff Administration

Kansas Soybean Commission
2930 SW Wanamaker Drive
Topeka, KS 66614-4116
Phone: 800-328-7390

**Kansas Soybean Commission
FY 2004 Financial Summary**

Income

Checkoff collections & other income	\$2,440,965	
Remittance to United Soybean Board and other states	-\$1,186,549	
Net collections and other income		\$1,254,416

Expenditures

International Market Development	\$45,030	
Production and Utilization Research	\$478,574	
Consumer and Industry Education	\$409,545	
Producer Communications	\$104,338	
Administration	\$104,864	

Total expenditures		\$1,142,351
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Kansas Soybean Commission FY 2004 Checkoff Research Projects

Biology and Management of the Soybean Stem Borer in Kansas

Phillip E. Sloderbeck, Randall A. Higgins, Lawrent Buschman, William Schapaugh, Merle Witt, Douglas J. Jardine

Entomology, Agronomy and Plant Pathology Departments, Kansas State University, Southwest Area Extension Office, SW Research/Extension Center, Kansas State University Extension Offices, Kansas State University

Objectives:

1. Investigate the interaction between soybean stem borer development and girdling relative to planting date and/or variety maturity group.
2. Evaluate the effectiveness of insecticides in reducing tunneling, girdling and yield.
3. Produce a color brochure on the soybean stem borer to aid producer awareness about the pest, life history characteristics, crop damage, and management options.
4. Expand web pages associated with soybean insect and disease pests.
5. Study the impact of various management practices on stem borer over-wintering success.

Enhancing Soybean Germplasm Development

William Schapaugh, Timothy Todd, Harold Trick, Jim Long

Agronomy and Plant Pathology Departments, Kansas State University, Southeast Research Center, Kansas State University

Objectives:

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.

Soybean Production in Kansas: Extension and Applied Research

Dale L. Fjell

Department of Agronomy, Crop Production, Kansas State University, Manhattan, KS

Objectives:

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.

A Soybean Educational Program in Southeast Kansas

Gary L. Kilgore, Sarah Fogleman

Southeast Kansas Extension Office, Kansas State University, Chanute, KS

Objectives: Reduce the time that proven practices, developed at our experiment stations, are implemented by producers on their farms.

1. Establish on farm trials to show the best management practices (BMPs) for soybean production already proven at the water quality IAMS sites located in Crawford and Franklin counties. This will include weed control, fertilizer placement and soil loss.
2. Conduct tours of these and other on farm trials.
3. Continue to demonstrate proper plant populations, row spacing and inoculation procedures.
4. Continue to conduct on farm trials using soybean varieties, double crop varieties and SCN varieties.
5. Use the data collected in winter soybean schools.
6. All data produced will be subjected to economic analysis to determine profitability.
7. New soybean budget worksheets will be prepared.

Enhancement of Soybean through Genetic Engineering

Harold N. Trick, William T. Schapaugh, Subbaratnam Muthukrishnan, Tim C. Todd

Departments of Plant Pathology, Agronomy, and Biochemistry, Kansas State University, Manhattan, KS

Objectives:

1. Continue to produce and evaluate genetically engineered soybean for increased fungal resistance.
2. Introduce and evaluate two separate approaches to increase Soybean Cyst Nematode (SCN) and insect resistance in transgenic soybean.
3. Introduce a phenylalanine-free zein protein into soybean to produce a nutraceutical (value-added) trait that may open new markets for Kansas' soybeans.

Irrigated Cropping Systems to Reduce Groundwater Depletion while Sustaining Profitability

Alan Schlegel, Troy Dumler, Lloyd Stone

Soil Management and Agricultural Economics / Southwest Research Center, and Soil and Water Management/ Department of Agronomy, Kansas State University

Objectives:

1. Identify crop rotations that can be used with limited irrigation to reduce water use while maintaining producer profitability.
2. Determine the impact of limited irrigation on crop yield and profitability.

Management of the Soybean Aphid: A Pro-Active Approach to a New Pest

John C. Reese, Randall A. Higgins, C. Michael Smith, William T. Schapaugh, Phillip E. Sloderbeck, Robert E. Wolf, Douglas J. Jardine

Departments of Entomology, Agronomy, Extension, Biological and Agricultural Engineering and Plant Pathology, Kansas State University, Manhattan, KS

Objectives:

1. Produce a color brochure that aids producer awareness of identification, life history characteristics, and damage caused by the soybean aphid (completed).
2. Confirm the presence of the soybean aphid in Kansas and establish a laboratory colony (completed).
3. Collect information evaluating feasibility of controlling soybean aphid with foliar insecticides in Kansas.
4. Screen germplasm accessions, especially public lines in the K-State breeding program for sources of resistance and identifying molecular markers for resistance to the soybean aphid.
5. Conduct experiments to identify the category (antibiosis, antixenosis, or tolerance) of resistance in selected lines.
6. Determine in more detail the behavioral components of resistance of selected lines, using the electronic monitoring system.

Water Savings from Crop Residues in Irrigated Soybeans

Norman L. Klocke, Troy Dumler

Southwest Research Extension Center, Garden City, KS

Objectives: Determine the water savings value of crop residues in irrigated soybean production.

1. Measure evaporation beneath crop canopy of fully irrigated soybeans on bare soil, no-till residue and standing wheat residue.
2. Calculate the relative contribution of evaporation and transpiration based on different residues.
3. Convert potential savings in evaporation to grain yields and calculate economic impact.

Combined Treatments for Managing Charcoal Rot & Phytophthora Rot

Nancy L. Brooker

Department of Biological Sciences, Pittsburg State University, Pittsburg, KS

Objectives: Research to evaluate combined seed and foliar treatments using novel plant derived compounds to manage Charcoal Rot and Phytophthora Rot.

1. Determine the impact of natural plant derivatives as combined seed and foliar treatments on Charcoal and Phytophthora Rot disease and on soybean yields.
2. Determine if natural derivatives applied to soybean seed and foliage at two different plant developmental stages, will significantly impact growth, development and yield in the presence of Charcoal and Phytophthora Rot fungi.
3. Compare these novel seed treatments against commercially available fungicides to determine efficacy, target specificity, unique characteristics and cost-effectiveness of the natural derivatives in managing and controlling Charcoal and Phytophthora Rot symptoms.

Purification & Characterization of a Naturally Occurring Soybean Antibiotic

Daniel M. Zurek

Department of Biology, Pittsburg State University, Pittsburg, KS

Objectives:

1. Subclone the gene pBRU1 for glucanase protein into a yeast expression in order to produce large amounts of protein.
2. Purify the protein.
3. Analyze the purified protein for antimicrobial activity upon a wider variety of pathogenic organisms and quantitate its effectiveness against soybean and human diseases.

Kansas Soybean Commission
2930 SW Wanamaker Drive
Topeka, KS 66614-4116
Phone: 800-328-7390

Kansas Sunflower Commission

The Kansas Sunflower Commission was formed by the 2002 Kansas Legislature as the state's newest commodity commission. They are responsible for regulation and policy development for sunflower and sunflower-based commodities. Last year Kansas ranked third nationwide in sunflower production.

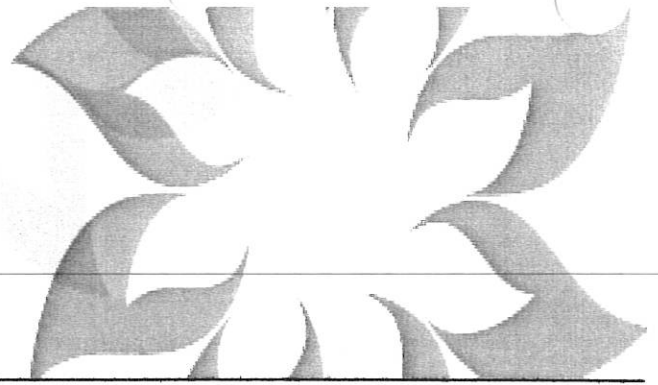
The commission collects operational funds by the same means as the other four commodities. The assessment is collected by the first purchaser at the time of sale by a deduction in the price paid to the grower. Currently, the assessment for sunflowers is \$0.03 per hundredweight. Like all other commodities, the first-time seller of sunflowers can request and receive a refund of these check-off dollars.

At present, the Kansas Sunflower Commission is participating in their first election cycle. Then-Governor Bill Graves made the first appointments to the commission when it was organized. In 2005, eligible sunflower producers can register to vote for commissioners running in Districts IV, V and IX, the central third of Kansas. If there is no candidate seeking office in a particular district, the Kansas Sunflower Commission has the authority to appoint a qualified applicant to fill that position.

Current Kansas Sunflower Commissioners

District I	Jeff Deeds (Chairman) 1416 Arcade Goodland, KS 67735	District VI	Keith McNickle 235 NW 150 th Ave Stafford, KS 67578
District II	Duane Frasier (Vice-Chair) HC 1, Box 235 Sharon Springs, KS 67758	District VII	Gail Hermes (Treasurer) Rt. 1, Box 114 Centralia, KS 66415
District III	Jerry Bolding (Secretary) 14135 East Meeker Road Garden City, KS 67846	District VIII	Gary Schellhorn 521 Skiddy West Road Junction City, KS 66441
District IV	Steve Baccus 707 North Third Ave. Minneapolis, KS 67467	District IX	Randy Small Route 1, Box 213a Neodesha, KS 66757
District V	Lance Russell 474 240 th Ave. Hays, KS 67601		

KanPERC



Kansas Propane Education & Research Council

420 S.E. 6th Ave., Suite 2000 • Topeka, KS 66607 • 785/354-1749 • FAX 785/354-1740 • email: kanperc@propaneinkansas.org

January 26, 2005

Chairman Johnson and Members of the House Agriculture Committee;

House Bill 2038 created the Kansas Propane Education & Research Council in 2003 which requires an annual report to be made to the House and Senate Agriculture Committees. At anytime, please feel free to ask questions. The Council has been very busy fulfilling the charge of the legislation to increase the safety and understanding of propane users and the industry.

KanPERC became effective September 1, 2003 with a 2/10 of a cent per gallon assessment on odorized propane destined for end consumer use in Kansas. For the fiscal year 2004-2005 KanPERC received a total of \$329,492.32 in assessments and spent a total of \$113,648.98 for programs and setup including the creation of a new classroom to educate those that work with propane including marketers, plumbers, and installers that will seat 70 students that includes a sound system, overhead projector, VCR/DVD player, and internet. At the end of the fiscal year ending October 31, 2003 KanPERC had operating capital of \$215,843.34. (However, at this time we are still completing our annual audit by a CPA which commenced in November. It is continuing because we are awaiting a tax-exempt designation by the IRS and therefore cannot certify the results of the audit.) Financial information is included in attached documents including income, expenses, and budgets.

The Council holds quarterly meetings at the KanPERC office in Topeka. Current membership of the Council appointed by the governor include:

Greg Noll, Topeka, Chairman,
Dick Dougherty, Great Bend, elected vice chairman
David DuVall, Garden City, elected secretary/treasurer
Jim Brewer, Leon
Nadene Ervin, Chanute
Don Sutton, Kansas City
Cody Wray, Wichita
Dan McLaughlin, Kansas State Fire Marshal Ex-Officio
2 open positions awaiting appointment by the Governor

House Agriculture Committee
January 26, 2005
Attachment 3

The Council has established by-laws and a procedures manual that provides information and guidance to assessment payers, industry personnel, and the public about the educational and safety mandates of the Council. We have also launched a website dedicated to education and information for the public and the industry use. This website can be found at www.propaneinkansas.org.

For the first year the Council directed that no major education programs would be started, with the exception of the duty to warn and coloring book programs, in order to create carry-over funds in a responsible fashion to create a base of funds for continuing programs in the future.

Programs

Coloring Books for Schools:

One of the first programs created by the Council was to provide safety information free of charge to all elementary schools in Kansas. In early November a letter was sent to schools offering the coloring books free of charge and without shipping and handling. At this time a total of 11,328 coloring books have been sent to schools and we are receiving more orders every week. This program will be made available annually to marketers across the state. We are in the process of creating a coloring book for children that is Kansas specific and will address specific needs of Kansas children. An example is included in your packet of information.

Duty to Warn Information:

All propane companies were sent 800 “scratch and sniff” safety brochures for dissemination to customers. A total of 184,000 “duty to warn brochures” were sent out to marketers across Kansas. In addition to the brochures, a total of 11,500 coloring books were sent to these companies to provide to children. This program will be made available annually to marketers across the state. In the future, we will be looking at other materials that can be created that specifically address the needs of consumers in Kansas. An example is included in your packet of information.

Education Classes:

The Council has now created a comprehensive education program to reach all aspects of the propane industry and related industries including plumbers and appliance installers. A preliminary schedule is included in your hand outs. These classes will be free of charge to all participants and include:

- Certified Employee Training Programs (CETP pronounced C-Tep) including:
 - Propane Basic Principles and Practices
 - Propane Delivery
 - Appliance Installation and Service
 - Distribution Systems
 - Modified Basic Principles and Practices
- Interrupted System Startup Schools
- Hazardous Materials Training (required by the Department of Transportation)
- Plumbing & Heating Expo in Wichita: teaching seminars relating to proper line sizing and selection of regulators.

Public Safety Press Releases:

The Council will create and disseminate public safety information press releases to newspapers across Kansas. These releases will include information related to a specific season such as: Memorial Day grilling safety, Thanksgiving turkey fryer safety, and winter heater safety for portable heaters used during snow and ice storms (“do not place inside enclosed space”).

Fire Training Grants:

The Council made available grants for fire fighting and first responder education and training. A total of \$15,000 will be available for education. These grants will be for purchasing class materials and technologically up-to-date equipment for training such as live burns and other system set-ups. At this time the Council and the Kansas State Fire Marshal are working together to create these grants and make them available.

Brochures:

The Council is working on creating brochures that will address the needs of safety and information for Kansans including price information, regulator replacement information, and coloring books that will be focused on Kansas consumers.

Budget:

The Council has created a budget that will continue to build reserves for large programs in the future and to prepare for a major dip in revenue based on an unusually warm winter with low demand.

As defined in the KanPERA legislation there will be no advertising or promotion programs being paid for by KanPERC.

If you have any questions or concerns, please do not hesitate to contact the Council office.

Respectfully Submitted,



Greg Noll
Chairman of KanPERC
Ferrellgas, Topeka



Justin K. Holstin
Executive Director
KanPERC

Enc: Policy Manual, By-Laws, Budgets, Scratch and Sniff Brochure, Coloring Books, a thank you from schools.

KanPERC

Kansas Propane Education & Research Council

An industry commitment to the safety
and education of Kansans.

Manual of Assessment Procedures

KanPERC

*An industry commitment to the
safety and education of
Kansans.*

Introduction and Explanation

This booklet explains the 'Kansas Propane Education and Research Council (KanPERC) Remittance Report', and other responsibilities of those involved with the remittance of funds through the Kansas Propane Education and Research Council program.

Under the provisions of House Bill 2038 and the Kansas Propane Education & Research Act (KanPERA) of 2003, the propane industry in Kansas was authorized and directed to establish the Kansas Propane Education & Research Council (KanPERC) and to collect funds for the use of research, education, and safety education.

The Kansas Propane Education & Research Act provides that the Council "shall consist of ten members, including four members representing retail marketers of propane; two members representing wholesalers, resellers, suppliers and importers of propane; two members representing manufacturers and distributors of propane gas equipment and transporters of propane; and one public member; and the state fire marshal or the state fire marshal's designee who shall serve as an ex officio member."

Council meetings are open to the public and fall under the requirements of the Kansas Open Meetings Act (KOMA).

KanPERC is mandated by law to establish programs for the advancement of Kansas' propane industry in the areas of:

- Consumer and employee safety and training
- Public information and education about safety and other issues associated with the use of propane
- Research and development of clean, safe and efficient propane utilization equipment

This manual was developed by KanPERC pursuant to its authority under Kansas state law and should be used by industry members to report assessment payments. If you have any questions about the assessment process or the Council programs, please call 785/354-1749, or email KanPERC@pmak.org.

Remittance Requirements

The Kansas Propane Education and Research Act requires that

- The owner of propane at the time of odorization, or the time of import of odorized propane, shall make the assessment based on the volume of odorized propane sold and placed into commerce.
- The assessment, when made, shall be listed as a separate line item on the bill labeled "Kansas Propane Education & Research Assessment" or "KanPERC."
- Assessments collected from purchasers of propane are payable to the council on a monthly basis by the 25th of the month following the month of collection. If

payment is not made to the council by the due date under this subsection, an interest penalty of 1% of any amount unpaid shall be added for each month or fraction of a month after the due date, until final payment is made.

- In accordance with antitrust laws, the Council can take no action, nor may any provision of the 'Act' be interpreted as establishing an agreement to pass along to consumers the cost of the assessment. In all cases, market forces shall determine the price of propane.
- Any person who unreasonably fails or refuses to pay any assessments due under this act may be subject to legal action by the council to recover the assessments due, plus interest and costs.
- "Placed into commerce" shall be defined as—being delivered, transported for storage, or sold within the State of Kansas.
- "Sold" shall be defined as—when the title to the propane is transferred.
- Under the Kansas Propane Education and Research Act all odorized propane transactions coming from a refinery or gas plant, when title is transferred at the refinery or gas plant or when odorized product is transported into Kansas for sale is subject, by law, to the assessment.
- Any and all subsequent transactions or transfers of odorized propane subject to the assessment of the Kansas Propane Education and Research Act shall also be included in the bill and labeled "Kansas Propane Education and Research Assessment" until final distribution to the end user of propane.
- The rate of assessment for the Kansas Propane Education and Research Council was established by the Kansas Propane Education and Research Act at 2/10th of a cent per gallon, effective September 1st, 2003.
- Compliance with the Kansas Propane Education & Research Act and the Kansas Propane Education & Research Council is mandatory by law.

Remittance Reports

The following rules have been adopted by KanPERC to efficiently implement remittance of the KanPERC fee:

- Forms must be completely filled in.
- Remittance reports must be filed within 25 days after the end of each month for which an assessment is due by the party who has legal title to the product as the odorant is added. This is the party responsible for remitting the assessment to KanPERC with the Remittance Report.
- **Electronic Filing** - Remittance reports may be submitted via email to KanPERC@pmak.org utilizing the Microsoft Excel format established by KanPERC. The Excel remittance spreadsheet can be downloaded from the KanPERC Web Site at www.propaneinkansas.org. Electronic fund transfers will be available once the process is completed with the bank, all filers will be notified.
- **Manual Filing** - Remittance reports can be submitted manually via mail.
- A check or money order for the amount of assessments is to be remitted to the Kansas Propane Education & Research Council (KanPERC) with the monthly report.

- Assessments shall be made on all gallons of odorized propane sold and placed into commerce or imported into Kansas.
- No assessment shall be made on un-odorized propane.
- The Kansas Propane Education & Research Council has the responsibility for monitoring compliance with this law. Failure to properly remit assessments could result in legal action by the Council to compel compliance.
- A late payment charge and interest is required under the Act and will be imposed, and enforced, by the Council.
- The Council will retain an accounting firm who will be responsible for auditing assessments and refunds on behalf of the Council.
- **All information submitted to KanPERC will be treated as confidential by KanPERC staff and accounting agents. Members of the Council will not have access to company specific data except for audit or enforcement purposes and only in such limited detail as required for decision making.**

Glossary of Terms

Assessment - The amount of money payable to KanPERC on sales of odorized propane pursuant to KanPERA. The assessment is 2/10 of 1 cent per gallon (\$.002) effective September 1, 2003.

Awareness—any action that provides information or safety guidelines about propane, propane equipment, mechanical and technical practices and uses of propane to propane consumers or industry employees.

Council—the Kansas Propane Education & Research Council or KanPERC.

Education—any action that provides information, instruction or safety guidelines about propane, propane equipment, mechanical and technical practices and uses of propane to propane consumers or industry employees.

Industry—those persons involved in the production, transportation and sale of propane gas and in the manufacture and distribution of propane utilization equipment.

Industry trade association—an organization that represents a segment of the industry and which is exempt from tax under section 501 (c) (3) or (c) (6) of the Federal Internal Revenue Code of 1986, as in effect on July 1, 2002.

Manufacturer and distributor of propane gas equipment—any person engaged in the manufacturing, assembling and marketing of appliances, containers and products used in the propane gas industry and any person in the wholesale marketing of appliances, containers and products used in the propane gas industry.

Odorized propane—propane to which odorant has been added.

Owner of Odorized Propane—The party who has legal title to the product as the odorant is added. That person is the party responsible for remitting the assessment to KANPERC. This party may be a producer, a wholesaler, or a marketer. This also includes importers of odorized propane into the State of Kansas.

Person—any individual, group of individuals, partnership, association, cooperative, corporation or other legal entity.

Producer—The owner of propane at the time it is recovered at a gas processing plant or refinery.

Propane—propane, butane, mixtures and liquefied petroleum gas as defined by the national fire protection association standard, liquefied petroleum gas code, the chemical

composition of which is predominantly C3H8, whether recovered from natural gas or from crude oil.

Public member—a member of the council selected from among users of odorized propane, organizations representing users of odorized propane, public safety officials or state propane gas regulatory officials.

Qualified industry organization—the propane marketers association of Kansas, a successor association or any other propane industry organization or industry trade association the members of which are engaged in the sale or distribution of odorized propane, or the sale of propane utilization equipment, to the ultimate consumer.

Research—any type of study, investigation or other activity performed by a qualified public or private research group for the purpose of advancing and improving the existing technology related to the propane industry, including the development of increased efficiency of propane use, enhancing the safety of propane and propane utilization equipment and furthering the development of such information and products.

Retail marketer—any person engaged in the sale of odorized propane to the ultimate consumer or to retail propane dispensers within Kansas.

Retail Propane Dispenser—A person who sells odorized propane to the ultimate consumer but is not engaged primarily in the business of such sales (e.g., hardware stores, campgrounds, and service stations).

Sold and Placed into Commerce—The sale of propane destined for the ultimate consumer or a retail propane dispenser by a producer, wholesaler or another marketer to a marketer. Copies of invoices showing the KanPERC assessment as a separate line item and a copy of the bill of lading (BOL) for each load must be included with the completed forms. Delivered, transported for storage or sold within the state of Kansas.

Transporter—any person involved in the commercial transportation of propane by pipeline, truck, rail or water.

Ultimate Consumer - Where the product is consumed.

Wholesaler, reseller, supplier or importer—the owner of the propane at the time it is first sold to a retail marketer in Kansas regardless of the state where production occurs, with ownership of the propane determined by the freight on board designation.

Wholesaler—A party who purchases and re-sells propane not for their own use. A wholesaler may also be a broker or a wholesale propane marketer.

Forms

The forms on the following pages are to be used for reporting assessments and for submitting requests for refunds. They can be removed from the manual and used as masters to make copies as needed. Additional masters are available from KanPERC.

Form K-01 Remittance Report: is to be used for reporting all assessment activity as an overall report of activity, and should be accompanied by a check or money order made payable to the Kansas Propane Education and Research Council or KanPERC. This is to be the totals cover sheet where information from other forms is compiled.

Form K-02 Remittance Worksheet: is to be used to report assessment activity. To remit, use form K-01 as the cover sheet to the K-02 forms and include a check or money order made payable to KanPERC.

You may also report the forms via email by using K-02 on email to report assessments and sending K-01 with a check or money order made payable to the Kansas Propane Education & Research Council or KanPERC.

--Mail necessary forms and check payable to:

**KanPERC
420 E. 6th Ave.
Suite 2000
Topeka, KS 66607**

Frequently Asked Questions

Does a marketer who buys unodorized product have to pay when he causes it to be odorized?

Yes. The law places the obligation for payment of the assessment on the owner of the product at the time it is odorized. If you now own unodorized propane and you have it odorized, either by yourself or by a storage cavern, terminal operator or loading rack, either for your own use or for sale to another, then you must pay the assessment to KanPERC.

Does a chemical company or other end-user of unodorized propane have to pay if he sells odorized propane to someone else?

Yes. Anyone who owns unodorized propane and then sells odorized propane to another is responsible for reporting and remitting the assessment on the volume of that propane at the time that it is odorized.

May I wait to pay the assessment until after I have collected the money from my customer?

No. The assessment is to be made on all propane at the time it is odorized—or on odorized propane at the time that it is imported into Kansas—and must be paid to the Council on the 25th of the month following its odorization or import. Whether you are a producer, marketer or an importer; if you own propane at the time it is odorized, you are obligated by law to pay the assessment by the due date.

May I pay electronically?

No, at this time KanPERC has not established the means for electronic transfers. Until KanPERC has established banking relationships that will allow for electronic transfers, all payments should be made by check or money order and should accompany the Remittance Report form K-01. You may however submit the forms electronically and then send Form K-01 along with a check or money order, at KanPERC@pmak.org

May I be reimbursed for my administrative costs of compliance?

Payment is not required until the 25th of the month following the month in which the product is odorized or imported. This allows collectors/remitters of the assessment the

use of these funds for a period of 25 to 55 days. This "float" is intentional in order to help defray administrative expenses.

What If I am a marketer in another state that imports odorized propane into Kansas to service customers I may have in Kansas?

You are required by law to self-assess the fee for all odorized propane you import into Kansas. From time to time KanPERC will conduct audits to assure compliance by all companies operating in Kansas.

If I am paying an assessment to another state program, may I deduct that amount from the KanPERC assessment or vice versa?

No.

Is the Council restricted in how they may invest the funds collected?

Yes. Pending disbursement, the Council may invest available funds only in obligations of the U.S. or any government agency, in general obligations of any State or political subdivision, in any interest-bearing account or CD of a Federal Reserve System (FDIC) member bank, or in obligations fully guaranteed as to principal and interest by the U.S.

As a marketer or supplier, may I serve on the KanPERC Council?

Yes. All Kansas marketers & suppliers are eligible to serve on the KanPERC Council and are encouraged to do so. Applications are available at the KanPERC office.

How is State government involved in this program?

The Kansas Legislature through the House & Senate Agriculture Committees will receive yearly reports and updates as to the expenditures, collections, administration, and functions of KanPERC as well as the programs that are being implemented.

The KanPERA Act

The Kansas Propane Education & Research Act

As Amended by Senate Committee

As Amended by House Committee

Session of 2003

HOUSE BILL No. 2038

By Committee on Agriculture

1-21

AN ACT creating the **Kansas propane education and research council**; providing for the powers, duties and functions thereof; providing for certain assessments.

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

Section 1. This act shall be known and may be cited as the **Kansas propane education and research act**.

Sec. 2. As used in this act:

- (a) "Council" means the Kansas propane education and research council established in section 3, and amendments thereto;
- (b) "education" means any action that provides information, instruction or safety guidelines about propane, propane equipment, mechanical and technical practices and uses of propane to propane consumers or industry employees;
- (c) "awareness" means any action that provides information or safety guidelines about propane, propane equipment, mechanical and technical practices and uses of propane to propane consumers or industry employees;
- (d) "industry" means those persons involved in the production, transportation and sale of propane gas and in the manufacture and distribution of propane utilization equipment;
- (e) "industry trade association" means an organization that represents a segment of the industry and which is exempt from tax under section 501 (c) (3) or (c) (6) of the federal internal revenue code of 1986, as in effect on July 1, 2002;
- (f) "manufacturer and distributor of propane gas equipment" means any person engaged in the manufacturing, assembling and marketing of appliances, containers and products used in the propane gas industry and any person in the wholesale marketing of appliances, containers and products used in the propane gas industry;
- (g) "odorized propane" means propane to which odorant has been added;
- (h) "person" means any individual, group of individuals, partnership, association, cooperative, corporation or other legal entity;
- (i) "placed into commerce" means delivered, transported for storage or sold within the state of Kansas;
- (j) "propane" means propane, butane, mixtures and liquefied petroleum gas as defined by the national fire protection association standard, liquefied petroleum gas code, the chemical composition of which is predominantly C3H8, whether recovered from natural gas or from crude oil;
- (k) "public member" means a member of the council selected from among users of odorized propane, organizations representing users of odorized propane, public safety officials or state propane gas regulatory officials;
- (l) "qualified industry organization" means the propane marketers association of Kansas, a successor association or any other propane industry organization or industry trade association the members of which are engaged in the sale or distribution of odorized propane, or the sale of propane utilization equipment, to the ultimate consumer;
- (m) "research" means any type of study, investigation or other activity performed by a qualified public or private research group for the purpose of advancing and improving the existing technology related to the propane industry, including the development of increased efficiency of propane use, enhancing the safety of propane and propane utilization equipment and furthering the development of such information and products;
- (n) "retail marketer" means any person engaged in the sale of odorized propane to the ultimate consumer or to retail propane dispensers within Kansas;
- (o) "transporter" means any person involved in the commercial transportation of propane by pipeline, truck, rail or water; and
- (p) "wholesaler, reseller, supplier or importer" means the owner of the propane at the time it is first sold to a retail marketer in Kansas regardless of the state where production occurs, with ownership of the propane determined by the freight on board designation.

Sec. 3.

(a) The Kansas propane education and research council is hereby created. Members of the council shall be appointed by the governor from a list of nominees submitted by qualified industry organizations within 60 days after the effective date of this act. The council shall consist of ten members, including four members representing retail marketers of propane; two members representing wholesalers, resellers, suppliers and importers of propane; two members representing manufacturers and distributors of propane gas equipment and transporters of propane; and one public member; and the state fire marshal or the state fire marshal's designee who shall serve as an ex officio member.

(b) Members of the council shall serve terms of three years, except that, of the initial members, three shall be appointed for terms of one year and three shall be appointed for terms of two years, as designated by the governor. Members filling unexpired terms shall be appointed in a manner consistent with this section. Members may serve a maximum of two consecutive full terms, except that members filling unexpired terms may serve a maximum of eight consecutive years. Former members may be reappointed if they have not been members for a period of two years.

(c) The council shall select from among the council's members a chairperson and other officers as necessary, establish committees and subcommittees of the council and adopt rules and regulations and bylaws for the conduct of business. The council may establish advisory committees of persons other than council members.

(d) The council may employ an executive director to serve as chief executive officer and such other employees as it deems necessary. The council shall determine the compensation and duties of each and shall protect the handling of council funds through fidelity bonds.

(e) The administrative costs of operating the council shall not exceed 10% of the funds collected in any fiscal year.

(f) At the beginning of each fiscal year, the council shall prepare a budget plan that includes the estimated costs of all programs, projects and contracts of the council. The council shall provide an opportunity for public comment on the budget. The council shall prepare and make available to the public an annual report detailing the activities of the council in the previous year, those planned for the coming year and costs related to the activities.

(g) The council shall keep minutes, books and records that clearly reflect all of the acts and transactions of the council. The books of the council shall be audited by a certified public accountant at least once each fiscal year and at such other times as the council may designate. Copies of audits shall be provided to the executive director, to all members of the council and to any other member of the industry upon request.

(h) The council shall be subject to the Kansas open meetings act and shall require reports on the activities of the committees and subcommittees and on compliance, violations and complaints regarding the implementation of this act.

(i) The council shall develop programs and projects and enter into contracts or agreements for implementing this act, including programs to enhance consumer and employee safety and training, programs to provide research and development to improve existing propane technology, programs to increase efficiency of propane use and any other programs to educate the public about the safety and environmental aspects of propane. Safety issues shall receive first priority in the development of all programs and projects funded by the council. The funds collected for the council shall not be used to promote one energy source over another. In developing programs and projects and entering into contracts or agreements for implementing the provisions of this act, the council shall not use any funds collected by the council to provide for or assist the purchase of equipment related to such programs and projects by or for a private, for profit corporation or other business association or entity. The council shall not use any funds collected by the council to purchase consumer products or replace consumer products, including through cost-share programs, for Kansas consumers, except that the council may use such funds for the purchase of consumer products for displays in such programs or projects. The council shall provide for the payment of the costs of the programs and projects with funds collected pursuant to section 4, and amendments thereto, and shall coordinate the council's activities with qualified industry organizations to provide efficient delivery of services and to avoid unnecessary costs of duplication of activities.

(j) The council shall report annually to the house and senate committees on agriculture. Such report shall include details of council programs, projects and activities as provided pursuant to this act. The report provided in 2004 shall include a review of propane safety policies, statutes, rules and regulations in Kansas and adjoining states and shall include recommendations the council deems appropriate for policy, statutory or regulatory changes in Kansas to improve propane safety.

Sec. 4.

(a) Except as otherwise provided by law, there shall be an assessment as provided in this section on odorized propane. The council shall set the initial assessment at no greater than 2/10 of one cent per gallon of odorized propane. Thereafter, annual assessments shall be sufficient to cover the costs of plans and programs developed by the council. The assessment shall not be greater than 3/10 of one cent per gallon of odorized propane, unless approved by the council. In no case may the assessment be raised by more than 1.10 of one cent per gallon of odorized propane annually.

(b) The owner of propane at the time of odorization, or the time of import of odorized propane, shall make the assessment based on the volume of odorized propane sold and placed into commerce. The assessment, when made, shall be listed as a separate line item on the bill labeled "Kansas propane education and research assessment" or "KanPERC." Assessments collected from purchasers of propane are payable to the council on a monthly basis by the 25th of the month following the month of collection. If payment is not made to the council by the due date under this subsection, an interest penalty of 1% of any amount unpaid shall be added for each month or fraction of a month after the due date, until final payment is made. The council may establish an alternative means of collecting the assessment if another means is found to be more efficient and effective. The council may establish a late payment charge and rate of interest to be imposed on any person who fails to remit or pay to the council any amount due under this act.

(c) Pending disbursement pursuant to a program, plan or project, the council shall invest funds collected through assessments, and any other funds received by the council, only in obligations of the United States or any agency thereof, in general obligations of any state or political subdivision thereof, in any interest-bearing account or certificate of deposit of a bank that is a member of the federal reserve system, or in obligations fully guaranteed as to principal and interest by the United States.

(d) The price of propane shall be determined by market forces consistent with antitrust laws and no provision of this act shall be interpreted as allowing a pass through to consumers of the assessment determined by the council pursuant to subsection (a).

(e) Any rebate funds received from the national propane education and research council from assessments collected on odorized propane distributed from Kansas shall be the property of the Kansas propane education and research council and the use of such funds shall be determined by the Kansas council for the intended purposes of this act.

(f) Any person who unreasonably fails or refuses to pay any assessments due under this act may be subject to legal action by the council to recover the assessments due, plus interest and costs.

Sec. 5. Except as provided in subsection (j) of section 3, moneys collected by the council shall be expended only for the purposes of this act and shall not be used in any manner for influencing legislation or for political campaign contributions.

Sec. 6. The provisions of this act do not preempt or supersede any other program relating to propane safety or education which has been organized and is operating under the laws of this state.

Sec. 7. This act shall take effect and be in force from and after its publication in the statute book.

House Bill 2038 the Kansas Propane Education & Research Act was published and became effective as of July 1, 2003.

Revised December 3, 2003

KanPERC
Budget FY 2005

INCOME

Estimated Collections	\$325,000
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EXPENSES

Safety & Industry Education

Office Exp.	\$39,000
Propane 101, 202 & 303	\$2,000
Interrupted System Startup Schools: 5 Schools	\$11,500
Printing, Copying, Publications, Postage	\$6,000
Industry Pinnacle Registration Program 20 @ \$500	\$10,000
Cylinder Filling/Dispensing Tests Publications	\$500
Modified Basic & HazMat Training	\$2,500
CETP: 3 Basic, 3 Delivery, 2 Distribution, Appliance, Mod Basic/HM	\$28,000
Modified Basic & HazMat Training (4)	\$2,500
Total S&I Programs	\$102,000

Public Education

Staff travel (Pinnacle, PERC, & Exec. Summit, SEAC)	\$4,500
News Releases/Press Kits	\$500
Duty To Warn Information & Coloring Books for Schools Prog	\$76,000
Plumber Education Materials: CETP Appliance	\$3,250
Fire Training Grants	\$15,000
Total PE programs	\$99,250

Administrative Expenses (Not Directly Related to Education max allowed 10% of income)

Insurance	\$1,200
Professional Fees	\$2,000
Office Exp	\$27,000
Meeting expense	\$500
Total Administrative	\$30,700

TOTAL Expenses All Programs	\$231,950
25% Council Directed Ending Balance	\$81,250

Estimated Income	\$325,000
Estimated Expenses	\$231,950
Ending Balance	\$93,050
Capital Reserves Ending 04-05	\$ 312,000.00

**KanPERC Year
Income Expense
03-04**

Income from Assessment	\$ 330,592.20
Refunds	\$ 1,099.88
Total Income	\$ 329,492.32

Expenses

Administrative Expenses (Not Directly Related to Education max allowed 10% of income)

Insurance	\$ 1,000.00
Meeting	\$ 391.21
Office Expenses	\$ 21,874.84
Professional Fees	\$ 391.50
Total	\$ 23,657.55

Education

Classroom Equipment/Setup	\$ 2,454.84
Coloring Books/Duty to Warn Program	\$ 75,600.00
Printing/Postage	\$ 706.34
Office Expenses	\$ 11,012.86
Travel	\$ 217.39
Total	\$ 89,991.43

Total Income	\$ 329,492.32
Total Expense	\$ 113,648.98

Reserves	\$ 215,843.34
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Bylaws of the
Kansas Propane Education and Research Council
(KanPERC)

A Not for Profit Corporation of the state of Kansas
420 SE 6th Ave., Suite 2000
Topeka, KS 66607
785/354-1749

ARTICLE I OFFICES

SECTION 1.1 Kansas Registered Office. The corporation shall continuously maintain, in the state of Kansas, a registered office and registered agent, whose office is identical with such registered office.

SECTION 1.2. Other Offices. The corporation may have other offices within or without the state.

ARTICLE II COUNCIL MEETINGS

SECTION 2.1 Quarterly Meetings. A quarterly meeting of the Council members shall be held on the first Thursday of the first week of each calendar year quarter for the transaction of such business as may come before the meeting. If the day fixed for the quarterly shall be a legal holiday, such meeting shall be held on the next succeeding business day.

SECTION 2.2. Special Meetings. Special meetings of the Council may be called either by the chairperson, or by not less than three members, for the purposes stated in the call of the meeting.

SECTION 2.3. Place of Meeting. The place of meeting for any quarterly meeting or for any special meeting called by the chairperson or by any three members shall be at 10:00 a.m. in Topeka, Kansas or at such other time and place as the Council may determine.

SECTION 2.4. Notice of Meetings. Written notice stating the place, date, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than thirty days before the date of the meeting either personally, by mail, facsimile, or through other electronic means, by or at the direction of the chairperson, or the secretary, or members calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited with the United States Postal Service, addresses to the member at his address as it appears on the records of the Council, with postage thereon. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Written notice and the notice time restrictions may be waived by the Council if an emergency exists and whenever the Council unanimously approves of a written notice and time restriction waiver for any meeting. Written notice of a special meeting declared an emergency by the chairperson, executive director, or any five

members may be given with not less than 48 hours notice. Where 48 hours notice is given, every effort to transmit the notice, by facsimile, personal delivery, or orally and in addition transmission must be made through the U.S. Postal Service.

ARTICLE III COUNCIL MEMBERSHIP

SECTION 3.1. General Powers. The business of the Council shall be managed by the members of the Council.

SECTION 3.2. Number, Tenure, and Qualifications.

- (A) Members of the Council shall be appointed by the governor from a list of nominees submitted by qualified industry organizations within 60 days after the effective date of this act.
- (B) The Council shall consist of ten members, including four members representing retail marketers of propane; two members representing wholesalers, resellers, suppliers and importers of propane; two members representing manufacturers and distributors of propane gas equipment and transporters of propane; and one public member; and the state fire marshal or the state fire marshal's designee who shall serve as an ex officio member.
- (C) Each member is allowed to designate an alternate in the event that they would be unable to attend a meeting. The member is responsible for providing written notification concerning the identification of the alternate to the Chairperson or their designee and the Secretary/Treasurer of the Council before each meeting that the alternate would be present. The alternate would have voting privileges and would satisfy quorum requirements.
- (D) In selecting members of the Council, the qualified industry organizations shall give due regard to selecting a Council that is representative of the industry, including representation of:
 - (1) gas processors and oil refiners among producers;
 - (2) interstate and intrastate operators among retail marketers;
 - (3) large and small companies among producers and retail marketers, including cooperatives; and
 - (4) diverse geographic regions of the state.
- (E) Council members shall receive no compensation for their services, nor shall Council members be reimbursed for expenses relating to their services.
- (F) Members of the Council shall serve terms of three years, except that, of the initial members, three shall be appointed for terms of one year and three shall be appointed for terms of two years, as designated by the governor. Members filling unexpired terms shall be appointed in a manner consistent with this section. Members may serve a maximum of two consecutive full terms, except that members filling unexpired terms may serve a maximum of eight consecutive years. Former members may be reappointed if they have not been members for a period of two years.
- (G) A member may resign at any time by giving written notice to the Council, its chairperson, or to the secretary/treasurer of the Council. A resignation is effective when the notice is given unless the notice specifies a future date.

The pending vacancy may be filled before the effective date, but the successor shall not take office until the effective date.

SECTION 3.3. Quorum. A majority of the number of the 10 members shall constitute a quorum for transaction of business at any meeting of the Council, provided that if fewer than a majority of such number of members are present at said meeting, a majority of the members present may adjourn the meeting at any time without further notice.

SECTION 3.5. Manner of Acting. The act of the majority of the members present shall be an act of the Council unless the act of a greater number is required by statute or by these bylaws.

SECTION 3.6. Member Participation in Meeting by Telecommunication. A member may participate in a meeting of the Council by means of conference telephone or similar communications equipment, when available, enabling all members participating in the meeting to hear one another, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

SECTION 3.7. Informal Action by Members. Any action required to be taken at a meeting of the members of the Council, or any other action which may be taken at a meeting of the Council or a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members entitled to vote with respect to the subject matter thereof, or by all members of such committee, as the case may be. Any such consent signed by all the members of the meeting shall have the same effect as a vote taken at an in-person meeting and may be stated as such in any document filed with the Secretary of State or elsewhere.

SECTION 3.8. Committees.

- (A) A majority of the members may create one or more committees and appoint members to serve on the committee or committees. Each committee shall have two or more members, who serve at the pleasure of the Council.
- (B) Unless the appointment by Council requires a greater number, a majority of any committee shall constitute a quorum. And a majority of a quorum is necessary for committee action. A committee may act by unanimous consent in writing without a meeting and, subject to the provisions of the bylaws or actions by the Council, the committee, by majority vote of its member shall determine the time and place of meetings and the notice required thereof.
- (C) To the extent specified by the Council, each committee may exercise the authority of the Council.
- (D) Membership of any committees may include both members and non-members of the Council.
- (E) Non-members of the Council may hold executive positions on any committee created by the Council.

SECTION 3.9. Presumption of Assent. A member of the Council who is present at a meeting of the Council at which action on any Council matter is taken shall be

conclusively presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Council immediately after the adjournment of the meeting. Such right to dissent shall not apply to a member who voted in favor of such action.

ARTICLE IV OFFICERS

SECTION 4.1. Number. The officers of the Council shall be a Chairperson, a Vice-Chairperson, a Secretary/Treasurer, and such other officers as may be elected in accordance with the provisions of this Article. Only Council members may hold offices.

SECTION 4.2 Election and Term of Office. The officers of the Council shall be elected annually by the Council members at the first quarterly meeting of the Council. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies may be filled or new positions created and filled at any meeting of the Council. Whenever new officers are created, these bylaws shall be amended to reflect same. Each officer shall hold office until his successor shall have been duly elected or until the termination of his membership, whether by expiration of office or otherwise.

SECTION 4.3. Chairperson. The chairperson shall be the presiding officer of the Council, set the agenda for each quarterly or special meeting of the Council (except for meetings called by actions of the members); and promulgate all policies and directives of the Council.

SECTION 4.4. The Vice-Chairperson. The vice-chairperson shall assist the chairperson in the discharge of his or her duties and the chairperson may direct and shall perform such other duties as from time to time may be assigned by the chairperson or by the Council. In the absence of the chairperson or in the event of his inability or refusal to act, the vice-chairperson shall perform the duties of the chairperson, and when so acting, shall have all the powers of and be subject to all the restrictions upon the chairperson.

SECTION 4.5. The Secretary/Treasurer. The Secretary/Treasurer shall:

- (A) record the minutes of the Council meeting in one or more books provided for that purpose;
- (B) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law;
- (C) keep register of the post office address of each member which shall be furnished to the secretary by such member;
- (D) sign with the chairperson, or a vice-chairperson, or any other officer thereunto authorized by the Council, any contracts, deeds, mortgages, bonds, or other instruments which the Council has authorized to be executed, according to the requirements of the form of the instrument, except when a different mode of execution is expressly prescribed by the Council or these bylaws;

- (E) otherwise certify the bylaws, resolutions of the Council and committees thereof, and other documents of the corporation as true and correct copies thereof;
- (F) have general charge of all books and records of the Council;
- (G) perform all other duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the president or the board of directors;
- (H) shall have the custody of, and be responsible for, all funds and securities of the Council;
- (I) the Secretary/Treasurer shall keep or cause to be kept complete and accurate accounts of receipts and disbursements of the Council;
- (J) shall deposit or cause to be deposited all monies and other valuable property of the Council in the name and to the credit of the Council in such banks or depositories as the Council members may designate;
- (K) shall render a statement of accounts whenever required by the members;
- (L) shall at all reasonable times exhibit the books and accounts to any officer or member of the Council, and shall perform all duties incident to the office of Secretary/Treasurer, subject to the supervision of the members, and such other duties as shall from time to time be assigned by the members; and
- (M) may appoint an assistant secretary to assist him or her in his or her duties.

SECTION 4.6 Executive Director. The executive director shall be the principal executive officer of the corporation. Subject to the direction and control of the Council the executive director;

- (A) shall be in charge of the business of the Council;
- (B) see that the resolutions and directions of the Council are carried into effect except those instances in which that responsibility is specifically assigned to some other person by the Council; and
- (C) shall discharge all duties incident to the office of executive director and such other duties as may be prescribed by the Council from time to time;
- (D) may participate ex officio at all meetings of the Council and of the committees except in those instances in which the authority to execute is expressly delegated to another officer or agent of the Council or a different mode of execution is expressly prescribed by the Council or these bylaws;
- (E) have general charge of all books and records of the Council;
- (F) sign, upon granted authority any contracts, deeds, mortgages, bonds, or other instruments which the Council has authorized to be executed, according to the requirements of the form of the instrument, except when a different mode of execution is expressly prescribed by the Council or these bylaws;
- (G) shall have the custody of, and be responsible for, all funds and securities of the Council;
- (H) shall be responsible for deposit of all monies and other valuable property of the Council in the name and to the credit of the Council in such banks or depositories as the Council members may designate;

- (l) have overall authority for daily operations and direction of the Kansas Propane Education & Research Council office, employees, materials, and property.

ARTICLE V COUNCIL DUTIES AND RESPONSIBILITIES

SECTION 5.1 The Council shall develop programs and projects and enter into contracts or agreements for implementing the Kansas Propane Education & Research Act (KanPERA), including programs to enhance consumer and employee safety and training, programs to provide research and development to improve existing propane technology, programs to increase efficiency of propane use and any other programs to educate the public about the safety and environmental aspects of propane.

SECTION 5.2 Safety issues shall receive first priority in the development of all programs and projects funded by the Council.

SECTION 5.3 The funds collected for the Council shall not be used to promote one energy source over another.

SECTION 5.4 In developing programs and projects and entering into contracts or agreements for implementing the provisions of KanPERA, the Council shall not use any funds collected by the Council to provide for or assist the purchase of equipment related to such programs and projects by or for a private, for profit corporation or other business association or entity.

SECTION 5.5 The Council shall not use any funds collected by the Council to purchase consumer products or replace consumer products, including through cost-share programs, for Kansas consumers, except that the Council may use such funds for the purchase of consumer products for displays in such programs or projects.

SECTION 5.6 The Council shall establish procedures for the solicitation of industry comment and recommendations on any significant plans, programs, and projects to be funded by the Council. The Council may establish advisory committees of persons other than Council members.

SECTION 5.7 At the beginning of each fiscal year, the Council shall prepare a budget plan that includes the estimated costs of all programs, projects and contracts of the Council. The Council shall provide an opportunity for public comment on the budget. The Council shall prepare and make available to the public an annual report detailing the activities of the Council in the previous year, those planned for the coming year and costs related to the activities.

SECTION 5.8 The Council shall keep minutes, books and records that clearly reflect all of the acts and transactions of the Council. The books of the Council shall be audited by a certified public accountant at least once each fiscal year and at such other times as the Council may designate. Copies of audits shall be provided to the executive director, to all members of the Council and to any other member of the industry upon request.

SECTION 5.9 The Council shall report annually to the Senate and House Committees on Agriculture. Such report shall include details of Council programs, projects and activities as provided pursuant to this act. The report provided in 2004 shall include a review of propane safety policies, statutes, rules and regulations in Kansas and adjoining states and shall include recommendations the Council deems appropriate for policy, statutory or regulatory changes in Kansas to improve propane safety.

SECTION 5.10 The Council shall be subject to the Kansas Open Meetings Act and shall require reports on the activities of the committees and subcommittees and on compliance, violations and complaints regarding the implementation of this act

ARTICLE VI COUNCIL ASSESSMENTS

SECTION 6.1 Except as otherwise provided by law, there shall be an assessment as provided in the KanPERA on odorized propane. The Council shall set the initial assessment at no greater than 2/10 of one cent per gallon of odorized propane. Thereafter, annual assessments shall be sufficient to cover the costs of plans and programs developed by the Council. The assessment shall not be greater than 3/10 of one cent per gallon of odorized propane.

SECTION 6.2 The owner of propane at the time of odorization, or the time of import of odorized propane, shall make the assessment based on the volume of odorized propane sold and placed into commerce. The assessment, when made, shall be listed as a separate line item on the bill labeled "Kansas Propane Education and Research Assessment" or "KanPERC." Assessments collected from purchasers of propane are payable to the Council on a monthly basis by the 25th of the month following the month of collection. If payment is not made to the Council by the due date under this subsection, an interest penalty of 1% of any amount unpaid shall be added for each month or fraction of a month after the due date, until final payment is made. The Council may establish an alternative means of collecting the assessment if another means is found to be more efficient and effective. The Council may establish a late payment charge and rate of interest to be imposed on any person who fails to remit or pay to the Council any amount due under this act.

SECTION 6.3 The Council may establish an alternative means of collecting the assessment if another means is found to be more efficient and effective. The Council may establish a late payment charge and rate of interest to be imposed on any person who fails to remit or pay to the Council any amount due under this Act.

SECTION 6.4 (c) Pending disbursement pursuant to a program, plan or project, the Council shall invest funds collected through assessments, and any other funds received by the Council, only in obligations of the United States or any agency thereof, in general obligations of any state or political subdivision thereof, in any interest-bearing account or certificate of deposit of a bank that is a member of the federal reserve system, or in obligations fully guaranteed as to principal and interest by the United States.

SECTION 6.6 Any person who unreasonably fails or refuses to pay any assessments due under this act may be subject to legal action by the Council to recover the assessments due, plus interest and costs.

ARTICLE VII COUNCIL RESTRICTIONS

SECTION 7.1. Except as provided for reports to the Senate and House Agriculture Committees, moneys collected by the Council shall be expended only for the purposes of this act and shall not be used in any manner for influencing legislation or for political campaign contributions.

SECTION 7.5 The price of propane shall be determined by market forces consistent with antitrust laws and no provision of this act shall be interpreted as allowing a pass through to consumers of the assessment determined by the Council pursuant to subsection (a).

ARTICLE VIII FISCAL YEAR

SECTION 8.1. Fixed by the Council. The fiscal year of the Council shall be fixed by resolution of the Council.

ARTICLE IX AMENDMENTS AND PARLIAMENTARY AUTHORITY

SECTION 9.1. Amendments. The bylaws may be amended by a two-thirds vote of the members present and voting at any meeting of the Council, provided the proposed amendments have been sent to each member prior to the meeting.

SECTION 9.2. Parliamentary Authority. Roberts Rules of Order shall be the parliamentary authority for all matters of procedure not specifically covered by the bylaws, statutes, or regulations.

ARTICLE X SEAL

SECTION 10.1. Force and Effect. The Council seal shall have inscribed thereon the name "KanPERC" and the name "Kansas Propane Education and Research Council" and the words "Corporate Seal of Kansas." The seal may be used by causing it or a facsimile thereof to be impressed, stamped in ink, impressing, stamping or affixed or in any other manner affixed or reproduced, provided that the affixing of the corporate seal to an instrument shall not give construction thereof, and the use of the corporate seal is not mandatory.

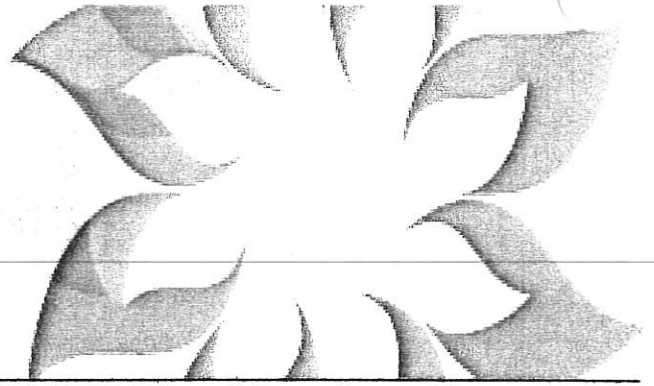
Adopted this ____ day of _____, A.D. , 20__, by the Council acting in session at its offices in the city of Topeka, Kansas.

Chairperson Attested:

Secretary/Treasurer

Revised December 3, 2003

KanPERC



Kansas Propane Education & Research Council

420 S.E. 6th Ave., Suite 2000 • Topeka, KS 66607 • 785/354-1749 • FAX 785/354-1740 • email: kanperc@propaneinkansas.org

KanPERC

Kansas Propane Education & Research Council

Industry & Public Education Calendar 2005

The KanPERC Council members are happy to announce 2005 education opportunities that will be offered **free of charge** to participants. The goal of KanPERC and classes is to increase the level of education and safety awareness in the propane industry, other groups working with propane, and the public.

February

8th Council Meeting: 10:00 am, KanPERC office, Topeka

March

7th—Modified CETP Basic Principles & Practices/Delivery & HazMat Refresher
8:00-5:00, KanPERC Office Topeka.

10th & 11th—PHCC Expo (Plumbing Heating Cooling Conference)
Wichita, times to be determined.

28th—April 1st—CETP Basic Principles & Practices & CETP Delivery
8:00 a.m. KanPERC office Topeka.

April

26th Council Meeting: 10:00 am, KanPERC office, Topeka

May

16th—20th—CETP Basic Principles & Practices & CETP Delivery
8:00 a.m. KanPERC office Topeka.

23rd—27th—Basic Serviceperson Certified Training
8:00 a.m. KanPERC office Topeka.

June

20th— Modified CETP Basic Principles & Practices/Delivery & HazMat Refresher
8:00-5:00, KanPERC Office Topeka.

August

8th—12th—CETP Basic Principles & Practices & CETP Delivery
8:00 a.m. Colby

16th—Council Meeting: 10:00 am, KanPERC office, Topeka

22nd—26th CETP Distribution
8:00-5:00, KanPERC Office Topeka.

29th— Modified CETP Basic Principles & Practices/Delivery & HazMat Refresher
8:00-5:00, KanPERC Office Topeka.

October

3rd—Modified CETP Basic Principles & Practices/Delivery & HazMat Refresher
8:00-5:00, KanPERC Office Topeka.

10th—14th—CETP Basic Principles & Practices & CETP Delivery
8:00 a.m. KanPERC office Topeka.

17th—21st—Interrupted System Startup Schools.
Located around the state at five different locations.

November

16th Council Meeting: 10:00 am, KanPERC office, Topeka

**note—all class dates, times and locations are subject to change. Please contact the office and watch you mail for any changes that may occur due to conflicts and events beyond our control.*



KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Retail Food Inspection Transition and Baseline Report
to
The House Agriculture Committee

by **Evan Sumner**
Director, Division of Food Safety
Kansas Department of Agriculture

January 26, 2004

Good morning Chairman Johnson and members of the committee. I am Evan Sumner, director of the Division of Food Safety with the Kansas Department of Agriculture. I appear before you today to update you on the transfer of food safety responsibilities to the Department of Agriculture and to provide you baseline compliance data gleaned from our first four months of inspections.

In January 2004, Governor Sebelius signed Executive Reorganization Order No. 32 transferring powers, duties and functions related to licensing, inspecting and regulating mobile retail ice cream vendors, retail food stores, food service establishments in retail food stores, food vending machines, companies and dealers, and food processing plants from the Department of Health and Environment to the Kansas Department of Agriculture.

The 2004 Legislature passed Substitute Senate Bill 296, which requires the Kansas Department of Agriculture to create a statistically based, random selection of 1,000 retail stores to inspect with results evaluated and documented as baseline compliance for this transferred program. The results of these inspections are to be reported to both the House and Senate agricultural committees by January 31, 2006. Substitute Senate Bill 296 also requires us to report on the status of these baseline inspections using 359 establishments.

Program Transition

Prior to October 1, 2004, a number of measures were taken to ensure a smooth transfer of licensing and inspection responsibilities:

- During February and March 2004, several joint inspections of food warehouses were performed with KDHE and KDA Meat and Poultry Inspection program compliance officers. This training involved six joint warehouse reviews for each compliance officer.

- Prior to October 1, KDA twice met with KDHE inspectors who were selected to transfer to KDA to answer their questions and to outline our expectations for them.
- We hired a retail food technical specialist in September 2004.
- KHDE gave us their training materials, inspection forms and guidance documents for industry. We used KDHE's inspection forms to help us develop our own inspection form, and we updated the other documents to include our agency name, logo and contact information.
- P.C. tablets (handheld computers) and inspection software were purchased to enable a paperless inspection process. The inspection software and tablets allows us to capture electronic signatures, and the inspection data cannot be altered once the signature is captured.
- We are working with KDHE to adopt FDA's 2001 Food Code.
- We have adopted by reference the 21 CFR Parts 100 to 169 for authorities in food manufacturing facilities.
- Before October 2004, we met with the Petroleum Marketers and Convenience Store Association of Kansas, the Kansas Restaurant and Hospitality Association, and the Kansas Food Dealers Association, either in person or by conference call to discuss our new authorities.
- We entered into a memorandum of understanding with KDHE (epidemiology) committing to help investigate foodborne illness outbreaks.
- We entered into contracts with Johnson, Saline, Riley, Sedgwick, Butler, Lyon, Riley, Geary and Reno counties for food service establishment inspections. These same counties perform restaurant inspections under contract with KDHE. We believe it's important to continue these county contracts to foster a smooth transition of duties. In the future, we will consider expanding these contracts to include retail food store inspections where counties are now conducting food service inspections, if county health departments are interested.
- We created a Division of Food Safety and appointed Dr. Evan Sumner director. Although not specifically part of the Food Safety Division, other KDA programs (Retail Food Inspection, Meat and Poultry Inspection, Dairy Inspection, Weights and Measures, and the Agricultural Commodities Assurance Program) conduct food safety inspections. This allows us to more effectively use existing food safety staff and expertise, and it reduces the number of inspectors going into an establishment. For example, water bottlers, wineries and ice plants are inspected by the Dairy Inspection program, and mobile ice cream trucks and vending machines are inspected by the Weights and Measure program.

Resources transferred from KDHE included six FTE positions and all associated equipment. Of the six positions, four were filled prior to October 1, 2004 (southeast, south-central, northeast and northwest regions). However, the northeast region inspector resigned from KDHE prior to the transfer and the south-central inspector retired soon after the transfer. This left the program with only two field inspectors. To date, the northeast and southwest region positions have been filled and the new inspectors are in training. Interviews for the south-central position will be conducted in the near future.

The Division of Food Safety used two unfilled Meat and Poultry Inspection program positions to add two compliance officers. These positions will be funded half by Meat and Poultry Inspection and half by Retail Food Inspection to allow the Division of Food Safety to complete the necessary food warehouse inspections.

Baseline Inspection

Senate Bill 296 mandates that KDA randomly select 1,000 retail food stores to inspect to establish baseline compliance data and to provide a report to the House and Senate agriculture committees by January 31, 2006. Of these 1,000 retail food stores, 359 were to be inspected for preliminary compliance data to be reported by January 31, 2005.

Included in the baseline survey are both retail food stores and food service establishments in retail food stores. We inspected **163** retail food stores and **223** food services establishments for **386** total baseline inspections. Data collectors included retail food inspectors from the Kansas Department of Agriculture's Division of Food Safety and county inspectors under contract.

Ideally, all establishments selected for this preliminary baseline would have been randomly selected, but due to time and resource constraints, we included establishments that required routine inspection, follow-up inspection and complaint investigation inspection. As mentioned earlier, we experienced staff shortages, and it was at a time when we needed to investigate 63 consumer complains, respond to 15 disasters involving food (truck wrecks and fires) and perform 47 follow-up inspections.

The preliminary baseline inspections were intended to determine the initial compliance rates for retail food stores and food service establishments in retail food stores. This baseline will serve as a point of reference to gauge KDA's inspection efforts and industry's compliance.

Baseline

The preliminary baseline included the five foodborne illness risk factors identified by the *Centers for Disease Control and Prevention (CDC) Surveillance Report for 1988 – 1992*. These five contributing foodborne illness risk factors were identified in the *FDA Report on the Occurrence of Foodborne Illness Risk Factors in Selected Institutional Foodservice, Restaurants, and Retail Food Store Facility Types (2004)*.

These risk factors are:

1. Food from unsafe sources
2. Inadequate cooking
3. Improper holding temperatures
4. Contaminated equipment
5. Poor personal hygiene
6. Chemicals (In our baseline study, we included potential chemical contamination in addition to the five foodborne illness risk factors.)

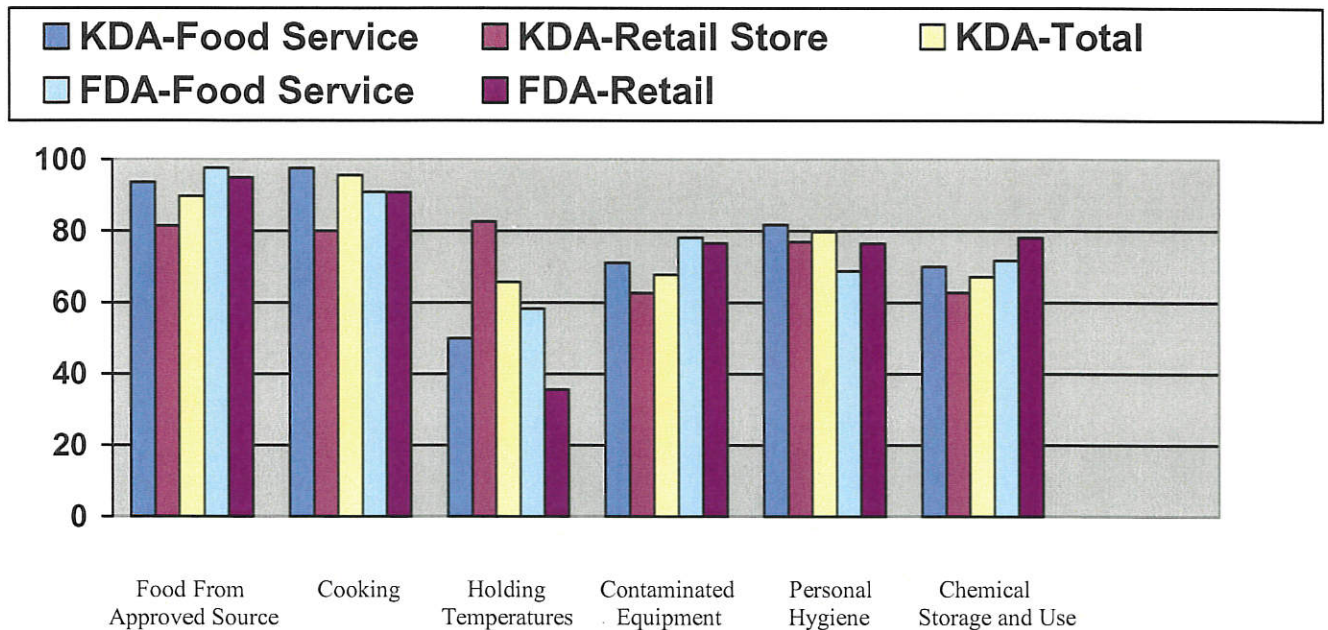
This formula was used to calculate the risk factors in compliance percentages:

$$\text{Percent in compliance} = \frac{\text{Total in compliance observations}}{\text{Total number of observations (IN and OUT of compliance)}} \times 100\%$$

The results include data from:

Food service establishments inspected	223
Retail food establishments inspected	<u>163</u>
Total number of establishments inspected	386

Percent in Compliance



Approved Source:

- KDA-Food Service - 93.6% compliance
- KDA-Retail - 81.4% compliance
- KDA-Total - 89.7% compliance

FDA-Food Service (fast food) – 97.7% compliance
FDA-Retail Food (deli) – 95.0% compliance

Adequate Cooking:

KDA-Food Service – 97.6% compliance
KDA-Retail – 80.0% compliance
KDA-Total – 95.6% compliance
FDA-Food Service (fast food) – 90.9% compliance
FDA-Retail Food (deli) – 90.8% compliance

Proper Holding Temperatures:

KDA-Food Service – 50% compliance
KDA-Retail – 82.6% compliance
KDA-Total – 65.8% compliance
FDA-Food Service (fast food) – 58.3% compliance
FDA-Retail Food (deli) – 35.6% compliance

Contaminated Equipment:

KDA-Food Service – 71.1%
KDA-Retail – 62.7% compliance
KDA-Total – 67.8% compliance
FDA-Food Service (fast food) – 78.1% compliance
FDA-Retail Food (deli) – 76.6% compliance

Personal Hygiene:

KDA-Food Service – 81.7% compliance
KDA-Retail – 76.9% compliance
KDA-Total – 79.7% compliance
FDA-Food Service (fast food) – 68.8% compliance
FDA-Retail Food (deli) – 76.5% compliance

Chemicals:

KDA-Food Service – 70.1% compliance
KDA-Retail – 62.8% compliance
KDA-Total – 67.2% compliance
FDA-Food Service (fast food) – 71.7% compliance
FDA-Retail Food (deli) – 78.1% compliance

Acceptable Compliance Rate

In the *FDA Report on the Occurrence of Foodborne Illness Risk Factors in Selected Institutional Foodservice, Restaurants, and Retail Food Store Facility Types (2004)* it was suggested that FDA, to be consistent their retail food steering committee's recommendation, establish a 10-year goal to reduce by 25 percent the number of facilities out-of-compliance. Ultimately, the responsibility for developing and maintaining an effective food safety system lies

with management of these establishments. Actions of individual operators are key to preventing foodborne illnesses.

Food Code References for Risk Factors and Interventions Specified on Food Establishment Inspection Report

<p><u>Demonstration of Knowledge</u></p> <p>1. 2-101.11 Assignment *</p> <p>2-102.11 Demonstration *</p> <p>2-103.11 Person-In-Charge Duties</p> <p><u>Employee Health</u></p> <p>2. 2-201.11 Responsibility of PIC *</p> <p>3. 2-201.12 Exclusions & Restrictions *</p> <p>2-201.13 Removal of Exclusions & Restrictions</p> <p>2-201.14 Responsibility of Food Employee *</p> <p>2-201.15 Reporting by PIC *</p> <p><u>Good Hygienic Practices</u></p> <p>4. 2-401.11 Eating, Drinking, or Using Tobacco *</p> <p>3-301.12 Preventing Contamination when Tasting *</p> <p>5. 2-401.12 Discharges from the Eyes, Nose, and Mouth *</p> <p><u>Control of Hands as a Vehicle of Contamination</u></p> <p>6. 2-301.11 Clean condition *</p> <p>2-301.12 Cleaning Procedure *</p> <p>2-301.14 When to Wash *</p> <p>2-301.15 Where to Wash</p> <p>2-301.16 Hand Sanitizers</p> <p>7. 3-301.11 Preventing Contamination from Hands *</p> <p>8. 5-203.11 Handwashing Facilities (nos./capacities) *</p> <p>5-204.11 Handwashing Facilities (loc./placement) *</p> <p>5-205.11 Using a Handwashing Facility</p> <p>6-301.11 Handwashing Cleanser, Availability</p> <p>6-301.12 Hand Drying Provision</p> <p>6-301.13 Handwashing Aids & Devices, Use Restrictions</p> <p>6-301.14 Handwashing Signage</p> <p>6-501.18 Maintaining & Using Handwashing Facilities</p> <p><u>Approved Source</u></p> <p>9. 3-201.11 Compliance with Food Law *</p> <p>3-201.12 Food in Hermetically Sealed Container *</p> <p>3-201.13 Fluid Milk & Milk Products *</p> <p>3-201.14 Fish *</p> <p>3-201.15 Molluscan Shellfish *</p> <p>3-201.16 Wild Mushrooms *</p> <p>3-201.17 Game Animals *</p> <p>3-202.13 Shell Eggs *</p> <p>3-202.14 Eggs & Milk Products, Pasteurized *</p> <p>3-202.110 Prepackaged Juice-Treated</p> <p>5-101.13 Bottled Drinking Water *</p> <p>10. 3-202.11 Temperature *</p> <p>11. 3-101.11 Safe, Unadulterated, & Honestly Presented *</p> <p>3-202.15 Package Integrity *</p> <p>12. 3-202.18 Shellstock Identification *</p> <p>3-203.12 Shellstock, Maintaining Identification *</p> <p>3-402.11 Parasite Destruction *</p> <p>3-402.12 Records, Creation, & Retention</p> <p><u>Protection from Contamination</u></p> <p>13. 3-302.11 Separation, Packaging, & Segregation *</p> <p>3-304.11 Food Contact with Equipment & Utensils *</p> <p>3-306.13A Consumer Self Service Operations *</p>	<p><u>Protection from Contamination</u></p> <p>14. 4-501.111 Manual Warewashing, Hot Water Sanitization *</p> <p>4-501.112 Mechanical Warewashing, Hot Water Sanitization</p> <p>4-501.113 Mechanical Warewashing, Sanitization Pressure</p> <p>4-501.114 Chemical Sanitization-Temp, pH, Concentration, Hardness *</p> <p>4-501.115 Manual Warewashing Eq, Detergent Sanitizers</p> <p>4-601.11A Food Contact Clean to Sight and Touch *</p> <p>4-602.11 Eq. & Food-Contact-Cleaning Frequency *</p> <p>4-602.12 Cooking & Baking Equipment</p> <p>4-702.11 Before Use After Cleaning *</p> <p>4-703.11 Hot Water and Chemical *</p> <p>15. 3-306.14 Returned Food & Reservice of Food *</p> <p>3-701.11 Discarding/Reconditioning *</p> <p><u>Potentially Hazardous Food Time/Temperature</u></p> <p>16. 3-401.11 Cooking Raw Animal Foods *</p> <p>3-401.12 Microwave Cooking *</p> <p>17. 3-403.11 Reheating for Hot Holding *</p> <p>18. 3-501.14 Cooling *</p> <p>19. 3-501.16 Hot Holding *</p> <p>20. 3-501.16 Cold Holding *</p> <p>21. 3-501.17 RTE PHF, Date Marking *</p> <p>3-501.18 RTE PHF, Disposition *</p> <p>22. 3-501.19 Time as a Public Health Control *</p> <p><u>Consumer Advisory</u></p> <p>23. 3-603.11 Consumer Advisory for Raw or Undercooked Food *</p> <p><u>Highly Susceptible Populations</u></p> <p>24. 3-801.11 Pasteurized Foods & Prohibited Food *</p> <p><u>Chemical</u></p> <p>25. 3-202.12 Approved Additives *</p> <p>3-302.14 Protection from Unapproved Additives *</p> <p>26. 7-101.11 Identifying Information *</p> <p>7-102.11 Common Name, Working Containers *</p> <p>7-201.11 Separation, Storage *</p> <p>7-202.11 Restriction *</p> <p>7-202.12 Conditions of use *</p> <p>7-203.11 Poisonous or Toxic Material Containers *</p> <p>7-204.11 Sanitizers, Criteria *</p> <p>7-204.12 Chemicals for Washing Fruits & Vegetables *</p> <p>7-204.13 Boiler Water Additives *</p> <p>7-204.14 Drying Agents *</p> <p>7-205.11 Incidental Food Contact, Criteria *</p> <p>7-206.11 Restricted Use Pesticides *</p> <p>7-206.12 Rodent Bait Stations *</p> <p>7-206.13 Tacking Powders, Pest Control & Monitoring *</p> <p>7-207.11 Restriction & Storage; medicines *</p> <p>7-207.12 Refrigerated Medicines, Storage *</p> <p>7-208.11 Storage-First Aid Supplies *</p> <p>7-209.11 Storage-Personal Care Items</p> <p>7-301.11 Separation for Retail Sale *</p> <p><u>Conformance with Approved Procedures</u></p> <p>27. 8-103.12 Compliance with Variance and HACCP Plan *</p> <p>3-502.11 Variance Requirement *</p> <p>3-502.12 Reduced Oxygen Packaging, Criteria *</p> <p>3-404.11 Treating Juice</p>
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Internal Cooking Temperature Specifications

145°F for 15 seconds:	<ul style="list-style-type: none"> • Raw shell eggs cooked for immediate service • Fish, except as listed below • Meat, except as listed below 	<ul style="list-style-type: none"> • Pork, except as listed below • Commercially raised game animals, rabbits
155°F for 15 seconds:	<ul style="list-style-type: none"> • Ratites (Ostrich, Rhea and Emu) • Injected meats 	<ul style="list-style-type: none"> • Comminuted meat, fish, or commercially raised game animals
165°F for 15 seconds:	<ul style="list-style-type: none"> • Wild game animals • Poultry 	<ul style="list-style-type: none"> • Stuffed fish, meat, pork, pasta, ratites and poultry • Stuffing containing fish, meat and poultry
Roasts: Refer to cooking chart in the U.S. Food Code		

Asterisk (*) items are listed as critical items in the Food Code.

STATE of Kansas
KANSAS ANIMAL HEALTH DEPARTMENT

George Teagarden, Livestock Commissioner
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House Agriculture Committee
January 26, 2004

Re: Animal Identification Report to Agriculture Committees, 2005

Mr. Chairman and Members of the Committee,

I am George Teagarden, Livestock Commissioner of the Kansas Animal Health Department (KAHD), the agency that is charged by the United State Department of Agriculture (USDA) to implement the National Animal Identification System in Kansas.

Last legislative session, the Kansas Animal Health Department asked for authority to implement a national animal identification program as it is developed by the United States Department of Agriculture. With your support, HB 2593 became law. In that bill we were authorized to cooperate with the USDA, other state government officials and representatives of private industry and to promulgate rules and regulations, to define premises where animals are located and to develop premises registration system in Kansas.

The National Animal Identification System (NAIS) is in the early stages of being implemented by USDA. As you know, this identification system was developed by the United States Animal Identification Plan taskforce, made up of approximately 70 livestock producers, representing all livestock species as well as fish and 30 animal health officials representing states as well as USDA. After the initial plan was developed, the taskforce was divided into specie working groups to outline how the plan would be implemented within each specie. The species represented in the plan include cattle, bison, swine, sheep, goats, horses, camelids, domesticated deer and elk, poultry (chicken and turkeys) and fish. The cattle and swine groups have reported to USDA with their recommendations and other groups are expected to report as progress is made on their work.

At the current time, the NAIS is a voluntary system, for I think two reasons; first - USDA feels the program will be more readily accepted if it is voluntary and second because a voluntary program is exempt from the federal Freedom of Information Act (FOIA), thus keeping the information and data collected through the system confidential, as Kansas

House Agriculture Committee
January 26, 2005
Attachment 5

has done by law. USDA has asked the U.S. Congress to exempt their records dealing with animal identification from FOIA.

The goal of the NAIS is to achieve a trace back system that can identify all animals and premises potentially exposed to an animal with a foreign animal disease (FAD) within 48 hours of discovery. The need for maintaining the health and economic viability of US animal agriculture is critical to the industry and to the safety of the US food supply. In Kansas, we have a \$12 billion + livestock industry.

In July of last year, USDA asked for applications for "pilot projects" involving animal identification. Forty-five applications were received and 29 were approved for funding. Kansas was one of the successful applicants.

The approved pilot projects all begin with premises registration, the base for a national system. The pilots are to register premises, develop data interface, work with multiple species, various technology and third parties. The Kansas pilot project will use PDAs, Global Positioning Systems and Cellular technologies to link premises identification, animal location and individual animal identification to semi-loads of cattle or swine during commercial transport. This information will be collected at truckside and relayed to our office by the drivers. We will know what animals were loaded, the premises and exact location of loading and where they were delivered. Both the shipper and receiver will receive a printed document of the individuals delivered. Those involved in the project are individual producers, US Premium Beef, National Beef Packers, Kansas State University, Digital Angel, Osborne Industries, the Kansas Department of Ag, commercial carriers and other pilot projects. The commercial trucking industry hauls an extremely high percentage of the total livestock movement in the United States.

USDA also adopted a premises registration system that was developed by Wisconsin as the official premises registration system. The Kansas Animal Health Department had considered a system developed by the University of Nebraska and the Nebraska Department of Agriculture but opted for the "official" system financed by USDA.

Currently, thirty-eight states have premises registration systems installed and are beginning the process of registering premises. Most are using the official system but there are four other systems that have been determined to be compliant with the NAIS. If a state chooses to use any system, other than the "official" system, they have to bare the costs of installation and maintenance.

Official animal identification has not been implemented at this time. The development of a national data base for tracing animals is not developed. The official NAIS tags are scheduled to be available in July of 2005, once the data base is built.

Recordings of animal movement will be made when there is a change of ownership, a change of premises and/or interstate movement.

During the Kansas State Fair, a taskforce met to discuss and develop the definition of a premises in Kansas. Representatives from the Kansas Farm Bureau, Kansas Farmers Union, Kansas Dairy Association, Kansas Cattleman's Association, Kansas Pork Association, Kansas Livestock Association, Kansas Sheep Association and the Kansas Department of Agriculture were invited to this meeting. Representative Dan Johnson also attended. The KAHD presented a draft definition and opened the meeting for discussion and suggestions. Minor changes were made to improve the definition and the consensus of the taskforce was that it was ready for public review and comment. Four regional producer meetings were held in Wakeeney, Dodge City, Parsons and Rossville, all of which were set with the help of KSU's Extension Service. Attendance was evenly spread among the four meetings, with about fifty people attending each. Those meetings yielded no changes to the taskforces recommendation. I have attached the work sheet that was passed out at the regional meetings. This worksheet defines the premises in layman's terms and asks for comments regarding the definition and fees and enforcement issues. Return of the work sheet was extremely low; about 10 from the nearly 200 attendees. There was no consensus on any additional fees or enforcement. Because this is a voluntary program and at this time the USDA is funding the pilot project and all associated costs, there is no need for any state fees nor penalties. The premises definition has been presented for temporary regulation. The process to make the definition a permanent regulation will follow the temporary approval.

Our premises registration system will identify ownership of land and livestock and the principal contact person for each operation. It will identify ownership/management/contractor for those operations in our state that may be owned by an absentee, the livestock may be owned by another and the management is covered by contract managers. Bottom line is we need to identify the person who can tell us how a given herd or flock was handled and what other animals may have been in contact.

I have included in the handouts a premises registration form with an explanatory page, commonly asked questions and answers, a work sheet and a copy of a power point that I have used at numerous meetings across the state.

We have introduced HB 2053 to amend the current premise registration law. The bill brings the terminology up-to-date and eliminates the sunset provision.

Mr. Chairman, I would entertain any questions that you or your committee members might have.

STATE of Kansas
KANSAS ANIMAL HEALTH DEPARTMENT

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Kansas Premise Registration Application

The attached form represents the first step in implementing the National Animal Identification System. Premise registration is the foundation of the program that ultimately will allow for rapid traceback of animals in the case of a disease outbreak.

Currently, the Kansas Animal Health Department (KAHD) has federal funding to support the cost of premise registration.

An application form is attached, as well as a sample form. The application can be completed and mailed to the Kansas Animal Health Department. After processing the application, a unique premise identification number will be issued for your operation.

KAHD will use the following to describe a premise:

As determined by the Kansas Livestock Commissioner for purposes of identifying and registering Premises, a Premises is defined as an identifiable geographic location under common ownership or management used for the purpose of feeding, grazing and/or other activity where the animals are not interchanged or commingled with animals from outside the Premises.

Commingling occurs when animals are brought together from two or more locations not under common ownership or management. In this situation, each location should be registered as a separate premise.

KAHD prefers premises be registered under the owner of the property. Rented pasture should be registered under the owner's name with the operator listed as the contact person. Tenants may assist owners with registering premises.

If you have questions about completing your application, you may contact the KAHD office.

For additional information contact Teresa Stephens, tstephens@kahd.ks.gov - 785-296-2326.

Premises Information:

(Primary location where livestock resides, if more than one location and animals are managed separately, apply for multiple premises ID's)

Premises name/description: _____ (example "home place", "heifer place")

Premises Address: Check if same as business/farm account mailing address

OR (if not the same as business/farm mailing address)

Premises Address: _____

City: _____ State: _____ Zip: _____ - _____ County: _____

Premises Type*: Producer Unit/Farm Clinic Exhibition Laboratory Market/collection point
(*check all) Non-producer Participant Port of Entry Quarantine Facility Rendering
 Slaughter plant Tagging site

Species at Premises*: Cattle and Bison Swine Sheep Goats Horses Poultry
(*check all) Deer and Elk Llama Emu

Legal Land Description*: _____
(*required if no address) Township Range Section

GEO Coordinates*: Latitude: _____ - _____ Longitude: - _____ - _____
(*Optional)

Additional Secondary Premises Information (optional):

Premises name/description: _____

Premises Address: _____

City: _____ - State: _____ Zip: _____ - _____ County: _____

Premises Type*: Producer Unit/Farm Clinic Exhibition Laboratory Market/collection point
(*check all) Non-producer Participant Port of Entry Quarantine Facility Rendering
 Slaughter plant Tagging site

Species at Premises*: Cattle and Bison Swine Sheep Goats Horses Poultry
(*check all) Deer and Elk Llama Emu

Legal Land Description*: _____
(*required if no address) Township Range Section

GEO Coordinates*: Latitude: _____ - _____ Longitude: - _____ - _____
(*Optional)

Return forms to: Kansas Animal Health Department, 708 SW Jackson, Topeka, KS 66603-3714
For questions, contact KAHD support: Phone: 785-296-2326 or e-Mail: tstephens@kahd.ks.gov
If you have more than two premises (animal locations) please request additional sheets

Authorized Agent*: This box is designed to help you know who filled out this form from your office.
(*to be completed by authorized agents only)

Agent Name: _____ Date: _____
Agent Organization: _____

Premises Information:

(Primary location where livestock resides, if more than one location and animals are managed separately, apply for multiple premises ID's)

Premises name/description: _____ (example "home place", "heifer place")

Premises Address: Check if same as business/farm account mailing address
If it is the same check the box so you don't have to fill in the address again.

OR (if not the same as business/farm mailing address)

Premises Address: _____
City: _____ State: _____ Zip: _____ - _____ County: _____

Premises Type*: Producer Unit/Farm Clinic Exhibition Laboratory Market/collection point
(*check all) Non-producer Participant Port of Entry Quarantine Facility Rendering
 Slaughter plant Tagging site
Select what type applies best to this Premises. Generally speaking it is a Producer Unit/Farm

Species at Premises*: Cattle and Bison Swine Sheep Goats Horses Poultry
(*check all) Deer and Elk Llama Emu

Legal Land Description*: _____
(*required if no address) Township _____ Range _____ Section _____

GEO Coordinates*: Latitude: _____ - _____ Longitude: - _____ - _____
(*Optional)

Additional Secondary Premises Information (optional):

Helpful hint—two separate locations managed differently means two separate premises. If the second farm is a few miles away and the producer moves animals from place to place regularly or it is pasture land the animals move to and from, it is recommended to be considered one premise.

Fill out the rest just like you did above.

Return forms to: Kansas Animal Health Department, 708 SW Jackson, Topeka, KS 66603-3714
For questions, contact KAHD support: Phone: 785-296-2326 or e-Mail: tstephens@kahd.ks.gov
If you have more than two premises (animal locations) please request additional sheets

STATE OF KANSAS
KANSAS ANIMAL HEALTH
DEPARTMENT

George Teagarden, Livestock Commissioner

708 SW Jackson, Topeka, Kansas 66603-3714

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Frequently asked questions and answers about the National Animal Identification System (NAIS)

- **Why do we need an identification system?** Animal identification is not new. Animals have been identified in all of our regulatory programs since at least 1927 when the tuberculosis eradication effort began. Currently, all breeding cattle, swine and sheep ***must*** be identified by an official tag or tattoo for interstate transport. Horses in interstate commerce must be identified by description.
- **What is the advantage of the NAIS?** NAIS is for disease tracking. The goal is to allow the rapid tracking of animals during a disease outbreak. The system is designed to allow state and federal officials to trace an individual animal, throughout its life, in 48 hours. The tracking system used today can take days or months to trace back animals. Even then, the search often leads to a dead end.
- **Has Kansas registered premises prior to the implementation of NAIS?** Yes. Kansas has been registering premises for years. Currently, all feedlots, livestock markets and livestock dealers are registered in Kansas. Most swine premises are registered as well. All U.S. premises with sheep are required to be registered by individual states as part of the Scrapies Control Program.
- **What definition of Premises is used for the National Animal Identification System?** An identifiable geographic location under common ownership or management used for the purpose of feeding, grazing and/or other activity where the animals are not interchanged or commingled with animals from outside the Premises. The key words are ownership or management - where commingling does not occur.
- **How many “premises” should I register?** One or more, depending on whether you commingle the animals. If, for example, you have two herds – one commercial and one registered - that are never commingled you would probably want to register both premises. If you have only registered one premise and there is a disease outbreak both herds will be quarantined. By registering two premises, depending on the disease, you might have one herd quarantined, but not both.

- **I own some land, but I also rent additional pasture, how should I register a premises?** Register *your own land in your name* and list the rented pasture in the section of the application that asks for “additional premises” information. The rented premises should be registered in the land owners name, with you listed as the contact person.
- **Is there a cost to registering premises?** Not at this time. The USDA has provided funding for premises registration to Kansas and other states who utilize the federal registration system.
- **Why can't I use my Scrapie Control Program premises number?** Scrapie programs are operated as state programs and the premises number is unique to each state's program. The national animal identification system will provide a uniform set of premises numbers nationwide.
- **Why not use the brucellosis tags?** The U.S. is nearly free of brucellosis so many heifers are not officially calthood vaccinated. Under the current program, only OCV'd heifers and adult tested cattle are tagged. The cattle program for NAIS is being planned to move at the speed of commerce. To do this, the recommended tags will be radio frequency identification devices (RFID) that are electronic. Bangs tags are not electronic and must be read then recorded by hand.
- **Why won't a brand work?** Brands are only good in the jurisdiction where they are issued and only identify the premises, not individual animals. A Kansas brand does not mean anything in other states. In Texas, where brand registration is on a county basis, 140 individuals could have the same brand. Brands are sometimes hard to read due to improper technique or the reader's lack of knowledge of the brand alphabet.
- **Is this identification system part of “COOL”?** No. The National Animal Identification System is for disease control purposes, not for country of origin labeling programs. It is not a component of the COOL law, but because the official RFID devices will have a country of origin code number, it could be used for COOL purposes.
- **Won't the NAIS cost producers a lot of money?** A disease outbreak would cost both producers and the government a tremendous amount of money. Currently, if there is a highly contagious disease, such as foot and mouth, both the industry and individual producers would suffer financially because of slow, incomplete tracing of the animals. The national animal identification system will allow the rapid tracing of animals, help limit the scope and expense of managing an outbreak and minimize an outbreak's impact on domestic and foreign markets.
- **Does the cow/calf producer bear all the costs?** No. The cow/calf producer has the responsibility to purchase tags and apply them as cattle enter commerce. The receivers bear the cost of readers and re-tagging lost or non-reading tags.

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- **Do I have to have a (radio frequency) reader?** No. The responsibility of the first known producer is to apply an electronic tag. It is the responsibility of the receiver to document and report the transaction. Preferably, this will be done electronically but hand written documents will be accepted.
- **When will recordings be made of livestock movement?** At any change of ownership, change of premises where commingling occurs, all interstate movement (even without an ownership change) and slaughter.
- **Do I have to record individual numbers when I change pastures?** If you are changing pastures within your operation, the answer is no. If you move animals to a premise that is not part of your operation you need to record the movement.
- **I rent pasture (grass, wheat, stalk fields); do I have to make a record of movement to these pastures?** If these pastures are part of a single operation; you do not need to make a record unless commingling occurs.
- **Do I have to report the movement of my cattle when I sell them?** No. It is the buyer's responsibility to report the new location of the cattle.
- **Where will I get tags?** There are several companies that will meet the standards to manufacture tags for this program. You will be able to get various tags from official NAIS tag distributors (approved manufactures or venders). We anticipate that many of your current venders will carry these tags.
- **Can I get my calves tagged at the market?** Some markets are planning to provide that service, but will charge a fee in addition to the cost of the tag. You will probably have more shrinkage due to extra handling and time involved than having it done before the cattle leave your operation. You should check with your market before consignment to see if they are offering the service.
- **Can these tags be used a second time?** No, these tags are designed for single use and will be tamper-evident. Enough numbers are assigned so that individual numbers that will not be duplicated for at least 20 years. All tags received at the slaughter house will be destroyed
- **What if I receive animals with lost tags?** You should replace the lost tags with tags of your own that are registered to your premises. Report the lost tag to the Kansas Animal Health Department. Your records should reflect that the cow did not have a tag when it arrived and you should record the number that you re-tagged it with.
- **What if a cow or calf dies?** Report the death and ID number to the state office and make note in your own records. There will be codes provided to record this type of information.

5-11

- **How do you know if the animal is from the U.S.?** The official 15 digit tag will have the first three numbers indicating the country of origin. The official number for the U.S. is 840.
- **Will everyone have access to information gathered by the government?** Kansas law requires the state Animal Health Department to keep information confidential. Unless you share the information with others, only state and federal animal health officials will have access to the information. The premises identification numbers (PIN) will not be part of the ear tag. They will only be used to identify the land owner/manager and they will be maintained in a separate data base from individual animal identification numbers. Individual animal numbers will not give any indication as to the origin of the animal, except that it is from the USA or another country.
- **What about my production and management records?** Animal health officials are only interested in the birth herd and when and where the animal stopped during its life. Production/management records are not part of the data base used to track animal movements for the NAIS disease control program. Those records are for the herd owner's use only.

1/6/2005

WORKSHEET FOR STUDY GROUPS

I. OVERVIEW: The Legislature left the definition of "Premises" under a Kansas animal identification program to the discretion of the State Livestock Commissioner. The Legislature also required that recommendations for this definition and for other areas related to an animal identification program be made by representatives of each species group.

II. PROPOSED DEFINITION OF PREMISES

GENERAL DEFINITION:

As determined by the Kansas Livestock Commissioner for purposes of identifying and registering Premises, a Premises is defined as an identifiable geographic location under common ownership or management used for the purpose of feeding, grazing and/or other activity where the animals are not interchanged or commingled with animals from outside the Premises.

EFFECT OF COMINGLING/INTERCHANGING ANIMALS:

If the animals from adjoining or non-adjoining geographic locations are commingled or interchanged with the animals on a Premises, the area(s) must be included in the designated Premises. If one or more incidents of commingling or interchanging animals occur, the locations must be combined into one Premises.

"Commingling and interchanging" also includes the concurrent use of shared handling facilities or equipment, and the use of common watering or feeding equipment between separate geographic locations.

The Commissioner may conduct epidemiologic investigations, public records searches or other analysis to determine whether animals from a Premises have direct or indirect contact with animals from other Premises or from outside the Premises.

MULTIPLE SPECIES:

If multiple species are located on the same Premises under common ownership or management, the location may be designated as a single Premises.

DESCRIBING PREMISES:

The "identifiable geographic location" designating a Premises may be described by official legal description, by identifiable physical boundaries or structures, or by use of a recognized geographic coordinate system (GPS), which ever method, in the Commissioner's discretion, most accurately describes the geographic location of the Premises.

****PLEASE COMMENT ON THE PROPOSED DEFINITION OF PREMISES**:**

[See reverse side]

III. FEES AND ENFORCEMENT

Some level of funding will be needed to implement the Kansas animal identification program, and enforcement may be needed to obtain full cooperation. The Kansas legislature required representatives from each Species group make recommendations on these subjects.

Fees:

- A. Make a recommendation as to how the animal identification program should be funded.
 1. Legislative appropriation
 2. Fees
 3. Combination of fees and appropriations

- B. If you recommended that fees should be used to fund the program, state which group(s) should pay the fees.

- C. Make a recommendation as to what amount/type of fees each group should be responsible for (for example: maximum and minimum amounts, sliding scale or flat fee, a proportionate fee based on size of group, animals, geographic area, etc).

Enforcement:

- A. Make a recommendation on the type of legal enforcement you believe would be necessary to fully implement the animal identification program in Kansas.

- B. Recommend a method(s) the Kansas Animal Health Department may use to enforce the animal identification program and recommend any penalties for noncompliance or violations of the program.

Please make any additional comments or recommendations that were not covered by this Worksheet.

National Animal Identification System



George Teagarden
Livestock Commissioner
Kansas Animal Health Depart.

NAIS

- Goal - to achieve a traceback system that can identify all animals and premises potentially exposed to an animal with a Foreign Animal Disease (FAD) within 48 hours of discovery



NAIS

- Need - Maintaining the health and economic viability of US animal agriculture is critical to the industry and to the safety of the US food supply



Recordings

- Change of ownership
 - private transactions
 - markets
 - Slaughter
- Change of Premises
- Interstate movement



What Animal ID Will Do

- Speed tracebacks
- Allow for quick response
- Reduce cost of disease control
- Support consumer confidence
- Maintain international markets

EXAMPLES

- TB steer - 55 herds, 4 states
- Holstein heifers - 6 of 300
- Beef heifers - 7 of 400-500
- Holstein heifers - 1126 in KS, 1800 in Arizona, ? In New Mexico
- BSE - 81 Canadian - 29 found

Kansas Law

5-21

S Sub for H sub for HB 2593

- Authority to implement National ID System (Voluntary)
- Law allows for preparation for premises registration. Cooperative effort with USDA, other state agencies and industry. Confidentiality assured. Duty of Care.
- Report of progress to Legislature, sunset May 15, 2005

National Animal Identification System - Where To Now?

- Pilot projects (12-18 months)
 - 29 approved projects
 - prem ID, data interface, evaluate
 - multi species, systems, third party
- Education
- Prepare for premises registration
 - On line, FSA, hard copy
- Authority for individual ID



Kansas Pilot Project

5-23

■ Animal Transport

- Mobile technologies
 - PDA, GPS, Cellular
 - Link premise identification, animal location and individual animal identification to semi-loads of cattle or swine during commercial transport.
- ## ■ Individual producers, USPB, NBP, KSU, Osborne Industries, Digital Angel, KDA, KLA, commercial carriers, other pilots

Work to Complete

- Build and Evaluate systems
- Assess pilot projects
- Develop UM&R
 - Uniformity across US
- Confidentiality (FOIA)
- Register Premises
- Issue individual ID

Premises ID

- Ownership
 - Owns land and livestock
 - Contact person
- Ownership/Management/Contractor
 - Contract
 - Grazing
 - Feeding
- Individual who knows the answers.

Premises Definition

- An identifiable geographic location under common ownership or management used for the purpose of feeding, grazing and/or other activity where the animals are not interchanged or commingled with animals from outside the Premises.



Effect of Commingling/Interchanging

- Enlarged Premises area
- Includes concurrent use of shared handling facilities or equipment, common watering or feeding equipment
- Epidemiologic investigations, public records searches or other analysis to determine direct or indirect contact

The End

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5-28

